Ontario Energy Board | Commission de l'énergie de l'Ontario

Ontario

BY E-MAIL

January 24, 2023

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Marconi:

Re: Bluewater Power Distribution Corp. (Bluewater Power)
Application for 2023 Electricity Distribution Rates
OEB Staff Interrogatories
Ontario Energy Board File Number: EB-2022-0016

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. Bluewater Power and intervenors have been copied on this filing.

Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Yours truly,

Andrew Bishop
Digitally signed by Andrew Bishop
Date: 2023.01.24 15:14:44 -05'00'

Andrew Bishop
Senior Advisor, Generation & Transmission

cc. All parties to EB-2022-0016

OEB Staff Interrogatories
Bluewater Power Distribution Corp.
2023 Cost of Service Application

Exhibit 1 – Administrative

1-Staff-1

Updated Revenue Requirement Workform (RRWF) and Models

Question(s):

(a) Upon completing all interrogatories from Ontario Energy Board (OEB) staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial application. Entries for changes and adjustments should be included in the middle column on Sheet 3 (Data_Input_Sheet). Sheets 10 (Load Forecast), 11 (Cost Allocation), and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 (Tracking Sheet) and may also be included on other sheets in the RRWF to assist in understanding the changes.

In addition, please file an updated set of models, as applicable, that reflects the interrogatory responses, including an updated Tariff Schedule and Bill Impact model for all classes at the typical consumption/demand levels (e.g., 750 kWh for residential, 2,000 kWh for GS<50, etc.).

1-Staff-2

Ref 1: Exhibit 1, page 8 Table 1
Ref 2: Exhibit 1, Attachment 1-1, page 18

Preamble:

Table 1 at reference 1 identifies that Bluewater Power will seek to improve cost efficiency by targeting an incremental reduction in spending of $100K annually through “identifiable and sustainable savings.” At reference 2, Bluewater Power states that these savings may be achieved through productivity and efficiency improvements as well as the permanent elimination or avoidance of costs.

Question(s):

(a) At reference 2, Bluewater Power states that it will document its plan for achieving cost savings through a formal “cost efficiency program.” If available, please provide additional detail on this program, including the activities Bluewater Power anticipates undertaking to achieve the targeted cost savings, as well as projected savings associated with each, over the next 5-year period.
(b) Please confirm if Bluewater Power targets achieving a total incremental cost reduction of $500K over the 5-year period through its cost efficiency program.
(c) Please confirm if Bluewater Power is prepared to report on the progress of its cost efficiency program as part of its annual incentive rate applications/its next cost of service application.
(d) Please discuss if Bluewater Power has implemented any specific productivity initiatives over the 2013-2022 period to improve cost efficiency. If productivity initiatives have been implemented, please provide details of these initiatives as well as associated cost savings (for both capital and OM&A).

1-Staff-3

Ref 1: Exhibit 1, page 38
Ref 2: Exhibit 1, Attachment 1-4

Preamble:

At reference 1, Bluewater Power describes aspects of the customer engagement survey implementation process. Bluewater Power indicates that 1,150 residential or GS <50kW customers, 11 GEN>50 and 5 intermediate or large customers completed surveys. Reference 2 provides the survey instruments and summarizes collected responses.

Question(s):

(a) Did Bluewater Power engage a third party to assist with the development of the survey and/or interpretation of survey results? If yes, please identify the third party and describe their role.
(b) Please describe the process followed by Bluewater Power to develop each survey, including, but not limited to, the role and input provided by employees and/or a third party, the degree to which other customer surveys completed for similar purposes were referenced, etc.
(c) Please provide specific examples of how feedback collected from the cost of service application surveys have informed the application/Bluewater Power’s Distribution System Plan, including how feedback was considered when developing capital and operating plans.

1-Staff-4

Ref 1: Exhibit 1-5, Oraclepoll Customer Satisfaction Survey Report 2021
Ref 2: Bluewater's most recent (2021) electricity distributor's scorecard

Preamble:

The results at page 8 of Exhibit 1-5 show that in 2021, 76% customers were satisfied that their bills were accurate, 7% were neutral, and 17% were dissatisfied with bill accuracy. OEB staff also notes that the percentage of total dissatisfied customers has risen since 2017, when 12% identified concerns with bill accuracy.

Question(s):

(a) Please describe any reasons known to Bluewater Power for why 17% of its customers are dissatisfied with the accuracy of their bills, including any events that may have occurred since 2017 that could be driving additional dissatisfaction.
(b) The Bill Accuracy measure found in the Customer Satisfaction category of Bluewater Power's 2021 electricity distributor scorecard demonstrates a performance rating of 99.99% (for 2021). Please explain the possible reasons for the deviation between this measure and the results of the customer survey.
(c) Please identify what if any steps Bluewater Power intends to take to improve bill accuracy, or customer's opinion of the accuracy of their bills. If applicable, please describe the corrective action Bluewater Power has taken to ensure any events described in response to part (a) of this question do not reoccur.

1-Staff-5

Ref 1: Exhibit 1, page 55
Ref 2: Exhibit 5, page 9
Ref 3: Chapter 2 Appendices, Tab App.2-OA Capital Structure

Preamble:

At reference 1 Bluewater Power states:

> "Bluewater's Debt to Equity ratio has declined from 0.77 in 2017 to 0.60 in 2021, as Bluewater has decreased debt and increased retained earnings during this time period. This ratio is well below the OEB's deemed capital structure of 60% debt / 40% equity, which would imply a debt-to-equity rate of 1.5. In 2023 Bluewater will be increasing its leverage but will be maintaining its debt-to-equity rate well below the 1.5."

At reference 2, Bluewater Power states that it "… is planning to take out a second third party, non-revolving, installment loan in the amount of $15 million with its bank in late 2022."

Question(s):

(a) Please indicate the status of the planned $15 million installment loan, and if the loan has yet to be secured, whether Bluewater Power still intends to pursue it. Please also indicate if Bluewater Power intends to seek further debt in 2023 or beyond.
(b) If secured, please provide the interest rate of the $15 million installment loan (including if the interest rate is fixed or variable).
(c) Please provide Bluewater Power's debt-to-equity ratio inclusive of the planned $15 million installment loan.
(d) Please describe the purpose of the $15 million installment loan. I.e., please provide detail on the projects or other items the $15 million installment loan is intended to fund, as well as the timing for when the projects/other items are expected to be undertaken.
(e) Bluewater Power indicates that the planned $15 million installment loan will carry a fixed interest rate of 6.373%, a significantly higher rate than those experienced over the past 10 years. Further, the proposed interest rate is only marginally lower than the current prime interest rate of 6.45%.
    i. Although interest rates are forecast to increase slightly in the first quarter of 2023, they are expected to decrease in the latter part of the year. In light of the above, please explain why Bluewater Power deemed it prudent to seek a loan.
    ii. Please explain why Bluewater Power appears to be unable to obtain a loan at significantly lower than prime interest rate.
(f) Based on the response to parts (d) and (e), please describe why Bluewater Power elected to enter into a $15 million loan, rather than obtain debt in tranches/intervals that aligned with its work plan. I.e., why did Bluewater Power not obtain debt as it was needed?
(g) Please fully describe Bluewater Power's financing strategy as well as how Bluewater Power's decision to secure a $15 million installment loan fits within the parameters of that strategy.

1-Staff-6

Ref 1: Exhibit 1, page 62

Preamble:

Distributors are required to implement Green Button by November 1, 2023. The OEB has approved the establishment of a generic deferral account for rate regulated distributors to record the incremental costs directly attributable to the implementation of the Green Button initiative. Bluewater Power states that it will implement the program in 2023.

Question(s):

(a) Please describe Bluewater Power's progress towards Green Button implementation.
(b) Please clarify if Bluewater Power has recorded any incremental costs directly attributable to the implementation of the Green Button initiative in the generic deferral account.
(c) Please confirm whether Bluewater Power has proposed any capital or OM&A costs associated with the implementation of the Green Button initiative for the 2022 bridge year and the 2023 test year.

