

**Bluewater Power Distribution Corporation
EB-2011-0153**

Board Staff Interrogatories

Revenue-to-Cost Ratio Adjustment Workform

Interrogatory #1

Ref: Revenue-to-Cost Ratio Adjustment Workform, Tab 7

Rate Class	Informational Filing	Percentage Split	Allocated Revenue
	Revenue Offsets		Offsets
	A	C= A / B	E = D * C
Residential	1,060,834	54.93%	400,193
General Service Less Than 50 kW	319,371	16.54%	120,481
General Service 50 to 999 kW	285,060	14.76%	107,537
General Service 1,000 to 4,999 kW	67,837	3.51%	25,591
Large Use	102,615	5.31%	38,711
Unmetered Scattered Load	23,536	1.22%	8,879
Sentinel Lighting	6,028	0.31%	2,274
Street Lighting	66,093	3.42%	24,933
	1,931,374	100.00%	728,598
	B		D

Board staff has been unable to verify the figures entered for column A for all rate classes.

(A) Please provide evidence from Bluewater's 2009 CoS Rate Application (EB-2008-0221) supporting these figures.

Rate Generator

Interrogatory #2

Ref: 2012 IRM Rate Generator, Tab 9

Board staff notes that the amounts for the following entries for each rate class have not been entered into the model:

Board Opening Principal Amounts as of Jan-1-10 (column BC),

Board-Approved Disposition during 2010 (column BE),

Board-Approved Disposition during 2010 (column BM),

Principal Disposition during 2011 – instructed by Board and

Interest Disposition during 2011 – instructed by Board (columns BP and BQ respectively).

(A) Please provide the missing information for all of the above noted figures and Board staff will make the necessary corrections.

Interrogatory #3

Ref: A portion of the 2012 IRM Rate Generator, Tab 9

Board notes	Projected Interest on Dec-31-10 Balances			2.1.7 RRR	Variance RRR vs. 2010 Balance (Principal + Interest)	staff the
	Projected Interest from Jan 1, 2011 to December 31, 2011 on Dec 31 -10 balance adjusted for disposition during 2011 ⁵	Projected Interest from January 1, 2012 to April 30, 2012 on Dec 31 -10 balance adjusted for disposition during 2011 ^{6,7}	Total Claim	As of Dec 31-10 ⁴		
	-\$ 983	-\$ 328	-\$ 69,555	-\$ 143,184	-\$ 74,940	
	-\$ 20,135	-\$ 6,712	1,406,575	-\$ 1,778,900	-\$ 399,172	
	-\$ 841	-\$ 280	58,352	\$ 23,374	\$ 80,605	
	-\$ 1,653	-\$ 551	117,081	-\$ 288,703	-\$ 173,827	
	-\$ 3,143	-\$ 1,048	202,466	\$ 2,362,388	\$ 2,560,663	
	-\$ 4,048	-\$ 1,349	258,432	\$ 2,326,978	\$ 2,580,013	
			\$ -		\$ -	
			\$ -		\$ -	
			\$ -		\$ -	
	-\$ 30,804	-\$ 10,268	2,112,461	\$ 2,501,953	\$ 4,573,342	
	-\$ 26,756	-\$ 8,919	1,854,029	\$ 174,975	\$ 1,993,329	
	-\$ 4,048	-\$ 1,349	258,432	\$ 2,326,978	\$ 2,580,013	
			\$ -		\$ -	
		-\$ 82,713	638,656	-\$ 277,433	\$ 278,510	
	-\$ 30,804	-\$ 92,981	2,751,117	\$ 2,224,520	\$ 4,851,852	
			\$ -		\$ -	
			\$ -		\$ -	
			\$ -		\$ -	
			\$ -		\$ -	
			2,929,128		\$ 2,929,128	

current large variance between RRR filings versus December 31, 2010 ending balances.

(A) Please reconcile the variances for each rate class (i.e. between Bluewater's RRR filings and the 2010 balances being requested for disposition (Principal + Interest)).

