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February 13, 2023

via RESS

Nancy Marconi, Registrar
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

RE: 2023 Cost of Service Electricity Distribution Rates Application (EB-2022-0016), Responses to Interrogatories

Dear Ms. Marconi,

Please find enclosed an electronic copy of Bluewater Power Distribution Corporation's responses to OEB Staff and Intervenor Interrogatories ("IRR").

Bluewater Power has filed electronically updated excel models and attachments in response to the IRs.

Sincerely,

L. Dugas

Leslie Dugas
Director Regulatory and Customer Service
Bluewater Power Distribution Corporation
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Ontario Energy Board (OEB) Staff Interrogatories

EXHIBIT 1 – ADMINISTRATIVE

Staff 1

Reference: 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.).

Response:

The following models have been updated as requested in response to IR's and have been filed electronically in excel:

- Revenue Requirement Workform ("RRWF")
- OEB Chapter 2 Appendices
- Load Forecast model
- RTSR Workform
- DVA Continuity Schedule
- Test Year Income Tax PILs model
- LRAMVA Workform
- Cost Allocation Model
- Tariff Schedule and Bill Impact model

The chart below outlines the specific corrections and/or adjustments that were required as a result of the interrogatories, as well as the general updates to the models as requested by OEB Board Staff and Intervenors to update for 2022 draft results.

Summary of Model Updates

IR Response	Update	Models Updated
Staff-7	Update Bill Impacts to reflect RPP prices issued October 21, 2022	Chapter 2 Appendices - 2-ZB, Cost Allocation, RRWF, Bill Impact Model
Staff-9, SEC-8	Recalculate the Cost of Power calculation and resultant working capital allowance to reflect commodity cost forecast	Chapter 2 Appendices - 2-ZB, Cost Allocation, RRWF, Bill Impact Model
Staff-12	Update capital project list to move Vacant Land purchase of $900,000 from 2022 to 2023	Chapter 2 Appendices
Staff-12, Staff-48, AMPCO-4, CCC-12, CCC-13, SEC-7, SEC-17, SEC-28, VECC-9, VECC-15, VECC-29, VECC-43	Update for 2022 actual Data – BWP notes 2022 draft results have been included	Updated requested Chapter 2 Appendices, Cost Allocation, RRWF, Bill Impact Model
Staff-43, CCMBC-12, SEC-15, VECC-20, VECC-28, VECC-29	Load forecast updated for 2022 actual	Load forecast, Ch 2 Appendices, Cost Allocation, DVA Continuity, RTSR Model, LRAMVA Workform, RRWF
Staff-46	CDM Adjustment corrected	Load forecast, and corresponding models that include load forecast
Staff-5, Staff-59, Staff-60, SEC-27, VECC-40	Cost of Capital Updates, and LTD rate adjusted to a lower fixed rate, and a lower principle balance	Chapter 2 Appendices, and all corresponding models that include Rate Base
Staff-66, CCMBC-21, VECC-52	Update RTSR for current UTR and Hydro One ST rates	RTSR Workform, and all corresponding models that include RTSR rates and flow-through
Staff-67	LRAMVA updates - BWP updated based on final results	LRAMVA Workform, DVA Continuity and Bill Impact Model
Staff-72	OEB Assessment - BWP removed claim for recovery	DVA Continuity, Bill Impact Model
VECC-45	Updated sheet I7.1 for Intermediate customers that have 2 meters, and removed 2 meters related to WMP	Cost Allocation
VECC-51	Updated Sheet O2, cells J-L 14,16,17 to refer to the number of devices on Sheet 16.2	Cost Allocation
VECC-54 and Staff-65	Updated LV costs to represent 5 year average of usage	RTSR Workform - LV Rates
AMPCO-24	Appendix 2-K corrected.	Chapter 2 Appendices 2-K

Staff 2

Reference 1: Exhibit 1, page 8 Table 1
Reference 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.

Response:

At this time the cost efficiency objective to save $100k annually through identifiable and sustainable savings is truly a stretch goal. Bluewater recognizes the ongoing goals of improving efficiency and increasing cost control and identified a target amount of savings to reach for. At this time there are no planned savings or details of a cost efficiency program, although these details will be developed over the coming year. The targeted savings over the 5-year period is a $100k reduction in spending each year, 2023 thru 2027. The cost reduction may be OM&A or capital costs.

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.

Response:

Bluewater confirms its target of achieving a total incremental cost reduction of $500k over the 5-year period.

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.

Response:

Bluewater is prepared to report on the progress of its cost efficiency program. Bluewater submits the appropriate forum for that report is in 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).

Response:

Please see section 4.1.8 of Exhibit 4, page 24-28 entitled "Cost Efficiencies".

Bluewater notes that the above referenced section indicates cost savings where applicable, but can be summarized as follows:

- Savings of 3.3 FTE's since last rebasing for approximate savings of $400k annually
- Performing locates with more cost effective staff will save approximately $50k annually
- Restructuring of the classification of new hires and positions within the collective agreement has saved approximately $80k annually
- Miscellaneous changes to work practices described at page 26 lead to savings of approximately $55k annually
- Capital savings from Bluewater's approach to its management of its SAP enterprise software system estimated at $5 million.

Staff 3

Reference 1: Exhibit 1, page 38
Reference 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.

Response:

No, Bluewater Power created and implemented the survey with internal staff.

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.

Response:

In order to limit third party costs, Bluewater decided to create the survey internally. This involved reviewing customer engagement surveys from other LDCs to gauge the level of detail and type of information that was within the surveys. Research on other LDCs' surveys also allowed Bluewater to review the interrogatories and any OEB comment on those surveys to ensure the surveys were approached in a consistent way with others. The goal of Bluewater's survey was to provide enough information for customers in order that they could make an informed response without over-complicating the process. Two staff in the regulatory group created the survey internally which was circulated with senior staff to refine as needed. A survey platform was used to administer the survey and compile the results.

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.

Response:

Page 33 of the DSP indicates that the feedback provided by customers gave a clear direction to continue to focus on capital projects to increase reliability and reduce response time to outages. Page 67 of the DSP outlines the specific projects that support increasing reliability such as wood pole replacements and both the 4 kV and 8 kV load conversion programs within the System Renewal category.

Exhibit 1, Section 1.5.2 outlines more detailed instances of project investments that support customer feedback. To support customers favoring technology improvements to enhance the system, Bluewater is planning to invest in more remote load break switches, as well as 4 kV lines rebuild/load conversions (UT7), and 27.6 kV feeder extensions (UT21) which will also contain remote switches. Furthermore, Bluewater's GeoTab fleet management software program allows for crews to address outages quicker with the assistance of in-vehicle GIS technology.

In order to improve outage communications with customers, Bluewater plans to provide more information via social media about where outage information is available.

Staff 4

Reference 1: Exhibit 1-5, Oraclepoll Customer Satisfaction Survey Report 2021
Reference 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.

Response:

Bluewater is not aware of any specific reasons or events that would have caused the increase to customer dissatisfaction in regard to billing accuracy. As part of the bi-annual survey, Bluewater surveyed 400 customers, thus if 17% responded that the bills were inaccurate that would equate to 68 customers. In 2021, there were 48 individual bills determined to be inaccurate out of over 485,000 bills issued.

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.

Response:

Bluewater does have high accuracy with bills issued as outlined in the 2021 performance metrics, which is measured based on 100% of the bills leaving Bluewater's premise which are in excess of 485,000 bills annually. The bi-annual customer satisfaction survey only polls a small sub-set of our customers, and a small number of dissatisfied customers impacts the overall results. We can only speculate, but it may be that some customers may be dis-satisfied with the magnitude of their (accurate) bills and may have conflated the magnitude of their bills with the accuracy of their bills; they may also have been be dis-satisfied with the water portion of their bill. Both of this issues may have affected some customers overall satisfaction with their bills on the bi-annual 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.

Response:

As noted above, Bluewater does have high billing accuracy, but we note the concern with the survey results. Bluewater continues to educate our customers through daily customer service interactions, website information and social media.

Staff 5

Reference 1: Exhibit 1, page 55
Reference 2: Exhibit 5, page 9
Reference 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.

Response:

Bluewater has received its new credit facility from its bank in January 2023, which includes the approval of $15 million in new available long-term financing. Bluewater intends to draw $10 million in February 2023 as it requires this financing now.

Bluewater is currently obtaining interest rate quotes from other chartered banks, which are consistent with the quoted rates from Bluewater's bank. Nonetheless, Bluewater intends to issue a full banking RFP later in 2023, which will include obtaining proposals for its entire long-term debt financing.

b. If secured, please provide the interest rate of the $15 million installment loan (including if the interest rate is fixed or variable).

Response:

Bluewater's new credit facility provides a fixed rate option and a variable rate option.

Bluewater has recently received a variable interest rate quote of 6.02%. This rate is equal to the monthly BA lending rate of 4.87% plus a fixed stamping fee of 1.15%, for a total of 6.02%. The monthly BA lending rate changes each month.

Bluewater has also recently received a fixed interest rate quote of 5.95%.

Bluewater expects that a fixed rate option will be chosen.

c. Please provide Bluewater Power's debt-to-equity ratio inclusive of the planned $15 million installment loan.

Response:

With the full $15 million of additional long-term debt financing in place (later in 2023), Bluewater Power's debt to equity ratio will be approximately 0.87.

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.

Response:

The following paragraph from Exhibit 5, page 9 of 10, is reproduced below:

Bluewater notes that the new $15 million term loan will first used to repay the $3.5 million short-term advance from its parent company, Bluewater Power Corporation, as disclosed in Note 6 in the 2021 audited financial statements. The remaining $11,500,000 will be used to finance Bluewater's planned capital spending which has grown over recent years as discussed in Exhibit 2.

There are no specific projects or other items relating to this loan. It is intended to finance overall capital project spending, which has already taken place in the past few years, as well as in 2023 and beyond.

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.

Response:

Bluewater Power deems it prudent to take out a new loan as it has reached the maximum limit of borrowing from both its revolving line of credit with its bank, as well as temporary short term revolving financing from its parent company. Bluewater Power has strategically made use of both of these sources of short-term financing over the past two years by not having to take on new long-term debt in order to minimize interest costs.

While there may be speculation of a decrease in the interest rate in the latter part of 2023, there is no certainty that rates will decrease, in fact it is possible that rates may continue to rise.

Bluewater is under-leveraged and is at the point of time where additional financing is required.

   ii. Please explain why Bluewater Power appears to be unable to obtain a loan at significantly lower than prime interest rate.

Response:

Bluewater Power is able to obtain financing lower than prime. As stated above, the current variable rate quote is 6.02%, and the fixed rate quote is 5.95%.

Bluewater notes that the prime interest rate increased on February 1, 2023 and currently sits at 6.7%.

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?

Response:

See the response to 1-Staff-5, part e (i). Bluewater Power has determined to obtain the debt in tranches by drawing down $10 million in February and the remaining $5 million at a later date.

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.

Response:

See the response to 1-Staff-5, part (d) and part (e)(i).

Staff 6

Reference 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.

Response:

Bluewater Power reviewed the requirements to satisfy the Green Button initiative specification in 2022. We then laid out a plan to investigate, in detail, the options available to us for that implementation. These included looking at third party options and designing an internally developed solution. After reviewing these in depth, we determined the best solution would be a hybrid of internal development and third party implementation / integration. Bluewater Power is already a partner with one of the few available Green Button certified vendors in Ontario and we chose them for this project as well. Having already established data flows that are required for Green Button made the partnership decision much easier. We are now progressing through this solution with a target of Q2 / Q3 testing and a go live in November 2023.

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.

Response:

Bluewater Power has not yet recorded any costs 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.

Response:

Bluewater Power has proposed costs associated with the Green Button implementation for 2023 of $75,000 included in capital project IT5. These costs include both third party contractual costs for implementation / integration, and internal capitalized labour for development / integrations costs. We have not included any OM&A costs for this project in the 2022 bridge year or 2023 test year.

Staff 7

Reference 1: Exhibit 1, page 19, Tables 1 and 2
Reference 2: Exhibit 8, page 25, Table 19
Reference 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.

Response:

Bluewater has incorporated the changes to the RPP prices issued by the OEB on October 21, 2022 as well as the changes related to the updated Cost of Capital parameters, updated Retail Transmission Rates, and changes to rates as a result of the updated load forecast. Tables 1 and 2 below represent revised tables from Exhibit 1 page 19 and Exhibit 8 Table 19.

Table 1 – Updated Bill Impact Summary

Rate Class	Units	kWh	kW	Sub-Total A $	Sub-Total A %	Sub-Total B $	Sub-Total B %	Sub-Total C $	Sub-Total C %	Total Bill $	Total Bill %
Residential - RPP	kWh	750		$ 4.54	13.3%	$ 5.67	15.2%	$ 6.70	13.3%	$ 6.28	5.3%
GS < 50 kW - RPP	kWh	2,000		$ 9.07	12.2%	$ 12.27	15.0%	$ 14.81	13.1%	$ 13.83	4.7%
GS 50-999 kW - RPP	kW	43,000	235	$ 289.45	20.7%	$ 418.93	30.7%	$ 535.49	19.2%	$ 600.14	7.4%
GS 1000-4999 kW - Non-RPP	kW	1,260,000	2,400	$ 86.40	1.0%	$ 1,888.08	23.5%	$ 3,170.40	13.3%	$ 3,454.17	1.9%
Large Use - Non-RPP	kW	5,500,000	9,800	$ (6,546.77)	-13.4%	$ 2,120.35	4.5%	$ 2,120.35	4.5%	$ 1,278.04	0.2%
USL - RPP	kWh	744		$ (13.57)	-33.0%	$ (12.37)	-28.3%	$ (11.43)	-20.6%	$ (11.12)	-9.1%
Sentinel - RPP	kW	258	1	$ 4.63	18.4%	$ 5.05	19.4%	$ 5.32	18.1%	$ 5.05	9.6%
Streetlighting - Non-RPP	kW	19,000	54	$ 337.06	9.9%	$ 282.67	8.1%	$ 303.09	8.1%	$ 340.56	5.1%
Residential - Non RPP (Retailer)	kWh	750		$ 4.54	13.3%	$ (0.40)	-1.0%	$ 0.63	1.2%	$ 0.46	0.4%
GS < 50 kW - Non-RPP (Retailer)	kWh	2,000		$ 9.07	12.2%	$ (3.90)	-4.3%	$ (1.37)	-1.1%	$ (1.70)	-0.5%
GS 50-999 - Non RPP	kW	43,000	235	$ 289.45	20.7%	$ 229.73	14.8%	$ 346.29	11.6%	$ 386.93	4.4%
Residential - RPP Low consumption	kWh	277		$ 4.54	13.3%	$ 4.96	13.9%	$ 5.34	13.2%	$ 5.07	7.8%
Streetlighting - Non-RPP	kW	224,000	624	$ 3,315.86	9.3%	$ 2,667.79	7.3%	$ 2,903.78	7.4%	$ 3,258.45	4.5%
Residential - RPP	kWh	660		$ 4.54	13.3%	$ 5.53	15.0%	$ 6.44	13.3%	$ 6.05	5.6%

Table 2 – Updated Bill Impacts related to the Notice of Application

Rate Class	kWh Usage	Bill Impact ($)
Residential	750	$ 4.54
GS<50 kW	2000	$ 9.07

b. Please update and refile the Tariff Schedule and Bill Impacts Model to reflect RPP prices issued by the OEB on October 21, 2022.

Response:

Bluewater has filed an updated Tariff Schedule and Bill Impact Model.

Staff 8

Reference 1: Exhibit 1, pages 22 and 23
Reference 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.

Response:

Bluewater Power's 2013 cost of service application did correctly componentize the unamortized contributed capital in its calculations for Account 1995. The componentized amounts of the remaining unamortized contributed capital were correctly amortized over the 'extended' useful lives on the same basis of the corresponding assets.

The actual recording of this amortization for Account 1995 at each year end, starting with 2013 and through to 2021, was calculated incorrectly. It was this amount that was based on 25 years straight-line amortization. Bluewater sought to correct this for the 2023 rate application by calculating the remaining unamortized amount of contributed capital in Account 1995 at the end of 2021 over the respective remaining useful lives of each years' contributed capital addition, in relation to an average 50 years in total.

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.

Response:

There is no impact on the 2013 revenue requirement. See response to part (a).

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.

Response:

This adjustment will be made in the 2022 audited financial statements.

EXHIBIT 2 – RATE BASE

Staff 9

Reference 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.

Question(s):

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

Response:

Bluewater has updated the appropriate models with the updated forecast commodity costs, updated Wholesale Market Service rates, updated Rural or Remote Electricity Rate Protection rate, resulting in an updated working capital allowance.

Staff 10

Reference 1: Distribution System Plan, page 134
Reference 2: Distribution System Plan, page 140, Table 38
Reference 3: Distribution System Plan, page 169, Table 61
Reference 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.

Response:

Bluewater cannot confirm the calculations in Table 1. UT11 Costs include costs for new connections, upgrades and subdivisions. These costs are broken out separately in Table 1 below for the historical years requested, the 2022 bridge year and for the 2023 Test Year:

Table 1: UT11 Cost Breakdown

UT11 Cost Breakdown	2019	2020	2021	2022	2023 Test Year
New Residential Connections	261,339	307,385	429,508	329,727	207,600
Commercial Connections / Upgrades	524,898	717,194	835,257	508,521	791,520
Subdivisions	478,073	221,422	567,273	894,969	1,110,880
Total	1,264,310	1,246,001	1,832,038	1,733,217	2,110,000

The 'New Residential Connections' line includes costs only for new residential connections. The unit costs for residential connections are provided in Table 2. The number of connections indicated in Table 2 differ slightly from the numbers shown in Exhibit 3 for the following reasons:

- A net increase in customers is not the appropriate number to use, as any customer decrease would inappropriately reduce the number of customers connected.
- The change in customer numbers presented in the Exhibit 3 tables are based on the average customer numbers each year and as a result will be slightly different than the actual number of connections completed each year.
- Lastly, the number of customers represented in the referenced Exhibit 3 tables may be slightly different than the actual customer numbers connected because of timing differences between work done to complete a connection verse when customers are entered into the system and billed as customers.

Table 2: Unit Costs

	2019	2020	2021	2022	2023 Test Year	5 Year Total
New Residential Connections ($)	261,339	307,385	429,508	329,727	207,600	1,535,559
Number of new Residential Connections	131	141	144	133	138	687
Cost / Connection ($)	1,995	2,180	2,983	2,479	1,504	2,235
Commercial Connections / Upgrades ($)	524,898	717,194	835,257	508,521	791,520	3,377,390
Number of Commercial Connections / Updgrades	54	28	23	51	50	206
Cost / Connection ($)	9,720	25,614	36,316	9,971	15,830	16,395

ii. Please provide reasons for why 2021 average customer connection costs nearly double when compared to those incurred in 2019 and 2020.

Response:

The unit cost table presented in Table 2 above in response (a) indicates the unit costs in 2021 are approximately 40% higher than the costs in 2019 and 2020. In 2021 there were a number of projects that were costlier than typical residential connections. These included large rural connections and work on a multi-residential project, (with individually metered accounts), where much of the preliminary work was done in 2021 but where the individual new customer connections and costs to connect come in subsequent years. (Note these are gross costs with costumer contributions recorded separately in account 2440).

iii. If available, please provide detailed UT11 costs for 2019, 2020, 2021 and 2022 by the customer classes shown at reference 1.

Response:

Bluewater has customer costs available by residential and commercial as presented in Table 2 above. All commercial costs are grouped together in one account. The variance in cost per connection are due to variances in the nature of the work required, which is driven by individual customer needs.

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.

Response:

The UT11 cost of $2,110,000 in the 2023 test year is broken down in part (a) of this question. The residential new connection cost is based on 138 new connections, based on the number of new customers forecast in Exhibit 3.

The costs of $791,520 for commercial connection / upgrades and $1,110,880 for subdivision work are based on estimated costs for indicated activity from commercial customers and developers.

The 2024 through 2027 costs are based on the 2023 costs, increased for 3% inflation.

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

Response:

Bluewater believes this question is for Exhibit 3, tables 12 and 13 to be updated with 2022 actuals and the revised load forecast as described in interrogatory response OEB Staff 43.

Exhibit 3, Table 12 updated for 2022 Actual

	Customers/Devices			Volumes			Volumetric
Rate Class	2021 Actual	2022 Actual	Diff.	2021 Actual	2022 Actual	kWh / kW	Difference
Residential	33,113	33,273	160	275,475,848	274,162,832	kWh	-1,313,016
GS < 50 kW	3,459	3,455	-4	98,943,526	103,737,562	kWh	4,794,036
GS > 50 kW	372	370	-2	533,890	517,343	kW	-16,547
Intermediate	9	9	0	233,289	228,541	kW	-4,747
Large User	4.0	4.0	0	471,315	463,614	kW	-7,701
Street Light	10,161	10,177	16	9,338	9,227	kW	-111
Sentinel Light	367	364	-3	1,187	1,114	kW	-74
USL	243	236	-7	2,181,431	2,168,627	kWh	-12,804
Total	**47,728**	**47,889**	**161**				

Exhibit 3, Table 13 updated for 2022 Actual and revised 2023 Load Forecast

	Customers/Devices			Volumes			Volumetric
Rate Class	2022 Actual	2023 Test	Diff.	2022 Actual	2023 Test	kWh / kW	Difference
Residential	33,273	33,418	144	274,162,832	267,876,214	kWh	-6,286,618
GS < 50 kW	3,455	3,451	-4	103,737,562	104,759,996	kWh	1,022,434
GS > 50 kW	370	364	-6	517,343	524,760	kW	7,417
Intermediate	9	8	-1	228,541	221,950	kW	-6,591
Large User	4.0	4.0	0	463,614	471,571	kW	7,957
Street Light	10,177	10,193	17	9,227	8,430	kW	-797
Sentinel Light	364	358	-6	1,114	1,152	kW	38
USL	236	337	100	2,168,627	2,198,298	kWh	29,671
Total	**47,889**	**48,133**	**244**				

Staff 11

Reference 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.

Response:

The rescheduling of missed appointments for 2014 and 2015 related to locates. When the metric was not met in 2014 and 2015, further communication to staff led to an improvement in reaching out to customers to reschedule appointments, and the metric target has been met every year since.

Staff 12

Reference 1: Distribution System Plan, page 140 and 142
Reference 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.

Response:

The Chapter 2 Appendices have been updated with a full year of draft 2022 amounts, as requested. Table 38 is provided below:

	Projects	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 Actual	2022 Bridge as filed	2023 Test Year
	System Access												
UT11	New Connections, Upgrades, Subdivisions	623,702	856,829	900,248	1,028,174	776,707	924,273	1,264,310	1,246,001	1,832,038	1,733,217	2,000,000	2,110,000
M1	Single Phase Meters and Poly Phase Meters	85,181	21,161	35,399	73,671	115,638	73,241	5,751	395,981	94,381	95,515	100,000	104,500
M5	GS > 50 KW	-	-	-	-	136,794	150,518	206,387	-	-	-	-	-
M7	Smart Meter Replacement ESA	-	-	553,048	27,010	-	-	-	-	-	-	-	-
	Miscellaneous (projects under materiality)	19,154	7,922	30,636	27,103	109,188	19,456	53,055	52,228	37,902	86,790	100,000	107,500
	Sub-Total	**728,037**	**885,912**	**1,519,331**	**1,155,958**	**1,138,327**	**1,167,488**	**1,529,503**	**1,694,210**	**1,964,320**	**1,915,522**	**2,200,000**	**2,322,000**
	System Renewal												
UT4	27.6kV Neutral Program	1,992	43,365	139,692	64,529	-	-	-	-	-	-	-	-
UT5	Petrolia	24,165	64,616	55,512	138,588	41,355	38,972	338,871	5,661	156,686	139,212	100,000	208,000
UT6	Alvinston/Oil Springs Capital Items	11,753	20,977	12,875	12,548	13,224	14,534	104,412	230,902	5,707	28,953	100,000	20,600
UT7	4KV Lines Rebuild/ Load Conversion	82,455	3,415	99,242	202,065	41,919	26,717	308,320	187,281	4,525	257,512	200,000	210,000
UT8	Pt Edward upgrades	22,898	8,535	50,178	39,973	92,942	285,557	30,916	74,228	82,397	66,263	50,000	51,300
UT14	Cross Arm/Cap & Pin Insulator Replacement Program	75,063	133,907	182,129	183,116	189,407	114,276	62,235	184,601	155,826	98,172	150,000	153,000
UT15	Wood Pole Replacement Program	192,531	180,841	784,501	1,151,248	1,911,268	1,706,437	2,040,526	2,316,330	1,563,010	2,076,665	1,900,000	1,957,000
UT16	Watford	18,611	10,013	51,340	50,508	50,975	7,088	47,904	37,891	62,943	94,484	100,000	208,000
UT18	Unforeseen Capital Fund	185,397	350,106	120,328	226,522	180,328	262,327	190,325	85,072	140,876	183,466	200,000	175,000
UT22	8 kv Load Conversion	69,534	40,387	298,385	163,364	129,147	-	256,060	-	-	-	-	372,500
UT24	Storm Restoration	275,998	200,803	163,721	209,932	256,390	212,537	311,998	235,969	568,753	214,550	350,000	385,000
UT26	Primary Underground Cable Replacements	320,683	179,593	229,916	183,671	172,484	539,468	136,001	164,590	42,321	348,676	300,000	322,000
UT31	Pad Mount Transformer Replacements	58,475	52,777	64,390	85,891	45,143	74,475	21,224	38,433	11,672	34,446	192,000	82,500
UT34	27.6kV Lines Upgrades	9,084	134,870	72,815	357,686	109,055	13,211	10,085	-	29,326	-	-	-
UT35	Substation Transformer Replacements	126,737	-	-	-	-	-	-	-	153,980	-	-	-
UT36	Downtown Secondary Network Cable Replacement	-	-	-	-	-	-	115,921	498,990	129,017	226,776	350,000	-
UT37	Pole Line Scott Rd./Tashmoo Ave	-	-	196,022	74,145	-	-	-	-	-	-	-	-
UT47	Emergency Transformer Replacement	-	-	236,735	308,029	297,897	217,559	230,866	253,558	243,557	473,281	250,000	262,500
UT48	Emergency Primary Line Replacement	-	-	85,771	49,353	22,321	190,910	57,874	95,998	92,895	388,570	80,000	83,500
UT52	Delta/Wye Services	-	-	-	-	-	-	153,904	-	-	-	-	-
UT53	1F8 Lead Cable Elimination	-	-	-	-	-	-	429,400	2,146	6,531	-	-	-
UT59	Front St. Pole Line Re-build	-	-	-	-	-	175,173	-	-	-	-	-	-
UT60	Vault 'K' on George St. - Concrete Lid/Panel Replacement	-	-	-	-	-	9,128	160,118	-	-	-	-	-
UT63	Indian Rd. S. to Plank Rd. - Pole Line Rebuild	-	-	-	-	-	315,775	- 1,139	-	-	-	-	-
UT71	PCB Tx Replacement	-	-	-	-	-	-	-	-	27,793	199,338	150,000	157,500
UT72	St. Clair Parkway in Sarnia (North of LaSalle Line)	-	-	-	-	-	-	-	-	-	-	-	262,500
UT73	Albany Substation breaker upgrade	-	-	-	-	-	-	-	-	-	-	-	210,000
UT74	4kV System Upgrades	-	-	-	-	-	-	-	-	-	-	-	817,500
UT75	Progress Drive Substation Upgrade	-	-	-	-	-	-	-	-	-	379,260	300,000	-
UT76	Downtown Switch Replacement	-	-	-	-	-	-	-	-	-	-	75,000	131,300
UT21	27.6 Kv Feeder Extensions	207,122	5,525	371,343	284,250	10,358	-	1,905	-	-	187,416	250,000	372,500
	Miscellaneous	169,730	246,300	110,784	80,871	39,559	169,400	95,205	94,719	62,799	243,832	195,000	217,000
	Sub-Total	**1,852,228**	**1,676,031**	**3,325,679**	**3,866,289**	**3,603,772**	**4,373,544**	**5,102,931**	**4,506,369**	**3,540,615**	**5,640,872**	**5,292,000**	**6,659,200**
	System Service												
UT25	Remote Load Break Switches	86,732	6,079	130,504	110,405	76,595	82,948	82,205	61,661	111,160	62,571	90,000	96,500
UT28	Asset Condition Assessment (feeder & substn)	78,184	185,330	138,355	155,300	158,865	142,095	149,720	137,223	150,245	34,766	150,000	-
UT67	Petrolia Wanstead TS	-	-	35,000	350,000	350,000	455,000	-	-	-	-	-	-
-	Telecommunications - Operations	-	-	-	-	-	-	-	-	-	-	-	375,000
	Miscellaneous	154,657	212,378	67,433	108,916	-	109,541	14,406	102,009	104,518	134,062	120,000	42,900
	Sub-Total	**319,573**	**403,787**	**371,292**	**724,621**	**585,460**	**789,584**	**246,331**	**300,893**	**365,924**	**231,399**	**360,000**	**514,400**
	General Plant												
UT1	Substation Building	27,595	28,503	22,606	51,956	165,347	92,891	31,240	4,850	16,850	31,885	75,000	82,500
UT10	Vehicle Replacement	430,500	63,300	77,430	491,583	1,080,380	551,622	281,054	996,818	514,836	646,851	730,000	270,000
UT12	Transformers	80,166	80,004	55,622	18,513	141,354	36,822	247,427	63,918	207,064	485,126	150,000	165,000
UT19	Service Centre	465,404	89,295	47,284	61,861	80,100	87,198	193,164	187,543	659,469	243,079	200,000	150,000
UT39	Operations Technology Systems Workflow	2,001	90,919	137,541	-	-	-	-	-	-	-	-	-
UT68	Substation #1 Restoration	-	-	303,486	13,050	438	-	-	-	-	-	-	-
UT70	Decommission Municipal Substation #20	-	-	-	-	-	-	-	-	85,689	21,575	150,000	-
IT1	Data Centre Lifecycle	409,122	268,065	95,160	109,888	78,026	108,752	306,220	569,290	396,339	425,224	290,000	185,000
IT2	Computer Infrastructure Lifecycle	110,457	109,281	130,974	117,126	153,966	210,443	270,811	211,994	175,649	293,713	200,000	200,000
IT3	Corporate IT Security	19,408	71,983	15,267	141,100	86,285	137,943	344,624	203,877	160,318	174,880	240,000	220,000
IT4	Internal Technology Development	195,053	338,697	287,977	259,303	313,973	346,005	311,763	344,802	372,210	390,955	390,000	425,000
IT5	Legislated Business Application Upgrades	189,750	6,278	157,017	223,654	119,285	132,652	137,043	118,684	80,365	172,932	250,000	300,000
IT6	Software-Upgrades and Additions	220,044	65,738	28,136	275,625	54,689	36,267	111,224	136,359	210,174	162,530	110,000	110,000
IT8	SCADA / ODS / OMS / GIS	111,428	120,119	264,125	205,618	61,993	-	-	-	-	-	-	-
IT9	Disaster Recovery Plan Upgrade Phase I,II,I	42,290	215,543	12,275	105,511	7,302	33,488	58,430	37,058	35,716	192,681	150,000	158,000
IT33	Utilismart RSVA Utility Data Hub (ODS)	-	-	-	-	-	-	125,035	43,823	13,430	-	-	-
IT34	Sub 1 Datacentre Expansion	-	-	-	-	-	465,234	-	-	-	-	-	-
IT35	Business Technology Improvements	-	-	-	-	-	-	-	-	-	217,402	280,000	435,000
	Vacant Land	-	-	-	-	-	-	-	-	-		900,000	900,000
O6	CN Land Rights		160,000										
	Miscellaneous	202,410	81,366	55,112	224,328	193,617	123,382	218,020	142,730	208,272	144,313	185,000	176,000
	Sub-Total	**2,505,628**	**1,789,091**	**1,690,011**	**2,299,116**	**2,536,755**	**2,362,699**	**2,636,055**	**3,061,746**	**3,136,381**	**3,603,146**	**4,300,000**	**3,776,500**
	Total	**5,405,466**	**4,754,822**	**6,906,313**	**8,045,984**	**7,864,314**	**8,693,315**	**9,514,820**	**9,563,218**	**9,007,240**	**11,390,939**	**12,152,000**	**13,272,100**
	Less Renewable Generation Facility Assets and Other Non-Rate-Regulated Utility Assets ***(input as negative)***												
	Total	**5,405,466**	**4,754,822**	**6,906,313**	**8,045,984**	**7,864,314**	**8,693,315**	**9,514,820**	**9,563,218**	**9,007,240**	**11,390,939**	**12,152,000**	**13,272,100**

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.

Response:

The following update for section **5.4.1.1 Historical Variances**, has been completed for the 2022 budget compared to actuals.

2022 Budget vs 2022 Actual

The 2022 Capital Expenditures totalled $11,390,939, compared to a budget of $12,152,000. The -$761,061 variance (-6.3%) is explained below by major capital category.

2022 System Access: Variance ($284,478); -13.0%
In 2022 Bluewater spent approximately 87% of the $2,200,000 system access budget.

Table 1: 2022 System Access Expenditures

Project #	Project Name	2022 Budget	2022 Actual	Variance
UT11	New Connections, Upgrades, Subdivisions	2,000,000	1,733,217	(266,783)
	Miscellaneous (3 projects, each with variances less than the materiality threshold)	200,000	182,305	(17,695)
	Total	2,200,000	1,915,522	(284,478)

The shortfall in spending came from the category New Connections, Upgrades, Subdivisions, with a shortfall of $266,783. This shortfall was due primarily due to subdivision work which was delayed by the developers until 2023.

2022 System Renewal: Variance $348, 872; 6.6%

Capital expenditures for System Renewal were $348,872, or 6.6%, over budget. Table 2 provides the breakdown of projects with material variances from budget.

Table 2: 2022 System Renewal Expenditures

Project #	Project Name	2022 Budget	2022 Actual	Variance
UT15	Wood Pole Replacement Program	1,900,000	2,076,665	176,665
UT24	Storm Restoration	350,000	214,550	(135,450)
UT31	Pad Mount Transformer Replacements	192,000	34,446	(157,554)
UT47	Emergency Transformer Replacement	250,000	473,281	223,281
UT48	Emergency Primary Line Replacement	80,000	388,570	308,570
	Miscellaneous (14 projects, each with variances less than the materiality threshold)	2,520,000	2,453,360	(66,640)
	Total	5,292,000	5,640,872	348,872

The Wood Pole Replacement Program was $176,665 over budget primarily due to replacement of 218 poles compared to a planned replacement of 190 poles. In addition, the emergency transformer replacement expense was $223,281 over budget and the emergency primary line replacement was $308,570 over budget; both increases were the result of identifying

transformers and conductor in need of replacement due to its deteriorating condition during the execution of the pole replacement program.

The expenses were partially offset by less storm restoration expense than planned ($135,450 less than budget) and less than budgeted amounts spent on pad mount transformer replacements ($157,554 less).

2022 System Service: Variance ($128,801); 35.8%

In 2022 $360,000 was budgeted for system service projects, with actual expenditures totaling $231,199, for a total variance of ($128,801).

Table 3: 2022 System Service

Project #	Project Name	2022 Budget	2022 Actual	Variance
	Miscellaneous (4 projects each with variances less than the materiality threshold)	360,000	231,399	(128,601)
	Total	360,000	231,399	(128,601)

2022 General Plant: Variance ($696,854); -16.2%

The 2022 General Plant budget of $4,300,000 was underspent by $696,854, as detailed in the table below:

Table 4: 2022 General Plant

Project #	Project Name	2022 Budget	2022 Actual	Variance
UT12	Transformers	150,000	485,126	335,126
UT70	Decommission Municipal Substation #20	150,000	21,575	(128,425)
IT1	Data Centre Lifecycle	290,000	425,224	135,224
	Vacant Land	900,000	0	(900,000)
	Miscellaneous (12 projects each with variances less than the materiality threshold)	2,810,000	2,671,221	(138,779)
	Total	4,300,000	3,603,146	(696,854)

The 2022 Spare Transformer budget was overspent by $335,126. In early 2022, Bluewater became aware of supply chain difficulties and in particular heard some distributors were experiencing long delays in transformer deliveries. To ensure Bluewater had adequate supply of spare transformers, additional orders were placed.

In 2022, Bluewater completed decommissioning of Substation #20, and spent $128,425 less than the budget. The variance was primarily attributable to budgeted expenses for land remediation that was subsequently determined to be not necessary.

Data Centre Lifecycle costs were completed over budget by $135,224. Part of the increase ($52k) was due to the CISCO network update. The budget for this project was based on an estimate prepared in 2019, however in the time since that estimate costs increased by 30%. There was no change in scope for this project. The remainder of the over-budget expense was due to unplanned data centre issue, requiring significant work to address.

The 2022 budget also included $900,000 for the purchase of vacant land neighbouring Bluewater's storage area. The sale was not completed as anticipated in 2022. However, as negotiations are continuing with the property owner, Bluewater expects this land purchase to be completed in 2023.

Staff 13

Reference 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?

Response:

Bluewater's planned amounts refer to its annual budget. The budget is created on a year-over-year basis. Each year the budget is approved in November for the following year which also includes a 5-year forecast. Estimated budget numbers for capital projects may be put together up to 6 months prior to that time.

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?

Response:

No, at the time of developing the 2021 and 2022 capital budgets there were no significant delays expected.

Staff 14

Reference 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)						

Response:

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total program cost	192,531	158,150	778,896	1,151,248	1,911,268	1,706,437	2,040,526	2,316,330	1,563,010	2,076,665
Less: Non-pole replacement costs such as transformers, conductor, etc ($)	-1,685	0	-69,052	-104,704	-230,229	-455,231	-401,502	-548,845	-180,046	0
Costs for Wood Pole Replacement Only ($)	190,846	158,150	709,844	1,046,544	1,681,039	1,251,206	1,639,024	1,767,385	1,382,964	2,076,665

Number of poles replaced by Pole replacement Program	20	17	90	120	228	181	229	148	127	218
Total number of poles replaced (by all programs)	54	41	185	210	277	277	355	240	216	286

	2023	**2024**	**2025**	**2026**	**2027**
Total program cost	1,957,000	2,016,000	2,076,000	2,138,000	2,202,000
Approx. number of poles to be replaced by pole replacement program	190	190	190	190	190
Total approx. number of poles to be replaced (by all programs)	290	TBD*	TBD*	TBD*	TBD*

*Bluewater does not know how many poles will be completed under other projects at this time. We are currently working on designs for projects and will not know how many poles will be replaced until the designs are complete.

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?

Response:

There are approximately 1,150 poles identified in the Kinetrics report that are in poor or very poor condition. With the planned replacement rate we expect to keep up with the further deterioration of existing poles. Over the next five years we expect a similar number of poles to migrate into this category as the number of poles replaced, resulting in approximately the same number of poles as today in poor or very poor condition.

c. What is Bluewater Power's target percentage of poles in the poor and very poor categories?

Response:

Bluewater's target percentage of poles in the poor and very poor categories is approximately 7.5% of the total poles.

Staff 15

Reference 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?

Response:

The expected subdivision work directly impacts the forecast costs for subdivision development under Bluewater's project UT11, and as further described in response to OEB Staff 10.

The forecasted new residential connections for 2023 are based on historical growth trend as described in Exhibit 3 of the application. These numbers have not been adjusted in light of elevated subdivision work. Any impact of elevated subdivision work on the number of new customer connections will lag subdivision work and will not be known until future years.

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)?

Response:

Bluewater does not have any further insight on the likelihood of these subdivisions materializing in light of the potential Enbridge Line 5 closure. As far as Bluewater is aware, all subdivision work in the 2023 forecast is proceeding as planned.

Staff 16

Reference 1: Distribution System Plan, page 16
Reference 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?

Response:

Bluewater submits that in our experience, customers consistently have been concerned with the price of electricity and the reliability of power. These are themes that continue to be expressed by customers throughout all of our customer engagement and customer interactions over the years. In order to assess more specifically what the 'top priority' is, Bluewater felt a ranking question would provide more specific results. Bluewater did not specify an 'other' category because we wanted to understand, of the common concerns expressed by customers, which one was the highest priority.

Question 6 of the survey allowed customer to freely express any 'other' requested improvements or comments they had.

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.

Response:

Bluewater was pleased with the number of responses to the on-line survey, with 1,150 residential and small commercial customers responding, 11 GS>50 customers and 5 Intermediate/Large customers responding. Survey methodology indicates that the more responses received as compared to the sample size leads to great accuracy of results and smaller margins of error. There are numerous websites that will determine the number of respondents needed in order to produce statistically significant results for a specific population. One website produced a margin of error of 2.82% with a confidence level of 95% based on a population size of 36,000 customers and 1,166 respondents, which are the results received from the on-line survey.

The telephone surveys are conduced by a third-party research firm on behalf of Bluewater, and the number of responses required to have a margin of error less than 5% (95% confidence level) is 400 which is the number of responses we have targeted for the last seven years.

Bluewater submits that both surveys produce statistically significant results, with the difference between the two being the resulting margin-of-errors and the confidence levels.

Staff 17

Reference 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?

Response:

Bluewater does not have an out-of-cycle vegetation management program that is species specific. However, Bluewater does carry out visual inspection of its entire system (three-year cycle for urban areas and six-year cycle for rural areas). These inspections routinely identify limbs or trees that pose a risk to the distribution system, for which a Work Order is created. Those Work Orders are managed within the On-Demand portion of the Tree Trimming contract with our outside contractors. Therefore, Bluewater does accommodate unexpected growth (or damage) in its tree trimming program.

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?

Response:

Bluewater has not experienced difficulty accessing locations due to tree or brush growth. We believe that the better explanation for the increase in SAIDI for Tree Contacts lies with the nature of the weather that led to the Tree Contacts. The following chart shows the trend in both SAIFI and SAIDI for Tree Contacts, and demonstrates a significant improvement in the year 2022 which, for Bluewater, was a year with relatively favourable weather.

	2017	2018	2019	2020	2021	2022
SAIDI	0.20	0.34	0.34	0.30	0.38	0.24
SAIFI	0.23	0.45	0.32	0.19	0.42	0.23

c. Does Bluewater Power have a program for identifying and removing hazard trees, both on its property and abutting properties?

Response:

As addressed in response to Staff-17(a), Bluewater conducts regular annual inspection on its equipment, including assessment of hazard from trees.

In addition, Bluewater's Tree Trimming Contractor identifies hazard trees on private property during the performance of its own work. Bluewater does not want its contractor approaching homeowners directly, so the follow-up is performed by a Bluewater Line Supervisor with an on-site visit with the homeowner during which the homeowner is provided with the names of qualified contractors to perform the work.

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?

Response:

Bluewater recalls only one incident where we had to arrange for removal of a hazard tree from private property. The tree had partially collapsed and the home owner was not present. Bluewater's tree trimming contractor worked with the City of Sarnia in-house tree trimming contractor to remove the hazardous tree before further damage occurred.

e. Was the tree trimming around the St. Andrews transformer station required to service/benefit Bluewater Power assets or HONI assets?

Response:

The Tree trimming describe in the evidence was intended to refer to tree trimming on Bluewater owned feeders in proximity to the St. Andrews TS, rather than tree trimming at the St. Andrew's TS. The feeders from the St Andrew's TS service Bluewater's large industrial customers; the one-time decision to increase tree trimming on those feeders was made in consultation with those large customers in response to recent incidents.

It had been noted by Bluewater that tree contacts on one feeder was impacting reliability on other feeders due to proximity of the contact to the Station. Bluewater first addressed the issue with Hydro One regarding protections in place at the St. Andrew's TS. Following the determination that protections were adequate and relay settings were appropriate, the most prudent course of action was determined to be a more aggressive tree trimming program on feeders in proximity to the Station.

Staff 18

Reference: 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?

Response to (a) (b) and (c):

Bluewater Power did sample portions of our smart meter population every two years as the original seal period came closer in order for us to ensure the meters were performing as expected. However, these samples did not affect the original seal period. When the original seal period came up, Bluewater Power did an official sample of our population and attained an eight-year seal extension. As such our single phase smart meters are valid until 2028. At that time a decision will have to be made to change all the meters or to try for another seal extension. The budget for replacement meters is $104,000 annually and includes both single and polyphase meters of both smart and interval meters.

