



Ontario
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BY EMAIL

July 5, 2024

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Marconi:

**Re: Festival Hydro Inc.
Application for 2025 Distribution Rates
Ontario Energy Board File Number: EB-2024-0023**

In accordance with Procedural Order No. 1, please find attached Ontario Energy Board staff interrogatories in the above proceeding. Festival Hydro Inc. and intervenors have been copied on this filing.

Festival Hydro Inc.'s responses to interrogatories are due by July 25, 2024. Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Yours truly,

Vithooshan Ganesanathan
Advisor, Electricity Distribution: Major Rate Applications & Consolidations

Encl.

OEB Staff Interrogatories
2025 Electricity Distribution Rates Application
Festival Hydro Inc.
EB-2024-0023

July 5, 2024

*Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Exhibit 1 – Administration

1-Staff-1

Activity and Program-based Benchmarking – Lines O&M

Ref 1: Exhibit 1, p. 39

Preamble:

From Festival Hydro Inc.'s (Festival Hydro) Activity and Performance-based Benchmarking (APB), Festival Hydro's unit costs for its O&M Lines for the 2018-2022 is \$4,796.47 which is 167% higher than the distributor average for the same period. Festival Hydro projects Lines O&M unit costs to increase in the 2024 Bridge Year to \$5,287.46 and the 2025 Test Year to \$5,512.25, representing year-over-year increases of 15% and 4%, respectively.

Festival Hydro states that Lines O&M unit cost includes vehicles, stores and additional linespersons labour costs, allocated depreciation, and service centre building costs. Festival Hydro states that it likely includes more costs in this category than other utilities causing the metric to appear higher than the industry average. Festival Hydro states that it plans to investigate why these costs are higher than its peers. Festival Hydro forecasts that on a forward basis, unit costs are expected to only increase at inflation as no new programs are planned for future years.

Table 1: APB Results for Years 2018-2022

Activity	Measure	Festival Hydro Average Unit Cost (2018-2022)	Distributor Average Unit Cost (2018-2022)	Above/Below Average	Difference (%)
Lines O&M	\$/Primary Circuit km	4,796.47	1,796.81	Above	167%

Table 2: APB Projections for Years 2023-2025

Activity	Measure	2023	2024 Projection	2025 Projection	2023-2024 Year-Over-Year Change	2024-2025 Year-Over-Year Change
Lines O&M	\$/Primary Circuit km	4,597.12	5,287.46	5,512.25	15%	4%

Question(s):

- a) Please confirm if Festival Hydro has completed its investigation on why its Lines O&M unit costs are higher than the distributor average for the 2018-2022 period. If yes, please provide the results of the investigation. If not, please confirm when the investigation is to be completed.

1-Staff-2

Scorecard metrics

Ref 1: Exhibit 1, p. 177

The application shows that the performance for New Residential/Small Business Services Connected on Time has been trending downwards – the score decreased from 99.25% in 2018 to 95.92% in 2022. Festival Hydro states that these results are expected to continue with a potential dip in telephone calls answered on time during the transition to the new Customer Information System which was implemented in 2024.

The application shows that the performance for Customer Satisfaction Survey Results has been trending downwards – the score decreased from 97% in 2018 to 93% in 2022. Festival Hydro states that it uses feedback from the survey responses to drive decisions.

Question(s):

- a) Please confirm if Festival Hydro anticipates the performance for this metric to return to 2018 levels once the Customer Information System is implemented in 2024.

- b) Please explain the downward trend in the Customer Satisfaction Survey Results metric. Please explain how Festival Hydro has used the feedback from customer survey responses to ensure the Customer Satisfaction Survey Results metric does not continue on a downward trend.

Exhibit 2 – Rate Base and Capital

2-Staff-3

NWS/CDM in Distribution System Planning

Ref 1: Exhibit 2, Distribution System Plan, p.161, 175 and 218.

Ref 2: Exhibit 2, p.295-301 (Material Investment Narrative, Investment Category: System Renewal, Project: System Re-establishment)

Ref 3: Exhibit 2, p.320-328 (Material Investment Narrative, Investment Category: System Service, Project: Distribution Automation)

Ref 4: Exhibit 2, Greater Bruce/ Huron Region Scoping Assessment Report, p.687

Ref 5: Exhibit 2, Southern Huron-Perth Sub-Region Integrated Regional Resource Plan

Ref 6: Exhibit 2, Greater Bruce – Huron Regional Infrastructure Plan

Preamble:

Throughout Exhibit 2, Festival Hydro mentions consideration of non-wires alternatives (which the OEB refers to as non-wires solutions, or NWS) in its distribution system planning processes. For some material investments, Festival Hydro also provides a narrative that details Festival Hydro's consideration of the viability of NWS for the project.

Question(s):

- a) Please clarify how and where in Festival Hydro's distribution system plan development process identifies whether distribution rate-funded CDM activities/ NWSs may be a preferred approach to meeting a system need to avoid or defer spending on traditional infrastructure.
- b) Please describe specific changes (if any) Festival Hydro has made or plans to make to its distribution system planning process to address requirements in the OEB's NWS Guidelines for distributors. How would documentation of Festival Hydro's consideration of NWS change when making decisions on electricity system needs with an expected capital cost of \$2M or more as part of its distribution system planning?

2-Staff-4

Building renovations

Ref 1: Chapter 2 Appendices, Tab 2-AA

Ref 2: Exhibit 2, pp. 51-53

Ref 2: Exhibit 2, Appendix B, Third-Party Building Assessment Report

Preamble:

At reference 1, the application shows that Building and Equipment costs have increased by \$695K in 2023 and is expected to increase by \$1.1M in 2024, representing a 190% and 104% increase year-over-year, respectively.

Table 3: Building and Equipment Cost Year-Over-Year Increase

	2022	2023	2024 Bridge Year
Building & Equipment (\$)	365,904	1,060,506	2,165,000
Year-Over-Year Increase (\$)	-	694,602	1,104,494
Year-Over-Year Increase (%)	-	190%	104%

At reference 2, Festival Hydro states that the increases in building costs was a result of administrative building renovation to customer service and finance area in 2023 and finishing admin building renovation for IT, meeting rooms, engineering, and metering in 2024.

At reference 3, the application includes a building condition assessment condition survey dated in September 2020. The building condition survey states that there are significant changes that need to be made in order to bring this building up to today's standards based on Accessibility Code Standards. Further stating that it is not mandatory to make any changes, however today, accessibility is becoming more relevant and is now integrated into most new building designs.

The survey includes the following list of building elements:

Building Elements

C Interiors

- C1010 Partitions
- C1030 Interior Doors
- C2010 Wall Finishes
- C2020 Stair Finishes

- C2030 Floor Finishes
- C2050 Ceiling Finishes

D Services

- D1010 Elevators & Lifts
- D2010 Domestic Water Distribution
- D2020 Sanitary Waste
- D2040 Rain Water Drainage
- D2050 General Service Compressed Air
- D3020 Heat Generating Systems
- D3030 Cooling Generating Systems
- D3040 Distribution Systems
- D3060 Ventilation
- D4010 Fire Suppression
- D4020 Standpipes
- D5020 Electrical Service & Distribution
- D5040 Lighting & Branch Wiring
- D5080 Miscellaneous Electrical Systems
- D6010 Data Communications
- D6020 Voice Communications
- D6030 Audio-Video Communications
- D7050 Detection and Alarm

E – Equipment and Furnishing

- E2010 Fixed Millwork

G – Building Site

- G2030 Pedestrian Paving

Question(s):

- a) Based on the building list included above, please confirm which building elements incurred Building and Equipment costs in 2023 and 2024. Please provide a breakdown of the building renovation costs in 2023 and 2024 based on these building elements.
- b) Please confirm what component of the building renovation costs were a result of costs directly related to adhering to the Accessibility for Ontarians with Disabilities Act (AODA) and current Accessibility Code Standards.
- c) Please confirm how Festival Hydro has paced any buildings renovations that are directly related to AODA compliance.

