

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Festival
Hydro Inc. for an order approving just and reasonable
rates and other charges for electricity distribution
beginning January 1, 2025.

FESTIVAL HYRO INC.

DRAFT RATE ORDER FILED:

NOVEMBER 22, 2024

**Festival Hydro Inc.
EB-2024-0023
Draft Rate Order**

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LIST OF ATTACHMENTS:

- Appendix A – Bill Impacts Model
- Appendix B – Draft Tariff of Rates and Changes effective January 1, 2025
- Appendix C – Revenue Requirement Workform

LIVE EXCEL MODELS:

In addition to the Appendices listed above, the following live excel models have been filed together with and form an integral part of this Draft Rate Order:

- FHI_2025_Cost_Allocation_Model_1.0_20241122
- FHI_2025_DVA_Continuity_Schedule_CoS_1.0_20241122
- FHI_2025_Filing_Requirements_Chapter2_Appendices_1.0_20241122
- FHI_2025_Rev_Reqt_Workform_1.0_20241122
- FHI_2025_RTSM_Workform_1.0_20241122
- FHI_2025_Tariff_Schedule_and_Bill_Impact_Model_20241122
- FHI_2025_Test_year_Income_Tax_PILS_1.0_20241122

A. BACKGROUND

Festival Hydro Inc. (“FHI”) filed a Cost of Service application with the OEB on April 26, 2024 under section 78 of the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, (Schedule B) (the “Act”), seeking approval for changes to the rates that FHI charges for electricity distribution, to be effective January 1, 2025 (OEB Docket Number EB-2024-0023) (the “Application”).

The Application was accepted by the OEB as complete on May 10, 2024. The OEB issued and published a Notice of Hearing dated May 21, 2024, and Procedural Order No. 1 on June 12, 2024 the latter of which required the parties to the proceeding to develop a proposed issues list.

On June 21, 2024, pursuant to Procedural Order No. 1, OEB Staff submitted a proposed issues list as agreed to by the parties. On June 26, 2024, the OEB issued its Decision on Issues List, approving the list submitted by OEB Staff. This Settlement Proposal is filed with the OEB in connection with the Application and is organized in accordance with the Approved Issues List.

Procedural Order No. 1 scheduled the Settlement Conference for August 12 to 14, 2024. FHI filed its Interrogatory Responses and updated models with the OEB on July 25, 2024.

A Settlement Conference was convened between August 12 to 14, 2024 in accordance with the OEB’s Rules of Practice and Procedure (the “Rules”) and the OEB’s Practice Direction on Settlement Conferences (the “Practice Direction”).

Michelle Dagnino acted as facilitator for the Settlement Conference which lasted for three days.

FHI and the following Intervenors (the “Intervenors”), participated in the Settlement Conference:

School Energy Coalition (“SEC”);
Vulnerable Energy Consumers Coalition (“VECC”);
Energy Probe (“EP”); and
Association of Major Power Consumers in Ontario (“AMPCO”).

FHI and the Intervenors are collectively referred to below as the “Parties”. OEB Staff also participated in the Settlement Conference.

On September 13, 2024, FHI filed a settlement proposal covering all issues. OEB Staff filed a submission on the settlement proposal on September 20, 2024.

On November 12, 2024, the OEB issued its Decision and Order (“the Decision”). In its Decision, the OEB approved the Settlement Proposal as filed and directed FHI as follows:

“A draft Tariff of Rates and Charges has been included with the settlement proposal for rates effective on January 1, 2025.

In accordance with the settlement proposal, prior to finalizing its rate order, Festival Hydro will make updates on the following:

- 2025 Cost of Capital parameters (return on equity and deemed short-term debt rate)
- 2025 Retail Service Charges and Pole Attachment Charge

Festival Hydro shall file its draft rate order, updating the placeholder values for the components noted, with detailed supporting material showing the impact of any required adjustments.

Festival Hydro will also be required to file a draft rate order that reflects the Regulated Price Plan Price Report for November 1, 2024 to October 31, 2025 issued October 18, 2024.”

Also included in its Settlement Proposal is the following:

“FHI intends to secure a new loan on January 1, 2025, as shown in line 5 of table 3.1A below. The Parties agree that FHI will update its weighted average cost of capital as part of the Draft Rate Order Process by using an interest rate for the January 1, 2025 loan that is the lower of: (a) the deemed long-term debt rate issued by the OEB for the 2025 Cost of Capital Parameters; or (b) the quoted rate from the Royal Bank of Canada (“RBC”) for a 10 year amortization loan at the time of the Draft Rate Order process.”

FHI submits this draft rate order (“DRO”), which incorporates the information directed by the Board from the Decision. Included in this DRO are the “live” excel models and appendices listed above.

The DRO has been prepared on the basis that FHI’s new rates will be effective January 1, 2025.