Staff 19

Reference 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.

Response:

The following excerpt is taken from the October 2019 board report:

In June, we reported on a Fleet Maintenance study we were completing to help keep operating costs down. In addition to normal fleet maintenance, Ministry and IHSA guidelines, (as well as CVOR regulations) require annual bucket and boom inspections which are very costly. Fleet maintenance costs for the Distribution Company average $170,000 per year, the Services Company comes in at $100,000 per year, and $50,000 is spent annually for Electek. The significant growth in our company and the

resulting growth in our vehicles over the last ten years has resulted in growth in annual fleet costs. Given this growth, we are finding our longstanding practice of outsourcing for mechanical and service work to be more and more expensive. Moving more service in house will help address these escalating repair costs, improve quality and improve down times.

As such, the primary goal of this fleet study was to determine if hiring another certified mechanic and moving significant inspections and all maintenance in house makes financial sense. The study showed that by performing all of our inspections for CVOR as well as IHSA inspections for insulated aerial devices and all maintenance work on our large vehicles in house, we would have over $120,000 in third party gross savings which reduces to approximately $25,000 – $40,000 in net savings after all costs are incorporated with the addition of a first class mechanic. On top of the calculated savings there would also be improvements to efficiency as currently we have office staff helping with the administration work to keep up. This may also further open the door on billable revenue to consider other fleet servicing opportunities. As a result of this study, we plan on taking steps immediately to implement our plans to move these maintenance efforts in house. This not only makes financial sense but allows better response times and efficiencies throughout the Operations groups.

A report has not yet been prepared for the Board of Directors to document the savings achieved because the implementation of the plan has been delayed due to COVID-19. The delays initially impacted our ability to be certified as a licensed CVOR maintenance shop, and they continue to delay implementation of in-house di-electric testing due to the lack of availability of training courses. It is expected that training will take place in 2023 and the year 2024 will see the anticipated net savings of approximately $25,000, which will fall within the range predicted in the Board report.

Staff 20

Reference 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?

Response:

Bluewater will not be updating the ACA on a go-forward basis for 3 years.

Bluewater Power undertook the ACA each year in prior years, each year in anticipation of rebasing.

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.

Response:

The ACA report contains all of the feedback received.

Staff 21

Reference 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.

Response:

Table 8 is correct. The MED impact in 2017 was solely related to loss of supply, therefore the sub-table titled "Including Major Event days, Excluding Loss of Supply" has the same customer numbers and hours of interruption removed for either Loss of Supply or Major event days. By excluding Loss of supply, the effect is negating the MED as well.

Staff 22

Reference 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.).

Response:

Bluewater does not have complete data on the breakdown of data for defective equipment and adverse weather, however we have made best efforts to gather this information.

Defective Equipment Cause	2017	2018	2019	2020	2021	2022
Conductors - Lead	1	0	0	1	0	1
Conductors - Neutral	0	1	0	2	2	1
Conductors - Other	0	0	0	0	0	1
Conductors - Primary	4	12	8	3	10	8
Conductors - Secondary	5	4	6	7	8	4
Connecting Device - Ampact	0	1	0	0	0	0
Connecting Device - Bolted Connector	0	4	1	1	0	0
Connecting Device - Compression Connector	1	1	1	0	0	0
Connecting Device - Hot Line Clamp / Tap	4	2	4	4	4	2
Connecting Device - Insulink	1	0	0	1	0	1
Connecting Device - Other	0	1	0	0	0	0
Defective Equipment - Other	0	0	0	0	0	1
Defective Equipment - Pin Insulator	0	0	4	0	3	1
Defective Equipment - Post Insulator	2	2	2	0	1	3
Defective Equipment - Spool Insulator	0	0	1	0	0	0
Defective Equipment - Suspension Insulator	0	0	0	0	0	1
Protection Equipment - Cutout	6	9	8	12	10	9
Protection Equipment - Current Limiting Fuse	0	0	0	4	0	0
Protection Equipment - Fuse	0	7	1	5	4	4
Protection Equipment - Lightning Arrestor	0	7	3	4	4	4
Support Structures - Cross arm	0	1	1	0	0	0
Support Structures - Pole	2	3	1	3	2	0

Switching Devices - Gang Switch	0	1	0	0	0	0
Switching Devices - Inline Disconnect	1	1	0	0	1	1
Switching Devices - Other	0	0	0	1	0	2
Transformer Equipment - Padmount Tx	4	1	2	2	5	0
Transformer Equipment - Polemount TX	10	13	11	5	10	7
Transformer Equipment - TX Elbow	2	6	2	2	0	2

Adverse Weather Outage causes 2022	Number
Arrestor	3
Fuse	3
Conductors - Lead	2
Conductors - secondary	2
Tree Contact	6
Polemount Transformer	1

Staff 23

Reference: 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.

Response (a) and (b):

Bluewater's SAIDI target for 2023 and 2024 are to achieve below 1.66 and for SAIFI to achieve a score below 1.51.

Bluewater has provided the 2022 (actual) and the 2023 and 2024 targets that would be required (highlighted in yellow) in order for the 5-year rolling average to meet the respective SAIDI target of 1.66 and SAIFI target of 1.51.

Bluewater's future SAIDI target for 2025 through 2029 will only be lower than its current target of 1.66 if Bluewater can reduce the SAIDI score to lower than 1.5 for both 2023 and 2024.

Bluewater's future SAIFI target for 2025 through 2029 will only be lower than its current target of 1.51 if Bluewater can reduce its SAIFI score to lower than 1.25 for both 2023 and 2024.

The table below provides Bluewater's targeted SAIDI and SAIFI scores, actual scores, and rolling 5-year average. The table projects the results needed in 2023 and 2024 in order to achieve a projected 5-year rolling average equivalent to the target for 2024 (projections highlighted yellow).

SAIDI	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Target			1.76	1.76	1.76	1.76	1.76	1.66	1.66	1.66	1.66	1.66
Bluewater Results	1.82	0.89	2.16	1.38	1.31	1.60	1.88	1.95	1.86	1.46	1.5	1.5
5 Year Average					1.51	1.47	1.67	1.62	1.72	1.75	1.73	1.65

SAIFI	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Target			1.94	1.94	1.94	1.94	1.94	1.51	1.51	1.51	1.51	1.51
Bluewater Results	1.48	0.68	1.64	1.38	0.96	1.67	1.87	2.02	1.59	1.45	1.25	1.25
5 Year Average					1.23	1.27	1.50	1.58	1.62	1.72	1.64	1.51

Staff 24

Reference 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?

Response:

Bluewater Power is focusing on filling the data gaps related to wood poles by completing annual inspections on our plant every three years in urban area and six years in rural. We also test roughly 2,000 poles per year using a resistograph and got the age data on 840 pole top transformers in 2021-2022. We will continue to work towards gathering health data on our plant as we are able.

b. Is there a documented investment prioritization guide or procedure that details/quantifies the investment selection activities noted above? If so, please provide.

Response:

Bluewater Power does not have a documented procedure for investment selection. However, we plan to use our DSP to help us prioritize and select projects to be completed in the coming years.

Staff 25

Reference 1: Distribution System Plan, pages 77 and 78
Reference 2: Distribution System Plan - Appendix E – Fleet Management Plan, pages 5,15 and 16
Reference 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.

Response:

There is no documented guide or procedure for the implementation of the criteria set out in the Fleet Management Plan. Judgement is required with each decision, so it would not be possible to reduce that decision to a formulaic approach.

We can confirm, however, that the primary factor is the condition of the vehicle which dictates the expected future maintenance cost. Bluewater's goal in its Fleet Management Plan is to maximize the useful life of the vehicle until the point where maintenance costs outweigh the future value of the vehicle. To illustrate our approach, Vehicle #67 was not scheduled to be replaced until 2026, but the vehicle experienced significant mechanical issues this year, so it has been retired immediately and will be replaced in 2024. Vehicle #38, which was originally scheduled to be replaced in 2024 will now have its life extended to 2026 even though it is two years older than Vehicle #67 because that vehicle has been forecast to have fewer long-term maintenance costs.

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?

Response:

As a medium-duty vehicle, the expected lifespan is 10 years. As the vehicle approaches its expected lifespan, it comes under closer scrutiny for future maintenance issues. This vehicle is in its 15th year, but mileage has been modest (159,000 km) so it has comfortably exceeded its expected lifespan. The primary consideration in replacing the vehicle in 2023 was the discovery that it had experienced heavy rusting and was unlikely to pass safety without significant investment.

c. How was the medium-range priority for this vehicle replacement determined?

Response:

Vehicle replacement is considered a medium range priority because there is no direct impact on reliability. Obviously, in order to maintain our distribution system, Bluewater requires an adequate fleet of vehicles. However, the consequence of a failure to meet this capital budget would not be the lack of a vehicle but, more likely, it would lead to additional investment in maintenance on the vehicle being replaced. While that would not be the optimal financial result, it would not impact system reliability.

Staff 26

Reference 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.

Response:

As with all software implementations, regular updates for patches and security developments need to be performed. Generally, access to these code changes are included in annual maintenance fees. Historically, Bluewater paid SAP annual maintenance fees that included access to the software changes but did not include the cost to implement the changes. As a result, in order to control costs, Bluewater focussed on required technical upgrades and regulatory change requirements in the iterative development of SAP.

Historically, from the inception of SAP implementation in 2002 until 2012, all technical and regulatory changes were performed by external SAP Consultants. Starting in 2012 Bluewater developed in-house staff expertise to perform these developments at significant cost savings. This model (discussed in the Roadmap references in response to AMPCO-22 included paying annual maintenance fees to SAP and performing development changes in-house) served Bluewater well for some time. The programming

expertise developed in-house, together with project management skills, helped to reduce our costs compared to the historical approach of reliance on external SAP consultants. Compared to staying on the historical approach, we estimate the in-house delivery model has saved Bluewater and its customers $7.9M over the period from 2012 to 2021.

However, as with all software installations, upgrades or replacements become inevitable in order for the software to serve its purposes in a changing environment. Accordingly, in order to modernize our Customer Service, Operations, Supply Chain, and Finance services, significant functional changes have become necessary. The available options were to launch a large upgrade project utilizing the latest SAP version and include functional developments in the above noted areas (which would have necessitated a return to the historical approach of using outside SAP-consultants), or go to market for a completely new business ERP solution. Both of these options presented great risk and significant costs, neither of which were favourable to Bluewater or its customers. In response, in 2021 a second new strategy was developed, having four objectives:

i. Continue to rely upon the existing version of SAP with available technical support for a minimum of ten years.
ii. Identify a path to introduce incremental functional change over a five to seven-year period.
iii. Develop and Implement the functional changes using a hybrid of internal staff and external SAP consultants at an acceptable risk and lower cost than the other available options.
iv. Lower the annual costs paid to SAP for maintenance.

This new go-forward plan requires Bluewater to continue to further build its in-house expertise, and the incremental approach to building in-house expertise is complimented by the incremental approach to technical and business upgrades. The savings with the modified new approach are found with the avoidance of a major SAP upgrades, which would require heavy reliance on outside consultants and include the risk of cost overruns. The savings are also achieved through a reduction to SAP maintenance fees which maintenance fees have diminished value once Bluewater made the decision to not upgrade to the most current version of SAP. In total, we estimate the projected capital savings over the next five years to be $11.8M compared to the historical approach of a complete SAP upgrade.

In summary, Bluewater would estimate its savings as follows:

1. Recent savings (2012 through 2021): Bluewater estimates that by not upgrading SAP over the past 10 years and performing routine technical upgrades in-house it has saved $7.9m ($790,000 annually) to its historical approach.
2. Forecast savings (2022 through 2027): Bluewater estimates that its incremental approach to technical upgrades as well as business improvements will save a futher $11.8m ($1.97m annually) compared to the historical approach of maintaining SAP on its most current version through upgrades that rely heavily upon outside consultants.

Staff 27

Reference 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.

Response:

Please refer to AMPCO-22 roadmap document.

In order to control costs, Bluewater has focussed on required technical upgrades and regulatory change requirements in the iterative development of SAP, rather than significant functional upgrade projects. Since the initial implementation, annual maintenance fees have been paid to SAP. These fees provided basic support and access to patches and software upgrades. However, they did not include the implementation of those changes. Historically, from inception in 2002 until 2012, all technical and regulatory changes were performed by external SAP Functional Consultants. This proved very costly and in 2012 we developed in-house staff expertise to perform these developments at significant cost savings. This model (paying to SAP, annual maintenance fees and performing development changes in-house) served Bluewater well for some time. However, as with all software installations, upgrades or replacements become inevitable in order for the software to serve its purposes in a current environment. As a result, in order to modernize our system, significant functional changes have become necessary. Research demonstrates the available options are to launch a large upgrade project utilizing the latest SAP version and include functional business developments, or go to market for a new business ERP solution. Both of these options present great risk and significant costs, neither of which are favourable to Bluewater or its customers. As an alternative, in 2021 a new strategy was developed, having four objectives:

1. Secure the existing version of SAP with available technical support for a minimum of ten years.
2. Identify a path to introduce functional change over a five to seven-year period with a focus on Customer Service, Operations, Supply Chain, and Finance services modernizations.
3. Develop and Implement the functional changes using a hybrid of internal staff and external SAP consultants at an acceptable risk and lower cost than the other available options.
4. Lower the annual costs paid to SAP for maintenance.

This new plan will utilize internal staff first with assistance from external SAP Consultants where necessary, while spreading out the costs over five to seven years.

Staff 28

Reference 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.

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?

Response:

Bluewater Power has not considered cold climate heat pump loads in addition to EVs.

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.

Response:

Bluewater Power does not have a forecast of increased loads in addition to EVs.

c. Has Bluewater Power considered the use of Level 1 versus Level 2 EV chargers and the difference in load associated with each?

Response:

Bluewater Power has not considered the use of Level 1 versus Level 2 EV chargers.

d. When replacing distribution transformers, what does Bluewater Power do to determine if upsizing is warranted for future potential electrification needs?

Response:

When replacing distribution transformers, Bluewater Power aggregates the historical load on the transformer and uses that data to choose the appropriate size transformer.

Staff 29

Reference 1: Distribution System Plan, pages 134, 140-141 and 173
Reference 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)

Response:

Please see response to Staff-10. The commercial upgrades and commercial connections are grouped into one category because they both require an offer to connect. In regard to subdivision development work there are currently 7 subdivisions in varying sizes which developers have indicated their intent for work in 2023 for an estimated cost of approximately $1.4M; that amount is then reduced by approximately 20% to account for unforeseen developer delays, resulting in a final budgeted amount of $1,110,880.

c. Please provide the sources of the capital contribution amount for the 2023 test year.

Response:

The forecast amount of contributed capital to be recorded in Account 2440 is based on the ongoing projects from external parties, such as developers. The recording to Account 2440 relates to the timing of when these projects are completed and energized, trued-up by the Engineering department, and ultimately invoiced.

Based on known and pending projects, their estimated energization dates, and estimated final construction costs, an estimate was made for 2022 and 2023 of the amount of contributed capital to be received. Based on this, the forecast of $1 million for 2022 and 2023 was based on the estimate of when these projects will be invoiced and therefore recorded in the accounts.

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.

Response:

The following chart provides the requested values relating to UT11 New Connections, Upgrades, and Subdivisions.

	Test Year 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027
Gross Cost - UT11	2,110,000	2,176,600	2,241,900	2,309,200	2,351,500
Capital Contribution	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Bluewater Power Cost	1,110,000	1,176,600	1,241,900	1,309,200	1,351,500

Average 5 Year Bluewater Power Cost = 1,237,840

Bluewater confirms that the average spend over 2023-2027 for both UT11 and the overall System Access category will be higher than the previous five years. Bluewater notes the reference quoted in the question from page 173 was incorrect. OEB Appendix 2-AB demonstrates a clear increase in the years 2023-2027 compared to historical years.

e. Please provide the number of annual connections (residential, commercial upgrades, commercial connections, and subdivision development work) for the 2024-2027 forecast period.

Commercial and subdivision information is not readily available from Developers or Municipalities for years 2024 to 2027. Information is typically received in the Summer/Fall of each current year to identify which projects are to take place in each subsequent years (i.e. for 2024 projects, information is received in late Summer/Fall of 2023).

Staff 30

Reference: 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.

Response:

During the budgeting process Bluewater prioritized its capital spending and proceeded only with System Renewal projects rated medium or high priority and eliminated the low priority projects. Large projects such as 4kV conversion projects and pole replacement were spread over multiple years in order to pace the rate of investment to consistent levels across the five year as much as possible.

The pace of spending in the forecast period is necessary to replace deteriorating assets and improve reliability. As noted in the table below, the rolling five year average of customer interruptions caused by defective equipment has been increasing over the past several years.

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
Defective Equipment # of customer interruptions	1,879	19,595	11,819	2,016	19,519	10,534	22,042	10,982	11,768
5 Year Average					10,966	12,697	13,186	13,019	14,969

b. Please explain what efforts were made to pace System Renewal spending regarding each of the specific projects below:
   i. UT5 & UT16 - Petrolia & Watford

Response:

Petrolia and Watford are small communities that have aging and deteriorating assets and each year small sections are identified for system renewal work. It is expected that this work will continue in each area over the next several years.

   ii. UT72 - St. Clair Parkway in Sarnia

Response:

St Clair Parkway have assets that have reached the end of their useful life. This section of the line has been selected for replacement based on the number of historical failures in the area. This is one section of a large area of assets that are all reaching their end of life, the project has been paced by selecting only the most critical area for replacement at this time.

   iii. UT73 - Albany Substation breaker upgrade

Response:

The entire station is reaching its end of life. In order to pace spending, we are only replacing the most critical components which are the oil filled reclosers.

The reclosers limit the amount of current that can be fed on the feeders (270 amps versus a potential 300 amps) and secondly, we have no communication with these reclosers which means we cannot see loading or control the reclosers remotely. This project is also proposed to better help us replace another substation in Petrolia which is at end of life. By upgrading Albany this year as well as Progress Drive in 2022, we will be well positioned to upgrade Centre St substation in 2024. These projects have been spread over 2022-2024 in order to pace the spending.

iv. UT74 - 4kV System Upgrades

Response:

We have been working to get as much capacity as possible on our 4KV system through load balancing and conversion to 27KV. We have been successful in pacing our station work with 8 of 11 of the 4KV stations in Sarnia but there are still 3 stations to be upgraded. The 4KV System Upgrade project is proposed to allow us to move load from 1 of those stations to the 27KV system which would then allow us to move some of the 4KV load off of the other 2 stations and give us more capacity on all 3 remaining stations.

Staff 31

Reference 1: Distribution System Plan, page 171
Reference 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.

Response:

The primary driver increasing System Service in 2023 is the Telecommunications Project. Although this does represent a 'bump' in the System Service budget for 2023, the budget comes back down to more normal values in subsequent years. Our goal in getting this project done in one year is to ensure we can maintain communication with our 4KV stations in the event of a radio failure.

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?

Response to (i-iii):

Bluewater Power became aware that the radios we currently use had become obsolete 5 or 6 years ago. At that time we had spare radios in stock and had also sourced a few used radios which we purchased as additional stock. Since then our stock has gone down as radios failed and new devices that required communication were put in service. We found an alternative to our unlicensed 900 MHz radios which we use on remote switches. We have not been able to find a direct replacement for our licensed 1.8 Ghz radios which we use for our 4KV substations. We looked into fibre optic connections and found that eight of our eleven 4KV substations in Sarnia are in close proximity to a main fibre run. If we connect a dark fibre to those stations, the 1.8GHz radios used there would be freed up for use as spares. Dark fibre would also provide us a secure connection to our stations and also give us more bandwidth which would allow for security cameras as well as alarms for smoke and entry. The project is being proposed for the test year simply because of the timing of our current radio stock.

iv. Has Bluewater Power experienced any operational issues with the equipment? What is the operational risk to deferring the project to future years?

Response:

Bluewater Power has had some operational issues and continues to install new devices which use radios for communications. The operational risk to deferring the project is concerns with the 1.8GHz radios. The replacement radios we have been able to find use a dual 900MHz/cellular communication setup. If a 1.8GHz radio failed at one of our 4KV station and has to be replaced by a 900MHz radio, we would be without communication with that 4KV station until a new antenna was installed on our tower and a new receiver set up. We would prefer to proactively replace the 1.8GHz radios with dark fibre on a controlled schedule.

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?

Response:

Bluewater Power uses both licensed and unlicensed radio frequencies.

d. How is dark fibre to be used to support the replacement of the old radios?

Response:

Dark fibre could be used to replace the 1.8GHz radios at our 4KV stations with a secure connection which would also give us enough bandwidth to install security cameras and smoke and entry alarms.

Staff 32

Reference 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.

Response:

Bluewater anticipates a return to more "normal" levels of spending in 2023 as this year will represent the first year free of the impact of both COVID-19 and the Oversized Load Corridor Project. The focus on system renewal and the replacement of deteriorating assets will decrease O&M work related to those assets, however maintenance work will continue to be required for the remaining assets in the system that continue to deteriorate.

Staff 33

Reference 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?

Response:

Bluewater recognizes that transformers purchased for inventory were listed in the General Plant category instead of the System Renewal category. The intent is to capitalize all 2023 test year and subsequent transformer purchases as spare units. These amounts will be recorded in account 1850, pursuant to the Accounting Procedures Handbook.

Staff 34

Reference 1: Distribution System Plan, page 169 and 174
Reference 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.

Response:

Capital Project IT2 –Computer Infrastructure Lifecycle includes computers, tablets, mobile devices (including IoT), printers, plotters, fax machines, and peripheral devices such as keyboards, mice, webcams, speakers, power supplies, UPS, docking stations, and monitors, etc. Bluewater has approximately 630 devices in these asset categories.

In 2023, in addition to general peripheral technology items noted above, Bluewater plans to purchase the following:

i. Computers / Laptops – 50
ii. Monitors – 25
iii. Tablets – 9
iv. Mobile devices – 27
v. Printers / Fax machines – 4

b. Does the elimination of the AS2 Management Tool in the IT4 budget result in future cost savings?

Response:

The AS2 Management Tool is actually an application called PI, which is the middleware integration product that enables SAP to exchange data between Bluewater Power and the MDM/R using the AS2 protocol. PI is past the end of support life, has a complex interface, and creates numerous data errors. A new solution is needed. Developing a better data exchange tool will enable the elimination of PI (as the AS2 Management Tool), reduce the number of data exchange errors, and enable end users (rather than IT Technical Staff) to better manage any data exchange issues.

The original PI software licensing price was $162,954. This did not include the implementation and integration with SAP. As well, there are annual maintenance fees of $35,850. The proposed solution will eliminate the need to purchase new software, the cost of implementation, and the ongoing maintenance costs. In addition, while some data exchange errors will still occur, there will be much fewer, leading to less support time required by IT Staff and a shifting of support to non-technical Billing Staff. This reduction has already been incorporated in the 2023 Test Year OM&A budget.

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.

Response:

Bluewater has prepared the internal project document presented below.

Moving from a Paper-Based Solution to a Mobile-Based Solution for Bluewater Power Utility Field Workers

Introduction

Bluewater has relied on paper-based solutions for field work for many years, but with the advancements in technology, a mobile-based solution is becoming increasingly attractive. This report will outline the benefits of transitioning from a paper-based solution to a mobile-based solution for utility field workers.

Current Situation

Bluewater does not currently utilize a dedicated mobile solution for any of its field workers except for Damage Prevention Technicians (DPT). DPTs use a solution called DigSmart for managing locates. However this solution does not manage work orders or integrate with SAP, but focusses explicitly on managing line locates. While we have looked at a mobile solution in the past on a few occasions, the SAP options have not been palatable for the company. That is to say, both past and current SAP mobile solutions (Syclo, BusinessObjects Mobile, Fiori) have been too complex and too costly for Bluewater Power.

Unfortunately, this has limited Bluewater Power from being able to take advantage of the benefits of a mobile solution, which has become a standard in utility operations. However, with the new multi-year plan to create functional efficiencies with SAP, utilizing the in-house expertise first approach, it is now reasonable for Bluewater Power to move forward with a mobile solution.

The in-house mobile solution (as yet to be named) will form part of the focus on four areas of functional improvement to our core business functions that operated within SAP. These include Mobile Operations, Supply Chain, Customer Service, and Finance functional business improvements.

The following outline some of the general benefits of moving to a mobile solution for our Operations Field Workers.

Cost Savings

One of the key benefits of a mobile solution is the cost savings it can bring to the organization. A mobile solution can reduce paper, printing, and storage costs, minimize errors, and increase efficiency, leading to cost savings. In addition, it can reduce the need for multiple trips to and from the office for paperwork, information or data updates, thereby saving on travel and time costs.

Increased Productivity

A mobile solution provides real-time data and communication, allowing field workers to complete tasks faster and more accurately. This can lead to improved productivity and a reduction in downtime. The ability to access information quickly and easily in the field can also reduce the need for multiple trips to the office, freeing up more time for field work. This is especially important for Bluewater Power as it embarks on an aggressive operations capital investment in our electrical infrastructure.

Improved Data Accuracy

A mobile solution will improve data accuracy by reducing manual entry errors, and by providing real-time updates, reducing the need for manual data reconciliation. This is a real problem currently where paperwork can take weeks to move through the process steps for project completion. In some cases paperwork is misplaced or lost leading to increase risk of data error. In addition, a mobile solution can automate certain tasks, reducing the risk of errors and improving overall data accuracy.

Enhanced Customer Experience

Bluewater Power has a strong reputation within our communities, for providing good customer support. We want to continue to build on those strengths while modernizing services and coming in line with customer expectations. A mobile solution can provide better and faster customer service, leading to enhanced customer satisfaction. This can be achieved through real-time communication with customers, faster response times, and improved accuracy of information provided.

Environmental Benefits

Reducing paper usage is one of the environmental benefits of a mobile solution. A second is the reduction of fossil fuel consumption that results from reduced truck travel. By transitioning from a paper-based solution to a mobile-based solution, Bluewater Power can reduce its environmental impact and align with sustainability goals.

Industry Trends

Many utility companies are moving towards mobile solutions and are seeing significant benefits. Adopting a mobile solution can help the organization stay ahead of the curve and keep pace with industry trends.

Proposed Project

It's clear that a mobile solution will have many benefits for Bluewater Power and we would like to move ahead with a proof of concept development. This POC will develop a mobile solution that designs and builds backend SAP integration structures and a user friendly front facing application for a single business process. By focussing on one process, we will be able to design the end to end underlying platform while narrowing the development path. We will utilize the in-house expertise first model, but will include third party assistance where we lack the expertise. This will most likely be in the area of

security design. The specific process is yet to be determined, but we will work with Operations on choosing the best one.

Within the IT4 budget, the overall POC budget in 2023 is $200,000. 65% will be in-house labour and 35% will be for external development expertise and associated hardware/software costs for mobile devices. This is a high level budgetary estimate.

Return on Investment (ROI)

A financial analysis of the cost savings and productivity gains expected from the transition to a mobile solution will be performed as part of the scoping exercise. Although the cost savings are difficult to measure, it is reasonable to anticipate a 2-3% increase in efficiency. This will significantly help Bluewater come closer to achieving its capital asset investment targets. In addition to increased efficiencies, cost savings (TBD) will be realized as noted above.

Conclusion

A mobile-based solution for Bluewater's Field Workers offers significant benefits over a paper-based solution. These benefits include cost savings, increased productivity, improved data accuracy, enhanced customer experience, environmental benefits, and alignment with industry trends. The return on investment can be substantial and this should warrant moving ahead with this project.

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?

Response:

The failing HVAC solution is located at Bluewater's off-site Disaster Recovery Data Centre. Since inception of that datacentre, costs have been separated. As a result, the associated costs for this project were included in this budget.

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

Response:

a. As an electric utility in Ontario, we have many sources of data that need to flow into different systems to be combined and manipulated for multiple outputs, meter data, billing data, customer data, loading data, geospacial data, etc. Managing this data can be challenging and having it available in usable and secure forms is essential. The strategy behind the Smart Data Hub is to collect data from disparate sources into a single usable hub. This data can then be more easily disseminated into various streams and systems for more efficient manipulation. The associated benefit is in the avoided costs of complex integrations, data accuracy, automated flows, and data redundancy.
b. The second project is to implement a new integrated communications solution to better interact with customers, business partners, employees, and other stakeholders. The existing solution was

originally implemented in 2002 and has a growing number of limitations. The new solution will integrate with our customer information and outage management systems, accommodate social media management, enable SMS services and allow for more flexible change and solution management. This also serves as a cornerstone piece of our focus on functional improvements to our systems. The cost benefits are as follows:

I. Avoidance of configuration costs. The current system is not easily programmable or configurable and costs, on average, about $10,000/yr on third party consultants to make changes.
II. Improved operational efficiency: By integrating different communication channels, Bluewater Power can streamline processes, reduce manual intervention, and automate many tasks. This can lead to faster response times and reduced operational costs.
III. Enhanced customer service: An integrated system will provide a more seamless customer experience, reducing customer service costs and improving customer satisfaction.
IV. Reduced network infrastructure costs: An integrated system can provide a more cost-effective solution for managing communication networks, reducing the costs associated with maintaining separate networks for different types of communication.

c. The Supply Chain upgrade will enabled the team to better manage stock by adding automatic restock orders based on quantities. It also allows for stock to be placed in reserve mode for planned but not executed projects giving staff the ability to better plan for necessary stock. Given the challenge of supply chain availability, this solution will ensure stock is available when needed and make operations much more efficient.

Staff 35

Reference 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.

Response:

For 2024 – 2027 the main areas to be targeted for conversion from 4Kv to 27.6Kv will be 4Kv feeders located in the northwest area of Sarnia that are connected to Municipal Substations MS#7, MS#11 and MS#13. Each year approximately 0.5Km of lines will be extended and 8 to 10 transformer banks will converted to 27.6Kv.

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

Response:

Typical construction is based on armless construction with cross-arm construction at various locations required to maintain separation and clearances. It will be determined during the design phase which method of construction is most suitable along the feeder and for the area.

Staff 36

Reference 1: Distribution System Plan, page 170
Reference 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.

Response:

Bluewater believed the most recent storm activity would be best predictor of future storm activity expected in 2023. The unforeseen capital and transformer replacement budgets were created in a separate process where a 5-year average was used without consideration of the storm restoration process.

Staff 37

Reference 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. 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.

Response:

In 2011 Bluewater investigated the benefits of cable injections and determined that for the minimal incremental cost it made more sense in the long term to perform full cable replacements with duct installed by directional drilling rather than cable injection. By performing a full cable replacement it allows for a more permanent solution to be achieved with the installation of new duct with the new cables then installed in duct (currently there is no duct and the cables are direct buried). Therefore in the future any cables that fail located in duct can be easily replaced in a reactive capacity as the cable can then be removed and re-installed back into the duct.

In addition, at the time in 2011 (as well as currently) any available remaining running lines in the boulevards are being used up by all Utilities thus making it very difficult for any future installation of electrical infrastructure. It was deemed at the time that it was best where practical and economical to combine forces with Bell and Cogeco Cable to install joint duct structures (i.e. common trench with Bell, Cogeco and Hydro) by directional drilling so as to avoid future replacement conflicts in the boulevard.

b. Please provide any study conducted detailing the comparison of cable replacement versus cable injection.

Response:

There is no study.

c. What additional life extension would be achieved through cable injection?

Response:

In 2011 when this was investigated, no definite typical lifespan extension on the cable was ever established for cable injection.

d. What would be the equivalent annual cost of cable injection for the annual 3km of cable replaced?

Response:

Bluewater does not have a cost estimate.

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	320,683	179,593	229,916	183,671	172,484	539,468	136,001	164,590	42,321	300,000
km of Cable Replaced	4.185	1.205	2.055	2.230	0	4.767	1.430	0	3.181	0

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

	2023	2024	2025	2026	2027
Total Program Cost	322,000	331,700	341,700	352,000	360,200
Approx. km of Cable to Replace	3.0	3.0	3.0	3.0	3.0

Staff 38

Reference 1: Distribution System Plan, page 70
Reference 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?

Response:

Yes, all such projects are given the same weighting of importance. The order in which projects are undertaken is dictated by factors other than just the weighting of importance, such as planning timeline (i.e. coordination required with other utilities, such as Telecom), readiness for construction (are locates available), and availability of materials.

b. Are all the non-Demand projects ranked Medium priority of equal weighting in determining the priority of investment?

Response:

Yes, all such projects are given the same weighting of importance. The order in which projects are undertaken is dictated by factors other than just the weighting of importance, such as planning timeline (ie coordination required with other utilities, such as Telecom), readiness for construction (are locates available), and availability of materials.

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?

Response:

Bluewater reiterates that its proposed pace of spending is appropriate and reasonable to ensure the long-term safety and reliability of the utility. If the overall capital budget envelope was reduced, then Bluewater would be forced to take a shorter-term look at its system needs. Judgement would be required in order to asses those projects that pose the greatest immediate risk to safety and reliability. That may result is budget pressures in subsequent years to "catch-up" on necessary capital, which is why a long-term view of the pace of spending is required.

EXHIBIT 3 – CUSTOMER AND LOAD FORECAST

Staff 39

Reference 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.

Response:

Bluewater does not have any new information on the potential impact of shutting down Line 5 beyond that information shared in the application. At this stage it is difficult to assess how widespread the impact would be felt or to quantify it beyond the broad estimates provided.

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?

Response:

In event of a shut down Bluewater anticipates a reduction in the forecasted amount in the category of new connections, upgrades and subdivision work. Bluewater is not aware of any renewal projects that would become unnecessary if Line 5 were shut down. In the event significant changes were required to the DSP, Bluewater would undertake to develop a new one.

Staff 40

Reference 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.

Response:

As noted in the preamble, Bluewater overrode the auto-populated data for 2017-2020 to correlate with the data provided in the load forecast. The data gathering for the load forecast revealed some updates that were required that were not submitted as part of the annual RRR data filings, however Bluewater notes the variances are immaterial. Tab 2-IB outlines the variances for the number of Customers, the Consumption (Actual), and the Demand (Actual) for those years at the bottom of the respective tables.

In addition, the "General Service >= 50 kW" row was replaced with two separate "General Service 50 – 999" and "General Service 1000 to 4999 kW" rows in each table in order to provide information separately for each rate class.

Staff 41

Reference 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.

Response:

A scenario with the COVID variables set to 0 for 2022 and 2023 is provided as Staff-41 Attachment 1 to this interrogatory response and a summary of the results are provided below. The attachment and this summary are based on the load forecast filed with the application.

Summary

2023	kWh	kW	Customers / Devices
Residential	259,001,252		33,390
GS < 50	105,281,225		3,487
GS > 50	186,042,901	522,093	354
Intermediate	112,957,443	219,591	8
Large User	284,767,842	478,524	4
Street Light	3,361,898	9,147	10,193
Sentinel Light	414,626	1,149	351
USL	2,201,349		342
Total	**954,028,537**	**1,230,504**	**48,128**

A summary of the results with the COVID variables set to 0 in 2023 based on the updated load forecast filed with interrogatory responses is provided below.

Summary

2023	kWh	kW	Customers / Connections
Residential	261,632,170		33,418
GS < 50	106,263,719		3,451
GS > 50	188,002,725	524,760	364
Intermediate	114,192,587	221,950	8
Large User	280,213,319	471,571	4
Street Light	3,061,562	8,430	10,193
Sentinel Light	421,220	1,152	358
USL	2,198,298		337
Total	**955,985,599**	**1,227,864**	**48,133**

Staff 42

Reference 1: Load Forecast
Reference 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?

Response:

The load forecast is presented for the 2023 Test Year only, and we do not expect a large update of EV, and do not have any insight into the uptake of heat pumps for 2023.

b. Has Bluewater Power developed a load forecast specifically for growth in EV and heat pump penetration? If yes, please provide the forecast.

Response:

No, Bluewater has not developed a load forecast incorporating growth in EVs or heat pumps.

c. Has Bluewater Power considered the impact of Distributed Energy Resources or other emerging technologies on its load forecast? Please explain your response.

Response:

Bluewater does not have any evidence to support incorporating the effect of DER's or other emerging technologies in its load forecast for 2023.

Staff 43

Reference 1: Exhibit 3, Load forecast report by Elenchus
Reference 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.

Response (a) and (b):

The table below provides the actual 2022 monthly consumption

Month	Residential	GS < 50	GS 50 - 1000	Intermediate	Large Use	Street Lights	Sentinel	USL
Jan	24,995,047	9,594,072	17,298,049	9,861,511	22,365,102	329,712	36,640	184,015
Feb	21,394,157	8,647,217	15,865,324	9,176,322	20,023,223	275,295	32,789	167,743
Mar	21,053,937	8,841,734	16,698,048	10,438,973	22,264,715	272,113	36,536	184,340
Apr	18,543,370	7,857,886	14,215,410	10,020,398	16,733,943	230,596	35,282	178,083
May	20,221,753	8,013,615	14,526,973	10,402,713	18,399,177	210,207	36,458	184,099
Jun	24,250,391	8,707,334	15,098,338	10,372,338	21,163,386	183,935	35,282	178,160
Jul	30,611,910	9,655,566	16,599,909	10,918,311	23,617,109	195,874	36,438	184,099
Aug	30,533,233	9,675,721	16,633,572	11,640,133	25,173,138	219,631	36,360	183,992
Sep	22,543,585	8,207,629	15,119,626	10,601,275	25,273,430	250,129	35,187	178,056
Oct	17,891,442	7,548,349	14,406,664	10,524,455	25,207,960	281,484	36,360	183,992
Nov	18,927,746	8,020,621	14,795,576	10,033,578	23,452,194	298,834	35,187	178,056
Dec	23,196,261	8,967,818	15,915,207	9,495,390	26,031,768	308,795	36,282	183,992

Bluewater has updated the load forecast for 2022 actual results, as well as updates to 2022 weather data, economic figures and economic forecasts to produce the resulting 2023 load forecast. The revised load forecast has been provided in excel format as file 'Bluewater_2023 Load Forecast_20230213.

Staff 44

Reference 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.

Response:

Customer counts in December 2022 are provided below.

Residential	GS < 50	GS 50 - 1000	Intermediate.	Large Use	Street Lights	Sentinel	USL
33,368	3,456	368	9	4	10,193	363	235

b. Please provide a scenario using historic actual data for 2022 for the customer forecast for each rate class where available.

Response:

Actual data for the customer forecast has been incorporated into the revised forecast provided in response to Staff-43.

Staff 45

Reference 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.

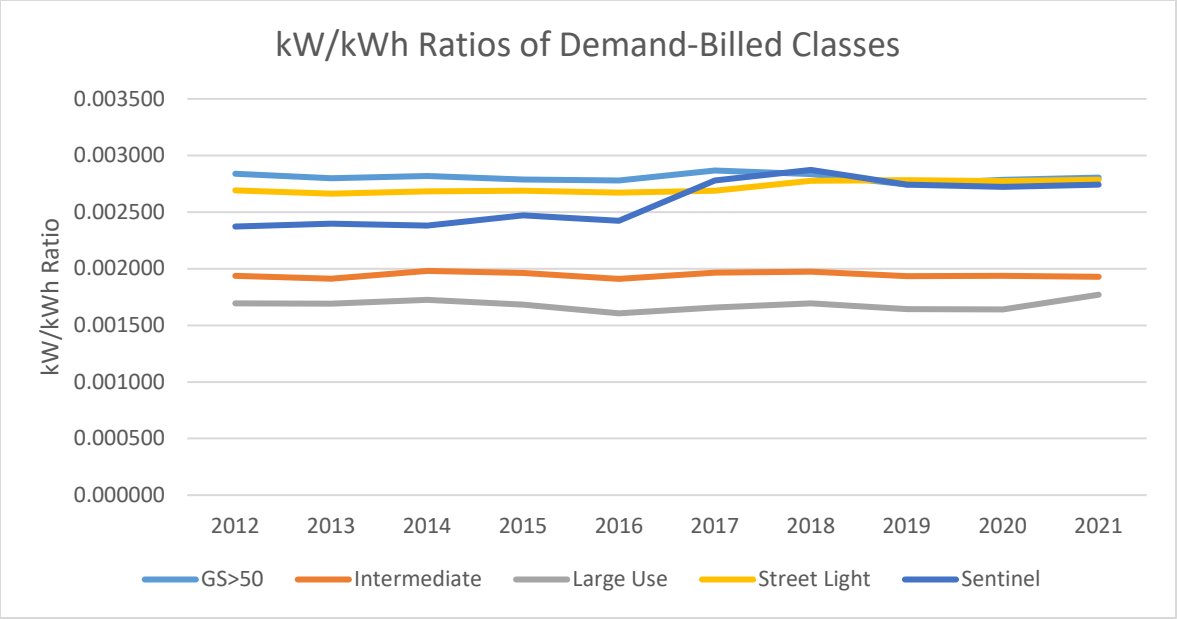
Response:

The excerpt cited in the preamble is incorrect. The 10-year average is used for the Large Use class.

b. Please explain why a 10-year average kW/kWh ratio is more suitable for the GS>50 and Intermediate rate class?

Response:

A 10-year average kW/kWh ratio is used unless there is a material change in the ratio over time. The Large Use class did not have a material change in this ratio from 2012 to 2021 so the 10-year average was used. The only class that has a shorter time frame is the Sentinel Light rate class since its ratio increased.



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?

Response:

The ratio of a class's peak demand to its consumption can change due to CDM activities, which may impact consumption or peak demands, or a change in the composition of customers within a rate class. The Sentinel Light ratio increased in this period as its consumption declined more than its peak demands. This may be the result of fixtures consuming energy for fewer hours each day, or because the devices lost over this period (-2.2% per year) were disproportionately devices that were on for more hours each day.

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.

Response:

The scenario is provided as Attachment 1 to this interrogatory response and a summary of the results are provided below. The attachment and results include the changes to all three rate classes.

Summary

2023	kWh	kW	Customers / Devices
Residential	264,890,809		33,390
GS < 50	103,734,059		3,487
GS > 50	186,042,901	522,349	354
Intermediate	112,957,443	220,045	8
Large User	282,196,510	474,350	4
Street Light	3,361,898	9,147	10,193
Sentinel Light	414,626	1,149	351
USL	2,201,349		342
Total	**955,799,596**	**1,227,041**	**48,128**

Staff 46

Reference 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.

Response:

The CDM adjustment included in the load forecast incorrectly double counts 2021 CDM allocated from the 2021-2024 Framework. This has been corrected in the updated load forecast filed with interrogatories. Additionally, since the 2022 actual figures fully account for 2021 CDM and half of 2022 CDM, CDM from 2021 is no longer part of the CDM adjustment and the total CDM adjustment has been reduced to 6,871,070 kWh.

Staff 47

Reference 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?

Response:

Constants often have negative signs when the model includes variables that are consistent positive values such as the number of days in a month, customer counts, GDP, and employment variables. The constant can be considered jointly with the lowest values of these variables, with incremental values causing an incremental impact on consumption. Please see the tables below with an 'Adjusted Constant' calculated which reflects a base value similar to a constant when none of these variables are used. Note that the constants would be positive if these variables were not included in the regression (though the statistical results would be weaker).

Residential			
Variable	**Coefficient**	**Min Value**	**Product**
Constant	(12,119,271)	1	(12,119,271)
AdjOnt_FTE	1,316	6,541.5	8,608,614
MonthDays	642,636	28	17,993,808
"Adjusted Constant"			**14,483,151**

GS > 50			
Variable	**Coefficient**	**Min Value**	**Product**
Constant	(5,731,273)	1	(5,731,273)
MonthDays	520,578	28	14,576,183
GS>50 Customers	16,320	367	5,989,587
"Adjusted Constant"			**14,834,496**

Intermediate			
Variable	**Coefficient**	**Min Value**	**Product**
Constant	(4,971,735)	1	(4,971,735)
MonthDays	339,836	28	9,515,402
Ag&Min_GDP	377	13,931	5,256,020
"Adjusted Constant"			**9,799,687**

EXHIBIT 4 – OPERATING EXPENSES

Staff 48

Reference 1: Exhibit 4, page 10
Reference 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.

