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October 14, 2015

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

RE: 2017 Cost of Service Application

Dear Ms. Walli

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.

Bluewater Power has a stable Rate Base, largely due to the fact we see nominal customer growth and a focused effort to ensure reliability through capital maintenance. We do not file this request lightly, but we have reviewed our circumstances and we are comfortable that we do not expect any extraneous cost pressures over the next one to two years. Therefore, the need for Bluewater Power to rebase in 2017 is not significant.

The benefit to our customers of a delay in the rebasing application is one additional year of stable and predictable distribution rates. The benefit to Bluewater Power is that a deferral of one year will allow us to focus our effort on producing a robust distribution system plan, as well as facilitate further customer engagement.

Bluewater Power’s actual return on equity is within the acceptable range applied by the OEB. For your ease of reference, the last three years are indicated in the chart below:

	2012	2013	2014
Deemed ROE in rates	8.01%	8.98%	8.98%
Achieved ROE	9.70%	11.40%	10.17%

Bluewater Power has improved its service reliability indicators in 2014 over the previous years, and overall our service quality indicators are favorable.

Please feel free to contact me if you require any further information, or you wish to provide direction.

Sincerely,

Alex Palimaka
VP, Regulatory Affairs and General Counsel
Email: apalimaka@bluewaterpower.com
Phone: 519-337-8201 Ext 2292

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BY E-MAIL

March 21, 2016

Alex Palimaka
VP, Regulatory Affairs and General Counsel
Bluewater Power Distribution Corporation
P.O. Box 2140
855 Confederation Street
Sarnia ON N7T 7L6

Dear Mr. Palimaka:

Re: Applications for 2017 Electricity Rates

This letter is in response to your letter expressing an interest to defer Bluewater Power Distribution Corporation's rebasing of its rates beyond the 2017 rate year.

The OEB has reviewed your letter, as well as Bluewater Power's financial and non-financial scorecard performance from 2010 to 2014. Based on this review, the OEB has concluded that it will not require Bluewater Power's 2017 rates to be set on a cost of service basis. The OEB will place Bluewater Power on the list of distributors whose rates will be scheduled for rebasing for the 2018 rate year. The OEB may reassess this conclusion as new scorecard performance information becomes available for 2015.

If Bluewater Power intends to seek a rate adjustment for 2017 rates, the OEB expects Bluewater Power to adhere to the process for Price Cap Incentive Rate-setting applications for the 2017 rate year.

If Bluewater Power subsequently seeks a further deferral the OEB will consider whether the Annual Incentive Rate-setting Index method that was developed for distributors intending longer periods without rebasing should be applied. The OEB will also consider whether the filing of a distribution system plan would be required at that time.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary



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December 20, 2016

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

RE: 2018 Cost of Service Application

Dear Ms. Walli

Bluewater Power Distribution Corporation (“Bluewater”) is writing to seek a one-year deferral of its 2018 Cost of Service (“COS”) application. Bluewater completed its most recent COS application for rates effective May 1, 2013. We were scheduled to file our next COS application four year later (rates effective May 1, 2017), but in October of 2015, Bluewater requested to defer our COS application by one year. Approval of that deferral request was granted by the Ontario Energy Board by letter dated March 21, 2016, so this request is our second request for a one-year deferral.

Over the past several months, Bluewater has worked toward filing a COS application for 2018 rates. We have continued to finalize our Asset Management Plan, monitored customer needs, load forecast trends, the reliability of our system and progress on capital spending. As part of that process of preparation, we also sought to determine whether it would be beneficial for both Bluewater and its customers to delay rebasing for a further one-year period.

Bluewater believes it is incumbent upon the distributor to ask, each time before filing a COS application, whether the time and expense of a COS application is to the benefit of the utility and its customers. At this time, Bluewater believes that the utility can continue one more year under the 3rd Generation Price Cap IR process, and continue to provide reliable service, invest appropriately in capital and focus on key initiatives to manage costs for the utility while maintaining a customer centric focus.