2-Staff-5

Customer Surveys

Ref 1: Distribution System Plan, Page 13

Preamble:

At reference 1, Festival Hydro noted that the majority of their customers claimed the following items were important and were willing to pay more each month (less than one dollar for each item): power outages, smart grid, utility's assets, tree trimming, new technologies and communication.

Question(s):

- d) In any follow-up surveys, will Festival Hydro target more specific questions on the same topics to yield more productive and actionable survey results?

2-Staff-6

Safety

Ref 1: Distribution System Plan, Page 24, Table 5.2-4

Ref 2: Appendix 2-JC OM&A Programs

Preamble:

At reference 1, the Distribution System Plan provides a summary of Performance Measures, from 2015 to 2023, identifying the associated targets for each. Some metrics do not have targets, such as the Level of Public Awareness regarding Safety, under Operational Effectiveness. This metric appears to be in a slight downtrend since 2019, from 81% to 77% in 2023.

At reference 2, OM&A spending for Community Relations and Safety increased by 71% and 59% in 2024 and 2025, respectively, on a year-over-year basis.

Question(s):

- a) Is Festival Hydro concerned by the slight downward trend relating to the level of public awareness regarding safety? What measures are Festival Hydro taking to improve public awareness relating to safety?
- b) Does Festival Hydro anticipate an improvement in the Level of Public Awareness regarding Safety metric based on the higher spend projected in Community Relations and Safety for 2024 and 2025?

2-Staff-7

Foreign Interference

Ref 1: Distribution System Plan, Page 31

Preamble:

In reference 1, Festival Hydro notes that Foreign Interference is the 3rd largest cause of outages, at 13%. Noting the types of foreign interference, such as animal interference, dig-ins, vehicle collisions, vandalism, and/or foreign objects, Festival Hydro states that some preventative measures can be taken:

“Some of these contributing factors can be minimized by installing wildlife guards, increasing clearances between conductors and poles, as well as educating the public about electrical overhead and underground electrical hazards, all of which FHI (Festival Hydro Incorporated) continues to do. However, there are also factors such as vehicle collisions which can happen at random and, depending on the extent and the location of the collision, may result in an increased duration and number of customers affected from the outage. These are typically outside FHI’s control.”

Question(s):

- a) Regarding Foreign Interference, Festival Hydro notes the randomness of vehicle collisions, yet also notes that the extent and location of the collision could impact the duration and number of customers affected from the outage. Has Festival Hydro considered reinforcing key elements within its distribution system that could be susceptible to vehicle collisions that could prevent a vehicle collision from leading to a prolonged outage impacting their customer base? If so, would such investments be cost-effective, considering the potential impact on customers (i.e., by using a value of lost load)? What value of lost load would Festival Hydro reference in this case?

2-Staff-8

Net Capital Expenditures

Ref 1: Exhibit 2, Rate Base and Capital, Page 56

Ref 2: Distribution System Plan, Page 64

Preamble:

There are discrepancies in Net Capital Expenditures in 2023 and 2024 between reference 1 and reference 2.

Question(s):

- a) Please confirm which values are correct.
- b) Please confirm whether edits are required for the calculation of rate base in the Test Year based on the answer in a) above. If the rate base is calculated with incorrect values, please update the calculation of the revenue requirement.

2-Staff-9

Fleet

Ref 1: Distribution System Plan, Page 84

Ref 2: Distribution System Plan, Appendix A, Material Investment Narrative, General Plant, Fleet

Ref 3: Exhibit 2, p. 53

Preamble:

At reference 1, Festival Hydro plans to replace fleet vehicles, alternating between passenger vehicles and bucket trucks to smooth future spending, with Festival Hydro pointing to the results from the Asset Conditions Assessment as the reasoning behind the pace of investment.

At reference 2, Festival Hydro indicates that one of the pick-up trucks (Vehicle 14) to be replaced has been in service since 2013, noting the issues with the vehicles as follows: very high mileage, general rust and corrosion (mainly along doors and wheel wells), interior condition (seats and liners) and increasing maintenance costs. The table showing the maintenance costs of Vehicle 14 is referenced below. OEB staff calculates that maintenance costs on a per km basis have ranged between \$0.07/km to \$0.20/km during the 2018-2023 period. The application states that the health index for fleet vehicle condition is a function of mileage and age.

Table 4: Maintenance Costs for Vehicle 14 (Pick Up Truck)

	2018	2019	2020	2021	2022	2023
Maintenance Costs (\$)	2,257	2,748	1,138	798	3,974	3,655
Mileage (kms)	12,058	13,476	13,995	11,884	23,653	19,186
Maintenance Cost / Mileage (\$/km)	0.19	0.20	0.08	0.07	0.17	0.19

At reference 3, the application states that fleet capital costs are expected to increase from \$92.9K in 2023 to \$450K in 2024, representing a 384% increase. At reference 3, Festival Hydro states that a new 42' single bucket truck is budgeted for 2024.

Question(s):

- a) Provide additional detail regarding the type of vehicles selected to replace the existing fleet (ICE or EV) and the business case or analysis used to determine the lowest cost options for Festival Hydro.
- b) What is the strategy for vehicle utilization regarding the current state of the fleet?
- c) The maintenance cost on a per km basis does not materially change during the 2018-2023 period for Vehicle 14 (Pick Up Truck) and appears to only increase based on the usage of the vehicle. Can Festival Hydro further explain the need to urgently replace Vehicle 14?
- d) Please confirm if the driver for the \$450K fleet costs projected for 2024 is due to the new bucket truck alone. If not, please explain the driver for the increased fleet cost in 2024.
- e) Please confirm if the new bucket truck is anticipated to be delivered in 2024. If not, please confirm when the delivery for the bucket truck is anticipated.
- f) Please confirm if the new bucket truck is replacing an old bucket truck. If yes, please confirm which bucket truck it is replacing.

2-Staff-10

Grid Modernization and Resiliency

Ref 1: Distribution System Plan, Page 90

Ref 2: Distribution System Plan, Page 89

Ref 3: Distribution System Plan, Appendix A, Material Investment Narrative, System Service, Distribution Automation

Preamble:

At reference 1, the Distribution System Plan describes a position at Festival Hydro created in 2022 with a portion of the job responsibilities being “grid modernization and resiliency”.

At reference 2, Festival Hydro proposes continued addition of distribution automation to its distribution system each year for the forecast period. Specifically, the proposed investment will add one recloser and one set of remote fault indicators to the distribution system each year to enhance the grid modernization of its system.

At reference 3, as part of the Investment Justification for Distribution Automation, Festival Hydro notes that they are at “the beginning of its grid modernization investments, and therefore has not seen the outputs of its investments yet.”

Question(s):

- a) Please provide quantitative data on the cost-effectiveness of the distribution automation investments mentioned at reference 2.
- b) Were any other grid modernization investments considered but not added to the plan, as they were not considered cost-effective? If so, which investments?
- c) How do the planned grid modernization investments align with current OEB initiatives, such as the Benefit-Cost Analysis Framework?

2-Staff-11

Pole Replacement Program

Ref 1: Material Investment Narrative, System Renewal, Overhead Pole-Line Replacement

Ref 2: Material Investment Narrative, System Renewal, Unplanned Small Replacements

Preamble:

At reference 1, Festival Hydro describes the conditions of its existing poles and describes at a high-level the process for planning pole replacements:

“As part of the ACA, Kinectrics identified that 890 wood poles and 129 concrete poles (17% of all poles) were in poor or very poor condition. Identification of poles as part of this program is a multi-step process beginning with the field inspection and testing data collected as part of the asset management process. The data collected as part of this effort informs the ACA, and this data is then imported into GIS to be viewed spatially. Poles in close vicinity to each other with similarly poor health indices are then grouped together to create a capital pole line rebuild project where feasible. Each project scope includes the design, construction and installation of new poles framed to conform to O. Reg. 22/04 compliant standards. Through this project, FHI plans to improve the level of safety and reliability associated with newer standards and materials. As part of this program FHI plans to replace on average 60-75 poles per year.”