B. UPDATES PURSUANT TO THE ORDER

In accordance with the Settlement Proposal and the OEB's directions in the Decision, FHI has incorporated the following amendments in the Updated Models:

- Short-term debt and return-on-equity issued by the OEB on October 31, 2024 in the revenue requirement workform, cost allocation model, bill impact model and the PILS workform (i.e., change in revenue).
- Long-term debt rate for the new loan dated January 1, 2025, the lower of (a) the deemed long-term debt rate issued by the OEB for the 2025 Cost of Capital Parameters or (b) the quoted rate from RBC for a 10 year amortization loan at the time of the DRO process. With (a) being 4.66% and (b) being 5.06%. The lower, 4.66% has been used.
- Cost of Power to reflect the Regulated Price Plan Price Report ("RPP") and Ontario Electricity Rebate ("OER") for November 1, 2024 to October 31, 2025, issued on October 18, 2024.
 - RPP and OER rates have been updated in the bill impacts.
 - The impacts to the change in rate base and working capital have been updated in the revenue requirement workform, cost allocation model and PILS workform.
- 2025 Retail Service Charges and Pole Attachment Charges were updated prior to the Settlement Proposal, no further updates are required.

FHI confirms that no other updates are required to the "live" Excel workbooks filed on September 13, 2024 and the Settlement Proposal.

FHI also confirms that as part of this DRO, the Updated Models also include the following changes to the Chapter 2 Appendices:

- Tab App. 2 – OA Capital Structure
 - 2024 Cost of Capital rates
- Tab App. 2 – Com. Exp. Forecast
 - Forecasted Commodity Prices
- Tab App. 2 – ZB_Cost of Power
 - RPP, GA and OER rates

1.1 Bill Impacts

The table below provides a summary of the bill impacts as a result of the updates from Section B:

RATE CLASSES / CATEGORIES (eg: Residential TOU, Residential Retailer)	Units	Sub-Total						Total	
		A		B		C		Total Bill	
		\$	%	\$	%	\$	%	\$	%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kwh	\$ 3.44	10.7%	\$ (0.14)	-0.4%	\$ 2.06	4.1%	\$ 2.04	1.6%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - RPP	kwh	\$ (4.40)	-5.8%	\$ (13.95)	-15.4%	\$ (8.90)	-7.5%	\$ (8.92)	-2.7%
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION - Non-RPP (Other)	kw	\$ (33.19)	-5.7%	\$ (471.88)	-41.6%	\$ (355.82)	-20.3%	\$ (417.45)	-5.5%
LARGE USE SERVICE CLASSIFICATION - Non-RPP (Other)	kw	\$ (1,360.00)	-6.8%	\$ (15,788.50)	-47.1%	\$ (9,297.00)	-13.6%	\$ (11,329.05)	-3.2%
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - RPP	kwh	\$ 0.67	5.2%	\$ (0.95)	-6.1%	\$ (0.09)	-0.4%	\$ (0.10)	-0.2%
SENTINEL LIGHTING SERVICE CLASSIFICATION - RPP	kw	\$ 4.46	26.5%	\$ 2.74	14.0%	\$ 3.57	14.9%	\$ 3.56	5.2%
STREET LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other)	kw	\$ 765.41	28.6%	\$ (1,613.71)	-29.2%	\$ (1,073.46)	-12.8%	\$ (1,285.15)	-3.6%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	kwh	\$ 3.44	10.7%	\$ 2.12	6.1%	\$ 2.93	7.5%	\$ 2.92	4.3%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - RPP	kwh	\$ (22.00)	-9.5%	\$ (69.77)	-22.9%	\$ (44.50)	-10.0%	\$ (44.62)	-3.0%
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION - Non-RPP (Other)	kw	\$ (199.14)	-9.3%	\$ (2,831.28)	-52.1%	\$ (2,134.92)	-23.3%	\$ (2,504.69)	-5.7%
RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer)	kwh	\$ 3.44	10.7%	\$ (3.87)	-9.0%	\$ (1.67)	-3.1%	\$ (1.68)	-1.3%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - Non-RPP (Retail)	kwh	\$ (4.40)	-5.8%	\$ (23.90)	-22.9%	\$ (18.84)	-14.2%	\$ (18.86)	-5.8%

Specifically, the following tabs in the Bill Impacts Model were updated:

- Tab 3: Regulatory Charges
 - Time-of-Use RPP Prices
- Tab 6: Bill Impacts
 - RPP TOU rates
 - OER % rate

Appendix A also contains a detailed set of bill impact calculations. FHI also filed the live Tariff and Bill Impacts Excel Model: FHI_2025_Tariff_Schedule_and_Bill_Impact_Model_2024112.