Bluewater submits that the proposed one-year deferral is appropriate for the following reasons:

- Although Bluewater accepts that ROE toward 2018 could trend below OEB-approved ROE, we also believe that our customers are better served by continuing to focus on cost savings rather than investing the substantial time and expense required in order to conduct a COS application.
- Bluewater’s capital spending in 2016, as well as forecast spending in 2017, exceed the level of capital spending approved in our 2013 COS application (even if that spending is offset by the “lumpiness” in our capital spending discussed next). The OEB can be satisfied that Bluewater maintained investment in our infrastructure during 2016 despite the delay in rebasing, and we forecast the same level of capital investment in 2017.
- Capital spending has been relatively stable since the year 2013, however Bluewater is experiencing some “lumpiness” in Capital spending currently as we work with Hydro One Networks Inc. (“HONI”) on the upgrade of the Wanstead Transformer Station. That project will be complete in the last quarter of 2018; therefore, a one-year delay in rebasing will permit the Capital Spending driven by that HONI upgrade to be fully incorporated in Rate Base if the COS application is delayed until 2019.

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- Bluewater will continue to work toward finalizing its Asset Management Plan. If the OEB requests, we would be pleased to submit the document in the Fall of 2017, if not for review or approval by the OEB, but simply for the OEB's records.
- Bluewater's OEB scorecard for the year 2015 was favourable, and we continue to strive toward improved performance.

There are softer considerations that we believe support the direction to defer rebasing for a further one-year period. Like many other LDCs, the workload in the current regulatory and political environment has placed extreme pressure on all departments. In order to avoid cost increases required to "staff-up" in order to maintain current service as well as conduct a COS application, the proposed a one-year deferral will permit Bluewater to focus on longer term planning to ensure the time and resources will be available without incremental staff. Moreover, there is public pressure on electric utilities to control costs further, and by deferring a potential increase in base distribution rates, Bluewater and the OEB can provide assurance to the public that we are striving toward stable and predictable distribution rates for our customers.

Finally, we note that Bluewater's actual return on equity is within the acceptable range as determined by the OEB. For your ease of reference, the ROE for the most recent four years are indicated in the chart below.

	2012	2013	2014	2015
Deemed ROE in rates	8.01%	8.98%	8.98%	8.98%
Achieved ROE	9.70%	11.40%	10.17%	11.83%

Accordingly, Bluewater hereby requests to defer the Cost of Service application for one further year (for rates effective 2019) and, thereby continue under the 3rd Generation Price Cap IR framework for one additional year, being the rate year effective May 1, 2018.

Please feel free to contact me if you require any further information, or you wish to provide direction.

Sincerely,



Alex Palimaka
Senior VP, Regulatory Affairs and General Counsel
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BY E-MAIL

March 3, 2017

Alex Palimaka
Senior VP, Regulatory Affairs and General Counsel
Bluewater Power Distribution Corporation
P.O. Box 2140
855 Confederation Street
Sarnia ON N7T 7L6

Dear Mr. Palimaka:

Re: Applications for 2018 Electricity Rates

This letter is in response to your letter expressing an interest to defer Bluewater Power Distribution Corporation's (Bluewater Power) rebasing of its rates beyond the 2018 rate year.

The OEB has reviewed your letter, as well as Bluewater Power's financial and non-financial scorecard performance from 2011 to 2015. Based on this review, the OEB has concluded that it will not require Bluewater Power's 2018 rates to be set on a cost of service basis. The OEB will place Bluewater Power on the list of distributors whose rates will be scheduled for rebasing for the 2019 rate year. The OEB may reassess this conclusion as new scorecard performance information becomes available for 2016.

If Bluewater Power intends to seek a rate adjustment for 2018 rates, the OEB expects Bluewater Power to adhere to the process for Price Cap Incentive Rate-setting applications for the 2018 rate year.

This is the second consecutive year that Bluewater Power has sought a deferral to filing a cost of service rate application. The Annual Incentive Rate-setting Index is the method that was developed for distributors intending longer periods without rebasing. In the absence of a 2019 cost of service rate application from Bluewater Power the OEB will apply the Annual IR Index method. The OEB will also consider whether a distribution system plan will be required at that time.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary



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December 12, 2017

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

RE: 2019 Cost of Service Application

Dear Ms. Walli

Bluewater Power Distribution Corporation (“Bluewater”) is in receipt of the OEB letter dated December 7, 2017 listing LDCs scheduled for Cost of Service applications for the 2019 rate year. Bluewater is writing to seek a one-year deferral of its 2019 Cost of Service (“COS”) application. Bluewater completed its most recent COS application for rates effective May 1, 2013. We were originally scheduled to file our next COS application four year later (rates effective May 1, 2017), but Bluewater has sought a deferral for the last two years, and has received OEB approval of those deferral requests.