1-Staff-7

Ref 1: Exhibit 1, page 19, Tables 1 and 2
Ref 2: Exhibit 8, page 25, Table 19
Ref 3: Tariff Schedule and Bill Impacts Model

Preamble:

The referenced tables demonstrate the bill impacts resulting from the proposals in Bluewater Power's application.

Question(s):

(a) Please update the applicable bill impacts estimates shown in Tables 1 and 2 of Exhibit 1 and Table 19 in Exhibit 8 to reflect Regulated Price Plan (RPP) prices issued by the OEB on October 21, 2022[1].
(b) Please update and refile the Tariff Schedule and Bill Impacts Model to reflect RPP prices issued by the OEB on October 21, 2022.

[1] https://www.oeb.ca/sites/default/files/rpp-price-report-20221021.pdf

1-Staff-8

Ref 1: Exhibit 1, pages 22 and 23
Ref 2: Exhibit 6, pages 41 and 42

Preamble:

As stated at Reference 1, since Bluewater Power's last application, the amortization of contributed capital has been changed from 25 to 50 years to reflect the updated amortization rates under IFRS.

Bluewater Power states in Reference 2 that starting in 2022, it has updated its amortization period to 50 years on a straight-line basis prospectively. This is the main driver for the decrease in amortization from 2021 to 2022. Bluewater Power has forecasted $1 million in each of 2022 and 2023 for the gross amount of contributed capital that will be received. Both the forecasted contributed capital and the annual amortization amount are both reflected in Exhibit 4, OEB Appendix 2-BA and Exhibit 6, PILS model.

Questions:

(a) Please explain why Bluewater Power's 2013 cost of service application did not calculate amortization of contributed capital using a 50-year amortization rate.
(b) Please comment on the degree of impact calculating amortization of contributed capital using a 50-year amortization rate would have had on Bluewater Power's approved 2013 revenue requirement. Please also quantify the impact.
(c) Please confirm if Bluewater Power has made the adjustments related to the change of the amortization period in the audited financial statements. If so, please clarify when Bluewater made the adjustments.

Exhibit 2 – Rate Base

2-Staff-9

Ref 1: Exhibit 2, page 94, Table 59

Preamble:

At the above reference, Bluewater Power demonstrates the inputs that informed its cost of power calculation used for purposes of determining its working capital allowance of $7.95M. Bluewater Power's calculations are based on a commodity forecast cost of $103.54/MWh; the OEB's latest estimate, developed as part of the Nov. 1, 2022 RPP Price setting, is $93.40/MWh[2].

[2] https://www.oeb.ca/sites/default/files/rpp-price-report-20221021.pdf

Question(s):

(a) Please recalculate the cost of power calculation and resultant working capital allowance to reflect the OEB's latest commodity cost forecast.

2-Staff-10

Ref 1: Distribution System Plan, page 134
Ref 2: Distribution System Plan, page 140, Table 38
Ref 3: Distribution System Plan, page 169, Table 61
Ref 4: Exhibit 3, page 13, Tables 12 and 13

Preamble:

At reference 1, Table 36 shows historical and forecast customer/connections for the period 2013-2023 for each rate class. Also at reference 1, Bluewater Power states that "[t]he Load Forecast predicts that the slow growth rate will continue, with only a 0.77% increase to metered customers between 2021 and 2023 forecasted (0.39% CAGR)."

At reference 2, Bluewater Power shows historical, 2022 bridge year and 2023 test year system access expenditures.

At reference 3, Bluewater Power demonstrates that system access costs are expected to consistently increase over the planning period, from a low of $2.3M 2023 to a high of $2.6M in 2027. Of these amounts, approximately 90% relate to cost code UT11 (New Connections, Upgrades, Subdivisions).

At reference 4, Bluewater Power shows 2021 actual vs. 2022 bridge year customers/devices and volumes for each rate class.

Question(s):

(a) Table 36 at reference 1 shows that between 2019 and 2020, total customer connections increased by 147 (from 47,476 to 47,623), an increase of less than 1%. From 2020 to 2021 total customer connections increased by 105 (from 47,623 to 47,728), an increase of less than 1%. Table 38 at reference 2 demonstrates that between 2019 and 2020 and between 2020 and 2021, UT11 New Connections, Upgrades, Subdivision's expenditures decreased from $1.26M to $1.25M and increased from $1.25M to $1.83M, respectively. The average customer connection cost in each of these years is demonstrated in the Table 1 (note: 2019 represents the customer connections and expenditures increases from 2018).

Table 1: Average Customer Connection Cost

Year	Total New Connections	UT11 Costs	Average Customer Connection Cost
2019	140	$1,264,310	$9,030.79
2020	147	$1,246,001	$8,476.20
2021	105	$1,832,038	$ 17,447.98

i. Please confirm OEB staff's calculations shown in Table 1.
ii. Please provide reasons for why 2021 average customer connection costs nearly double when compared to those incurred in 2019 and 2020.
iii. If available, please provide detailed UT11 costs for 2019, 2020, 2021 and 2022 by the customer classes shown at reference 1.

(b) Please explain why system access costs over the 2023-2027 period are expected to continually increase (2027 costs are projected to be 26% higher than 2021 actuals) given the slow growth rate predicted by the forecast model.

(c) Please update Tables 12 and 13 at Exhibit 4 to reflect actual 2022 customer counts, if available.

2-Staff-11

Ref 1: Distribution System Plan, page 45, Table 9

Preamble:

In Table 9 - SQI: Service Quality, Bluewater Power indicated that rescheduling of missed appointments occurred at a rate of 86.1% in 2014 and 53.8% in 2015.

Question(s):

(a) Please explain the reasoning for the lowered rescheduling rates in 2014 and 2015 and what permanent steps Bluewater Power took to improve the rates in the following years.

2-Staff-12

Ref 1: Distribution System Plan, page 140 and 142
Ref 2: Chapter 2 Appendices

Preamble:

Bluewater Power states in its DSP and Chapter 2 Appendices (Appendix 2-AB) that all 2022 figures are budgeted, with no actuals.

Question(s):

(a) Please provide an updated version of Table 38 from the DSP and updated Chapter 2 Appendices with 2022 year-to-date actuals. If a full year of actuals cannot be provided, please budget the remaining months while indicating which projects are actual or budgeted.
(b) Please complete Section 5.4.1.1 Historical Variances of the DSP with variances for 2022 comparing the budget to the year-to-date actuals.

2-Staff-13

Ref 1: Appendix-2AB_Capital Expenditures

Preamble:

Bluewater Power has provided planned amounts versus actual spent amounts from 2013-2022.

Question(s):

(a) Please explain at what point in time the planned amounts were derived given that Bluewater Power's last cost of service application was for 2013 rates. For example, are planned amounts determined in 5-year increments or year-over-year? If the budgeted amounts are created year-over-year, how far in advance of the budgeted year were the figures determined?
(b) If Bluewater Power develops planned amounts year-over-year, did Bluewater Power account for delays due to the pandemic in either its 2021 or 2022 budget?

2-Staff-14

Ref 1: Distribution System Plan - Appendix F – Capital Project Sheets, page 42

Preamble:

Bluewater Power states that approximately 190 wood poles will be replaced in 2023 as part of the wood pole replacement program with other poles being replaced in conjunction with other programs.

Question(s):

(a) Please fill in the following tables to show historical and projected pole replacements over the 2013 to 2027 period.

Table 2: Wood Pole Replacement Program – Poles Replaced Historically

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total program cost										
Number of poles replaced by Pole replacement Program										
Total number of poles replaced (by all programs)										

Table 3: Wood Pole Replacement Program – Poles to Replace Forecasted

	2023	2024	2025	2026	2027
Total program cost					
Approx. number of poles to be replaced by pole replacement program					
Total approx. number of poles to be replaced (by all programs)					

(b) How many wood poles does Bluewater Power expect to be in poor or very poor condition by the end of the DSP period based on the pole replacement forecast for the period 2023-2027 and existing poles deteriorating further?
(c) What is Bluewater Power's target percentage of poles in the poor and very poor categories?