Response:

Table 7 is a reproduction of Appendix 2-JB OM&A Cost Drivers.

Appendix 2-JB OM&A Cost Drivers has been updated with draft annual amounts for 2022. It is included with the revised OEB Chapter 2 Appendices.

b. Please indicate the timing for when the Board of Directors approved the referenced updated 2022 OM&A budget.

Response:

The Board of Directors approved the updated 2022 OM&A budget in July 2022.

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.

Response:

The requested Table 7 is provided below.

Only three items changed from the pre-updated 2022 Bridge Year budget to the updated final 2022 Bridge Year budget. Fuel increased by $110,332, tree trimming increased by $20,000, and employee benefits decreased by $4,255.

Table 7: Appendix 2-JB
Recoverable OM&A Cost Driver Table

OM&A	2021 Actuals	2022 Pre-Updated Budget	2022 Bridge Year	2023 Test Year
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS
Opening Balance	**$12,928,139**	**$13,192,502**	**$13,192,502**	**$14,440,894**
Changes in Compensation	$93,400	$328,800	$328,800	$379,100
Net change in FTE's	$40,900	$260,500	$260,500	$282,900
Burden & Benefits	$93,100	$178,455	$174,200	$185,400
Affiliate Labour	$72,100	$145,500	$145,500	($210,100)
Billable work (Labour & Benefits)	($194,100)	$296,200	$296,200	$135,100
Capital work (Labour & Benefits)	($22,300)	($300,900)	($300,900)	($10,600)
Employee Future Benefits	($16,900)	$21,100	$21,100	($71,950)
Bad Debt	$238,900	($158,100)	($158,100)	$6,400
Vehicle costs Capitalized or Billed	$7,500	$9,468	$119,800	$29,200
Vehicle costs	$27,500	$92,900	$92,900	$47,700
Postage	($3,200)	($400)	($400)	$26,500
Tree Trimming	$48,900	$134,700	$154,700	$58,400
Legal Costs	$35,500	($54,000)	($54,000)	$5,200
COVID 19	$57,800	$54,200	$54,200	$57,600
Advertising	$15,100	($9,300)	($9,300)	$400
Technology & Security	($1,500)	$16,800	$16,800	$102,900
Inventory & Stores	($33,500)	$59,900	$59,900	$8,100
Rate Application Costs	$0	$0	$0	$106,300
Other Miscellaneous	($194,837)	$46,492	$46,492	$184,389
Closing Balance	**$13,192,502**	**$14,314,817**	**$14,440,894**	**$15,763,833**

Staff 49

Reference 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.

Response:

The group of expenses that received a 10% inflation factor include fuel, snow removal, waste disposal, cleaning supplies, safety supplies, office and stationary supplies, vehicle maintenance, utilities, materials used in the maintenance of conductor, poles, and meters, postage, tools, utilities and miscellaneous items. These items received a 10% inflation factor as they were noted to have higher increased costs throughout the first half of 2022, over 2021.

b. Please comment on the appropriateness of the continued use of a 10% inflation factor for these expenses given current market circumstances.

Response:

a. Bluewater has looked to Statistics Canada and its 2022 annual average CPI which increased 6.8%. Statistics Canada reported a wide range of price increases for different products and services, with its transportation related services up 10.6%, for example. Bluewater believes the 10% inflation factor for the items identified remains appropriate, especially in consideration of other non-labour costs receiving a 4% inflation increase. Overall the inflation factor applied to non-labour items averaged 6.2% (6.6% was reported in the application but corrected in SEC-19).

   Bluewater notes that inflation has slowed by year end, but still continues at 6.3% as of December 2022. Bluewater submits that its average inflationary increase of 6.2%, applied to non-labour OM&A expenses, continues to be reasonable compared to both the average 2022 CPI increase and the most current the most recently reported increase.

Staff 50

Reference 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?

Response:

A 3.0% cost of living increase was ultimately awarded to non-union employees for 2023. This will result in a decrease in the 2023 OM&A of approximately $45,000, this nonmaterial adjustment has not been yet made to the budget.

Staff 51

Reference 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.

Response:

Table 8 is a reproduction of Appendix 2-JC OM&A Programs.

Appendix 2-JC OM&A Programs has been updated with draft annual amounts for 2022. It is included with the revised OEB Chapter 2 Appendices.

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.

Response:

The 2021 amount of $66,280 was made up of three items. First, the regular annual payment of 24,848 was made. Second, a supplementary LEAP payment of $29,008 was made in 2021 pursuant to OEB letter dated July 14, 2021. Lastly, a payment of $12,424 was made in 2020 pursuant to OEB letter dated July 17, 2020 related to the COVID pandemic, and was initially recorded to Account 1509 COVID Impacts. This regulatory account was deemed to be uncollectible in 2021, and this payment was reallocated and therefore included with the 2021 LEAP expense. All three amounts total $66,280.

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.

Response

The increase is consistent with the DSP, however the main drivers for the increase is a return to normal operations and maintenance work as described in SEC-22 and Staff-32.

Staff 52

Reference 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.

Response:

Bluewater has submitted an excel file with this attachment with the requested table (OEB Staff 52 – Attachment 1), comparing Bluewater's OM&A per customer to the utilities in the same cohort of the latest PEG benchmarking report, dated July 2022, for the years 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.

Response:

Bluewater has summarized the information from OEB Staff 52 – Attachment 1 in Table 1 below and compared the Group 3 LDCs average OM&A / Customer to Bluewater's.

Table 1: Group 3 Average OM&A / Customer vs Bluewater

OMA / Customer	Average of Group 3, excluding Bluewater ($)	Bluewater Power Distribution Corporation ($)	Variance from Average ($)	Variance from Average (%)
2021	332.81	363.34	30.54	9.2%
2020	330.62	356.51	25.89	7.8%
2019	326.43	371.34	44.91	13.8%
2018	330.00	384.58	54.58	16.5%
2017	327.98	378.07	50.09	15.3%
2016	326.76	378.55	51.79	15.8%
2015	314.39	339.80	25.41	8.1%
2014	304.05	336.47	32.42	10.7%
2013	306.99	348.52	41.53	13.5%

For both 2020 and 2021 Bluewater's OM&A per customer has been less than 10% higher than the Group 3 average. Bluewater does not know why its average OM&A customer is higher than the Group 3 average but speculates that it may be because other utilities capitalize more costs.

This speculation is based on a comparison of the Group 3 LDC's PP&E / Customer compared to Bluewater Power's over the past 5 years, which is included in OEB Staff 52 – Attachment 1. Table 2 summarizes these results and indicates that Bluewater is more than 20% below the group average.

Table 2: Group 3 PPE / Customer vs Bluewater

Net PPE / Customer	Average of Group 3, excluding Bluewater ($)	Bluewater Power Distribution Corporation ($)	Variance from Average ($)	Variance from Average (%)
2021	2,871	2,229	-641.80	-22.4%
2020	2,680	2,108	-572.26	-21.4%
2019	2,584	1,971	-612.45	-23.7%
2018	2,457	1,823	-633.76	-25.8%
2017	2,330	1,692	-638.08	-27.4%

Staff 53

Reference 1: Exhibit 4, page 116
Reference 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.

Response:

The Transfer Pricing Study undertaken in 2012 established the methodologies utilized to determine the appropriate allocation of costs for the sharing of services from Bluewater to affiliates. Those methodologies are set out in Table 28 in Exhibit 4 at pages 120-122. The Transfer Pricing Study was not a static document that determined the appropriate quantum of costs at a point in time; rather, the study established the methodology for determining the quantum of costs on an ongoing basis. That methodology remains as valid today as it was in 2013. Bluewater submits that the results in Appendix 2N demonstrate that Bluewater has not treated the Transfer Pricing Study as a static document and has successfully implemented to methodologies to the increasing benefit of ratepayers.

b. Please provide details on the calculation of the $1.184 million per year total.

Response:

The figure of $1,184,189 reference is calculated from Appendix 2N by summing the total of the elements that are pulled from OM&A set out below. Not included in this total are revenue earned from Affiliates and Board of Director Costs (discussed further below).

	2023 Forecast Allocation
Management Services (Sub-Total)	$375,917
Fleet Maintenance Costs (Sub-Total)	$22,988
Water Billing Costs	$181,601
Share Staff (Sub-Total)	$603,673
TOTAL	$1,184,179

Board of Director costs are not included in the calculation above, but they are properly included if we are looking at OM&A as a whole. Therefore, the total OM&A cost, including Board of Director costs, is set out in the table below. We include this calculation in answer to this question because it is relevant in order to answer part c.

	2023 Levels
Total OM&A allocated to affiliates from Appendix 2N	$1,184,179
Plus Table 32 Board of Director Costs	$18,033
TOTAL	**$1,202,212**

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.

Response:

Bluewater confirms the estimated financial savings are reflected in the 2023 OM&A.

The evidence shows the growth in allocation of affiliates, so we need to refer back to the 2013 Rebasing Application as our starting point for the calculation. The employee-related costs were clearly shown in Appendix 2K from the 2013 Rebasing Application, and we have assumed a miscellaneous amount for other charges required by the Cost Sharing Agreements.

2013 Employee Costs excluded from OM&A: • Appendix 2K, row entitled "Total Compensation Affiliates" • See EB-2012-0107, Exhibit 4, Tab 4, Schedule 1, Attachment 1	$482,499
2013 Other Costs allocated out of OM&A • Miscellaneous non-employee costs	$32,513
Growth in all allocations from 2013 Rebasing to 2023 Test Year • See Exhibit 4, page 48	$687,200
TOTAL (including Board of Director Costs)	1,202,212

Staff 54

Reference 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.

Response:

The increase of 12.3 FTEs from 2021 to 2022 can be broken down as follows:

- There were six new hires explained in detail at Exhibit 4, page 107 to 108, but summarized as follows:
    - One Junior Programmer added as part of Bluewater's Roadmap to bring software development in-house at considerable cost savings compared to outside consultants (see AMPCO-22 for discussion)
    - One Design Technologist and one GIS position added in order to assist Bluewater to meet the growing capital demands of its aging distribution system.
    - Four Powerline Technicians were added, but partially offset by the loss of two Powerline Technicians; the net gain of two allows Bluewater to meet the growing demands for capital spending.
    - Two Damage Prevention Technicians were hired mid-year to replace one retiring Line Locator; the additional body was put in place to respond to increased demand for locates driven by general development and the new Bell "Fibre to the Home" initiative.
- Reduced demand on outside staff, primarily Powerline Technicians, to perform work for Affiliates as well as Billable work meant that 4.6 FTEs of person-hours were available to perform maintenance work delayed in the face of COVID-19 and demands driven by the OLC Project (see discussion in SEC 22(c)).
- The remaining 1.7 FTEs is the net result of turnover in staff, but the increase can primarily be explained by the following positions:
    - Associated Lawyer returned from leave September of 2021, but present for full year in 2022
    - HR and Health and Safety Administrator added mid-year 2021, but present for the full year in 2022
    - Overlap in Accountant position.

The increase of 2.4 FTEs from 2022 to 2023 can be broken down as follows:

- No new hires from 2022 to 2023
- Succession planning has become a regular annual occurrence and is expected to continue over the next five years (see Exhibit 4, page 74 section entitled "Managing Turnover"), and the year 2023 included approximately 1.5 FTEs of overlap.
- As noted above, in the year 2022, one Line Locator was replaced part-year by two Damage Prevention Technicians, so 2023 includes the full year impact of that increase in headcount. The increase was necessary to respond to increased demand for locates.

Staff 55

Reference 1: Exhibit 4, pages 35-37, Table 8
Reference 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.

Response:

The reference relates to variances at the program level found in Exhibit 4 on pages 63 to 66. In each case, where there was a material variance over the period from 2013 to 2023, Bluewater provided a detailed explanation and the remaining amount, which was not material, was general cost increases over the 10-year period.

The term "inflation" was used to explain non-material variances four times as follows:

(1) **Stations O&M**: Bluewater has explained all but $86,353 of the variance in this program, which resulted from miscellaneous general cost increases over the 10-year period.
(2) **Lines O&M**: Bluewater has explained all but $119,999 of the variance in this program, which resulted from miscellaneous general cost increases over the 10-year period.
(3) **Communication**: Bluewater has explained all but $33,488 of the variance in this program, the balance of which was attributed to general price increases over the 10-year period.
(4) **Software/Hardware Maintenance**: Bluewater has explained all but $37,203 of the variance in this program, which resulted from miscellaneous general cost increases over the 10-year period.

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.

Response:

The term "inflation" was used to explain one non-material variances in the Administrative & General category for the 2023 Test Year category:

(1) **Regulatory:** More than half of the $208k increase was due to the addition of one-time costs related to this application (20% of the total application costs were added to the regulatory expense). The remainder of the increase attributed to in compensation increases due to cost of living increases and progression, as well as succession planning and training.

Staff 56

Reference 1: Exhibit 4, p. 111
Reference 2: Exhibit 4, Attachment 4-1, Actuarial Valuation Report 2022
Reference 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.

Response:

Bluewater's proposal continues to be as stated in the evidence in Exhibit 4, page 111, which states that actuarial gains or losses are specifically excluded from ratemaking. As such, they do not form part of the 2023 test year revenue requirement, and therefore there is not a need for a deferral account.

Bluewater believes this approach is consistent with the OEB letter dated September 14, 2017 pursuant to EB-2015-0040.

Staff 57

Reference 1: Exhibit 4, Table 8
Reference 2: 2023 Cos Appl_Chap 1_Append_20221118, Tab Appendix 2-JC
Reference 3: Exhibit 4, Table 26
Reference 4: 2023 Cos Appl_Chap 1_Append_20221118, Tab Appendix 2-JB
Reference 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.

Response:

Exhibit 4, Table 8, as well as Appendix 2-JC, both present the total amount recorded in Account 5646 for each of 2013 and 2014 ($681,646 and $253,422 respectively).

Exhibit 4, Table 26, presents the amounts found in the actuarial report for each of 2013 and 2014 ($483,117 and $263,541 respectively). Both years are CGAAP. These amounts comprise the current service cost plus interest cost less benefits paid.

Account 5646 also includes other expense items not found in Table 26. Both years include an actuarial loss (gain) that is also included in Account 5646 due to CGAAP accounting. The 2013 amount also includes the remaining five months of amortization of a 2008 adjustment to the EFB liability of $326,806 as discussed in Bluewater 2009 COS rate application EB-2008-0221, Exhibit 4, Tab 2, Schedule 3, page 9 of 21.

The summary chart below presents all relevant figures for these two years under CGAAP.

	2013	2014	Difference
service cost	329,470	172,875	(156,595)
interest cost	443,532	380,893	(62,639)
benefits paid	(289,885)	(290,227)	(342)
Table 26 =	**483,117**	**263,541**	**(219,576)**
actuarial loss (gain)	164,485	(10,119)	(174,604)
per Note #6 of audited FS	647,602	253,422	(394,180)
5 mos re 2009 rate app	34,044	-	(34,044)
Account 5646 =	**681,646**	**253,422**	**(428,224)**

b. Please update the OPEB amounts as applicable.

Response:

See the response to part (a).

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.

Response:

See the response to part (a).

Staff 58

Reference 1: Exhibit 4, Section 4.4.3.3, p. 111
Reference 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.

Response:

At each year end, Bluewater adjusts the post-employment benefits liability on the balance sheet to equal the present value of the defined benefit obligation found in the actuarial report. In order to do this, the benefits paid amount is included in the total employee future benefits expense amount (current service plus interest less benefits paid) that is recorded in Account 5646. To complete the resetting of the liability, the net actuarial gain or loss is recorded in Account 7010.

b. Please clarify if the benefit paid amount is included in the revenue requirement requested through this application. If so, where is it included?

Response:

The benefits paid amount of $390,110 (figure obtained from actuarial report) is included in Account 5645 'OMERS Pensions and Benefits' as this represents the forecast expense for retiree benefits in the 2023 test year for life insurance, dental and health.

EXHIBIT 5 – COST OF CAPITAL AND CAPITAL STRUCTURE

Staff 59

Reference 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.

Question(s)

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

Response

Bluewater has updated the models in response to Staff-1. The updates include an update for the 2023 cost of capital parameters.

Staff 60

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

Response:

Bluewater Power took out a $10 million loan in April 2020 which was coincidently at the start of the pandemic. At the initial stages of the pandemic, there was a high level of applicants to obtain third party financing, and the time it was taking to process and extend loans was twice as long. Bluewater Power started its application with its bank in January 2020 before the pandemic broke out in March. The loan was not approved until April, at which time Bluewater Power decided to take out more than it needed due to the uncertainties the pandemic was having on the economy and society. The variable rate loan has pre-payment privileges, whereas a fixed rate loan does not. In December 2020, after a period of somewhat stability in the banking industry during the ongoing pandemic, $3 million was prepaid. During this time, there was no indication that interest rates were going to rise, and since both variable and fixed rates were at all time lows, the variable rate was chosen in order to have prepayment privileges.

b. Please describe how the variable rate is determined.

Response:

The variable rate is based on the monthly BA lending rate plus a fixed stamping fee. The existing loan has a stamping fee of 0.75%, and for new debt it is 1.15%. The current BA rate is 4.87%, which changes each month. Thus, the existing loan has a current variable rate of 5.62%, and any new debt has a quoted variable rate of 6.02%.

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.

Response:

See the response to OEB Staff #5 (a) and (b).

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

Response:

Appendix 2-OB Debt Instruments has been updated with the latest quoted interest rates for third-party debt, as well as the OEB deemed rate of 4.88% for affiliate debt. For the existing third-party loan on row 6, a variable rate of 5.62% is used. For the pending new third-party loan on row 7, a fixed rate of 5.95% is used.

Per response to Staff-5(a), the new term loan on row 7 is now $10 million, not $15 million.

These new rates, and the change to a $10 million loan on row 7, result in an updated weighted average long-term debt rate of 5.28% that is used for ratemaking.

Staff 61

Reference 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.

Response:

Bluewater Power has not received the results from the appeals for the 2014 to 2017 reassessments.

Bluewater Power has not received the 2018 reassessment yet. However, Bluewater Power has received the proposed adjustments from the site auditor which will be the foundation of the 2018 reassessment.

These 2018 proposed adjustments are included in file Staff-61, submitted separately with these responses. The only items that are relevant to the 2023 PILs model calculation are the CCA amounts highlighted in green. These highlighted items agree to Exhibit 6, Table 15 on page 21 of 49, thus there are no changes to make to the original evidence as filed. No other items included in the proposed adjustments have any affect on the 2023 PILS model calculations.

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.

Response:

It is Bluewater Power's intention to appeal the pending 2018 reassessment.

c. Please quantify the tax impact of the appeal.

Response:

The 2018 appeal will be based on the same items as the 2014 to 2017 appeals. Specifically, the appropriate tax treatment for rotten pole replacement expenditures, and the appropriate CCA class for smart meter expenditures.

The following table summarizes the tax liability impact (under appeal) for each of these two items for all five years. Note that these figures exclude reassessment interest.

Year	Poles	Smart Meters	Total
2014	78,076	60,087	138,163
2015	249,385	43,263	292,648
2016	306,674	30,188	336,862
2017	431,775	20,082	451,857
2018	502,738	12,322	515,060
	1,568,648	165,942	1,734,590

EXHIBIT 7 – COST ALLOCATION

Staff 62

Reference 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.

Response:

Please see the chart below for the derivation of the billing and collecting weighting factors. An excel version has been filed as 'Bluewater_Staff-62-Billing and Collecting Weighting factors'.

			Customers, 2023 Forecast															
			Res	GS<50	GS > 50	Inter.	LU	Strt Lgt	Sent Lgt	USL								
			33,390	3,487	354	8	4	7	146	342								
		A	B								C	Allocated Cost (D=A*B/C)							
Expense Description		2023 Budget $	Relative Cost (weight) Per Customer								Total Weighted Customers	Res	GS<50	GS > 50	Inter.	LU	Strt Lgt	Sent Lgt	USL
					-			-	-	-	-	-	-	-	-	-	-	-	-
Canada Post Corp		291,500	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	37,738	7.72	7.72	7.72	7.72	7.72	7.72	7.72	7.72
											-	-	-	-	-	-	-	-	-
											-	-	-	-	-	-	-	-	-
Billing Department		355,786	1.0	1.0	10.0	25.0	20.0	1.1	1.0	1.0	41,193	8.64	8.64	86.37	215.93	172.74	9.50	8.64	8.64
Collections Department		316,602	1.0	1.0	0.5	0.3	0.3				37,057	8.54	8.54	4.27	2.14	2.14	-	-	-
Customer Service Department		608,890	1.0	1.0	0.5	0.3	0.3	0.1	0.1	0.1	37,107	16.41	16.41	8.20	4.10	4.10	1.64	1.64	1.64
										Identified Cost per									
Totals		1,572,778								Customer		41.31	41.31	106.57	229.89	186.70	18.87	18.00	18.00
WEIGHTING FACTORS for Cost Allocation Model												1.00	1.00	2.58	5.56	4.52	0.46	0.44	0.44

Staff 63

Reference 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?

Response:

Bluewater sought clarification with OEB staff that question (a) seeks the total bill impacts for residential, GS>50 (not GS<50) and sentinel lighting as a result of increasing the revenue to cost ratio to 95.3%. The chart below outlines the total bill impacts as originally filed, and the revised total bill impacts (using as filed data) when using the status quo R/C ratio's.

Rate Class	AS FILED		REVISED excluding R/C adjustments		Increase resulting from R/C adjustment	
	Total Bill		Total Bill		Total Bill	
	$	%	$	%	$	%
RESIDENTIAL SERVICE CLASSIFICATION - RPP	$ 4.81	3.8%	$ 3.80	3.0%	$ 1.01	0.8%
GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION - RPP	$ 478.13	5.6%	$ 460.30	5.4%	$ 17.83	0.2%
GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION - Non-RPP (Other)	$ 264.36	3.0%	$ 246.53	2.8%	$ 17.83	0.2%
SENTINEL LIGHTING SERVICE CLASSIFICATION - RPP	$ 3.39	6.2%	$ 1.96	3.6%	$ 1.43	2.6%

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.

Response:

Bluewater followed the direction as outlined in section 2.7.3 of the Filing guidelines:

> "*Results from the updated cost allocation model may show some ratios being outside of the OEB-approved ranges. In these cases, distributors must ensure that their cost allocation proposals include adjustments to bring them within the OEB-approved ranges within a reasonable period of time. Moving revenues closer to costs in one class also means that there will be offsetting adjustment to one or more classes. In making any such adjustments, distributor should address potential mitigation measures if the impact of the adjustments son the rates of any particular class or classes is significant*."

For the three rate categories that were above the OEB established ranges (GS<50, Large Use, USL), Bluewater adjusted the R/C ratio such that each of the rate categories that were above the policy range were brought to the top end of the range, and the other rate classes that had R/C ratio's that were below 100% were adjusted upward to the same R/C ratio as each other, that being 95.3%. The resulting impacts were between 3.0% and 6.2% on a total bill impact which Bluewater submits are reasonable adjustments, therefore other approaches to R/C adjustments were not considered.

EXHIBIT 8 – RATE DESIGN

Staff 64

Reference 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?

Response:

The increase in the loss factor is proposed to be an increase of 0.1%, which Bluewater submits is a small increase over the ten year period since the last Cost of Service application in 2013. Bluewater is not able to identify any specific reason for the increase in losses.

b. Does Bluewater Power intend to take any steps to improve losses, as part of its DSP implementation or other?

Response:

Within the DSP, the conversion from the 4kV and 8 kV system to the 27.6kV system (UT7, UT22), should increase efficiency of the lines which should reduce losses. Bluewater will continue to monitor the losses to identify any anomalies that may occur each year.

c. Can Bluewater Power quantify the impact of the increase in loss factor on the total bill for the residential rate class?

Response:

The total bill impact using the proposed loss factor of 1.0432 for the residential rate class as filed is $4.81 or 3.8% per month. Using the current loss factor of 1.0421, the total bill impact for the residential rate class would be $4.71 or 3.7% per month. Thus the change to the loss factor increases the total bill by $0.10 per month or 0.1%.

Staff 65

Reference 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

Response:

Please see table below for a recalculation of the proposed LV costs using three scenarios. The first uses a 5-year average (2017-2021) of volumes multiplied by the Hydro One Sub Transmission ("ST") 2023 rates which results in LV projected costs of $342,366. The second uses the same methodology, but uses the 5-year average from 2018-2022 which leads to projected LV costs of $345,785. The third scenario uses only 2022 volumes multiplied by the Hydro One 2023 rates which results in LV projected costs of $355,035.

As a result of this IR, Bluewater is proposing to use the five-year average usage from 2018-2022 multiplied by the 2023 rates, which results in costs of $345,785 to be used in developing the LV rates. We propose this is a more reasonable estimate of the on-going costs and we anticipate this will minimize excessive balances in the LV deferral account.

	Sum of annual billing volumes by year											
Variable Charges	2022	2021	2020	2019	2018	2017	5 year average 2017-2021	5 year average 2018-2022	HONI 2023 ST Rates	5 year average (2017-2021) Variable $	5 year average (2018-2022) Variable $	2022 Volumes only Variable $
Oil Springs _LVDS	8,820	8,248	8,078	7,820	8,307	7,596	8,010	8,255	1.9296	15,456	15,928	17,019
Alvinston - LVDS	12,402	11,314	10,986	10,610	11,327	9,948	10,837	11,328	1.9296	20,911	21,858	23,931
Wanstead - Common ST lines	145,493	142,139	136,581	134,725	148,820	139,017	140,257	141,552	1.5442	216,584	218,584	224,671
Fixed Charges							# meter points					
Service Charge							6		824.28	59,348	59,348	59,348
Meter Charge							6		417.59	30,066	30,066	30,066
Total										342,366	345,785	355,035

Staff 66

Reference 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.

Response:

Bluewater has updated the RTSR Workform with both Hydro One's and the UTR rates effective January 1, 2023 and has filed the excel file as part of these responses.

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

Response:

Bluewater used the OEB's RTSR Workform which contained the 2021 data pre-populated on Tab 3 of the workform.

EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

Staff 67

Reference 1: LRAMVA Workform – Tab 1
Reference 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.

Response:

The final verified results are provided in an accompanying file labelled Staff-67 Attachment 1of this interrogatory response. Of the three Retrofit projects, two have final results, and the third project was cancelled and the results have been removed from the updated LRAMVA workform model. Attachment 1 also provides realization rate and net-to-gross calculations for post-cancelation CFF projects included in the LRAMVA.

An updated LRAMVA Workform has been filed incorporating the final results.

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.

Response:

Confirmed.

Staff 68

Reference 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.

Response:

Confirmed.

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.

Response:

Confirmed.

Staff 69

Reference 1: Exhibit 9, Section 9.1, p. 11
Reference 2: Exhibit 9, Section 9.2, p.18
Reference 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.

Response:

Bluewater confirms that the Group 1 account balances it is seeking disposition for are December 31, 2021 with forecasted interest up to April 30, 2023.

Reference 1 provided in the interrogatory seems to be referring to the statement below, which is providing the last time Bluewater disposed of Group 1 balances:

"As part of the 2022 IRM application, Group 1 DVA and Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) balances as of December 31, 2020 with forecasted interest charges until April 30, 2021, were approved for disposition. The associated rate riders are set to expire April 30, 2023."

For clarity, Bluewater confirms that the Group 1 account balances it is seeking disposition for are the principal balances as of December 31, 2021 with forecasted interest up to April 30, 2023.

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.

Response:

For each of the accounts:

1508 – Other Regulatory Assets – Pole Attachment Revenue
Bluewater's 2023 distribution rates will be set using the 2023 approved pole attachment charge of $36.05 in the forecast of 2023 pole attachment revenue. Bluewater will charge its applicable customers accordingly and should not, therefore, need to record any variance in 2023.

1508 – Other Regulatory Assets, Retail Service Charge Incremental Revenue
Bluewater's 2023 revenue requirement incorporates the full 2023 forecast revenue from Retail Service Charges and Bluewater will not be recording any variance in 2023.

1534 – Smart Grid Capital Deferral Account
1535 – Smart Grid OM&A Deferral Account
Bluewater has accounted for the full impact of the remaining capital in its 2023 rate base calculation and the full impact on OM&A in its 2023 OM&A forecast. As such Bluewater will not record any 2023 amounts in either account 1534 or 1535.

As a result, Bluewater confirms there will be no balances reported in the stub period noted.

Staff 70

Reference 1: Exhibit 9, Section 9.2.10, p. 27
Reference 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.

Response:

Bluewater Power has considered smoothing out the tax impacts but has chosen not to pursue this option. Instead, Bluewater Power would prefer to use the existing Account 1592, Sub-account CCA Changes, to record future impacts resulting from the phase-out of the Accelerated Investment Incentive Program (AIIP), which is currently anticipated to begin after 2023. Bluewater Power believes this approach is consistent with the guidance in the OEB's letter dated July 25, 2019.

Staff 71

Reference 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.

Response:

Bluewater does not have any broadband projects at this time; these accounts will be utilized when applicable projects have been established.

Staff 72

Reference 1: OEB, Notice of Change to Cost of Assessment Model, February 9, 2016
Reference 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.

Response:

Bluewater notes the immateriality of the variances and will not seek disposition of the amounts. With this interrogatory response, Bluewater has submitted a revised DVA continuity schedule with this account removed and new rate riders calculated accordingly.

Association of Major Power Consumers in Ontario (AMPCO) Interrogatories

EXHIBIT 1 – ADMINISTRATION

AMPCO-1

Reference: Exhibit 1 Appendix 1 p. 12

The 2023 Budget contains the following estimated inflationary increases over 2022 for Non-Union represented labour – 4%.

Please explain the basis for the 4% increase.

Response:

The 4% increase was an estimated amount at the time of filing the application, based on the inflation experienced in 2022 and general outlook for inflation and wage increases as indicated in the application at Exhibit 4 page 11, " ..... recent trends suggest that expectations for salary increases next year will be in the range of 4.1%". The following link was provided as support:

Salary increases for Canadians to average 4.2 per cent: survey | CTV News

While 4% was the amount budgeted, the actual approved 2023 inflationary increase for non-union represented labour was approved by the Compensation Committee at 3%. This will result in a decrease in the 2023 OM&A of approximately $45,000, this nonmaterial adjustment has not been yet made to the budget.

EXHIBIT 2 – DSP

AMPCO-2

Reference: DSP p. 44-48

a. Please provide SAIDI & SAIFI values for the years 2017 to 2022 excluding Loss of Supply, Major Events and Scheduled Outages.

Response:

Year	SAIDI	SAIFI
2017	0.99	0.72
2018	1.12	1.45
2019	1.47	1.66
2020	1.83	1.94
2021	1.61	1.41
2022	1.21	1.32

b. Please provide all interruptions excluding Loss of Supply, Major Events and Scheduled Outages for the years 2017 to 2022.

Response:

Year	Interruptions
2017	158
2018	209
2019	237
2020	200
2021	227
2022	199

c. Please provide all customer interruptions excluding Loss of Supply, Major Events and Scheduled Outages for the years 2017 to 2022.

Response:

Year	Customer Interruptions
2017	26323
2018	52830
2019	61300
2020	71598
2021	52366
2022	49026

d. Please provide all customer interruption hours excluding Loss of Supply, Major Events and Scheduled Outages for the years 2017 to 2022.

Response:

Year	Customer Interruptions Hours
2017	36009
2018	40898
2019	54287
2020	67476
2021	59505
2022	44854

e. Please provide a breakdown of interruptions and customer interruption hours by cause code for the years 2017 to 2022.

Response:

# of Interruptions	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
0-Other	15	15	14	14	15	17
1-Scheduled Outage	188	154	202	216	246	220
2-Loss of Supply	18	7	4	14	38	42
3- Tree Contacts	21	35	32	30	30	34
4- Lightning	6	6	4	24	5	11
5-Defective Equipment	70	79	64	67	81	40
6-Adverse Weather	17	48	20	42	31	14
7- Adverse Environment	0	-	0	0	1	2
8- Human Element	2	4	1	1	22	2
9-Foreign Interference	68	62	67	59	39	38

# of Customer hours	2022	2021	2020	2019	2018	2017
0-Other	2,977	3,535	4,604	3,035	1,309	838
1-Scheduled Outage	9,489	9,563	4,722	14,948	17,894	11,658
2-Loss of Supply	20,116	2,085	5,638	54,253	54,936	66,746
3- Tree Contacts	8,806	37,036	11,580	12,496	12,475	7,165
4- Lightning	4,157	380	22,299	2,374	124	5,380
5-Defective Equipment	11,861	18,426	15,207	8,500	10,771	3,665
6-Adverse Weather	9,169	22,708	4,940	18,564	34,038	2,014
7- Adverse Environment	-	-	-	-	127	13
8- Human Element	19	55	22	1	786	33
9-Foreign Interference	10,959	16,344	21,425	9,317	3,396	16,902

f. Please provide a further breakdown of 5-Defective Equipment by sub-cause code for the years 2017 to 2022.

Response:

Bluewater has made best efforts to provide the breakdown based on historical reports maintained by staff in the Control room. Information was not always available, so the totals for each year do not necessarily match the totals for “Defective Equipment” above.

Defective Equipment Cause	2017	2018	2019	2020	2021	2022
Conductors - Lead	1	0	0	1	0	1
Conductors - Neutral	0	1	0	2	2	1
Conductors - Other	0	0	0	0	0	1
Conductors - Primary	4	12	8	3	10	8
Conductors - Secondary	5	4	6	7	8	4
Connecting Device - Ampact	0	1	0	0	0	0
Connecting Device - Bolted Connector	0	4	1	1	0	0
Connecting Device - Compression Connector	1	1	1	0	0	0
Connecting Device - Hot Line Clamp / Tap	4	2	4	4	4	2
Connecting Device - Insulink	1	0	0	1	0	1
Connecting Device - Other	0	1	0	0	0	0
Defective Equipment - Other	0	0	0	0	0	1
Defective Equipment - Pin Insulator	0	0	4	0	3	1
Defective Equipment - Post Insulator	2	2	2	0	1	3
Defective Equipment - Spool Insulator	0	0	1	0	0	0
Defective Equipment - Suspension Insulator	0	0	0	0	0	1
Protection Equipment - Cutout	6	9	8	12	10	9
Protection Equipment - Current Limiting Fuse	0	0	0	4	0	0
Protection Equipment - Fuse	0	7	1	5	4	4
Protection Equipment - Lightning Arrestor	0	7	3	4	4	4
Support Structures - Cross arm	0	1	1	0	0	0
Support Structures - Pole	2	3	1	3	2	0
Switching Devices - Gang Switch	0	1	0	0	0	0
Switching Devices - Inline Disconnect	1	1	0	0	1	1
Switching Devices - Other	0	0	0	1	0	2

Transformer Equipment - Padmount Tx	4	1	2	2	5	0
Transformer Equipment - Polemount TX	10	13	11	5	10	7
Transformer Equipment - TX Elbow	2	6	2	2	0	2

g. Please provide a further breakdown of 1-Scheduled Outage by sub-cause code for the years 2017 to 2022.

Response:

Bluewater does not keep a record of sub-causes for scheduled outages.

AMPCO-3

Reference: DSP p. 73 Table 24

Please discuss any changes in Bluewater Power's Asset Replacement Strategy since it last rebased.

Response:

Bluewater's asset replacement strategy shown in Table 24 is unchanged since our 2013 rebasing.

However, the strategy of Proactive/Reactive for Wood Poles has resulted in significant ramp-up in spending on Bluewater's wood pole replacement program. Starting in the year 2014, Bluewater increased its inspection of wood poles using traditional methods such as the "hammer test" to test the strength of the pole and, then, introduced systematic testing in 2017 using the Resistograph device. The result of this increased testing has been the identification of an increasing number of poles at end of life requiring replacement.

AMPCO-4

Reference: Appendix 2-AA

Please add a column to reflect 2022 actuals and provide the excel spreadsheet.

Response:

Appendix 2-AA has been updated with an additional column which reflects draft annual amounts for 2022. The updates are reflected in the revised Bluewater Chapter 2 Appendices model.

AMPCO-5

Reference: DSP Appendix A p. 11

Please recast Table 2 to reflect the total quantity of assets and percentage replaced by asset category over the period 2013 to 2022.

Response:

Asset Category		Year									
		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
MS Transformers		1	0	0	0	0	0	0	0	0	0
		5%	0%	0%	0%	0%	0%	0%	0%	0%	0%
MS Circuit Breakers	Air Magnetic	0	0	0	0	0	0	0	0	0	0
		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Bulk Oil	0	0	0	0	0	0	0	0	0	0
		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Vacuum	0	0	0	0	0	0	0	0	0	0
		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
MS Switchgear		0	3	10	12	4	0	7	6	3	0
		0%	14%	48%	57%	19%	0%	33%	29%	14%	0%
Pole Top Transformers	Single Phase	61	39	40	96	55	67	53	47	33	30
		3.05%	1.95%	2.00%	4.79%	2.75%	3.34%	2.65%	2.35%	1.65%	1.50%
	Poly Phase	0	0	0	0	0	0	0	0	0	0
		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Rabbit Type	0	3	2	2	0	2	2	0	0	0
		0%	7%	5%	5%	0%	5%	5%	0%	0%	0%
Gang Oriented Switches		2	2	2	2	2	2	2	2	2	2
		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Wood Poles		286	186	269	355	273	314	206	181	37	50
		1.86%	1.21%	1.75%	2.31%	1.78%	2.04%	1.34%	1.18%	0.24%	0.33%
Underground Cables (Km in Length)	XLPE Direct	0	3.2	0	1.4	4.8	0	2.2	2.1	1.2	4.2
		0%	7.3%	0%	3.2%	10.9%	0%	5.0%	4.8%	2.7%	9.5%
	XLPE Duct	0	0	0	0	0	0	0	0	0	0
		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	PILC	0	0	0	0	1.2	0	0	0	0	0
		0%	0%	0%	0%	70%	0%	0%	0%	0%	0%
Pad Mount Transformers	Single Phase	3	8	5	6	16	8	18	16	8	2
		0.23%	0.63%	0.39%	0.47%	1.30%	0.62%	1.40%	1.30%	0.62%	0.16%
		1	2	1	2	3	1	5	0	2	0

	Three Phase	0.36%	0.71%	0.36%	0.71%	1.07%	0.36%	1.78%	0.00%	0.71%	0.00%
Pad Mounted Switchgear		15	10	1	1	0	0	0	0	0	0
		83%	56%	6%	6%	0%	0%	0%	0%	0%	0%

AMPCO-6

Reference: DSP Appendix A p. 13

Please recast Table 3 to reflect Bluewater Power's current 5-year asset replacement plan by asset category for each of the years 2023 to 2027.

Response:

We note that the number of poles from programs other than Wood Pole Replacement has been forecast for 2023 only; it would be too speculative to estimate beyond 2023.

Similarly, those items in the chart noted by an "*" are replacement programs that are reactive only. Although it is reasonable to assume replacement will take place on a pace consistent with prior years, we have not provided specific estimates below.

Asset Category		Year					Replacement Strategy
		2023	2024	2025	2026	2027	
MS Transformers		0	1	0	0	0	Proactive
MS Circuit Breakers	Air Magnetic	0	0	0	0	0	Proactive
	Bulk Oil	3	3	0	0	0	Proactive
	Vacuum	0	0	0	0	0	Proactive
MS Switchgear		4	9	2	0	0	Proactive - Scheduled during yearly Station maintenance
Pole Top Transformers	Single Phase	59	*	*	*	*	Reactive
	Poly Phase	1	*	*	*	*	Reactive
	Rabbit Type	2	*	*	*	*	Reactive
Gang Oriented Switches		1	0	0	0	0	Reactive
Wood Poles		290	190	190	190	190	Proactive/Reactive
Underground Cables (Km in length)	XLPE Direct	3	3	3	3	3	Proactive/Reactive
	XLPE Duct	0	0	0	0	0	Reactive
	PILC	0	0	0	0	0	Reactive
Pad Mount Transformers	Single Phase	5	*	*	*	*	Reactive
	Three Phase	2	*	*	*	*	Reactive
Pad Mounted Switchgear		15	*	*	*	*	Reactive

AMPCO-7

Reference: DSP Appendix A p. 26

Please provide Bluewater Power's response to Kinectric's Asset Condition Assessment recommendations.

Response:

"Conclusions and Recommendations

1. An Asset Condition Assessment was conducted for nine of BWP's key distribution asset categories. For each asset category, the Health Index distribution was determined and a condition-based Flagged-for-Action plan was developed.

2. Asset categories of concern were Direct Buried XLPE Underground Cables, PILC Underground Cables, Bulk Oil MS Circuit Breakers, MS Switchgear and Single Phase Pole Mounted Transformers. For these asset categories, the percentages of assets in "poor" or "very poor" condition were 69%, 100%, 100%, 38% and 22% of the population respectively.

3. MS Switchgear, Single Phase Pole Mounted Transformers, Wood Poles, XLPE Direct Buried and PILC Underground Cables, and Pad Mounted Switchgear were determined to have the highest flagged for action percentage among all the asset groups: within 10 years about 67%, 26%, 56%, 92%, 100% and 21% of the population should be addressed respectively."

Bluewater responds to the above noted recommendations as follows:

- Bluewater has a program in place to replace Direct Buried XLPE Underground Cables and PILC Underground Cables
- Bluewater has a plan to replace the 3 Bulk Oil MS Circuit Breakers in 2024
- Bluewater performs regular maintenance on our MS Switchgear and is in the planning stages of replacing this switchgear starting in 2028
- Bluewater takes a reactive approach to Single Phase Pole Mounted Transformers
- Bluewater has increased testing as well as spending on wood pole replacement

"4. Other asset categories of concern in the sense of flagged-for-action plan included Poly Phase Pole Top Transformers: during the 10-year period starting from now, there were 15% of units flagged for action."

Bluewater responds to the above noted recommendation as follows:

- Bluewater continues its reactive approach to Poly Phase Pole Top Transformer replacement

"5. In general, Vacuum Type MS Breakers and Rabbit Type Pole Top Transformers were in good shape: all the units were classified as "good" or "very good".

6. For each asset category it is recommended that the data gaps be addressed in order of the priority given in this report."

Bluewater responds to #6 recommendation as follows:

- Bluewater notes there are gaps in data and will continue to work to close those gaps. This is an ongoing incremental effort, which we have determined is the most cost effective approach when compared to a comprehensive program to formally address the gaps.

"7. Because only limited failure statistics was available at this time, an exponentially increasing failure rate and corresponding probability of failure model were assumed in this study.

8. BWP is advised to re-check the inventory list on a yearly basis to ensure all the available information be included.

It is important to note that the Flagged-for-Action plan presented in this study is based solely on asset condition and that there are numerous other considerations that may influence BWP's Asset Management Plan, such as obsolescence, system growth, regulatory requirements, municipal initiatives, etc.

Based on the available data, the Wood Poles population seems to be in an overall good condition. However, there are concerns with the "good" classification in the data. The available inspection data collected for wood poles is typically based on an overall (full pole assembly) inspection, rather than solely the wood pole. In addition, the age of poles is only available for about 46% of the population, and pole test data was not adequate to identify the condition of the poles based on their remaining strength. The most reliable data for BWP indicates that of Bluewater Power Distribution 2021 Asset Condition Assessment K-814261-RA-0001-R00 the approximately 4740 wood poles BWP tested for cavity and decay, a failure rate of approximate 8% was found for such a subset of the entire population.

Based on current test results, it is expected that the anticipated annual replacement numbers will support the quantity listed for first year replacement in Table 2 Condition-Based Short-Term Flagged-for-Action Plan. It is recommended that BWP continue testing and further develop their wood pole testing program for any wood poles greater than 20 years old and continue to gather, estimate and confirm to the extent possible ages of all the poles.

It is recommended that BWP improve updating the detailed vault inspection data for Pad Mounted Switchgear, so that the up-to-date inspection results could be used for health indexing.