Bluewater believes it is incumbent upon the distributor to ask, each time before filing a COS application, whether the time and expense of a COS application is to the benefit of the utility and its customers. At this time, Bluewater believes that the utility can continue an additional year under the 3rd Generation Price Cap IR process, and continue to provide reliable service, invest appropriately in capital and focus on key initiatives to manage costs for the utility while maintaining a customer centric focus

Bluewater continues to work on the Asset Management Plan, as well as monitor customer needs, load forecast trends, the reliability of our system and progress on capital spending. In addition, Bluewater has favourable 2016 scorecard results in all areas, and we continue to strive for improvements.

Like many other LDCs, the workload in the current regulatory and political environment has placed extreme pressure on all departments. In order to avoid cost increases required to “staff-up” in order to maintain current service as well as conduct a COS application, the proposed a one-year deferral will permit Bluewater to focus on longer term planning to ensure the time and resources will be available without incremental staff. Moreover, there is public pressure on electric utilities to control costs further, and by deferring a potential increase in base distribution rates, Bluewater and the OEB can provide assurance to the public that we are striving toward stable and predictable distribution rates for our customers.

Finally, we note that Bluewater’s actual return on equity is within the acceptable range as determined by the OEB. For your ease of reference, the ROE for the most recent four years are indicated in the chart below.

	2013	2014	2015	2016
Deemed ROE in rates	8.98%	8.98%	8.98%	8.98%
Achieved ROE	11.40%	10.17%	11.83%	11.86%

Accordingly, Bluewater hereby requests to defer the Cost of Service application for one further year (for rates effective 2020) and, thereby continue under the 3rd Generation Price Cap IR framework for one additional year, being the rate year effective May 1, 2019.

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Please feel free to contact me if you require any further information, or you wish to provide direction.

Sincerely,

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

Alex Palimaka
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BY E-MAIL

August 14, 2018

Alex Palimaka
Senior VP, Regulatory Affairs and General Counsel
Bluewater Power Distribution Corporation
P.O. Box 2140
855 Confederation Street
Sarnia ON N7T 7L6

Dear Mr. Palimaka:

Re: Applications for 2019 Electricity Rates

This letter is in response to your letter expressing an interest to defer Bluewater Power Distribution Corporation's (Bluewater Power) rebasing of its rates beyond the 2019 rate year.

The Ontario Energy Board (OEB) has reviewed your letter, as well as Bluewater Power's financial and non-financial scorecard performance from 2012 to 2016. Based on this review, the OEB has concluded that it will not require Bluewater Power's 2019 rates to be set on a cost of service basis. The OEB will place Bluewater Power on the list of distributors whose rates will be scheduled for rebasing for the 2020 rate year. If Bluewater Power intends to seek a rate adjustment for 2019 rates, the OEB expects Bluewater Power to adhere to the process for Price Cap Incentive Rate-setting applications for the 2019 rate year.

This is the third consecutive year that Bluewater Power has sought a deferral to filing a cost of service rate application. The Annual Incentive Rate-setting Index (Annual IR Index) is the method that was developed for distributors intending longer periods without rebasing. In the absence of a 2020 cost of service rate application from Bluewater Power the OEB will apply the Annual IR Index method. The OEB will also require Bluewater Power to file a distribution system plan with the OEB no later than August 30, 2019.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary



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April 9, 2019

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

RE: 2020 Cost of Service Application

Dear Ms. Walli

Bluewater Power Distribution Corporation (“Bluewater”) is listed on the Ontario Energy Board (“OEB”) letter dated November 27, 2018 as a Distributor scheduled to apply for Rebasing for 2020 rates. Bluewater is writing to seek a one-year deferral of its Cost of Service application.

Bluewater completed its most recent Cost of Service application for rates effective May 1, 2013. We have been working toward filing a Cost of Service application in August of 2019 for rates effective May, 2020. However, the uncertainty introduced by the recent action of the Government of Ontario to introduce Bill 87 entitled “Fixing the Hydro Mess” has caused Bluewater to conclude that filing a Cost of Service application at this time is not in the best interests of our customers. Bluewater is generally supportive of the government’s stated desire to find efficiencies, but that must be balanced by the desire to maintain a reliable and stable distribution sector. We are currently in a time of change, so the desire for stability demands we take the time to assess the full impact of Bill 87 both for our organization and for our customers. In addition, the Ontario Energy Board is itself in a time of change, and we are optimistic that the Minister’s call for modernization of the regulator will allow the OEB to very capably respond to the call for reduced regulatory burden while achieving the balance between efficiency and reliability.