2-Staff-15

Ref 1: Distribution System Plan, page 11 and 13

Preamble:

Bluewater Power states that developers are now requesting entire subdivisions be developed at once and that there has been a growth in subdivision plans.

Question(s):

(a) How have these requests influenced the forecast connection estimates?
(b) Does Bluewater Power have further insight on the likelihood that these subdivisions will materialize (in light of the potential Enbridge Line 5 closure referenced at 3-Staff-39)?

2-Staff-16

Ref 1: Distribution System Plan, page 16
Ref 2: Exhibit 1 - ATTACHMENT 1 – 4 page 7; ATTACHMENT 1-5, page 12

Preamble:

Bluewater Power states that in early 2022, it initiated an online survey to solicit customers' preferences and expectations, as well as educate customers and gain feedback on the DSP. Bluewater Power states that the affordable cost of electricity and reliability were the top priorities for most customers and that customers also made it clear that they value reduced response time to outages and improved technology to enhance the electrical system. Bluewater Power also conducted a February / March 2021 customer satisfaction survey by telephone. In this case, only 3% of respondents indicated that fewer outages and quicker restoration time would improve service. 29% preferred lowered or maintained rates as a service improvement.

Question(s):

(a) Why did Bluewater Power limit the available online survey response choices in Question 4 (Please rank the following from most important to least important to you with 1 being the most important and 5 being least important) which may have had the affect of directing survey respondents to specific "top priority"

conclusions. Why was there no “Other” category for customer to choose a non-listed preference?

(b) Does Bluewater Power consider the number of on-line survey responses to be statistically representative of the overall customer population considering the response received in the 2021 telephone survey? Please explain.

2-Staff-17

Ref 1: Distribution System Plan, page 18

Preamble:

Bluewater Power states that it performs tree trimming on a 4-year cycle. Bluewater Power states that in 2021 it increased tree trimming clearances around St. Andrews transformer station and that this addressed customers’ reliability issues without requiring station upgrades and further capital spending.

Question(s):

(a) Does Bluewater Power perform any additional out-of-cycle vegetation management for faster growing tree species that the 4-year cycle cannot accommodate?
(b) Can Bluewater Power provide an estimate or comment on the impact on SAIDI for the previous 5-year period resulting from access to locations being blocked by trees and the need to remove fallen trees?
(c) Does Bluewater Power have a program for identifying and removing hazard trees, both on its property and abutting properties?
(d) Has Bluewater Power ever needed to remove or arrange for removal, of hazard trees from abutting municipal properties and, if so, why was this required?
(e) Was the tree trimming around the St. Andrews transformer station required to service/benefit Bluewater Power assets or HONI assets?

2-Staff-18

Ref: Distribution System Plan, pages, 20 and 122

Preamble:

Bluewater Power states that they test a representative sample of residential meters every 2 years prior to the end of the seal period. Based on the results, the meter seal periods may be extended.

Question(s):

(a) How many meters will require reverification in each of the forecast years?

(b) What amount has Bluewater Power budgeted to replace failed smart meters in the forecast period?
(c) When will Bluewater Power need to start mass replacements of its smart meter inventory?

2-Staff-19

Ref 1: Distribution System Plan, page 22

Preamble:

Bluewater Power states that it has implemented an in-house maintenance program on all small, light duty vehicles and most pieces of construction equipment, reducing outsourcing costs. Bluewater Power also states that it has future plans to bring large truck service in-house as well.

Question(s):

(a) Please provide the relevant report/business case that documents the savings achieved by bringing fleet servicing in-house.

2-Staff-20

Ref 1: Distribution System Plan, pages 23, 64 and 125

Preamble:

Bluewater Power states that it has retained Kinectrics to perform an annual Asset Condition Assessment (ACA) on Bluewater's key distribution assets. The ACA results in a "flagged for action" list for each class of asset. Individual units in the MS asset categories have specific health indexes calculated.

Questions:

(a) Please explain why Bluewater Power decided to obtain updated ACA annually as opposed to every 2 or 3 years?
(b) Does the ACA provide feedback, not shown in the report, that identifies the specific units classified in each of the Very Poor to Very Good categories (other than the MS related units)? If yes, please provide this additional information.

2-Staff-21

Ref 1: Distribution System Plan, pages 44 and 48

Preamble:

The SAIDI and SAIFI figures in Table 8 indicate that there was no MED impact in 2017. SAIDI and SAIFI figures for 2017 Information on Table 10 indicate that there was a MED in 2017. The sub-table titled Including Major Event Days, Excluding Loss of Supply seems to be missing the MED impact in the SAIDI and SAIFI values.

Question(s):

(a) Please clarify the missing MED impact and update Table 8 if applicable.

2-Staff-22

Ref 1: Distribution System Plan, pages 53-56

Preamble:

Bluewater Power provided tables in the DSP breaking down interruptions by cause code.

Question(s):

(a) Please provide any further breakdown available for defective equipment outages (by equipment type) and adverse weather-related outages (i.e., pole related, storms, etc.).

2-Staff-23

Ref: Distribution System Plan, page 45

Preamble:

Bluewater Power states that its SAIDI target for the next 5 years is to improve its performance and score below its distributor target (as identified by the OEB) of 1.66. For SAIFI, Bluewater Power's target for the next 5 years is to improve its performance and score below its distributor target (as identified by the OEB) of 1.51. A review of Bluewater Power's scorecard indicate that the 5-year SAIDI and SAIFI baselines were set in 2020 and will reset in 2025. The 2020 and 2021 SAIDI and SAIFI actuals are above the targets noted above.

Question(s):

(a) Please confirm that Bluewater Power's targets for SAIDI and SAIFI in 2023 through 2024 will result in the new targets for 2025 through 2029 and that these future targets will be below the current targets of 1.66 and 1.51, respectively.

(b) Please provide the 2022 (actual) and 2023 through 2024 targets for SAIDI and SAIFI that would be required to meet the above targets.

2-Staff-24

Ref 1: Distribution System Plan, pages 64, 68 and 70

Preamble:

Bluewater Power states that the Kinectrics ACA provides a summary of the overall condition of each asset type, the health index distribution, as well as a prioritization list (based on condition, risk, and criticality) along with identified data gaps. Bluewater Power states that Engineering and Operations staff use the results of the annual ACA, together with other considerations to identify, select, prioritize, and/or pace investments, thereby creating the budgets and five-year projections.

Question(s):

(a) What actions are being taken by Bluewater Power to address the identified data gaps in the most recent ACA report?
(b) Is there a documented investment prioritization guide or procedure that details/quantifies the investment selection activities noted above? If so, please provide.

2-Staff-25

Ref 1: Distribution System Plan, pages 77 and 78
Ref 2: Distribution System Plan - Appendix E – Fleet Management Plan, pages 5,15 and 16
Ref 3: Distribution System Plan - Appendix F – Capital Project Sheets, pages 1 and 2

Preamble:

Bluewater Power states that it follows its Fleet Management Plan. Numerous factors such as cost, condition, age, mileage, engine hours, Power Take Off hours, appearance, and frequency of use are all contributors to the decision-making process to upgrade or replace an asset. Bluewater Power states it disposes of its Fleet assets when they are normally in poor or very poor condition.

Question(s):

(a) Is there a documented investment guide or procedure that quantifies how each of the above factors influence the replacement decisions? If so, please provide.

(b) Bluewater Power has assessed vehicle #111 Underground Truck to be in “poor” condition and requiring replacement in the 2023 test year. How has each of the factors noted in the preamble specifically contributed to this assessment?
(c) How was the medium-range priority for this vehicle replacement determined?

2-Staff-26

Ref 1: Distribution System Plan, page 81

Preamble:

Bluewater Power states that it made a strategic decision to adopt a continuous improvement approach to its SAP enterprise software rather than the more traditional approach of periodic upgrades with each version change in the software. Bluewater Power also states that this approach is more cost-effective without compromising the capabilities of the system.

