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February 4, 2009

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Re: EB-2008-0221 Bluewater Power 2009 Rate Application
Supplemental Interrogatory Responses

Please find attached a REVISED copy of the Interrogatory Responses of Bluewater Power to Board Staff supplemental interrogatories. The revision entails adding the schedule referred to in response to Interrogatory 1.1. No other changes were made.

Two hard copies will follow via courier.

Should there be any questions please contact me at the number below.

A handwritten signature in black ink that reads "L. Dugas".

Leslie Dugas
Manager of Regulatory Affairs
Bluewater Power Distribution Corporation
Email: ldugas@bluewaterpower.com
519-337-8201 ext. 255

cc: All Intervenors

**Bluewater Power Distribution Corporation
("Bluewater Power")
EB-2008-0221
Responses to Board Staff Second Round of Interrogatories**

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.

Response:

- i. Please refer to the electronic spreadsheet labeled "~~Board Staff 2nd Round 1.1 O&M Expenses~~" schedule below which presents the variance analysis requested. Note that all variances in excess of \$50,000 have been highlighted.

Bluewater Power 2007 to 2009 Variance

	2009 Test	2007 Actual	09 vs 07
<u>Admin & Gen Expense</u>			
5605 Executive Salaries and Expenses	962,527	734,123	228,404
5610 Management Salaries and Expenses	209,019	310,953	-101,934
5615 General Administrative Salaries and Expenses	1,713,680	1,121,758	591,922
5620 Office Supplies and Expenses	2,860	6,178	-3,318
5625 Administrative Expense Transferred/Credit	-543,487		-543,487
5630 Outside Services Employed	178,675	327,672	-148,997
5635 Property Insurance	166,076	146,548	19,528
5645 Employee Pensions and Benefits	1,986,471	1,590,751	395,720
5655 Regulatory Expenses	437,711	221,247	216,464
5660 General Advertising Expenses	21,000	12,363	8,637
5665 Miscellaneous General Expenses	724,793	660,566	64,227
5675 Maintenance of General Fleet	91,788	84,914	6,873
Admin & Gen Expense Total	5,951,113	5,217,074	734,039
<u>Billing & Collecting</u>			
5305 Supervision	124,802	107,336	17,466
5310 Meter Reading Expense	148,146	112,856	35,290
5315 Customer Billing	887,684	746,719	140,965
5320 Collecting	233,138	216,441	16,697
5330 Collection Charges	788	975	-188
5335 Bad Debt Expense	102,885	93,011	9,874
Billing & Coll Total	1,497,443	1,277,338	220,104
<u>Community Relations</u>			
5410 Community Relations - Sundry	52,000	57,142	-5,142
5415 Energy Conservation	45,540	12,029	33,510
5420 Community Safety Program	119,331	25,469	93,862
Community Relations Total	216,870	94,640	122,230
<u>Distribution Expenses - Maintenance</u>			
5114 Maintenance of Distribution Station Equipment	7,275	8,537	-1,262
5120 Maintenance of Poles, Towers and Fixtures	14,300	11,354	2,946
5125 Maintenance of Overhead Conductors and Devices	83,520	67,908	15,612
5145 Maintenance of Underground Conduit		69	-69
5150 Maintenance of Underground Conductors and Devices	16,900	18,988	-2,088
5155 Maintenance of Underground Services	5,145	4,582	563
5160 Maintenance of Line Transformers	26,000	8,796	17,204
5175 Maintenance of Meters	4,500	2,319	2,181
Dist Exp - Mtce Total	157,640	122,553	35,087
<u>Distribution Expenses - Operations</u>			
5005 Operation Supervision and Engineering	944,384	498,118	446,266
5010 Load Dispatching	208,989	197,013	11,976
5012 Station Buildings and Fixtures Expense	100	1,223	-1,123
5014 Transformer Station Equipment - Operation Labour	26,000		26,000
5015 Transformer Station Equipment - Operation Supplies and Expenses		592	-592
5017 Distribution Station Equipment - Operation Supplies and Expenses	420	6,835	-6,415
5025 Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	231,369	266,361	-34,993
5035 Overhead Distribution Transformers - Operation	1,965	1,859	106
5040 Underground Distribution Lines and Feeders - Operation Labour	899,617	284,584	615,033
5045 Underground Distribution Lines and Feeders - Operation Supplies and Expenses	306,371	260,449	45,922
5055 Underground Distribution Transformers - Operation		1,824	-1,824
5065 Meter Expense	437,516	221,593	215,923
5070 Customer Premises - Operation Labour	0	60,287	-60,287
5075 Customer Premises - Materials and Expenses	43,220	20,655	22,565
5085 Miscellaneous Distribution Expense	404,711	356,259	48,452
5095 Overhead Distribution Lines and Feeders - Rental Paid	30,690	29,335	1,355
Dist Exp - Operations Total	3,535,351	2,206,987	1,328,365
<u>Taxes</u>			
6105 Taxes Other Than Income Taxes	297,750	275,492	22,258
Tax Total	297,750	275,492	22,258
Grand Total	11,656,166	9,194,084	2,462,082

- ii. The primary drivers for variances greater than \$50,000 are set out below. Before summarizing the analysis requested by this supplementary question, we refer the reader to the thorough and comprehensive discussion of the variance from 2007 to 2009 contained in the pre-filed evidence. Bluewater Power anticipated that the OEB would be most concerned with the variance from the most recent actual (2007) to the test year (2009) and therefore we provided a thorough variance analysis, which is found at Exhibit 4, Tab 2, Schedule 2, pages 1 to 26.

Account 5605: \$228,404

\$ 80,149	- capitalized labour
<u>146,900</u>	- salary
<u>\$ 227,049</u>	

Account 5610: (\$101,934)

\$ (21,300)	- capitalized labour
<u>(74,100)</u>	- salary
<u>\$ (95,400)</u>	

Account 5615: \$591,922

\$ (28,600)	- fire retardant clothing
32,700	- payroll burden
225,500	- payroll accrual for company
<u>316,800</u>	- salary
<u>\$ 546,400</u>	

Account 5625: (\$543,487)

This amount relates entirely to capitalization of indirect management labour and overhead for 2009. The amount for 2007 to this account was NIL because of the previous methodology used for capitalization for which several other accounts were credited instead. The current capitalization policy is discussed at Exh 2, Tab 3, Sch 8. The change in capitalization policy is discussed at Exh 1, Tab 2, Sch 11.

Account 5630: (\$148,997)

\$(135,800) - contract labour
 (25,100) - payroll burden
 12,800 - students
\$ (148,100)

Account 5645: \$395,720

\$ 224,400 - extended benefits
 171,300 - employee future benefit expense
\$ 395,700

Account 5655: \$216,464

\$ 10,600 - capitalized labour
 14,800 - salary
 19,500 - consulting
 20,000 - OEB assessment
 24,400 - advertising
 113,000 - rebasing costs
\$ 202,300

Account 5665: \$64,227

\$ 12,200 - salary
 16,100 - audit fees
 16,800 - legal fees
 17,900 - utilities
\$ 63,000

Account 5315: \$140,965

\$ (24,800) - capitalized labour
 16,400 - payroll burden
 45,300 - overtime
 85,900 - labour
\$ 122,800

Account 5420: \$93,862

\$	3,200	- payroll burden
	4,800	- safety supplies
	4,100	- travel
	4,000	- consulting
	12,000	- awards
	<u>52,400</u>	- salary
\$	<u>80,500</u>	

Account 5005: \$446,266

\$	7,300	- training
	12,600	- incentive
	13,100	- payroll burden
	14,200	- software maintenance
	26,000	- contracted services
	80,800	- labour
	89,600	- capitalized labour
	<u>182,200</u>	- salary
\$	<u>425,800</u>	

Account 5040: \$615,033

\$	8,800	- benefits
	218,700	- capitalized labour
	<u>387,900</u>	- labour
\$	<u>615,400</u>	

Account 5065: \$215,923

\$	5,700	- vehicle costs
	6,200	- payroll burden
	6,300	- training
	8,300	- salary
	34,500	- capitalized labour
	<u>151,100</u>	- labour
\$	<u>425,800</u>	

Account 5070: (\$60,287)

\$ (60,200)	- labour
11,300	- payroll burden
<u>(5,600)</u>	- overtime
<u>\$ (54,500)</u>	

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.

