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May 22, 2020

Ms. Christine Long
Registrar and Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

RE: Bluewater Power Cost of Service Application EB-2020-0005

Dear Ms. Long,

Bluewater Power Distribution Corporation ("Bluewater") is scheduled to file a rebasing application for rates effective January 1, 2021. On March 27, 2020 Bluewater requested an extension to file that application until at least June 30, 2020 given the demands on management time due to the COVID-19 pandemic (the "Pandemic"). The OEB accepted that extension by letter dated April 7, 2020.

Given the evolving circumstances, Bluewater is now in a position where we must respectfully request that the OEB permit our utility to defer its right to file a rebasing application for rates effective January 1, 2021 by one year. If granted, Bluewater would apply to rebase for rates effective January 1, 2022.

Bluewater believes that deferring rebasing by one year is in the best interest of our customers given the expected impacts of the Pandemic on our local economy. Bluewater is in the fortunate position that we believe current rates can sustain our system and allow us to provide a reliable, customer-focused outcome. The reality is that, for a utility of our size, the majority of our effort has been, and will continue to be, expended on managing through the Pandemic; accordingly, our workload is such that it is also not manageable to rebase at this time.

The OEB is aware that Bluewater has chosen to defer the implementation of its May 1, 2020 rate increase to November 1, 2020 in an effort to mitigate impacts to customers during these challenging times. We believe that customers would find it troubling and confusing if the utility issued notice in the summer of 2020 of its 2021 Rate Application shortly after choosing to defer the May 1, 2020 rate increase. Moreover, we note that the increase deferred from May to November will result in a catch-up rate increase that would overlap with a January 1, 2021 rebasing rate increase. This compounded rate increase would create customer confusion at a time that our local economy is, hopefully, starting to see recovery.

It would be difficult for Bluewater to explain to customers why this is an appropriate time to seek to rebase distribution rates. If Bluewater is able to manage its affairs based on current rates, while it is also clear that our utility is not over-recovering currently through rates, then it is undeniably in the customer's best interest to defer rate rebasing. Although we all hope that economic recovery will be underway by the end of 2020, it seems reasonable to assume our economy will not have fully recovered. Given that Bluewater believes it can ensure the reliability and integrity of its distribution system without the need to rebase rates, we are well positioned and prepared to defer rebasing.

In support of our request for a deferral, we submit that rebasing in these uncertain times makes rate setting a "game of chance" that creates significant risk of leading rates that are not just and reasonable. The uncertainties that we face fall in three categories: (1) short-term cost implications, (2) long-term cost implications, and (3) customer load forecasts.

With respect to the short-term impacts, our industry has been deemed an essential service but that has not meant operations are not impacted by the new reality presented by the Pandemic. We have taken steps to ensure the protection of our inside workers, as well as our outside crews. Those steps, and the associated costs, are very likely to continue into 2021. As a simple example of how those steps drive costs higher compared to "normal" operations, consider our efforts to limit exposure amongst our outside line personnel. All personnel have been grouped into crews of differing size that report to different locations; we have taken the extra step of ensuring that our crews do not intermingle. This has led to increased cost of utilities and cleaning for previously abandoned locations, but the inability to intermingle crews effectively means that the entire crew is on standby when two of its members are on standby in a given week; this means an increase in costs related to stand-by pay. While we are confident the OEB will permit these costs, and similar costs, to be managed through the COVID deferral account, there remains uncertainty as whether these steps become the "norm" until there is a vaccine available.

In addition, we have curtailed a portion of our capital spending for 2020 in order to not risk system integrity in the event of an outbreak amongst our line staff; those necessary capital projects will need to be "caught up" in late 2020 and may stretch into 2021. We have also delayed some hiring for certain positions and terminated contracts where possible in order to control costs. Those impacts could be partially managed if the OEB clearly stated that the 2020 Bridge Year would be ignored in a rebasing application process but, again, there remains the possibility that short-term impacts will linger.