Interrogatory #4

Ref: A portion of the 2012 IRM Rate Generator, Tab 6

Ref: Current Tariff of Rates and Charges

Ref: Proposed Tariff of Rates and Charges

Residential

Low Voltage Service Rate
Rate Rider for Global Adjustment Sub-Account (2011) – Applicable only for Non-RPP Customers
Rate Rider for Deferral/Variance Account Disposition (2010)
Rate Rider for Deferral/Variance Account Disposition (2011)
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery / Shared Savings Mechanism (SSM) Recovery (2011)
Rate Rider for Tax Change

\$/kWh	0.00020	April 30, 2013
\$/kWh	0.00260	April 30, 2013
\$/kWh	(0.00160)	April 30, 2012
\$/kWh	0.00120	April 30, 2013
\$/kWh	0.00040	April 30, 2013
\$/kWh	(0.00030)	April 30, 2012

Board staff notes that for all rate classes under the low voltage service rate line item, a sunset date of April 30, 2013 has been entered. On Bluewater's current Tariff of Rates and Charges, the Low Voltage Service Date is a standard on-going charge which does not have a sunset date.

- (A) Please explain why Bluewater is proposing to establish a sunset date of April 30, 2013 for all rate classes.

Special Purpose Charge – Account 1521

Interrogatory #5

Ref: EB-2011-0153 Manager's Summary, Page 15

At the above reference, Bluewater states that, "Bluewater provides actual recovery up to July 2011, and includes projections for the remainder of the collection to the end of December 2011 (for billing periods up to October 31, 2011)."

- (A) Please confirm what amount Bluewater paid in regards to the SPC Assessment and provide a copy of the original invoice.
(B) Please complete the table below in regards to Bluewater's SPC Assessment.

SPC Assessment (Principal balance)	Amount recovered from customers in 2010	Carrying Charges for 2010	December 31, 2010 Year End Principal Balance	December 31, 2010 Year End Carrying Charges Balance	Amount recovered from customers in 2011	Carrying Charges for 2011	Forecasted December 31, 2011 Year End Principal Balance	Forecasted December 31, 2011 Year End Carrying Charges Balance	Carrying Charges for 2012 (Jan 1 to April 30)	Total for Disposition (Principal & Interest)

Interrogatory #6

Ref: EB-2011-0153 Manager's Summary, Page 15

At the above reference, Bluewater states that, "We commenced billing customers for the SPC charge on November 1, 2010, and will continue to bill until October 31, 2011. Given this delayed timeline, this application does not include a recovery of variance amounts because recovery is not complete at the time of filing this 2012 IRM. We will be in a position to update final recovery based on billings during the interrogatory process of this application or through an update of unaudited collections in the first quarter of 2012. However, if the Board requires the settlement to be based on audited amounts, then the Board is hereby notified that we will not be in a position to settle Account 1521 until the 2013 Rebasing Application and we request that we are able to carry the variance for future disposition at that time."

- (A) In the event that the Board will not require the settlement to be based on audited amounts, please confirm whether or not Bluewater is applying to dispose of Account 1521.

If the answer to (A) is yes, Board staff will make the necessary corrections to tab 9 of the 2012 IRM Rate Generator to include Account 1521 for disposition.

(B) If the answer to (A) is no, please explain why Bluewater is not applying for the disposition of Account 1521 despite the fact that an application to dispose of the residual balance in Account 1521 is required by regulation no later than April 15, 2012.

Smart Meter Funding Adder

Interrogatory #7

Ref: EB-2011-0153 Application, Page 7

At the above reference, Bluewater states that, "At the time of filing this application, Bluewater has spent approximately \$5.5 Million prior to 2011; costs that have been audited. In 2011, we have incurred costs of approximately \$1.6 Million that have not yet been audited, and we have projected spending of \$3.1 Million that will be incurred in the latter portion of 2011 and the first two quarters of 2012. Therefore, our total budget is \$10.5 Million, an application at this time for smart meter final disposition would include costs incurred in 2011 but not yet audited representing 15% of costs (\$1.6 Million of \$10.5 Million), as well as costs based on projections representing another 30% of costs (\$3.1 Million of \$10.5 Million)."