Response:

The amount of \$92,870 identified in Table 4.2.2.5 of Exhibit 4, Tab 2, Schedule 2 is a variance analysis. It is the variance between the reallocation of costs to Account 4380 that took place in 2007 compared to the costs that have been removed from the utility in 2009 due to the corporate restructuring. Accordingly, there is no restructuring cost that could be amortized over time.

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.

Response:

Part (i)

Please refer to Table 4.2.1.1 in Exhibit 4, Tab 2, Schedule 2. The variance for the “All Other” costs category is \$224,614, or 9% of the total net O&M. The intention of the table was to identify the major drivers and, in fact, 91% of the variance is specifically identified in the table and more fully explained in Exhibit 4, Tab 2, Schedule 2. The “All Other” category was intended to capture the remaining individual variances of less than \$40,000.

The type of costs that are included in the “All Other” costs category include the following cost categories:

- bad debts
- cell phones
- insurance
- property taxes
- bank fees
- collection charges
- utility costs
- repairs and maintenance

- stationary and forms
- fuel
- memberships
- postage
- telephone

There may be other costs included in the total but they are too numerous and immaterial to mention. All of the costs listed above and all other such costs are fairly consistent from year to year and did not warrant a discussion due to their variances being less than \$40,000; in most cases significantly less than \$40,000.

Part (ii)

The variances provided for the year 2009 are different in response to OEB IR #1.2(b) and #1.14 because they are different variances beings presented. The answer to OEB Question #1.2(b) presents all costs for all accounts. The answer to OEB IR #1.14 presents only those costs classified as “All Other Costs” for all accounts. Therefore, the information provided in response to IR #1.14 is a subset of IR #1.2(b).

Accordingly, if the variance presented is the same in both analyses for a particular account, it is because the entire variance is found in the subset of “All Other Cost”. If the variance is different for a particular account, then the variance was partially driven by costs outside of the “All Other Costs” category.

Further to Part (i) above, the criteria to assign costs to the “All other” category relates to their materiality. Bluewater Power chose not to explain any cost drivers with a variance below \$40,000, which is well below our materiality threshold. Costs that are consistent from year-to-year find their way to this 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.

Response:

This question contains a statement by Board Staff 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 analysis such as a cost benefit analysis to justify significant increases in its capital expenditure”. Bluewater Power addresses below the statement as it applies to the individual projects, but we must also address the general assertion contained in the statement that the utility has not justified increases in its capital expenditures.

With respect to the general assertion that the increase in capital spending has not been justified, Bluewater Power submits that statement is simply not supported by a comprehensive reading of the evidence. The pre-filed evidence and numerous responses to IRs have specifically addressed the issue of the overall increase in capital expenditures. By way of Summary, Bluewater Power has pointed out that capital spending is generally consistent year over year, including the Test Year. The increase in capital spending during the test year is driven almost entirely by three “non-routine projects”, namely the building expansion, SAP Upgrade and Modeland Metering Upgrade. Bluewater Power has also provided a detailed Asset Management Plan that describes the process of asset planning at the utility, and which supports the direction of capital spending at the utility and identifies that Capital Spending is likely to be ramped-up starting in 2010. In that regard, we direct Board Staff and the OEB to the following:

- Exhibit 2, Tab 1, Schedule 3 – Annual Variance Analysis on Rate Base
- Exhibit2, Tab 3, Schedule 9 – Bluewater Power Asset Management Plan
- Board Staff IR #3.2
- Board Staff IR #3.12
- VECC IR#5
- VECC IR#8

With respect to the statement by OEB staff that “Bluewater has not provided quantitative analysis such as a cost benefit analysis”, we can only agree that a full cost-benefit analysis was not presented in the evidence. However, we point out that extensive quantitative analysis has been presented in response to the listed Board Staff IRs, as well as in response to VECC IR #10.

In the interest of satisfying the Board Staff interrogatory we will summarize the quantitative analyses in the form of a cost benefit analysis. That analysis is provided on a project-by-project basis below.

Vehicles Replacements (OEB IR#3.5)

Bluewater Power fleet replacements are at the extended end of the cost curve for replacing vehicles. The extended lifespan of the Bluewater Power fleet is due to a strong maintenance program, indoor parking, respect for vehicles by users and a thorough RFP process identifying well designed vehicles for end-users. There is a break point where purchasing a new vehicle is the prudent business decision. We are confident the fleet management processes BWP has in place (see OEB IR #3.5(c)) utilizes acceptable criteria used by owners of much larger fleets to determine when a new purchase is justified and required.

The economic theory of vehicle replacement states that as a vehicle ages, the cost of capital decreases and the operating cost increases. The combination of these two costs produces a cost curve that suggests the optimal time to replace any piece of equipment. The optimal time is not a specific fixed point, but is a range over time.

The optimal time to replace vehicles in the Bluewater Power fleet depends upon the type of equipment (whether it is prone to wear and tear), the original design of the equipment (continued suitability for the job), and the user acceptability of the equipment (equipment that receives limited use has little value). When considering vehicles within the range where they should be retired, we utilize criteria like mileage, hours of operation, new technology, safety, and fuel efficiency. That quantitative analysis has been provided.

Inherent in the methodology employed by Bluewater Power is the assumption that the optimal time to replace a vehicle is the balance point between Capital Costs versus O&M savings and trade-in value. In the interest of satisfying the Board's Interrogatory, we have prepared a Cost Benefit Analysis ("CBA") on a vehicle by vehicle basis.

Single Bucket Material Handler	
Capital Cost	\$286,000
Trade-in value of current year 2000 model	\$ 35,000
Net Capital Cost	\$251,000
Maintenance savings	\$ 7,000
Savings due to improved Fuel Efficiency	\$ 2,000
Efficiencies (The existing truck is not conducive to working efficiently with other bucket trucks and radial boom derricks on work sites. The truck is a corner mount boom design. Estimate that the design causes lost time on average of 4 hours weekly)	\$ 12,000
Annual Savings	\$ 21,000
NPV of Savings over life of vehicle	\$110,000
<p>Although the CBA on financial basis alone does not justify this individual investment, there are intangibles worth noting. These intangibles could have a dollar value assigned to them, but we have not done so in this analysis. Those intangibles could generally be described as follows:</p> <ul style="list-style-type: none"> • Ergonomics: The current vehicle design is safe, but poses greater risk of injury than the vehicle that will replace it. • Usability: The current vehicle is the last choice for lineman. This creates inefficiencies as crews make extra effort to avoid using the current vehicle. • Reliability: As the vehicle ages the risk of failure leading to injury or lost time increases significantly. The boom failure discussed at OEB IR #3.5(c) cost Bluewater Power \$54,200 (being \$45,000 to repair the boom, \$7200 is loss of use of the vehicle while it was repaired, \$2000 in lost time on the day of the incident and dealing with follow-up). 	