Question(s):

(a) Please provide the annual historical savings achieved and forecast savings expected using this approach.

2-Staff-27

Ref 1: Distribution System Plan, page 169

Preamble:

Bluewater Power states that it has budgeted $435k in the 2023 test year for business technology improvements and over $1 million in each year from 2025 to 2027.

Question(s):

(a) Please provide an overview of what the 2025-2027 improvements entail as well as any supportive business case.

2-Staff-28

Ref 1: Distribution System Plan, page 85

Preamble:

Bluewater Power states it is expecting an increase in loading due to the societal adoption of Electric Vehicles (EVs) in the coming years.

In addition, through the federal Greener Home Initiative, residents are being encouraged to switch to cold climate heat pumps for space heating.[3]

Question(s):

(a) Has Bluewater Power considered the uptake of cold climate heat pumps over the coming years in addition to EVs? If yes, what challenges has this brought to Bluewater Power, and how has it affected planning during the DSP period?
(b) Please provide any annual forecast estimates of increased load (kW and kWh) due to electric vehicle and heat pump adoption in the forecast years, as well as the methodology behind the estimates.
(c) Has Bluewater Power considered the use of Level 1 versus Level 2 EV chargers and the difference in load associated with each?
(d) When replacing distribution transformers, what does Bluewater Power do to determine if upsizing is warranted for future potential electrification needs?

2-Staff-29

Ref 1: Distribution System Plan, pages 134, 140-141 and 173
Ref 2: Distribution System Plan - Appendix F – Capital Project Sheets, page 24

Preamble:

Bluewater Power states that the forecast UT11 budget includes 10% for new residential connections and the remaining 90% is for commercial upgrades, commercial connections, and subdivision development work. 138 residential customers are to be added in the 2023 Test Year. The 2023 Test Year Capital Contribution amount is significantly higher than the previous years other than the forecast amount for 2022. Table 36 shows that there will be a decrease in GS>50 and GS<50 new connections in 2023 versus 2022. Bluewater Power states that average System Access spending over the five-year forecast is expected to be consistent, although slightly less than the previous five years.

Question(s):

(a) Please provide the following specific amounts that are included in the UT11 2023 budget:
    i. Commercial upgrades (number and specific costs)
    ii. Commercial connections (number and specific costs) and
    iii. Subdivision development work amounts (number and specific costs)
(c) Please provide the sources of the capital contribution amount for the 2023 test year.

[3] NRCan, Canada Greener Home Initiatives

(d) Please provide the Gross Cost, Capital Contribution and Bluewater Power Cost amounts for the 2024 – 2027 period and please confirm that average spend over the 2023-2027 forecast period will be less than the previous five years.
(e) Please provide the number of annual connections (residential, commercial upgrades, commercial connections, and subdivision development work) for the 2024-2027 forecast period.

2-Staff-30

Ref: Distribution System Plan, pages 140 and 173

Preamble:

Bluewater Power states that average System Renewal spending over the five-year forecast period is expected to be higher than the previous five years.

Table 38 shows that the 2018-2022 five-year System Renewal historical spending averaged approximately $4.6M annually. Table 61 shows that the 2023-2027 five-year System Renewal forecast spending is averaging approximately $5.7M annually. This represents an average increase of approximately 26%.

The proposed 2023 test year spend is approximately $6.7M. The average 2024 – 2027 proposed spend is approximately $5.5M in the System Renewal category. This represents a decrease of approximately 18% on annual System Renewal expenses after the 2023 test year.

Question(s):

(a) In general, please explain what efforts were made or can be made to reduce the 2023 test year spend to the 2024-2027 annual average levels or balance the 2023 – 2027 spend levels by deferring select 2023 expenditures to the 2024 – 2027 period. Alternatively, please explain why the higher-than-average spend in 2023 is necessary.
(b) Please explain what efforts were made to pace System Renewal spending regarding each of the specific projects below:
    i. UT5 & UT16 - Petrolia & Watford
    ii. UT72 - St. Clair Parkway in Sarnia
    iii. UT73 - Albany Substation breaker upgrade
    iv. UT74 - 4kV System Upgrades

2-Staff-31

Ref 1: Distribution System Plan, page 171
Ref 2: Distribution System Plan - Appendix F – Capital Project Sheets, page 73

Preamble:

Based on Bluewater Power's forecasted project list, the average System Service forecasted spend from 2023-2027 is $265K, while the test year spend is forecasted to be $514K.

Question(s):

(a) Please explain what efforts were made to pace System Service spending over the forecasted period in general.
(b) Bluewater Power states that the telecommunications project involves replacing radios that allow for communication between the 4kV stations and SCADA. The current radios are obsolete and no longer supported according to Bluewater Power.
    i. When did the radios become obsolete?
    ii. When did Bluewater Power find out that the radios would become obsolete?
    iii. If Bluewater Power was aware that the radios would become obsolete before the 2023 test year, why was the replacement of the radios not started in previous years?
    iv. Has Bluewater Power experienced any operational issues with the equipment? What is the operational risk to deferring the project to future years?
(c) Do the old radios use licensed (e.g., WiMax) or public frequency? Do the new radios use the same frequency as the old radios?
(d) How is dark fibre to be used to support the replacement of the old radios?

2-Staff-32

Ref 1: Distribution System Plan, pages 138 and 172

Preamble:

Table 37 indicates an increase in System O&M cost of approximately 12% between 2022 and 2023. Bluewater Power states that replacing deteriorating assets that are most at risk of failure helps Bluewater avoid increased failures, emergency repairs and increased O&M costs.

Question(s):

(a) Please explain the substantial increase in 2023 O&M over 2022 considering the forecast focus on System Renewal spending.

2-Staff-33

Ref 1: Distribution System Plan - Appendix F – Capital Project Sheets, page 4

Preamble:

Bluewater Power has placed transformers purchased for inventory in the General Plant category. OEB Chapter 5 filing requirements define General Plant expenditures as "modifications, replacements or additions to a distributor's assets that are not part of its distribution system". Bluewater Power states that the priority of this program is high because it enables the utility to respond to transformer failures caused by end-of-life or storm-related damage (System Renewal).

Question(s):

(a) Is it the intent to capitalize all the 2023 test year and subsequent forecast transformer purchases in inventory as spare units?
(b) As these units are to be part of the distribution system as System Renewal expenditures, why have they been placed in the General Plant category?

2-Staff-34

Ref 1: Distribution System Plan, page 169 and 174
Ref 2: Distribution System Plan - Appendix F – Capital Project Sheets, pages 11,13,15 and 17

Preamble:

Bluewater Power states that General Plant spending over the five-year forecast period is expected to be higher than the previous five years. General Plant average spend is approximately 15% higher annually than the previous five-year average annual spend. A considerable amount of spending is focused on Information Technology investments.

Question(s):

(a) Please provide the quantity of items (computers, mobile devices, etc.) in the IT2 2023 forecast budget and the overall number of items that come under the IT2 used by Bluewater Power.
(b) Does the elimination of the AS2 Management Tool in the IT4 budget result in future cost savings?
(c) What is the future savings from the Mobility Proof of Concept application in the IT4 budget? Is there a cost/benefit analysis document that was referred to in the

prioritization and approval process for this investment? If yes, please provide the document.

(d) The 2023 test year expenditure for the IT9 budget focuses on a In-Row Cooling solution to replace a failing HVAC system. Why would this not be included in the IT1 Data Centre Lifecycle budget which also cover HVAC equipment?

(e) What is the expected savings from the Smart Data Hub, new integrated communication solution and Supply Chain upgrade in the IT35 budget?

2-Staff-35

Ref 1: Distribution System Plan - Appendix F – Capital Project Sheets, page 31

Preamble:

Bluewater Power states that it has a regular program of converting 4kV facilities to the 27.6kV system. The program covers the forecast period. In the 2023 test year, Bluewater Power plans to convert 0.5km of MS#10 4kV load to the 27.6kV system.