1.2 Revenue Requirement

As a result of the updates from section B, the revenue requirement is as follows:

- The service revenue requirement increased by \$6,662 to \$16,076,023
- The base revenue requirement increased by \$6,662 to \$14,878,128
- The revenue deficiency increased by \$6,662 to \$1,489,722

The table below provides a summary of changes in the Revenue Requirement Workform:

Line No.	Particulars	Application	Interrogatory Responses	Settlement Agreement	Per Board Decision
1	OM&A Expenses	\$9,275,584	\$9,275,584	\$8,030,584	\$8,030,584
2	Amortization/Depreciation	\$2,969,170	\$3,114,180	\$3,070,771	\$3,070,771
3	Property Taxes	\$154,677	\$154,677	\$149,677	\$149,677
5	Income Taxes (Grossed up)	\$220,759	\$304,086	\$329,262	\$334,265
6	Other Expenses	\$ -			
7	Return				
	Deemed Interest Expense	\$2,097,975	\$2,045,503	\$1,934,106	\$1,921,887
	Return on Deemed Equity	\$2,658,876	\$2,592,375	\$2,554,961	\$2,568,839
8	Service Revenue Requirement (before Revenues)	\$17,377,042	\$17,486,405	\$16,069,361	\$16,076,023
9	Revenue Offsets	\$1,166,332	\$1,197,894	\$1,197,894	\$1,197,894
10	Base Revenue Requirement (excluding Transformer Owership Allowance credit)	\$16,210,710	\$16,288,511	\$14,871,466	\$14,878,128
11	Distribution revenue	\$16,210,710	\$16,288,511	\$14,871,466	\$14,878,128
12	Other revenue	\$1,166,332	\$1,197,894	\$1,197,894	\$1,197,894
13	Total revenue	\$17,377,042	\$17,486,405	\$16,069,361	\$16,076,023
14	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	\$ - ⁽¹⁾	\$ - ⁽¹⁾	\$ - ⁽¹⁾	\$ - ⁽¹⁾

Specifically, the following tabs in the Revenue Requirement Workform were updated:

- Tab 3: Data Input Sheet
 - Cost of Power
 - Distribution Revenue at Proposed Rates
 - Income Taxes
 - Cost of Capital
- Tab 11: Cost Allocation
 - Allocated Cost
 - Calculated Class Revenues
 - Rebalancing Revenue-to-Cost Ratios
 - Proposed Revenue-to-Cost Ratios
- Tab 13: Rate Design
- Tab 14: Tracking Sheet

FHI has also filed a live Revenue Requirement Workform Excel Model: FHI 2025_Rev_Reqt_Workform_1.0_20241122.

1.3 Cost Allocation

As a result of the updates to the Revenue Requirement Workform, the Cost Allocation Model was also updated.

The following table provides the updated Revenue/Cost Ratios along with the comparison to the Revenue/Cost Ratios from the Settlement Proposal:

	Settlement Proposal Revenue/Cost Ratio	Draft Rate Order Revenue/Cost Ratio	Change	OEB Target Low	OEB Target High
Residential	96.03%	96.03%	0.01%	85%	115%
General Service < 50 kW	120.00%	120.00%	0.00%	80%	120%
General Service 50 to 4,999 kW	100.28%	100.27%	-0.02%	80%	120%
Large Use	111.38%	111.36%	-0.02%	85%	115%
Senitnel Lighting	96.03%	96.03%	0.01%	80%	120%
Street Lighting	96.03%	96.03%	0.01%	80%	120%
Unmetered Scattered Load	120.00%	120.00%	0.00%	80%	120%

The following table provides the updated base revenue allocations and fixed-variable splits:

	Allocation Base Revenue Requirement	Percentage from Fixed Revenue	Percentage from Variable Revenue	Fixed Component of Revenue Requirement	Variable Component of Revenue Requirement
Residential	8,978,790	100.00%	0.00%	8,978,790	-
General Service < 50 kW	2,107,932	45.04%	54.96%	949,376	1,158,556
General Service 50 to 4,999 kW	3,330,988	20.58%	79.42%	685,495	2,645,493
Large Use	211,219	74.33%	25.67%	157,009	54,211
Senitnel Lighting	6,253	22.51%	77.49%	1,407	4,846
Street Lighting	182,809	81.08%	18.92%	148,212	34,596
Unmetered Scattered Load	60,137	85.03%	14.97%	51,132	9,005

Specifically, the following tabs in the Cost Allocation Model were updated:

- Tab I3: TB Data
 - RRWF Reference
- Tab I6.1: Revenue
 - Deficiency/Sufficiency

FHI has also filed a live Cost Allocation Model Excel Model:
 FHI_2025_Cost_Allocation_Model_1.0_20241122.

1.4 Group 2 Deferral and Variance Account Rate Riders

There were no changes to the Group 2 Deferral and Variance Account Rate Riders, as a result of the updates in section B.