Meter Van	
Capital Cost	\$27,000
Trade-in value of current year 2000 model	\$ 1,000
Net Capital Cost	\$26,000
Annual maintenance savings	\$ 1,500
Savings due to improved Fuel Efficiency	\$ 1,000
Annual Savings	\$ 2,500
NPV of Savings over life of vehicle	\$14,000
<p>Although the CBA on financial basis alone does not justify this investment, there are intangibles worth noting as follows. These intangibles could have a dollar value assigned to them, but we have not done so in this analysis. Those intangibles could generally be described as follows:</p> <ul style="list-style-type: none"> • Maintenance Risk: The current vehicle is a 1995 van. It is well beyond its lifespan and the likelihood of significantly increased maintenance spending is very high. • Reliability: The risk of a total failure is high and can lead to inefficiencies in deploying the workforce if a replacement vehicle is not readily available. 	

Service Rep - Meter Van	
Capital Cost	\$27,000
Trade-in value of current year 2000 model	\$ 2,000
Net Capital Cost	\$25,000
Annual maintenance savings	\$ 1,500
Savings due to improved Fuel Efficiency	\$ 1,000
Annual Savings	\$ 2,500
NPV of Savings over life of vehicle	\$14,000
<p>Although the CBA on financial basis alone does not justify this investment, there are intangibles worth noting as follows. These intangibles could have a dollar value assigned to them, but we have not done so in this analysis. Those intangibles could generally be described as follows:</p> <ul style="list-style-type: none"> • Maintenance Risk: The current vehicle is a 2000 Dodge 4X4 pick-up truck with high mileage (230,000 kms). The likelihood of significantly increased maintenance spending is very high. • Reliability: The risk of a total failure is high and can lead to inefficiencies in deploying the workforce if a replacement vehicle is not readily available. 	

Engineering - Meter Van	
Capital Cost	\$27,000
Trade-in value - No trade in	
Net Capital Cost	\$27,000
Annual maintenance savings	\$ N/A
Savings due to improved Fuel Efficiency	\$ N/A
Efficiency Savings	\$ 1,500
NPV of Savings over life of vehicle	\$ 8,000
<p>Although the CBA on financial basis alone does not justify this investment, there are intangibles worth noting as follows. These intangibles could have a dollar value assigned to them, but we have not done so in this analysis. Those intangibles could generally be described as follows:</p> <ul style="list-style-type: none"> • Lack of suitability: The current Engineering vehicle is a 2001 Dodge pick-up truck. It has low mileage and is in good condition. A mini-van is better suited for the field work that is done by the Engineering Department. <p>NOTE: We intend to move the 2001 Dodge pick-up to a small vehicle pool. It will be utilized primarily by the Stores Department and Line Department. It will be used to deliver parts to job sites rather than utilizing large trucks or breaking-up work crews already on-site.</p>	

Combination Boom/Dump Truck	
Capital Cost	\$165,000
Trade-in value (No current vehicle)	\$ 0
Net Capital Cost	\$165,000
Reduced Crane Rentals	\$ 7,000
Lifting Efficiencies (coordinating crane rentals is avoided saving supervisor's time and improving job-site efficiency)	\$ 2,000
Reducing Lost Productivity (cranes are required for accidents approximately 13 times per year typically resulting in a four-hour delay in work)	\$ 12,000
Dump Truck Efficiencies (Increased use of HydroVac services for excavating requires clean-fill to be returned to the site. The availability of a dump truck without relying on third-parties improves job efficiencies, especially in emergencies)	\$ 12,000
Annual Savings	\$ 33,000
NPV of Savings over life of vehicle	\$182,000
This is a new vehicle, so items like maintenance and fuel savings cannot be identified. The O&M savings identified above are avoided costs and the savings have already been accounted for in the 2009 test year budget.	

Building Renovations/Expansion (OEB IR #3.6 and VECC #10)

A detailed discussion of the efficiencies associated with the building expansion is found in response to VECC IR#10. Those efficiencies and improvements are summarized in the Costs Benefit Analysis shown in the table below.

Total Capital Cost	\$863,000
Improved Efficiencies (value of time saved in job planning and avoided effort required to maneuver vehicles in a space that is approximately 30% beyond its maximum capacity – see VECC IR #10)	\$ 67,000
Safety (although an intangible cost, congestion in the garage has led to 3 safety incidents in the last 5 years)	\$ --
Fire Retardants Clothing (the availability of proper storage for FR rain gear would avoid a future cost associated with early replacement of clothing by approximately 1-2 years)	\$ 3,000
Increased Lifespan of Vehicles (These savings are already enjoyed as all critical vehicles are stored inside, albeit that has created the inefficiencies highlighted above)	\$ --
Increased Lifespan of Inventory #1 (Turnover is such that the cost savings due to keeping inventory out of the elements would be nominal but estimated at approximately \$5,000 annually)	\$ 5,000
Increased Lifespan of Inventory #2 (The ability to store copper inventory and scrap copper indoors avoids copper theft. The draft 2009 OM&A included a budget item for theft of copper, but that budget item was removed due to temporary measures put in place in anticipation of the Building expansion as a long-term solution)	\$ 10,000
Annual Savings	\$ 85,000
NPV of Savings over life of asset	\$1,050,000

This Building Expansion is justified on the basis of the Cost Benefit Analysis. It is worth noting, however, that the annual savings do not necessarily translate into OM&A savings after the test year.

Firstly we note that \$13,000 of the cost savings is comprised of avoided costs not currently built into the 2009 OM&A. In addition, the \$5,000 in estimated savings due to prolonging inventory life is an avoided cost to the extent the impact will not be realized until future years.

Secondly, the \$67,000 in efficiencies with line personnel does not necessarily translate into reduced OM&A during the test year or thereafter. For example, it is unlikely that efficiencies brought about by the building expansion will permit Bluewater Power to decrease the complement of line personnel by one person. If there are savings like that to be realized, it may be more in the nature of an avoided cost as future hires can be delayed. More likely, however, the efficiencies will allow more time to be productively available for the existing personnel to perform more maintenance, capital and billable work.

SAP Upgrade (OEB IR # 3.7 and VECC #5(b))

As explained in response to VECC IR #5(b), upgrades to software are required in order to maintain the effectiveness of any software system. Upgrades permit deficiencies in current operations to be addressed and allow for system enhancements to be utilized. In addition, support for systems outside of the maintenance support period become difficult and more costly. For example, support payments are scheduled to increase by approximately \$30,000 annually in April of 2009 (we have negotiated to avoid those costs in 2009 but there is some risk those costs will be imposed if upgrade is delayed indefinitely).

Therefore, upgrades are required and inevitable, so the discretion for management is with respect to the timing. Reinforcing that point is the fact that the current version of SAP remains customized from its original implementation (ie. the "SD Hook") and it is critical for future maintenance and growth (ie Smart Meters) that those customization features be eliminated. That will take place with the upgrade.

The primary driver for including the SAP Upgrade in 2009 is that Smart Meters implementation is already scheduled and required in 2010. The consequence of that timing is such that the decision to delay the SAP upgrade would result in a two year delay because it would be impossible to implement both a Smart Meter Implementation and an SAP upgrade in 2010. Accordingly, the appropriate Cost Benefit Analysis for the delay of the upgrade would look at a delay by two years.

