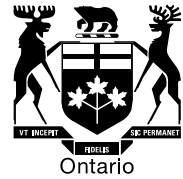


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BY E-MAIL

September 27, 2012

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Bluewater Power Distribution Corporation
Application for 2012 Smart Meter Cost Recovery effective November 1, 2012
Board File Number EB-2012-0263**

Board staff has reviewed the amendment to the evidence filed by Bluewater Power Distribution Corporation ("Bluewater") on September 26, 2012. Board staff wishes to seek clarification on one matter raised in the amended evidence, and suggests that Bluewater could clarify this by way of a letter.

In the amended evidence Bluewater states:

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.

The amendment only makes reference to the tax advice for Bluewater's 2011 tax filing. However, Board staff observes that Bluewater has re-categorized costs for all years, from 2006 to 2012, from CCA class 46 to CCA class 12. While the majority of these costs are in 2011 (\$2.2M out of approximately \$3.5M) and 2012 (\$770k), approximately \$600k of capital costs have been reclassified from class 46 to class 12 in prior years (2006 to 2010).

Board staff request that Bluewater confirm that the re-classification of software costs from class 46 to class 12 in all years from 2006 to 2011 conforms with the tax treatment in Bluewater's tax filing for each year during this period.

Subject to Bluewater's confirmation of this, Board staff submits that it would see no further need for a process for discovery through interrogatories or submissions on the amendment.

Board staff are also copying this letter to Bluewater, its counsel and parties to this proceeding.

Yours truly,

Original signed by

Violet Binette
Project Advisor, Applications & Regulatory Audit

CC: L. Dugas, Bluewater Power Distribution Corporation
M. Buonaguro, Counsel for the Applicant
S. Grice, VECC
M. Janigan, VECC