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December 12, 2017

Ms. Kirsten Walli  
 Board Secretary  
 Ontario Energy Board  
 P.O. Box 2319  
 2300 Yonge Street, 27<sup>th</sup> Floor  
 Toronto, ON M4P 1E4

**RE: 2019 Cost of Service Application**

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Dear Ms. Walli

Bluewater Power Distribution Corporation (“Bluewater”) is in receipt of the OEB letter dated December 7, 2017 listing LDCs scheduled for Cost of Service applications for the 2019 rate year. Bluewater is writing to seek a one-year deferral of its 2019 Cost of Service (“COS”) application. Bluewater completed its most recent COS application for rates effective May 1, 2013. We were originally scheduled to file our next COS application four year later (rates effective May 1, 2017), but Bluewater has sought a deferral for the last two years, and has received OEB approval of those deferral requests.

Bluewater believes it is incumbent upon the distributor to ask, each time before filing a COS application, whether the time and expense of a COS application is to the benefit of the utility and its customers. At this time, Bluewater believes that the utility can continue an additional year under the 3<sup>rd</sup> Generation Price Cap IR process, and continue to provide reliable service, invest appropriately in capital and focus on key initiatives to manage costs for the utility while maintaining a customer centric focus

Bluewater continues to work on the Asset Management Plan, as well as monitor customer needs, load forecast trends, the reliability of our system and progress on capital spending. In addition, Bluewater has favourable 2016 scorecard results in all areas, and we continue to strive for improvements.

Like many other LDCs, the workload in the current regulatory and political environment has placed extreme pressure on all departments. In order to avoid cost increases required to “staff-up” in order to maintain current service as well as conduct a COS application, the proposed a one-year deferral will permit Bluewater to focus on longer term planning to ensure the time and resources will be available without incremental staff. Moreover, there is public pressure on electric utilities to control costs further, and by deferring a potential increase in base distribution rates, Bluewater and the OEB can provide assurance to the public that we are striving toward stable and predictable distribution rates for our customers.

Finally, we note that Bluewater’s actual return on equity is within the acceptable range as determined by the OEB. For your ease of reference, the ROE for the most recent four years are indicated in the chart below.

	2013	2014	2015	2016
Deemed ROE in rates	8.98%	8.98%	8.98%	8.98%
Achieved ROE	11.40%	10.17%	11.83%	11.86%

Accordingly, Bluewater hereby requests to defer the Cost of Service application for one further year (for rates effective 2020) and, thereby continue under the 3<sup>rd</sup> Generation Price Cap IR framework for one additional year, being the rate year effective May 1, 2019.

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Please feel free to contact me if you require any further information, or you wish to provide direction.

Sincerely,

A handwritten signature in black ink, appearing to be 'APL', written in a cursive style.

Alex Palimaka  
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