Implementation of Smart Meters in 2010 with the current version of SAP is anticipated to be more costly than implementation of Smart Meters in an upgraded SAP which system is more readily adaptable for Smart Meters (additional cost of \$100,000 discounted by one year).	\$ 92,300
Having implemented Smart Meters in 2010, a subsequent SAP upgrade in 2011 is anticipated to be more costly because the implementation of Smart Meters would largely be repeated in the new version of SAP (additional cost of \$250,000 discounted by two years).	\$213,000
IFRS must take place in 2009/2010 and the current version of SAP would make this implementation more costly (additional cost of \$50,000 discounted by one year).	\$ 46,150
Routine upgrades known as "Patches" are required annually and the additional cost of performing upgrades due to the "SD Hook" customization in the current version of SAP is generally \$8,000 greater than it will be in an upgraded SAP (savings in 2009 and 2010)	\$ 15,400
Efficiencies in programming (ie. reporting currently is approximately \$25,000 in current version versus \$10,000 in new version)	\$ 38,500
NPV of TOTAL COSTS OF DELAY	\$395,350

WACC on Capital Budget of \$1.495M delayed for two years	\$250,000
NPV of TOTAL BENEFIT OF DELAY	\$250,000

The Cost Benefit Analysis demonstrates that the cost associated with delaying the SAP upgrade by two years outweigh the benefits of the delay. The reader is also referred to the answer provided in response to VECC Supplementary IR #2.

It is also worth noting that the SAP upgrade has been budgeted for 2009 with \$135,000 in capitalized labour. Although this does not form part of the consideration from a corporate perspective, from a ratepayer perspective the decision to remove this capital project from 2009 OM&A would require \$135,000 in capitalized labour to be removed which would have the effect of increasing OM&A in the test year.

27.6 Neutral (OEB IR #3.9)

In order to carry out an effective Cost Benefit Analysis of this capital project, it is appropriate to look at the multi-year project in its totality. That is, the total cost to complete the project and the total benefits once that project is complete. The annual savings identified in the table below will not be realized to that extent until the project reaches completion in 2010/2011.

Total Capital Cost	\$ 400,000
Reduce equipment damage due to lightning strikes (estimate 3 occurrences eliminated per year at an average cost of \$12,500 per occurrence, not including lost revenue to utility)	\$ 37,500
Reduce equipment damage due to over voltages – large failures (estimate 5 occurrences eliminated per year at an average cost of \$10,000 per occurrence, not including lost revenue to utility)	\$ 50,000
Reduce equipment damage due to over voltage – small failures (estimate 5 occurrences eliminated per year at an average cost of \$1,500 per occurrence, not including lost revenue to utility)	\$ 7,500
Improved clearing faults reduces outages and equipment damage (estimate 5 occurrences eliminated per year at an average cost of \$5,000 per occurrence, not including lost revenue to utility)	\$ 25,000
Annual Savings (conservatively assume 30% reduction)	\$ 36,000 @30%
NPV of Savings over life of asset	\$450,000
<p>Although the CBA produces a positive result, it is important to point out that there are also benefits that have not be quantified but can be described as follows:</p> <ul style="list-style-type: none"> • Employee Safety: the neutral is bonded to all non-current carrying parts and an inadequate neutral can present a safety hazard to lineman in the field because it would reduce the step-touch potential. • Public Safety: stray voltages are linked to inadequate grounding. The neutral's being replaced through this program would not meet ESA standards if installed today. • Loss Factor: Unbalanced load current flows into both the ground and the neutral conductor. Improved neutral can reduced magnetic fields associated with current flowing through ground conductor thereby reducing loss factor. • Reliability: All customers appreciate improved reliability through capital projects that reduce outages, but that is particularly important for Bluewater Power's large industrial customers that include refineries and chemical companies, as well as feedstock suppliers to both. The impact of outages for these customers can be hundreds of thousands of dollars per occurrence and can have significant detrimental impacts on the environment. 	

Animal Protection (OEB IR #3.10)

In order to carry out an effective Cost-Benefit Analysis of this capital project, it is appropriate to look at the multi-year project in totality. That is, the total cost to complete the project and benefits once that project is complete. The annual savings identified in the table below will not be realized to that extent until the project reaches completion in 2010/2011.

Total Capital Cost	\$250,000
Reduce equipment damage for large outages (average of 8 incidents per year could be eliminated at an average cost of \$6,700 per occurrence, not including lost revenue to utility)	\$ 53,600
Reduce equipment damage for small outages (average of 7 incidents per year could be eliminated at an average cost of \$1,500 per occurrence, not including lost revenue to utility)	\$ 10,500
Annual Savings (conservatively assume 60% reduction)	\$ 38,460 @60%
NPV of Savings over life of asset	\$475,000
<p>Although the CBA produces a positive result, it is important to point out that there are also benefits to this capital project that have not be quantified but can be described as follows:</p> <ul style="list-style-type: none"> • Public Safety: Any outage creates the potential for public safety concerns, but outages caused by animal interference can cause surges that damage customer equipment. • Reliability: All customers appreciate improved reliability through capital projects that reduce outages, but that is particularly important for Bluewater Power's large industrial customers that include refineries, chemical companies as well as feedstock suppliers to both. The impact of outages for these customers can be hundreds of thousands of dollars and can have significant detrimental impacts on the environment. For example, an outage caused by a cat in 2007 resulted in damage to the facilities of one of Bluewater Power's large customers who have since reported that they have filed a claim with their own insurance company in an amount of \$2.7 Million. 	

GIS Upgrade (OEB IR #3.11 and VECC 11(c))

This capital project and associated savings are discussed in detail in response to VECC IR#11(c). As addressed in that response, the savings identified in the table below do not necessarily equate to savings in O&M. The savings represent the fact that the same work carried out today can be accomplished more efficiently, but one-half FTE savings spread across several different positions cannot lead to reduced OM&A. The upgrade will, however, allow the same staff to accomplish more leading to improvements in planning and system reliability.

Total Capital Cost	\$160,000
Efficiencies (improved functionality is anticipated to permit the same amount of work to be accomplished with less effort. It is estimate that approximately one-half FTE of effort will be saved spread across several positions)	\$ 30,000
Reduced support fees ("Retired" status of maintenance support means that any support calls will incur additional fees)	\$ 1,000
Annual Savings	\$ 31,000
NPV of Savings over life of asset	\$125,000
<p>The CBA does not produce a positive result, however, it is important to point out that there are also benefits to this capital project that have not be quantified but can be described as follows:</p> <ul style="list-style-type: none"> • Reliability: All customers will enjoy improved functionality with the upgrade, such as: <ul style="list-style-type: none"> ○ Ability to predict trouble spots ○ Reduced outage length through improved emergency job planning and faster response • Improved Planning: The ability to access historical data more readily will improve system planning. The improved functionality and integration with other enterprise systems will allow more efficient planning which leads to more comprehensive solutions to system challenges. 	

Conclusion on Cost Benefits Analyses

The quantitative analyses provided above demonstrate support from the Individual projects from a Cost Benefit perspective. The projects analyzed comprise the majority of the vast majority of the increase in capital spending for the year 2009. The CBA's speak for themselves, but it is worth highlighting that the two most significant capital projects (Building Expansion and the SAP Upgrade) have been fully justified on a financial basis..

As pointed out throughout the evidence provided above, the OM&A savings identified cannot be deducted from the 2009 OM&A comprising the rate application. Firstly, that is necessarily true because none of the savings will be realized in the 2009 test year. Secondly, that is further supported because the majority of the savings identified are more in the nature of avoided future costs than pure reductions to OM&A.

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

Response:

Both values are the correct value for a particular purpose. The context in which each number is correct is clearly explained in response to OEB IR #5.1 as follows:

- \$539,846 is the correct number for the difference between the actuarial liability amounts for 2008 and 2009.
- \$694,415 is the correct number to use as an expense item in the 2009 test year.

The reason the two numbers differ is because each is calculated differently. Although in a static environment one might expect the numbers to agree, they do not necessarily have to agree because each can be, or should be, calculated differently.

- \$539,846 is determined from the forward looking actuarial statements only. Those estimates are the best actuarial estimates available at this time, although we know,

for example, that if staff numbers increase in 2009 the actuarial estimate for 2009 ought to be adjusted. Nevertheless, where Bluewater Power is required to perform an analysis based on actuarial estimates the numbers found in the AVR are the only actuarial numbers available at this time.