Question(s):

(a) Please provide details (station, line length converted) on the conversion programs for the 2024 – 2027 period.

(b) Will the new 27.6kV construction be of crossarm or armless construction?

2-Staff-36

Ref 1: Distribution System Plan, page 170
Ref 2: Distribution System Plan - Appendix F – Capital Project Sheets, pages 46,52,60

Preamble:

Bluewater Power budgets for unexpected and unforeseen capital expenditures, storm restoration, emergency transformer replacement, emergency primary line replacement, and emergency secondary line replacement costs that arise during the course of a year that require an immediate response. These are not planned expenditures. Unforeseen capital expenditures have included in the past major repairs to power line vehicles, purchases of job-specific equipment and Service Centre and Substation building upgrades. The total amount of these contingency programs is $943,300.

Question(s):

(a) Why is the budget for unforeseen capital and transformer replacement paced based on a 5-year average while the budget for storm restoration paced based on a 3-year average? Pacing on a 5-year average for storm restoration would result in lower 2023 test year amount.

2-Staff-37

Ref 1: Distribution System Plan - Appendix F – Capital Project Sheets, page 55

Preamble:

Bluewater Power has a proactive program to replace approximately 65km of underground direct buried non-tree retardant primary cables (XLPE). The program replaces approximately 3km of cable per year. Bluewater Power estimates that at current replacement rates the program will be complete in 22 years and that as the majority of cable failures are “ball and socket” splices, this replacement rate is adequate. Cable injection of existing cables was considered but rejected as Bluewater Power has stated, “injection is only a temporary solution to address cables that have reached end of life.”

Question(s):

(a) Cable injection has been deemed as a positive alternative to cable replacement for some utilities in cases where underground cables are not too far deteriorated.[4] Please explain why cable injection was rejected in cases where cables are not at their end of life but are in poor condition and/or aging.
(b) Please provide any study conducted detailing the comparison of cable replacement versus cable injection.
(c) What additional life extension would be achieved through cable injection?
(d) What would be the equivalent annual cost of cable injection for the annual 3km of cable replaced?
(e) Please complete the following tables:

Table 4: Cable Replacement Program – Cable Replaced Historically (km)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Program Cost										
km of Cable Replaced										

Table 5: Cable Replacement Program – Cable Replaced Forecasted (km)

	2023	2024	2025	2026	2027
Total Program Cost					

[4] EB-2022-0013

Approx. km of Cable to Replace					

2-Staff-38

Ref 1: Distribution System Plan, page 70
Ref 2: Distribution System Plan - Appendix F – Capital Project Sheets

Preamble:

Bluewater Power states that projects included in the five-year forecast period consist of Demand or Bluewater Initiative projects. In section B 1c) of the Material Summary sheets, individual investment priority ranges from Medium to High.

Question(s):

(a) Are all the non-Demand projects ranked High priority of equal weighting in determining the priority of investment?
(b) Are all the non-Demand projects ranked Medium priority of equal weighting in determining the priority of investment?
(c) If the overall capital budget expenditure envelope is reduced, how does Bluewater Power determine which Medium or High priority project(s) is/are deferred or reduced in spending?

Exhibit 3 – Customer and Load Forecast

3-Staff-39

Ref 1: Exhibit 3, pages 3 and 4

Preamble:

At the above reference Bluewater Power describes Enbridge's Line 5 and the current legal entanglement with Michigan with respect to its ongoing operation. Bluewater Power states that it is difficult to estimate the impact of the line's closure and has not reflected it in the load forecast.

Question(s):

(a) Bluewater Power states that shutting down Line 5 would have significant impacts on the number of industrial, commercial and residential customers in its territory, as well as a significant impact on the load forecast provided in its application. Please provide any further information available to Bluewater Power that offers additional quantifiable insight into the impacts of a shut down (including how long

after the line's closure the impact would be felt). Please also comment on the level of accuracy associated with the information.

(b) How would Bluewater Power's DSP and DSP implementation be affected by a shutdown of Line 5? Would Bluewater Power undertake to develop a new DSP?

3-Staff-40

Ref 1: Exhibit 3, page 5

Preamble:

At the above reference Bluewater Power states that:

> "The OEB Chapter 2 Appendices Tab "App.2-IB Load_Forecast_Analysis" has been completed and submitted in this Application in live Excel format. With the assistance of the OEB, the model was amended to add historical years 2013-2017. Bluewater amended the tab override the auto-populated data with the load forecast data and include a variance for Customers/Devices, Consumption (Actual), and Demand (Actual) between 2017-2020, all of which are immaterial."

Question(s):

(a) Please confirm whether Bluewater Power made any additional amendments to the model, other than those OEB staff supported. If additional amendments were made, please describe the changes as why they were necessary to undertake.

3-Staff-41

Ref 1: Exhibit 3, Load forecast report by Elenchus, page 2

Preamble:

A set of COVID/weather interaction variables were considered to capture the incremental consumption caused by people working from home and generally staying at home due to associated lockdowns. These variables, "HDD COVID" and "CDD COVID" are equal to the relevant HDD and CDD variables since March 2020, and 0 in all earlier months. The coefficients reflect incremental heating and cooling load consumed as people stayed home during the pandemic. These variables continued to December 2021 but are reduced to 50% of HDD and CDD in all months in 2022 and to 25% in 2023.

Question(s):

(a) Please provide a scenario where the COVID variables for all rate classes take a value of 0 for years 2022 and 2023.

3-Staff-42

Ref 1: Load Forecast
Ref 2: Exhibit 1, Attachment 1-4, page 23

Preamble:

Reference 2 provides the results of the customer survey related to intentions to purchase an electric vehicle over the next 5 or 10 years. In total, approximately 32% of Bluewater Power's residential and small commercial customers indicated they are considering purchasing an electric vehicle within the next 10 years.

Question(s):

(a) How has EV and heat pump penetration been factored into load growth expectation over the forecast period?
(b) Has Bluewater Power developed a load forecast specifically for growth in EV and heat pump penetration? If yes, please provide the forecast.
(c) Has Bluewater Power considered the impact of Distributed Energy Resources or other emerging technologies on its load forecast? Please explain your response.

3-Staff-43

Ref 1: Exhibit 3, Load forecast report by Elenchus
Ref 2: Load forecast model (excel file)

Preamble:

Bluewater Power has used 2012-2021 as historic years in preparing its forecast.

Question(s):

(a) Please provide historic actual 2022 monthly consumption.
(b) Please prepare an updated forecast using actual 2022 historic input data. If this cannot be done, please explain why and provide as much of the input data as possible.

3-Staff-44

Ref 1: Exhibit 3, Load forecast report by Elenchus, pages 25 and 26

Preamble:

Bluewater Power states that for residential, GS<50 and GS>50 customer counts, the geometric mean of the annual growth from 2012 to 2021 was used to forecast the growth rate from 2021 to 2023.

Question(s):

(a) Please provide the actual customer/connection counts for each customer class for the most recent month available.
(b) Please provide a scenario using historic actual data for 2022 for the customer forecast for each rate class where available.

3-Staff-45

Ref 1: Exhibit 3, 4.5 Large Use, page 33

Preamble:

In order to normalize and forecast class kW for those classes that bill based on kW (demand) billing determinants, the relationship between billed kW and kWh is used. The 5-year average kW/kWh ratio from 2017-2021 was used because the ratio has changed over 10 years, so a shorter time frame was deemed appropriate. The ratio decreased from 0.002079 in 2012 to 0.001817 in 2021 and the 5-year average is more aligned with recent ratios.

Question(s):

(a) As per the load forecast model (excel file), a 10-year average kW/kWh ratio is being used for the Large Use rate class. Please reconcile this with the evidence in Exhibit 3 above.
(b) Please explain why a 10-year average kW/kWh ratio is more suitable for the GS>50 and Intermediate rate class?
(c) Is Bluewater Power aware of the reasons for material changes in the ratios which warranted the class specific time frames (5 or 10-year) to be used?
(d) As scenarios, please provide the forecasted kW that would result from using a 5-year average kW to kWh ratio for all three rate classes.

