



PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC

ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7

Tel: (613) 562-4002. Fax: (613) 562-0007. e-mail: piac@piac.ca. <http://www.piac.ca>

Michael Buonaguro
Counsel for VECC
(416) 767-1666

January 15, 2009.

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

**Re: Vulnerable Energy Consumers Coalition (VECC) Comments
Procedural Order #2 : EB-2008-0221
Bluewater Power Distribution Corporation (BWPC)
2009 Electricity Distribution Rate Application**

As requested the following are the comments of the Vulnerable Energy Consumers Coalition (VECC) on the Procedural Questions in P.O. #2 in the above-noted proceeding. We have also be directed a copy of the same to the Applicant.

- (a) whether further discovery is required, either in the form of further interrogatories or a technical conference;
- (b) whether a settlement conference would be appropriate; and
- (c) whether a written or oral hearing is preferred.

In formulating its response to the questions VECC has considered three factors:

- Impact of the requested rate increase and the fact that the 2009 RR is a base for 3GIRM
- Discovery to date and responsiveness of utility IRRs
- Cost/efficiency of the regulatory process

Based on review of the process to date, VECC notes that using the Board's bill impact criterion, the increase in BWPCs' proposed 2009 RR is significant particularly for low use residential customers. The materiality of the proposed increase is important to the level of scrutiny required by intervenors and the Board.

(a) whether further discovery is required, either in the form of further interrogatories or a technical conference;

BPWC has been responsive to questions from Board Staff and intervenors and although a review of responses indicates that some follow up/clarifications are needed at least on areas VECC examined, these are not extensive.

Examples of incomplete responses or responses where additional information is needed are provided in the Attachment to this letter.

Given the size of the utility, VECC believes that costs can be kept in line with either a second round of IRs and/or a technical conference with written questions provided and answered in advance,

(b) whether a Settlement Conference would be appropriate;

Following either a second round of IRs and/or a technical conference a Settlement Conference would be efficient as a means to settle and/or scope the issues. VECC would support this.

We have reviewed the proposals from Counsel to Bluewater regarding a Settlement Conference:

That all parties be required to submit a brief Position Paper (in accordance with page 2 of the Guidelines) and in particular, Interveners should be required to include:

- a) a list of issues requiring further discovery of the evidence
- b) a list of O&M and Capital items they seek to challenge

VECC has no problem with these suggestions provided they are not limiting, i.e. the lists will be submitted on a without prejudice basis.

(c) whether a written or oral hearing is preferred;

It is difficult to predict the situation following a Settlement Conference. VECC suggests that if there are material unsettled issues, there could be a requirement for an oral hearing phase. Alternatively, if several issues have been settled or scoped, then final written submissions from parties may suffice.

Thank you.
Yours truly,

Michael Buonaguro
Counsel for VECC

cc: Bluewater Power Distribution Corporation
Andrew Taylor Ogilvie Renault LLP

Attachment to VECC Letter on Procedural Matters

BLUEWATER POWER DISTRIBUTION CORPORATION. (BPDC) NEED FOR ADDITIONAL DISCOVERY (IR'S or Tech. Conference)

VECC Question #2

Reference: Exhibit 1/Schedule 2/Tab 5

a) Provide the following actual 2007 and projected 2009 metrics for all business units of BWPC, including Corporate and BWDC:

Response includes only information on BWDC and BWPC, not as requested, the other Affiliates listed in the reference. In particular, Sarnia Hydro Energy Corporation that in 2009 receives services from BWDC and provides services to BWDC is omitted.

VECC Question 5 (b)

With regard to the SAP upgrade please provide a copy of the benefits realization assessment/plan, including quantification of annual OM&A cost reductions.

The response provides qualitative benefits but does not provide the OM&A cost/benefit requested

VECC Question 8 (c)

Provide a schedule showing the age distribution by major asset class of the existing distribution assets based on remaining life and/or net book value .

Response:

A schedule showing the age distribution by major asset class is not available. Although the 1999 Report prepared by Elecsar Engineering is, in part, an asset condition assessment, there is not sufficient detail to satisfy the question.

Follow up question(s) required

VECC Question 9 (b)

Explain why the annual capital cost of standard meters is not reducing significantly in 2009 given the roll out of the smart meter program scheduled for completion in 2010?

Response indicates (in part)" We have budgeted to change expired meters in order to maintain compliance. For budgeting and planning purposes, we cannot anticipate that the dispensation from Measurement Canada will be granted".

Follow question re impact when/if MC grants dispensation.

VECC Question #13 b) – The question was not with respect to the "allocation of LV costs" but rather what LV charges were embedded in rates for 2008 and 2009. This involves taking the LV rate adder for each class and the forecast volumes to determine the LV related revenues by class,

VECC Question #14 c) & e) – There is a need for BPDC to break out how much of the \$243,636 is for carrying charges on regulatory accounts. The original Application suggested it was all attributable to regulatory assets.

VECC Question #15 d) – The response states that the data for the period February to December 2007 was not excluded from the analysis for the GS class. However, the original Application states “Weather correction and forecasting for general service class kWh volumes is based on data from January 2004 to January 2007”. There is a need for clarification.

VECC Question #20

Reference: Exhibit 4/Tab 2/Schedule 2, page 13 Table 4.2.2.3

Exhibit 4/Tab 2/Schedule 9, page 1

a) Please provide the basis for Bluewater’s compensation structure for its executive CEO, COO, VP/Directors, positions and copies of supporting independent compensation benchmarking studies such as Hay.

Response refers to Board Staff IR #1.13 (b).including Hay Report.

Clarification question(s) regarding one Executive position.

VECC Question 20 (g)

Is the assumption that each of 6 new hires will provide a full FTE in 2009 or explain what other assumptions have been made about timing and incremental payroll cost for 2009?

Response:The application assumes that the six new positions will be in place as full FTEs in 2009.

Clarification re impact.

VECC Question 24 (b)

Explain in more detail what if any, assets are being transferred and their net book value.

Response:The assets being transferred to the affiliate include a backhoe, compact wheel loader, excavator, freightliner truck and a flatbed trailer. The approximate net book value at December 31, 2008 is \$195,000, which also closely approximates fair market value.

Clarification questions re use of BPDC vehicles and garage space

VECC Questions 27a-27c LRAM/SSM

Clarification/follow up questions based on attachments provided

VECC Question 31 (h)

With respect to page 18 (lines 20-22), please confirm that “percentage” adjustment was made to Distribution Revenues and not Total Revenues by class, where the latter includes miscellaneous revenues. If not, please re-do and update the values presented on page 19.

Response:The two tables presented on page 19 of the ERA report are produced in the attachment, along with an updated table whereby the revenue shortfall is allocated to distribution revenue only

Follow up question(s) on attachment provided

VECC Question #34 a) & b) – The response suggests that there are no LV rate adders. However, Sheet 8-2 from BDC's Approved 2006 EDR sets out the LV adders for 2006. Also, BPDC must determine its annual revenue from customers for LV for purposes of account #1550 and therefore must implicitly determine adders for each class.

VECC Question 31 (h)

With respect to page 18 (lines 20-22), please confirm that "percentage" adjustment was made to Distribution Revenues and not Total Revenues by class, where the latter includes miscellaneous revenues. If not, please re-do and update the values presented on page 19.

Response: The two tables presented on page 19 of the ERA report are produced in the attachment, along with an updated table whereby the revenue shortfall is allocated to distribution revenue only

Follow up question(s) on attachment provided