

**Festival Hydro Inc.
Response to OEB
Staff Questions EB-
2026-0040**

Staff Question-1

Topic: Reconciliation of Accounts 1588 and 1589

Ref 1: Manager's Summary, pp. 12-15

Ref 2: Rate Generator Model, Tab 3, Continuity Schedule

Preamble:

OEB staff notes that Festival Hydro recorded significant principal adjustments to Accounts 1588 and 1589 during 2026. According to the application, these adjustments were recorded to reconcile differences between the balances reported through the RRR process and those reported in the DVA Continuity Schedule.

Table 1: Accounts 1588 and 1589 Reconciliation

Account Number	RRR 2.1.7 (\$)	Continuity Schedule (\$)	Principal Adjustments Recorded in 2026 (\$)
1588	(1,707,767)	1,303,402	3,011,168
1589	1,618,360	217,576	(1,400,784)

Questions:

- Please explain the nature, purpose, and circumstances giving rise to the principal adjustments recorded in Accounts 1588 and 1589.
- Please provide supporting calculations and reconciliation of the RRR balances to the balances reported in the Continuity Schedule.
- Please confirm that the principal adjustments do not result in duplicate disposition or omission of transactions related to Accounts 1588 and 1589.

Response:

- The principal adjustments recorded in 2025 consist of reversals of 2024 principal adjustments recorded in 2025, and true ups to November and December 2025 CT 142 and 148 recorded in 2026. FHI also undertook a review and true-up of the 2025 RPP IESO Settlement Submissions. FHI**

identified true ups required relating to the non-RPP Class B volumes and Class A volumes utilized in the 2025 Illustrative Commodity Models. FHI intends to submit RPP and Class A adjustments to the IESO in 2026. This true-up also requires GA reallocation entries between RPP and non-RPP to be recorded in the GL in 2026 related to 2025. Finally, an error with respect to a year end entry was identified requiring a correction to be recorded in 2026. All these adjustments are outlined below in response to part b).

- b) The differences between the RRR balances and the balances recorded in the continuity scheduled are caused by the principal adjustments relating to 2025 recorded in 2026. Please see reconciliation tables below:

Account	RRR 2.1.7	Continuity Schedule	Variance RRR vs 2025 Balance	Principal Adjustments Recorded in 2026	Difference
1588	-\$ 1,707,767	\$ 1,303,402	-\$ 3,011,169	\$ 3,011,168	-\$ 0
1589	\$ 1,618,360	\$ 217,576	\$ 1,400,784	-\$ 1,400,784	-\$ 0

Principal Adjustments	1588	1589
Reversal of 2024 Principal Adjustments - Recorded in 2025	\$ 12,465	\$ 305,424
CT 148 true-up of GA Charges based on actual RPP volumes - November and December 2025 - Recorded in 2026	\$ 10,124	-\$ 10,124
CT 1142/142 true-up based on actuals - November and December 2025 - Recorded in 2026	\$ 1,635,045	
CT 1142/142 true-up - 2025 Settlement Correction - Recorded in 2026	\$ 388,487	
CT 148 true-up of GA Charges - Settlement Correction - Recorded in 2026	\$ 423,507	-\$ 423,507
Class A Volume Correction - Recorded in 2026		-\$ 413,147
Year End Entry Correction - Recorded in 2026	\$ 554,006	-\$ 554,006
Total Principal Adjustments	\$ 3,023,633	-\$ 1,095,360
Total Principal Adjustment Recorded in 2026	\$ 3,011,168	-\$ 1,400,784

- c) **Confirmed.**

Staff Question-2

Topic: Price Cap Index Calculation

Ref: Manager's Summary p. 9, Table 4

Preamble:

The application states that the 2027 Price Cap Index is 3.40%, while the calculation shown in Table 4 appears to result in an adjustment factor of 2.70%.

Question:

- a) Please explain the difference between the Price Cap Index referenced in the application, the calculation shown in Table 4, and the Price Cap Adjustment used in the filed 2027 IRM Rate Generator Model.