The long-term implications of the Pandemic, however, introduce uncertainty that may be impossible to manage. Bluewater submits that the impact on overall bad debt borne by the company is not yet known, and frankly we may have only seen the 'tip of the iceberg' prior to the OEB making a decision on the 2021 rebasing application. Bluewater is in the unique geographic location where we are a mid-size utility with greater than average load due to our large industrial customer base; we are very nearly a "one industry town", so long term impacts on the oil sector could be slow to roll out to local refineries, which in turn impact local construction and maintenance companies, which in turn impact local industrial suppliers. Our reliance on one primary industry makes the impact on bad debt (and customer load forecasts) difficult to predict and, potentially, a long and lingering impact. It is too early to assess the potential for a lingering impact on the petrochemical sector, but there are reasonable grounds to be cautious that the potential for reduced travel post-Pandemic will impact demand for the gas, diesel and jet fuel produced in Sarnia.

That brings us to a third uncertainty that impacts the viability of a rebasing application in the midst of a Pandemic, and that is the predictability of the load forecast. The OEB is well aware that underpinning a representative rebasing application is an accurate load forecast. Without a proper assessment of the impact of the Pandemic on our local economy, the load forecast is unlikely to reflect Bluewater's customer base and consumption for the full duration of the IRM period to follow rebasing. Frankly, Bluewater's shareholders could "win" if our forecast over-estimates the impact of the Pandemic, and it is equally likely that our customers could "win" if the opposite is true. Either result does not lead to just and reasonable rates. Bluewater acknowledges that predictability of forecasts is always a key issue during any rebasing application, but we submit that the level of magnitude of the current uncertainty makes this risk unmanageable for a 2021 rebasing application in a distribution territory reliant on an industry that is, at least, more certain in a post-Pandemic economy and, potentially, highly vulnerable if reduced travel becomes the norm.

Finally, Bluewater highlights for the OEB that we are neither over-recovering as a utility currently, nor are we in dire financial circumstances that make it unreasonable to defer rebasing. Bluewater can assure the OEB that we are financially able to sustain an additional year under the current rate regime. Our Return on Equity for 2019 as submitted in the RRR's is 10.93%, which is within the acceptable range of +/- 300 basis points of the ROE dead band. As evidence of our solid financial position and commitment to investment in the capital assets that serve our customers, we are also able to report that our actual capital spending in 2019 was $9.558M. That annual capital investment is nearly 50% higher than the capital budget of $6.466M proposed with the 2013 rebasing application approved by the OEB. As we have reported previously, Bluewater faced challenges achieving its capital budgets in the years 2013 and 2014, but we have "caught up" that spending and more; our total capital spending over the period from 2013-2019 was $51.6M, which is 14% higher than the amount that would have been achieved had Bluewater spent the same amount approved with the 2013 rebasing application ($6.466M x 7 years = $45.3M).

Furthermore, Bluewater has favourable results as presented in our annual Scorecard. Although we have not yet submitted our final annual results for 2019 to the OEB, preliminary results indicate that all measures exceed the established targets, which include:

- New Residential/Small Business services connected on time – 99.7%
- Scheduled Appointments met on time – 100%
- Telephone calls answered on time – 87.4%
- First Contact Resolution – 99.9%
- Billing Accuracy – 99.9%
- Customer Satisfaction Survey Results – 74.4%
- Level of Public Awareness – 87%
- SAID & SAIFI results – 5-year average is within the acceptable range

We expect to continue meeting all the performance metrics during and following the Pandemic.

In summary, Bluewater respectfully requests the following:

- That Bluewater be granted approval to defer the rebasing application for an additional year.
- That Bluewater would apply to Rebase for rates effective January 1, 2022.
- That the submission of the Distribution System Plan ("DSP") be submitted at the same time as the next rebasing application, as it underpins the rebasing application.

Bluewater submits that in this uncertain and demanding time, a deferral of the rebasing application for an additional year will provide Bluewater time to prepare an application that better reflects the financial outlook once the Pandemic is behind us. Bluewater is a mid-sized utility and, as such, a rebasing application requires active engagement of all department heads. Those managers have been focused on managing through the Pandemic, and their time will be occupied by managing a return to normal operations. The regulatory department (which includes customer service for our utility) is also expected to be fully engaged on managing regulatory changes as the provincial government looks for ways to assist customers during this pandemic. Simply put, if the OEB does not grant the deferral, we would lack the time and resources to produce a quality application that meets the expectations of the OEB for a fulsome rebasing application for January 1, 2021 distribution rates.

Sincerely,

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