Accordingly, Bluewater hereby requests a deferral of our Cost of Service application from 2020 to the year 2021. Bill 87 represents a significant step by the current government to realign the electricity industry with the expectations of consumers, and we believe it prudent for Bluewater to fully assess the outcomes for the utility sector before proceeding with a full Cost of Service rate application. Our customers are best served by accepting the normal inflationary increase associated with the 4th Generation Price Cap IR framework, while we await the outcomes of Bill 87 on the distribution industry and the OEB’s regulatory processes.

Bluewater will file its Distribution System Plan by August 31, 2019 in order to provide the OEB with comfort that our utility has a comprehensive plan in place to support our capital spending.

Bluewater has favorable 2017 scorecard results in all areas, and we expect consistent results for 2018 as we continue to strive for improvements in operations and efficiencies.

Finally, we note that Bluewater’s actual return on equity is within the acceptable range as determined by the OEB. For your ease of reference, the ROE for the most recent four years are indicated in the chart below.

	2014	2015	2016	2017
Deemed ROE in rates	8.98%	8.98%	8.98%	8.98%
Achieved ROE	10.17%	11.83%	11.86%	10.31%

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Accordingly, Bluewater hereby requests to defer the Cost of Service application for one further year (for rates effective 2021) and, thereby continue under the 4th Generation Price Cap IR framework for one additional year, being the rate year effective May 1, 2020.

Please feel free to contact me if you require any further information, or you wish to provide direction.

Sincerely,

A handwritten signature in black ink, appearing to read 'APL', is positioned below the text 'Sincerely,'.

Alex Palimaka
Senior VP and General Counsel
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Ontario
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BY EMAIL

July 5, 2019

Alex Palimaka
Senior VP and General Counsel
Bluewater Power Distribution Corporation
P.O. Box 2140
855 Confederation Street
Sarnia, ON N7T 7L6
a.palimaka@bluewaterpower.com

Dear Mr. Palimaka:

Re: Application for 2020 Electricity Rates

This letter is in response to your letter expressing an interest to defer Bluewater Power Distribution Corporation's (Bluewater Power) rebasing of its rates beyond the 2020 rate year.

The Ontario Energy Board (OEB) has reviewed Bluewater Power's financial and non-financial scorecard performance from 2012 to 2017 and has concluded that it will not require Bluewater Power's 2020 rates to be set on a cost of service basis. However, no further requests for deferral will be granted. The OEB expects Bluewater Power to file a rebasing application for 2021 rates. Bluewater Power has proposed to file its distribution system plan (DSP), which is expected to be filed in April 2020 for January 1, 2021 rates or in August 2020 for May 1, 2021 rates, by August 31, 2019. The OEB will not require a stand-alone DSP to be filed as it can be filed with the 2021 rebasing application.

If Bluewater Power intends to seek a rate adjustment for 2020 rates, the OEB expects Bluewater Power to adhere to the process for Price Cap Incentive Rate-setting applications for the 2020 rate year.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary



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May 22, 2020

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

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

Dear Ms. Long,

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

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

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

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

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

In support of our request for a deferral, we submit that rebasing in these uncertain times makes rate setting a “game of chance” that creates significant risk of leading rates that are not just and reasonable. The uncertainties

that we face fall in three categories: (1) short-term cost implications, (2) long-term cost implications, and (3) customer load forecasts.

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

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

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

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

Finally, Bluewater highlights for the OEB that we are neither over-recovering as a utility currently, nor are we in dire financial circumstances that make it unreasonable to defer rebasing. Bluewater can assure the OEB that we are financially able to sustain an additional year under the current rate regime. Our Return on Equity for 2019 as submitted in the RRR’s is 10.93%, which is within the acceptable range of +/- 300 basis points of the ROE dead

band. As evidence of our solid financial position and commitment to investment in the capital assets that serve our customers, we are also able to report that our actual capital spending in 2019 was \$9.558M. That annual capital investment is nearly 50% higher than the capital budget of \$6.466M proposed with the 2013 rebasing application approved by the OEB. As we have reported previously, Bluewater faced challenges achieving its capital budgets in the years 2013 and 2014, but we have “caught up” that spending and more; our total capital spending over the period from 2013-2019 was \$51.6M, which is 14% higher than the amount that would have been achieved had Bluewater spent the same amount approved with the 2013 rebasing application (\$6.466M x 7 years = \$45.3M).