- \$694,415 is more than just a variance analysis performed on actuarial estimates. It is a reasonable estimate of the increase in Employee Future Benefits that is likely to impact 2009 O&M if the actuarial estimate is updated for the 2009 financial year. In other words, this calculation takes into account the fact that the employee count of the utility will have increased by approximately 10% since the actuaries gathered employment data from the utility in the Spring of 2008. In addition, the calculation to be included in 2009 O&M has been determined based on a three year average of 2006 to 2008. This approach, as explained in detail at Exhibit 4, Tab 2, Schedule 3 allows the one-time adjustment that took place in 2008 to be recovered during the term of the 3rd GIRM..

(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.

Response:

Bluewater Power is using the deemed return on equity as a proxy for accounting net income. Since the starting point for the T2S(1) is accounting net income, we are using the \$1,974,129 deemed return on equity as the appropriate figure.

Accounting net income incorporates certain deductions such as amortization expense, net employee future benefits expense, meals and entertainment expenses, etc.. These deductions have to be adjusted for the proper and consistent tax treatment that Bluewater Power follows in order to arrive at taxable income. These adjustments are made on the T2S(1) as presented in our evidence on Exhibit 4, Tab 3, Schedule 1, Attachment 1.

The \$694,415 is correctly presented as an addback on the T2S(1). For tax purposes this non-cash accounting expense item, which forms part of the accounting income (proxy amount in this case) is not allowed as a deduction for tax purposes.

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.

Response:

Bluewater Power agrees with the OEB's statement "Such interest would not include amounts related to regulatory assets." As per our response to OEB Interrogatory 5.2(b), we hold the position that carrying charges and interest are uniquely different in substance. And this holds true whether the 'interest' is interest income, interest expense, or deemed interest.

To reiterate our response to 5.2(b), Bluewater Power agrees that the deemed return on equity is after the deduction of deemed interest expense. This is why there is no addback or deduction relating to interest expense on the T2S(1). Again, our position is that carrying charges expense does not form part of deemed interest expense.

Consistent with our answer to OEB 2nd Round Interrogatory 3.1(b) above, there are items deducted to arrive at accounting income (proxy amount in this case) which need to be adjusted on the T2S(1). Similar to amortization expense, net employee future benefits expense, etc, we must adjust for carrying charges (whether positive or negative) to ensure

the proper and consistent tax treatment that Bluewater Power follows in order to arrive at taxable income.

Therefore, the addback on the T2S(1) for carrying charges expense is required.

4 DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS

*Ref: Response to Board Staff Interrogatory #7.1
Exhibit 5/Tab 1/Schedule1/Page 1*

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

Response:

Account 1505 was used as a placeholder only. It was prepared for presentation purposes for the responses to Board Staff Interrogatories 7.1 and 7.2. Bluewater Power has not tracked any amounts related to LRAM and SSM in a deferral account. Through this proceeding, Bluewater Power is requesting approval of the recovery of the amount of \$130,666 and has proposed that this amount be included in the overall deferral/variance account disposition of (\$3,974,344) as outlined in the response to Board Staff Interrogatory 7.1.

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.

Response:

Part A

For some of the accounts, this is correct.

The carrying charges for January 1 to December 31, 2005 as presented in "SHEET 1 – December 31, 2004 Regulatory Assets" dated July 13, 2005 (filed as part of RP-2005-0020/EB-2005-0340) relates to the principal balances in each respective account as of December 31, 2004. Carrying charges were calculated for this time period assuming no principal changes to any of these accounts in 2005.

The carrying charges for the same time period as filed with Bluewater Power's current rate application and interrogatories incorporates any changes in the principal balances in each respective account throughout 2005.

For accounts 1525, 1582, 1571 and 1570, the carrying charges agree because there were no changes to the principal amounts in these accounts in 2005.

For the remaining accounts, the carrying charges differ because there were changes to the principal amounts in these accounts in 2005.

Part B

An updated spreadsheet is attached below. This is the same spreadsheet (originally provided by the OEB) that was filed in response to OEB Interrogatory # 7.2. Account 1590 has been populated. No other changes were made.

Part C

Confirmed.

ATTACHMENT: Board Staff 5 (b)

SHEET 1 - Regulatory Assets - Continuity Schedule

NAME OF UTILITY	Bluewater Power Distribution Corporation	LICENCE NUMBER	ED-2002-0517	Bluewater Power Distribution Corporation EB-2008-0221 Response to Board Staff Supplemental Interrogatory 5 (b) Page 1 of 3 Update: February 2, 2009
NAME OF CONTACT	Leslie Dugas	DOCID NUMBER	EB-2008-0221	
E-mail Address	ldugas@bluewaterpower.com			
VERSION NUMBER	v3.0	PHONE NUMBER	519-337-8201 Ext 255	
Date	22-Dec-08	(extension)		

Enter appropriate data in cells which are highlighted in yellow only.
Enter the total applied for Regulatory Asset amounts for each account in the appropriate cells below:
Debits should be recorded as positive numbers and credits should be recorded as negative numbers.
Repeat cells going across as necessary for each year in application