Festival Hydro also states that “by identifying and proactively replacing poles nearing their end of life and in deteriorated condition, FHI mitigates the risk of outages and provides a safer electrical distribution system”. Additionally, Festival Hydro states that “the planned, proactive replacements that are enabled as a result of this project is less costly than reactive replacements”.

At reference 2, Festival Hydro notes the historical investments of Unplanned Small Replacements, which includes the replacement of 12-18 poles and 10-12 padmount transformers per year.

Question(s):

- a) Please explain the approach and the analysis that selects pole groupings that include different conditions (e.g., both fair, poor and very poor) and comment on how such an approach most effectively replaces the most urgent of the 170 poles deemed to be in very poor condition.
- b) What metric or threshold is used to qualify a pole grouping for replacement, as it relates to asset condition?
- c) When replacing assets prior to the end of life such as poles, does any of the associated equipment get reused (e.g., overhead transformers)?
- d) How many transformers and switches are also being replaced as a result of pole replacement?
- e) Please confirm if there are poles being replaced under the subdivision, voltage conversion, and distribution automation programs that would be included in the yearly 60-75 pole replacement count.

2-Staff-12

Switchgear Replacement

Ref 1: Material Investment Narrative, System Renewal, Switchgear Replacement

Preamble:

At reference 1, Festival Hydro describes the replacement program for air-insulated switchgear to be replaced with solid dielectric switchgear, noting the very poor condition of the existing equipment, with 10 of 12 of the existing switchgear equipment in poor or very poor condition. There have been multiple equipment failures from the existing air-insulated switchgear, with 27 outages from switchgear failures. Festival Hydro plans to replace two switchgear per year, until 2026.

Regarding Alternative Analysis, Festival Hydro considered: Do Nothing, Replace like for like, Replace with solid dielectric switchgear (preferred option), decrease pace, and removal of the asset (done where appropriate).

Festival Hydro also notes that “the proactive replacement strategy of the project as planned is less costly than reactive replacements”, while also reducing outage length.

Question(s):

- a) Considering that Festival Hydro states that the proactive replacement is less costly than reactive replacements, can Festival Hydro comment on why increasing the pace of air-insulated switchgear replacements would not also be less costly than reactive replacement? Please estimate the cost savings from proactively replacing the switchgear opposed to reactive replacement.
- b) Considering the state of the air-insulated switchgear and the importance of functional switchgear to the integrity of the system, should Festival Hydro consider increasing the pace of its replacements from two per year and complete the program sooner than 2026? In other words, looking at the Alternative Analysis, “decrease pace” was considered, however, “increase pace” was not. Why not?
 - i. If Festival Hydro was to consider an increased pace, what would the investment be over the forecast period?
- c) Regarding the Alternative Analysis, no thorough operational solution was considered, for example, to repair only the impacted elements instead of replacement. Why not?

2-Staff-13

AMI 2.0

Ref 1: Material Investment Narrative, System Access, AMI 2.0

Preamble:

Festival Hydro presents its need to replace its AMI 1.0 infrastructure with AMI 2.0 including smart meters, repeaters, collectors, Head End System (HES), and related software and firmware. Festival Hydro states that the AMI 1.0 system comprises approximately 23,000 smart meters interconnected through a mesh network. Furthermore, it also states that it plans mass replacement of 4500 meters in 2025, 5600 meters per year for 2026 to 2028, and 1100 meters in 2029, totalling to 22,400 meters.

Under section 2 - Timing, Festival Hydro states that one of the key factors that could impact the project schedule could be “potential resource constraints and this risk will be

mitigated by completing labour forecasting early to identify staffing requirements for the project well in advance”.

Under section 2 – Timing, Festival Hydro states that “There is a residual risk of premature meter component failures as is the case with any electronic equipment. This risk is mitigated by negotiating a warranty period with the new vendor for all hardware and equipment.”

Festival Hydro states that one of the outcomes of the AMI 2.0 investment will be “Improve operational effectiveness and efficiency (e.g., reduction in field visits for manual meter reading and disconnection/reconnection requests, reduction in network management and data backhaul costs, reduction in IT HES costs, provision of new data sets for operational decision-making, etc.)”.

Question(s):

- a) Does the scope for meter replacement include all the residential meters and smart meters used for commercial services? Does this include the ones that would have been replaced in most recent years? If not, how many meters from AMI 1.0 will be reused in AMI 2.0?
 - i. What is the forecast value of meters disposed of prior to being fully depreciated? Where will this be recorded?
- b) Will Festival Hydro use internal or external contracted resources to execute this program? If Festival Hydro is using internal labour resources, has it forecasted the need and what are the plans to hire those resources?
- c) Given the challenges Festival Hydro went through with respect to the quality of meters used in its AMI 1.0 system, what precautions is it taking to mitigate such risks for its AMI 2.0 system? Please provide any specific information on expectations such as warranty or support periods that Festival Hydro would have included in its AMI 2.0 RFP.
- d) Is Festival Hydro able to quantify the total OM&A savings related to activities such as manual meter reads and disconnection service resulting from this AMI 2.0 investments?
 - i. Has Festival Hydro considered these savings while developing OM&A budgets for the test and forecast years?

2-Staff-14

Underground Renewal

Ref 1: Material Investment Narrative, System Renewal, Underground Renewal

Ref 2: Distribution System Plan, Page 30

Ref 3: Distribution System Plan, Appendix J - Kinectrics 2023 Asset Condition Assessment, Page 60

Preamble:

At reference 1, Festival Hydro states that the underground renewal program targets investments to address underground assets within its system that are in poor or very poor condition.

Table 5.2-11 on page 30 of distribution system plan shows that the defective equipment contributes to 14% of the outages.

The asset condition assessment formula for underground cables at reference 3 states that due to unavailability of condition data health index is solely based on the age of the cables.

Question(s):

- a) What other criteria does Festival Hydro use besides the health index or age to determine whether the underground cable needs to be replaced?
- b) Is Festival Hydro able to provide the breakdown of defective equipment related outages by asset type? How many defective equipment outages are due to underground cable failure?

2-Staff-15

Enterprise Resource Planning System (ERP)

Ref 1: Distribution System Planning, Material Investment Narrative, ERP Software Upgrade

Preamble:

Festival Hydro states that three vendors responded to the RFP for the ERP software upgrade which Festival Hydro is currently evaluating. Festival Hydro states that the costs will be finalized once a vendor has been selected and a contract is negotiated.

Festival Hydro states that the \$1.75M budget for the ERP project was developed based on advice received from utilities implementing similar projects, with estimates ranging

from \$1.5M to \$2.5M. Festival Hydro states that as it is slightly smaller than the comparison utilities, a budget estimate of \$1.75M is being used.

Festival Hydro states that delaying the ERP upgrade poses a risk because the current software might lose vendor support, as Festival Hydro is one of the last clients using it in Canada. Festival Hydro states that a similar situation occurred with their CIS, where support ceased, leading to a rushed transition to a new system supported by contractors.

Question(s):

- a) Please explain the basis for the project estimates from other utilities that ranged from \$1.5M to \$2.5M. Please confirm which utilities these estimates were from.
- b) Please provide more details on how Festival Hydro arrived at the estimated budget of \$1.75M for the ERP project based on utility size.
- c) Please confirm if Festival Hydro has selected the vendor and finalized the cost of the ERP upgrade.
- d) Please estimate the net financial impact of delaying the ERP upgrade and implications to its operations if the existing vendor is no longer able to provide these services.

Exhibit 3 – Revenue

3-Staff-16

Purchased kWh Load Forecast

Ref 1: Exhibit 3, page 9

Preamble:

Festival Hydro states that a COVID-19 flag was used to capture the lower usage for its commercial and industrial customers during March, April, and May of 2020.

Question(s):

- a) Were Festival Hydro's customers also subject to province-wide shutdowns at other points in 2020 and 2021?
- b) Has Festival Hydro attempted to model with additional months subject to a COVID-19 variable? If so, what were the results?