3-Staff-46

Ref 1: Exhibit 3, Attachment 3-1 (Load Forecast Report), pages 41-44 (Load Forecast Supporting Evidence, Excel File, CDM Forecast and CDM Adjustment tabs)

Preamble:

Bluewater has made a manual CDM adjustment to its load forecast to reflect the impact of CDM activities that are expected to be implemented from 2021 to 2023 within Bluewater Power's service territory.

Bluewater Power has proposed to incorporate impacts of CDM activities that are expected to be implemented from 2021 to 2023 based on its share of electricity use

within the province, its share of energy savings from the IESO's 2021-2024 CDM Framework, and the share of provincial low-income housing in Sarnia.

Question(s):

(a) Please reconcile the CDM adjustment proposed to be included within the load forecast that has been included in Table 46 titled 2021-2024 CDM Framework Adjustments (Exhibit 3, p. 44) with the data included in the tab "CDM Adjustment" of the load forecast supporting excel file. As part of your response, please indicate if the proposed CDM adjustment is 14,153,329 as indicated in the excel file, or the 8,079,097 included within Table 46 of your application and discuss the differences between these tables.

3-Staff-47

Ref 1: Exhibit 3, page 9

Preamble:

Bluewater Power states that "[a] time-series autoregressive model using the Prais-Winsten estimation was used for the Residential class to account for autocorrelation."

Question(s):

(a) Can Bluewater Power explain the negative sign on the constant in the residential, GS>50 and Intermediate rate class regression models?

Exhibit 4 – Operating Expenses

4-Staff-48

Ref 1: Exhibit 4, page 10
Ref 2: Exhibit 4, Table 7

Preamble:

At the above reference, Bluewater Power states the following related to OM&A expenses: "[f]or the purposes of this rate application, the Board of Directors approved the 2023 Test Year budget, as well as an update to the 2022 Bridge Year budget based on material events in the year to date." [emphasis added]

Question(s):

(a) Please update Table 7 to reflect actual 2022 OM&A cost drivers. If actuals for 2022 are unavailable, please update Table 7 for best available information. When responding, please describe the nature of the data that was used to perform the update.

(b) Please indicate the timing for when the Board of Directors approved the referenced updated 2022 OM&A budget.
(c) Please provide the pre-updated 2022 Bridge Year OM&A budget (i.e., the OM&A budget prior to the Board of Director's approved update). Please provide the data in the same format as Table 7 of Exhibit 4, comparing the data for years 2021, 2022 and 2023.

4-Staff-49

Ref 1: Exhibit 4, page 11

Preamble:

At the above reference Bluewater Power indicates that when developing its 2023 test year OM&A budget, an inflation factor of 10% was used to calculate expenses related to fuel, materials and fuel related services such as snow and waste removal. For all other expenses, a 4% inflation factor was applied.

Questions(s):

(a) Please provide a definition for what constitutes "fuel, materials and fuel related services such as snow and waste removal" expenses and provide the rationale for using a 10% inflation factor.
(b) Please comment on the appropriateness of the continued use of a 10% inflation factor for these expenses given current market circumstances.

4-Staff-50

Ref 1: Exhibit 4, page 11

Preamble:

Bluewater Power indicates that for its non-union employees, a cost of living increase of 4.0% has been applied to its 2023 salaries expense.

Questions(s):

(a) Please confirm if Bluewater Power awarded a cost of living salary increase to non-union employees.
    i. If yes, what is the percentage value of the increase awarded?
    ii. If no, does Bluewater Power still intend to award a 4% increase, or is a different rate under consideration?

4-Staff-51

Ref 1: Exhibit 4, Table 8

Preamble:

Table 8 at the above reference compares 2013 to 2023 OM&A costs by program.

Questions(s):

(a) Please update Table 8 to reflect actual 2022 OM&A costs by program. If actuals for 2022 are unavailable, please update Table 8 for best available information. When responding, please describe the nature of the data that was used to perform the update.
(b) In 2021, Bluewater Power expenses related to LEAP are reported as $66,280, whereas in all other years, LEAP expenses equal $24,848 (except in 2023 where expenses are forecast to equal $30,000 based on Bluewater Power's requested revenue requirement). Please describe what drove the 2021 LEAP expense.
(c) "Lines O&M" expenses shown in Table 8 were $1.4M in 2021, $2.1M in 2022 and projected to be $2.5M in 2023. Please confirm if the significant increase in Line O&M expenses is a result of the implementation of Bluewater Power's DSP. If another driver exists, please describe.

4-Staff-52

Ref 1: Exhibit 4, Table 10, page 40

Preamble:

Bluewater Power provides OM&A per customer from 2013-2023.

Question(s):

(a) Please provide a table comparing Bluewater Power's OM&A per customer to utilities in the same cohort per the latest PEG benchmarking report as Bluewater Hydro from 2013-2023.
(b) If this comparison indicates significant variation between the OM&A per customer of Bluewater Power and utilities in its cohort, please explain this variation.

4-Staff-53

Ref 1: Exhibit 4, page 116
Ref 2: Exhibit 4, page 118

Preamble:

At reference 1, Bluewater Power states that "[t]he nature of sharing and the services provided by Bluewater to its affiliates was reviewed by outside consultants, at the request of Bluewater, in advance of the 2013 Rebasing Application. The resulting transfer pricing study was included in the 2013 Rebasing Application. Bluewater continues to rely upon the methodology for transfer pricing set out in that report…"

At reference 2, Bluewater Power has detailed the financial value of its Shared Service Model. Bluewater Power states that estimated financial savings for OM&A for the 2023 test year are calculated at $1.184 million.

Question(s):

(a) Please describe why Bluewater Power has not undertaken to complete a new transfer pricing study. I.e., please discuss why the 2013 study remains an appropriate tool to determine the correct assignment of costs.
(b) Please provide details on the calculation of the $1.184 million per year total.
(c) Please clarify whether the estimated financial savings have been reflected in the proposed 2023 OM&A.
    i. If so, please explain how.
    ii. If not, please explain why not.

4-Staff-54

Ref 1: Exhibit 4, page 40, Table 10

Preamble:

At reference 1, Bluewater Power shows that FTE's will increase from 92.2 in 2021, 104.5 in the 2022 bridge year, and to 106.9 in the 2023 test year.

Question(s):

(a) Please describe why FTEs are increasing by 14% from 2021 levels. When responding, please fully describe the roles and/or function each incremental FTE is expected to fulfil as well as how these roles complement Bluewater Power's fulfillment of its business plan, DSP or other business objective as appropriate.

4-Staff-55

Ref 1: Exhibit 4, pages 35-37, Table 8
Ref 2: Exhibit 4, pages 44-59

Question(s):

(a) Specifically with regard to the two categories Operations & Maintenance, and Administrative & General for the 2023 Test Year vs 2013 OEB-approved, please provide additional details on what is meant by inflationary increases/pressures.
(b) For the Administrative & General category for the 2023 Test Year vs 2022 Bridge Year, please provide details and examples on what is meant by inflationary increases/pressures, and how this pertains to the OM&A expenses charged by Bluewater Power.

4-Staff-56

Ref 1: Exhibit 4, p. 111
Ref 2: Exhibit 4, Attachment 4-1, Actuarial Valuation Report 2022
Ref 3: EB-2015-0040, Report of the Ontario Energy Board, Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs, September 14, 2017, page 12 & 13

Preamble:

Bluewater Power states in Reference 1 that the actuarial gains or losses recorded in Account 7010 “Pension Actuarial Gains or Losses or Remeasurement Adjustment – Other Comprehensive Income” is specifically excluded from ratemaking.

Net actuarial gain of $1,877,662 has been recognized in the Other Comprehensive Income in 2022 as provided in Reference 2.

As per the Report of the OEB, the OEB stated that for some utilities, the OEB has already approved the use of a deferral account to capture the cumulative actuarial gains or losses in post-retirement benefits.