It is recommended that BWP continue to collect failure statistics so that BWP-specific failure models can be developed and used in future assessments. The failure statistics information to be collected includes the following data:

- *The ID of the unit that failed (here failed means removed out of service for good)*
- *The age at the time the above unit failed*

It is noted that BWP has started such data collection for distribution transformers and underground cables. It is recommended that such practice be extended to all asset classes."

Bluewater responds to the above noted recommendation as follows:

- Bluewater noted this recommendation and the recommendation will be addressed through ongoing incremental improvements in practice.

AMPCO-8

Reference: DSP

Please provide failure data for the following assets:

Response:

Asset Category	2017 # Failures	2018 # failures	2019 # Failures	2020 # Failures	2021 # Failures	2022 # Failures
Pad-Mount Transformers	3	2	1	2	5	0
Circuit Breakers	0	0	1	0	0	0
Switchgear (PMH incl.)	1	2	1	1	2	2
Pole Top Transformers	10	9	8	2	10	7
Wood Poles	1	3	1	2	1	0
U/G Cables – XLPE Direct Buried	5	13	7	5	7	5
U/G Cables – XLPE in Duct	0	2	1	1	0	4

AMPCO-9

Reference: DSP Appendix B p.32-33

Bluewater Power indicates that if variances result in overspending of the budget, then approval from the BWP Board of Director's must be first obtained.

For the period 2017 to 2022, please provide details of the Capital & OM&A variances that required Board of Director approval.

Response:

With respect to Board of Directors' approval, the context in the DSP to which this applies is capital spending, not OM&A. The reference to Section 8.2 and 8.3 should have stated capital spending only.

As discussed in the second paragraph of Section 8.3, the Board understands that some individual projects may incur additional spending, get deferred to the following year, new projects may be

introduced not previously approved, etc. As stated in Section 8.3, it is only with respect to "overspending of the budget, as a whole" that the Board would be required to grant special approval.

With reference to Appendix 2-AB, Bluewater has never exceeded the total approved capital spending in any given year. Therefore, Board of Director approval has not been required.

AMPCO-10

Reference: DSP Appendix E p.15

Table 4-1 shows the Asset Condition Evaluation Parameters for each category of asset.

a. For each category of asset, please explain the basis for the age and mileage parameters limits.

Response:

As discussed in response to Staff-25, the fleet management plan is not intended to be used as a formulaic approach in determining when a vehicle should be replaced. The primary consideration is the expected future maintenance costs, so all other parameters serve as considerations used to assit in setting the pace for replacements.

The age and mileage parameters for all vehicle categories were based on historical trends for the typical age and/or mileage where maintenance costs tend to increase. Although some companies replace their vehicles at regular intervals, it is more common practice to use age and mileage parameters as a gauge to predict the likely point where maintenance costs are likely to increase and become less cost effective to implement. From a fleet perspective, tracking age and mileage helps to plan the pace of replacements by providing a barometer as to when vehicles are likely to require closer scrutiny and potential replacement.

b. For each category of asset, please provide a breakdown of the condition parameters and limits used.

Response:

The primary parameter considered when assessing all vehicle asset categories is the likely future maintenance cost. That requires an assessment of the vehicle and the likely drivers of maintenance costs, which can be broken down as follows:

All asset categories:

- Mechanical fitness of engine
- General rust and corrosion
- Tires and brakes are assessed in conjunction with other parameters

Medium and Heavy-duty Vehicles:

- Heavy Duty vehicles have the frame closely inspected for rust and corrosion
- Boom Gelcoat damage level is assessed

- Di-electric integrity of booms, including an assessment of annual trends
- Hydraulic hose condition and wear
- Paint condition on Chassis and aerial device

c. For the Heavy Duty Boom truck, please provide the limits for the engine and PTO hours and Frequency of Use.

Response:

As with age and mileage, engine and PTO hours are used as a trigger for closer inspection and serve as a barometer to help pace fleet replacement.

Frequency of Use is considered in assessing the value of a vehicle as it approaches the limits of age and mileage. A low frequency of use can indicate a vehicle that has operational or other constraints that lead to that vehicle being used only as a last resort. If a vehicle sees limited use, then that tends to drive the decision to retire/sell a vehicle before any substantial investment in maintenance.

d. Please confirm Bluewater Power's philosophy with respect to vehicle management is to run until failure.

Response:

Bluewater cannot confirm the assertion exactly as stated. Although not significantly different, Bluewater's philosophy is to run vehicles until the actual cost, or predicted cost, to maintain the vehicle in a safe condition becomes too high to justify the investment compared to replacement.

AMPCO-11

Reference: DSP Appendix E p.15

For each of the fleet assets proposed to be replaced over the 2022 to 2027 period, please complete the following table and add to the table any additional parameters considered for replacement:

Response

Please note that the schedule of replacement shown in the chart below does not match the schedule of replacement in the Fleet Management Plan. In fact, the changes from forecast demonstrate Bluewater's approach to maximize use of vehicles while avoiding significant investments in maintenance for vehicles with limited remaining lifespace. The changes are as follows:

- Heavy Duty Vehicle #67 was discovered to have significant rust damage to its frame, such that it was unlikely to pass inspection without significant investment. It had been schedule to retire in 2026, but has now been replaced by the vehicle originally described as a "New 65' Bucket Truck"; Accordingly, the fleet has not been increased in 2022, and consideration will be given as part of the 2025 budget year.

- Truck #77 was determined to be in "fair" condition, so its life has been extended and, instead, Vehicle #116 was replaced. Although similar age and mileage, Vehicle #116 was determined to require significant maintenance investment.

Forecast Fleet Replacement 2022

Vehicle #	Vehicle Category	Age	Condition	Mileage	Engine Hours	Power Take Off Hours	Frequency of Use	Maintenance Costs Past 12 Months	Forecasted Maintenance Issues
99	Medium Duty	8	Poor	258,841	N/A	N/A	Daily	3062.15	Will needs box sides replaced due to rust issues, Front suspension will need worn items replaced. Front seat foam and covers worn out, Heavily used vehicle
116	Medium Duty	11	Poor	214,363	N/A	N/A	Daily	300.46	Will needs box sides replaced due to rust issues, Front suspension will need worn items replaced. Front seat foam and covers worn out, Heavily used vehicle
New 65' Bucket	Medium Duty	0			N/A	N/A	Daily		No longer a new addition to fleet, but replaced Vehicle 67
67	Heavy Duty Boom	19	Fair to poor	169,547	11,808	5,092	Daily	4,913.89	Showing signs of sub-frame rot, and was unlikely to pass inspection. Investment determined to outweigh the benefit
Re-hose 11	Medium Duty	17	Fair	214,363	N/A	N/A	Daily	300.46	Investing $30,000 into new deck and re-hosing the boom as chassis, driveline and service body are still in good condition

Forecast Fleet Replacement 2023

Vehicle #	Vehicle Category	Age	Condition	Mileage	Engine Hours	Power Take Off Hours	Frequency of Use	Maintenance Costs Past 12 Months	Forecasted Issues
111	Medium Duty	15	Poor	159,564	N/A	N/A	Daily	2,379.63	Multiple oil leaks, sub-frame under uni-cell body is rusting badly and some holes have formed, it will need to be replaced rather than repaired.
87	Light Duty	11	Poor	184,279	N/A	N/A	Daily	2,976.28	Multiple dents, rusting. Engine consumes oil
89	Light Duty	11	Fair	92,662	N/A	N/A	Daily	1,030.48	Surface rusting, Transmission shifts weak

Forecast Fleet Replacement 2024

Vehicle #	Vehicle Category	Age	Condition	Mileage	Engine Hours	Power Take Off Hours	Frequency of Use	Maintenance Costs Past 12 Months	Forecasted Issues
95	Light Duty	11	Fair	82,207	N/A	N/A	Daily	1,503.51	Age only for now
69	Support	17	Fair	N/A	693	N/A	Summer	116.48	Age only for now
38	Heavy Duty Boom	19	Poor	244,761	12,044	3734.2	Daily	3886.87	Subframe and deck rotted, boom di-electrics deteriorating. Service body boxes broken

Forecast Fleet Replacement 2025

Vehicle #	Vehicle Category	Age	Condition	Mileage	Engine Hours	Power Take Off Hours	Frequency of Use	Maintenance Costs Past 12 Months	Forecasted Issues
New 65' Bucket	Medium Duty	0			N/A	N/A	Daily		To replace addition to fleet not achieved in 2022 due to failure of Vehicle 67
107	Light Duty	10	Fair	245,575	N/A	N/A	Daily	2,637.69	Age only, heavily used vehicle
106	Light Duty	10	Good	100,913	N/A	N/A	Daily	1,133.57	Age only for now

Forecast Fleet Replacement 2026

Vehicle #	Vehicle Category	Age	Condition	Mileage	Engine Hours	Power Take Off Hours	Frequency of Use	Maintenance Costs Past 12 Months	Forecasted Issues
112	Light Duty	10	Good	111,528	N/A	N/A	Daily	6,100,03	Age only for now

Forecast Fleet Replacement 2027

Vehicle #	Vehicle Category	Age	Condition	Mileage	Engine Hours	Power Take Off Hours	Frequency of Use	Maintenance Costs Past 12 Months	Forecasted Issues
134	Heavy Duty Boom	9	Good	114,290	6,472	N/A	Daily	8,246.32	Age and projected heavy usage
135	Heavy Duty Boom	9	Good	122,494	4,487	N/A	Daily	5,715.12	Age and projected heavy usage
121	Medium Duty	10	Good	232,378	N/A	N/A	Daily	1,069.38	Age and projected heavy usage
117	Light Duty	10	Good	161,085	N/A	N/A	Daily	3,121.70	Age only for now
118	Light Duty	10	Good	70,035	N/A	N/A	Daily	1,767.86	Age only for now

AMPCO-12

Reference: DSP Appendix E p.16

For each proposed fleet replacement in 2022 and 2023 as shown in Table 5-2, please provide the expected delivery date.

Response:

The 2022 replacement vehicles have all arrived on the following dates:

- 116 Medium Duty arrived July 14, 2022
- 99 Medium Duty arrived August 5, 2022
- 64 foot Bucket Truck arrived December 15, 2022

The 2023 replacement vehicles are expected to be delivered on the following dates:

- 87 Light Duty expected June, 2023
- 89 Light Duty expected June, 2023
- 111 Underground expected August, 2023

AMPCO-13

Reference: DSP Appendix F UT11, p. 24

a. In 2023, Bluewater indicates approximately 10% of the budget is estimated for 138 new residential connections. Please provide the number of residential connections for the years 2017 to 2022 and corresponding costs for each year.

Response:

The following chart summarizes the requested information.

Year	# Residential Connections	Costs
2017	202	339,147
2018	190	318,125
2019	131	261,339
2020	141	307,385
2021	144	429,508
2022	133	329,727
2023	138	207,600

b. Please explain the increase in capital contributions in 2022 and 2023.

Response:

Please see the response to SEC #13.

AMPCO-14

Reference: Appendix 2-AA UT5 & UT16

Projects UT5 & UT16 reflect work to convert 8 kV facilities to the 27.6 kV system. Bluewater budgets for upgrades in Petrolia and Watford, which are municipalities within its service territory.

a. UT5: Please explain why the budget for Petrolia has increased from an average of $116,309 for the years 2017 to 2021 to $208,000 for 2023.

Response:

The increase in spending reflects the amount of assets in deteriorated condition reaching end of life and in need of replacement.

As set out in the Capital Project Sheet, the benefits of the program include:

- Overall system kilowatt (kW) peak reductions
- Improved transformer efficiencies at the higher distribution voltage levels
- Lower system line losses as a result of operating at a higher distribution voltage
- Lower risk of failures due to the replacement of deteriorated 8kV assets past useful life
- Reduced maintenance costs by removing 8kV equipment
- Increased capacity of the 27.6kV feeders to accommodate residential load creep as well as load increases from future emerging commercial/industrial businesses (where applicable)
- The feeder extensions increase reliability and security of supply

b. UT16: Please explain why the budget for Watford has increased from an average of $41,360 for the years 2017 to 2021 to $208,000 for 2023.

Response:

The increase in spending reflects the amount of assets in deteriorated condition reaching end of life and in need of replacement. The specific need in Watford has increased in the last five years.

AMPCO-15

Reference: Appendix 2-AA UT 7

Bluewater has a regular program of converting 4 kV facilities to the 27.6 kV system.

Please explain why the budget for UT7 has increased from an average of $113,752 for the years 2017 to 2021 to $200,000 in 2020 and 210,000 in 2023.

Response:

Bluewater sees a significant need to replace deteriorated 4kV assets. Please refer to the Capital Project summary sheet in the DSP Appendix F, page 31. This is a large project that has been paced over five years for completion. In 2023, Bluewater plans to convert 4 kV feeders out of its Municipal Substation #10, located at Cromwell Street and Forsyth Street in Sarnia. Bluewater plans to extend 27.6 kV lines (approximately 0.5 km) and convert 8 to 10 transformer banks to 27.6 kV.

The five-year budget for this program reflects an increase in focus as the assets have reached their end of useful life. Based on the information obtained for failures in the area, at this time it has been determined that the allocated amount would be sufficient to replace the existing infrastructure on a gradual basis.

AMPCO-16

Reference: Appendix 2-AA UT21 & UT22

Projects UT21 & UT 22 reflect 27.6 kV Feeder Extensions and 8 kV Load Conversion.

a. Please explain the need to ramp up spending on project UT21 for 27.6 kV Feeder Extensions to $250,000 in 2022 and $372,500 in 2023.

b. Please explain the need to ramp up spending on project UT22 for 8 kV Load Conversion to $372,500 in 2023.

Response to (a) and (b):

UT21 and UT22 projects work in tandem to eliminate the last 8KV station in our system. When Sarnia amalgamated with Clearwater, Bluewater inherited three 8KV stations, two of which were approaching end of life. We have eliminated those two stations by converting to the 27KV system. We are proposing now to continue that project by converting to 27KV and eliminate the last 8KV station. We have increased these budgets in order to quicken the pace of conversion to lessen the time the customers on the last 8KV station could be islanded in the event of a power outage.

Please see the more detailed description in the DSP Capital Summary sheets in Appendix F, page 48.

AMPCO-17

Reference: Appendix 2-AA UT72 & UT74

Project U72 ($262,500 in 2023) also converts 4.8kV facilities to the 16kV/27.6kV system. Project UT74 ($817,500 in 2023) is an additional 4 kV System Upgrade.

Please rank projects UT5, UT16, UT21, UT22, UT7, UT72 and UT74 in order of priority.

Response:

Bluewater notes that of the projects listed the only project that is considered high priority is UT72.

All other projects are medium priority and have the same weighting. Please see response to Staff-38 for further discussion on priorities.

AMPCO-18

Reference: Appendix 2-AA UT31

a. Please provide the number of pad mount transformers replaced for each of the years 2017 to 2022.

Response:

Padmount Transformers Replaced	
2017	3
2018	6
2019	2
2020	1
2021	0
2022	1

b. Please provide the forecast number of padmount transformers to be replaced for each of the years 2023 to 2027.

Response:

Padmount transformer replacements are managed on a reactive basis. Bluewater expects padmount transformer replacements to continue in a similar manner from 2023 to 2027.

AMPCO-19

Reference: Appendix 2-AA Miscellaneous

The average Miscellaneous System renewal spend for the period 2017 to 2021 is $92,336.

Please explain the increase in 2022 and 2023 to $195,000 and $217,000, respectively.

Response:

The miscellaneous category groups non-recurring projects that individually are immaterial. The increase in both years is due to the introduction of two new projects that did not exist before.

In 2022, the miscellaneous category increased by approximately $100,000. The main contributors include capital upgrades to subdivision transformers of $75,000 and PMH (Pad-Mount) Switchgear Replacements of $50,000 were both created new in 2022, for a total of $125,000.

In 2023, these same two projects will continue at $79,000 and $54,000 respectively, for a total of $133,000.

AMPCO-20

Reference: Appendix F UT15

a. Please provide the number of poles replaced for each of the years 2017 to 2022.

Response:

Wood poles are replaced under the wood pole replacement program (UT15) and other programs, as provided in the table below:

	2017	2018	2019	2020	2021	2022
Wood Pole Replacement Program (UT15)	228	181	229	148	127	218
Other Programs	49	96	126	92	89	68
Total Poles Replaced	277	277	355	240	216	286

b. Please provide the forecast poles to be replaced for each of the years 2023 to 2027.

Response:

	2023	2024	2025	2026	2027
Wood Pole Replacement Program (UT15)	190	190	190	190	190
Other Programs	100	*TBD	*TBD	*TBD	*TBD
Total Poles Replaced	290	*TBD	*TBD	*TBD	*TBD

*Bluewater is currently working on designs for 2024-2027 projects and will not know how many poles will be replaced until the designs are complete.

AMPCO-21

Reference: Appendix F UT26

a. Please provide the km of underground cable replaced by cable type for each of the years 2017 to 2022 and the corresponding costs per year by cable type.

Response:

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Program Cost	320,683	179,593	229,916	183,671	172,484	539,468	136,001	164,590	42,321	300,000
Km of Cable Replaced	4.185 (XLPE direct buried)	1.205 (PILC)	2.055 (XLPE direct buried)	2.230 (XLPE direct buried)	0	4.767 (XLPE direct buried)	1.430 (XLPE direct buried)	0	3.181 (XLPE direct buried)	0

b. Please provide the forecast underground cable by cable type to be replaced for each of the years 2023 to 2027.

Response:

	2023	2024	2025	2026	2027
Total Program Cost	322,000	331,700	341,700	352,000	360,200
Approx. km of Cable to Replace	3.0 (XLPE direct buried)	3.0 (XLPE direct buried)	3.0 (XLPE direct buried)	3.0 (XLPE direct buried)	3.0 (XLPE direct buried)

AMPCO-22

Reference: Appendix F IT 35

a. Please provide the 10-year road map/detailed business case for Project IT35 - Business Technology Improvements.

Response:

A multi-year roadmap summary is provided in "Bluewater_AMPCO-22 Attachment 1".

b. Please provide the historical budget vs. actual spending on the project.

Response:

This project was originally budgeted in 2021 at $200,000 but there was zero spending in 2021 as the project was delayed by one year. The 2022 budget was $280,000 and actual spending was $217,402.

c. Please explain any variance in historical costs (budget vs. actuals).

Response:

The variance of approximately $63,000 was due to the project coming under budget. All of the business objectives were achieved at a lower cost, with the third party contractor coming in approximately $40,000 below budgetary price, and the overall lower internal labour represents the remainder of the savings versus budget.

d. Please explain the difference between Projects IT35 and IT4 Internal Technology Development.

Response:

IT 4 Internal Technology Development is a project that focuses on the ongoing development of internally created applications and this project category is necessary and will continue. Examples for 2023 expenditures are included in the Capital Project sheet on page 15 of Appendix F.

IT 35 Business Technology Improvements was created in 2022 in conjunction with the decision to follow the new Roadmap for SAP discussed above. It represents the forecast cost of internal labour to maintain our SAP system in its current version. This Roadmap represents a significant departure from traditional management of enterprise software, which would normally require periodic major updates as new versions of the software are released. Instead, Bluewater has embarked on a path to maintain the existing SAP system in its current version, while carrying out incremental upgrades using internal resources. This approach has been noted in Exhibit 4, Section 4.1.8 entitled “Cost Efficiencies” as a significant achievement in controlling costs that can reasonably be estimated to help Bluewater avoid $5 Million in capital costs over the next ten-year period.

AMPCO-23

Reference: DSP Appendix F

Bluewater Power indicates annual operating and maintenance cost may be reduced due to fewer outages as related to newer installed infrastructure.

Please provide the estimated savings in annual operating and maintenance costs for the period 2023 to 2027.

Response:

Bluewater indicates there may be a reduction in cost due to fewer outages related to newer installed infrastructure, however, we are not able to quantify the savings. It is reasonable to assume newer equipment will have lower maintenance costs, however all other assets continue to age and deteriorate which will increase maintenance costs compared to the prior year.

AMPCO-24

Reference: Appendix 2-K

Please make the following adjustments to Appendix 2-K and provide a revised excel spreadsheet:

a. Provide a breakdown of Management and Non-management employees.

Response:

Please see the file "Bluewater_AMPCO-24(a) Attachment 1".

b. Provide a breakdown of Salary and Wages to show salary, overtime and incentive pay separately.

Response:

Please see the file "Bluewater_AMPCO-24(b) Attachment 2".

c. Please add 2022 Actuals to Appendix 2-K.

Response:

Appendix 2K has been updated with draft annual amounts for 2022. This appendix is included with the revised OEB Chapter 2 Appendices model.

Three inconsistencies were noted during our review of Appendix 2K in response to AMPCO-24 which have been corrected. Since Appendix 2K required updating for 2022 Actuals, we took the opportunity to make the following corrections:

(1) When originally preparing Appendix 2K, an inconsistency was noted in the recording of Overtime in the period from 2013 to 2019. The inconsistent practice had been fixed by 2020. The inconsistency was corrected prior to filing Appendix 2K but, unfortunately, the correction inadvertently classified the Overtime as a Benefit. This classification error was identified in preparing the response to AMPCO 24(b), and Appendix 2K has been updated accordingly. That correction has resulted in the movement of the amounts set out in the table below.

	2013	2014	2015	2016	2017	2018	2019
Remove from benefits and added to Wages/Overtime		87,096	126,434	131,291	151,590	152,433	152,868

(2) A formula error misallocated benefits between the Management and Non-management categories. This was fixed in the reporting for 2022 Actuals and, therefore, we have corrected all other years in the updated Appendix 2K. The impact by year is set out in the table below.

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
370	733	725	370	132	250	5,015	1,879	40,102	N/A	17,234

(3) An input error in the year 2019 caused Benefits for Non-Management to be undervalued by $100,000 and Benefits for Management to be overvalued by $100,000. This impacted 2019 only, and has been corrected in the updated Appendix 2K.

AMPCO-25

Reference: Exhibit 4 p. 65

a. Please provide the vegetation management costs (budget vs. actuals) for the years 2013 to 2022.

Response:

	Budget $	Actual $	Variance $
2013	198,000	172,295	-25,705
2014	160,000	112,107	-47,893
2015	190,000	193,462	3,462
2016	190,000	292,960	102,960
2017	236,303	255,440	19,137
2018	212,000	228,304	16,304
2019	216,240	198,078	-18,162
2020	220,565	138,064	-82,501
2021	259,976	186,940	-73,036
2022	341,599	353,434	11,835

b. Please provide Bluewater Power's Tree Trimming Area Map that reflects its 4-year cycle.

Response:

Please see accompanying file AMPCO 25 submitted with these responses.

c. With respect to the 4-year cycle, please provide the planned tree trimming schedule compared to actuals for the years 2017 to 2022.

Response:

Year	Schedule	Actual
2017	Year 4 of cycle	Year 4 complete
2018	Year 1 of cycle	Year 1 complete
2019	Year 2 of cycle	Year 2 complete
2020	Year 3 of cycle	Year 3 partially complete
2021	Year 4 of cycle	Year 3 partially complete Year 4 partially complete
2022	Year 4 of cycle Year 1 of cycle	Year 3 complete Year 4 partially complete Year 1 partially complete

d. With respect to the 4-year cycle, please provide the planned tree trimming schedule for the years 2023 to 2027.

Response:

The current schedule for tree trimming runs July 1st to June 30th, so the schedule is:

- Year 1: July 1, 2022 to June 30, 2023
- Year 2: July 1, 2023 to June 30, 2024
- Year 3: July 1, 2024 to June 30, 2025
- Year 4: July 1, 2025 to June 30, 2026

e. Please provide Bluewater Power's Vegetation Management forecast vs. actual accomplishments for the years 2017 to 2022 and the forecast for 2023.

Response:

Bluewater's tree trimming contractor met its forecast work in all years except 2020 and 2021. The delay in completing the contract appears to be evenly spread amongst those years.

There are variations between budget amounts and actual in the chart provided above, and those variations are not just driven by the delayed delivery of the 4-year cycle. Another significant contributor is the increased demand for tree trimming attributed to annual inspections and customer complaints.

For 2023, Bluewater will be completing year 1 and partial year 2 as outlined in the response to part (d) above.

AMPCO-26

Reference: Exhibit 4 p. 105

Please provide a list of current position vacancies.

Response:

Below is the list of current vacancies.

1. Design Technologist
2. Associate Lawyer
3. Summer Students (15)
4. Powerline Technician Co-op (3)
5. Supervisor, Control Room

Vacancies on schedule to be filled in accordance with the budget:

1. Summer Students (15)
2. Powerline Technician Co-op (3)

EXHIBIT 8 – RATE DESIGN

AMPCO-27

Reference: Exhibit 8 p. 3

Please provide a table that sets out the current Fixed/Variable proportion by customer class compared to the proposed for 2023.

Response:

Please see the two tables below. Table 1 outlines the current Fixed/Variable proportion by rate class and Table 2 outlines the proposed Fixed/Variable proportion by rate class.

Table 1 – Revenue at Existing Rates

	Net Distribution Revenue (A)	Fixed Charge Revenue (B)	Fixed % (C)	Variable % (D)	Total % (E)
Residential	13,695,242	13,695,242	100.00%		59.53%
General Service < 50 kW	3,489,962	1,280,426	36.69%	63.31%	15.17%
General Service > 50 to 999 kW	3,114,901	694,506	22.30%	77.70%	13.54%
General Service 1000 to 4999 kW	638,819	344,985	54.00%	46.00%	2.78%
Large Use	2,066,695	1,349,795	65.31%	34.69%	8.98%
Unmetered Scattered Load	138,760	56,430	40.67%	59.33%	0.60%
Sentinel Lighting	52,243	18,659	35.72%	64.28%	0.23%
Street Lighting	530,644	335,146	63.16%	36.84%	2.31%
TOTAL	**23,005,619**	**17,364,954**	**75.48%**	**24.52%**	**100.00%**

Table 2 – Projected Revenue at 2023 Proposed Rates

	Net Distribution Revenue (E)	Fixed Charge Revenue (F)	Fixed % (G)	Variable % (H)	Total % (I)
Residential	15,682,580	15,682,615	100.00%	0.00%	59.32%
General Service < 50 kW	3,820,285	1,280,426	33.52%	66.48%	14.45%
General Service > 50 to 999 kW	3,509,622	694,506	19.79%	80.21%	13.27%
General Service 1000 to 4999 kW	711,825	344,985	48.46%	51.54%	2.69%
Large Use	1,965,331	1,283,592	65.31%	34.69%	7.43%
Unmetered Scattered Load	96,608	39,275	40.65%	59.35%	0.37%
Sentinel Lighting	61,323	21,902	35.72%	64.28%	0.23%
Street Lighting	591,287	373,064	63.09%	36.91%	2.24%
TOTAL	**26,438,861**	**19,286,124**	**72.95%**	**27.05%**	**100.00%**

AMPCO-28

Reference: Exhibit 8 p. 7

For the Large Use class, please provide the 2023 variable rate if the 2023 fixed rate remains at the current value of $28,120.73. Show the calculation.

Response:

Please see Table below for the revised fixed and variable rates as requested.

	Base Revenue Reqmt (RR) Fixed	**Base RR Variable**	**Total Base RR**	**Fixed %**	**Variable %**	**Fixed Rate**	**Variable Rate per kW**
As Proposed	$ 1,283,592	$ 681,739	$ 1,965,331	65.31%	34.69%	26,741.51	2.0377
Sensitivity using existing fixed rate	$ 1,349,795	$ 615,536	$ 1,965,331	68.68%	31.32%	28,120.73	1.8980

The Consumers Council of Canada (CCC) Interrogatories

EXHIBIT 1 - ADMINISTRATIVE

CCC-1

Please provide all documents provided to Bluewater's Board of Directors regarding this Application.

Response:

Please see Attachment CCC-1 for the documents provided to, or presented to, Bluewater's Board of Directors regarding this application.

CCC-2

Please explain why Bluewater waited 10 years to rebase its rates.

Response:

Please see response to VECC-56.

CCC-3

Reference: Exhibit 1, pg. 8

The evidence sets out a number of "objectives" and "outcomes" related to reliability including to "improve SAIDI and SAIFI results over the 5-year DSP timeframe". What were the SAIDI and SAIFI results for each year since 2013? What are the proposed targets?

Response:

Please see the response to Staff-23.

CCC-4

Reference: Exhibit 1, pg. 15

The evidence states that postage has increased by $138,600 primarily driven by the change in residential billing from bi-monthly to monthly in 2017. Has postage decreased in recent years to reflect an increase in e-billing? Please explain. How many customers are currently on e-billing? What is the forecast for 2027?

Response:

Bluewater directs the reader to Exhibit 4, page 27 where the following information can be found:

- Current e-billing rates have reached 35% (updated to 36% below)
- The gap in funding through rates for postage is forecast to be reduced from its peak of approximately $140,000 in the year 2017 to approximately $100,000 in 2023

Accordingly, as a result of Bluewater's success in driving customers to e-billing, we have reduced the claim for recovery of postage-related net costs in 2023 (increase in postage rate less incremental ebilling customers) by approximately $40,000 since 2017.

We can confirm that 13,494 accounts are billed electronically compared to our total number of customers of 37,491, which is 36.0%. We do not have a forecast for the number of customers expected to be on paperless billing by the year 2027, but we note that our efforts are likely to plateau as our success in growing the number of customers on e-billing naturally declines. Our success to-date is shown in the chart below.

	2017	2018	2019	2020	2021	2022
Percentage of bills issued electronically	15.2%	20.1%	24.7%	28.3%	32.4%	36.0%
Growth		4.9%	4.6%	3.6%	4.1%	3.6%

CCC-5

Reference: Exhibit 1, pg. 48

Please provide the 2022 Scorecard.

Response:

Please see excel file 'Bluewater_1-VECC-3-Scorecard'. Please note that not all the results were available in time for the response to these interrogatories, however Bluewater has provided as much as possible.

CCC-6

Reference: Exhibit 1, pg. 53,65

In order to improve its overall efficiency, as part of its Business Plan, Bluewater has set an objective to find an addition incremental cost savings of $100,000 per, year, accumulating to $500,000 in year 5 of the Business Plan. What is the basis for these numbers? Has Bluewater undertaken any analysis or analyses to identify where efficiencies could be achieved? If so, please provide that analysis. Does the 2023 revenue requirement reflect these savings?

Response:

The amount of incremental cost savings of $100,000 per year, was determined as a reasonable amount for an internal stretch goal for management – an amount large enough to be meaningful, and reasonably achievable. Where or how the efficiencies will be achieved have yet to be identified.

These $100,000 incremental savings are considered to be a stretch goal, not a forecast, and as such, have not been reflected in the 2023 budgets. In addition, Bluewater has not yet identified where these savings will come from or how they will be achieved. The savings may come from either OM&A, capital spending, or a combination of the two.

CCC-7

Reference: Exhibit 1, pg. 55

Please provide the allowed and actual Return on Equity for each year 2013-2022. Please provide the annual dividend pay-outs to Bluewater's shareholders for each of those years. Please provide a copy of Bluewater's dividend policy.

Response:

The actual Return on Equity is provided in the table below. The allowed ROE was 8.98% for all years, as determined in Bluewater's 2013 COS:

ROE Achieved - original	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual
(last COS = 8.98%)	11.40%	10.17%	11.83%	11.86%	10.31%	11.86%	10.93%	10.80%	9.39%

Bluewater has revised the ROE to reflect the appropriate tax treatment for rotten pole expenditures per the Ministry of Finance reassessment of Bluewater's tax returns, as described in Exhibit 6.2 Historical PILs, in the table below:

ROE Achieved - revised	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual
(last COS = 8.98%)	11.41%	9.59%	10.36%	10.11%	8.08%	9.80%	10.93%	10.80%	9.39%

The annual dividends declared at each year-end and subsequently paid to Bluewater's sole shareholder are as follows:

2013	$ 792,213
2014	$ 868,852
2015	$ 1,185,643
2016	$ 1,139,017
2017	$ 1,034,630
2018	$ 1,361,800
2019	$ 1,289,482
2020	$ 1,353,801
2021	$ 1,241,722

The dividends relating to the 2022 fiscal year-end will not be finalized until end of April 2023.

Bluewater's dividend policy is based on one-third of after-tax audited net income (ignoring Other Comprehensive Income). This policy was passed by Board of Directors Resolution dated November 29, 2005 and is provided below:

> "*The Board of Directors of Bluewater Power Distribution Corporation accepts the recommendation of a 1/3 payout ratio of net income after tax as a dividend to the shareholder. This is subject to auditor confirmation of the financial results. The Board further approves of a 1/3 payout of ratio of net income after tax as a dividend policy of Bluewater Power Distribution Corporation. Unforeseen regulatory or industry events may alter this policy at anytime."*

CCC-8

Reference: Exhibit 1, pg. 55

Bluewater's Debt to Equity ratio has declined from .77 in 2017 to .6 in 2021 as Bluewater has decreased debt and increased retained earning s during this time period. What are Bluewater's debt financing plans in 2023 and during the period 2023-2027?

Response:

Please see the response to Staff - 5 (a).

CCC-9

Reference: Exhibit 1, pg. 62

Bluewater will be implementing Green Button in 2023 (as mandated by the Ontario Government) What are the incremental costs associated with the implementation of Green Button? Are they included in the 2023 revenue requirement?

Response:

Bluewater plans to implement Green Button by November, 2023. In this project, Bluewater will engage an existing third party vendor partner and costs are included in project IT 5 Legislated Business Application, as described in the DSP, Appendix F. Implementation costs are expected to be approximately $75,000 and include both third party cost and internal capitalized labour. This is included in the 2023 revenue requirement. Bluewater notes that additional costs of $0.60 per customer per year will start post go-live. This was not budgeted in 2023, but amounts to about $1,845 per month starting in November 2023, such that on an annual basis Bluewater will be absorbing approximately $22,140 as a result of Green Button that have not been included in rates.

CCC-10

Reference: Exhibit 1, pg. 63

With respect to its Outage Management System Bluewater has referred to decreasing costs? Please provide the full business case for this initiative. Please quantify all of the expected benefits.

Response:

The project referenced is the addition of the FLISR (Fault Location, Isolation and Service Restoration) system, which works in conjunction with the Outage Management System. This project did not require a business plan. The primary drivers for this project were to improve reliability through the reduction in duration of outages as well as the number of customer or size of outages, especially through the use of remotely operated switches and reclosers. A greater description of the benefits of the FLISR system is available on page 29 of the DSP (Exhibit 2, Attachment 2-1).

As noted the use of this system, and in particular the remote controlled and automated reclosers, have helped reduce truck-rolls and employee time for location outage sources and restoration. The cost savings for these activities however has not been tracked.

CCC-11

Reference: Exhibit 1, pg. 68

Does Bluewater plan, during the rate plan period, to seek to merge with or acquire any other utilities? If so, please explain.

Response:

Bluewater does not have any plans at this time to merge or acquire any other utilities.

EXHIBIT 2 – RATE BASE

CCC-12

Reference: Exhibit 2, pg. 7

Please recast Table 1 – Summary of Rate Base – to include 2022 actuals.

Response:

The table below includes 2022 draft annual amounts. As a result, the 2023 Test Year has also been updated accordingly.

Description	2020 Actual	2021 Actual	2022 Actual	2023 Test Year
Gross Fixed Assets Opening	87,703,299	95,308,440	101,996,197	110,851,149
Gross Fixed Assets Closing	95,308,440	101,996,197	110,794,180	121,659,925
Average Gross Fixed Assets	**91,505,869**	**98,652,318**	**106,395,188**	**116,255,537**
Accumulated Depreciation Opening	17,322,728	20,157,043	22,608,022	25,144,281
Accumulated Depreciation Closing	20,157,043	22,608,022	25,128,748	29,164,827
Average Accumulated Depreciation	**18,739,886**	**21,382,533**	**23,868,385**	**27,154,554**
Average Net Book Value	**72,765,983**	**77,269,785**	**82,526,804**	**89,100,982**
Working Capital	103,764,921	98,861,199	99,704,764	110,382,436
Working Capital Allowance %	13.0%	13.0%	13.0%	7.5%
Working Capital Allowance	**13,489,440**	**12,851,956**	**12,961,619**	**8,278,683**
Rate Base	**86,255,423**	**90,121,741**	**95,488,423**	**97,379,665**

EXHIBIT 4 – OPERATING EXPENSES

CCC-13

Reference: Exhibit 4

Please update the OM&A evidence to reflect 2022 actual OM&A amounts.

Response:

The OM&A evidence is included in Appendices 2-JA, 2-JB, 2-JC, 2-K, 2-L, 2-M and 2-N.

These Appendices have all been updated with draft annual amounts for 2022. They are included with the revised OEB Chapter 2 Appendices model.

CCC-14

Reference: Exhibit 4, pg. 7

Please provide a complete list of productivity initiatives achieved during the 2013-2022 period and quantify the impacts of those initiatives.

Response:

Please see response to Staff-2.

CCC-15

Reference: Exhibit 4, pg. 10

Please provide all materials and directives sent to employees regarding the 2023 budgeting process.

Response:

Bluewater did not send any materials or directives to employees regarding the 2023 budgeting process. Given Bluewater's relatively small size, communication regarding the budget process was delivered verbally during in-person meetings.

CCC-16

Reference: Exhibit 4, pg. 11

The evidence sets out the various inflation factors used to derive the 2023 Test Year revenue requirement. Those factors vary significantly depending upon the cost items. Please explain the following:

1. How much of the 2023 OM&A budget is comprised of expenses related to fuel, materials and fuel related services?;

Response:

Please see SEC-19 part (a).

2. How much of the 2023 OM&A budget has been derived using a 6.6% inflation factor?

Response:

Please see SEC-19 part (a).

3. Why is it appropriate for non-union employees to receive a 4% salary increase for 2023 whereas union employees are capped at 2% each year as per the Collective Agreement?

Response:

Salary increases for non-union employees are reviewed each year and consider current market conditions. Increases for union employees follow a completely separate process through the collective bargaining process which considers many factors in addition to wage increases. Bluewater negotiated its collective agreement in 2021, prior to the high levels of inflation seen in late 2021 and 2022.

Bluewater notes that the non-union increase for 2023 was budgeted at 4%, however was approved by the Compensation Committee at 3%. This will result in a decrease in the 2023 OM&A of approximately $45,000, this nonmaterial adjustment has not been yet made to the budget.

4. What are the annual increases embedded in that Collective Agreement?

Response:

The Collective Agreement (which covers the period April 1, 2021 to March 31, 2027) includes a 2.0% increase for each year.

CCC-17

Reference: Exhibit 4, pg. 12

The evidence states that, "The 2023 Test Year was subject to further scrutiny prior to filing in light of inflation but, nevertheless, Bluewater reserves the right through the interrogatory process to provide further updates related to inflation in the event of potentially extraordinary circumstances. Please explain if Bluewater is proposing any changes to its Application in light of current inflationary conditions.

Response:

Bluewater is not proposing any changes to its application related to inflation.

CCC-18

Reference: Exhibit 4, pg. 13, Table 2: Overall Cost Drivers

Please explain how the $1.816 million in Net Payroll and Benefit Charges was calculated. Please explain what is included in the $736,735 million "Other" category and how it was calculated.

Response:

Table 3 provides the breakdown of the $1.816M increase in "Net Payroll and Benefit Changes" which can be elaborated upon as follows:

- The starting point is an increase in Gross Payroll and Benefit Changes of $5,629,500, which represents the total change in compensation, calculated on an employee by employee basis to account for increases due to progression, cost of living increases and cost of benefits. In other

words, this is the total amount by which all payroll and benefit related costs have increased over the ten year period between 2013 and 2023.

- That increase in Gross Payroll and Benefit is not the increase being sought for recovery from ratepayers through this rate application. Bluewater has assumed that a significant portion of Payroll and Benefits will be recovered from the two sources described below (that is, they will not be recovered through this rate application in any way). Accordingly, Table 3 offsets the increase in Gross Payroll and Benefits by the following amounts:
    - $687,200 is the increase in the amount of Payroll and Benefit costs that are forecast to be allocated to Affiliates when comparing 2013 to 2023; and
    - $243,600 is the increase in the amount of Payroll and Benefit costs that are forecast to be allocated to Billable revenue when comparing 2013 to 2023.
- Finally, since Exhibit 4 and the table referred to in the Interrogatory (Table 2) relate to Operating Expenses, the Gross Payroll and Benefit increase is reduced by those amounts allocated to capital projects. The amount allocated to capital projects has been forecast to increase by $2,882,600 when comparing 2013 to 2023.

As to the second part of the question, the amount of $736,735 in the "Other" category represents the cumulative increase of all costs over the ten year period that were, on an individual basis, not material. Bluewater tracks the increase in cost across approximately 130 accounts in its budget process; if the cost increase in any given year was material, then that cost category was tracked separately and reported on in Section 4.2 entitled "OM&A Summary and Cost Drivers". There are 18 different cost categories (with further summaries of accounts in some cases) discussed in Section 4.2. The amount in the "Other" category in Table 2 represents the cumulative increase in all other areas where there was no material increase in any single year. We note that where there was a year in the other category that had a material increase, we did provide examples of the non-material variances that made-up the total variance in "Other".

CCC-19

Reference: Exhibit 4, pg. 19

The evidence states, "The unusual drop in net OM&A for the years 2020 to 2021 was caused by a drain on the resources of Bluewater, driven by the substantial Billable Work associated with the Oversized Load Corridor Projects and, of course, by COVID. Together, these factors led to a level of net OM&A in 2020 and 2021 that would have been unsustainable over the long-term. Although the year 2022 has not been free of COVID constraints nor demands from the Oversized Load Corridor Project, year to date spending in 2022 is on-track to more normal levels of spending." Please explain how the OLC Project has impacted either rate base, capital spending and, or OM&A levels for 2023. Please provide a complete description of the OLC Project and set out the relative roles of all parties involved.

Response:

The reader has referenced Exhibit 4, page 19 which contains background information on the OLC Project from page 19 through to page 21. Rather than attempt to provide a more "complete" description of the OLC Project, Bluewater offers the explanation that this project is akin to a street widening. The OLC project was led by the Sarnia Lambton Industrial Alliance, but funded by all three levels of government. Instead of widening the road laterally, the road right-a-way was extended in height.

As there was no benefit to Ratepayers (like a road widening), the costs were paid by all three levels of government. Unlike a normal road widening, where utilities are typically required to pay a portion of the cost (and road widening costs form part of normal capital budgets for utilities for their portion of those costs), this road widening was paid 100% by the proponents of the OLC Project.

Additional information pertaining to the OLC project, including the accounting treatment, is also addressed in CCMBC-14.

Given all of the above, we can conclude that there is no impact on 2023 OM&A. Although the resources used on the OLC project could have been used to complete some of the capital budget shortfall in those years, which would have resulted in a higher Rate Base for 2023.

CCC-20

Reference: Exhibit 4, pg. 141, Table 33

Please provide a detailed break-down of the Application-Related One-Time Regulatory Costs.

Response:

Please see response to VECC-38.

EXHIBIT 5 – COST OF CAPITAL

CCC-21

Reference: Exhibit 5, pg. 3

The evidence states that Bluewater continues to have an actual debt, equity structure that departs from the deemed OEB structure. Bluewater is not proposing any changes to its current capital structure. Please describe Bluewater's financing strategy and demonstrate why this strategy is in the best interests of Its ratepayers.

Response:

In regard to the financing strategy please see the response to Staff-5 (d) and (e).

Bluewater's decision to depart from the OEB deemed structure in terms of having a lower debt to equity structure than the deemed debt to equity structure is a more prudent business decision because of less leverage, which is more stable to the corporation and neutral to ratepayers.

Bluewater's ability to strategically make use of short-term financing from its line of credit and its parent company, and long-term third party financing, all serve to ensure there is financing in place to support the increasing level of capital spending. This, in turn, is in the best interests of ratepayers as Bluewater is addressing the needs of its capital infrastructure, being end of life replacements, facilitating new growth, maintaining and, or enhancing reliability where possible, and ensuring safety throughout its distribution network.

However, Bluewater expects that its capital structure will change over the next several years as Bluewater takes on additional third party debt to fund capital expenditures.

