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September 26, 2012

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board,
2300 Yonge Street, 27th Floor,
Toronto, Ontario
M4P 1E4

Re: EB-2012-0263 Amendment to Evidentiary Record

Dear Ms. Walli:

We are writing pursuant to the Board's *Rules of Practice and Procedure* to advise the Board of a material amendment to the evidence in the above-noted application that should be allowed under Rule 11 of the Board's *Rules of Practice and Procedure* prior to the Board making a decision in this matter. The amendment results in a material benefit to ratepayers and Bluewater Power requests that it be accepted.

Bluewater Power filed the Reply Submission in respect of its application for Smart Meter Final Disposition on August 27, 2012. Since that time, Bluewater Power has been diligently working toward completion of its 2013 Rebasing Application. As a result of those efforts, we have uncovered an error in the Smart Meter Model that, once corrected, will reduce the amount of the claim as requested by Bluewater Power by approximately \$700,000. The resulting SMDR for the residential category will be reduced from the claimed \$4.90 to \$2.42 per month and the SMDR for the GS<50kW category will be reduced from the claimed \$8.64 to \$6.06 per month.

The error relates to the mismatch between the CCA category applied to Computer Software in the PILS component of the Smart Meter Model and the CCA category used by Bluewater Power in its 2011 Corporate PILs Return filed with the Ministry of Finance ("Tax Return"). The Tax Return was completed in April of 2012 and filed on June 11, 2012. The mismatch was an oversight that was not detected until working through the PILs model for the 2013 Rebasing Application. By way of explanation, the Smart Meter Model was first populated in October of 2011 as the model was required to be filed with the 2012 IRM Application. At that time, Bluewater Power had forecast that computer software related to Smart Meters would be categorized within CCA Class 46 with a corresponding tax deduction of 30% annually. When the 2011 Tax Return was prepared in April of 2012, Bluewater Power received advice from its tax advisor that the investment could qualify for CCA Class 12 with a corresponding deduction of 100%. On that advice, the 2011 Tax Return was filed on the basis of the CCA Class 12 designation for Smart Meter application software investments.

Sheet 2 of the Smart Meter Model included \$3,537,240 of investment categorized as 'Computer Software' over the period from 2006 to 2012. The SMDR application treated those assets in the Smart Meter Model as CCA Class 46 assets under the category of 'Computer Equipment' on Sheet 3. However, Bluewater Power's Tax Returns treated those same assets in 2011, and will treat those same assets in 2012, as CCA Class 12 assets.

The correction to the Smart Meter Model required in order for the Application to match the treatment in the Tax Return involves two modifications; 1) on Sheet 2, 'Computer Software' in column 'E' from 2006 to 2012 was changed to 'Applications Software' and; 2) on Sheet 3, we applied the CCA Class 12 with a CCA rate of 100% to the 'Applications Software'. There were no further changes or modifications to any other components of the models, which are consistent with the models relied upon in our Reply Submission. In order to ensure that

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Ratepayers get the full benefit of the reduction to PILs liability, we respectfully submit that the Board should accept the amendment as filed with this letter. The effect of this amendment is to ensure that the tax benefit of the capital investment for Beyond Minimum Functionality goes to the credit of ratepayers through this SMDR application. We respectfully submit that the updated application represents just and reasonable rates resulting from the corporation's claim to recover its full capital investment required for Smart Meters, while passing on the full benefit of tax savings associated with such investment.

Bluewater Power provides with this amendment two updated Smart Meter models which reflect the amendment to the evidence, namely:

1. Smart Meter Model for residential customers.
2. Smart Meter Model for GS<50 customers.

The table provided below demonstrates that the Smart Meter Model as previously filed already included a reduction to Revenue Requirement attributable to PILs in the amount of \$393,917. The update will result in a further credit attributable to PILS in the amount of \$696,462. The total PILS reduction if the claim is approved as filed (and updated) is \$1,090,379.

	Final submission with updated meter reading costs			Update for PILs		
	Residential Model	GS<50 Model	Total	Residential Model	GS<50 Model	Total
Return	\$777,700	\$353,789	\$1,131,490	\$777,700	\$353,789	\$1,131,490
Amortization	\$1,340,757	\$613,699	\$1,954,457	\$1,340,757	\$613,699	\$1,954,457
OM&A	\$676,622	\$74,346	\$750,968	\$676,622	\$74,346	\$750,968
PILs	(\$269,956)	(\$123,961)	(\$393,917)	(\$747,729)	(\$342,650)	(\$1,090,379)
Interest on Deferred OM&A	\$38,068	\$4,183	\$42,251	\$38,068	\$4,183	\$42,251
Total Revenue Requirement	\$2,563,191	\$922,057	\$3,485,248	\$2,085,418	\$703,368	\$2,788,787
SMFA Allocation	(\$1,618,691)	(\$187,527)	(\$1,806,218)	(\$1,618,691)	(\$187,527)	(\$1,806,218)
True-up balance	\$944,500	\$734,530	\$1,679,030	\$466,727	\$515,841	\$982,569
Rate Rider Calculation						
Number of customers	32,122	3,544		32,122	3,544	
Residential - 6 months	\$4.90			\$2.42		
GS<50 - 24 months		\$8.64			\$6.06	

This information is submitted for the Board's information as it considers Bluewater Power's Smart Meter Final Disposition. In Bluewater Power's respectful submission the requested amendment to the evidence is both discrete and straightforward, with a material impact to the benefit of ratepayers. That in mind, Bluewater Power respectfully submits that the Board ought not to require a round of Interrogatories on this discrete issue given that the limited probative value of that exchange would not warrant a delay to the proceeding. The purposes underlying the timing for this application were to smooth the impact of the SMDR on ratepayers and to coincide with the November 1, 2012 adjustments to RPP pricing; Bluewater Power requests that the Board consider these purposes and the

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beneficial impact of the amended evidence when considering any procedural issues that arise out of Bluewater Power's effort to correct the record in this application.

Sincerely,

A handwritten signature in black ink, appearing to be 'APL' or similar, written in a cursive style.

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Bluewater_Updated Smart Meter Model_residential_20120926.xls
Bluewater_Updated Smart Meter Model_GSLT50_20120926.xls