- (A) Please describe, in detail, a breakdown of the costs spent by Bluewater prior to 2011 totalling approximately \$5.5 Million.
- (B) Please describe, in detail, a breakdown of the costs spent by Bluewater in 2011 totalling approximately \$1.6 Million (unaudited).
- (C) Please describe, in detail, what the \$3.1 Million of projected costs will consist of for the latter portion of 2011 and the first two quarters of 2012.
- (D) Please describe any costs associated with functionality that exceeds the "minimum functionality" that have been incurred so far and/or forecasted to be incurred by Bluewater (i.e. costs for technical capabilities in the smart meters or related communications infrastructure, costs of deployment of smart meters to customers other than residential and general service < 50 kW customers and costs for TOU rate implementation, CIS system upgrades, web presentation, integration with the MDM/R etc.)

Interrogatory #8

Ref: EB-2011-0153 Application, Page 7

"Bluewater does not expect to be in a position to file for final disposition of its smart meter costs until the first or second quarter in 2012. It is not reasonable to expect that such an application would undergo prudence review in time for rates to be effective May 1, 2012. More likely, such a rate application would lead to a rate rider effective

November 1, 2012. The practical effect of removing the current level of SMFA funding and waiting for smart meter final disposition six months later would be unstable rates and customer confusion. This application seeks to smooth rates and continue with the SMFA until Bluewater is in a position to put forth a full application for disposition of the smart meter deferral accounts based on audited costs. Bluewater submits that this would contribute to a more streamlined regulatory process, as it would have the option to apply for disposition of smart meter costs with its 2013 Rebasing Application.”

- (A) If Bluewater does not complete its smart meter costs until 2012 Q2, when will Bluewater have audited actuals for 90% of its total costs of its program for which it can file for final disposition?
- (B) Please explain why Bluewater believes that it will have the information necessary in time for filing of a Cost of Service application for 2013 rates, given that such application would normally be made in 2012 Q3.

Payments in Lieu of Taxes – PILS 1562

Interrogatory #9

Ref: Income Tax Rates

The following table displays the income tax rates used in the calculation of the SIMPIL true-up variances in Bluewater’s PILs 1562 evidence.

		2001	2002	2003	2004	2005
APPLICATION PILS PROXY CALCULATION	1. SIMPIL Tab TAXCALC Cell C53 (54): Blended income tax rate	40.62%	38.62%	38.62%	38.62%	36.12%
	2. SIMPIL Tab TAXCALC Cell C88 (89): Income tax rate used for gross-up (excluding surtax)	39.50%	37.50%	37.50%	37.50%	35.00%
DECISION IN COMBINED PROCEEDING	From page 17 of the Decision: Tax rate to calculate the tax impact	40.62%	38.62%	36.62%	36.12%	36.12%
	Tax rate to calculate the grossed-up tax amount	39.50%	37.50%	35.50%	35.00%	35.00%
SIMPIL MODELS TAB TAXCALC	3. Cell E122 (123): Calculation of true-up variance -income tax effect	34.12%	38.62%	36.62%	36.06%	36.12%
	4. Cell E130 (131): Income tax rate used for gross-up (excluding surtax)	33.00%	37.50%	35.50%	35.00%	35.00%
	5. Cell E138 (139): Calculation of Deferral Account Variance caused by changes in legislation – Revised corporate income tax rate	34.12%	38.62%	36.62%	36.12%	36.12%
	6. Cell E175 (176): Calculation of Deferral Account Variance caused by changes in legislation – Actual income tax rate used for gross-up (excluding surtax)	18.00%	18.00%	35.50%	34.94%	35.00%

- (A) How did Bluewater choose the income tax rates used in calculating the tax impact and the gross-up amounts in the SIMPIL TAXCALC reconciliations in 2001, 2002 and 2003 when the utility generated or utilized tax losses and had no taxable income?
- (B) On what regulatory precedent or tax reference did Bluewater rely when it chose the income tax rates?
- (C) If the utility had taxable income in those years, what tax rate would the utility have been subject to?

(D) Why did Bluewater not use the maximum tax rate?