CCC-22

Reference: Exhibit 5, pg. 9

The evidence states that Bluewater 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. What is the current status of that loan?

Response:

Please see the response to Staff - 5 (a) and (b).

CCC-23

Reference: Exhibit 5, pg. 9

The evidence states that the rates associated with the existing third-party debt be updated at the time of OEB approval of this rate application. What process is Bluewater proposing for this update?

Response:

Please see the response to Staff - 60 (d).

CCC-24

Reference: Exhibit 9, pg. 3-4

Please indicate the 2023 DV amounts (Group 1 and 2) that Bluewater is seeking to recover from residential consumers through this Application and indicate over what period.

Response:

Bluewater has updated the 2023 Load forecast which affects the billing determinants in the DVA Continuity Schedule. The amounts listed below reflect the updated values.

Bluewater is seeking recovery of $223,275 for the Deferral and Variance account Group 1 amounts from residential customers.

This is offset by a refund to customers related to account 1580 CBR Class B balance of -$44,468, and the allocated Global Adjustment balance of -$18,200.

Therefore, the total Group 1 balance to recover from residential customers is $160,607.

For Group 2 accounts, Bluewater is refunding to customers -$611,648.

Thus, the total Group 1 and Group 2 impact to residential customers is a refund of -$451,041.

Bluewater has proposed to settle these amounts over one year.

Coalition of Concerned Manufacturers and Businesses of Canada (CCMBC) Interrogatories

EXHIBIT 1 – ADMINISTRATIVE

CCMBC-1

Reference: Exhibit 1 Administrative Documents, Attachment 1-3, Financial Statements, Page 10

What are the Intangible Assets that were purchased for $942,624 in 2021 and $1,016,249 in 2020?

Response:

The Intangible Assets increases were for computer software including IESO MDM/R Technical Integration Renewal, My Account Refresh, SAP System Pricing Changes, Customer Choice SAP development, Materials Management MRP Implementation, GIS platform upgrade, Perimeter Firewall Security Implementation, and other security software.

CCMBC-2

Reference: Exhibit 1 Administrative Documents, Attachment 1-3, Financial Statements, Pages 8 and 31

Please explain the "Remeasurements of post-employment Benefits" that took place in 2020 and 2021.

Response:

These remeasurement amounts are from the actuarial reports received by Bluewater from its actuary. These annual amounts are the net actuarial loss or gain at each year end which is derived from remeasuring the present value of the Defined Benefit Obligation. The change from one year end to the next is primarily driven by the change in the discount rate being used in the calculation.

The initial estimate for 2022 is an actuarial gain of $1,877,662 which can be found in the actuarial report included in Attachment 4-1, on the last page. The 2021 year end was an actuarial gain of $1,007,175 and the 2020 year end was an actuarial loss of $934,276.

For the 2022 year end calculation, the discount rate being used in the calculation is 4.6%, the 2021 year end was 3.0%, the 2020 year end was 2.6%, and the 2019 year end was 3.2%.

It is noted that these actuarial gains or losses are not included in the 2023 revenue requirement.

CCMBC-3

Reference: Exhibit 1 Administrative Documents, Page 27, and Attachment 1-3, Financial Statements, page 24

Please file a table listing the affiliates of Bluewater Power Distribution Corp. from which it obtains services or to which it provides services. Please list and describe each service, the approximate 2023 Test Year dollar amount of each and if the transfer price is cost based or market based.

Response:

Bluewater believes this question is answered completely in Exhibit 4, Section 4.5 entitled "Shared Services and Corporate Cost Allocation" covering pages 116 to 143.

The Table requested can also be found in Appendix 2N.

EXHIBIT 2 – RATE BASE

CCMBC-4

Reference: Exhibit 2 Rate Base, Table 61, OEB Appendix 2-D, 'Overhead Expense', Pages 106-107

Please explain why the % Capitalized OM&A increased from 13% in 2013 OEB Approved to 26% in 2020 Historical Year and is now 23% the 2023 Test Year.

Response:

Bluewater has invested heavily in capital through the period from 2015 to 2023. While Bluewater experienced staff resourcing issues from 2013 to 2014 that held back capital spending in that period, 2015 saw success in recruitment and use of third-party contractors that improved delivery of capital over the period from 2015 to 2022.

The table below is a summary from Appendix 2-AB and provides actual capital spending (in millions) for easy reference.

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
$5.4	$4.8	$6.9	$8.0	$7.9	$8.7	$9.5	$9.6	$9.0	$11.4

Bluewater increased its total capital spending over the period, and began in 2019 to reduce its reliance on outside contractors. Bluewater achieved success in its recruitment efforts through strategies discussed in Exhibit 4, Section 4.4.2.4 entitled "Strategies to Attract and Retain Workers", and dedicated those new staff to perform capital work.

The migration of capital work from outside contractors to in-house resources is discussed in Exhibit 4 in three distinct contexts:

(1) **Powerline Technicians**: Bluewater ceased using outside contractors for powerline work on Capital projects in the year 2018 (see Exhibit 4, page 97), and achieved success in recruitment of Powerline technicians through creative measures noted above. That success in recruitment is demonstrated in response to SEC-37 where FTEs in Operations Services has increased from 29 FTE in 2013 to 40.5 FTE in 2023. Those new FTEs have been nearly fully dedicated to Capital work to meet growing capital needs and to replace contractors for powerline work.

(2) **Information Technology**: Exhibit 4, page 27 speaks to the cost efficiencies achieved by bringing IT work in-house, and the more detailed roadmap discussed in response to AMPCO-22. The roadmap was an intentional effort by Bluewater to bring software development in-house in order to drive significant cost savings in capital. As demonstrated in SEC-37, the number of FTEs in Information Technology has grown from 7 FTEs in 2013 to 10 FTEs in 2023 in fulfillment of the plan to bring work in-house.

(3) **Planning and Supervision**: Accomplishing more in-house requires tighter planning and supervision. The Operations Support department has increased its compliment by 2 FTEs (one Design Technician and one GIS Support position) which was necessary to respond to the increased level of capital work. Likewise, Operations Line Supervisors was increased from 2 FTEs to 3 FTEs in order to manage increased demands on staff. Finally, included in the growth of 3 FTEs in Information Technology is a Manager of IT (as well as one Senior Network Engineer and one Junior Programmer/Analyst) added to oversee the move to in-house software development.

The natural consequence of increasing capital spending while performing that work with in-house resources is an increase in the percentage of Capitalized OM&A. The following FTE analysis is summarized from Table 24 in Exhibit 4 to demonstrate the impact of hiring for the purpose of capital. The growth in Total FTEs from 2013 to 2023 Test year is 15.2 FTEs, and the growth in FTEs dedicated to capital is 16.2 FTEs, which is reflective of the steps outlined above.

	2013 Actual	**2014 Actual**	**2015 Actual**	**2016 Actual**	**2017 Actual**	**2018 Actual**	**2019 Actual**	**2020 Actual**	**2021 Actual**	**2022 Actual**	**2023 Test Year**
Total FTE	102.8	100.9	105.1	105.4	113.6	114.8	114.2	109.4	108.3	116.2	118.0
Capital	**13.5**	**13.9**	**17.0**	**17.5**	**18.6**	**20.8**	**26.2**	**27.1**	**27.6**	**30.0**	**29.7**

CCMBC-5

Reference: Exhibit 2 DSP, Section 5.2.1.8 Grid Modernization, DER, Climate Change, and LTEP, Pages 28 to 32

a. What was the cost of Distributed Transformer Monitoring and is it included in SCADA Monitoring Devices in Table 3?

Response:

The total cost of Distributer Transformer Monitoring is $56,970. These are the same as described as SCADA Monitoring devices in Table 3.

b. Does Bluewater expect to file an ICM application for its future Smart Grid capital expenditures?

Response:

Bluewater does not anticipate the need for a future ICM application at this time.

CCMBC-6

Reference: Exhibit 2 DSP**,** Conservation, Demand Management, Distributed Generation Planning, Impact on DSP

Preamble: *"The CDM/DG Planning has not had an impact on this DSP, as the existing distribution system has adequate capacity to address foreseeable load and generation connections. Positive CDM results have contributed to declining load, which has also contributed to the reasons why the distribution system has adequate capacity."*

a. What is the number of EV fast (Level 2) chargers that Bluewater Power Distribution is expected to have in its service area by the end of the forecast period?

Response:

Bluewater does not have that forecast.

b. What is the number of customers with rooftop solar panels that Bluewater Power Distribution is expected to have in its service area by the end of the forecast period?

Response:

Bluewater does not have that forecast.

c. What is the number of customers that Bluewater Power Distribution expects to convert from natural gas space and water heating to electric space and water heating over the forecast period?

Response:

Bluewater does not have that forecast.

CCMBC-7

Reference: Exhibit 2 DSP, Table 36 Historical and Forecast Customer/Connections for 2013-2023, Page 134; Table 37 Appendix 2-AB Capital Expenditure 1 Summary (continued), Page 138; System Access, page 141

Considering the very low growth in new customers why does Bluewater Power Distribution expect to spend $2.322 million on system access in 2023 and increasing each year to $2.642 million in 2027?

Response:

The projected system access costs are driven primarily by commercial/industrial upgrades and subdivision development. Please see Staff-15 for additional information.

CCMBC-8

Reference: Exhibit 2 DSP, Table 61: Capital Expenditures by Project 2023-2027, Page 169

Please provide more information on Project IT 35 Business Technology Improvements, particularly why annual expenditures are increasing by more than 100% over the forecast period.

Response:

This is a multi-year project that started in 2022 with forecast increases in the DSP period from 2025 to 2027 to be over $1 million each year. See response to AMPCO-22 for the Roadmap document.

CCMBC-9

Reference: Exhibit 2 DSP, Appendix A Asset Condition Assessment Report, Introduction, Page 1

Preamble:" *In early 2014, BWP selected and engaged Kinectrics Inc. (Kinectrics) to perform an ACA on BWP's key distribution assets. The same type of ACA study was conducted again by Kinectrics in 2015, 2016, 2017, 2018, 2019 and 2020. This report presents assessment results and is based on the available condition data as of the end of December 2020, as well as the audit on the changes since the 2020 ACA study."*

a. Is the report based only on "the available condition data" provided to Kinectrics by Bluewater Power Distribution?

Response:

Yes, the report provided by Kinectrics is based only on data provided by Bluewater.

b. What did Kinectrics do to confirm the accuracy of the condition data provided by Bluewater Power Distribution, such as site visits?

Response:

Kinectrics did not confirm the data Bluewater provided.

CCMBC-10

Reference: Exhibit 2 DSP, Appendix A Asset Condition Assessment Report, Section 7 Underground Cables, Page 99.

Is Kinectrics assuming that all underground cables deteriorate with age at the same rate? Please discuss.

Response:

In Kinectrics' study, underground cables are assumed to deteriorate with age at different rates, depending on their cable types.

Details can be found on page 100, in Table 7-3, where three types of cables (combination of material and cable laying technique) are assigned different age limiting curves (i.e. different deterioration curves). These include i) XLPE type in duct, ii) XLPE type direct buried, and iii) PILC type.

Their deterioration rates are not constant, but vary at different stages of their life cycle. The three figures (7-1 to 7-3) illustrate how they deteriorate differently.

For cable segments of the same type that have age as the only information, they are assumed to deteriorate following the same degradation trend.

EXHIBIT 3 – LOAD FORECAST

CCMCC-11

Reference: Exhibit 3 Load Forecast, page 3, footnote 5

Preamble: ***"****This variable does not continue to the Bridge Year of Test Year but is included to account for abnormal consumption at the start of the pandemic that is not precisely reflected in any other variable. Without this variable, the abnormal consumption levels in those months would skew the coefficients of the remaining variables. If temporarily lower consumption is not explained by any variables the model will inappropriately forecast lower consumption on an ongoing basis. For this reason, Elenchus anticipates it will continue to use COVID variables when there are no COVID-related amounts in forecast years."*

a. Does this mean that the COVID_2020 variable may account for abnormal consumption that is not COVID related?

Response:

The COVID_2020 variable accounts for all abnormal consumption in March 2020 to June 2020 only. Elenchus assumes all abnormal consumption in this period is related to COVID.

b. Is Elenchus suggesting that COVID variables should continue to be used long after there are no COVID related effects?

Response:

Yes. It is Elenchus's view that the COVID variables should be used as long as actual data from the year 2020 is used in the load forecast. If the abnormally low consumption of General Service, Intermediate, and Large Use classes are not accounted for with a COVID variable, forecasts will be biased toward lower consumption.

CCMBC-12

Reference: Exhibit 3 Load Forecast, page 5 and page 13, Table 12

If possible, please update using the latest 2022 Bridge Year results. If it is not possible, please explain why not.

Response:

Bluewater has utilized the 2022 results to update the load forecast throughout the responses to the interrogatories. Exhibit 3, Table 12 is reproduced below with the updates to 2022 actual data.

	Customers/Devices			Volumes			Volumetric Difference
Rate Class	2021 Actual	2022 Actual	Diff.	2021 Actual	2022 Actual	kWh / kW	
Residential	33,113	33,273	160	275,475,848	274,162,832	kWh	-1,313,016
GS < 50 kW	3,459	3,455	-4	98,943,526	103,737,562	kWh	4,794,036
GS > 50 kW	372	370	-2	533,890	517,343	kW	-16,547
Intermediate	9	9	0	233,289	228,541	kW	-4,747
Large User	4.0	4.0	0	471,315	463,614	kW	-7,701
Street Light	10,161	10,177	16	9,338	9,227	kW	-111
Sentinel Light	367	364	-3	1,187	1,114	kW	-74
USL	243	236	-7	2,181,431	2,168,627	kWh	-12,804
Total	**47,728**	**47,889**	**161**				

EXHIBIT 4 – OPERATING EXPENSES

CCMBC-13

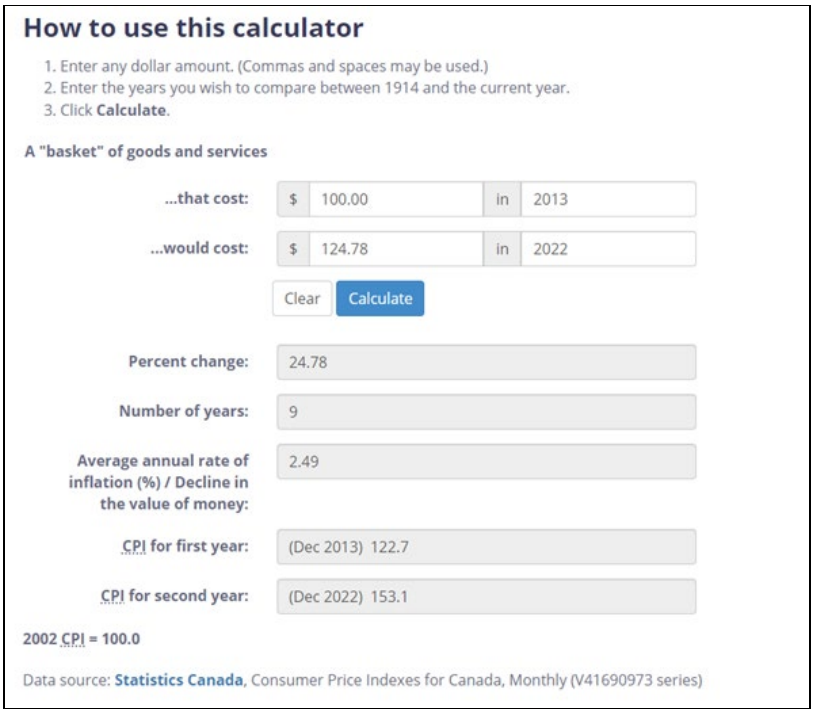
Reference: Exhibit 4 Operating Expenses, Section 4.1 Overview, Page 6

Preamble: *"The increase in OM&A over the ten-year period from 2013 to 2023 is 28%, for a 2.5% Compound Annual Growth Rate. As a result, the forecast increase in OM&A from 2013 to 2023 is reasonably in line with inflationary pressures over the same period."*

What was the Compound Annual Growth Rate of inflation over the 2013 to 2023 period?

Response:

Without a known inflation value for 2023, Bluewater cannot answer this question exactly as asked. To be helpful though, Bluewater has used the Bank of Canada's Inflation Calculator for 2013 to 2022 which indicates inflation was 24.78% over this 9-year period, with an average rate of inflation of 2.5%, as provided below:



How to use this calculator

1. Enter any dollar amount. (Commas and spaces may be used.)
2. Enter the years you wish to compare between 1914 and the current year.
3. Click **Calculate**.

A "basket" of goods and services

...that cost:	$	100.00	in	2013
...would cost:	$	124.78	in	2022

Clear Calculate

Percent change:	24.78
Number of years:	9
Average annual rate of inflation (%) / Decline in the value of money:	2.49
CPI for first year:	(Dec 2013) 122.7
CPI for second year:	(Dec 2022) 153.1

2002 CPI = 100.0

Data source: **Statistics Canada**, Consumer Price Indexes for Canada, Monthly (V41690973 series)

With inflation between 2013 to 2022 at a total of 24.78%, and current inflation running in excess of 6%, Bluewater submits the expected 10-year inflation rate 2013-2023 will be approximately 31% for an average annual rate of approximately 2.6%.

CCMBC-14

Reference: Exhibit 4 Operating Expenses, Pages 21 and 22; Exhibit 2 Rate Base, Section 2.9.5 Contributed Capital, Page 108; Exhibit 6, Section 6.3.2.5 Other Income and Expenses (Accounts 4325, 1 4330, 4355, 4360, 4390, 4405), page 43

Preamble: *"In order to fully understand the scope of the OLC Project, consider that the Capital Budget for "poles and wires" investments in that timeframe was in the range of $7 Million per year (approximate total of System Access and System Renewal). Accordingly, the additional revenue of $4.1 million required by the OLC Project effectively represented an expansion of the "poles and wires" capital budget nearly 25% in each of the years 2020 and 2021, with some spill over in 2019 and 2022."*

Please provide more information about the OLC Project including capital expenditures by Bluewater Power Distribution, capital contributions received by Bluewater Power Distribution, OM&A costs incurred by Bluewater Distribution, and OM&A costs paid by other parties to Bluewater Power Distribution. Also please explain accounting treatment of all funds received by Bluewater Power Distribution.

Response:

All OM&A costs pertaining to the OLC project incurred by Bluewater were recorded in Account 4330, and these costs were invoiced to either the City of Sarnia or the County of Lambton. All funds received by Bluewater were treated as billable revenue and recorded in Account 4325. There were no capital contributions related to the OLC project.

Bluewater offers the following highlights which speak to the relevance to this rate application:

- The OLC Project represented $4.1M of Billable Revenue for Bluewater spread over four years from 2019 to 2022.
- Those funds were used by Bluewater to relocate and/or rebuild its existing infrastructure to accommodate oversized trucks and equipment not ordinarily accommodated on public roads.
- Bluewater took the position with the funding agencies that there was no direct benefit to Bluewater ratepayers and, therefore, the cost of the upgrades was charged 100% to the OLC Project which was funded by all three levels of government.
- The revenue of $4.1M compensated Bluewater for (i) materials and equipment of $2.7M, and (ii) internal labour for design and installation of $1.4M.
- The $4.1M did not contribute to Rate Base (although we note that if the OLC project did not occur, additional capital work would have been completed as planned and Rate Base would be higher).
- Bluewater did not increase its capital spending in any year related to the OLC. However, over the course of 4 years of the OLC project, approximately $1.2M of already approved capital budgets was spent in a manner complimentary to the OLC. For example, wood poles at end of life along the corridor were replaced as part of the existing capital program, and only the incremental cost to extend the height of the pole was charged to the OLC Project.
- The OLC Project placed a tremendous strain on Bluewater's staffing resources, particularly during the years of 2020 and 2021. It reduced OM&A in those years to the extent that engineering and operation staff were only available for the high priority maintenance items.
- Although the level of OM&A spending from 2020 and 2021 is unsustainable, Bluewater was comfortable with its pace of maintenance over that limited period of time.

EXHIBIT 5 – COST OF CAPITAL AND CAPITAL STRUCTURE

CCMBC-15

Reference: Exhibit 5 Cost of Capital and Capital Structure, Section 5.2.2.2 Long Term Debt, Proposed Bank Term Loan, Page 9

Preamble: *"Bluewater 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. This loan has a forecast fixed interest rate of 6.373% applied to it based on a quote from Bluewater's bank at the time of preparing this rate application plus 0.5% to account for potential increases in borrowing costs."*

a. Has Bluewater Power Distribution taken out this $15 million dollar loan in late 2022? If the answer is yes, what is the rate of interest? If the answer is no, please explain why not.

Response:

Please see the response to Staff-5 (a) and (b).

b. Please explain why Bluewater Power Distribution needs this large loan at this time?

Response:

Please see the response to Staff-5 (d) and (e).

EXHIBIT 6 – REVENUE REQUIREMENT

CCMBC-16

Reference: Exhibit 6 Revenue Requirement, Table 7: Revenue Deficiency Components

Please add a column to Table 7 indicating the %increase from 2013 to 2023.

Response:

Please find table 7 reproduced below with the % increase indicated.

	2013 OEB Approved	2023 Test Year	Variance	% variance
Rate Base				
Average Fixed Assets	52,290,943	88,600,719	36,309,776	69%
Cost of Power	88,827,016	90,038,222	1,211,207	1%
OM&A expenses	12,540,974	15,992,773	3,451,799	28%
Working Capital	**101,367,990**	**106,030,995**	**4,663,006**	**5%**
	13.00%	7.50%		
Working Capital Allowance	13,177,839	7,952,325	(5,225,514)	-40%
Total Rate base	**65,468,782**	**96,553,044**	**31,084,262**	**47%**
Cost of Capital				
Return on equity	2,351,639	3,344,597	992,958	42%
Interest	1,498,379	2,521,579	1,023,200	68%
Total	**3,850,018**	**5,866,177**	**2,016,159**	**52%**
Operating Expenses				
Amortization/depreciation	4,948,030	5,516,322	568,292	11%
OM&A expenses (including property tax)	12,540,974	15,992,773	3,451,799	28%
PILs (grossed up)	476,251	296,827	(179,424)	-38%
Total	**17,965,255**	**21,805,922**	**3,840,667**	**21%**
Revenue Requirement				
Service Revenue Requirement	21,815,272	27,672,099	5,856,827	27%
Other Revenue	1,108,249	1,233,238	124,989	11%
Base Revenue Requirement	**20,707,023**	**26,438,861**	**5,731,838**	**28%**
Revenue at current rates	**20,707,023**	**23,727,268**	**3,020,245**	**15%**
Revenue Deficiency		**2,711,593**	**2,711,593**	
Requested Rate Increase		**11.43%**		

CCMBC-17

Reference: Exhibit 6, Section 6.3.2.4 Other Distribution Revenue (Accounts 3 4086, 4210, 4220, 4245), Page 39

Preamble: *"Rent from Electric Property (Account 4210) includes building rental revenue, vehicle rental revenue and Return on Invested Capital which is revenue received from Affiliates in relation to a return on invested capital on vehicles and computer software."*

a. Please provide more information regarding this account such as why Bluewater Power Distribution is providing building and vehicle rentals to affiliates, the number of buildings and vehicles involved and the annual 2023 Test Year rent.

Response:

Bluewater's Transfer Pricing Study recommended the pricing methodology for the allocation of cost for office space, vehicle rentals and ROIC on Software (as discussed in Exhibit 4, pages 119 to 123). As to "why" theses assets are being provided to affiliates, we can confirm as follows:

- Software (2023 amount of $63,639): Bluewater transferred water billing responsibilities to its affiliate BPSC in 2009 in response to OEB Compliance Bulletin #200605. The water billing components are inextricably tied to the overall billing system; therefore, BPSC is required to pay an amount each year representing the ROIC on the cost of the water billing components of the billing system.

- Building (2023 amount of $23,482): affiliates employees occupy four offices located in Bluewater's head office at 855 Confederation Street, and certain equipment owned by BPSC is located in previously unused areas of a building known at Main Substation #1.

- Vehicles (2023 amount of $90,000): Bluewater's affiliate known as BPSC owns 1 bucket truck, various small vehicles, and civil equipment; therefore, the vehicle rentals are generally limited to circumstances where workload dictates the need for more than one bucket truck, which is charged out at the fully allocated cost.

b. What is the 2023 Test Year return on invested capital on vehicles and computer software owned by Bluewater Power Distribution that is used by affiliates.?

Response:

The answer is provided above for clarity.

EXHIBIT 7 – COST ALLOCATION

CCMBC-18

Reference: Exhibit 7 Cost Allocation, Revenue to Cost Ratios, Page 17

Preamble: *"Three rate classes were originally above the band threshold established for each rate class: General 10 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 band."*

Considering that the proposed reductions will still leave General Service < 50 kW at 120.0% and Large Use at 115.0%, does Bluewater Power Distribution plan further reductions in the revenue to cost ratios for those classes to bring them closer to 100%?

Response:

At this time Bluewater does not plan to further narrow the revenue to cost ratio ranges until such time as the OEB indicates that a further narrowing of the bands is justified.

EXHIBIT 8 – RATE DESIGN

CCMBC-19

Reference: Exhibit 8 Rate Design, Page 5, Table 3 Cost Allocation Study Fixed Charge Results, and Existing and Proposed Fixed Charges

What is the PLCC (Peak Load Carrying Capability) Adjustment for each Customer Class?

Response:

The PLLC adjustment for each customer class is provided in the table below. The PLCC adjustments are derived by subtracting the PLCC (at 400W) from the relevant NCP figures. Please note that Bluewater has not made any modifications to the PLCC calculations in the OEB cost allocation model.

	Residential	GS <50	General Service 50-999 kW	GS >50-Intermediate	Large Use >5MW	Street Light	Sentinel	Unmetered Scattered Load
PLCC Adj. - 1NCP								
DNCP1	0	0	0	0	0	780	96	137
PNCP1	13,356	1,395	142	3	2	144	96	137
LTNCP1	13,356	1,395	133	0	0	144	96	137
SNCP1	13,356	1,395	0	0	0	780	96	137
PLCC Adj. - 1NCP								
DNCP4	0	0	0	0	0	3,119	385	547
PNCP4	53,424	5,579	566	13	6	576	385	547
LTNCP4	53,424	5,579	533	0	0	576	385	547
SNCP4	53,424	5,579	0	0	0	3,119	385	547
PLCC Adj. - 12NCP								
DNCP12	0	0	0	0	0	9,357	1,154	1,642
PNCP12	160,272	16,738	1,699	38	19	1,727	1,154	1,642
LTNCP12	160,272	16,738	1,598	0	0	1,727	1,154	1,642
SNCP12	160,272	16,738	0	0	0	9,357	1,154	1,642

CCMBC-20

Reference: Exhibit 8 Rate Design, Page 5, Table 7 Summary of Current and Proposed Rates

Please expand Table 7 by inserting columns for Fixed Rate % Change and Variable Rate % Change and show respective values.

Response:

Please see updated Table 7 below with the % change from 2022 to 2023 proposed rates.

		Current Rates		2023 Proposed Rates		$ Change		% change	
Customer Class Name	**Variable Billing Determinant**	**Fixed Rate**	**Variable Rate**	**Fixed Rate**	**Variable Rate**	**Fixed Rate**	**Variable Rate**	**Fixed Rate**	**Variable Rate**
Residential	kWh	$ 34.18	$ -	$ 39.14		$ 4.96	$ -	14.5%	0.0%
General Service < 50 kW	kWh	$ 30.60	$ 0.0213	$ 30.60	$ 0.0245	$ -	$ 0.0032	0.0%	14.9%
General Service > 50 to 999 kW	kW	$ 163.49	$ 4.7508	$ 163.49	$ 5.5068	$ -	$ 0.7560	0.0%	15.9%
General Service 1000 to 4999 kW	kW	$ 3,593.59	$ 1.9381	$ 3,593.59	$ 2.2706	$ -	$ 0.3325	0.0%	17.2%
Large Use	kW	$ 28,120.73	$ 2.1118	$ 26,741.51	$ 2.0377	$ (1,379.22)	$ (0.0741)	-4.9%	-3.5%
Unmetered Scattered Load	kWh	$ 13.75	$ 0.0374	$ 9.57	$ 0.0260	$ (4.18)	$ (0.0114)	-30.4%	-30.4%
Sentinel Lighting	kW	$ 4.43	$ 29.2222	$ 5.20	$ 34.3006	$ 0.77	$ 5.0784	17.4%	17.4%
Street Lighting	kW	$ 2.74	$ 21.3727	$ 3.05	$ 23.8571	$ 0.31	$ 2.4844	11.3%	11.6%

CCMBC-21

Reference: Exhibit 8 Rate Design, Page 10, Table 9 Current and Proposed Transmission Connection Rates

Why are the 2023 Proposed Transmission Connection rates for some rate classes higher than Current 2022 rates while they are lower for other rate classes?

Response:

Please see revised RTSR Workform with updates as a result of the 2023 UTR's and Hydro One's 2023 rates. Given the updates to the 2023 rates, all rate classes are realizing an increase to the proposed RTSR-Network and Connection rates when compared to the 2022 rates.

CCMBC-22

Reference: Exhibit 8 Rate Design, Page 11, Section 8.2.2 Gross Load Billing and Page and Page 17, Section 8.7 Standby Charges

Why is Bluewater Power Distribution proposing Gross Load Billing but not a Standby Rate? Please discuss.

Response:

Bluewater is in favour of a generic policy for a Standby charge, but as discussed in Exhibit 8, Section 8.7, the OEB has not completed its consultation on rate design for commercial and industrial customers (EB-2015-0043) which included a proposal for a Capacity Reserve Charge. In absence of an approved OEB policy on Standby charges, some LDCs have proposed a standby charge in their rebasing application, however all requests for such a charge were either dropped during a Settlement Conference, or were not approved by the OEB. As such, Bluewater is not proposing a Standby Charge in this application but stresses the importance of such a charge and encourages the OEB to continue with the consultation.

However, unlike the recent history for Standby Charges, there are more precedents for the approval of Gross Load Billing, therefore Bluewater is proposing approval of the ability to charge the customers that have eligible load displacement generation for Gross Load Billing in the manner presented in Exhibit 8.2.2.

School Energy Coalition (SEC) Interrogatories

EXHIBIT 1 - ADMINISTRATIVE

SEC-1

Reference: Exhibit 1 – Table 1 and Attachment 1 Business Plan

One of Bluewater's Objectives under Operational Effectiveness is to improve cost efficiency, targeting an incremental $100k reduction in spending each year through identifiable and sustainable savings, accumulating to $500,000 annual savings in year 5 of the Business Plan.

a. How has Bluewater incorporated this objective in its forecasted 2023 OM&A amount of $15,763,833?

Response:

These $100,000 incremental savings are considered to be a stretch goal, not a forecast, and as such, have not been reflected in the 2023 budgets. As a stretch goal, Bluewater has not yet identified where these savings will come from or how they will be achieved. The savings may come from either OM&A, capital, or a combination of the two.

b. If Bluewater intends to be saving $500,000 by 2027, please confirm that the total cumulative savings at the end of 2027 will be $1,500,000. Please provide a table of the savings each year, and cumulative.

Response:

As stated in its business plan, Bluewater's goal is to achieve an incremental $100,000 reduction in spending each year of its business plan, for a total $500,000 in incremental savings over the 5-year period. Bluewater does not have a cumulative savings goal and cannot confirm that the cumulative amount will reach $1,500,000 by the end of 2027.

The cost reductions may also be in the form of avoidance of cost inreases or reduction of non-reoccurring capital projects. Such cost savings would not allow Bluewater to reach cumulative savings of $1,500,000.

However, it is possible the cumulative value of savings may reach $1,500,000 by the end of the 5-year period. If the full $100,000 reduction in costs each year comes from a sustainable reduction in OM&A expense, then those savings would accumulate to $1,500,000 in total, over the 5-year period. However, there is not a cumulative goal, the focus of the objective is to achieve the $100,000 incremental savings each year.

As requested, Bluewater has provided the following table demonstrating the timing of its targeted savings by year and the cumulative value:

Incremental Savings	2023	2024	2025	2026	2027	Total
2023 Incremental Savings + savings persistence	$100,000	Unknown savings persistence	Unknown savings persistence	Unknown savings persistence	Unknown savings persistence	$100,000 +unknown savings persistence
2024 Incremental Savings + savings persistence		$100,000	Unknown savings persistence	Unknown savings persistence	Unknown savings persistence	$100,000 +unknown savings persistence
2025 Incremental Savings + savings persistence			$100,000	Unknown savings persistence	Unknown savings persistence	$100,000 +unknown savings persistence
2026 Incremental Savings + savings persistence				$100,000	Unknown savings persistence	$100,000 +unknown savings persistence
2027 Incremental Savings + savings persistence					$100,000	$100,000
Cumulative Total	$100,000	$200,000 +unknown savings persistence	$300,000 +unknown savings persistence	$400,000 +unknown savings persistence	$500,000 +unknown savings persistence	

c. Please confirm that these projected savings are above Bluewater's Cohort 3 productivity factor of 0.3%.

Response:

Bluewater cannot confirm these savings will be above the 0.3% Cohort Productivity factor. Such a claim would exclude the possibility of other unknown cost increases which may arise over the 4-year IRM period following the 2023 test year. The targeted incremental cost savings of $100,000 may be beyond the productivity factor or may be used to help achieve the productivity factor.

SEC-2

Reference: Exhibit 1 – Attachment 1 Business Plan

a. Please provide Bluewater's previous Business Plans that cover the years 2013 to 2022, if available.

Response:

2023 was the first Business Plan completed by Bluewater.

b. In these previous Business Plans was Bluewater's Objective under Financial Performance also to 'Earn the approved ROE to provide a stable dividend to shareholders and sufficient reinvestment of capital for distribution system needs'? If not, what were Bluewater's objectives under Financial Performance?

Response:

There was no Business Plan prior to the 2023 plan provided in the application. However, Bluewater can confirm that it has operated under the following objectives each year as dictated by the Board of Directors through Incentive Compensation Program:

- Meeting its budget, including returns to shareholders which equates to predictable if not "stable dividend to shareholders";
- Achievement of capital, which equates to "sufficient reinvestment of capital for distribution system needs";
- Safety; and
- Meeting OEB service quality indicators.

c. In these previous Business Plans was Bluewater's Objective under Reliability also to 'Improve SAIDI and SAIFI results over the 5 year DSP timeframe' or something similar? If not, what was the Objective under Reliability?

Response:

There were no Business Plans prior to the 2023 plan provided in the application. However, Bluewater has operated under the general objective to improve reliability. This can be demonstrated by the increase in spending on its capital plan, particularly ramping up starting in 2015, which was a critical element in the Board of Director's evaluation of management.

d. Section 4.0 of the Business Plan compares 2023 without this rate application and with. Please explain why the Lost Revenue Recovery would be $415k less for no application, than if the rate application is filed.

Response:

In this application, Bluewater is seeking recovery of the 2021 and 2022 LRAM amounts. Typically, Bluewater would normally wait to recover the 2022 LRAM amount in the following year when it has audited financial statements. However, in a cost of service application, balances that have not been audited may be disposed where they can be determined with reasonable accuracy; this allows for recovery of the 2022 amount in this application. If the cost of service application were not filed, the LRAM amount in question would still be recovered, but likely not until the following year.

SEC-3

Reference: Exhibit 1 – Table 5 Scorecard

With respect to Return on Equity, Bluewater states 'Bluewater has successfully achieved a rate of return higher than the deemed rate'.

a. Please file on the record Bluewater's Scorecard which covers the years 2013 to 2017.

Response:

Bluewater has filed the requested scorecard with these responses.

b. For every year between 2013 to 2021 that Bluewater earned greater than its deemed ROE, please provide a calculation of the excess net revenue received by Bluewater compared to what it would have been had it achieved its deemed ROE.

Response:

Original ROE calculations per RRR filing:

		2013	2014	2015
a	Adjusted regulated net income	2,985,728	2,649,432	3,157,165
b	Regulated deemed equity %	26,168,620	26,060,386	26,683,496
	Actual ROE = original = a / b =	11.40%	10.17%	11.83%
	Deemed ROE per last COS =	8.98%	8.98%	8.98%
	Excess =	2.42%	1.19%	2.85%

Excess Net Revenue

		2013	2014	2015
a	Adjusted regulated net income	2,985,728	2,649,432	3,157,165
c = b * 8.98%	Regulated net income based on 8.98%	2,349,942	2,340,223	2,396,178
	Excess = a minus b =	635,786	309,209	760,987

Original ROE calculations per RRR filing:

		2016	2017	2018
a	Adjusted regulated net income	3,347,741	2,965,523	3,613,877
b	Regulated deemed equity %	28,230,378	28,753,584	30,463,480
	Actual ROE = original = a / b =	11.86%	10.31%	11.86%
	Deemed ROE per last COS =	8.98%	8.98%	8.98%
	Excess =	2.88%	1.33%	2.88%

Excess Net Revenue

		2016	2017	2018
a	Adjusted regulated net income	3,347,741	2,965,523	3,613,877
c = b * 8.98%	Regulated net income based on 8.98%	2,535,088	2,582,072	2,735,621
	Excess = a minus b =	812,653	383,451	878,256

Original ROE calculations per RRR filing:

		2019	2020	2021
a	Adjusted regulated net income	3,569,866	3,801,479	3,406,768
b	Regulated deemed equity %	32,667,822	35,209,592	36,278,342
	Actual ROE = original = a / b =	10.93%	10.80%	9.39%
	Deemed ROE per last COS =	8.98%	8.98%	8.98%
	Excess =	1.95%	1.82%	0.41%

Excess Net Revenue

		2019	2020	2021
a	Adjusted regulated net income	3,569,866	3,801,479	3,406,768
c = b * 8.98%	Regulated net income based on 8.98%	2,933,570	3,161,821	3,257,795
	Excess = a minus b =	636,296	639,658	148,973

SEC-4

Reference: Exhibit 1 – Section 1.3.9

Bluewater states that it has updated the amortization rate for contributed capital from 25 years to 50 years to better reflect the matching of the amortization period to the related underlying capital assets.

a. Please provide a breakdown of assets for which capital contributions are received and their service lives.

Response:

The breakdown of assets is summarized in the following table:

Account	Description	Life
1830	Poles, Towers & Fixtures	45
1835	Overhead Conductors & Devices	60
1840	Underground Conduit	60
1845	Underground Conductors & Devices	40
1850	Line Transformers	40
1855	Services (Overhead & Underground)	25
1860	Meters	15

b. What was the basis for choosing 50 years for the amortization period for all contributed capital?

Response:

This was an estimated average for all component assets.

c. Did Bluewater consider breaking out contributed capital into its component parts and amortizing them according to the service life of each asset? If so, please provide the calculation including the difference in depreciation and in-service additions. If not, please do so and provide the revised depreciation and in-service additions.

Response:

Bluewater did not consider breaking out the contributed capital due to the use of an overall average (whether 25 or 50 years) applied to the total amount of contributed capital recorded each year.

Account 2440 – Post IFRS

The 2022 year has been updated for the actual amount of gross contributed capital recorded, being $929,669. The 2023 forecast of $1 million has been componentized on the same basis as 2022.

The total revised amortization amounts for each year is presented below.

Account 2440 - Annual Amortization

Year	Original	Revised	Difference
2014	8,852	4,790	4,062
2015	23,268	13,822	9,446
2016	34,172	20,363	13,809
2017	42,339	25,201	17,138
2018	56,911	33,839	23,072
2019	70,146	41,672	28,473
2020	89,411	53,599	35,812
2021	98,590	59,139	39,451
	423,688	252,424	171,264
2022 Bridge	64,530	83,152	(18,622)
2023 Test	84,530	108,983	(24,453)
	572,748	444,559	128,188

The following charts present the componentization of the gross contributed capital recorded in each year from 2014 to 2022, as well as the estimate for the 2023 test year. The allocation percentages are on the same basis as the related in-service assets. Finally, the first year amount of straight-line amortization is presented.

2014

Account	Description	Life	Allocation %	Component	Amortization
1830	Poles, Towers & Fixtures	45	6%	14,126	314
1835	Overhead Conductors & Devices	60	34%	76,294	1,272
1840	Underground Conduit	60	4%	8,070	134
1845	Underground Conductors & Devices	40	37%	82,719	2,068
1850	Line Transformers	40	18%	40,085	1,002
1855	Services (Overhead & Underground)	25	0%	-	-
1860	Meters	15	0%	-	-
			100%	221,294	4,790

2015

Account	Description	Life	Allocation %	Component	Amortization
1830	Poles, Towers & Fixtures	45	14%	50,375	1,119
1835	Overhead Conductors & Devices	60	4%	13,971	233
1840	Underground Conduit	60	6%	20,483	341
1845	Underground Conductors & Devices	40	47%	170,396	4,260
1850	Line Transformers	40	25%	90,383	2,260
1855	Services (Overhead & Underground)	25	2%	6,301	252
1860	Meters	15	2%	8,499	567
			100%	360,407	9,032

2016

Account	Description	Life	Allocation %	Component	Amortization
1830	Poles, Towers & Fixtures	45	7%	19,719	438
1835	Overhead Conductors & Devices	60	3%	8,942	149
1840	Underground Conduit	60	12%	32,237	537
1845	Underground Conductors & Devices	40	61%	166,221	4,156
1850	Line Transformers	40	15%	41,940	1,049
1855	Services (Overhead & Underground)	25	0%	904	36
1860	Meters	15	1%	2,645	176
			100%	272,609	6,541

2017

Account	Description	Life	Allocation %	Component	Amortization
1830	Poles, Towers & Fixtures	45	4%	7,738	172
1835	Overhead Conductors & Devices	60	1%	1,803	30
1840	Underground Conduit	60	15%	30,012	500
1845	Underground Conductors & Devices	40	70%	142,104	3,553
1850	Line Transformers	40	11%	21,886	547
1855	Services (Overhead & Underground)	25	0%	184	7
1860	Meters	15	0%	426	28
			100%	204,153	4,838

2018

Account	Description	Life	Allocation %	Component	Amortization
1830	Poles, Towers & Fixtures	45	12%	45,364	1,008
1835	Overhead Conductors & Devices	60	11%	41,798	697
1840	Underground Conduit	60	14%	51,912	865
1845	Underground Conductors & Devices	40	43%	154,903	3,873
1850	Line Transformers	40	16%	59,596	1,490
1855	Services (Overhead & Underground)	25	0%	378	15
1860	Meters	15	3%	10,359	691
			100%	364,309	8,638

2019

Account	Description	Life	Allocation %	Component	Amortization
1830	Poles, Towers & Fixtures	45	19%	63,056	1,401
1835	Overhead Conductors & Devices	60	3%	8,561	143
1840	Underground Conduit	60	15%	48,403	807
1845	Underground Conductors & Devices	40	31%	103,865	2,597
1850	Line Transformers	40	31%	101,824	2,546
1855	Services (Overhead & Underground)	25	0%	122	5
1860	Meters	15	2%	5,039	336
			100%	330,871	7,834

2020

Account	Description	Life	Allocation %	Component	Amortization
1830	Poles, Towers & Fixtures	45	8%	38,387	853
1835	Overhead Conductors & Devices	60	1%	6,176	103
1840	Underground Conduit	60	15%	73,671	1,228
1845	Underground Conductors & Devices	40	44%	210,876	5,272
1850	Line Transformers	40	28%	135,809	3,395
1855	Services (Overhead & Underground)	25	0%	1,454	58
1860	Meters	15	3%	15,255	1,017
			100%	481,628	11,926

2021

Account	Description	Life	Allocation %	Component	Amortization
1830	Poles, Towers & Fixtures	45	12%	28,221	627
1835	Overhead Conductors & Devices	60	2%	5,229	87
1840	Underground Conduit	60	13%	29,961	499
1845	Underground Conductors & Devices	40	59%	136,191	3,405
1850	Line Transformers	40	11%	25,472	637
1855	Services (Overhead & Underground)	25	0%	312	12
1860	Meters	15	2%	4,084	272
			100%	229,470	5,540

2022

Account	Description	Life	Allocation %	Component	Amortization
1830	Poles, Towers & Fixtures	45	18%	167,155	3,715
1835	Overhead Conductors & Devices	60	6%	57,731	962
1840	Underground Conduit	60	10%	95,142	1,586
1845	Underground Conductors & Devices	40	31%	292,823	7,321
1850	Line Transformers	40	19%	173,640	4,341
1855	Services (Overhead & Underground)	25	14%	129,575	5,183
1860	Meters	15	1%	13,604	907
			100%	929,669	24,014

2023					
Account	Description	Life	Allocation %	Component	Amortization
1830	Poles, Towers & Fixtures	45	18%	179,801	3,996
1835	Overhead Conductors & Devices	60	6%	62,098	1,035
1840	Underground Conduit	60	10%	102,340	1,706
1845	Underground Conductors & Devices	40	31%	314,975	7,874
1850	Line Transformers	40	19%	186,776	4,669
1855	Services (Overhead & Underground)	25	14%	139,378	5,575
1860	Meters	15	1%	14,633	976
			100%	1,000,000	25,831

Account 1995 – Pre IFRS

The total revised amortization amounts for each year is presented below.