2005																2006			
Account Number	Opening Principal Amounts as of Jan-1-05 ¹	Transactions (additions) during 2005, excluding interest and adjustments ⁶	Transactions (reductions) during 2005, excluding interest and adjustments ⁶	Adjustments during 2005 - instructed by Board ²	Adjustments during 2005 - other ³	Closing Principal Balance as of Dec-31-05	Opening Interest Amounts as of Jan-1-05	Interest Jan-1 to Dec31-05	Closing Interest Amounts as of Dec-31-05	Opening Principal Amounts as of Jan-1-06	Transactions (additions) during 2006, excluding interest and adjustments ⁶	Transactions (reductions) during 2006, excluding interest and adjustments ⁶	Adjustments during 2006 - instructed by Board ²	Adjustments during 2006 - other ³	Transfer of Board-approved amounts to 1590 as per 2006 EDR				
Account Description																			
RSVA - Wholesale Market Service Charge	1580	\$ 1,468,949	\$ 700,237			\$ 2,169,186	\$ 213,687	\$ 117,035	\$ 330,722	\$ 2,169,186	\$ (1,208,707)		\$ -	\$ -	\$ (1,468,949)				
RSVA - One-time Wholesale Market Service	1582	\$ 61,014				\$ 61,014	\$ 9,913	\$ 4,417	\$ 14,330	\$ 61,014					\$ (61,014)				
RSVA - Retail Transmission Network Charge	1584	\$ 402,819	\$ (56,334)			\$ 346,485	\$ 58,495	\$ 27,233	\$ 85,728	\$ 346,485	\$ 82,203		\$ -	\$ -	\$ (402,819)				
RSVA - Retail Transmission Connection Charge	1586	\$ 68,982	\$ (277,189)			\$ (208,207)	\$ 5,432	\$ (10,483)	\$ (5,051)	\$ (208,207)	\$ (118,351)		\$ -	\$ -	\$ (68,982)				
Sub-Totals		\$ 2,001,764	\$ 366,714		\$ - \$ -	\$ 2,368,478	\$ 287,527	\$ 138,202	\$ 425,729	\$ 2,368,478	\$ (1,244,855)		\$ -	\$ -	\$ (2,001,764)				
LRAM and SSM (holding account only)	1505					\$ -			\$ -	\$ -									
Other Regulatory Assets - Sub-Account - OEB Cost Assessments	1508	\$ 33,625	\$ 87,733	\$ -	\$ - \$ -	\$ 121,358	\$ -	\$ 4,441	\$ 4,441	\$ 121,358	\$ 9,091	\$ -	\$ -	\$ -	\$ (33,625)				
Other Regulatory Assets - Sub-Account - Pension Contributions	1508	\$ -	\$ 358,572	\$ -	\$ - \$ -	\$ 358,572	\$ -	\$ 6,290	\$ 6,290	\$ 358,572	\$ 135,662	\$ -	\$ -	\$ -	\$ -				
Other Regulatory Assets - Sub-Account - Other ⁷	1508					\$ -			\$ -	\$ -									
Other Regulatory Assets - Sub-Account - Other ⁷	1508					\$ -			\$ -	\$ -									
Other Regulatory Assets - Sub-Account - Other ⁷	1508					\$ -			\$ -	\$ -									
Retail Cost Variance Account - Retail	1518					\$ -			\$ -	\$ -									
Retail Cost Variance Account - STR	1548					\$ -			\$ -	\$ -									
Misc. Deferred Debits	1525	\$ 45,022	\$ 447	\$ -	\$ - \$ -	\$ 45,469	\$ 5,897	\$ 3,264	\$ 9,161	\$ 45,469	\$ -	\$ -	\$ -	\$ -	\$ (45,022)				
LV Variance Account	1550					\$ -			\$ -	\$ -	\$ 16,336	\$ -	\$ -	\$ -	\$ -				
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital	1555					\$ -			\$ -	\$ -	\$ 13,078	\$ -	\$ -	\$ -	\$ -				
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries	1555					\$ -			\$ -	\$ -	\$ (68,594)								
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs	1555					\$ -			\$ -	\$ -									
Smart Meter OM&A Variance	1556					\$ -			\$ -	\$ -	\$ 11,155	\$ -	\$ -	\$ -	\$ -				
Conservation and Demand Management Expenditures and Recoveries	1565					\$ -			\$ -	\$ -									
CDM Contra	1566					\$ -			\$ -	\$ -									
Qualifying Transition Costs ⁵	1570	\$ 3,295,468	n/a	n/a	\$ - \$ -	\$ 3,295,468	\$ 721,521	\$ 238,921	\$ 960,442	\$ 3,295,468	n/a	n/a	\$ -	\$ -	\$ (3,295,468)				
Pre-Market Opening Energy Variances Total ⁵	1571	\$ 2,581,692	n/a	n/a	\$ - \$ -	\$ 2,581,692	\$ 528,488	\$ 187,173	\$ 715,661	\$ 2,581,692	n/a	n/a	\$ -	\$ -	\$ (2,581,692)				
Extra-Ordinary Event Costs	1572					\$ -			\$ -	\$ -									
Deferred Rate Impact Amounts	1574					\$ -			\$ -	\$ -									
Other Deferred Credits	2425					\$ -			\$ -	\$ -									
Sub-Totals		\$ 5,955,807	\$ 446,752	\$ -	\$ - \$ -	\$ 6,402,559	\$ 1,255,906	\$ 440,089	\$ 1,695,995	\$ 6,402,559	\$ 116,728	\$ -	\$ -	\$ -	\$ (5,955,807)				
Deferred Payments in Lieu of Taxes	1562					see PILs reconciliation requested									see PILs reconciliation requested				
2006 PILs & Taxes Variance	1592					see PILs reconciliation requested									see PILs reconciliation requested				
Sub-Totals						see PILs reconciliation requested									see PILs reconciliation requested				
Total		\$ 7,957,571	\$ 813,466	\$ -	\$ - \$ -	\$ 8,771,037	\$ 1,543,433	\$ 578,291	\$ 2,121,724	\$ 8,771,037	\$ (1,128,127)	\$ -	\$ -	\$ -	\$ (7,957,571)				
The following is not included in the total claim but is included on a memo basis:																			
Deferred PILs Contra Account ⁸	1563					see PILs reconciliation requested									see PILs reconciliation requested				
RSVA - Power (including Global Adjustment)	1588	\$ 76,728	\$ (919,404)			\$ (842,676)	\$ 116,999	\$ (53,129)	\$ 63,870	\$ (842,676)	\$ 12,753		\$ -	\$ -	\$ (76,728)				
RSVA - Power - Sub-Account - Global Adjustment ⁴	1588	\$ -	\$ (499,490)			\$ (499,490)	\$ -	\$ (39,199)	\$ (39,199)	\$ (499,490)	\$ 1,112,994		\$ -	\$ -	\$ -				
Recovery of Regulatory Asset Balances	1590	\$ (2,502,444)	\$ (3,352,555)			\$ (5,854,999)		\$ (400,156)	\$ (400,156)	\$ (5,854,999)	\$ (2,165,864)				\$ 8,486,910				

¹ As per general ledger, if does not agree to Dec-31-04 balance filed in 2006 EDR then provide supplementary analysis
² Provide supporting statement indicating whether due to denial of costs in 2006 EDR by the Board, 10% transition costs write-off, and etc.
³ Provide supporting statement indicating nature of this adjustments and periods they relate to
⁴ Not included in sub-total
⁵ Closed April 30, 2002
⁶ For RSVA accounts only, report the net additions to the account during the year. For all other accounts, record the additions and reductions separately.
⁷ Please describe "other" components of 1508 and add more component lines if necessary.
⁸ 1563 is a contra-account and is not included in the total but is shown on a memo basis. Account 1562 establishes the obligation to the ratepayer.
⁹ Interest projected on December 31, 2007 closing principal balance.

SHEET 1 - Regulatory Assets - Continuity Schedule

NAME OF UTILITY	Bluewater Power Distribution Corporation
NAME OF CONTACT	Leslie Dugas
E-mail Address	ldugas@bluewaterpower.com
VERSION NUMBER	v3.0
Date	22-Dec-08