1.5 Cost of Power

As a result of the updates from section B, the Cost of Power is as follows:

- The power purchased decreased by \$1,072,164 to \$35,967,775
- The global adjustment decreased by \$784,512 to \$20,374,125
 - This is due to the change in average supply cost for RPP consumers decreasing from \$111.05 in 2024 to \$99.38 in 2025.
 - Wholesale Electricity Costs – RPP-weighted increased from \$31.79 (2024) to \$35.66 (2025)
 - Global Adjustment Costs decreased from \$72.86 (2024) to \$66.64 (2025)
 - Adjustment to Clear Existing Variances decreased from (\$4.97) (2024) to (\$3.93) (2025)
 - Adjustment to Address Bias Towards Unfavorable Variances remained from \$1.00
- The miscellaneous A/R or A/P (OER) decreased by \$2,157,480 to (\$3,608,465)
 - This is due to the change in the OER from 19.3% in 2024 to 13.1% in 2025

The following table provides the Cost of Power for the Settlement Proposal and the OEB Approved (i.e., UTRs, RPP, GA and OER).

Cost of Power	Settlement Proposal	OEB Approved	Change
4705 - Power Purchased	\$ 37,039,939	\$ 35,967,775	-\$ 1,072,164
4707 - Global Adjustment	\$ 21,158,637	\$ 20,374,125	-\$ 784,512
4708 - Charges WMS	\$ 3,596,214	\$ 3,596,214	\$ -
4714- Charges NW	\$ 6,436,272	\$ 6,949,302	\$ 513,030
4716 - Charges CN	\$ 3,806,479	\$ 3,994,893	\$ 188,414
4750 - Charges LV	\$ 302,912	\$ 302,912	\$ -
4751- IESO SME	\$ 114,346	\$ 114,346	\$ -
Misc A/R or A/P	-\$ 5,765,945	-\$ 3,608,465	\$ 2,157,480
Total	\$ 66,688,855	\$ 67,691,103	\$ 1,002,248

1.6 Cost of Capital

As a result of the updates from section B, the Cost of Capital is as follows:

- The long-term debt increased by \$42,094 to \$38,879,723
- The short-term debt increased by \$3,007 to \$2,777,123
- The return-on-equity increased by \$13,878 to \$2,568,839

The following table provides the Cost of Capital with the updated parameters from Section B:

		Per Board Decision			
		(%)	(\$)	(%)	(\$)
	Debt				
8	Long-term Debt	56.00%	\$38,879,723	4.58%	\$1,781,920
9	Short-term Debt	4.00%	\$2,777,123	5.04%	\$139,967
10	Total Debt	60.00%	\$41,656,846	4.61%	\$1,921,887
	Equity				
11	Common Equity	40.00%	\$27,771,231	9.25%	\$2,568,839
12	Preferred Shares	0.00%	\$ -	0.00%	\$ -
13	Total Equity	40.00%	\$27,771,231	9.25%	\$2,568,839
14	Total	100.00%	\$69,428,076	6.47%	\$4,490,726

The following table provides the Cost of Capital with the parameters used in the Settlement Agreement:

		Settlement Agreement			
		(%)	(\$)	(%)	(\$)
	Debt				
8	Long-term Debt	56.00%	\$38,837,628	4.53%	\$1,761,279
9	Short-term Debt	4.00%	\$2,774,116	6.23%	\$172,827
10	Total Debt	60.00%	\$41,611,745	4.65%	\$1,934,106
	Equity				
11	Common Equity	40.00%	\$27,741,163	9.21%	\$2,554,961
12	Preferred Shares	0.00%	\$ -	0.00%	\$ -
13	Total Equity	40.00%	\$27,741,163	9.21%	\$2,554,961
14	Total	100.00%	\$69,352,908	6.47%	\$4,489,067

1.7 PILS

As a result of the updates from section B, the PILS is as follows:

- The grossed-up PILS increased by \$5,003 to \$334,265

The following table provides the PILS with the updated parameters from Section B:

	Settlement Agreement	Board Decision	Change
Grossed-Up PILS	\$ 329,262	\$ 334,265	\$ 5,003

Specifically, the following tabs in the PILS Model were updated:

- Tab A: Data Input Sheet
 - Test year rate base
 - Cost of Capital rates

FHI has also filed a live PILS Model Excel Model:
FHI_2025_Test_year_Income_Tax_PILS_1.0_20241122

C. CONCLUSION

FHI respectfully requests that the OEB approve its DRO and draft Tariff of Rates and Charges, to be effective and implemented as of January 1, 2025.

D. APPENDICIES

Appendix A – Bill Impacts Model

Appendix B – Draft Tariff of Rates and Charges effective January 1, 2025

Appendix C – Revenue Requirement Workform