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

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

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

In summary, Bluewater respectfully requests the following:

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

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

Sincerely,



Alex Palimaka

Senior VP and General Counsel

apalimaka@bluewaterpower.com

519-337-8201 Ext 2292



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BY EMAIL

June 19, 2020

Alex Palimaka
Senior VP and General Counsel
Bluewater Power Distribution Corporation
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apalimaka@bluewaterpower.com

Dear Mr. Palimaka:

**Re: Application for 2021 Electricity Rates
Ontario Energy Board File Number: EB-2020-0005**

This letter is in response to your letter expressing an interest to defer Bluewater Power Distribution Corporation's (Bluewater Power) rebasing of its rates beyond the 2021 rate year.

The Ontario Energy Board (OEB) has reviewed Bluewater Power's 2018 performance and a forecast of the 2019 performance. This is the fourth consecutive year that Bluewater Power has sought a deferral to filing a cost of service rate application. In its letter dated July 5, 2019, the OEB determined that no further requests for deferral would be granted, and that a distribution system plan must be filed as part of a 2021 cost of service application. The OEB remains concerned that Bluewater Power's last cost of service application was for 2013 rates. However, in light of the COVID 19 emergency, the OEB will grant the requested deferral. The OEB expects Bluewater Power to file a cost of service application for 2022 rates, including a distribution system plan.

The Annual Incentive Rate-setting Index (Annual IR Index) is the method that was developed for distributors intending longer periods without rebasing. For 2021 rates, the OEB will therefore apply the Annual IR Index method to Bluewater Power.

Yours truly,

Original signed by

Christine E. Long
Registrar and Board Secretary



P.O. Box 2140
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December 16, 2020

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

Dear Ms. Long,

RE: Bluewater Power Election of Annual IR for 2022

On November 6, 2020, Bluewater Power Distribution Corporation ("Bluewater") filed an application for rates effective May 1, 2021 under an Annual IR plan. That application was filed as an Annual IR as per the direction to Bluewater from the OEB in its letter dated June 19, 2020.

We anticipate that the OEB will shortly be issuing its list of scheduled rebasing applications for 2022 ("OEB Docket"), which will likely indicate that Bluewater is scheduled to file a rebasing application for rates effective January 1, 2022. That application would be due April 30, 2021.

Given the demands and the uncertainty related to the COVID-19 Pandemic (the "Pandemic"), Bluewater takes this opportunity to notify the OEB that, rather than file a cost of service based application, it intends to continue under Annual IR for 2022 Rates.

The Pandemic has had profound impacts on Canadians. For Bluewater the Pandemic has presented challenges as we manage our workforce, work with those customers struggling to pay their bills and seek ways to control costs in these unprecedented times. Adding to the challenges for our workforce has been a significant community infrastructure project that started in 2020 and has placed tremendous demand on our resources in the midst of the Pandemic. The infrastructure project is known as the Oversized Load Corridor ("OLC"), whereby the City of Sarnia, St. Clair Township and the County of Lambton are collectively investing nearly \$17M to create a safe transportation path through the community to allow large vessels (up to 30' wide, 30' tall and 150' long that serve as the building blocks for the Petrochemical industry) to be moved in and out of our community on existing roads by making infrastructure improvements, including the necessary relocation of significant parts of Bluewater's overhead infrastructure. The OLC is

supported by the provincial and federal governments, and will require between \$2.8M and \$3.7M of relocation work that will be performed by Bluewater and paid for by the road authorities ("Billable Revenue" for Bluewater). That work must be completed by December of 2022 and, in order to give the OEB a sense of the scope of this undertaking, the effort is worth an average of \$1.3M per year in Billable Revenue, which is the equivalent of an increase in our annual capital budget of nearly 15%.