Bluewater Power Distribution Corporation
EB-2008-0221
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		2007													
Account Number	Account Description	Closing Principal Balance as of Dec-31-06	Opening Interest Amounts as of Jan-1-06	Interest Jan-1 to Dec31-06	Transfer of Board-approved amounts to 1590 as per 2006 EDR	Closing Interest Amounts as of Dec-31-06	Opening Principal Amounts as of Jan-1-07	Transactions (additions) during 2007, excluding interest and adjustments ⁶	Transactions (reductions) during 2007, excluding interest and adjustments ⁶	Adjustments during 2007 - instructed by Board ²	Adjustments during 2007 - other ³	Closing Principal Balance as of Dec-31-07	Opening Interest Amounts as of Jan-1-07	Interest Jan-1 to Dec31-07	Closing Interest Amounts as of Dec-31-07
	RSVA - Wholesale Market Service Charge	1580	\$ (508,470)	\$ 330,722	\$ 48,020	\$ (355,686)	\$ 23,056	\$ (508,470)	\$ (1,209,477)	\$ -	\$ -	\$ (1,717,947)	\$ 23,056	\$ (50,076)	\$ (27,020)
	RSVA - One-time Wholesale Market Service	1582	\$ -	\$ 14,330	\$ 1,472	\$ (15,802)	\$ -	\$ -				\$ -	\$ -		\$ -
	RSVA - Retail Transmission Network Charge	1584	\$ 25,869	\$ 85,728	\$ 6,079	\$ (97,434)	\$ (5,627)	\$ 25,869	\$ 85,823	\$ -	\$ -	\$ 111,692	\$ (5,627)	\$ 5,369	\$ (258)
	RSVA - Retail Transmission Connection Charge	1586	\$ (395,540)	\$ (5,051)	\$ (17,339)	\$ (12,100)	\$ (34,490)	\$ (395,540)	\$ 67,632	\$ -	\$ -	\$ (327,908)	\$ (34,490)	\$ (17,958)	\$ (52,448)
	Sub-Totals		\$ (878,141)	\$ 425,729	\$ 38,232	\$ (481,022)	\$ (17,061)	\$ (878,141)	\$ (1,056,022)	\$ -	\$ -	\$ (1,934,163)	\$ (17,061)	\$ (62,665)	\$ (79,726)
	LRAM and SSM (holding account only)	1505	\$ -	\$ -			\$ -	\$ -			\$ 130,666	\$ 130,666	\$ -		\$ -
	Other Regulatory Assets - Sub-Account - OEB Cost Assessments	1508	\$ 96,824	\$ 4,441	\$ 5,259	\$ (2,577)	\$ 7,123	\$ 96,824	\$ -	\$ -	\$ -	\$ 96,824	\$ 7,123	\$ 4,577	\$ 11,700
	Other Regulatory Assets - Sub-Account - Pension Contributions	1508	\$ 494,234	\$ 6,290	\$ 20,014	\$ -	\$ 26,304	\$ 494,234	\$ -	\$ -	\$ -	\$ 494,234	\$ 26,304	\$ 23,365	\$ 49,669
	Other Regulatory Assets - Sub-Account - Other ⁷	1508	\$ -	\$ -			\$ -	\$ -				\$ -	\$ -		\$ -
	Other Regulatory Assets - Sub-Account - Other ⁷	1508	\$ -	\$ -			\$ -	\$ -				\$ -	\$ -		\$ -
	Other Regulatory Assets - Sub-Account - Other ⁷	1508	\$ -	\$ -			\$ -	\$ -				\$ -	\$ -		\$ -
	Retail Cost Variance Account - Retail	1518	\$ -	\$ -			\$ -	\$ -				\$ -	\$ -		\$ -
	Retail Cost Variance Account - STR	1548	\$ -	\$ -			\$ -	\$ -				\$ -	\$ -		\$ -
	Misc. Deferred Debits	1525	\$ 447	\$ 9,161	\$ 1,115	\$ (10,249)	\$ 27	\$ 447	\$ -	\$ -	\$ -	\$ 447	\$ 27	\$ 21	\$ 48
	LV Variance Account	1550	\$ 16,336	\$ -	\$ 83	\$ -	\$ 83	\$ 16,336	\$ (49,477)	\$ -	\$ -	\$ (33,141)	\$ 83	\$ (12)	\$ 71
	Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital	1555	\$ 13,078	\$ -	\$ 58	\$ -	\$ 58	\$ 13,078	\$ -	\$ -	\$ -	\$ 13,078	\$ 58	\$ 619	\$ 677
	Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries	1555	\$ (68,594)	\$ -	\$ (870)		\$ (870)	\$ (68,594)	\$ (116,678)			\$ (185,272)	\$ (870)	\$ (5,879)	\$ (6,749)
	Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs	1555	\$ -	\$ -			\$ -	\$ -				\$ -	\$ -		\$ -
	Smart Meter OM&A Variance	1556	\$ 11,155	\$ -	\$ 106	\$ -	\$ 106	\$ 11,155	\$ 27,071	\$ -	\$ -	\$ 38,226	\$ 106	\$ 880	\$ 986
	Conservation and Demand Management Expenditures and Recoveries	1565	\$ -	\$ -			\$ -	\$ -				\$ -	\$ -		\$ -
	CDM Contra	1566	\$ -	\$ -			\$ -	\$ -				\$ -	\$ -		\$ -
	Qualifying Transition Costs ⁵	1570	\$ -	\$ 960,442	\$ 79,640	\$ (1,040,082)	\$ -	\$ -	n/a	n/a		\$ -	\$ -		\$ -
	Pre-Market Opening Energy Variances Total ⁵	1571	\$ -	\$ 715,661	\$ 62,391	\$ (778,052)	\$ -	\$ -	n/a	n/a		\$ -	\$ -		\$ -
	Extra-Ordinary Event Costs	1572	\$ -	\$ -			\$ -	\$ -				\$ -	\$ -		\$ -
	Deferred Rate Impact Amounts	1574	\$ -	\$ -			\$ -	\$ -				\$ -	\$ -		\$ -
	Other Deferred Credits	2425	\$ -	\$ -			\$ -	\$ -				\$ -	\$ -		\$ -
	Sub-Totals		\$ 563,480	\$ 1,695,995	\$ 167,796	\$ (1,830,960)	\$ 32,831	\$ 563,480	\$ (139,084)	\$ -	\$ 130,666	\$ 555,062	\$ 32,831	\$ 23,571	\$ 56,402
	Deferred Payments in Lieu of Taxes	1562	sted							see PILs reconciliation requested					
	2006 PILs & Taxes Variance	1592	sted							see PILs reconciliation requested					
	Sub-Totals		sted							see PILs reconciliation requested					
	Total		\$ (314,661)	\$ 2,121,724	\$ 206,028	\$ (2,311,982)	\$ 15,770	\$ (314,661)	\$ (1,195,106)	\$ -	\$ 130,666	\$ (1,379,101)	\$ 15,770	\$ (39,094)	\$ (23,324)
The following is not included in the total claim but is included on a memo basis:															
	Deferred PILs Contra Account ⁸	1563	sted							see PILs reconciliation requested					
	RSVA - Power (including Global Adjustment)	1588	\$ (906,651)	\$ 63,870	\$ (50,948)	\$ (124,416)	\$ (111,494)	\$ (906,651)	\$ (1,420,297)	\$ -	\$ -	\$ (2,326,948)	\$ (111,494)	\$ (88,319)	\$ (199,813)
	RSVA - Power - Sub-Account - Global Adjustment ⁴	1588	\$ 613,504	\$ (39,199)	\$ 20,664	\$ -	\$ (18,535)	\$ 613,504	\$ (413,909)	\$ -	\$ -	\$ 199,595	\$ (18,535)	\$ 21,157	\$ 2,622
	Recovery of Regulatory Asset Balances	1590	\$ 466,047	\$ (400,156)	\$ (370,971)	\$ 2,438,525	\$ 1,667,398	\$ 466,047	\$ (1,882,673)			\$ (1,416,626)	\$ 1,667,398	\$ 219,829	\$ 1,887,227

SHEET 1 - Regulatory Assets - Continuity Schedule

NAME OF UTILITY	Bluewater Power Distribution Corporation
NAME OF CONTACT	Leslie Dugas
E-mail Address	ldugas@bluewaterpower.com
VERSION NUMBER	v3.0
Date	22-Dec-08