Interrogatory #10

Ref: Maximum Deemed Interest - 2001 SIMPIL Model

- (A) In the 2001 SIMPIL model TAXCALC worksheet row 202 cell E202, how is total deemed interest calculated?
- (B) Why did Bluewater not use the maximum deemed interest amount?
- (C) What authority or precedent did Bluewater rely on when making the calculation?

Interrogatory #11

Ref: CDM Incremental OM&A Expenses - 2005 SIMPIL Model

In the 2005 SIMPIL Model TAXCALC worksheet row 44 "*Material*" Items from "*TAXREC*" worksheet - CDM re 2005 PILS model" does not have an actual offsetting amount in cell G44.

The Board issued a letter dated September 13, 2011 regarding 2012 EDR – Disposition of account 1562 deferred PILs that states:

"In the 2005 EDR, a deduction for CDM expenses was made in the PILs proxy model. The applicant should ensure that there is a corresponding tax (accounting) amount recorded on the same row in SIMPIL to determine the appropriate true-up".

- (A) Please provide the dollar amount of actual expense incurred in 2005 to compare to the proxy amount so that a reasonable true-up will be calculated.
- (B) Can Bluewater suggest an alternative method to avoid a one-sided true-up to ratepayers?

Interrogatory #12

Ref: Interest Expense

For the tax years 2001 to 2005:

- (A) Did Bluewater have interest expense related to other than debt that is disclosed as interest expense in its financial statements?
- (B) Did Bluewater net interest income against interest expense in deriving the amount it shows as interest expense? If yes, please provide details to what the interest income relates.
- (C) Did Bluewater include interest expense on customer security deposits in interest expense?
- (D) Did Bluewater include interest income on customer security deposits in interest expense?
- (E) Did Bluewater include interest expense on IESO prudentials in interest expense?

- (F) Did Bluewater include interest carrying charges on regulatory assets or liabilities in interest expense?
- (G) Did Bluewater include the amortization of debt issue costs, debt discounts or debt premiums in interest expense?
- (H) Did Bluewater deduct capitalized interest in deriving the interest expense disclosed in its financial statements?
- (I) Please provide Bluewater's views on which types of interest income and interest expense should be included in the excess interest true-up calculations.
- (J) Please provide a table for the years 2001 to 2005 that shows all of the components of Bluewater's interest expense and the amount associated with each type of interest.

Lost Revenue Adjustment Mechanism ("LRAM")

Interrogatory #13

Ref: Burman Energy LRAM Support Document, Sept. 29, 2011

Burman notes that the sum of all LRAM calculations, including OPA sponsored programs is \$303,393.37 and that this amount is based on lost revenues from programs implemented from 2006-2010 and energy savings that took place in 2010 and 2011.

Burman further notes that the most recent 2010 published program evaluation results were used to calculate 2010 LRAM amounts. It is also noted that adjustments to 2011 estimates may be required to accurately reflect final OPA program evaluation results.

- (A) Please confirm when Bluewater's last load forecast was approved by the Board.
- (B) Please identify the savings included in Bluewater's last Board approved load forecast, for CDM programs deployed from 2006 to 2010 inclusive.
- (C) Please confirm that Bluewater has not collected any LRAM amounts it has requested in this application in past LRAM applications.
- (D) Has Bluewater received final 2010 program evaluation results from the OPA?
- (E) If Bluewater has received final 2010 program evaluation results from the OPA, please update the LRAM claim accordingly and make the 2010 OPA evaluation results available for review.
- (F) If Bluewater has not received final 2010 program results from the OPA, please discuss when Bluewater plans on receiving them and how it proposes to update its LRAM amount to reflect the final results.
- (G) Please discuss what adjustments are envisioned to be made to 2011 estimates to accurately reflect final OPA program evaluation results.

- (H) Please discuss why Bluewater feels it is appropriate to collect LRAM for 2011 when the year is not yet complete and it is using estimated lost revenue amounts.
- (I) If the OPA subsequently updates its Measures and Assumptions list prior to Bluewater filing its next rate application, will Bluewater file an updated 2011 LRAM application seeking to recover or refund any variance between the amounts it has requested in this application to the actual verified amounts for 2011? Please discuss the rationale for your response.