Account 1995 - Annual Amortization			
Year	Original	Revised	Difference
2013	284,056	148,504	135,552
2014	289,235	148,504	140,731
2015	288,808	148,504	140,304
2016	293,730	148,504	145,226
2017	293,730	148,504	145,226
2018	293,730	137,822	155,908
2019	293,730	137,822	155,908
2020	293,730	137,822	155,908
2021	293,730	137,822	155,908
	2,624,479	1,293,808	1,330,671
2022 Bridge	82,713	137,822	(55,109)
2023 Test	82,713	137,822	(55,109)
	2,789,905	1,569,452	1,220,453

The following charts present the componentization of the gross contributed capital recorded from 2000 to 2013. Due to Bluewater's accounting system limitations, the contributed capital is grouped into four tranches over these years, specifically 2000-2005, 2006-2010, 2011-2012, and 2013. The allocation percentages are on the same basis as the related in-service assets, only an average is used for each tranche.

2000 to 2005

Account	Description	Life	Allocation %	Component	Amortization
1830	Poles, Towers & Fixtures	45	0%	-	-
1835	Overhead Conductors & Devices	40	21%	333,743	8,344
1835	Overhead Conductors & Devices	60	14%	222,496	3,708
1840	Underground Conduit	50	0%	-	-
1845	Underground Conductors & Devices	5	2%	30,481	6,096
1845	Underground Conductors & Devices	35	33%	518,180	14,805
1845	Underground Conductors & Devices	50	4%	60,962	1,219
1850	Line Transformers	40	22%	345,664	8,642
1855	Services (Overhead & Underground)	25	0%	-	-
1860	Meters	25	3%	44,368	1,775
			100%	1,555,894	44,589

2006 to 2010

Account	Description	Life	Allocation %	Component	Amortization
1830	Poles, Towers & Fixtures	45	14%	370,452	8,232
1835	Overhead Conductors & Devices	40	16%	424,313	10,608
1835	Overhead Conductors & Devices	60	11%	282,876	4,715
1840	Underground Conduit	50	8%	205,207	4,104
1845	Underground Conductors & Devices	5	1%	22,925	4,585
1845	Underground Conductors & Devices	35	15%	389,731	11,135
1845	Underground Conductors & Devices	50	2%	45,851	917
1850	Line Transformers	40	27%	707,809	17,695
1855	Services (Overhead & Underground)	25	3%	90,344	3,614
1860	Meters	25	3%	70,145	2,806
			100%	2,609,653	68,411

2013					
Account	Description	Life	Allocation %	Component	Amortization
1830	Poles, Towers & Fixtures	45	7%	35,276	784
1835	Overhead Conductors & Devices	60	30%	158,712	2,645
1840	Underground Conduit	60	5%	26,030	434
1845	Underground Conductors & Devices	40	28%	152,416	3,810
1850	Line Transformers	40	29%	154,016	3,850
1855	Services (Overhead & Underground)	25	1%	5,988	240
1860	Meters	15	1%	5,389	359
			100%	537,828	12,123

SEC-5

Reference: Exhibit 1 – Table 12 and Attachment 1-4

In the presentation given to Commercial/Industrial/Institutional Customers on March 23rd, slide 23 notes 'We expect bill increases to be less than 1% on a total bill basis'.

a. Is there anywhere else in the customer engagement materials/surveys in which bill impacts based on Bluewater's plans for 2023 were outlined?

Response:

No, only the customer engagement surveys presented the proposed bill impacts.

b. In this application, the total bill impacts for some commercial customers are higher than 1%, i.e. Table 12 shows a total bill impact for GS 50-999 kW – RPP of 5.6% and 3% for GS 50-999 kW – Non-RPP; was this information communicated to customers when asking for their input?

Response:

This proposed total bill impacts referenced above were not communicated to customers as the customer engagement was performed prior to having the impacts related to the changes to the rates other than the distribution rates such as Retail Transmission rates, and deferral and variance account disposition. In the surveys, Bluewater communicated "*This survey focuses on the **distribution** portion of your **electricity bill**, which is included in the "delivery" line item. This is the only component that Bluewater Power controls and keeps in order to run the business. This survey does not pertain to other components of your electricity bill and does not include any components related to your water/sewer charges*."

c. Please provide updated Bill Impacts based on updates done as a result of all interrogatories.

Response:

Please see updated the Tariff Schedule and Bill Impact model, filed with these responses.

SEC-6

Reference: Exhibit 1 – Page 45

With respect to e-billing, Bluewater states that 'it was determined that there would be internal costs to configure the billing system in order for it to determine eligibility (such as tracking the switch between e-billing and paper billing) as well as the administrative burden to monitor the implementation (for example, customers joining e-billing and then switching back to paper billing). It was determined that there were no clear savings in postage that would not otherwise be offset by administrative costs'.

a. Please provide a copy of Bluewater's analysis.

Response:

The paragraph referenced on Exhibit 1, page 47 refers to the discussion surrounding the possibility of customers using a credit card to pay the electricity bill for those customers that would opt to switch to e-billing. There was not a quantitative analysis performed, rather a qualitative analysis through discussion which determined there were factors limiting the implementation of credit card payments as outlined in the reference paragraph on page 47. Given the limiting factors, the decision was made not to pursue recovery of credit card fees in rates at this time.

b. Exhibit 4, p. 27 notes under areas of savings that 'e-billing rates have reached an incredible 35% of customers which drives further savings'. Please reconcile the two statements.

Response:

The statement presented in question #6(a) above, relates to the possible use of credit card payments for those customers that move to e-billing. The opening statement of question #6(a) says 'with respect to e-billing…', Bluewater submits that should say 'with respect to credit card payments…' instead, which may reconcile the two statements. In other words, e-billing success has been very good, but allowing credit card payments for e-billing customers only, in order to encourage customers to move the e-billing, was determined not to be beneficial.

EXHIBIT 2 -RATE BASE

SEC-7

Reference: Exhibit 2 – Appendices 2-AA, 2-B and 2-BA

Please update the bridge year 2022 with the most recent actuals and the 2023 forecast as required.

Response:
These appendices have been updated and submitted as part of the updated OEB Chapter 2 Appendices.

The only change made to 2023 was the inclusion of the land purchase of $900,000. This amount was originally included in 2022 but negotiations for the purchase are continuing and Bluewater expects to complete the purchase in 2023.

SEC-8

Reference: Exhibit 2 – Pg. 88 Working Capital

Please update the Cost of Power and Working Capital to reflect the OEB's most recent Regulated Price Plan Report.

Response:

Bluewater has reflected the updates to the Cost of Power and Working Capital to reflect the most recent RPP report. In addition, Bluewater has incorporated the updated Wholesale Market Service rate and the Rural or Remote Electricity Rate Protection charge per the OEB's Decision and Order (EB-2022-0269) dated December 8, 2022.

SEC-9

Reference: Exhibit 1 – pg. 31, Appendices 2-AA, 2-G and Distribution System Plan (DSP), pg. 45

Bluewater states '…capital expenditures have increased in 2023 by 91% since the last rebasing application. As indicated in Table 7 below, the largest increase is in the System Renewal category. The increase in system renewal has been driven by the deteriorating condition of Bluewater's distribution system. Over the past 10 years, Bluewater has increased its spending to ensure it was replacing assets at a rate that maintained the overall condition of assets and health of its system, while targeting assets most critical in order to improve reliability'.

a. Based on data in Appendix 2-AA, planned spending on System Renewal was $35,185k for the 2013 to 2021 period and actual was $31,848k, a variance of ($3,337k). Please explain why planned budget during this period was not fully spent.

Response:

Bluewater's capital needs have grown considerably during the 10-year period from 2013 to 2023. The primary challenge in achieving the increased System Renewal plan is securing necessary resources. Bluewater has provided a detailed account of its challenges and its successes in recruiting staff (see Exhibit 4, Section 4.4.2.5 FTE Variance Analysis). Currently, Bluewater is well positioned to complete its capital plans on a go forward basis. In 2022 Bluewater fully completed its System Renewal budget. (The budget was exceeded by approximately $350k as explained in response to Staff-12).

b. Section 5.2.32 of the DSP notes that Bluewater did not meet its SAIDI target of 1.66 or SAIFI target of 1.51. Why did Bluewater underspend its System Renewal budget when reliability was not improving?

Response:

As indicated in Part (a) above, Bluewater was unable to complete its System Renewal budget in prior years due to a lack of resources. Bluewater has since taken steps to remedy the staff shortages and expects to complete its capital budget going forward.

SEC-10

Reference: Exhibit 2– Appendix A Kinectrics' 2021 Asset Condition Assessment Report

In this application, Bluewater states that in 2014, it started retaining Kinectrics to complete its Asset Condition Assessment (ACA), which flags for action poles that require attention and further inspection and as a result spending was increased as shown below:

a. Please complete the above table for each year 2013-2022 with the number of poles which were replaced as part of UT15 and under other programs.

Response:

The table below has been completed with the requested information. For information on the unit cost of pole replacements please see VECC-6. The 2022 budgeted amount has also been updated to actual.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
$000	193	181	785	1,151	1,911	1,706	2,041	2,316	1,563	2,077	1,957
# poles replaced under UT15	20	17	90	120	228	181	229	148	127	218	190
# poles replaced under other programs	34	24	95	90	49	96	126	92	89	68	100

b. Please provide information from Kinectrics' 2014 ACA indicating the number of poles flagged for action or poor and very poor. Did Bluewater replace all the poles that were flagged for action in the 2014 ACA? If not, how many of them have been replaced?

Response:

The summary page of the 2014 Kinectrics ACA Summary page which provides the number of poles flagged for action has been submitted separately with the interrogatory responses. The report indicates 45 in very poor condition and 86 poor condition. All poles flagged for action were tested, but not all poles failed and needed to be replaced. In 2014 Bluewater Power replaced 41 poles in total.

c. Bluewater plans to replace approximately 190 wood poles in 2023 and notes that this quantity is in addition to wood poles installed under other programs. Approximately how many wood poles will be replaced under other programs in 2023?

Response:

Bluewater plans on replacing an additional 100 poles in other programs for 2023.

d. Please confirm that Figure 6.4 in Kinectrics' 2021 ACA, Condition-Based Flagged-for-Action Plan of Wood Poles, shows number of wood poles that are forecast to be flagged for action (inspected and/or replaced) each year based on the # of poles Bluewater replaces each year reactively.

   i. Are all the poles replaced under UT15 considered 'proactively' replaced therefore not included in this forecast?

Response:

Poles replaced under UT15 are reactive replacements, although some proactive replacements also occur. A pole which fails the ristograph test is considered a reactive replacement. The forecast considers this reactive replacement in Figure 6.4, based on Bluewater's historical failure rate.

ii. If so, please provide a version of the Figure which includes poles that are replaced both reactively and proactively.

Response:

N/A

SEC-11

Reference: DSP, pp. 95 & 101

On page 95, 5 Bluewater states that it 'does not have the capability to directly track pole top transformer health and therefore does not have the data needed to take a proactive approach', and on page 101'age data is only available for 46% of the population, and inspection data collected is typically based on an overall, full pole assembly, rather than solely the wood pole'. Please provide Bluewater's plan to correct these two gaps in its data and any others it has for other assets.

Response:

As stated, Bluewater does not have the capability to implement a plan to directly tackle the gap in transformer health/age data. However, we do work to collect this data on an incremental basis whenever possible. In 2021 and 2022, we collected age data on 617 pole top transformers and will continue to collect data like this whenever possible.

SEC-12

Reference: DSP, Appendix F Capital Project Sheets, p.73

Bluewater has provided a Project Sheet for Telecommunications – Operations at a budget of $370,000. This project is to replace 4kV radios that are obsolete and no longer supported. Under Alternatives, Bluewater states 'Market alternatives will be considered such as dark fibre and cellular communication'.

a. Why is Bluewater only doing this project in the test year when they should have known that these radios would become obsolete and no longer supported? Why was the work not done earlier?

Response:

Bluewater became aware that the radios we currently use had become obsolete 5 or 6 years ago. At that time, we had spare radios in stock and had also sourced a few used radios which we purchased as additional stock. Since then, our stock has been used up as radios failed and new devices that required communication were put in service. We also found an alternative to our unlicensed 900 MHz radios which we use on remote switches. We have not been able to find a direct replacement for our licensed 1.8 Ghz radios which we use for our 4KV substations. The project is being proposed for the test year simply because of the timing of the depletion of our current radio stock.

b. How has Bluewater determined the budget of $375k when it has not fully explored the alternatives?

Response:

The statement provided was incorrect. This project includes a combination of dark fibre and radio communication. Eight of our eleven 4KV substations in Sarnia are in close proximity to a main fibre run. Connecting dark fibre to those stations will allow the 1.8GHz radios used there to be freed up for use as spares for the other three stations, and allow Bluewater to forgo a cellular option. In addition, the dark fibre would also provide us a secure connection to our stations and give us more bandwidth which would allow for security cameras as well as alarms for smoke and entry.

SEC-13

Reference: Exhibit 2– Appendix 2-AA

For 2013-2021 contributed capital averaged $33k. For 2022 to 2027 Bluewater has forecast $1,000k. Please explain:

a. How Bluewater forecasts its contributed capital.

Response:

Appendix 2-AA does not contain any information relating to contributed capital.

Appendices 2-AB and 2-BA include the gross amount of contributed capital recorded each year. For 2013 to 2021, contributed capital averaged $334K.

The forecast amount of contributed capital to be recorded in Account 2440 is based on the ongoing projects from external parties, such as developers. The recording to Account 2440 relates to the timing of when these projects are completed and energized, trued-up by the Engineering department, and ultimately invoiced.

Based on known and pending projects, their estimated energization dates, and estimated final construction costs, an estimate was made for 2022 and 2023 of the amount of contributed capital to be received. Based on this, the forecast of $1 million for 2022 and 2023 was based on the estimate of when these projects will be invoiced and therefore recorded in the accounts.

It is noted that when a project is completed and energized, the corresponding capital costs are removed from Assets Under Construction (Account 2055) and recorded to the various OEB capital asset accounts.

For residential subdivisions, contributed capital is recorded after initial energization, and commercial projects are recorded one year after initial energization.

b. What were Bluewater's 2022 System Access expenditures and the corresponding contributions.

Response:

Bluewater's final 2022 System Access expenditures are $1,950,902.
Bluewater's final contributed capital recorded in Account 2440 in 2022 is $929,669.

c. Why Bluewater has assumed capital contributions will increase in the 2022-2027 period.

Response:

In the past few years, there has been a large increase in the number of subdivisions and other capital work initiated by third parties, such as developers. It is because of this recent growth that Bluewater has forecast $1 million in contributed capital each year from 2022 to 2027, as this level is expected to be the new norm.

SEC-14

Reference: Exhibit 2– DSP, Appendix E Fleet Management Plan, Section 5.1 Forecasted Fleet Asset Replacements

a. Please provide the status of delivery of vehicles forecasted for 2022.

Response:

See AMPCO-11 and 12, but we can confirm the 2022 replacement vehicles arrived on the following dates:

- 116 Medium Duty arrived July 14, 2022
- 99 Medium Duty arrived August 5, 2022
- 64 foot Bucket Truck arrived December 15, 2022

b. The Plan states 'We will meet later this year and discuss vehicle replacement for 2023 depending on findings of the ACA's this year.' Please provide an update.

Response:

There has been no change to the plan, and the 2023 replacement vehicles are expected to be delivered on the following dates:

- 87 Light Duty expected June, 2023
- 89 Light Duty expected June, 2023
- 111 Underground expected August, 2023

EXHIBIT – 3 LOAD FORECAST

SEC-15

Reference: Exhibit 3– Appendix 2-IB

Please update the load forecast and customer numbers for the Bridge Year 2022 with actuals and revise the 2023 load forecast as required.

Response:

Bluewater has updated the load forecast and customer numbers for 2022, and the resulting 2023 load forecast is provided.

SEC-16

Reference: Exhibit 3– p. 13

Bluewater states that for 2022 'Intermediate demand is forecast to decline by 7.5%, primarily due to a post-CFF PSUP project.'

a. Please explain what is meant by 'post-CRR PSUP project' and its effect on demand.

Response:

The "post-CFF PSUP project" refers to a post-Conservation First Framework Process & Systems Upgrade Program project. It is a CDM project initiated prior to cancelation of the Conservation First Framework that was undertaken in 2022. It is a cogeneration system project undertaken by Bluewater Health (Customer 5 of the M&V reports) that reduces the customer's billed demands by 631 kW.

b. What was the actual intermediate demand in 2022 compared to forecast?

Response:

Forecast 2022 Intermediate billed demand was 226,758 kW and actual billed demand was 228,541 kW (among customers remaining in the Intermediate class in 2023).

SEC-17

Reference: Appendices 2-JA, JB, JC, K and L

a. Please update Appendixes 2-JA, JB, JC, K and L for actuals for 2022 and adjust the 2023 forecast as required.

Response:
The updated appendices have been submitted with these responses.

SEC-18

Reference: Appendices 2-JA, 2-K

SEC is seeking to understand better the Applicant's approach to the pacing of spending. Please confirm:

a. Please confirm that OM&A increased annually from 2013 to 2021 by a compound annual rate of 0.87% per year.

Response:

Confirmed. Although this includes a temporary decline in spending in 2020 and 2021 as explained in Exhibit 4, Section 4.1.6 OM&A Trends.

b. Please confirm that OM&A is expected to increase from 2021 to 2023 by a compound annual rate of 9.4% per year.

Response:

Confirmed. An explanation for the increase in spending is provided in Exhibit 4, Section 4.1.7 "The Increase in OM&A from 2021 Actual to 2023 Test Year".

c. Please provide details of the pacing principles that have been applied to cause this result.

Response:

Please see Exhibit 4, Section 4.1.6 and Exhibit 4, Section 4.1.7.

d. Please confirm that FTE's increased over the eight years 2013-2021 by 6.1, but are proposed to increase over the two years 2022-2023 by 14.7.

Response:

Confirmed.

e. Please provide details of the pacing principles or other factors that justify this pattern of employee growth.

Response:

Bluewater has not only increased its capital plan, but we have also brought more work in-house over the ten-year period. As set out in response to CCMBC #4, the growth in FTEs did not impact OM&A, rather, the growth in FTEs was driven by capital work because of the dual pressures of increased capital spending and the move to perform more capital work with in-house resources.

We also note that Bluewater experienced a turnover rate in 2021 of 13.6%, which was more than double the ten-year average turnover rate of 5.6% (see Table 16 in Exhibit 4). As demonstrated in response to SEC-23 below, the vacancy rate experience by Bluewater in the years of 2020 and 2021 were unprecedented compared to prior years, and Bluewater is on track in 2022 to restore vacancy rates to more normal levels.

EXHIBIT 4 – OPERATING COSTS

SEC-19

Reference: Exhibit 4– p. 11

Bluewater indicates it has assumed an average inflation factor of 6.6% for 2023 based on the following:

- For union employees 2%
- For non-union employees 4.1%
- For materials, fuel, etc. 10%
- For other 4%

a. Please provide how Bluewater calculated its 6.6%.

Response:

To help clarify, Bluewater provides the following excerpt from Exhibit 4, page 11 of the application:

"For the 2023 Test Year, an inflation factor 10% has been applied to expenses related to fuel, materials and fuel related services such as snow and waste removal. A 4% inflation factor has been applied to other expenses, for an average inflation factor of 6.6%. Expenses with known increases such as vegetation management have not had an additional inflation factor applied to them."

The average inflation factor of 6.6% was meant in reference only to the average inflation rate applied to non-labour expenses. In preparing the response to this interrogatory, Bluewater notes it should have stated the average inflation factor for non-labour expenses was 6.2%, as demonstrated in the table below which provides the expenses reported in 2022 and the increased expenses in 2023:

Non-Labour OM&A Expenses	2022	2023	Increase
Non-Labour High Inflation Items	1,463,552	1,609,894	10.0%
Non-Labour All Other Items	2,454,758	2,552,435	4.0%
Total	3,918,310	4,162,329	6.2%

b. Why does Bluewater feel it is appropriate to use 6.6% inflation when the OEB's approved number is 3.7%?

Response:

Bluewater has applied for rates under the Price Cap IR methodology in which base rates in the first year are set through a cost of service process. This process uses a forward test year which requires the applicant to forecast their costs for that base year. Bluewater submits the inflation factors used in its

application and resultant costs reflect the actual costs it will experience in 2023. More specifically, the OEB's approved inflation factor of 3.7% for 2023 IRM applications is based on actual inflation data for 2021 relative to 2020; it is not a forecast of inflation for the year 2023.

SEC-20

Reference: Exhibit 4– Table 7, p. 16, 23 & 54, Appendices 2-JB & 2-JC

Based on data in J-2B (note that vegetation management #s in Appendix 2-JB in Excel do not match Table 7 in Exhibit 4), Bluewater reduced its tree trimming each year 2018 to 2020 for a cumulative total of $146k, In 2021 Bluewater spent $187k, stating that 'the Vegetation Management budget for 2021 was at an unsustainable level representing an underspend of the budget by approximately $80,000 in the year.' Also Bluewater notes that 2020 and 2021 spending were affected by COVID.

a. Bluewater explained that the reduction in 2020 was due to the contractor having issues with COVID; please explain why spending was reduced in 2018 and 2019 when tree contacts were still responsible for outages.

Response:

Bluewater confirms that Table 7 in Exhibit 4 was not updated. The correct numbers are found in Appendix 2-JB, as filed.

Bluewater does not agree with the characterization of the negative variance in 2018 and 2019 as a reduction in spending. The annual cost for each year in the 4-year cycle is not uniform. Some years in the cycle require less work and, therefore, are less cost intensive. Therefore, one would expect annual variance in spending driven by the fluctuation in annual costs rather than a shortfall in anticipated work.

Accordingly, the more meaningful comparison is to look at actual spending versus budget. In response to AMPCO-25, Bluewater has provided a comparison of budget to actual for vegetation management. The table show that Bluewater overspent its vegetation management budget in 2018 by 13%, and the underspent its 2019 budget by 14%. That would indicate that Bluewater was starting to see challenges with its contractor prior to COVID-19, but that the underspending versus budget was most significant in 2020 and 2021.

b. What was the total underspending in 2020 due to COVID?

Response:

The 2020 Actual spending on vegetation management was $138,064. The budget was set at $220,565 and, therefore, the shortfall in 2020 (which was driven primarily by COVID) was $82,501 (37%).

c. Please provide an update on actual spend on vegetation management for 2022 and break it down between regular cycle spend, catch up from previous years and demand work.

Response:

Cost Driver	2022
4-year cycle	$156,353
Catch-up	$72,946
On-Demand	$79,739
Internal Labour	$44,396
TOTAL	**$353,434**

d. Please breakdown the forecast for 2023 between regular cycle spend, catch up from previous years and demand work.

Response:

Cost Driver	2023
4-year cycle	$150,000
Catch-up	$74,000
On-Demand	$116,000
Internal Labour	$60,000
TOTAL	**$400,000**

e. Why is Bluewater forecasting an increase in demand work in 2023?

Response:

The increase in On-Demand work was a consistent trend seen prior to the onset of COVID-19 and contractual dispute with its prior tree contractor. The increase in On-Demand work is primarily driven by environmental factors in three ways. First, it reflects increased risk due to dead Ash trees which are typically only dealt with on an emergency basis. Second, it reflects increased growth rate in trees driven by climate change. Third, and more significant, a heightened awareness of the importance of ensuring adequate separation in order to protect the system from the increased risk of wind damage.

f. Was Bluewater operating under the new contract through all of 2022?

Response:

The new contract commenced July 1, 2022.

SEC-21

Reference: Exhibit 4– p. 17 & 118

One of Bluewater's strategies for reducing OM&A costs is to achieve Economies of Scope by sharing employees and assets with affiliates. Bluewater states 'Under this model, costs are shared from the distribution company to affiliates that would otherwise form part of the operating cost to be recovered through rates from ratepayers.' Bluewater has excluded $1,184,190 of costs that might otherwise form part of the OM&A claimed from ratepayers during the 2023 Test Year.

a. Please confirm that this $1.2M represents wages, etc., of Bluewater staff who do work for affiliates and expenses related to assets that are used by affiliates.

Response:

Confirmed. The affiliates each have their own staff and their own assets, but Bluewater also shares employees and assets with affiliates on a fully-allocated basis.

b. Are these staff shared with affiliates or do they work solely for the affiliate?

Response:

The shared staff are employees of Bluewater and shared with affiliates. There are no staff shared in their entirety from Bluewater to an affiliate; rather, the shared employees have primary responsibility with Bluewater but are shared on an hourly basis with the affiliate.

Each of the affiliates have administrative staff, as well as hands-on staff (with the exception of Bluewater Power Renewable Corporation, which merely holds passive investments). Employees that work for the affiliates full time are employed by the affiliates.

c. If these staff were not doing work for the affiliates, would they be working for Bluewater and if so, what work would they be doing?

Response:

Bluewater achieves efficiencies by sharing employees, and the sharing of employees is also critical to our strategy for attracting and retaining employees.

The work performed for affiliates "fills the gaps" for most classes of employees; if gaps do not exist, then employees are required to find efficiencies in their workday to accomplish the increased workload. If the affiliate work did not exist, then Bluewater would be required to perform a needs assessment to determine how many positions could be eliminated.

In closing, we offer the brief summary below of the nature of employees shared:

- **Management**: There is approximately $375,000 of management costs shared from Bluewater to its affiliates. These allocations are spread amongst ten management employees. This effectively means that those employees must find efficiencies to manage their workload, with no change in the overall number of management employees.
- **Water billing Costs:** Included in the charge for water billing costs is approximately $102,500 of shared employee costs representing Billing and Customer service staff. This amount is spread over 18 staff. This effectively means that those employees must find efficiencies to manage their workload, with no change in the overall number of employees.
- **Shared Staff**: The 2023 allocation of Share Staff has been set at $603,673 which is expected to be broken down as follows:
    - Operations Support Staff: Of the $600k allocation, it is expected that 5-10% will be staff from Operations Support. This time would otherwise be engineer design time dedicated to Capital. This effectively means that those employees must find efficiencies to manage their workload, with no change in the overall number of management employees.
    - Operations Service Staff: Of the $600k allocation, it is expected that 90-95% will be staff from Operations Service. This is primarily Powerline Technicians who would otherwise be dedicated to capital and maintenance.
    - Other employees: There are other miscellaneous occasions where employees shared from time-to-time to assist with affiliates on an hourly basis.

SEC-22

Reference: Exhibit 4– p. 20

Bluewater refers to the Oversized Load Corridor Project (OLC) in 2020 and 2021 as a large billable work project that affected OM&A in those years.

a. What work was done by Bluewater and how much of the $4.1M was capital and how much OM&A?

Response:

The $4.1M was Billable Work, which Bluewater billed and was paid for by third parties.

b. Is Bluewater stating that without the OLC project it would have spent those dollars on other projects which would not have been recoverable?

Response:

Bluewater cannot confirm the statement. The primary consequence of the OLC project was that the labour (not dollars) were not available to Bluewater for other OM&A and capital. Certainly, the labour amount would have been used for OM&A and capital work if the OLC project did not occur.

The $4.1M of revenue was recovered over four years and broken down between:

- Materials in the amount of $2.7M, and
- Labour cost recovery in the amount of $1.4M.

The Labour dedicated to the OLC project was not available to perform Capital or OM&A. There was a shortfall in achieving the Capital plan in those years, but there was also a shortfall in OM&A. As detailed below, there was maintenance work that was not able to be completed due to the demands on the workforce and that is reflected in the lower OM&A in the years 2020 and 2021.

c. If so, what would Bluewater have spent the dollars on?

Response:

First, the available Labour would have assisted Bluewater to achieve its capital plans. This would have the effect of reducing Rate Base going into this 2023 Cost of Service application.

Second, the available Labour would have assisted Bluewater in maintaining its distribution system. We provide the following examples of maintenance work that was not completed, or only partially completed, during the period of 2020 and 2021. These activities form part of Bluewater's normal OM&A and, although these efforts fell short in 2020 and 2021, they will now form part of 2022 and 2023 OM&A as we return to more normal operations:

- Subdivision Maintenance: Electric utilities typically carry out periodic inspection of subdivision transformers and related equipment, but these activities were put on hold due to limited resources. The inspections typically include cleaning, and often identify the need for capital upgrades not ordinarily detected during the regular inspection cycle. These maintenance costs can range from $100,000 to $200,000 annually, and no regular inspections took place during 2020 and 2021. The only inspections that took place were in response to customer complaints, such as noise from transformers.
- Trouble Shooting and Investigations: Whether due to a lower number of calls or more limited time for Powerline Technicians and Supervisors to fully investigate trouble calls, there was reduced spending of approximately 25% in trouble calls in 2020 and 2021 (approximately $100,000). Related to that, for example, although copper theft continued to be a significant problem during that timeframe, resources were not available to patrol trouble areas for damage following a reported incident.
- Airbrakes, reclosures and switches are typically inspected at regular intervals, but were delayed due to lack of resources.
- Line Supervisors had limited time to manage third-party contractors who were themselves facing resourcing issues (such as tree-trimming, water washing, etc.), which not only led to underspending on those third-party costs, but less supervisor time dedicated to these maintenance items.
- Training: In the year 2020 and 2021 there was a shortfall of nearly $100k and $50k, respectively, in terms of labour booked to training due to lack of available time for operations staff to participate in training (aggravated by COVID discussed below). Training is essential to the safe operation of a distribution system, and delay in training is not sustainable.

Although not related to workload, it is important to point out in the context of this question that the OLC Project coincided with COVID-19. The following are examples of shortfalls in labour booked to OM&A related to COVID restrictions:

- Meter Maintenance was delayed due to difficulties getting access to meters due to COVID restrictions, particularly polyphase meters for businesses. The reductions in 2020 and 2021 were approximately $100k in 2020 and $50k in 2021.
- Training from third-parties was simply not available during COVID, which meant that staff were not booking time to training which forms part of OM&A. There is an unexpected "catch-up" with training costs as some qualifications expired, so re-certification is required rather than updates to training (for example, IHSA training requires 3 days of training for recertification versus the normal 1 day update course)

SEC-23

Reference: Exhibit 4– pp. 47 & 109, Table 24

Table 24 shows a gross increase in FTEs of 1.8 (116.2 to 118) and net increase of 2.7 (74.5 to 77.2). With respect to the 2023 over 2022 variance, page 108 states 'Bluewater is expecting there will be movements within the current complement of staffing levels but the overall total headcount should be reduce[d] by one'. Page 47 states '2023 has no increase in headcount'.

a. Please explain the discrepancies in the statements.

Response:

The statement '2023 has no increase in headcount' is correct as there are no new hires forecast in 2023. Headcount refers to roles (whether full year or part year), whereas FTE refers to the portion of the year for which the role exists (a role filled for half the year is 0.5 FTE). Therefore, the additional FTEs in 2023 over 2022 is driven by the full-year impact of positions filled in 2022.

The statement on page 108 is correct. The headcount is reduced by one due to the elimination of one position. The statement on page 47 is also correct (headcount did not increase), but it was not as accurate as the statement of page 108 (headcount actually decreased).

b. Does Bluewater budget based on FTEs or headcount?

Response:

Bluewater budgets by FTE, meaning if a position is filled mid-year that is accounted for as a 0.5 FTE and half the annual compensation is budgeted for that year.

c. If by headcount, please provide a table similar to Table 24. If by FTEs please provide variances by FTEs.

Response:

Bluewater budgets Gross FTEs and forecasts for the allocation of labour to Capital, Affiliate and Billable Work. We present in the table below the budgeted Gross FTEs with the Actual Gross FTEs in the corresponding year. The variance analysis demonstrates close correspondence between budget and actual for all years except 2019 to 2021; those years are reflective of our effort to ramp-up staff to respond to the OLC Project, as well as unexpected turnover experienced in those years.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Budget	N/A	101.8	104.2	103.9	113.9	116.8	122.6	122.5	122.7	116.2	118.0
Actual	102.8	100.9	105.1	105.4	113.6	114.8	114.2	109.4	108.3	111.4	N/A
Variance		(0.9)	0.9	1.5	(0.3)	(2.0)	(8.4)	(13.1)	(14.4)	(4.8)	

SEC-24

Reference: Exhibit 4– p. 68

Page 68 states 'Bluewater has forecast succession planning costs of approximately $95,000 to account for two potential retirements.' Dollars for succession planning and training are also included under Regulatory.

a. Please explain what succession costs include and how are they calculated.

Response:

Bluewater anticipated the retirement of two of its three Lines Supervisors in the year 2023, which will create a significant skills and experience gap in the operations management team. We have, accordingly, budgeted a full year of overlap in the 2023 Test Year; that is one FTE, whether one body for the full year or two bodies for six months. At this point, Bluewater has promoted one additional Lines Supervisor for the remainder of the year, while we anticipate the two retirements will take place in late summer and fall of 2023, respectively.

With respect to the Regulatory Department, the current manager is expected to retire in the fall of 2023 and her replacement will begin in April/May of 2023.

b. How has Bluewater accounted for the decrease in labour costs associated with a potentially younger and/or less experienced employee replacing a retiring employee?

Response:

The employees being replaced are senior positions, and they will be replaced by equally senior people. Therefore, the result suggested by the question is not expected to occur for either the Line Supervisors or the Regulatory position, so it has not been budgeted in that manner.

SEC-25

Reference: Exhibit 4– p. 69 & 88, Appendix 2-K

For 2023 compensation, Incentive Pay for 2023 Test Year has been included in OEB Appendix 2-K as 90% of the gross amount paid to employees.

a. What is the total amount of Incentive Pay forecasted in Bluewater's 2023 OM&A? What percentage level of possible pay does this represent?

Response:

The incentive pay shown in Appendix 2K is $565,471, being the amount included in rates for recovery; as noted by the question, this amount represents 90% of the total incentive pay forecast for 2023 OM&A. Accordingly, the gross amount budgeted for 2023 is $628,300.

b. What amounts were paid out in Incentive Pay historically for each year? What percentage level of the total possible pay out did these represent?

Response:

The chart below represents actual incentive pay for the respective fiscal year. These annual amounts differ from Appendix 2K because the amounts below represent the actual incentive earned and eventually paid on the fiscal year, whereas Appendix 2K represents the amount accrued at year-end. The total over all ten years for the table below and Appendix 2K do match, so the differences are only timing.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Gross Inventive Pay ($)	313,910	396,038	449,987	506,204	511,588	538,981	540,752	556,505	605,228	610,000	628,300
Percent Payout	75%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

c. Bluewater indicates the Incentive Pay is based on Corporate Performance indicators. Please provide a list of these indicators and their values related to Incentive Pay, e.g. how do you determine if Incentive Pay will include the full 20% for Customer Focus.

Response:

The Corporate Performance Indicators and their value to overall performance score is set out below. If the factor is not met, it would be scored as 0% unless the Board of Directors determines otherwise.

Operational Effectiveness

- Distribution System Performance requires the company to yearly identify and complete reliability or safety projects as determined by the board annually.	10%
- The company will improve cost efficiency through innovation, including cost avoidance and productivity with a yearly incremental target of $100k. This could include identifiable and sustainable savings in operations, maintenance, administration, or capital spending.	10%

Safety Focus

- The Company must maintain a safe environment for their employees and the public through the attainment of zero lost time accidents. If a lost-time accident does occur, the Senior Management team, with approval by the Board of Directors, will determine, (a) if the incident was significant and (b) if the incident could have been avoided through improved training or attention to safety. Based on the results of the review, the Board shall determine the earned incentive for this metric from 0-25%.	25%

Financial Performance

- The Bluewater Power Group of Companies will meet the budgeted net income before taxes for the fiscal year, absent any unusual extraordinary factors beyond the control of the Corporation, in the sole discretion of the Board of Directors. Based on the results, the Board shall determine the earned incentive for this metric from 0-20%.	20%
- The performance will include a 5% stretch target on net income before tax which may be adjusted annually by the Board.	5%

Customer Focus

Customer Service measures the quality of service provided as measured on industry metrics noted below, which provide a clear picture as to how we service our customers from all corporations.

- More than 65% of phone calls answered in less than 30 seconds	5%
- More than 80% of Rural/Urban emergency calls responded to within 60/120 minutes	5%
- More than 90% of Low Voltage connection requests completed in less than 5 days	5%
- Maintain more than 90% billing accuracy	5%

Public Policy Responsiveness

The company will meet all legislative, regulatory requirements or other initiatives in support of furthering public interests. Annually, two (2) initiatives will be presented for approval of the board as the key priorities on which performance shall be reviewed.	5%*2

SEC-26

Reference: Exhibit 4– p. 140, Appendix 2-M

Ongoing Regulatory costs have increased by $102k from 2022 to 2023, partially attributable to an increase in staff and other resources allocated to regulator matters and legal and consulting costs. What additional work in regulatory is Bluewater anticipating above and beyond the rate application?

Response:

The full amount of OEB Assessment costs will be recovered through 2023 rates.

The only other additional cost relates primarily to succession planning. There is no additional work anticipated to be accomplished other than the transitional work which is, of course, significant for a regulated entity.

EXHIBIT 5 - COST OF CAPITAL

SEC-27

Reference: Exhibit 5

a. Please update Bluewater's cost of capital parameter, as required, to reflect the OEB's October 20, 2022 letter.

Response:

Appendices 2-OA and 2-OB have both been updated and are included with the revised OEB Chapter 2 Appendices model filed with these responses.

b. What is Bluewater's update to the current interest rate of 3.4% for its Term Loan #1?

Response:

The updated rate for the existing Term Loan #1 is 5.62%.

c. Please provide an update on the status of Bluewater's Term Loan #2 and forecasted interest rate.

Response:

See response to Staff-5 (a).

d. Term Loan #2 appears to be $14,250,000 for ten years at 6.373%. Please provide all documents, reports, memoranda, communications and other written materials in which the Applicant sought or obtained advice on the risks and benefits of obtaining a large term loan at a time of high market interest levels.

Response:

There are no such materials. The timing of the loan is discussed in the response to Staff-5 (e).

EXHIBIT 6 – REVENUE DEFICIENCY

SEC-28

Reference: Exhibit 6 – Appendix 2-H

a. Please provide an update to Other Revenue for 2022 year to actuals.

Response:

Appendix 2-H has been updated with actual values for 2022. It is included with the revised OEB Chapter 2 appendices filed with these responses.

b. Please update the Other Revenue as per the OEB's November 3, 2022 letter.

Response:

The OEB letter on November 3, 2022 titled 'Distribution Pole Attachment Charge for 2023' has set the pole rental rate at $36.05. The reference is EB-2022-0221.

The estimated total number of poles from all companies used in the calculation is 6,974 which is the same figure used in 2021 and 2022 in Exhibit 9, page 21 of 32.

Thus, 6,974 x $36.05 = $251,413. The original amount was $249,669. Hence, this results in an increase of $1,744.

As a result, the total amount for Account 4210 'Rent From Electric Property' is now $428,534 (previously $426,790).

c. Please provide actuals/forecast for 4375 and 4380 in 2022 and 2023.

Response:

Please see Exhibit 6.3.4 on pages 47-49.

The 2022 draft actuals for Account 4375 is $508,915 and Account 4380 is $485,652.

The 2023 forecast for Account 4375 is $8,300 and Account 4380 is nil. This solely relates to MicroFit generation revenue. No amounts can be reasonably forecast for Streetlight Installations as this is demand driven by developers. No amounts are forecast for CDM programs as this activity has now ceased.

EXHIBIT 7 – COST ALLOCATION

SEC-29

Reference: Exhibit 7– Table 12

Please provide the revenue changes resulting from the adjustments to the proposed 2023 R/C ratios, e.g. how much additional revenue added to Residential Class, how much deducted from the GS < 50kW Class**.**

Response:

Please see the table below:

Rate Class	R/C Ratio before adjustment	Revenue before R/C adjustment $	R/C Ratio Proposed	Revenue after R/C Adjustment $	Variance $
Residential	92.83%	16,065,831	95.27%	16,488,053	422,221
General Service < 50 kW	122.08%	4,027,897	120.00%	3,959,381	(68,516)
General Service > 50 kW	94.26%	3,605,878	95.27%	3,644,623	38,745
General Service 1000-4999 kW	102.23%	744,828	102.23%	744,828	-
Large Use	133.97%	2,383,396	115.00%	2,045,847	(337,549)
Unmetered Scattered Load	189.21%	158,590	120.00%	100,580	(58,010)
Sentinel Lighting	90.71%	61,832	95.27%	64,941	3,109
Street Lighting	107.40%	623,846	107.40%	623,846	-
Total		**27,672,099**		**27,672,099**	**0**

SEC-30

Reference: Exhibit 4– General

SEC is seeking to understand why the cost to deliver electricity to schools and similar customers in the Applicant's service territory is higher than in other comparable LDC franchise areas. The table set out below contains the 2022 distribution charges for a GS>50 customer with a 100kW monthly demand for the Applicant and ten other LDCs, and the proposed 2023 distribution charges for the Applicant. The ten LDCs are those to which the Applicant was compared in EB-2012-0107, less those that have been the subject of acquisitions in the meantime.

Bill Comparisons for Schools

Monthly Demand 100 kW

GS>50

LDC	Fixed	Variable	LRAM	Other	Total	Annual
Bluewater	$163.49	$475.08	$50.73		$689.30	$8,271.60
E.L.K	$179.82	$160.95	$12.31		$353.08	$4,236.96
Entegrus	$81.99	$392.53	$22.45		$496.97	$5,963.64
ERTH Power	$133.52	$322.93			$456.45	$5,477.40
Essex	$252.83	$244.50			$497.33	$5,967.96
Festival	$254.64	$274.91	$16.84		$546.39	$6,556.68
Kingston	$117.69	$357.86			$475.55	$5,706.60
Niagara Peninsula	$134.34	$373.98			$508.32	$6,099.84
Wasaga	$38.07	$574.34			$612.41	$7,348.92
Welland	$309.45	$333.68			$643.13	$7,717.56
Westario	$250.14	$263.98	-$10.03		$504.09	$6,049.08
Average w/o BPDC	$175.25	$329.97	$10.39		$509.37	$6,112.46
Bluewater Proposed	$163.49	$550.68	$113.55		$827.72	$9,932.64
Increase over 2022						20.08%
Excess to Average						62.50%

With respect to this table:

a. Please confirm that the figures in the table correctly set out the rates from the final rate orders of each LDC for 2022, and for the Applicant the proposed rates for 2023 from this Application.

Response:

Bluewater has confirmed the rates reflect the 2022 approved rates, however we note that while Entegrus has two rate zones only the St Thomas Energy Rate zone has been included with the "Main" rate zone having been excluded. Bluewater confirms the rate presented for 2023 is as filed.

b. If the Applicant believes that any of the comparators should not be included, please prepare a similar table without them, and provide an explanation for why they should be excluded.

Response:

On the question of comparing the appropriateness of rates for GS>50 customers with a demand of 100 kW, Bluewater is not in a position to comment on which of the 71 regulated electricity distributors currently operating in Ontario would be comparable to Bluewater. To begin to perform such an analysis one would have to compile and normalize for the varying attributes for all 71 distributors, a task that Bluewater has not performed and cannot perform with the resources and time available.