By continuing on Annual IR for a second year, Bluewater is following a course of action previously endorsed by the OEB. On October 18, 2012, the OEB released the Renewed Regulatory Framework for Electricity Distributors ("RRFE") which states that there shall be no fixed term for Annual IR. Rather, the RRFE states that *"a regulatory review may be initiated if the distributor performs outside of the 300 basis points earnings dead band or if its performance erodes to unacceptable levels."*

Bluewater has invested heavily in its infrastructure since 2013, which does indeed incent a regulated utility to rebase through a cost of service based process. Bluewater's Net Fixed Assets have increased from \$52.3M in 2013 to an estimated \$77.5M by the end of 2020. That level of investment in capital has also led to a significant increase in amortization costs that, together with growing pressure on all O&M costs, has a perceptible impact on Bluewater's forecast Return on Equity in 2021. That pressure, however, will be temporarily offset to some extent by the level of one-time Billable Revenue being driven by the OLC infrastructure project. The impact of our delay to rebasing by a further one year is, therefore, "bridged" so to speak, by the temporary increase in Billable Revenue from the OLC. Bluewater will be able to, as a result, sustain itself financially under Annual IR in 2022, with the plan to file a cost of service based application for rates effective January 1, 2023.

Bluewater's financial sustainability is complemented by our confidence in our infrastructure program. Bluewater's commitment to prudent infrastructure planning has resulted in significant investment in the fixed assets underpinning our distribution system. Moreover, Bluewater's reliability has remained at very impressive levels as set out in our OEB Scorecards. To further satisfy the OEB regarding our current capital plans, Bluewater is prepared to file its Distribution System Plan during the summer of 2021 independent of a rebasing application.

Finally, a delay in rebasing would also delay an update to Bluewater's revenue requirement, which is financially beneficial to Bluewater's customers as it allows them to avoid a material rate increase during the economic recovery from the Pandemic. With the significant growth in Bluewater's Net Fixed Assets, Bluewater's Rate Base in a 2022 cost of service based application would be expected to increase by approximately 40% relative to the rate base that underpinned Bluewater's 2013 cost of service based rates, which would contribute to a potential 6% increase in Revenue Requirement. Through the continued use of the OEB's Annual IR framework in 2022 Bluewater is able to delay this rate increase, which is a good outcome for customers, the community and for Bluewater.

We anticipate that to be satisfied with Bluewater’s election to continue on Annual IR, the OEB will need to be satisfied that Bluewater has not met either of the criterion for regulatory review. In that regard, we offer the following commentary that speaks to Bluewater’s Return on Equity (“ROE”) and general performance through the annual IR period.

Return on Equity: Bluewater notes that it is neither over nor under earning relative to its embedded ROE having consideration for the OEB’s ROE dead band. Bluewater can assure the OEB that we are financially able to sustain an additional year under the current rate regime due, in part, to the OLC infrastructure project discussed above. Bluewater’s ROE for 2019 as submitted in the RRR’s is 10.93%, and we forecast that will drop to 9.5% in 2020, levels of ROE that are both well within the acceptable range of +/- 300 basis points of Bluewater’s deemed ROE (the “dead band”). The budget that Bluewater recently finalized with its Board of Directors forecasts an ROE of approximately 7.0% for the year 2021. Although not yet subject to Board of Director scrutiny, if we assume normal trends for 2022 we would forecast an ROE in 2022 of just over 6.0%. While these forecasts represent under earning relative to Bluewater’s embedded ROE, it still falls within the OEB’s dead band.

Regulatory Return on Equity

	2018	2019	2020 Forecast	2021 Forecast	2022 Forecast
Deemed (included in rates)	8.98%	8.98%	8.98%	8.98%	8.98%
Achieved	11.86%	10.93%	9.5%	7.0%	6.0%

The year’s 2020 to 2022 do, indeed, show a declining trend in ROE for Bluewater even when including the significant increase in billable revenue associated with the OLC infrastructure project. We anticipate that a delay of rebasing to 2023 will result in a short term foregone financial opportunity for the utility, as it defers Bluewater’s ability to update its revenue requirement to better reflect its increased expenses and significant growth in Rate Base. However, the demands on Bluewater’s management and staff time from the Pandemic leave us little choice; moreover, the OLC infrastructure project creates a unique opportunity that will help bridge the gap from the delay. While our operations and engineering staff are working under significant time pressures as a result of the OLC infrastructure project requirements, we are confident that routine maintenance continues to be accomplished as evidenced by the Utility performance discussed below.

In terms of cash flow, Bluewater’s level of capital spending caused us to arrange a \$10M loan and the Pandemic forced Bluewater to withdraw the maximum on that loan in April of 2020. We are pleased to report that we expect to repay \$3M of that loan by year-end 2020. Although the Pandemic did have an impact on cash flow as anticipated, we are comfortable in concluding that the negative impacts on cash flow will fall short of our original forecast allowing us the opportunity for partial early repayment. Bluewater forecasts being able to carry the balance of the loan in the normal course.

