

**Board Staff Second Round of Interrogatories
2009 Electricity Distribution Rates
Bluewater Power Distribution Corporation
("Bluewater")
EB-2008-0221**

1 OPERATING COSTS

1.1 General – OM&A Expenses

Ref: Response to Board Staff Interrogatory #1.2b

- i. Please provide a variance analysis for the 2009 test year versus 2007 actual figures.
- ii. In regards to (i), please provide detailed variance explanations for variances greater than \$50,000.

1.2 General – OM&A Expenses

*Ref: Response to Board Staff Interrogatory #1.12c
Exhibit 4/Tab 2/Schedule 2/Page 25*

In its application, Bluewater referenced to a variance analysis on corporate restructuring that indicated a detrimental impact on ratepayers due to corporate restructuring of \$92,870.

Please explain why the corporate restructuring cost of \$92,870 is not being amortized to reflect the cycle time of the incentive regulation mechanism (IRM) plan.

1.3 General – OM&A Expenses

*Ref: Response to Board Staff Interrogatory #1.2b
Response to Board Staff Interrogatory #1.14
Exhibit 4/Tab 2/Schedule 2/Page 2/Table 4.2.2.1*

- i. Please explain the types of costs that are assigned to the “All Other Costs” category.
- ii. In response to Board staff interrogatories #1.2b and #1.14, account 5114 displays a 2008 balance of \$4,500. However, for the same account in 2009, the balance provided in interrogatory response #1.14 is \$6,025 as oppose to a total balance of \$7,275 provided in interrogatory response #1.2b.

Please explain the criteria of how costs are assigned to the “All Other Costs” category.

2 RATE BASE AND CAPEX

Ref: Board Staff Submissions – Procedural Order No. 2 Application for Approval of 2009 Electricity Distribution Rates Bluewater Power Distribution Corporation Board File Number EB-2008-0221 January 15, 2009

In this submission, staff states that in response to Board staff interrogatories #3.5, #3.6, #3.7, #3.9, #3.10 and #3.11, Bluewater has not provided quantitative analyses such as a cost benefit analysis to justify significant increases in its capital expenditures.

Please confirm that Bluewater does not have such analyses to justify these expenditures, or if it does have such analyses, please provide them.

3 PILS

Question 3.1 – Additions to Taxable Income

*Ref: Response to Board Staff Interrogatory #5.1
Exhibit 4/Tab 3/Schedule 1/Attachment 1
Exhibit 1/Tab 3/Schedule 3/Attachments 1 and 2
Exhibit 1/Tab 3/Schedule 2
Exhibit 6 Tab 1 Schedule 1 Page 1*

In Board staff interrogatory 5.1, Bluewater was asked to provide an explanation of and reconciliation of 2009 “Net employee future benefits (accrual less amounts paid)” amount of \$694,415, as compared to an amount of \$539,846, which the interrogatory suggested arose from the filed material referenced above.

Bluewater’s response appears to acknowledge that the \$539,846 is the correct number, but states that “Because the \$694,415 is part of the 2009 net income calculation – which is the starting point for the T2S1 – it is correctly presented as an ‘addback’ on the T2S1 (Exh 4, Tab 3, Sch 1, Attachment 1).” However, the T2S1 uses as its starting point, an “Income (Loss) before PILs/Taxes (Accounting)” amount of \$1,974,129. This amount comes from Exhibit 6 Tab 1 Schedule 1 Page 1 as the “Deemed Return on Equity.”

- (a) Please state whether or not Bluewater is in agreement that the \$539,846 is the correct number to use or if not, please state why not and the number which Bluewater believes to be correct
- (b) Please state why Bluewater believes that the \$694,415 is correctly presented as an addback on the T2S1 given that the starting point of the T2S1 is the deemed return on equity amount referenced above.

Question 3.2 – Additions to Taxable Income

*Ref: Response to Board Staff Interrogatory #5.2
Exhibit 4/Tab 3/Schedule 1, p.2*

Bluewater's 2009 income tax calculation included an addition to taxable income of an item "Carrying charges accrued (expensed not paid)" in the amount of \$243,636. Board staff interrogatory 5.2 asked Bluewater to describe what this item was and in addition to state whether it included amounts related to regulatory assets and if so what the amounts are and the accounts to which they are attributable.

In its response, Bluewater states that "In 2009, Bluewater Power is forecasted to have \$243,636 in net carrying charges on the net regulatory balances owing to customers. As these amounts will not be settled with customers during 2009 and will be deducted as an accrued expense in the 2009 income statement, they need to be added back on the T2S1."

Since the "Deemed Return on Equity" calculation as noted in Question 3.1 above is being used as the starting point of the tax calculation, this would imply that deemed interest is being deducted. Such interest would not include amounts related to regulatory assets.

Please state why given the above, Bluewater believes that an addback would be necessary.

4 DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS

*Ref: Response to Board Staff Interrogatory #7.1
Exhibit 5/Tab 1/Schedule 1/Page 1*

Please explain why Bluewater is tracking funds related to LRAM and SSM in account 1505?

5 CONTINUITY SCHEDULE FOR REGULATORY ASSETS

*Ref: Response to Board Staff Interrogatory #7.2
Exhibit 5/Tab 1/Schedule 2*

Bluewater filed a continuity schedule on December 22, 2008 in response to Board Staff IR 7.2. Please explain the following:

- (a) The interest for the period January 1 to December 31, 2005 differs from the quanta noted in the continuity schedule filed on July 13, 2005.
- (b) There is no entry for 1590 - recovery of regulatory asset balances.
- (c) In Exhibit 5-1-1 page 2, Bluewater notes that 1588 RSVA Power Sub Account Global Adjustment is shown as account 2425 for presentation purposes. Please confirm that Bluewater is using 1588 RSVA Power Sub Account Global Adjustment as noted in the continuity schedule filed on December 22, 2008.

6 LOSS FACTORS

6.1 Distribution Loss Factor

*Ref: Response to Board Staff Interrogatory #9.1
Exhibit 4/Tab 2/Schedule 10/Page 1/ Table 4.2.10.1*

In response to Board Staff IR 9.1, Bluewater refers to a range of distribution loss factors. What has contributed to the "abnormally higher or lower" results?

7 RATE DESIGN

7.1 Retail Transmission Service Rates

*Ref: Response to Board Staff Interrogatory #10.1(a)
Exhibit 4/Tab 2/Schedule 13/Page 1
Ontario Energy Board Guideline (G-2208-001) - Electricity Distribution
Retail Transmission Service Rates, p. (III-IV),
http://www.oeb.gov.on.ca/OEB/_Documents/Regulatory/Board_Guideline_EDRTS.pdf*

In response to Board Staff IR 10.1(a), Bluewater provided actual data for the balance in the RTSR deferral accounts. Please explain the trend from 2005 to 2006 for 1586 RSVACN. Please file monthly balances as requested in IR 10.1(a).