The OEB further stated that utilities may propose disposition of the account in future cost-based rate proceedings if the gains and losses that are tracked in this account do not substantially offset over time.

Questions:

(a) Please provide Bluewater Power’s proposal regarding its treatment of OPEB actuarial gains and losses for rate-making purposes.

4-Staff-57

Ref 1: Exhibit 4, Table 8
Ref 2: 2023 Cos Appl_Chap 1_Append_20221118, Tab Appendix 2-JC
Ref 3: Exhibit 4, Table 26
Ref 4: 2023 Cos Appl_Chap 1_Append_20221118, Tab Appendix 2-JB
Ref 5: Exhibit 4, Section 4.3.1, p. 51

Preamble:

Bluewater Power states that the actual post-employment benefits amounts are $681,646 and $253,422 for the periods 2013 and 2014 in Reference 1 and 2, which differ from the OPEB amounts ($483,117 for 2013 and $263,541 for 2014) presented in Reference 3 for the respective periods.

Questions:

(a) Please confirm the actual OPEB amount for the periods 2013 and 2014.
(b) Please update the OPEB amounts as applicable.
(c) Please explain and quantify the cost drivers for the decrease of $428,200 in the year 2014 actuals as provided in References 4 and 5.

4-Staff-58

Ref 1: Exhibit 4, Section 4.4.3.3, p. 111
Ref 2: Exhibit 4, Attachment 4-1 Actuarial Valuation Report 2022

Preamble:

Bluewater Power made the following statement in Reference 1,

> "Account 5646 'Employee Pensions and OPEB' for the 2023 Test Year OM&A captures the OPEB accrual expense of $274,390 that is included in this application for ratemaking. This amount is also used in the 2023 PILS model calculation as explained in Exhibit 6."

The OPEB expense accrual amounts for the year 2013 to test year 2023 are also provided in Table 26 in Reference 1.

Per the actuarial report in Reference 2, total projected defined benefit cost of $664,500 recognized in the income statement for test year 2023 is comprised of current service cost of $173,114 and interest cost of $491,386.

Per Reference 1, The OPEB expense accrual expense of $274,390 for the 2023 Test Year is included in this application for ratemaking. This amount is also used in the 2023 PILS model calculation as explained in Exhibit 6

Questions:

(a) The variance between the OPEB amounts from the two references is due to the benefits paid amount of $390,110. Please explain why the benefits paid amount is netted against the current service cost and the interest cost in Reference 1.
(b) Please clarify if the benefit paid amount is included in the revenue requirement requested through this application. If so, where is it included?

Exhibit 5 – Cost of Capital and Capital Structure

5-Staff-59

Ref 1: 2023 Cost of Capital Parameters

Preamble:

On October 20, 2022, the OEB issued a letter announcing the cost of capital parameters applicable to 2023 cost-based applications.[5]

Question(s)

(a) Please update the evidence, as required, to reflect the 2023 cost of capital parameters.

5-Staff-60

Ref 1: Exhibit 5, page 7

Preamble:

The table below has been excerpted from the above reference.

Year 2023 Test Year

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal ($)	Rate (%)	Interest ($)
1	Promissory Note to Shareholder	City of Sarnia	Affiliated	Fixed Rate	30-Oct-00		$16,729,636	3.49%	$ 583,864
2	Promissory Note to Shareholder	Town of Petrolia	Affiliated	Fixed Rate	30-Oct-00		$ 1,430,914	3.49%	$ 49,939
3	Promissory Note to Shareholder	Village of Point Edward	Affiliated	Fixed Rate	30-Oct-00		$ 655,187	3.49%	$ 22,866
4	Promissory Note to Shareholder	Township of Warwick	Affiliated	Fixed Rate	30-Oct-00		$ 421,886	3.49%	$ 14,724
5	Promissory Note to Shareholder	Township of Brooke-Alvinston	Affiliated	Fixed Rate	30-Oct-00		$ 139,981	3.49%	$ 4,885
6	Term Loan #1	CIBC	Third-Party	Variable Rate	1-Mar-20	10	$ 3,833,336	3.40%	$ 130,333
7	Term Loan #2 (new)	CIBC	Third-Party	Fixed Rate	1-Jan-23	10	$14,250,000	6.37%	$ 908,153
Total							$37,460,940	4.58%	$ 1,714,764

Question(s)

(a) Row 6 provides information related to a variable-rate term loan that carries a term of 10 years. Please provide the rationale for why Bluewater Power

[5] Ontario Energy Board, Letter re: 2023 Cost of Capital Parameters, October 20, 2022

elected to enter into a variable rate loan in 2020 when interest rates were at historic lows.

(b) Please describe how the variable rate is determined.

(c) Row 7 provides information related to a fixed-rate term loan that carries a term of 10 years. If applicable, please indicate the date the loan agreement was entered to and the interest rate of the loan.

   i. If applicable, please update the weighted average long-term debt rate to reflect the actual interest rate applicable to the loan.

Exhibit 6 – Revenue Requirement and Revenue Deficiency or Sufficiency

6-Staff-61

Ref 1: Exhibit 6, Section 6.2.2.2

Preamble:

Bluewater Power states in Reference 1 that it is being reassessed for the 2018 tax year and expects similar results as the 2014 to 2017 reassessments.

Bluewater Power further states that a Notice of Objection regarding the results of the 2014 to 2017 reassessments has been filed. However, for 2019 and subsequent years, including the 2022 Bridge Year and 2023 Test Year, Bluewater Power has filed/forecasted following the direction provided by the reassessments for the smart meter and rotten pole replacement.

Bluewater Power will record any impact to taxes payable that result from the Notices of Objections in Account 1592 PILs and Tax Variance for 2006 and subsequent years.

Questions:

(a) Please confirm if Bluewater Power has received the reassessment result for 2018 and/or the result from the appeal for the 2014 to 2017 reassessments.

   i. If confirmed, please provide the respective results.

(b) Please indicate Bluewater Power's intention to appeal if the 2018 reassessment came back with the same results as the 2014 to 2017 reassessments.

(c) Please quantify the tax impact of the appeal.

Exhibit 7 – Cost Allocation

7-Staff-62

Ref 1: Exhibit 7, page 13

Preamble:

In determining the weighting factors for Billing and Collecting, an analysis of the underlying costs such as postage, and the effort required from the Billing staff, Credit and Collections staff and Customer Service staff was reviewed, also taking into consideration the complexity of the bills.

Question(s):

(a) Please provide a schedule that sets out the derivation of the billing and collecting weights set out in table 7.

7-Staff-63

Ref 1: Exhibit 7, page 18, Table 12

Preamble:

Three rate classes were originally above the band threshold established for each rate class: General Service < 50 kW, Large Use and Unmetered Scattered Load. Bluewater proposes to reduce the revenues allocated to each of these classes to bring each class to the top of the OEB allowable band. This results in increasing the revenue expectation from the Residential, General Service > 50 kW, General Service 1000-4999 kW, and the Sentinel lighting rate classes. Each of these classes has been allocated a portion of the revenue such that each results in a R/C ratio of 95.3%.

Questions(s):

a) Can Bluewater Power quantify the resulting impact on total bill from increasing the revenue to cost ratio to 95.3% for the Residential, GS<50 and Sentinel Lighting Rate class?
b) Has Bluewater Power considered other options for bringing the revenue to cost ratios within the OEB's acceptable policy range? Please describe any approaches considered and why they were rejected.

Exhibit 8 – Rate Design

8-Staff-64

Ref 1: Exhibit 8, Tab 3, page 20 of 25

Preamble:

The proposed loss factor of 1.0432 reflects an increase from the current approved loss factor of 1.0421. As Bluewater notes, this is below the 5% threshold.

Question(s):

(a) Does Bluewater Power have any insights into the cause(s) of the increase in losses?
(b) Does Bluewater Power intend to take any steps to improve losses, as part of its DSP implementation or other?
(c) Can Bluewater Power quantify the impact of the increase in loss factor on the total bill for the residential rate class?

