

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

1 OM&A

Ref: Update to Application – Exhibit 1, Tab 1, Schedule 3.1 Update: February 2, 2009, p. 4 - 8 of 19

Bluewater indicated that both an intermediate and large user customers that it serves will close no later than the end of 2009. On page 7, it stated the following:

"After UBE ceases operations, some of these facilities will be redeployed to serve customer growth occurring close to the UBE plant. These facilities will be utilized by all customer classes in the future. \$639,687 of the gross asset value will no longer be used and useful to Bluewater Power in providing service to its customers. This amount and the associated accumulated amortization, being \$217,493, will therefore be removed from Bluewater Power's rate base. Bluewater Power will seek to recover \$422,193, being the net book value of these stranded assets, from UBE."

On page 8 Table 9, Board staff notes that no updates were made to OM&A total.

- (a) Please provide an explanation as to why there was no need to remove the amortization expense related to the stranded assets, if any, from Bluewater's original proposed OM&A total.
- (b) Please provide an explanation as to why there was no need to remove the operation, maintenance and administration costs related to the stranded assets, if any, from Bluewater's original proposed OM&A total.

2 LOAD FORECAST

2.1 Adjustments to Large Customer Consumptions

Ref: Update to Application – Exhibit 1, Tab 1, Schedule 3.1 Update: February 2, 2009, p. 4 - 5 of 19

On page 4, Bluewater stated that “On January 12, 2009 Bluewater learned that UBE intended to cease all commercial operations within 6 months.”

- (a) Please provide the annual consumptions (in kWh and kW) for UBE for the period from 2003 to 2007.
- (b) Please provide the details data used to calculate the adjustment of 41,480,533 kWh for the Large customer class under Table 4 on page 5.
- (c) Please provide the details data used to calculate the adjustment of 71,620 kW for the Large customer class under Table 5 on page 5.

2.2 Load Forecast for UBE Closure as of July 1, 2009

Ref: Update to Application – Exhibit 1, Tab 1, Schedule 3.1 Update: February 2, 2009, p. 6, 8 of 19, Appendix B

On page 9 of the above evidence, Bluewater listed 4 options including its preferred option of updating the 2009 rates assuming UBE and Royal are closed.

In Table 6, on page 6 of the reference above, Bluewater stated that the projected one year distribution revenue shortfall associated with the closure of UBE and Royal was \$513,820.19.

In Table 9, on page 8 of the reference above, Bluewater stated that Regulated Revenue difference between Original forecast and “Updated for known loss of load” is stated as \$513,820 (\$21,436,076 - \$20,922,256).

From the information outlined in Table 6 and Table 9 of the above evidence, Board staff notes that Bluewater’s preferred option assumes the closure of UBE and Royal takes place on January 1, 2009 (UBE and Royal closed on a full 12 month basis). In Appendix B, UBE stated that the UBE Sarnia Wheel Plant would be shut down between July and December 2009.

- (i) Has Bluewater considered an alternate option of updating its load forecast assuming plant closure for UBE as of July 1, 2009 (based on assumption that UBE may close on July 1, 2009)? If not, please explain why not?
- (ii) Please provide a load forecast based on the assumption of UBE's closure as of July 1, 2009 and identify regulated revenue, revenue shortfall, and customer bill impacts under this scenario assuming a two-year and a three-year deferral/variance account disposition.

3 RATE BASE AND CAPEX

Ref: Update to Application – Exhibit 1, Tab 1, Schedule 3.1 Update: February 2, 2009, p. 7 of 19 & Update of Bluewater Power's 2006 Cost Allocation Study, Exhibit 8 Tab 1 Schedule 1 Attachment 1

It is stated that as a result of UBE ceasing operations there will be a net book value of stranded assets of \$422,193, which will no longer be used and useful to Bluewater and that this amount will therefore be removed from Bluewater's rate base. It is also stated that Bluewater will seek to recover this amount from UBE.

- (a) Please provide the journal entries that will effect the removal of these assets from Bluewater's rate base.
- (b) Please provide an update as to the status of Bluewater's discussions with UBE regarding recovery of this amount.
- (c) In the event Bluewater is successful in achieving recovery of the stranded asset value from UBE, please state what, if any, regulatory implications of such a recovery are envisaged.
- (d) In the event Bluewater is unsuccessful in achieving this recovery, please state what, if any, regulatory implications are envisaged.
- (e) On page 13 of the Updated Cost Allocation Study, it is stated that "Approximately \$573,700 of these directly allocated net fixed assets will be stranded when the plant is shut down..." Please reconcile this amount with the \$422,193 discussed above.

4 DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS

Ref: Ref: Update to Application – Exhibit 1, Tab 1, Schedule 3.1 Update: February 2, 2009, p. 11
Exhibit 5/Tab 1/Schedule 1/Page 1
Accounting Procedures Handbook, Page 30
2000 Electricity Distribution Rate Handbook, page 5-5

4.1 Two year deferral accounts disposition

On page 1 of Exhibit 5 Tab 1 Schedule 1, filed on September 8, 2008, Bluewater had proposed a three year disposition of the balance in accounts 1588, 1584, 1586, 1580, 1508, 1525 and 1550. Bluewater had stated that the three year time frame was selected “in order to maintain rate stability over the term of the incentive rate mechanism plan.” In its proposal filed on February 2, 2009, Bluewater now proposes to dispose the balance in the accounts over a two-year period. Please comment on this proposal with respect to rate stability over the term of the incentive rate mechanism plan.

4.2 Proposed Use of Account 1572

On page 11 of Exhibit 1 Tab 1 Schedule 3.1, Bluewater proposes to utilize USoA account 1572 to capture any actual net distribution margin realized by Bluewater Power from either Royal or UBE. The APH states that 1572, Extraordinary Event Costs, shall be used to record extraordinary event costs that meet the qualifying criteria established in the 2000 Electricity Distribution Rate Handbook. The criteria are causation, materiality, inability of management to control and prudence. Please comment on Bluewater's proposal with respect to use of account 1572 and the qualifying criteria.