Response:

- a) **The reference to a Price Cap Index of 3.4% is incorrect. The correct 2027 Adjustment is 2.70% as indicated in Table 4, and the Price Cap Adjustment used in the filed 2027 IRM Rate Generator Model.**

Staff Question-3

Topic: Projected Interest on Group 1 Deferral and Variance Account Balances

Preamble:

OEB staff reviewed the projected interest calculations included in Tab 3 (Continuity Schedule), Column BQ and identified variances between the projected interest amounts calculated by Festival Hydro and those recalculated by OEB staff. The total variance identified by OEB staff is approximately \$722.

Question:

- a) Please explain the methodology used to calculate the projected interest amounts included in Column BQ. OEB Staff notes that the application references a 2027 Price Cap Index of 3.40%, while the calculation shown in Table 4 appears to result in an adjustment factor of 2.70%. Please confirm that the inflationary value of 3.00% was used by Festival Hydro, and its assigned stretch factor, in the Rate Generator Model.

Table 2: Projected Interest Comparison

Account Number	Account Description	Festival Hydro Calculation (\$)	OEB Staff Calculation (\$)	Variance (\$)

1550	LV Variance Account	1,328	1,375	(47)
1551	Smart Meter Entity Charge Variance Account	(266)	(275)	9
1580	RSVA Wholesale Market Service Charge	(23,384)	(24,209)	825
1580	Variance WMS-Sub-account CBR Class B	4,801	4,970	(169)
1584	RSVA – Retail Transmission Network Charge	4,887	5,060	(173)
1586	RSVA – Retail Transmission Connection Charge	1,113	1,152	(39)
1588	RSVA Power	862	892	(30)
1589	Global Adjustment	(10,599)	(10,973)	374
1595	Disposition and Recovery/Refund of Regulatory Balances (2023)	807	835	(28)
Total		(20,451)	(21,173)	722

Response

- a) **No change is required as the Festival Hydro Calculation utilizes the OEB prescribed interest rate of 2.55%.**

Staff Question-4

Ref: Rate Generator Model, Tab 3, Continuity Schedule

Preamble:

On September 14, 2026, the OEB published Q4 2026 prescribed accounting interest rates applicable to the carrying charges of deferral, variance and construction work in progress (CWIP) accounts of natural gas utilities, electricity distributors and other rate-regulated entities.

Question:

- a) Please update Tab 3 (Continuity Schedule) as necessary to reflect the Q4

2026 OEB-prescribed interest rate of 2.87%.

Response

- a) **Tab 3 (Continuity Schedule) filed with these responses is updated to reflect the Q4 2026 OEB-prescribed interest rate of 2.87%.**

Staff Question-5

Ref 1: OEB Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589 (Accounting Guidance), April 28, 2025

Ref 2: Updated Illustrative Commodity Model, April 28, 2025

The OEB issued final updates to the Accounting Guidance and the updated Illustrative Commodity Model related to the implementation of the Independent Electricity System Operator (IESO)'s Market Renewal Program (MRP), effective May 1, 2025. Page 11 of Reference 1 states that:

In Tab "Variances in ac 1588" of the updated Illustrative Commodity Model, two new tables are added to quantify the energy variances that are included in Account 1588 for record-keeping purposes. While the quantification tables are not required to be filed with the OEB at this time, these tables assist the distributors in explaining the 1% threshold test in Account 1588.

Reference 2 introduced two new reconciliation tables under the "Variances in ac 1588" tab to quantify energy cost variances arising from the implementation of MRP. In Page 11 of Reference 1, the OEB stated that these tables are intended for record-keeping purposes and are not required to be filed with the OEB. However, these two reconciliation tables may assist the distributors in explaining the 1% threshold test in Account 1588 where applicable.

Questions:

- a) Has Festival Hydro utilized Table 42 and/or 43 of Ref. 2 to track or quantify the MRP-related energy variances recorded in Account 1588?
 - i. If so, please explain whether the variances recorded in Table 42 and Table 43 were material in 2025, respectively. Please provide the corresponding quantum of the variances if the variance(s) are material.
 - ii. If not, please explain why Festival Hydro did not utilize these tables.

Response

- a) **FHI began utilizing Table 42 and Table 43 of Ref. 2 to track and quantify the MRP-related energy variances recorded in Account 1588 in May 2025. The total variances in table 42 and table 43 are not material.**