3-Staff-17

Load Forecast

Ref 1: Load Forecast Model, Load Forecast Summary

Ref 2: Exhibit 3, page 35

Preamble:

The Unmetered Scattered Load (USL) connections remained stable at approximately 230 connections from 2014 to 2020. In 2021 and 2022 they increased to 338 and 433. An increase in USL customers is attributed to reclassification of street light connections. In 2023, USL connections remained relatively stable at 435. The 2024 and 2025 connections are forecast based on geometric mean growth rate to increase to 467 and 501.

Question(s):

- a) Is Festival Hydro aware of why USL connection growth would resume in 2024 and 2025?
- b) As a scenario, please forecast the number of customers in Street Lighting and USL as if reclassification from Street Lighting to USL happened prior to 2014.

3-Staff-18

Load Forecast

Ref 1: Load Forecast Model, Rate Class Load Model

Preamble:

The Large Use rate class has an average kW/kWh ratio of 0.1528%. The ratio appears to OEB staff to be on a decreasing trend from 2014 to 2023. In 2014, 2015, 2016 and 2018 the ratio was above this level and in every year from 2019 to 2023, the ratio was below this level.

Question(s):

- a) Is Festival Hydro aware of the reason for the decreasing kW/kWh ratio, or of any reason why it can be expected to return to the 10-year average?
- b) As a scenario, please provide the kW forecast that would result from a more recent historic average.

3-Staff-19

Electric Vehicles and Heat Pumps

Ref 1: Exhibit 3

Preamble:

The written evidence and models make no reference to electrification through electric vehicles, heat pumps, or other emerging technologies.

Question(s):

- a) Has Festival Hydro considered how EVs and Heat Pumps will affect load growth over the forecast period?

Exhibit 4 – Operating Expenses

4-Staff-20

Executive Compensation

Ref 1: Exhibit 4, p. 10

Ref 2: Appendix 2-JD OMA Programs

Ref 3: Exhibit 4, Table 4-6 Executive Position Vacancies

Ref 4: Exhibit 4, p. 20

Ref 5: Exhibit 4, p. 31

Ref 6: Exhibit 4, p. 26

Preamble:

At reference 1, the application states that the cost of labour increased by \$2.05M in the 2025 Test Year compared to the 2015 OEB-approved, representing 48% of the total OM&A increase.

At reference 2, the application states that the proposed budget for Executive Salaries and Expenses is \$2.03M for the 2025 Test Year, representing an increase of \$1.75M or 625% increase from the 2015 OEB-approved amount.

At reference 3, the application states that from 2020 to 2023 the following executive positions were accumulatively vacant in the range of 6 and 15 months: CEO, CFO, VP of Engineering and Operations, and VP of IT.

Table 5: Executive Position Vacancies

	Months Position Filled			
	2020	2021	2022	2023
CEO	6 of 12	9 of 12	12 of 12	12 of 12
CFO	12 of 12	9 of 12	12 of 12	12 of 12
VP of Engineering and Operations	12 of 12	9 of 12	12 of 12	12 of 12
VP of IT	12 of 12	6 of 12	4 of 12	5 of 12
Months Vacant	6	15	8	7

Based on Executive Salaries and Expenses provided in Chapter 2 Appendix, Tab 2-JD, OEB staff calculates the following year-over-year variances.

Table 6: Executive Salaries and Expenses from Chapter 2 Appendices, Tab 2-JD

	Executive Salaries and Expenses	Variance \$	Variance %
Last Rebasing Year (2015 OEB-Approved)	\$ 280,476	-	-
Last Rebasing Year (2015 Actuals)	\$ 632,673	\$ 352,197	126%
2016 Actuals	\$ 686,040	\$ 53,367	8%
2017 Actuals	\$ 750,264	\$ 64,224	9%
2018 Actuals	\$ 870,444	\$ 120,180	16%
2019 Actuals	\$ 953,207	\$ 82,763	10%
2020 Actuals	\$ 983,543	\$ 30,336	3%
2021 Actuals	\$ 926,808	(\$56,735)	-6%
2022 Actuals	\$ 1,063,300	\$ 136,492	15%
2023 Actuals	\$ 1,474,378	\$ 411,078	39%
2024 Bridge Year	\$ 1,783,566	\$ 309,188	21%
2025 Test Year	\$ 2,032,174	\$ 248,608	14%

Based on the data provided in the table for Chapter 2 Appendix 2-K Employee Costs, OEB staff calculates average total compensation per employee for management and non-management staff, including the year-over-year change. Please see below.

Table 7: Per Employee Compensation Costs

	Last Rebasing Year 2015 - OEB Approved	Last Rebasing Year (2015 Actuals)	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals
Average Total Compensation Per Employee (Salary, Wages, & Benefits)						
Management (including executive)	\$ 127,182	\$ 134,748	\$ 144,428	\$ 156,019	\$ 163,186	\$ 163,379
Non-Management (union and non-union)	\$ 90,837	\$ 93,977	\$ 97,199	\$ 100,574	\$ 100,087	\$ 102,415
Total	\$ 99,722	\$ 104,406	\$ 110,187	\$ 115,165	\$ 115,477	\$ 116,930

	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year
Average Total Compensation Per Employee (Salary, Wages, & Benefits)						
Management (including executive)	\$ 166,211	\$ 155,754	\$ 167,033	\$ 175,819	\$ 212,452	\$ 229,524
Non-Management (union and non-union)	\$ 98,841	\$ 100,583	\$ 99,415	\$ 102,586	\$ 111,861	\$ 115,602
Total	\$ 114,882	\$ 115,385	\$ 117,124	\$ 122,559	\$ 139,295	\$ 145,981

Table 8: Year-Over-Year % Change in Average Compensation on per Employee Basis

Year-Over-Year % Change in Average Compensation on per Employee Basis (Salary, Wages, & Benefits)	Last Rebasing Year (2015 Actuals)	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals
Management (including executive)	5.95%	7.18%	8.03%	4.59%	0.12%	1.73%	-6.29%
Non-Management (union and non-union)	3.46%	3.43%	3.47%	-0.48%	2.33%	-3.49%	1.76%
Total	4.70%	5.54%	4.52%	0.27%	1.26%	-1.75%	0.44%

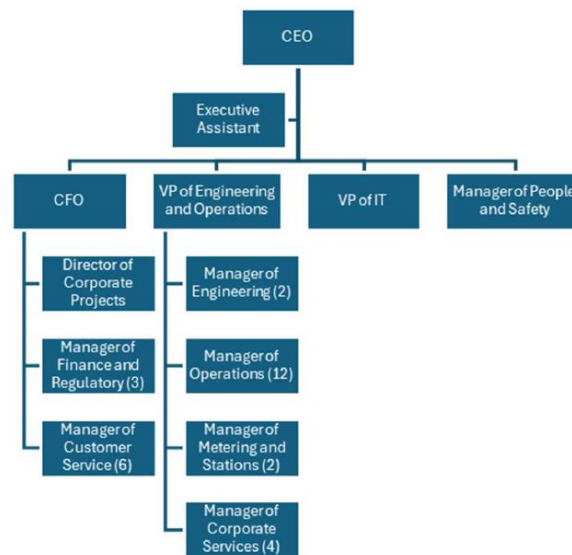
Year-Over-Year % Change in Average Compensation on per Employee Basis (Salary, Wages, & Benefits)	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year	5 Year Historical Avg	Bridge Year & Test Year Avg
Management (including executive)	7.24%	5.26%	20.84%	8.04%	1.61%	14.44%
Non-Management (union and non-union)	-1.16%	3.19%	9.04%	3.34%	0.53%	6.19%
Total	1.51%	4.64%	13.66%	4.80%	1.22%	9.23%

At reference 4, Festival Hydro states that an internal compensation review for non-union staff and an external compensation review¹ for executive staff were completed and the impacts were incorporated into the budget.

¹ Exhibit 4, p. 29, the executive staff compensation review was completed in 2023 for 2024.

At reference 5, the application states that in 2022, Festival Hydro introduced an incentive payment program for the CEO and rolled out the program to the executive leadership team in 2023. The application states that the Board approves performance targets for the CEO position and that targets are aligned with Festival Hydro's Corporate Strategic Plan, its project plan, and its scorecard. Festival Hydro states that the CEO reviews industry benchmarks to determine performance incentives for the executive leadership team.