8-Staff-65

Ref 1: Exhibit 8, page 16 of 25

Preamble:

Bluewater Power is proposing to update the LV rates for the 2023 Test Year and has projected 2023 LV costs based on the 2021 actual LV costs in the amount of $318,689.

Question(s):

(a) Please provide the low voltage expense that would result if Hydro One rates excluding rate riders were applied to a 5-year average of 2017-2021 volumes

8-Staff-66

Ref 1: RTSR Workform

Preamble:

The RTSR model is populated with 2022 UTRs and Hydro One Sub-Transmission rates. UTRs and Hydro One's 2023 Sub-Transmission rates were approved December 8, 2022.

Question(s):

(a) Please update the UTRs and Hydro One's 2023 Sub-Transmission rates in the next version of the RTSR model filed.

(b) What year's data are used for the customer class billing kWh and kW in Tab 3 of the RTSR Workform?

Exhibit 9 – Deferral and Variance Accounts

9-Staff-67

Ref 1: LRAMVA Workform – Tab 1
Ref 2: DVA Continuity Schedule – Tab 2b and Tab 4 Exhibit 4, Table 4-28

Preamble:

Bluewater Power has proposed to dispose of its LRAMVA balance for the year 2021 and persistence of savings and corresponding lost revenues to 2022 in the amount of $794,592, including carrying charges to the end of April 2023. This includes persisting amounts from past program activity between 2011 to 2020 in 2021, and persistence of activities from 2011 to 2021 in 2022.

Bluewater Power indicated that it has included lost revenues from three projects under the Retrofit program that are estimates pending the final review of the post project documentation and that these projects will be verified by the end of 2022 with updates to follow.

Further, Bluewater Power has included amounts for prospective disposition of persisting CDM savings between 2023 to 2027.

Question(s):

(a) If available, please provide the final, verified results for the three Retrofit projects that have been included as estimates. If the final measurement and verification document is not yet available, please indicate when Bluewater Power expects to file an updated LRAMVA workform.
(b) Please confirm that Bluewater understands it is not eligible for any prospective lost revenues of persisting CDM savings in 2023 and beyond as it is rebasing with new rates being approved for 2023.

9-Staff-68

Ref 1: Exhibit 9, p. 32

Preamble:

The 2021 CDM Guidelines requires electricity distributors filing an application for 2023 rates to seek disposition of all outstanding LRAMVA balances related to previously established LRAMVA thresholds. Bluewater Power notes that it is not currently running any CDM programs.

Question(s):

(a) Please confirm that Bluewater Power is seeking disposition of all outstanding LRAMVA balances and that the LRAMVA will have a zero balance if disposition is approved.
(b) Please confirm that Bluewater Power is requesting to maintain the LRAMVA in the event it chooses to participate in programs that would be eligible for lost revenues in the future.

9-Staff-69

Ref 1: Exhibit 9, Section 9.1, p. 11
Ref 2: Exhibit 9, Section 9.2, p.18
Ref 3: DVA Continuity Schedule_20221024

Preamble:

Reference 1 indicated that Bluewater Power is requesting disposition of the Group 1 DVA and LRAMVA balances as of December 31, 2020, with forecasted interest charges until April 30, 2021.

In Reference 2, Bluewater Power states that it has forecasted transactions and principal balances until December 31, 2022, and is requesting disposition of these balances with interest forecasted until April 30, 2023, for the following Group 2 accounts:

1508 – Other Regulatory Assets – Pole Attachment Revenue
1508 – Other Regulatory Assets, Retail Service Charge Incremental Revenue
1534 – Smart Grid Capital Deferral Account
1535 – Smart Grid OM&A Deferral Account

For all other Group 2 accounts, Bluewater Power is requesting disposition of December 31, 2021 balances, with forecasted interest until April 30, 2023.

Questions:

(a) Per Tab 2a in Reference 3, it appears that the Group 1 account balances are as of December 31, 2021, with forecasted interests up to April 30, 2023. Please confirm. If so, please update reference 1 accordingly.
(b) For the Group 2 accounts mentioned above in Reference 2 that Bluewater Power is requesting to dispose and discontinue, the transactions and principal balances are forecasted up to December 31, 2022. Please confirm if Bluewater Power has opted to forgo the balances for these accounts from the first four stub periods in 2023. If not, please update the balances of these accounts to include forecasts up to April 30, 2023 in applicable schedules.

9-Staff-70

Ref 1: Exhibit 9, Section 9.2.10, p. 27
Ref 2: Chapter 2 Filing Requirements for Electricity Distribution Rate Applications - 2022 Edition for 2023 Rate Applications, Section 2.6.2.1

Preamble:

Bluewater Power has requested in Reference 1 disposition of recorded a total tax impact of a credit amount of $1,405,133 in account 1592, plus carry charges of a credit amount of $49,926.

Bluewater Power also requests to keep Account 1592 PILS and Tax Variance for 2006 and Subsequent Years – CCA Changes remain open to record subsequent changes that impact the tax rates underpinning Bluewater Power's 2023 PILs component of distribution revenue, including the expected phase out of accelerated CCA beginning in 2024.

Per Reference 2, OEB suggested applicants may propose a mechanism to smooth the tax impacts over the five-year IRM term According given there may be timing differences that could lead to volatility in tax deductions over the rate-setting term. The OEB will assess an applicant's smoothing proposal on a case-by-case basis. If the OEB approves the smoothing proposal, the distributor's use of (or access to) Account 1592, to record the impacts of the specific CCA changes contemplated in the smoothing proposal, will no longer be applicable

Questions:

(a) Please explain if Bluewater Power has considered smoothing out the tax impacts over the five-year IRM term for the CCA changes. If not, why not? Otherwise, please provide a proposed tax smoothing method.

9-Staff-71

Ref 1: OEB, Accounting Order (001-2022) for the Establishment of a Deferral Account to Record Impacts Pertaining to Ontario Regulation 410/22 (Electricity Infrastructure – Designated Broadband Projects), July 20, 2022

Preamble:

The OEB ordered in the Reference 1 that Licensed, rate-regulated electricity distributors with any designated broadband projects in their service area shall establish the following two new accounts:

1. Account 1508 - Other Regulatory Assets, Sub-account Designated Broadband Project Impacts

2. Account 1508 - Other Regulatory Assets, Sub-account Designated Broadband Project Impacts, Carrying Charge

Questions:

(a) Please confirm if the deferral accounts as ordered in Reference 1 have been established by Bluewater Power.

9-Staff-72

Ref 1: OEB, Notice of Change to Cost of Assessment Model, February 9, 2016
Ref 2: Exhibit 9, Table 15, p. 22

Preamble:

The OEB has established in the Reference 1 that the Account 1508 Other Regulatory Assets, Sub-account OEB Cost Assessment variance account for electricity distributors and transmitters to record any material differences between OEB cost assessments currently built into rates, and cost assessments that will result from the application of the new cost assessment model effective April 1, 2016.

Per Table 15 in Reference 2, Bluewater Power provided the annual variances between the annual OEB cost assessment currently approved in rates and the actual OEB cost assessment amounts charged by the new cost assessment model, effective April 1, 2016.

Table 15: Account 1508 - OEB Cost Assessment Variance

Year	OEB Assessment Invoice ($)	BW 2013 COS Approved ($)	Variance ($)
2016*	123,351	97,650	25,701
2017	165,894	130,200	35,694
2018	153,996	130,200	23,796
2019	155,664	130,200	25,464
2020	154,680	130,200	24,480
2021	116,301	130,200	(13,899)
2022F	166,103	130,200	35,903
Total	1,035,989	878,850	157,139

*2016 includes only 9 months, beginning April 1, 2016

Question(s):

(a) The annual variances between the OEB Assessment and the amount underpinning Bluewater Power's rates from its 2013 COS application provided in Reference 2 are immaterial. Please provide your consideration on using Account 1508 to record immaterial annual variances.