The OEB currently conducts total cost benchmarking to generate efficiency rankings and to assign distributors to one of five groups based on total cost performance. Bluewater maintains that this is

currently the most effective way to compare with other LDCs. The OEB's analysis, however, stops short of reviewing the translation of those total costs into rates for customers, a process that is affected by many factors that can produce varying final rates for any particular customer within a class. Such factors include the following:

a) Cost allocation methodology-each distributor weights the allocation of several costs across its customer classes based on its own experience.
b) Customer composition-the mix of customers both across the Board mandated rate classes and within each class, which differs from distributor to distributor, can impact the costs ultimately allocated to each rate class and to each customer within each class.
c) Rate design-the impact on, in this case, a 100 kW demand customer in a rate class that spans 50 kW demand to 999 kW demand is impacted by the fixed/variable split used within the rate class, a split which exhibits wide variation amongst Ontario distributors, an issue which can be further complicated when, in the case of the GS>50 class, companies have different upper limits for the class.
d) CDM impacts-it is possible that successful CDM impacts on the consumption of the larger customers in the rate class will shift costs onto the smaller customers within the same class as volumetric rates increase to account for declining demand.
e) Distributor specific cost characteristics-specific factors that drive cost differentials between distributors include customer density, amount of rural space, kms of distribution line etc., differences which the OEB total cost benchmarking accounts for but which, when passed through into rates, will cause cost differentials between distributors even when those distributors may perform similarly on a total cost benchmarking basis. By way of example, although Halton Hills Hydro Inc. is ranked 4th in the province in the Board's Total Cost Benchmarking results (as of the latest report covering the 2019-2021 period) Halton Hills Hydro Inc. is 10th highest in terms of annual cost per GS>50 customer with a 100 kW demand profile based on 2022 rates.
f) Revenue to cost ratios-the OEB allows a range of revenue to cost ratios for the GS>50 class of .80 to 1.20, such that it is possible that the difference in revenue collected from GS>50 customers can be materially impacted from distributor to distributor based on their approved ratio.
g) Regulatory impacts-there are a variety of impacts that can skew the analysis based on regulatory constructs, i.e. some distributors may be accounting for some revenue from customers outside of their base rates until their next rebasing as a result of ICM or ACM riders, or deferral accounts that track items like increased OEB cost assessments.

c. If the Applicant believes that any other comparators should be included, please prepare a similar table with them, and provide an explanation for why they should be included.

Response:

Bluewater has compiled a list of all LDCs (see attached file labelled SEC-30), along with the 2022 approved rates from the rate orders on the OEB website in order to compare the General Service > 50 kW rates from across the province. Of 71 rate zones listed (accounting for LDCs that have more than one rate zone), Bluewater, based on its own 2022 rates, ranks 25th highest in annual bill for this rate class, with 24 LDC rate zones having higher bills, representing 34% of all rate zones.

Based on its 2023 COS proposed rates compared to other LDCs 2023 rates (using their 2023 rate orders when available, otherwise applying a 3.4% increase based on the OEB's approved 2023 inflation factor and applying a generic -0.3% stretch factor) Bluewater still has rates lower than 13 rate zones representing 18% of all the rate zones in the province. In providing the 2023 analysis Bluewater notes that there are 9 other Cost of Service applications for 2023, 15 for 2024, and 9 for 2025, applications which have the potential to materially impact the GS>50 rates for those 33 distributors.

Bluewater further notes that, based on the Board's 2020 Yearbook data, on a customer weighted basis the 13 rate zones with higher GS>50 rates for 100 kW demand customers represent in excess of 44% of the GS >50 customers in the province; in other words, it appears to Bluewater that its GS>50 customers are below the 56% percentile in the province in terms of annual cost for distribution service for 100 kW demand customers, assuming a relatively constant ratio of 100 kW demand customers to overall GS>50 customers per distributor. Note that Bluewater does not have access to the breakdown of the number of GS >50 customers in the subset of Alectra's Horizon rate zone or Synergy's Kenora rate zone in 2020, so excluded their numbers from the analysis; even a very conservative estimate of the Horizon rate zone's number of GS>50 customers in 2020 would likely improve Bluewater Bluewater's results below the 48% percentile.

Bluewater submits that it is not appropriate to include LRAMVA rate riders in this analysis as these rates are meant to capture lost revenue from prior periods, whether that be for one-year lost revenue or multiple years of lost revenue, or some LDCs may not apply for any lost revenue in a given year. Given the temporary nature of these rates, a more accurate comparison would be using the Service Charge and the Distribution Volumetric rate without the inclusion of the LRAMVA rate rider. An excel version of the spreadsheet is provided.

Please see excel file labelled SEC-30 which contains the 2022 rate comparison, and the 2023 rate comparison.

d. Please confirm that the Applicant's 2022 bill for this typical customer is 35% higher than the average of the comparators listed below, 95% higher than the lowest of the comparators, and the highest of the 11 LDCs listed. Please provide the same response for any revised table prepared by the Applicant.

Response:

Bluewater confirms based on the information provided in this question the values are correct. However, please see 2022 tab in the accompanying excel file, for data related to all LDCs. Bluewater submits the following comparisons for 2022:

- Bluewater is 7% higher than the average of all LDCs in the attached excel file
- Bluewater is 165% higher than the lowest of all LDCs in the attached excel file
- Bluewater is 221% lower than the highest of all LDCs in the attached excel file

e. Please confirm that the Applicant proposes in this Application to increase the distribution bills for these typical customers by more than 20% in 2023.

Response:

Bluewater proposes to increase distribution bills by 20% if including LRAMVA rate rider, however excluding the LRAMVA rate rider as described as more appropriate in response to part (c) above, the distribution portion of the bill is proposed to increase by 11.8%. Furthermore, the total bill impact for a customer using 100 kW per month as applied for is 3% based on the original application.

f. Please provide a detailed explanation of the reasons why customers in Sarnia, such as schools, are being asked to pay distribution costs materially higher than customers in Welland, Niagara Falls, Chatham, Stratford and Wasaga, plus other such towns.

Response:

Bluewater does not have an explanation for the reasons its commercial customers pay a higher rate than customers within the towns indicated. Bluewater believes its costs are reasonable, as demonstrated by the results of the Total Cost Benchmarking study, which places Bluewater in Group 3, with actual costs 4.2% below the models predicted costs. Several factors may be responsible for the differential between Bluewater's rates for GS>50 customers with 100 kW demand and other distributors rates for the same demand, as set out under response part (b).

g. Please provide a detailed description of the Applicant's strategy, if any, to bring costs for these customers down to the range of similar towns and cities in Ontario. Please provide all internal memoranda, presentations, reports, and other documents dealing with improving the relative cost performance of the Applicant compared to other LDCs.

Response:

Please see the response to Staff-2 regarding steps taken to find cost efficiencies to date.

Please see Exhibit 1, Section 1.6 Performance Measurement and section 1.6.2 Activity and Program-Based Benchmarking (APB) for Bluewater's relative cost performance to other LDCs and steps Bluewater is taking to improve.

In regards to performance relative to its peers Bluewater, the Total Cost Benchmarking places Bluewater in Group 3, the mid group, relative to its peers. Bluewater's actual costs continue to be below the study's predicted costs, including for the 2023 test year, where its forecasted costs come in 4.2% less that the model's predicted costs. In addition, Bluewater is working to improve overall efficiency by setting an objective to find additional incremental cost savings of $100,000 per year, accumulating to $500,000 by year 5 of the business plan.

Please see Staff-52 for benchmarking comparison to other LDCs within Group 3 of the Total Cost Benchmarking report.

Vulnerable Energy Consumers Coalition (VECC) Interrogatories

EXHIBIT 1 – ADMINISTRATIVE

VECC-1

Reference: Exhibit 1, page 15 / Exhibit 4, page 27

The Application states: "*Postage has increased by $138,600 primarily driven by the change in residential billing from bi-monthly to monthly in 2017*."
In EB-2012-0107, Exhibit 4, Tab 1, Schedule 1, page 6 Bluewater stated : "*One proposed enhancement to service for the 2013 Test Year which is a move from Bi-monthly Billing to Monthly Billing at an incremental cost of $322k (see Exhibit 4, Tab 2, Schedule 5)"*

a. Please clarify if the Utility is suggesting the increase in moving to monthly billing is an incremental cost of $460,600 (138.6k + 322K).

Response:

No. Bluewater notes that the referenced page in the current application is found in the section entitled "4.1.8 Cost Efficiencies", so it was intended to convey the message that Bluewater avoided the initial estimated cost increase of $322,000. The confusion may come from the statement that the incremental cost in 2017 of $140,000 is "over what is built into rates". We can confirm that the only costs built into rates was regular postage, as $0 was built into rates for the move to monthly billing as Bluewater withdrew that portion of its 2013 application during settlement. Therefore, the total incremental cost of moving to monthly billing was approximately $140,000 in 2017 and that amount is expected to be approximately $100,000 in 2023 due to our success in moving customers to e-billing.

b. Please provide the date monthly billing was instituted for the residential class of customers.

Response:

Monthly billing commenced for the first residential customers in January of 2017.

c. Please explain the difference of $302k referred to in Exhibit 4 of this application and the 322k referenced in the prior case.

Response:

The amount of $302,000 referenced in Exhibit 4 was a typo. The correct amount originally applied for in 2013 was $322,000, or more specifically $322,641.

d. Please explain the difference between $138,600 spoken to as the incremental increase for billing in 2017 and the $140,000 referenced at page 27 of Exhibit 4.

Response:

The figure of $138,600 is the increase in postage cost from 2013 to 2023. That is not described as the cost of moving to monthly billing, but it is the cost of the increase in postage over ten years, which increase is explained as "primarily driven" by the move to monthly billing in 2017.

The figure of $140,000 was not intended as a precise estimate of the cost of the move to monthly billing, but was provided to illustrate the point that Bluewater was successful in implementing monthly billing at approximately half the originally estimated cost. Given that there were no new FTEs added in order to accommodate the move the monthly billing, the only incremental cost was postage. In fact, the total increase in postage cost would be an over-estimate of the cost of moving to monthly billing because the increase of $138,600 covers the period from 2013 to 2023 and would include inflation in postage over that timeframe.

VECC-2

Reference: Exhibit 1, page 46, Table 21 and page 47

The Application states: "*There was some interest in the ability to pay a bill by credit card without any transaction fees. As such, Bluewater further investigated introducing a credit card option for residential e-billing customers as an incentive that would help to offset postage costs. Proceeding with the feeless option could only be supported if it benefitted all customers, by driving customers to switch to e-billing, thereby reducing postage costs. It was determined that there would be internal costs to configure the billing system in order for it to determine eligibility (such as tracking the switch between e-billing and paper billing) as well as the administrative burden to monitor the implementation (for example, customers joining e-billing and then switching back to paper billing). It was determined that there were no clear savings in postage that 12 would not otherwise be offset by administrative costs*."

Table 21 shows that interest in using credit cards to pay bills without fees was at a rate of 4-5/5 for 23% of survey respondents.

a. Are customers currently able to pay their monthly bill via credit card and if so what transaction fees are applied?

Response:

Customers are able to pay their outstanding bill via credit card using Paymentus. The customer is responsible for 100% of the fee charged by Paymentus, which is currently 1.75%.

VECC-3

Reference: Exhibit 1, pages 48, 61

a) Please update the distribution scorecard to include 2022 results.

Response:

Please see accompanying file labelled VECC-3 submitted with this response for 2022 results. Please note that not all the results were available in time for the response to these interrogatories, however Bluewater has provided as much as possible.

VECC -4

Reference: Exhibit 2, page 53, Appendix 2-AB

a. Appendix 2-AB shows that in 2013 gross capital expenditures were 9% lower than planned (1,852k vs 2,035k). Please discuss what System Renewal and System Service planned projects were not undertaken and explain when (if) these projects were completed.

Response:

In 2013 Bluewater did not underspend in System Service. In fact, that category exceeded budget by 2.8% ($320k vs. $311k).

For System Renewal actual spending was $182,772 short of budget. This year in particular was a challenging year from a resourcing perspective; this issue was addressed in our submission to the OEB seeking deferral in 2017, which submission was provided in response to VECC-56.

We can confirm that there were no specific material projects that were not undertaken in 2013. Rather, the strain on internal resources impacted the pace of ongoing multi-year projects. A few examples to illustrate the impact are as follows:

1. UT4 27.6kV Neutral Program ($98,008 shortfall): This program was intended as a multi-year effort to upgrade the size of the neutral on an identified portion of the distribution system known to have an undersized neutral. The project was fully completed by the year 2016, so the shortfall in 2013 created a one-year delay in the completion of the project.
2. UT14 Cross Arm/Cap & Pin Insulator ($44,937 shortfall): This shortfall was caught up within one year, as the two-year budget (covering 2013 and 2014) was modestly overspent in the amount of $10,970.
3. UT31 Pad Mount Transformer Replacements ($91,525 shortfall): This capital budget shortfall represents a modest pause by Bluewater as it assessed the feasibility of repairing rather than full replacement of pad mount transformers. Bluewater began to examine the effectiveness of replacing parts rather than the whole of the transformers (for example, we now utilize permashell technology to repair rusting transformer covers), so the year 2013 did experience a modest pause, but the budget for UT31 has remained stable since 2014.

VECC -5

Reference: Exhibit 2, page 53, Appendix 2-AB, DSP page 143-153

a. Appendix 2-AB shows that Bluewater underspend its gross general plant budget by 12.7% in 2013. Please describe what (if any) material planned projects were not undertaken and explain when these projects were completed.

Response:

The 2013 Actuals fell short of Budget by $365,000 (12.7%). Bluewater can identify two projects that were not completed in 2013 as follows:

- Central Filing Document Management was budgeted at $91,759 and only an incidental amount was spent in 2013. Bluewater was not able to identify a product that met the needs of the organization. Over the next few years, Bluewater developed in-house solutions which culminated in the ARC (short for Archive) system that was fully launched in 2019.
- Bluewater planned a three phase Disaster Recovery Plan, which was delayed in 2013 causing a shortfall of $131,815. The project was fully on-track by 2014.

The remainder of the shortfall relates to minor delays in multi-year projects.

b. Specifically address the underspending in general plant shown in Table 47 and the projects of:

i. Vehicle Replacement – where 2014 and 2015 spending were lower than all other years and,

Response:

Bluewater budgeted to replace a boom truck in the 2014 fiscal year, but that decision was postponed in Spring of 2014 due to extenuating circumstances. It was determined the vehicle to be replaced was able to safely operate for one more year, so would be considered as part of the normal 2015 Capital budget process.

The vehicle was approved for the 2015 budget and ordered immediately. A preproduction meeting was held with the successful vendor on February 5, 2015. In November of 2015, Bluewater was advised of delays in production, for which the vendor took full responsibility. In December of 2015, Bluewater confirmed it expected delivery, but the vehicle did not arrive until March of 2016.

ii. Enterprise Mobility indicating when or whether the 2013 shortfall was made up in later years and explaining what is (was) the equivalent investment.

Response:

Bluewater recognized the need to acquire a platform on which to operate system software on mobile devices, and investigated several options. No option was identified that met the organization's needs on an affordable basis. The need was satisfied, in part, through improvement in Apple Business Manager (ABM) which was available through our mobile device provider at no incremental cost. Bluewater also implemented software entitled ManageEngine, including its Mobile Device Management module, in 2020 and 2022 at a total cost of approximately $80,000.

VECC -6

Reference: Exhibit 2, DSP pages 143 / Appendix F Capital Projects page 42

	2017	2018	2019	2020	2021	2022 Bridge	2023 Test
Wood Pole Replacement Program	1,911,268	1,706,437	2,040,526	2,316,330	1,563,010	1,900,000	1,957,000

a. Please provide an update to the above table to show the actual and forecast number of poles replaced in each year and the average cost per pole replacement in each year.

Response:

The table below has been completed to show the actual number of poles and costs replaced each year from 2017 to 2022, as well as the planned amount for 2023.

Historically the wood pole replacement program also includes costs associated with pole replacement and incurred as part of this program, but are not costs for just pole replacement. These costs include expenses for transformer and conductor replacement, etc. In order to get a more accurate average cost per pole, the non-pole costs have been removed. The table below shows the total cost under the wood pole replacement program, less costs associated with other asset work under the pole replacement program, and then the costs for wood pole replacement.

	2017	2018	2019	2020	2021	2022 Bridge	2023 Test
Wood Pole Replacement Program ($)	1,911,268	1,706,437	2,040,526	2,316,330	1,563,010	2,076,665	1,957,000
Less: Non-pole replacement costs such as transformers, conductor, etc ($)	-230,229	-455,231	-401,502	-548,845	-180,046	0	0
Costs for Wood Pole Replacement Only ($)	1,681,039	1,251,206	1,639,024	1,767,385	1,382,964	2,076,665	1,957,000
Number of Wood Poles Replaced	228	181	229	148	127	218	190
Average Cost per Pole replaced under the Wood Pole Replacement Program	7,373	6,913	7,157	11,942	10,889	9,526	10,300

b. Bluewater began accelerating spending on this project beginning in 2015. What was the impetus for the increase in spending beginning in that year?

Response:

The impetus for the increased pole replacement activity was recognition that current pole replacement was not sufficient to keep up with the deteriorating condition of Bluewater's poles.

VECC -7

Reference: Exhibit 2, Appendix 2-AB, DSP page 23

a. Appendix 2-AB shows planned and actual capital expenditures for the 2014 through 2021 period. Please clarify as to whether Bluewater has previously had a distribution system

plan reviewed by the Ontario Energy Board covering any of these years. If not please clarify what is meant by "Plan" in Appendix 2-AB (for example, are these figures Bluewater board of director approved plans or part of the Asset Management Plan filed in EB-2012-0107?)

Response:

Reproduced from the DSP page 10:

"Bluewater's most recent Cost of Service filing was EB-2012-0107 for rates effective May 1, 2013. This filing did not include a Distribution System Plan ("DSP"), as it was not required at that time. As such, this is Bluewater's first DSP."

The figures included in Appendix 2-AB under "Plan" represent the annual capital budget amounts approved by Bluewater board of directors.

b. Please provide the documentation that shows the 2014-2022 approval of capital plans.

Response:

Please see the accompanying file labelled VECC 7 submitted with these responses.

VECC -8

Reference: Exhibit 2, Appendix 2-AB, Exhibit 1 Table 3

a. Bluewater has underspent its gross capital plan budget in every year since 2013. On the other hand, it has also exceeded its approved equity rate of return of 8.98% in each of those same years. Please explain the reason(s) for the systemic budget underspending. Specifically address whether any changes have been made that would lend credence to Bluewater being better able to fulfill its capital plans.

Response:

Execution of Bluewater's capital budgets has been challenged by resourcing issues over the period from 2013 to 2015, as well as the challenges posed by COVID-19. The following steps were taken in 2022 to ensure we were able to complete our 2022 Capital Plan:

- Bluewater hired two Damage Prevention Technicians (see Exhibit 4, page 26), which was work previously undertaken by one Locator with all overflow work being undertaken by Powerline Technicians. This change has freed-up approximately 1 FTE of Powerline Technician for Capital (and other work).
- As noted in Exhibit 4, page 108, Bluewater was also successful in recruiting 3 Powerline Technicians bringing our compliment to complete.
- Bluewater engaged an outside contractor to assist with the completion of certain capital projects. This contributed to the completion of capital spending on wood pole replacements.

Bluewater believes these changes have positioned it for successful completion of its capital budget in the future. In 2022 Bluewater's capital expenditures totaled $11,390,939 compared to a budget of $12,152,000 for a variance of -$761,061, the shortfall being primarily related to the planned acquisition of a neighboring property. See response to Staff-10 for a variance analysis.

b. Bluewater now proposes a capital budget for 2023 and in each subsequent year which is much higher than past spending. Please explain why it is not reasonable to assume this higher spending is required at least in part due Bluewater's decision to underinvest in the past.

Response:

The company has provided the rational for underspending as indicated in part a) and the improvement it has taken to ensure capital work can be completed in the future. Bluewater was able to largely complete its 2022 Capital Plan and believes the improvements made to its work execution will allow it to complete its 2023 plan and future years.

VECC -9

Reference: Appendix 2-AB

a. Please update and Appendix 2-AA for Appendix 2-AB to show 2022 year-end actual amounts.

Response:

Appendix 2-AA and 2-AB have both been updated with draft 2022 values, and submitted with these responses as part of the OEB Chapter 2 Appendices.

b. Please clarify as to whether Appendix 2-AB is showing in-service amounts for each year or capital expenditures (or if they are the same). If there is a difference between in-service amounts and the Appendices please revise them to show in-service amounts and showing separately work-in-progress for each year.

Response:

Appendix 2-AA and 2-AB are both showing capital expenditures.

At the bottom of Appendix 2-AA, Bluewater has provided a reconciliation between the total capital expenditures in Appendix 2-AA, to the audited financial statements each year, and finally to the in-service additions per Appendix 2-BA.

VECC -10

Reference: DSP, page 13, page 70/ Appendix F Capital Projects, page 24

"*System Access investments have comprised of 17% of the spending historically between 2013 and 2021,and is budgeted to represent 21% of spending in the forecast between 2023 and 2027*."

- Please provide the forecast customer contributions for the 138 residential connections and separately the expected contributions for the commercial upgrades, connections and development work.
- Please explain how the commercial upgrades, connections and development work estimate of $1,902,400 was derived and provide a description of the known material projects in this category of spending.

Response:

A breakdown of the historical and test year budget amounts included in the new connections, commercial upgrades, and subdivisions is provided in following table.

UT11 Cost Breakdown	2019	2020	2021	2022	2023 Test Year
New Residential Connections	261,339	307,385	429,508	329,727	207,600
Commercial Connections / Upgrades	524,898	717,194	835,257	508,521	791,520
Subdivisions	478,073	221,422	567,273	894,969	1,110,880
Total	1,264,310	1,246,001	1,832,038	1,733,217	2,110,000

The customer contribution forecast is $1,000,000 for 2023 commercial connections/upgrades and subdivisions. Please see SEC-13 for additional details.

There is no amount of contributed capital budgeted for the residential connections. Most residential connections do not require a capital contribution. If a residential connection were to require contributed capital, the amount of expense would increase accordingly, offsetting the contributed capital, resulting in a net impact on the budget of $0.

New residential connections have been forecasted based on the historical growth trend as described in Exhibit 3 of the application at a cost of approximately $1,500. In regard to subdivision development work there are currently 7 subdivisions of varying sizes which developers have indicated their intent proceed with work in 2023 for an estimated cost of approximately $1.4 million and then that amount is reduced by approximately 20% to account for unforeseen delays with a final budgeted amount of $1,110,880.

VECC -11

Reference: Exhibit 2, DSP page 37

> *"Finally, Regional Infrastructure Plan commenced in February 2022. The scope of the RIP includes any new information subsequent to the NA, a wires plan to address all the needs identified in the NA and recommendations from the IESO system studies. The RIP is expected to take approximately six months to complete, thus the end of August 2022 is the target.*
>
> *The main focus of the RIP is on the Wallaceburg and Dresden TSs in order to support the growth in that area. Bluewater does not anticipate any further changes to that noted in the NA.*
>
> ***Bluewater will provide updates to this section of the DSP should any proposed needs by identified in its service territory."*** (emphasis added)

a) Are there any updates to the 2023 capital plan or the DSP for the RIP?

Response:

No, the focus of the RIP remains on the Wallaceburg and Dresden areas and no new spending is expected for the Bluewater area.

VECC -12

Reference: Exhibit 2, DSP page 73, Table 23

a. Table 23 shows the "Flagged-for-Action" Plan starting in 2022 (column 1). Please provide the actual results for 2022 (i.e., update Table 23 to show column 1's actual results).

Response:

Asset Category		Year									
		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
MS Transformers		1	0	0	0	0	0	0	0	0	0
MS Circuit Breakers	Air Magnetic	0	0	0	0	0	0	0	0	0	0
	Bulk Oil	0	0	0	0	0	0	0	0	0	0
	Vacuum	0	0	0	0	0	0	0	0	0	0
MS Switchgear		0	3	10	12	4	0	7	6	3	0
Pole Top Transformers	Single Phase	61	39	40	96	55	67	53	47	33	30
	Poly Phase	0	0	0	0	0	0	0	0	0	0
	Rabbit Type	0	3	2	2	0	2	2	0	0	0
Gang Oriented Switches		2	2	2	2	2	2	2	2	2	2
Wood Poles		286	186	269	355	273	314	206	181	37	50
Underground Cables (Km in Length)	XLPE Direct	0	3.2	0	1.4	4.8	0	2.2	2.1	1.2	4.2
	XLPE Duct	0	0	0	0	0	0	0	0	0	0
	PILC	0	0	0	0	1.2	0	0	0	0	0
Pad Mount Transformers	Single Phase	3	8	5	6	16	8	18	16	8	2
	Three Phase	1	2	1	2	3	1	5	0	2	0
Pad Mounted Switchgear		15	10	1	1	0	0	0	0	0	0

VECC -13

Reference: Exhibit 2, DSP page 75, Table 26

a. Table 26 shows the health index based on the latest asset assessment. Please show the Health Index results that are expected upon completion of the current Distribution System Plan.

b. If Bluewater has developed health indices objectives then please explain why not and discuss the merits of such metrics or objectives as a means to assess the success of the proposed DSP.

Response a) and b):

Bluewater contacted Kinectrics regarding these questions and received the following response:

Health Index as shown represents a "snap shot" in time based on the available data and information and is an estimate of condition. Predicting what Health Index distribution will be in the future is not possible because it depends on a variety of factors, such as future system loading (this is why past historical trends are not necessarily indicative of what a the future holds), demographics dependent not only on condition but also system expansion, regulatory requirements, third party needs (e.g. road widening), major storms and stresses due to the climate change, incorporation of DER, data availability, etc. The ACA report provides "flagged-for-action" plan but it is not and "investment plan" because while linear assets replacement is likely the only option, for station assets maintenance options are also available.

VECC -14

Reference: Exhibit 2, DSP page 54

a. Please update Table 18 (Outages by Defective Equipment) to show the outages by asset type.

Response:

Please see response to AMPCO-2.

b. Please provide the number of outages for underground cables by the different categories of underground cables (i.e., XLPE Direct Buried, XLPE in Duct and PILC).

Response:

2017 – 2022 totals	
XLPE Direct Buried	42
XLPE In Duct	8
PILC	1

VECC -15

Reference: Exhibit 2, Appendix 2-AA and 2-AB

a. Please update Appendices 2-AA and 2-AB for 2022 actual results.

Response:

Appendix 2-AA and 2-AB have both been updated with draft 2022 values, and submitted with these responses as part of the OEB Chapter 2 Appendices.

VECC -16

Reference: Exhibit 2, DSP page 149

a. A page 149 Bluewater explains that it was required to spend $553,048 replacing 3,500 Sensus 3.2 meters with remote disconnect due to their being identified as a safety hazard. Did Bluewater recover any monies for these faulty meters from the manufacture or its insurer?

Response:

Bluewater recovered $508,144 for these faulty meters from the manufacturer. This amount was treated as proceeds of disposition, with the corresponding net book value of the remote disconnect meters being removed from capital assets. The resulting loss on disposition was approximately $10,000.

VECC -17

Reference: Exhibit 2, Appendix F Capital Projects Sheets, page 17

a. Bluewater notes that project IT5 (Legislated Business Applications) is primarily focused on the Green Button. Please provide the amounts spent to date on Green Button and he amounts expected to be spent in 2023 and post 2023. Please separate capital and operating costs.

Response:

Bluewater plans to implement Green Button by November, 2023. In this project, Bluewater will engage the assistance of a third party vendor in addition to utilizing internal staff. IT 5 Legislated Business Applications includes all capital projects associated with changes required by government entities. In 2023, this will include Green Button along with other projects that result from governance direction. In regard to spending please see below:

- The amounts spent to date have been less than $1,000.
- With respect to Green Button, the implementation costs are projected to be approximately $75,000. These will be capital costs.
- O&M costs will be immaterial in 2023 and are expected to be approximately $25,000 annually beyond 2023. No Green Button OM&A costs have been included in the test year.

b. Has a business plan been prepared for the Green Button initiative. If so please provide the plan.

Response:

Bluewater does not have a business plan for the Green Button initiative. Below outlines the status of the project to date:

- In 2022, Bluewater reviewed the requirements of the Green Button initiative and determined that the best approach would be to engage a third party expert to assist with the implementation.
- Vendors were reviewed and analyzed and a vendor was chosen. A proposal has been accepted in principal and will be finalized early in 2023.

- Implementation is planned to enable full testing with external testing bodies that enables a go live by the end of November.

VECC -18

Reference: Exhibit 2, Appendix F Capital Projects Sheets, page 7

a. Please provide the actual amounts spent on the Bluewater Service Centre in 2022.

Response:

	2022
Building	19,335
Electrical	16,746
HVAC	161,556
Racking	41,782
Power washer	3,661
Grand Total	243,079

b. Please provide the budget for Service Centre repairs and improvements for 2023.

Response:

	2023
Racking	45,000
Office Renovations	35,000
Building	30,000
Storage Shed	30,000
Landscaping	10,000
Grand Total	150,000

EXHIBIT 3 – LOAD FORECAST

VECC -19

Reference: Exhibit 3, page 4

Preamble: The Application states:

"*The remaining rate classes, being General Service 1,000 to 4,999 kW ("Intermediate"), Large Use, Street Lighting, Sentinel Lighting and Unmetered Scattered Load are not considered weather sensitive*."

a. What is the basis for Bluewater's treatment of the Intermediate and Large Use classes as not being weather sensitive (e.g., has Bluewater tested the historical use of these classes for weather sensitivity)?

Response:

Elenchus tested HDD and CDD variables for the Intermediate and Large Use classes. The Intermediate class regression does include the CDD variable (at 16°C), however, the cooling load is estimated to be responsible for 1.6% of total consumption and HDD variables were not found to be statistically significant. None of the weather-related variables were found to be statistically significant for the Large Use class. Figures 7 and 9 of the load forecast report (Attachment 3-1) display monthly consumption compared to average monthly temperatures. In contrast to similar graphs for the Residential, GS<50 kW and GS 50-999 kW classes (figures 1, 3 and 5), monthly consumption does not vary significantly by average temperatures.

VECC -20

Reference: Exhibit 3, pages 7-12 Load Forecast Model, Customer-Device Count Tab, Rows 40-52

a. For each of the years 2013 to 2021 please indicate the change in customer count for the non-residential classes (i.e., GS<50, GS>50, Intermediate and Large Use) due to customer reclassification and provide details as to what classes the reclassified customers were transferred to.

Response:

Please see the chart below for the changes in customer classification as a result of annual rate reviews. Please note, we do not have the records readily available for 2013 for the GS<50 and GS>50 categories.

Customer Reclassification due to rate review	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Service < 50 kW to General Service > 50 kW		21					5	9	1	
General Service > 50 kW to General Service < 50 kW		16	18		2		25	25	6	11
Intermediate to General Service > 50 kW	1							1	1	
Intermediate to Large					1					

b. For each of the years 2013 to 2021, in what month did the reclassification take place?

Response:

Bluewater typically performs the rate reviews in the fall of each year in order to determine the reclassifications required for the internal financial budget preparations which also occur in the fall. The actual reclassification would typically occur in the first quarter of each year. We do not have the actual months that the reclassifications occurred related to the table presented in part (a) of this question.

c. In the Load Forecast Model (Customer-Device Count Tab, Row 52) what is the basis for the January 2023 customer/device count for the GS>50 class?

Response:

The total 2023 customer forecast is based on the geometric mean average growth rate for the class applied to forecast 2022 customer counts. Monthly customer counts are also calculated because customer counts is a variable used in the regression. Monthly customer counts are calculated to increase by the monthly average growth rate. In some instances when there is an adjustment like the reclassification in 2022, applying the monthly growth rate does not result in the same average customer count as the annual calculation above (note the "check" in row 25). When this is the case a goalseek function is used to modify the January 2023 customer count such the average of monthly customer counts is equal to the annual customer count calculated in row 17. Please note that the updated load forecast filed with interrogatory responses includes 2022 actual customer counts so this adjustment to forecasted 2022 customer counts has been removed.

d. For each customer class please provide the 2022 actual monthly customer/device counts (January to December) and the actual average customer/device count for 2022.

Response:

Actual 2022 customer/device counts are provided in the following table:

Month	Residential	GS < 50	GS 50 - 1000	Int.	Large Use	Street Lights	Sentinel	USL
Jan	33,176	3,432	379	9	4	10,165	366	239
Feb	33,216	3,439	378	9	4	10,163	366	241
Mar	33,220	3,441	379	9	4	10,163	365	237
Apr	33,245	3,463	368	9	4	10,163	365	236
May	33,248	3,463	368	9	4	10,163	365	236
Jun	33,240	3,463	365	9	4	10,165	364	236
Jul	33,240	3,464	366	9	4	10,184	364	236
Aug	33,295	3,463	366	9	4	10,184	363	235
Sep	33,314	3,466	367	9	4	10,192	363	235
Oct	33,359	3,455	368	9	4	10,194	363	235
Nov	33,358	3,457	368	9	4	10,193	363	235
Dec	33,368	3,456	368	9	4	10,193	363	235
Avg.	**33,273**	**3,455**	**370**	**9**	**4**	**10,177**	**364**	**236**

e. For the year 2022, please indicate the change in customer count for each of the non-residential classes (i.e., GS<50, GS>50, Intermediate and Large Use) due to customer reclassification and provide details as to what classes the reclassified customers were transferred to. Also, please indicate in what month the reclassification occurred.

Response:

Please see the table presented in response to part (a) for the 2022 reclassifications; the reclassifications typically occur in the first quarter of each year.

f. Does Bluewater anticipate any reclassification of GS<50, GS>50 or LU customers in 2023? If yes, please provide the details and in what month the reclassification will occur.

Response:

Bluewater is expecting reclassification of 23 customers from the GS>50 class to the GS<50 class, 1 customer reclassified from GS<50 to GS>50 and 1 customer reclassified from the Intermediate to the GS>50 category. We expect the reclassifications to occur in the first quarter of 2023.

VECC -21

Reference: Exhibit 3, page 14 Load Forecast Model, Customer-Device Count Tab, Row 24

Preamble: The Application states:
"*Traffic light device counts and consumption have historically been understated. Traffic lights were counted as a single customer and monthly consumption has been understated by 3,942 kWh. Bluewater will implement the change in the 2023 Test Year. Consumption in 2023 has been forecasted based on adjusted 2021 consumption per customer calculations that include the additional consumption that will be incorporated in 2023 and the corrected device counts*".

a. For which historical years has the monthly consumption for traffic lights been understated and why?

Response:

The monthly consumption that is currently being billed was determined in 2012 and has continued to be billed at that level. A traffic light review commenced in 2021/2022 and an updated monthly consumption was determined at that time. The updated consumption was based on a study that installed a meter at each traffic light location for a 24 hour time period in three different seasonal periods: winter, spring/fall and summer and the resulting kWh was assessed which outlined a higher monthly consumption.

b. How was the monthly understatement of 3,942 kWh determined?

Response:

The understatement was determined by deducting the current billed amount of 8,089 kWh from the revised monthly kWh of 12,031, for a difference of 3,942 kWh per month.

c. For these years, was this understatement in USL use effectively included as part of losses for the year?

Response:

Yes, this unaccounted for energy would be included as losses as it was unbilled kWh. It should be noted that the annual increase is 3,942 kWh * 12 = 47,309 kWh which is 0.005% of the total 2023 load forecast which is an immaterial variance.

VECC -22

Reference: Exhibit 3, Attachment 3-1, pages 26 and 28 Load Forecast Model, Customer-Device Count tab, Row 23

Preamble: The Attachment states (page 26):
"*While GS<50 customer counts are not a component of the regression model, they are forecasted for the purpose of rate setting. The Geometric mean of the annual growth from 2012 to 2021 was used to forecast the growth rate from 2021 to 2023. Additionally, 32 known customer additions at the start of 2022, including 7 customers reclassified from the GS>50 kW rate class, have been added to the 2022 customer count*".

The Attachment states (page 28):
"*The Geometric mean of the annual growth from 2012 to 2021 was used to forecast the customer count growth rate from 2021 to 2023. Additionally, the 2022 customer count has been reduced by 7 customers as these customers have been reclassified as GS < 50 kW at the start of 2022*".

a. Do the historic geomean growth rates for the GS<50 and GS>50 classes capture the impact of the annual customer reclassification that has occurred over the 2012 to 2021 period?

Response:

Yes.

b. If yes, doesn't making an explicit adjustment for the 2022 customer reclassifications between the two classes result in a double counting of reclassifications?

Response:

The January 2022 reclassifications were considered to be more significant than typical customer trends. Without the specific adjustment, the 2022 GS < 50 forecast customer count would have declined by 2 customers relative to 2021 and the GS 50-999 kW customer count would have decreased by 6 customers. The known changes exceeded the average trend, and changed in the wrong direction in the case of GS < 50 kW customers, so the adjustment was applied.

Please note that the updated load forecast with 2022 actual customer counts removes this adjustment.

VECC -23

Reference: Exhibit 3, Attachment 3-1, page 2 Load Forecast Model, Residential Normalized Monthly Tab

Preamble: The Attachment states (page 2):
"*A range of COVID variables were considered to account for the impacts triggered by the COVID-19 pandemic*".

The Attachment also states (page 2):
"*COVID flag variables were tested and found to be statistically significant for the General Service < 50 kW, General Service > 50 kW, Intermediate, and Large Use classes. There are three COVID flag variables considered: "COVID", "COVID_AM", and "COVID_2020*".

a. It is noted that for Residential class the COVID variables used are "HDD COVID" and "CDD COVID" which are equal to the relevant HDD and CDD variables since March 2020, and 0 in all earlier months. These variables continue to December 2021 but are reduced to 50% of HDD and CDD in all months in 2022 and to 25% in 2023. Were any other COVID related variables tested for the Residential class and, if yes what variables were tested and why were they rejected?

Response:

The COVID and COVID_AM variables were tested for the Residential class but the weather/COVID interaction variables were found to have stronger statistical significance (higher t-stats and Adj-R^2).

b. Why were the "HDD COVID" and "CDD COVID" variables continued at their "full" value until December 2021?

Response:

The HDD COVID and CDD COVID variables remade at the full value through 2021 because abnormally high Residential consumption continued in Bluewater's service territory through 2021. The statistical results with the full value of the weather/COVID variables in 2021 produced strong statistical results. The monthly mean absolute percentage error (MAPE) was 1.9% in 2021, compared to the annual average of 2.3%.

c. What is the basis for the reduction to 50% in 2022 and to 25% in 2023?

Response:

The reductions in 2022 and 2023 are an estimate based on judgement. Elenchus expects there to be some degree of additional Residential consumption in 2022 and 2023 as individuals continue to work from home.

VECC -24

Reference: Exhibit 3, Attachment 3-1, page 9 Load Forecast Model, Residential Normalized Monthly Tab

Preamble: The Attachment states (page 9):
"*The seasonally adjusted Ontario FTE count, a measure of employment, is used as it was found to be the economic variable with the strongest statistical results. Other economic variables, such as London employment and various GDP measures, were tested but found to be inferior variables*.".

a. Was Residential monthly customer count tested as a potential variable both in lieu of Ontario FTE and in addition to Ontario FTE?

Response:

Yes it was tested in lieu of adjusted Ontario FTEs. The variables were not tested jointly as both variables are strongly correlated (causing multicollinearity issues).

b. If yes, what were the results?

Response:

Please see "Bluewater_VECC-24 Attachment 1". The Residential forecast is 263,892,667 kWh compared to the initial forecast of 264,890,809 kWh. This model results in a higher Adjusted R-squared but a lower monthly mean absolute percentage error.

c. If not, please provide alternative Residential regression models and the associated 2023 forecast where: i) Monthly Residential customer count is included as an explanatory variable and Ontario FTE is excluded and ii) both Monthly Residential customer count and Ontario FTE are included as explanatory variables.

Response:

Scenario i) is provided in part b) of this response. Scenario ii) is provided as Bluewater_VECC-24 Attachment 2. The Residential forecast is 265,218,579 kWh compared to the initial forecast of 264,890,809 kWh. When both variables are included, neither are statistically significant due to multicollinearity issues noted in part a).

VECC -25

Reference: Exhibit 3, Attachment 3-1, pages 2-3; Load Forecast Model, G<50, GS>50, Int and LU Normalized Monthly Tabs

Preamble: The Attachment states:
"*COVID flag variables were tested and found to be statistically significant for the General Service < 50 kW, General Service > 50 kW, Intermediate, and Large Use classes. There are three COVID flag variables considered: "COVID", "COVID_AM", and "COVID_2020*"". (page 2)

"*The "COVID_AM" variable is equal to 0 in all months prior to March 2020, equal to 0.5 in March 2020, equal to 1 in April and May 2020, and 0.5 in each month from June 2020 to December 2021*". (page 2)

"*The "COVID_2020" variable accounts for the impact of COVID in the first few months of the pandemic without any persisting impacts*." (page 3)

"*The "COVID_AM" variable is used for the General Service < 50 kW and Large Use rate classes and the "COVID 2020" variable is used for the General Service > 50 kW and Intermediate rate classes*". (page 3)

a. With respect to the "COVID_AM" variable, please explain why the variable was set equal to 0.5 in each month from June 2020 to December 2021.

Response:

The COVID_AM variable is set to 0.5 in each month to account for the ongoing impacts of COVID starting June 2020. The COVID variable is intended to act as a form of binary variable. Elenchus considered developing an index-style variable which includes more variability on a month to month basis but decided to use a straightforward binary variable.

b. For each of the GS<50 and LU classes, were alternative regression models tested using alternative "COVID_AM" values for 2021 (e.g., 0.25)? If not, why not? If yes, what were the results?

Response:

Alternate COVID_AM values were not tested because the 0.5 value provided strong statistical results.

c. With respect to the "COVID_AM" variable used in the GS<50 and LU forecasts, please explain why the 2022 value was set at 0.25 and the 2023 value set at 0.125.

Response:

The reductions in 2022 and 2023 are an estimate based on judgement. Elenchus expects there to be some degree of lower GS<50 kW consumption in 2022 and 2023 as individuals continue to work from home. Please note the COVID_AM variable has been removed from the Large Use forecast in the updated load forecast filed with interrogatories as it is no longer statistically significant.

VECC -26

Reference: Exhibit 3, Attachment 3-1, page 17 Load Forecast Model, Int Normalized Monthly Tab

Preamble: The Attachment states with respect to the Intermediate class (page 17):

"*Economic variables were tested and multiple were found to have a statistically significant relationship with class consumption. The variable with the strongest statistical results is a composite of the Agriculture GDP and Mining GDP figures from Statistics Canada. This variable "AgMin_GDP" is the sum of these two GDP measures.*
The number of days in the month and COVID_2020 variables were found to be statistically significant. A time trend is also found to be statistically significant. A binary December variable, equal to 1 in December and 0 in all other months, was found to be statistically significant. A version of the model without this variable was tested and consumption in December was regularly underestimated so this variable was introduced.
The customer count, and other binary calendar variables representing seasons and months were tested but found to not have a statistically significant relationship to energy use."

a. How many of the eight Intermediate customers forecast for 2023 are in the Agriculture or Mining GDP sectors?

Response:

None of the eight Intermediate customers are in the Agriculture or Mining sectors. Additionally, the AgMin_GDP variable is no longer statistically significant with 2022 actual data included. For these reasons the variable is no longer used in the updated load forecast.

b. Please clarify whether the historical Agriculture and Mining GDP values used were for Canada or Ontario.

Response:

The Agriculture and Mining GDP values were for Ontario.

c. Does Bluewater/Elenchus consider the result for the "AgMin_GDP" variable to be statistically significant? If yes, please explain why.

Response:

The AgMin_GDP variable was weakly statistically significant as it was significant at the 10% level but not the 5% level (0.077 p-value). As noted above, this variable has been removed.

d. Please provide an alternative Intermediate class regression model and the resulting forecasts that use monthly customer count: i) In addition to "AgMin_GDP" variable and ii) instead of the "AgMin_GDP" variable.