At reference 6, the application includes the following organizational chart:



Question(s):

- a) Please confirm if the roles on the executive team include: Chief Executive Officer, Chief Financial Officer, Vice President of Engineering and Operations, and Vice President of Information and Technology? If not, please provide an accurate list.
- b) Please provide the external compensation review for executive staff that were completed, including any reports and/or findings from this review.
- c) Please explain how the results of the external compensation review for executive staff were used to inform compensation planning for the CEO and executive leadership, including any incentive payments.
- d) The Executive Salaries and Expenses increase by 15%, 39%, 21%, and 14% in years 2022, 2023, 2024 and 2025, respectively, on a year-over-year basis. Please provide the drivers for the sharp increase in the Executive Salaries and Expenses in each of the years from 2022 to 2025, inclusive.
- e) From 2015 OEB-approved to 2015 actuals, Executive Salaries and Expenses increased by \$352K, representing a 126% variance. Please explain the variance.

- f) The incentive payment program was introduced to the CEO in 2022 and later rolled out to the rest of the executive team in 2023. Festival Hydro states that a full staff complement is budgeted for 2024 and 2025.
- I. In each year from 2023 to 2025, inclusive, please confirm the total actuals or budgeted incentive payments for the executive leadership team.
 - II. Festival Hydro states that the CEO uses industry benchmarks to determine the performance incentives for the executive leadership team. Please explain how the executive leadership team's incentive payments compare to industry benchmarks for the 2023, 2024 and 2025 years.
- g) The application states that there were several vacancies in years 2020 to 2023 on the executive leadership team. From 2022 to 2023, the total months of vacancies slightly decreased by one² month while the Executive Salaries and Expenses increased by \$411K, representing a 39% increase. Please explain why an increase of 39% in Executive Salaries and Expenses in 2023 is reasonable while total vacancies remained relatively flat in that year.
- h) Please explain the process Festival Hydro's board uses to determine the CEO's performance targets.
- i) Based on the calculation in Table 7: Per Employee Compensation Costs above, from 2023 to 2024, OEB staff calculates that the average management salaries on a per employee basis increased from \$176K to \$212K, representing a 20.8% increase. The total management salaries in that period increased by \$440K. Please explain the drivers for the 20.8% increase.
- j) Based on the calculation in Table 7: Per Employee Compensation Costs above, the historic average for years 2019-2023, management staff compensation on a per employee basis increased by 1.61% annually while it increased by 14.4% on average annually in the 2024 Bridge Year and 2025 Test Year. Please explain the drivers for the spike in management staff compensation on an employee basis in 2024 and 2025.
- k) Please confirm which month and year the Chief Operating Officer position was removed.
- l) Please fill in the table below for only employees on the executive leadership team.

² The VP of IT role was vacant for 8 months in 2022 which decreased to 7 months in 2023.

	2019 Actuals	2020 Actuals	2021 Actuals	2022 Actuals	2023 Actuals	2024 Bridge Year	2025 Test Year
Number of Employees (FTEs including Part-Time)							
Executives							
Total Compensation (Salary, Wages, & Benefits)							
Executives (\$)							
Per Employee Salary and Wages							
Executives (\$/employee)							

m) From the response to l) above, please explain any year-over-year variances for total compensation on a per employee basis greater than 10%.

4-Staff-21

Unionized Staff Compensation

Ref 1: Exhibit 4, p. 26

Ref 2: Attachment 1-11, FHI Business Plan

Ref 3: Exhibit 4, p. 20

Preamble:

At reference 1, Festival Hydro states that for 2025 it applied a general cost of living increase for all labour related costs.

At reference 2, Festival Hydro states that labour increases are estimated at 3.5%.

At reference 3, Festival Hydro states that an internal compensation review was completed for non-union staff and incorporated into the budget.

Question(s):

- a) What period does the current collective agreement cover?
- b) Please provide the internal compensation review for non-union staff, including any reports and/or findings from this review.
- c) Please explain how the internal compensation review for non-union staff informed the general cost of living increase applied to all labour related costs.
- d) For 2025, please confirm if the rate used for the general cost of living increase to labour costs is 3.5%. If not, please confirm the rate used for the general cost of living increase. Please explain the process Festival Hydro used to determine that this rate was reasonable, including any benchmarking analysis completed with the industry.

- e) Please compare the proposed cost of living rate increase for Festival Hydro employees with that of other utilities, if available.

4-Staff-22

Engineering and Metering

Ref 1: Appendix 2-JC OM&A Programs

Ref 2: Exhibit 4, p. 26

Preamble:

At reference 1, the application states that OM&A spending for Engineering and Metering decreased by 43% in 2021 and then increased by 51% in 2022.

At reference 2, the application states that there was a Metering Administrator position added to this category and contract labour costs increased due to the need for meter repairs and maintenance due to aging smart meters.

Question(s):

- a) Please explain the drivers for the changes in Engineering and Metering costs in 2021 and 2022.
- b) Please confirm which year the Metering Administrator position was added.

4-Staff-23

Customer Service, Billing, Collecting and Software

Ref 1: Appendix 2-JC OM&A Programs

Ref 2: Exhibit 4, p. 9

Ref 3: Exhibit 4, p. 29

Ref 4: Exhibit 4, p. 34

Ref 5: Exhibit 4, p. 13

Preamble:

At reference 1, the OM&A budget for Customer Service, Billing, Collecting and Software is projected to increase to \$1.64M in the 2025 Test Year relative to the five-year (2019-2023) average spend of \$1.21M, representing a 35% increase.

At reference 2, Festival Hydro attributed increases in Billing, Collecting and Office costs to higher billing and collecting costs (i.e., higher costs for postage, paper and envelopes), bill print process costs, and office costs (i.e., office supplies, service charges, telephone and corporate communications, regulatory costs, and corporate

events). Festival Hydro states that although outsourcing bill print process increased cost, it eliminated the need for in-house equipment to be re-purchased since it was at end of life and freed up time for billing and customer service staff to work on value added tasks.

At reference 3, the application states that part of the increase in the proposed budget for Customer Service, Billing, Collecting and Software was a result of outsourcing bill printing services in 2024.

At reference 4, the application states that a second bill coordinator is planned to be added in 2025 to assist with the new CIS and also support the main billing function as a backup.

At reference 5, the application states that Festival Hydro previously had an in-house IT full-time equivalent (FTE) to assist with the CIS and billing, but this work has been moved to Festival Hydro Services Inc. (FHSI), an entity that is wholly owned by the City of Stratford. There has also been a substantial amount of third-party work required for regulatory upgrades to the CIS.

At reference 4, the application states that Billing O&M unit costs are expected to increase from \$31.40 in 2023 to \$40.64 in the 2025 Test Year, representing a 29% increase and exceeding the 2018-2022 distributor average unit cost for this category.

Question(s):

- a) Please provide a breakdown of the Customer Service, Billing, Collecting and Software actual costs for the 2019-2023 historical years and the forecasted costs for the 2024 Bridge Year and 2025 Test Year based on the following drivers noted in the application:
 - a. Billing and collecting costs (i.e., higher costs for postage, paper and envelopes)
 - b. Bill print process costs
 - c. Office costs (i.e., office supplies, service charges, telephone and corporate communications, regulatory costs, and corporate events)
- b) Please explain any year-over-year variances greater than 10% for the drivers in the response for all parts in a) above.
- c) Please provide the cost for outsourcing the bill print process for 2024 and 2025.
- d) Festival Hydro states that although outsourcing the bill print process increased costs, it eliminated costs related to replacing end-of-life in-house equipment and freed up time for billing and customer service staff to work on value-added tasks.