Utility Performance: Bluewater has favorable performance results as presented in our annual Scorecard with the most recent results for 2019 published in October 2020. The scorecard included the following:

- New Residential/Small Business services connected on time – 99.8%
- Scheduled Appointments met on time – 100%
- Telephone calls answered on time – 87.4%
- First Contact Resolution – 99.9%
- Billing Accuracy – 99.9%
- Customer Satisfaction Survey Results – 74.4%
- Level of Public Awareness – 87%
- SAIDI & SAIFI results – The 5-year rolling average is below the OEB target for both reliability factors. The Scorecard indicates a downward trend simply because the year 2019 Bluewater included 2 significant storm-related outages that fell just below the threshold for categorization as Major Events, such that the impact of those extraordinary events beyond our control to remain included in the statistics lowering the SAIDI result for 2019 alone.

Bluewater expects to continue meeting all the OEB’s performance metrics during and following the Pandemic; we remain confident that reliability will continue to be strong for the utility while still maintaining our Capital Budget commitments.

We acknowledge that the OEB’s approval of our 2021 rebasing deferral request by letter dated June 19, 2020 stated that the OEB “expects Bluewater Power to file a cost of service application for 2022 rates, including a distribution system plan.” Bluewater believes that delaying rebasing by one year by continuing on Annual IR is in the best interest of the utility and our customers given the expected impacts of the Pandemic on our local economy.

In further support of our delay to rebasing, we submit that rebasing in these uncertain times makes rate setting a “risky” undertaking for both Bluewater and its customers. We are pleased that the OEB has introduced the COVID19 Deferral Account, which helps to manage the short-term implications of the Pandemic; that development has been critically important to utilities in Ontario. However, the long-term implications of the Pandemic introduce uncertainty that may be impossible to manage during the rate setting process, given some of the unique characteristics of Bluewater’s franchise area.

Bluewater submits that the full COVID-19 impact on our local economy is not yet known. Bluewater is in a unique geographic location wherein we are a mid-size utility with greater than average load due to our large industrial customer base. We are very nearly a “one industry town”, and the long-term impacts of the Pandemic on the oil sector could be slow to roll out to local refineries, which in turn impact local construction and maintenance companies, which in turn impact local industrial suppliers, which in turn impacts the people who work for those companies.

It is too early to assess the potential for a lingering impact on the petrochemical sector, but there are reasonable grounds to be cautious that the potential for reduced travel post-Pandemic will impact demand for the gas, diesel and jet fuel produced in Sarnia. According to Statistics Canada, gasoline production has declined nearly 15% and Jet Fuel has declined by 60% this year; both are primary products for local refineries who satisfy nearly 75% of Ontario's need for fuel. A continued impact on fuel needs as the world adjusts to a new way of doing business could lead to restructuring in our local economy.

The potential long term impact of a restructured local economy could introduce significant uncertainty to the load forecast on which rates are derived. Without a proper assessment of the unique impact of the Pandemic on our local economy, the load forecast is unlikely to reflect Bluewater's customer base and consumption for the full duration of the IRM period that follows the rebasing year if that rebasing is performed prematurely.

For all these reasons, Bluewater believes it is prudent for it to select Annual IR for 2022 rates. We respectfully request that Bluewater be removed from the OEB Docket as a candidate for rebasing for January 1, 2022 rates. We are prepared to submit a Distribution System Plan ("DSP") in the summer of 2021 if required; we would only note that since the DSP is normally part and parcel of a rebasing application, we would propose to delay public consultation on the DSP until late 2021 in order that it can more properly form part of the 2023 Rebasing Application.

Finally, we note that Bluewater's 2021 Annual IR application filed on November 6, 2020 anticipated that Bluewater would rebase for January 1, 2022. Accordingly, Bluewater sought to dispose of deferral accounts over the eight-month period from May 1st to December 31st, instead of the typical twelve-month period. To be consistent with Bluewater's decision to elect Annual IR for 2022, Bluewater will revise its 2021 Annual IR application to extend the disposition of its deferral accounts over a full twelve-month period from May 1, 2021 to April 30, 2022.

If you have any questions with respect to the foregoing, please do not hesitate to contact us.