Response:

Scenario i) is provided as "Bluewater_VECC-26 Attachment 1". The Intermediate forecast is 111,984,786 kWh compared to the initial forecast of 112,957,443 kWh. The customer count is significant at the 10% level but not the 5% level (0.057 p-value).

Scenario ii) is provided as "Bluewater_VECC-26 Attachment 2". The Intermediate forecast is 113,262,515 kWh compared to the initial forecast of 112,957,443 kWh. When both variables are included, the AGMin_GDP variable is not statistically significant and the customer count is significant at the 10% level but not the 5% level (0.087 p-value).

e. Please confirm that for 2022 and 2023 the "AgMin_GDP" variable is forecast to increase at the same annual rate as Ontario GDP overall. If not confirmed, what is the basis for the 2022 and 2023 values?

Response:

Confirmed.

f. Do any of banks used as sources for the economic forecast (i.e., BMO and Scotia) produce GDP forecasts for the Agriculture and Mining sectors for Canada overall? If yes, please provide the forecasts for 2022 and 2023 produced in September 2022 (i.e., the same date as the Ontario economic forecast used in the Application).

Response:

The regularly-published economic forecasts of the major banks do not include forecasts for the Agriculture and Mining sectors for Canada overall or provincially. Elenchus is not aware of any publicly-available sector-specific economic forecast from the major Canadian banks, though there are commodity forecasts related to the mining and agricultural sectors. These banks also publish additional research on various topics on an irregular basis that may include forecasts of the mining and agricultural sectors. Elenchus did not find sector-specific forecasts when the load forecast was developed, and the AgMin_GDP is no longer used.

VECC -27

Reference: Exhibit 3, Attachment 3-1, page 20 Load Forecast Model, LU Normalized Monthly Tab

Preamble: The Attachment states with respect to the Large Use class:
"*Economic variables were tested and multiple were found to have a statistically significant relationship with class consumption. Oil & Gas was found to be the most statistically significant so it is used. Notably, the increase in Oil & Gas GDP in 2016 is aligned with the increase in Large Use consumption.*
The number of days in the month and COVID_AM variables were found to be statistically significant. The Fall variable is also statistically significant.
The customer count, a time trend, and other binary calendar variables representing seasons and months were tested but found to not have a statistically significant relationship to energy use."

a. How many of the four Large Use customers forecast for 2023 are in the Oil & Gas GDP sector?

Response:

All four Large Use customers are in the Oil & Gas sector.

b. Please clarify whether the historical Oil & Gas GDP values used were for Canada or Ontario.

Response:

The Oil & Gas GDP values are for Ontario.

c. Please confirm that for 2022 and 2023 the "OG_GDP" variable is forecast to increase at the same annual rate as Ontario GDP overall. If not confirmed, what is the basis for the 2022 and 2023 values?

Response:

Confirmed.

d. Do any of banks used as sources for the economic forecast (i.e., BMO and Scotia) produce GDP forecasts for the Oil and Gas sector for Canada overall? If yes, please provide the forecast growth for 2022 and 2023 produced in September 2022 (i.e., the same date as the Ontario economic forecast used in the Application) for both the Canada Oil and Gas sector GDP and for Canada GDP overall.

Response:

Elenchus is unaware of any publicly-available Oil & Gas sector forecasts for Canada or provincially.

VECC -28

Reference: Exhibit 3, Attachment 3-1, page 1 Load Forecast Model, Historic CDM Tab LRAMVA Workform, Tab 4 & 5

Preamble: The Attachment states:

"*To isolate the impact of CDM, persisting CDM as measured by the IESO is added back to rate class consumption to simulate the rate class consumption had there been no CDM program delivery. This is labelled as "Actual No CDM" throughout the model. The effect is to remove the impact of CDM from any explanatory variables, which may capture a trend, and focus on the external factors. A weather normalized forecast is produced first based on no CDM delivery, and then persisting CDM savings of historic programs are subtracted off to reflect the actual normal forecast*."

a. The CDM savings in 2014 from 2014 programs used in the Historic CDM Tab (Row 14, Total – 4,860,899 kWh) does not match the value used in the LRAMVA Workform (Tab 4, Cell D57, Total 5,198,565 kWh). Please reconcile and revise the relevant models as required.

Response:

The Historic CDM tab does not include the "LDC Pilots" program, which is not allocated to any class in the LRAMVA model and not included in the LRAMVA claim.

b. The CDM savings in 2021, 2022 and 2023 from 2016 programs used in the Historic CDM Tab (Rows 68-78, Totals of 8,670,447 kWh, 8,626,453 kWh and 8,625,579 kWh respectively) do not match the values used in the LRAMVA Workform (Tab 5, Row 385, Columns I, J & K – when summed the values are 8,682,301 kWh, 8,638,307 kWh and 8,637,433 kWh respectively). Please reconcile and revise the relevant models as required.

Response:

The values in the LRAMVA workform are correct. The values have been corrected in the load forecast filed with interrogatories.

c. The CDM savings in the years 2017-2023 from 2017 programs used in the Historic CDM Tab (Rows 72-78) do not match the values used in the LRAMVA Workform (Tab 5, Row 576 – when summed). Please reconcile and revise the relevant models as required.

Response:

The values in the LRAMVA workform are correct. The values have been corrected in the load forecast filed with interrogatories.

d. The CDM savings in the years 2020-2023 from 2020 programs used in the Historic CDM Tab (Rows 93-96) do not match the values used in the LRAMVA Workform (Tab 5, Row 1159 – when summed). Please reconcile and revise the relevant models as required.

Response:

The values in the LRAMVA workform are correct. The values have been corrected in the load forecast filed with interrogatories.

VECC -29

Reference: Exhibit 3, Attachment 3-1, pages 41-44 Load Forecast Model, Normalized Annual Summary, Historic CDM and CDM Adjustment Tabs LRAMVA Workform, Tab 5

a. Please confirm that, in the Normalized Annual Summary Tab, the 2023 cumulative persisting CDM savings used for each customer class include ½ of the savings in 2023 from both the CCF and 2021-2024 Framework programs implemented in 2021.

Response:

Confirmed.

b. In the CDM Adjustment Tab, the 2021 annual CDM savings values used total 7,036,144 kWh. However, in the Historic CDM Tab the total savings in 2023 from 2021 programs is 6,149,611 kWh (i.e., 2,649,129 from post CCF and 3,500,482 from the 2021-24 Framework). Please reconcile. (Note: It appears that in the CDM Adjustment Tab the formula for 2021 incorrectly just sums the 2021-24 Framework savings twice).

Response:

Confirmed, the CDM Adjustment Tab incorrectly includes 2021-2024 Framework savings in 2021 twice. This has been corrected in the updated load forecast filed with interrogatories. Additionally, since the 2022 actual figures fully account for 2021 CDM and half of 2022 CDM, CDM from 2021 is no longer part of the CDM adjustment and the total CDM adjustment has been reduced to 6,871,070 kWh.

c. In the CDM Adjustment Tab, the 2022 annual CDM savings values used total 8,163,717 kWh (consisting of 3,519,823 kWh from the 2021-24 Framework and 4,643,893 from the post-CCF). However, the LRAMVA Workform (Tab 5, Row 1481) only reports savings of 4,621,841 kWh in 2022 from post-CCF activity. Please reconcile.

Response:

Savings from the 2021-2024 Framework are not included in the LRAMVA workform in accordance with the OEB's Conservation and Demand Management Guidelines for Electricity Distributors dated December 20, 2021 (EB-2021-0106). The following excerpt is from page 26 of those guidelines (emphasis added):

"*For CDM activities funded by the IESO through the 2021-2024 CDM Framework (with the possible exception of the LIP, depending on the nature of the distributor's participation), there is no direct role for distributors, and therefore no disincentive that needs to be removed.* ***Distributors are not to use the LRAMVA for these CDM activities*** *(again, with the possible exception of the LIP*)."

VECC -30

Reference: Distribution System Plan, Appendix C, pages 14 and 22-25

Preamble: Appendix C states (page 14) that for the Needs Assessment:
"*Load forecasts are provided by the Region's LDCs and industrial customers using historical 2020 summer peak loads as reference points*".

a. Please provide the load forecast developed by Bluewater for purposes of the Needs Assessment.

Response:

Please see Excel file "Bluewater_VECC-30_Bluewater Forecast Template – CKLS".

b. With respect the various TS's, DS's and CTS's noted on pages 23-25, please indicate which ones provide service for Bluewater.

Response:

The following stations supply service to Bluewater:

- Modeland TS
- St Andrews TS
- Wanstead TS

c. Is the approach used by the IESO to determine the forecast CDM savings for the Needs Assessment (per pages 14 and 22) consistent with the approach used by Bluewater/Elenchus in Exhibit 3 to determine the CDM adjustment for 2023? If not, how do they differ and what would be the result of applying the IESO's methodology to establish the 2023 CDM Adjustment to the 2023 Load Forecast.

Response:

Bluewater can confirm that the CDM adjustment for Bluewater's load forecast took into account the IESO's 2021-2024 Conservation and Demand Management Framework forecast as outlined at page 41 of Attachment 3-1 within Exhibit 3. In regard to the Need Assessment report, the report aggregates the CDM forecast for Chatham-Kent/Lambton/Sarnia region. There is insufficient detail in the Needs Assessment report to determine the amount of CDM reduction that specifically pertains to only Bluewater service territory, therefore we are unable to perform an analysis using the IESO's methodology.

EXHIBIT 4 – OPERATING COSTS

VECC -31

Reference: Exhibit 4, page 11

> "*For 2022 and 2023, Bluewater incorporated Cost of Living ("COL") increases for union employees at the level required by the current Collective Agreement (which covers the period from April 1, 2021 to March 31, 2027), being an increase 2.0% each year"*
>
> *For non-union employees, there is no pre-existing negotiation for COL. Given the inflationary pressures that exist and the competitive nature of the labour market locally, Bluewater expects upward pressure on salaries. In fact, recent trends suggest that expectations for salary increases next year will be in the range of 4.1%3. Accordingly, the COL for all non-union employees has been included at a 4.0% increase for 2023*."

a. Why is Bluewater proposing a 4.0% increase in non-union positions when union positions will be receiving less than this amount of an increase?

Response:

Bluewater negotiated a 6 year contract with its unionized employees in the year 2021. At the time of negotiations, the prevailing belief was that inflation had already peaked and that the level of inflation experienced at the time would not continue. Of course, inflation has continued at record-breaking levels. Accordingly, the company achieved a level of success in those negotiations in 2021 that it could not reasonably expect to achieve if we were negotiating that contract today.

Non-union employees are not subject to a multi-year contract but, rather, the Cost of Living increase is determined by the Compensation Committee each year. In the context of today's inflation the proposed rate of 4.0% was reasonable. Bluewater notes, however, that since the proposal of 4.0% was included in the application the Compensation Committee has subsequently approved a 3.0% increase. This will result in a decrease in the 2023 OM&A of approximately $45,000, this nonmaterial adjustment has not been yet made to the budget.

b. Please provide the unionized employee percentage increases for each year 2023 to 2027 as contemplated by the collective agreement.

Response:

The Collective Agreement dated March of 2021 and covering the period from April 1, 2021 to March 31, 2027 includes an inflationary increase for all members of Local 1802 of the IBEW at 2% per annum for each year of the contract.

VECC -32

Reference: Exhibit 4, page 16

a. Please provide the total number of customers and the total number of customers using e-billing for each year 2013 to 2022 (year -end figures).

Response:

Please see the chart below for the number of customers and the e-billing numbers. Please note that we have used the average number of customers, and the average number of ebills for the year rather than at year-end. The month of December typically has fewer bills being issued given the impact of the holidays therefore using year-end would understate the number of ebills produced.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
# customers (average for year)	36,366	36,483	36,602	36,727	36,902	37,148	37,148	37,272	37,349	37,491
# ebilled accounts (average for year)	n/a	1,197	1,720	2,297	5,625	7,475	9,171	10,549	12,117	13,494
% of customers ebilled	0.0%	3.3%	4.7%	6.3%	15.2%	20.1%	24.7%	28.3%	32.4%	36.0%

VECC -33

Reference: Exhibit 4, page 43

"*There has been no change in the methodology of capitalizing OM&A since the 2013 Rebasing Application, however, Bluewater has improved the accuracy of its capitalization facilitated through a customized timesheet system developed in-house by the name of TALLY*."

a. In what year was the TALLY system introduced?

Response:

Tally was developed internally and was introduced in the year 2014.

b. Bluewater's capitalized compensation has increased from approximately 17.5% in 2013 to 30% in 2023. Approximately what portion of this increase is attributable to improved timesheets and other administrative or accounting changes and what portion is attributable to the larger capital program in 2023 as compared to the past?

Response:

Tally represents an "easy to use" platform that enables greater accuracy in attributing time to capital (and other) work orders. It also provides a better dashboard for supervisors to oversee their employees. Those are intangible benefits that create confidence that time is being allocated appropriately, but it would be impossible to attribute a specific percentage to the improvement of accuracy.

VECC -34

Reference: Exhibit 4, page 66

a. If Bluewater is a member of the EDA please provide the annual membership fees for each year 2013 through 2023.

Response:

Bluewater's annual membership fees are as follows:

2013	$ 57,700
2014	$ 60,200
2015	$ 62,200
2016	$ 62,800
2017	$ 63,400
2018	$ 64,700
2019	$ 66,000
2020	$ 67,300
2021	$ 68,000
2022	$ 68,000
2023	$ 71,400

VECC -35

Reference: Exhibit 4, pages 74, 143

a. Bluewater states it has an average turnover rate of 5.6%. Using data from 2013 to 2022 what is the average number of unfilled FTEs per year (based unfilled positions for which there is active recruiting in the year).

Response:

Please see response to SEC-23c.

VECC -36

Reference: Exhibit 4, page 81

> "*On a Gross basis, the FTE count has increased from 102.8 in 2013 actuals to 118 in 2023 projected*."

a. Please explain the difference between the referenced "Gross" numbers and the actual FTEs of 93.9 and 106.9 for 2013 and 2023 respectively, as shown in Appendix 2-k.

Response:

The reconciliation between Gross FTEs and Net FTEs can be found in Table 24 at page 96 of Exhibit 4. We have reproduced the analysis for 2013 and 2023 in the table below. The first row represents the Gross FTE count (meaning all employees on Payroll), then deducts the FTE equivalent of costs allocated to Affiliates, CDM, Billable Work and Capital Work; the end result is a Net FTE (meaning all employees that impact the O&M being sought for recovery through distribution rates).

Appendix 2K, on the other hand, seeks to identify FTEs embedded in rates, whether that is through O&M or Capital. Accordingly, if we look at the detailed breakdown in Table 24, we need to add FTEs dedicated to Capital back into the Net FTE number. We have reproduced Table 24 for the years 2013 and 2023 (with that adjustment to bring it in line with Appendix 2K). The explanation of the variance follows.

	2013	2023
Gross FTE	**102.8**	**118.0**
Allocations from Gross:		
Affiliates	5.5	7.7
CDM	2.0	0
Billable	1.4	3.4
Net FTE (including Capitalized FTEs)	**93.9**	**106.9**
NOTE: Capitalized FTEs	13.5	29.7

The intention of showing the Gross FTE to Net FTE calculation is to demonstrate the employee related costs being allocated to ratepayers through electricity rates. Any FTEs allocated to affiliates, CDM efforts, or Billable Work represent costs not being recovered through electricity distribution rates.

The number of FTEs allocated to affiliates has grown from 2013 to 2023 by 2.2 FTEs. With the elimination of IESO funding for LDCs to operate CDM programs, Bluewater has lost the ability to recover costs from sources other than distribution rates and all CDM-related positions have now been eliminated. As discussed in Exhibit 4 (page 19-21), the Oversized Load Corridor drove the allocation of costs to Billable Work to all-time highs in the period from 2020-2022; that level of billable will not be repeated, but the level of FTEs allocated to Billable work still remains budgeted at 2.0 FTEs higher in 2023 than it was in the year 2013.

We note that the number of FTEs allocated to capital work has doubled during the period from 2013 to 2023, which is consistent with the fact that the capital budget has nearly doubled (from $6.647M to $12.372M) in that same time period.

VECC -37

Reference: Exhibit 4, page 96

a. Please provide a table for each of the years 2013, 2014, 2022 and 2023 which shows each Bluewater job classification and the number of employed FTEs in that position (based on either year-end or year average please specify). Please include both the number of positions filled for that job classification and, separately, the number of vacancies (i.e., positions for which there was active recruiting in that year).

Response:

Year end FTE

Job Classification	2013 Budget	2013 Actual	Variance	Positions Filled	Vacancies (At Year End)	Eliminated Positions
Administration	10.00	10.00	0.00			
Customer Service	15.67	14.58	1.09	Customer Service Representative (2)		Billing Rep (2)
Directors	1.20	1.20	0.00			
Finance	9.00	8.42	0.58	Financial Analyst Accountant		
Information Technology	14.50	13.51	0.99			Mail Room Clerk
Operations Services	29.00	24.16	4.84	Powerline Technicians (3)	Operations Supervisor	Motor Vehicle Mechanic
Operations Support	18.00	18.00	0.00			
Regulatory, Counsel, CDM & Purchasing	7.00	7.00	0.00			
Students	5.33	5.92	-0.59			
Total FTE	**109.70**	**102.79**	**6.91**			

Job Classification	2014 Budget	2014 Actual	Variance	Positions Filled	Vacancies (At Year End)	Eliminated Positions
Administration	10.00	10.00	0.00			
Customer Service	14.08	13.00	1.08			Customer Service Field Representative
Directors	1.20	1.20	0.00			
Finance	8.00	8.00	0.00			
Information Technology	12.00	12.00	0.00			
Operations Services	27.60	25.16	2.44	Field Data Coordinator (Contract) Powerline Technician (2) Operations Supervisor		Locator
Operations Support	18.00	18.00	0.00			
Regulatory, Counsel, CDM & Purchasing	7.00	9.00	-2.00	Energy Service Managers (Contract)		
Students	3.90	4.50	-0.60			
Total FTE	**101.78**	**100.86**	**0.92**			

Job Classification	2022 Budget	2022 Actual	Variance	Positions Filled	Vacancies (At Year End)	Eliminated Positions
Administration	9.00	9.26	-0.26	Executive Assistant		
Customer Service	13.00	12.94	0.06	Customer Service Field Representative		
Directors	1.60	1.50	0.10			Director Position
Finance	7.00	7.15	-0.15	Accountant		Financial Analyst
Information Technology	15.00	14.69	0.31	Business Analyst Programmer		
Operations Services	39.95	36.96	2.99	Operations Supervisor Powerline Technician (4) Damage Prevention Technicians (2)		Locator
Operations Support	17.85	17.29	0.56	Design Technologist GIS Administrator	Design Technologist	
Regulatory, Counsel, CDM & Purchasing	6.83	6.79	0.04	Stockkeeper		
Students	6.00	6.20	-0.20			
Total FTE	**116.23**	**112.78**	**3.45**			

Job Classification	2023 Budget	Current Active Vacancies	Eliminated Positions
Administration	9.00		
Customer Service	13.00		
Directors	1.60		
Finance	7.00		Financial Analyst
Information Technology	15.00		
Operations Services	41.50		
Operations Support	17.50	Design Technologist Supervisor, Control Room	
Regulatory, Counsel, CDM & Purchasing	7.47	Associate Lawyer	Conservation Program Administrator
Students	5.97	Summer Students (15) Co-op Students (3)	
Total FTE	**118.04**		

VECC -38

Reference: Exhibit 4, page 141, Table 33

Application-Related One-Time Costs	Total
Total One-Time Costs Related to Application to be Amortized over IRM Period	$ 531,390
1/5 of Total One-Time Costs	$ 106,278

a. Please provide a breakdown on the application costs into:
   i. Legal
   ii. Consulting
   iii. Intervenor
   iv. Incremental internal costs
   v. OEB
   vi. Other (please describe material amounts)

For each category, please show the amount expended to date.

Response:

Please see the chart below for the 2021 and 2022 actual application costs, and the remaining forecast for 2023.

	Actual	Forecast	Forecast		Actual	Actual	Forecast
	2021	2022	2023		2021	2022	2023
Legal		73,000	48,000			15,550	48,000
Consulting	41,758	32,300	40,000		41,758	18,030	40,000
Intervenor			125,000				125,000
Incremental Internal costs		100,000	63,332			112,836	63,332
OEB			8,000				8,000
Other - customer engagement						1,600	-
Total	**41,758**	**205,300**	**284,332**		**41,758**	**148,015**	**284,332**
Total Proposed Application Costs			**531,390**				**474,105**

VECC -39

Reference: Exhibit 4, page 141, Table 33

a. Please update Appendix 2-JC to show actual 2022 year end results. Please identify any costs of this application that are shown in the 2022 actual results.

Response:

Appendix 2-JC has been updated with draft annual amounts for 2022. This appendix is included with the revised OEB Chapter 2 Appendices model.

Any costs relating to this application are not included in the 2022 draft annual amounts as presented in updated Appendix 2-JC. These costs form part of the one-time regulatory costs related to this application, of which 1/5 is added to the 2023 test year.

EXHIBIT 5 – COST OF CAPITAL AND RATE OF RETURN

VECC-40

Reference: Exhibit 5

a. Please update Appendices 2-OA and 2OB to reflect the most recent 2023 cost of capital parameters issued by the Board on October 20, 2022.

Response:

Both of these appendices reflect the most recent OEB cost of capital parameters, and they are included with the revised OEB Chapter 2 Appendices model.

VECC-41

Reference: Exhibit 5, page 9

> "*Bluewater notes that the new $15 million term loan will first used to repay the $3.5 million short-term advance from its parent company, Bluewater Power Corporation, as disclosed in Note 6 in the 2021 audited financial statements. The remaining $11,500,000 will be used to finance Bluewater's planned capital spending which has grown over recent years as discussed in Exhibit 2.*"

a. Please provide the agreement with respect to the $3.5 million dollar short term advance to Bluewater Distribution.

Response:

There is no formal agreement between Bluewater and its parent company with respect to short term financing.

b. Given the Utility's historical underleveraged position please explain why Bluewater has waited until interest rates are at historical highs in order to enter the private market for capital funding? Specifically, address the question as to why it would not be correct for the Board to find that the Utility has acted imprudently in undertaking virtually no financing over the previous 10 years when interest rates were at historically low levels.

Response:

Bluewater took out a new $10 million loan from its bank in early 2020, of which $3 million was repaid in December 2020, and approximately $4.2 million is owing in January 2023. Bluewater also borrowed on a revolving basis a short term loan of $3.5 million from its parent company in 2021 which will be repaid in early 2023. Bluewater also strategically borrowed from its line of credit on a revolving basis in 2021 and 2022, which peaked near the $7 million level in January 2023. These three sources of financing served to minimize interest costs, while supporting the increased capital spending that Bluewater has been undertaking in recent years.

Please also see responses to OEB Staff #5 (d) and (e), and OEB Staff #60 (a).

VECC-42

Reference: Exhibit 5, page 9

> *Bluewater 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.*

a. Please provide an update as to the current state of negotiations for this loan.

Response:

Please see the response to OEB Staff #5 (a) and (b).

EXHIBIT 6 – CALCULATION OF REVENUE DEFICIENCY/SURPLUS

VECC-43

Reference: Exhibit 6, Tab 3, page 32 Appendix 2-H

a. Please provide a revised version of Appendix 2-H that includes the actual values for 2022 by account. If year-end 2022 values are not available please provide year-to-date actual total for those months for which actuals are available and provide year-to-date 2021 actuals (by account) for the same period.

Response:

Appendix 2-H has been updated with draft annual amounts for 2022. It is included with the revised OEB Chapter 2 Appendices model.

b. Please provide the derivation of the 2023 Pole Rental Revenue ($249,669).

Response:

Please see Exhibit 6, page 40 of 49, which states the pole rental rate used in the calculation is $35.80.

The estimated total number of poles from all companies used in the calculation is 6,974 which is the same figure used in 2021 and 2022 in Exhibit 9, page 21 of 32.

Thus, 6,974 x $35.80 = $249,669.

Pursuant to SEC-28 (b), and the OEB's November 3, 2022 letter, the 2023 test year amount has been revised to be 6,974 x $36.05 = $251,413.

c. Please provide the derivation of the 2023 revenue forecasted for accounts 4082, 4084 and 4086.

Response:

Account 4082 – Retail Services Revenues ($30,538) and account 4084 – STR Revenues ($255), sum to a total of $30,793. Please refer to Exhibit 6.3.2.3, on pages 37-39, which explains how this amount is derived.

Account 4086 - SSS Administration Fee Revenue ($108,000). Please refer to Exhibit 6.3.2.4 on page 39, and Table 27 on pages 41-42, which explains how this amount is derived.

VECC-44

Reference: Exhibit 7, page 13

Preamble: The Application states:

"*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. The resulting weighting factors are presented in Table 7 below*."

a. Please provide a copy of the analysis performed to develop the weighting factors for Billing and Collecting.

Response:

Please see response to Staff-62.

b. Does Bluewater offer e-billing to its customers? If yes, please provide the most current data as to the number of customers in each class that are on e-billing.

Response:

Bluewater does offer e-billing to customers. Below is the most current data by rate class:

Rate Class	Current # e-bills
Residential	11,614
GS<50	1,379
GEN>50	219
Intermediate	7
Large	2
Sentinel	66
USL	202
Streetlight	5
Total	**13,494**

VECC-45

Reference: Cost Allocation Model, Tabs 7.1 and I7.2 Exhibit 7, page 13-14

a. Do any of the GS>50, Intermediate or Large Use customers have more than one meter that is owned by Bluewater. If yes, how many such customers are there and how many Bluewater-owned meters does each one have?

Response:

There is 1 customer in the GS>50 class that is a Wholesale Market participant and therefore Bluewater does not own the meter.

There are 2 customers in the Intermediate class that each have 2 Bluewater owned meters.

There is 1 customer in the Large class that is a Wholesale Market participant and therefore Bluewater does not own the meter.

b. Do any of the GS>50, Intermediate or Large Use customers have more than one meter that is read by Bluewater. If yes, how many such customers are there and how many Bluewater-read meters does each one have?

Response:

There is 1 customer in the GS>50 class that is a Wholesale Market participant and therefore Bluewater does not own the meter, however Bluewater reads the meter.

There are 2 customers in the Intermediate class that each have 2 meters and 2 meters are read per customer.

There is 1 customer in the Large class that that is a Wholesale Market participant and therefore Bluewater does not own the meter, however Bluewater reads the meter.

As a result of this question, Bluewater will update the Cost Allocation model to reflect the impact of one less meter in the GEN>50 and Large use class in Sheet I7.1 Meter Capital since Bluewater does not own those meters, and the addition of two extra meters in the Intermediate rate class representing the two customers that each have two meters.

Furthermore, Bluewater will update the Cost Allocation model to reflect the impact of two more meters to be read in the Intermediate rate class in Sheet I7.2 Meter Reading of the Cost Allocation model.

VECC-46

Reference: Exhibit 7, Cost Allocation Model, Tab I4 (BO Assets)

a. Please provide a schedule that compares the primary/secondary asset breakout in the current Application with that used in the utility's last COS Application for the following accounts: i) #1830, ii) #1835, iii) #1840 and iv) #1845. Please explain any material changes (i.e., greater than five percentage points).

Response:

The chart below details the change in the noted accounts between the current application and the prior 2013 OEB approved application.

		2023 Proposed	2013 Approved	
		BREAK OUT (%)	BREAK OUT (%)	% change from 2013
1830	**Poles, Towers and Fixtures**			
1830-4	Poles, Towers and Fixtures - Primary	60.10%	70.50%	-10.40%
1830-5	Poles, Towers and Fixtures - Secondary	39.90%	29.50%	10.40%
1835	**Overhead Conductors and Devices**			
1835-4	Overhead Conductors and Devices - Primary	78.00%	87.00%	-9.00%
1835-5	Overhead Conductors and Devices - Secondary	22.00%	13.00%	9.00%
1840	**Underground Conduit**			
1840-4	Underground Conduit - Primary	63.00%	33.00%	30.00%
1840-5	Underground Conduit - Secondary	37.00%	67.00%	-30.00%
1845	**Underground Conductors and Devices**			
1845-4	Underground Conductors and Devices - Primary	63.00%	33.00%	30.00%
1845-5	Underground Conductors and Devices - Secondary	37.00%	67.00%	-30.00%

As outlined starting at page 3 of Exhibit 7, Bluewater, as part of its undertaking to complete a Large use study, refined the process of allocating costs between primary and secondary for certain asset accounts which has led to the variances noted in the table above between the current filing and that approved as part of the 2013 rate application.

In regard to Account 1830 – Poles, Towers and Fixtures, for the poles that had both primary and secondary on them, in the current application Bluewater allocated the same percentage split as the poles with only primary (74.8%), and the poles with only secondary (25.2%). This compares to the 2013 version that deemed any pole with primary, including poles that had both primary and secondary assets, to be categorized as primary. The current approach is more accurate and leads to a 10.4% higher allocation to secondary assets.

In regard to Accounts 1835 – Overhead Conductors and Devices and 1845 – Underground Conductors and Devices, in 2011 Bluewater created sub-accounts to track new asset builds by the primary and secondary components for certain asset classes. This allows a more accurate separation of the costs than the 2013 filing which used an apportionment methodology to estimate the split.

In regard to Account 1840 – Underground Conduit, in both the 2013 and the current 2023 application, Bluewater allocated the same percentage split as determined in Account 1845.

VECC-47

Reference: Exhibit 7, page 4

Preamble: The Application states:
"*In its 2013 COS application, Bluewater used the load profiles provided by Hydro One in its cost allocation models. Those load profiles were scaled to the 2013 consumption forecasts*."

a. Please provide a version of the 2023 Cost Allocation Model where the load profiles are based on those provided by Hydro One and sales to the 2023 consumption forecasts.

Response:

Please see 7-VECC-47 Attachment 1.

VECC-48

Reference: Exhibit 7, page 5

Preamble: The Application states:
"*Street Lights and Sentinel Light profiles were based on Bluewater's hourly street light load profile. Annual USL consumption was allocated evenly over each hour of the year*."

a. How was the Street Light class load profile determined?

Response:

The Street Light load profile is the same profile Bluewater has used since it was developed in the 2000s. Elenchus advised that the profile is consistent with the profiles used by other LDCs in recent years and reasonable to use in this load profile study.

VECC-49

Reference: Exhibit 7, pages 8-9

Preamble: The Application states (page 8):
"*The impact of HDDs and CDDs on hourly load is calculated with a regression of six years of actual hourly loads (2016 to 2021) on daily HDDs and CDDs. The regression results provide the estimated impact of a change in degree days on load*."

The Application states (page 9):
"*Actual 2019 hourly load is adjusted by calculating the difference between actual daily temperatures and the corresponding ranked typical daily temperature (as identified in Table 5) and applying the regression coefficient to the difference. The year 2019 was selected as the base year to scale to avoid irregular consumption patterns in 2020 and 2021 caused by the COVID-19 pandemic that are expected to diminish by the 2023 Test Year*."

a. Why is it appropriate use 2020 and 2021 data to determine the impact of HDDs and CDDs on hourly load but not use 2020 or 2021 for purposes of calculating the load profiles for

each class, particularly when the regression model used to determine the impact of HDD and CDD on load includes variables to account for the impact of COVID (per pages 6-7)?

Response:

The 2020 and 2021 data is used only for the purposes of deriving HDD and CDD coefficients used for weather-normalizing 2019 hourly demands. Despite the influence of COVID on demands, which are somewhat mitigated by the COVID HDD and COVID CDD variables, including 2020 and 2021 data provides a more timely and robust dataset to derive the weather normalization factors. Using 2020 or 2021 data hourly loads, with weather normalizing adjustments, as the basis for deriving CP and NCP figures would inappropriately include the impacts of lockdowns and COVID waves at different times of the year that should not be reflected in forecast data.

b. Please provide the results (i.e., the 2023 CP and NCP values) for each customer class based on: i) adjusted 2020 data and ii) adjusted 2021 data.

Response:

Please see VECC-49 Attachment 1, tabs '2020' and '2021'.

c. Please provide the results (i.e., the 2023 CP and NCP values) for each customer class based on adjusted 2018 data.

Response:

Please see VECC-49 Attachment 1, tab '2018'.

VECC-50

Reference: Exhibit 7, pages 8-9

Preamble: The Application states:
"*Temperatures can impact load differently depending on the time of the day and consequently HDD and CDD variables are converted to interaction variables between degree days and the hour of the day. There are 24 variables for each of HDD and CDD, equal to the actual degree days in the corresponding hour, and 0 in all other hours. A set of 24 binary variables, equal to 1 in the corresponding hour and 0 in all other hours; COVIDHDD and COVIDCDD variables equal to 0 in all days until March 16, 2020 and equal to the relevant HDD or CDD in each hour thereafter; a COVID_AM variable equal to 0.5 in every hour from March 16 to March 31, 2020, 1 in every hour in April and May 2020, and 0.5 for every month thereafter; a trend variable; a Weekend binary variable; and a Holiday binary variable. The resulting coefficients reflect the impact of one HDD or CDD that considers different impacts depending on the hour of the day*."

a. Please confirm that by using binary variables to account for the impact of weekends and holidays as opposed to weekdays on load the model implicitly assumes that the impact of a change in HDD or CDD value is the same on weekends and holidays as it is on weekdays. If confirmed, please explain why this "assumption" is reasonable? If not confirmed, please explain why not.

Response:

Confirmed. This assumption was made to maintain an operatable number of variables. Separate HDD and CDD variables by weekday, weekend, and holiday would require 144 variables, plus the remaining 27 (or 28, depending on the class) variables used for a total of 171 (or 172) variables.

EXHIBIT 8 – RATE DESIGN

VECC-51

Reference: Exhibit 8, pages 4-5 Cost Allocation Model, Tab O2

Preamble: The Application states:
"*It should be noted that for the USL, Sentinel and Streetlighting rate classes, the billing determinant for the monthly fixed service charge is the number of devices, not the number of connections. Bluewater requests an update to the Tariff Sheet to reflect a wording change to be 'Monthly Service Charge (per device)'. Bluewater confirms that the 2013 OEB Approved rates were also properly calculated and charged based on the number of devices such that there is no substantive change from 2013 to 2023; it is simply the case that the 2013 Tariff sheet incorrectly referred to a per connection charge*".

a. In Tab O2 and Table 3 (Exhibit 8), are the USL, Sentinel and Streetlighting values for 'Customer Unit Cost Per Month – Minimum System with PLCC Adjustment" values calculated using number of connections or number of devices? If number of connections is used please restate the values based on number of devices.

Response:

For the USL and Sentinel rate categories, the number of connections is the same as the number of devices, however for the streetlight rate category Bluewater has changed the formulas in Sheet O2 of the Cost Allocation model to correctly refer to the number of devices. The updated cost allocation model has been filed with the responses to the interrogatories which reflects the change to number of devices.

VECC-52

Reference: Exhibit 8, pages 8-10 RTSR Workform

Preamble: The Application states (page 9):
"*The 2023 RTSR Workform incorporates the updated 2022 Uniform Transmission rates effective as of April 1, 20221, and the following rates have been used in the model until such time as the 2023 rates are available*".

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

Response:

Bluewater used the OEB's RTSR Workform which contained the 2021 data pre-populated on Tab 3 of the workform.

b. What year's data are used for the Network, Line Connection and Transformation Connection billing units used in Tabs 5, 6 and 7 of the RTSR Workform for the IESO and Hydro One?

Response:

Tabs 5, 6 and 7 contain 2021 actual data.

c. Please provide an updated RTSR Workform that includes the 2023 UTRs approved by the OEB (EB-2022-0250) and Hydro One Networks approved 2023 RTSRs for ST customers.

Response:

Please find updated RTSR Workform that contains the 2023 UTRs and the updated Hydro One rates.

VECC-53

Reference: Exhibit 8, pages 11-12

Preamble: The Application states (page 11):
"*Bluewater requests the establishment and approval of Gross Load Billing of Retail Transmission Rate – Line and Transformation Connection Service Rate, and for Low Voltage Service Rates for customers with Eligible Load Displacement Generation*".

a. For each of the GS>50, Intermediate and LU classes please indicate, based on 2022 billings, how much the application of "Gross Load Billing" will increase the class's average monthly billing demand.

Response:

The application of Gross Load Billing ("GLB") is not intended to increase the rate class's average monthly billing demand. The billing demand that Bluewater is charged by the IESO for charge types 651 and 652 (Line Connection Service Charge and Transformation Connection Service Charge) will include the change to any peak hour from eligible load displacement generation whether Bluewater is approved for GLB or not. If Bluewater does receive approval, the customer that directly affected the peak will be attributed the incremental cost. If Bluewater does not receive approval of GLB, the incremental charge will be booked to the Retail Transmission Line Connection and Transformation Connection variance accounts which, when disposed, will be attributed to all customers, rather than to those that created the incremental cost.

In regard to the 2022 billings, the calculations for what Bluewater will be charged for GLB are normally done in the spring. Bluewater sought the hourly data from both Hydro One Wholesale Settlements, and from the IESO in order perform the analysis ourselves, however we were not able to obtain the data.

VECC-54

Reference: Exhibit 8, pages 15-16

Preamble: The Application states (page 16):
"*Bluewater 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*."

a. What would be the annual LV costs and the resulting LV rates based on 2022 actual volumes and Hydro One Networks approved 2023 ST rates (EB-2021-0110)? (Note: If actual 2022 volumes are not available for the full year please use 2021 actual volumes)

Response:

Please see response to Staff-65.

VECC-55

Reference: Exhibit 8, pages 18-21 Exhibit 3, page 14 Appendix 2-R

Preamble: The Application states (Exhibit 3, page 14):
"*Traffic light device counts and consumption have historically been understated. Traffic lights were counted as a single customer and monthly consumption has been understated by 3,942 kWh*."

a. Please provide a revised version of Appendix 2-R where the Retail kWh for each year are adjusted to include the unrecorded additional kWh for traffic lights described in Exhibit 3.

Response:

A revised version of Appendix 2-R is provided below, which has an additional 47,309 kWh added each year to the row labeled D "Retail" kWh delivered by distributor. The result is a loss factor of 1.0431 compared to as filed at 1.0432.

		Historical Years					5-Year Average
		2017	2018	2019	2020	2021	
	Losses Within Distributor's System						
A(1)	"Wholesale" kWh delivered to distributor (higher value)	1,008,547,184	1,027,532,510	1,009,435,344	993,042,808	993,739,795	1,006,459,528
A(2)	"Wholesale" kWh delivered to distributor (lower value)	1,001,978,272	1,020,863,743	1,002,580,158	985,020,078	985,808,621	999,250,174
B	Portion of "Wholesale" kWh delivered to distributor for its Large Use Customer(s)	292,373,784	290,261,306	293,864,604	284,016,893	268,884,161	285,880,150
C	Net "Wholesale" kWh delivered to distributor = **A(2) - B**	709,604,489	730,602,437	708,715,554	701,003,184	716,924,459	713,370,025
D	"Retail" kWh delivered by distributor	977,939,281	991,482,991	974,972,556	956,966,239	958,015,831	971,875,380
E	Portion of "Retail" kWh delivered by distributor to its Large Use Customer(s)	289,478,994	287,387,432	290,955,053	281,204,845	266,221,942	283,049,653
F	Net "Retail" kWh delivered by distributor = **D - E**	688,460,287	704,095,559	684,017,503	675,761,394	691,793,889	688,825,726
G	Loss Factor in Distributor's system = **C / F**	1.0307	1.0376	1.0361	1.0374	1.0363	1.0356
	Losses Upstream of Distributor's System						
H	Supply Facilities Loss Factor	1.0066	1.0065	1.0068	1.0081	1.0080	1.0072
	Total Losses						
I	Total Loss Factor = **G x H**	1.0375	1.0444	1.0432	1.0458	1.0447	1.0431

EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

VECC -56

Reference: Exhibit 9, page Letter of October 14, 2015

On October 14, 2015 Bluewater wrote to the Board stating in part:

"Bluewater Power Distribution Corporation's ("Bluewater Power") most recent rebasing application was for rates effective May 1, 2013. Accordingly, we are currently scheduled for a Cost of Service application for rates effective May 1, 2017 under the 3rd Generation IR framework. Bluewater Power respectfully requests to defer the Cost of Service application for one year (for rates effective 2018) and, thereby continue under the 3rd Generation IR framework for one additional year, being the rate year effective May 1, 2017."

a. Please confirm that Bluewater voluntarily sought to defer rate rebasing for the years subsequent to this letter.

Response:

Confirmed.

b. Please provide the correspondence to the Board seeking each of those deferrals and the Board response.

Response:

Please see VECC 56 - Attachment 1 for Bluewater's requests and the Board's Response for each deferral.

VECC -57

Reference: Exhibit 9, page Letter of October 14, 2015

a. In light of Bluewater's decision to seek rate rebasing and it exceeding the deemed ROE in rates for each of those subsequent years, please explain why it is reasonable that ratepayers reimburse the Utility for any OEB cost assessment variance subsequent to May 1, 2017?

Response:

Bluewater is no longer seeking disposition for the OEB cost assessment variances. Please see response to Staff-72. Please see response to CCC-7 for revised ROE.

VECC -58

Reference: Exhibit 9, page 6

a. Please provide the carrying charges that Bluewater is seeking for the following accounts for the period starting May 1, 2017:
   i. 1508 Deferred IFRS Transition Costs
   ii. 1508 OEB Cost Assessment Account
   iii. 1534 Smart Grid Deferral Account - Capital
   iv. 1535 Smart Grid Deferral Account – OM&A
   v. 1555 Smart Meter Capital and Recovery Offset – Stranded Meter Costs
   vi. 1568 LRAM Variance Account –

Response:

The table below provides the carrying charges sought for recovery for each account listed, starting May 1, 2017:

Account	2017 May 1 - Dec 31	2018	2019	2020	2021	2022	2023 Jan 1 - April	Total
1508 Deferred IFRS Transition Costs	1,025	2,292	2,766	1,692	701	1,843	902	11,221
1508 OEB Cost Assessment Account	413	1,393	2,153	1,632	754	2,099	1,152	9,596
1534 Smart Grid Deferral Account - Capital	1,365	4,193	6,464	4,035	1,701	4,544	2,225	24,527
1535 Smart Grid Deferral Account - OM&A	779	2,358	3,169	2,138	969	2,761	1,352	13,526
1555 Smart Meter Capital and Revoery Offset - Stranded Meter Costs	121	219	265	162	67	176	86	1,096
1568 LRAM Variance Account	-	-	-	-	982	11,978	10,514	23,474
Total								83,440

VECC -59

Reference: Exhibit 9, pages 24 -

Bluewater is seeking recovery of two "smart grid" capital investments – Distributed Transformer Monitoring and Distribution Automation/FLSIR. Please provide the in-service dates for the various equipment by month and year.

a. Please explain what differentiates these two projects from other (innovative) capital investments that Bluewater made during the past rate period.

Response:

In-service dates: Table 3, from page 31 of the DSP has been reproduced here for the in-service additions by year. The Scada Monitoring Devices were recorded at year-end in December of each year. For the FDIR project, the 2015 amount was completed in December and the 2016 amount completed in January.

Table 3: Smart Grid Capital Projects

Project	2015	2016	2017	2018	2019	2020	2021	Total ($)
Distribution Automation (FDIR)	216,577	5,298						221,875
Scada Monitoring Devices	27,484	19,285		2,569		5,360	2,272	56,970
Total	**244,061**	**24,583**		**2,569**		**5,360**	**2,272**	**278,845**

Both of these projects made use of new technology to modernize Bluewater's distribution system, and which could be described as "smart grid" investments. Bluewater does not have any other projects that meet this description.

b. Did Bluewater inform the Board prior to making these investments to seek guidance on the applicability of deferral account treatment for these accounts. If so, please provide that correspondence.

Response:

Bluewater requested clarification from Board Staff on the need to update the Board through an updated GEA plan and was informed that it may record amounts in the deferral account without doing so. A copy of the correspondence is attached to these responses as VECC 59 – Attachment 2.