- I. Please estimate the cost Festival Hydro would have incurred if it had replaced the in-house equipment rather than outsource the bill print process on a best-effort basis.
 - II. Festival Hydro states that outsourcing the bill print process freed up time for billing and customer service staff to work on value-added tasks. Please provide examples of value-added tasks.
- e) Festival Hydro states that the CIS hosting cost is \$86K and previously this service was provided by an internal staff. Please confirm which year Festival Hydro outsourced its IT and CIS services to FHSI. What was the net change in cost as a result of outsourcing IT and CIS services versus having internal staff complete this work?
 - f) Please confirm the range in budget for the new billing coordinator that is planned to be added in 2025.
 - g) Please explain the need to hire compared to continuing without hiring the second billing position given that the bill printing process and CIS work have both been outsourced, contributing to reduced overall workload for the existing billing/CIS staff.

4-Staff-24

Building Maintenance

Ref 1: Appendix 2-JC OM&A Programs

Ref 2: Appendix 2-JB OM&A Cost Drivers

Preamble:

At reference 1, OM&A spending for Building Maintenance increased by 22% in 2022 and is projected to increase by 55% in 2024. The proposed budget for Building Maintenance of \$167K for the 2025 Test Year is 69% higher than the five-year average for 2019-2023 spending of \$99K.

At reference 2, Property Maintenance costs increased from \$6.9K to \$66K from 2015 to 2016, representing an 861% increase.

Question(s):

- a) Please explain the drivers for the increases noted above for Building Maintenance costs in 2022 and 2024 as well as the higher budget proposed for 2025.
- b) Please explain the drivers for the increase in Property Maintenance costs in 2016.

4-Staff-25

Administration, Third Party, Software & Communications

Ref 1: Appendix 2-JC OM&A Programs

Ref 2: Exhibit 4, p. 21

Preamble:

At reference 1, OM&A spending for Administration, Third Party, Software and Communications is projected to \$3.15M in the 2025 Test Year from the 2015 OEB-approved budget of \$1.37M, representing a \$1.77M increase or 129%.

Festival Hydro states that the following are the drivers of the increase:

- \$1.2M – Step and inflationary increases
- \$200K – Contract and third-party costs for legal and audit
- \$215K – Software costs for ERP, board software, and other cyber security related Software as a Service and service models
- \$130K – Costs related to training, education, travel, communications and public relations, office supplies, corporate costs and events

Question(s):

- a) Please breakdown the \$1.2M step and inflationary increases by executives, management staff (excluding executives) and non-management staff.

4-Staff-26

Stations O&M

Ref 1: Appendix 2-JC OM&A Programs

Ref 2: Exhibit 4, p. 27

Ref 3: Distribution System Plan, p. 7

Preamble:

At reference 1, OM&A spending for Stations O&M increased by 33%, 44%, 24% and 55% in 2018, 2021, 2022, and 2023, respectively, on a year-over-year basis. Stations O&M is projected to increase by 32% in 2025.

At reference 2, Festival Hydro explained that the variance in Stations O&M from the OEB-approved in 2015 and the 2025 Test Year is a result of higher allocation of employee time to Stations O&M, annual step and inflationary increases, and increased contract labour costs.

At reference 3, Festival Hydro states that the Voltage Conversion Program is expected to reduce O&M costs associated with maintaining and operating 4kV substations as Festival Hydro is retiring its last two 4.16 kV substations. Festival Hydro anticipates the voltage conversion project to finish in 2033

Question(s):

- a) Please explain why Stations O&M is expected to increase in 2025 although Festival Hydro plans on retiring two of its substations.
- b) Please confirm which year Festival Hydro anticipates it will start realizing the reduced Stations O&M costs from the voltage conversion project.

4-Staff-27

Transformer Station Equipment - Operation Labour

Ref 1: Appendix 2-JD OM&A Programs

Ref 2: Exhibit 4, p. 40-41

Preamble:

At reference 1, OM&A spending for Transformer Station Equipment - Operation Labour increased by 291%, 611%, and 196% in 2021, 2022, and 2023, respectively on a year-over-year basis.

At reference 2, the application states that control room monitoring for the transformer station is outsourced to London Hydro.

Question(s):

- a) Please explain the drivers for the increases noted above for 2021, 2022 and 2023.
- b) Please confirm which year the control room monitoring for the transformer station was outsourced to London Hydro.
- c) Please confirm if the costs for control room monitoring for the transformer station that is outsourced London Hydro is expected to offset another OM&A program. If yes, please confirm the OM&A program and the years the offset is expected / has been realized.

4-Staff-28

Administration, Third Party, Software & Communications

Ref 1: Appendix 2-JC OM&A Programs

Ref 2: Exhibit 4, p. 27

Preamble:

At reference 1, the application states that OM&A spending for Administration, Third Party, Software & Communications increased by 24% and 22% in 2016 and 2018, respectively, on a year-over-year basis.

At reference 2, the application states that the increase of spending from 2015 OEB approved to the 2025 Test Year for Administration, Third Party, Software & Communications was partly due to Festival Hydro hiring two new positions within the finance, HR, and IT group – the Director of Projects and Executive Assistant.

Question(s):

- a) Please explain the drivers for the cost increases noted above for Administration, Third Party, Software & Communications specifically for 2016 and 2018.
- b) Please confirm which year the Director of Projects and Executive Assistant were hired.
- c) FTE headcount has remained flat during the 2015 to 2025 period. Please confirm what roles were removed in order to add the Director of Projects and the Executive Assistant roles.
- d) Please explain any increased work/projects and plans that requires the hiring of a new Director of Projects and Executive Assistant.
- e) Please explain the need to hire a new Director of Projects and Executive Assistant compared to continuing without hiring these positions.

4-Staff-29

Contract labour and services

Ref 1: Exhibit 4, p. 12

Ref 2: Appendix 2-JC OM&A Cost Drivers

Preamble:

At reference 1, that application states that from the 2015 OEB approved to the proposed 2025 Test Year, contract labour and services costs increased by \$666K, representing a 15.7% increase.

Question(s):

- a) Please breakdown the \$666K increase into two categories: 1) costs that were previously internal labour costs, and 2) new or higher contract labour costs.
- b) From the answer to a) above, for any costs that were previously internal labour costs, please confirm the OM&A programs these costs are expected to offset.
- c) From the answer to a) above, for any new control labour costs, please explain the need to contract the work compared to hiring an internal resource.

2-Staff-30

Regulatory Costs

Ref 1: Chapter 2 Appendices, Tab 2-M

Preamble:

The application includes the following table for one-time regulatory costs.

Table 9: Regulatory One-Time Costs

Regulatory Costs (One-Time)		Last Rebasing (2015 OEB Approved)	Last Rebasing (2015 Actual)	Sum Of Historical Years (2016-2023)	2024 Bridge Year
1	Expert Witness costs				
2	Legal costs	75,000	45,000	1,715	98,285
3	Consultants' costs	58,250	95,400	136,460	138,540
4	Intervenor costs	50,000	100,000	0	100,000
5	OEB Section 30 Costs (application-related)				20,000
6	Incremental operating expenses associated with staff and other resources	12,750	41,600	56	4,944

Question(s):

- a) Please confirm the year-to-date costs for legal and consultants for one-time regulatory costs.

Exhibit 5 – Cost of Capital

5-Staff-32

Cost of Capital

Ref 1: EB-2024-0063, Notice, March 6, 2024

Ref 2: EB-2024-0063, OEB Letter, April 22, 2024

Preamble:

On March 6, 2024, the OEB commenced a hearing (EB-2024-0063) on its own motion to consider the methodology for determining the values of the cost of capital parameters and deemed capital structure to be used to set rates for electricity transmitters, electricity distributors, natural gas utilities, and Ontario Power Generation Inc. The methodology for determining the OEB's prescribed interest rates and matters related to the OEB's Cloud Computing Deferral Account will also be considered, including what type of interest rate, if any, should apply to this deferral account.

On April 22, 2024, the OEB approved the final Issues List for this proceeding, including the following two issues, amongst other issues:

18. How should any changes in the cost of capital parameters and/or capital structure of a utility be implemented (e.g., on a one-time basis upon rebasing or gradually over a rate term)?
19. Should changes in the cost of capital parameters and/or capital structure arising out of this proceeding (if any) be implemented for utilities that are in the middle of an approved rate term, and if so, how?