Bluewater Power Distribution Corporation
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Account Description	Account Number	Projected Interest on Dec 31 -07 balance from Jan 1, 2008 to Dec 31, 2008 ⁹	Projected Interest on Dec 31 -07 balance from Jan 1, 2009 to April 30, 2009 ⁹	Claim before Forecasted Transactions	Forecasted Transactions, Excluding Interest from Jan 1, 2008 to Dec 31, 2008	Forecasted Transactions, Excluding Interest from Jan 1, 2009 to April 30, 2009	Projected Interest from Jan 1, 2008 to April 30, 2009 on Forecasted Transx (Excl Interest) from Jan 1, 2008 to December 31, 2008	Projected Interest from Jan 1, 2009 to April 30, 2009 on Forecasted Transx (Excl Interest) from Jan 1, 2009 to April 30, 2009	Total Claim
RSVA - Wholesale Market Service Charge	1580	\$ (66,284)	\$ (19,184)	\$ (1,830,435)					\$ (1,830,435)
RSVA - One-time Wholesale Market Service	1582			\$ -					\$ -
RSVA - Retail Transmission Network Charge	1584	\$ 4,309	\$ 1,247	\$ 116,990					\$ 116,990
RSVA - Retail Transmission Connection Charge	1586	\$ (12,652)	\$ (3,662)	\$ (396,670)					\$ (396,670)
Sub-Totals		\$ (74,627)	\$ (21,599)	\$ (2,110,115)	\$ -	\$ -	\$ -	\$ -	\$ (2,110,115)
LRAM and SSM (holding account only)	1505			\$ 130,666					\$ 130,666
Other Regulatory Assets - Sub-Account - OEB Cost Assessments	1508	\$ 3,736	\$ 1,081	\$ 113,341					\$ 113,341
Other Regulatory Assets - Sub-Account - Pension Contributions	1508	\$ 19,069	\$ 5,519	\$ 568,491					\$ 568,491
Other Regulatory Assets - Sub-Account - Other ⁷	1508			\$ -					\$ -
Other Regulatory Assets - Sub-Account - Other ⁷	1508			\$ -					\$ -
Other Regulatory Assets - Sub-Account - Other ⁷	1508			\$ -					\$ -
Retail Cost Variance Account - Retail	1518			\$ -					\$ -
Retail Cost Variance Account - STR	1548			\$ -					\$ -
Misc. Deferred Debits	1525	\$ 18	\$ 5	\$ 518					\$ 518
LV Variance Account	1550	\$ (1,279)	\$ (370)	\$ (34,719)					\$ (34,719)
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital	1555	\$ 505	\$ 146	\$ 14,406					\$ 14,406
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries	1555	\$ (7,149)	\$ (2,069)	\$ (201,239)					\$ (201,239)
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs	1555			\$ -					\$ -
Smart Meter OM&A Variance	1556	\$ 1,475	\$ 427	\$ 41,114					\$ 41,114
Conservation and Demand Management Expenditures and Recoveries	1565			\$ -					\$ -
CDM Contra	1566			\$ -					\$ -
Qualifying Transition Costs ⁵	1570			\$ -					\$ -
Pre-Market Opening Energy Variances Total ⁵	1571			\$ -					\$ -
Extra-Ordinary Event Costs	1572			\$ -					\$ -
Deferred Rate Impact Amounts	1574			\$ -					\$ -
Other Deferred Credits	2425			\$ -					\$ -
Sub-Totals		\$ 16,375	\$ 4,739	\$ 632,578	\$ -	\$ -	\$ -	\$ -	\$ 632,578
Deferred Payments in Lieu of Taxes	1562			\$ (275,274)					
2006 PILs & Taxes Variance	1592								
Sub-Totals				\$ -					\$ -
Total		\$ (58,252)	\$ (16,860)	\$ (1,477,537)	\$ -	\$ -	\$ -	\$ -	\$ (1,477,537)
The following is not included in the total claim but is included on a memo basis:									
Deferred PILs Contra Account ⁸	1563								
RSVA - Power (including Global Adjustment)	1588	\$ (89,781)	\$ (25,984)	\$ (2,642,526)					\$ (2,642,526)
RSVA - Power - Sub-Account - Global Adjustment ⁴	1588	\$ 7,701	\$ 2,229	\$ 212,147					\$ 212,147
Recovery of Regulatory Asset Balances	1590			\$ 470,601					\$ 470,601

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?

Response:

Bluewater Power's distribution loss factors range from a high of 4.40% in 2003 to a low of 2.26% in 2005.

Bluewater Power ought not to have used the terminology 'abnormal' in reference to the above noted high and low results. In regard to what contributes to years with higher or lower than average results, Bluewater Power submits that these are normal fluctuations. Given that the loss factor for each year from 2003 to 2007 is below the 5% threshold in which a distributor is required to report on the reason for the level of losses (per 2006 Electricity Distribution Rate Handbook, Section 10.5), Bluewater Power suggests the loss factor proposed is reasonable.

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_EDRT
S.pdf](http://www.oeb.gov.on.ca/OEB/_Documents/Regulatory/Board_Guideline_EDRT_S.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).

Response:

Table 10.1 presented in the response to Board Staff Interrogatory 10.1(a) contained a typographical error in the opening balance for 2005. The corrected table is presented below. Note the balances displayed in response to this interrogatory present the restated values after the reallocation to account 1590 for regulatory assets.

RTSR Trend – Principal and Interest

	1-Jan-05	1-Jan-06	1-Jan-07	1-Jan-08
1584-RSVANW	40,787	(58,305)	20,242	111,434
1586-RSVACN	72,755	(292,673)	(430,030)	(380,356)

Accounts 1580, 1584, 1586, 1588 all went from a debit position in 2004 to a credit position in 2005. The credit position could be related to a loss factor that was too high related to the actual losses for the year.

The monthly balances are filed below.

INSERT PDF.

Monthly Deferral Account Balances for Account 1584 and 1586

		Opening Balance	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05	Aug 05	Sep 05	Oct 05	Nov 05	Dec 05	Interest for year
158400	RSVA - Transmission Network	40,787	40,787	52,287	(6,691)	(64,797)	(114,331)	(124,636)	24,589	(33,062)	(10,684)	50,983	(86,101)	(54,524)	
	Carrying Charges		246	316	(40)	(391)	(691)	(753)	149	(200)	(65)	308	(520)	(329)	(1,971)
			Jan 06	Feb 06	Mar 06	Apr 06	May 06	Jun 06	Jul 06	Aug 06	Sep 06	Oct 06	Nov 06	Dec 06	
	RSVA - Transmission Network	(56,334)	(56,334)	(92,636)	(152,893)	(193,706)	(214,072)	(72,383)	(54,833)	39,227	110,124	39,893	(28,238)	(20,885)	
	Carrying Charges	(1,971)	(340)	(560)	(924)	(1,170)	(739)	(250)	(210)	150	421	153	(108)	(80)	(3,656)
			Jan 07	Feb 07	Mar 07	Apr 07	May 07	Jun 07	Jul 07	Aug 07	Sep 07	Oct 07	Nov 07	Dec 07	
	RSVA - Transmission Network	25,869	25,869	16,870	41,170	(51,734)	(107,863)	39,153	169,760	205,581	262,320	269,188	292,738	154,638	
	Carrying Charges	(3,656)	99	65	157	(198)	(413)	150	649	786	1,003	1,153	1,254	662	5,369

			Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05	Aug 05	Sep 05	Oct 05	Nov 05	Dec 05	
158600	RSVA - Transmission Connection	72,755	72,755	(131,539)	(179,195)	(249,060)	(295,855)	(318,740)	(211,530)	(254,305)	(264,336)	(122,286)	(309,390)	(299,377)	
	Carrying Charges		440	(795)	(1,083)	(1,505)	(1,787)	(1,926)	(1,278)	(1,536)	(1,597)	(739)	(1,869)	(1,809)	(15,484)
			Jan 06	Feb 06	Mar 06	Apr 06	May 06	Jun 06	Jul 06	Aug 06	Sep 06	Oct 06	Nov 06	Dec 06	
	RSVA - Transmission Connection	(277,189)	(277,189)	(325,851)	(389,926)	(430,284)	(461,360)	(362,271)	(330,585)	(273,863)	(241,382)	(329,478)	(401,199)	(401,553)	
	Carrying Charges	(15,484)	(1,675)	(1,969)	(2,356)	(2,600)	(1,592)	(1,250)	(1,264)	(1,048)	(923)	(1,260)	(1,535)	(1,536)	(19,006)
			Jan 07	Feb 07	Mar 07	Apr 07	May 07	Jun 07	Jul 07	Aug 07	Sep 07	Oct 07	Nov 07	Dec 07	
	RSVA - Transmission Connection	(395,540)	(395,540)	(419,405)	(422,507)	(513,701)	(555,801)	(455,858)	(355,019)	(307,934)	(290,932)	(292,692)	(255,412)	(325,409)	
	Carrying Charges	(19,006)	(1,513)	(1,604)	(1,616)	(1,965)	(2,126)	(1,744)	(1,358)	(1,178)	(1,113)	(1,254)	(1,094)	(1,394)	(17,958)