Sincerely,



Alex Palimaka
Senior VP and General Counsel
Bluewater Power Distribution Corporation
519-337-8201 Ext 2292
apalimaka@bluewaterpower.com



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

BY EMAIL

February 3, 2021

Alex Palimaka
Senior VP and General Counsel
Bluewater Power Distribution Corporation
P.O. Box 2140
855 Confederation Street
Sarnia ON N7T 7L6
apalimaka@bluewaterpower.com

Dear Mr. Palimaka:

Re: Bluewater Power Election of Annual IR for 2022 Rates

This letter is in response to your letters of December 16, 2020 and January 15, 2021 expressing an interest to remain on Annual IR Index for the 2022 rate year. The Ontario Energy Board (OEB) has reviewed both letters, and Bluewater Power's 2019 performance, and is granting the request.

In response to Bluewater Power's previous request to defer its 2021 cost of service rate application, the OEB placed Bluewater Power on Annual IR Index for rate-setting, and stated an expectation that Bluewater Power would file a cost of service application for 2022 rates. The OEB is granting Bluewater Power's request based on the stability of Bluewater Power's historical performance, the continuing impact of COVID-19, and recognizing that in normal circumstances there is no term for Annual IR Index.

Bluewater Power is not required to file a distribution system plan at this time. The OEB will place Bluewater Power on the schedule of utilities to file a cost of service application for 2023 rates, including a distribution system plan.

Yours truly,

Original Signed By

Christine E. Long
Registrar



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January 15, 2021

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

Dear Ms. Long,

RE: Bluewater Power Application for 2022 to 2025 Electricity Distribution Rates

We are writing the OEB today in order to provide a response to the OEB Letter to all electricity distributors dated December 16, 2020 providing those electric utilities scheduled to rebase in 2022 the opportunity to defer rebasing to better smooth the OEB workload. We also want to take this opportunity to link the content of that letter to our letter filed with the OEB on the same date advising of our election to file under Annual IR for 2022, rather than to rebase.

We have reviewed the OEB Letter dated December 16, 2020 (updated on December 17th); in particular, the footnote to Appendix A that reads as follows:

"The OEB has indicated to Bluewater Power Distribution Corporation that it is required to rebase in 2022, OEB Letter dated June 19, 2020"

First, we want to make the point that the "indication" from the OEB came in the form of a letter from OEB staff that "The OEB expects Bluewater power to file a cost of service application for 2022 rates, including a distribution system plan.", That is to distinguish that "expectation" from, for example, an endorsement in the OEB proceeding for ELK Energy Inc. (also cited in Appendix A) of a settlement proposal requiring a cost of service application prior to 2022.

Second, we note that we are not asking for a deferral from the OEB at this time. Bluewater Power moved to Annual IR for 2021 rates and we are prepared to continue on Annual IR for 2022 rates. We recognize that the OEB has the power to call Bluewater Power in for a regulatory review; however, for the reasons already set out in our letter dated December 16th, regulatory review would not justify calling Bluewater Power in for a rebasing at this time.

Finally, we must bring to the OEB's attention a more recent development that has caused significant concerns for our community. An article published in the Energy Section of the Financial Times on January 11, 2021 entitled "Sarnia fears thousands of job losses if Michigan blocks Enbridge's Line 5 pipeline" expresses a significant concern for our Petrochemical Industry in a profound and clear manner. The article points to the possibility of 5,000 lost direct jobs if the decision of the Michigan Governor is not reversed. Obviously, such job loss would send the local economy into staggering upheaval. If the challenges to the Governor's decision are not successful, then the impact on our local economy would be devastating. Moreover, the likelihood of a reversal, or the extent of the impacts on our economy if the line is closed, would remain unknown at the time of filing a 2021

Rebasing application. As a community, we remain hopeful that these impacts can be avoided; however, as the utility serving that community, we believe it would be reckless to rebase in the face of that potential economic upheaval.

As noted in our letter to the OEB dated December 16, 2020, we have updated our 2020 Annual IR application to recover rate riders to April 30, 2022. That update was consistent with our intention to stay on Annual IR for rates effective May 1, 2022.

Accordingly, we ask that our name be moved from the list of electric utilities rebasing for January 1, 2022 and that we be moved in the schedule for cost of service rates effective January 1, 2023.

All of this is respectfully submitted.

Sincerely,

A handwritten signature in black ink, appearing to read 'APalimaka', written in a cursive style.

Alex Palimaka
Senior VP and General Counsel
Bluewater Power Distribution Corporation
519-337-8201 Ext 2292

apalimaka@bluewaterpower.com