Question(s):

- a) Please confirm that the applicant proposes to implement the outcomes from the OEB's generic cost of capital proceeding, including what the OEB decides with respect to implementation. If this is not the case, please explain.

Exhibit 5 – Cost of Capital

5-Staff-30

Long-Term Debt

Ref 1: Exhibit 5, page 5-6, 10

Preamble:

Festival Hydro entered into an interest rate swap agreement with RBC on a notional principal of \$5,000,000. The effective date of the loan is December 31, 2024 (Swap loan #2), and the total rate is 4.02%

Festival Hydro plans to enter into an additional 10-year interest rate swap agreement with RBC in 2025. The estimated interest rate is 6.05%.

Question(s):

- a) Please confirm the interest rate that Festival Hydro applied for Swap Loan #2 in year 2024.
- b) What are the interest rates on the actual loans with RBC? Please confirm if it is a variable rate or fixed rate.
- c) Please provide more information on Festival Hydro debt strategies. Are the swap loans for hedging purposes?
- d) What is the estimated interest rate on the new loan that Festival Hydro projects for 2025?

Exhibit 6 – Revenue Requirement and Revenue Deficiency or Sufficiency

6-Staff-33

Ref 1: Exhibit 6, page 14

Preamble:

Festival Hydro states that, at the time of filing its application, the distributor has not filed its 2023 corporate income tax returns. Festival Hydro does not expect significant changes between the final 2023 corporate income tax returns and the 2023 forecast income tax provision. Festival Hydro will provide a copy of the final 2023 tax returns as soon as they are available and update the Board's Income Tax/PILs Work Form model for the 2023 Actuals.

Question(s):

- a) Please provide a copy of the 2023 filed tax returns, if available.
- b) Please provide an updated PILS work form including 2023 actuals.

6-Staff-34

Ref 1: FHI_2025_Test_year_Income_Tax_PILs_1.0_20240426_20240508.xlsm

Ref 2: FHI_2025_Filing_Requirements_Chapter2_Appendices_1.0_20240508.xlsm, tab 2BA

Capital Additions			
Year	Appendix 2BA	PILS	Difference
2024	7,497,827	7,716,940	(219,113)
2025	7,409,350	7,736,538	(327,188)

Question(s):

- a) OEB staff notes that the capital additions at reference 1 and reference 2 are different. Please reconcile the difference and update the schedules as necessary.

6-Staff-35

Ref 1: FHI_2025_Test_year_Income_Tax_PILs_1.0_20240426_20240508.xlsm

Ref 2: FHI_2025_Filing_Requirements_Chapter2_Appendices_1.0_20240508.xlsm, tab 2BA

Depreciation			
Year	Appendix 2BA	PILS	Difference
2023	2,526,371	2,609,205	(82,834)

Question:

- a) OEB staff notes that the depreciation expense at reference 1 and reference 2 are different for 2023. Please confirm the amount of capital additions and update the schedules or explain the difference.

6-Staff-36

Ref 1: Exhibit 6, page 19-20

Preamble:

Festival Hydro pays property taxes to the City of Stratford and the Township of Seaforth for its Service Centre and Administration premises and the Municipal Substations and Transformer Stations. Property taxes for the 2015 Board Approved, Historical years 2015-2023, the 2024 Bridge Year and the 2025 Test Year are reproduced in the table below.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Property Tax	96,756	38,017	55,726	82,847	74,054	135,993	126,934	126,868	151,191	143,937	154,677
% increase		-155%	32%	33%	-12%	46%	-7%	0%	16%	-5%	7%

Question(s):

- a) Please explain the nature of any increases +/- 10% compared to the previous year.

Exhibit 7 – Cost Allocation

7-Staff-37

Weighting Factors

Ref 1: Exhibit 7, page 7

Preamble:

Festival Hydro states that an analysis of Accounts 5315 – 5340 except 5335 was conducted to determine the weighting factors for billing and collection.

Question(s):

- a) Please provide the analysis that supports the weighting factors used.

7-Staff-38

Weighting Factors

Ref 1: Cost Allocation Model, sheet I7.1 Meter Capital, sheet I7.2 Meter Reading.

Preamble:

For each of the rate classes below, Festival Hydro has entered more meters on sheet I7.1, than it has indicated as being read on sheet I7.2.

	I7.1 Meter Capital (total meters)	I7.2 Meter Reading (total reads)
Residential	20,580	20,541
GS < 50 kW	2175	2,146
GS 50 – 4,999 kW	220	209

Question(s):

- Please confirm or correct the numbers in the cost allocation model.
- Please explain the situation that results in meters being assigned to rate classes, but no associated meter reading.
- If these meters are not installed, please indicate why they are assigned to specific rate classes.
- If these meters are installed, please explain why they don't need to be read.

7-Staff-39

Demand Allocators

Ref 1: Cost Allocation Model, sheet I8 Demand Data

Preamble:

The Demand Data worksheet reflects that the Street Light and Sentinel Light rate classes do not have any load connected to the secondary voltage system. The demand data worksheet also reflects that the Sentinel Light 1 NCP is served using line transformers, but the Sentinel Light 4 NCP and 12 NCP do not include any usage of line transformers.

Question(s):

- Please explain the counter-intuitive situation where Street Light and Sentinel light do not appear to make use of secondary assets or correct the model.
- Please correct the model with respect to use of line transformers by Sentinel Lights.

Exhibit 8 – Rate Design

8-Staff-40

Fixed / Variable Split

Ref 1: Exhibit 8, pages 4-5

Preamble:

Festival Hydro is proposing to maintain the current fixed/variable proportions for all rate classes, even those where it increases a fixed charge above the ceiling (defined as the minimum system with peak load carrying capability adjustment in cost allocation model).

Question(s):

- a) As a scenario, please provide the variable charges that would result from keeping the fixed charges for the GS < 50 kW, GS 50 – 4,999 kW, and Large Use rate classes at the current level, and where the fixed charge would be limited to the ceiling (\$10.36 in the model filed April 26) for the USL rate class.

8-Staff-41

Retail Transmission Service Rates

Ref 1: Exhibit 8, pages 8-9

Ref 2: RTSR Workform

Preamble:

Festival Hydro states that it amended the RTSR for gross load billing for two customers.

Question(s):

- a) Please detail the amendment to the RTSR and indicate whether the gross load billing quantities are included in both the RRR volume, and the Wholesale purchase volumes.
- b) Please confirm which year of historic data is used for the RRR customer volumes.
- c) Please confirm which year of historic data is used for the Historic Wholesale volumes.

8-Staff-42

Specific Service Charges

Ref 1: Exhibit 8, page 11

Preamble:

The specific service charges for Service Call – Customer Owned Equipment, and Service Call – After Regular Hours are proposed to have the charges changed from the current charges of \$30 and \$165 respectively to both being Time & Materials.

Currently, Festival Hydro has a \$15 Income Tax Letter charge and it states that based on how this is used in current practice, Festival Hydro is requesting that this be called Bill Copy Charge with no change to the amount.

Question(s):

- a) Please indicate the number of times each specific service charge has been applied in 2023.
- b) If Festival Hydro is able, please provide details on typical costs of performing these services.
- c) Please explain the current practice for the Income Tax Letter charge and why revising this to Bill Copy Charge is appropriate.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-43

Lost Revenue Adjustment Mechanism (LRAM)

Ref 1: Exhibit 9, p. 29

Ref 2: Exhibit 1, p.23-24, Section 2.1.3.9

Preamble:

Festival Hydro notes it does not intend to file a claim for the true-up of the one additional project post the OEB's approval of its 2023 IRM application under EB-2022-0032 as the impact of the project would likely be less than \$2K (in favor of Festival Hydro) and the third-party assistance cost for LRAM would exceed this value.

Question(s):

- a) Please confirm that Festival Hydro is foregoing the true-up associated with this project and does not plan to claim the true-up in future years.

9-Staff-44

Ref 1: FHI_2025_DVA_Continuity_Schedule_CoS_1.0_20240426.xlsb, Tab 6, Class A Consumption Data

Rate Classes with Class A Customers - Billing Determinants by Rate Class		Transition Customers (Total Class A and B Consumption)		Class A Customer for Full Year (Total Class A Consumption)	
Rate Class		Test Year Forecast	Test Year Forecast	2023	
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	kWh	-	234,539,717	240,593,044	
	kW	-	561,134	521,741	
LARGE USE SERVICE CLASSIFICATION	kWh	-	29,085,391	29,085,391	
	kW	-	44,439	43,436	

Question(s):

- a) OEB staff notes that Festival Hydro has two transition customers for 2023. However, the Class A consumption in the table above which is copied from Tab 6 of the DVA continuity schedule is blank. Please fill in the consumption data for the class A customers in both kWh and kW and provide an updated DVA Continuity Schedule.

9-Staff-45

Ref 1: FHI_2025_DVA_Continuity_Schedule_CoS_1.0_20240426.xlsb, Tab 3, Appendix A

Preamble:

Festival Hydro provided explanations for variances between its 2023 RRR reporting and 2023 disposition amount in the DVA Continuity Schedule for:

- Account 1522 Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges of a difference of \$106k, and
- Account 1592 PILs and Tax Variance for 2006 and Subsequent Years- Sub-account CCA Changes of a difference of \$301k

In both cases, Festival Hydro explained that “adjustments were made to correct this account as part of this Application and have not been adjusted on the 2023 financial statements. It will be adjusted in 2024 as part of the approval of the disposition.”

Question(s):

- a) Please describe the nature of the adjustments.
- b) Has Festival Hydro resubmitted its RRR reporting for 2023 to correct those balances? If not, please contact the OEB’s performance analytic group for data revision.

9-Staff-46

Ref 1: FHI_2025_Filing_Requirements_Chapter2_Appendices_1.0_20240508.xlsm, tab 2BA

Ref 2: FHI_AIIP_Comparison_20240508.xlsx

Year	Capital Additions		
	Additions per Appendix 2BA (column E)	Additions per the AIIP excel file	Difference
2018	3,232,721	4,659,921	(1,427,200)
2019	3,167,521	4,582,799	(1,415,278)
2020	2,758,650	4,186,506	(1,427,856)
2021	3,376,986	5,007,264	(1,630,278)
2022	3,973,884	3,609,786	364,098
2023	4,890,430	4,774,362	116,067

Question(s):

- a) OEB staff notes that the capital additions at reference 1 and reference 2 are materially different. OEB staff expects that actual capital additions are the same in both schedules. Please explain why there is a difference.
 - a. Please update the schedules as needed.

9-Staff-47

Ref 1: EB-003-2023, Accounting Order, November 2, 2023³

Ref 2: Cloud Computing Implementation Q&A Document, PDF, February 2024⁴

Preamble:

On November 2, 2023, the OEB issued the Accounting Order (003-2023) for the Establishment of a Deferral Account to Record Incremental Cloud Computing Arrangement Implementation Costs (Cloud Computing Implementation Report). The Cloud Computing Implementation Report noted that the Cloud Computing Implementation Account is generally intended to record cloud computing implementation costs when utilities first transition from on-premises solutions to cloud computing. In February 2024, the OEB hosted a webinar and Q&A session related to the Accounting Order for the establishment of a deferral account to record cloud computing arrangement implementation costs and issued a Q&A document.

OEB staff notes that Festival Hydro did not include this generic account in Exhibit 9.

Question(s):

- a) Please confirm whether Festival Hydro has considered cloud computing solutions in its rebasing term and whether any amounts have been included in its forecast.
 - 1) If not confirmed, please explain why. Please confirm Festival Hydro's proposal to address its cloud solution implementation needs during its rebasing term.
- b) Please confirm that Festival Hydro does not request the disposition of any balance in the generic cloud implementation costs DVA in this application and does not intend to record any costs in 2024 in this generic account. If confirmed, please confirm that Festival Hydro is to discontinue the account in this rate application and update the evidence accordingly.

³ EB-2023-003, Accounting Order.

⁴ Cloud Computing Implementation Q&A Document, February 2024.

9-Staff-48

Ref 1: Exhibit 9, page 18-19

Ref 2: Report of the Board – Regulatory Treatment of Pension and Other Post-Employment Benefits Costs, Sep 14, 2017

Preamble:

On September 14, 2017, the OEB released its final report, Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs (EB-2015-0040)⁵. The Report clarifies the regulatory treatment of the cost of pension and OPEBs incurred by rate-regulated Ontario energy utilities as part of the overall compensation paid to their employees. A variance account was established on a generic basis effective January 1, 2018, to track the difference between the forecast accrual amounts recovered in rates and the actual cash payments made for both pension and OPEBs. The account has an asymmetric carrying charge sub-account in favour of customers.

Page 21 of the Report states that effective January 1st, 2018, utilities will establish three sub-accounts:

- Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential
- Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Contra Account
- Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges

When the cumulative accrual amount exceeds the cumulative cash payments, the primary account will hold a credit balance. When the cumulative cash payments exceed the cumulative accrual amount, the primary account will hold a debit balance. The primary account will accrue carrying charges to be returned to ratepayers when the cumulative opening monthly balance of the account is in a credit position. The contra account will not accrue carrying charges. The primary sub-account and contra sub-account are offsetting. Disposition can only result in a credit refund of carrying charges to ratepayers [emphasis added by OEB staff].

Carrying charges shall apply to the primary sub-account only (not the contra sub-account), calculated using simple interest applied to the monthly opening balances in Pension and Other Post-employment Benefits (OPEBs) Costs the primary sub-account. The interest rate shall be the CWIP rate prescribed by the OEB.

⁵ [Report of the Board - Regulatory Treatment of Pension and Other Post-employment Benefits \(OPEBs\) Costs \(final report\) \(oeb.ca\)](#).

In table 9-11 of Exhibit 9 of reference 1, Festival Hydro calculates the variance between the approved other post employee benefits (OPEBs) from 2015 (increased by the annual IRM rate) compared against the cash difference.

Festival Hydro is requesting to dispose of \$97,920 for Account 1522 Pension & OPEB Forecast Accrual vs Actual Cash Payment.

Question(s):

- a) Please explain why Festival Hydro requests a debit of \$97,920 in this application, given that the OEB's report on Pension and OPEB states that "Disposition can only result in a credit refund of carrying charges to ratepayers".
- b) Please show the accounting entries for 2023 for the three sub-accounts reconciled to table 9-11 of the application.
- c) Please confirm whether the cumulative balance of the primary sub-account and contra-account results in a debit or a credit balance for each of the years between 2018 and 2024 (inclusive).
 - 1) If the annual amount results in a credit balance, please calculate the carrying charges using the OEB's prescribed interest rates for CWIP.
 - 2) Please update the applicable evidence, as needed.

9-Staff-49

Ref 1: The OEB's Decision and Order for Getting Ontario Connected Act Variance Account, October 31, 2023

Preamble:

On October 31, 2023, the OEB issued a decision and order EB-2023-0143 for Getting Ontario Connected Act Variance Account (GOCA variance account). The decision states that:

The OEB notes that the GOCA variance account will only be available to a utility until the end of its current IRM period. The account is not available for utilities that have reflected Bill 93 in their most recent rebasing applications.

The disposition of any balance in this account will be subject to a prudence review and a requirement to establish that any cost incurred over and above what is provided for in initial and IRM adjusted base rates is an incremental cost resulting from Bill 93.

OEB staff notes that Festival Hydro does request the disposition of any amount in the GOCA variance account nor does Festival Hydro address whether the account is to be continued or discontinued in Exhibit 9.

Question(s):

- a) Please confirm that the OM&A cost in the test year reflects the Bill 93 impact for the utility's locate costs.
- b) If so, please confirm that the Account 1508 sub-account GOCA variance account is to be discontinued after this rebasing application and update the evidence accordingly.
- c) If not, please provide the rationale why the Bill 93 impact is not reflected in the test year's OM&A cost.