Bluewater responses to pre-settlement questions from OEB Board Staff
EB-2022-0016
February 21, 2023

1-Staff-73

Ref: (1) Bluewater Power IRRs 2023 CoS,1-Staff-8
(2) Bluewater Power IRRs 2023 CoS, Sec-4
(3) Accounting Procedures Handbook, Article 430, page 6

Preamble:

Bluewater Power states in Reference 1 that its 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.

In Reference 2, Bluewater Power provides the breakdown of the componentized contributed capital and their service lives which is shown below.

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

Bluewater Power further provides tables of the annual amortization differences between the revised amortization amounts and the original amounts for Accounts 1995 and 2440 as shown 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

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

Reference 3 states that:

> For regulatory reporting and ratemaking purposes the deferred revenue arising from customer contributions is to be included as an offset to rate base and amortized to income over the useful life of the property plant and equipment to

which it relates. This reclassification is necessary to preserve continuity of the rate base for ratemaking purposes. Amounts recognized in Account 2440 should be amortized to income over the useful life of the related property, plant and equipment by debiting Account 2440 and crediting Account 4245, Government and Other Assistance Directly Credited to Income.

Questions:

a) Please confirm whether Bluewater Power has recognized the contributed capital in accordance with the Accounting Procedure Handbook in this rate application. If not, why not. Please update the applicable appendices and schedules.

Response:

Bluewater has recognized the contributed capital per the APH for 2022 and 2023 forecast. As per the evidence filed, Bluewater's intention was to rectify the contributed capital error on a prospective basis by taking the 2021 unamortized balance over the remaining useful lives of the related assets. This was decided after discussions with Bluewater's external auditors at the time of preparing the evidence.

In order to answer this question, Bluewater has revised Appendix 2-BA which shows the impact of rectifying the issue back to 2013. More specifically, for the revised version, the 2021 year will show an adjustment of $1,330,671 to reduce the accumulated amortization for Account 1995. Similarly, an adjustment of $171,264 is made for Account 2440. Further, the amortization amounts for 2022 and 2023 are updated as well for both of these accounts. All of these adjustment figures, found in the summary tables above, are highlighted in blue in the updated Appendix 2-BA.

These adjustments would also affect all other components of the base revenue requirement. If done this way, it would result in a total decrease of $224,424 from the base revenue requirement filed with the IR responses on Monday, February 13, 2023.

b) Please confirm if the original amounts in the tables provided for the annual amortization comparison against the revised amounts are based on the amortization period of 50 years. If not, please provide a calculation of the comparison between the revised amounts and the annual amortization based on the period of 50 years.

Response:

The 'revised' amounts in the tables above are based on the componentized useful lives as per Reference 2. Therefore, the comparison is not based on 50 years. The componentized methodology used in the tables above is the same methodology used to set rates in Bluewater's last COS in 2013.

The tables below reflect the 'revised' amounts based on 50 years straight-line.

Account 1995 - Annual Amortization

Year	Original	Revised	Difference
2013	284,056	113,295	170,761
2014	289,235	113,295	175,940
2015	288,808	113,295	175,513
2016	293,730	113,295	180,435
2017	293,730	113,295	180,435
2018	293,730	113,295	180,435
2019	293,730	113,295	180,435
2020	293,730	113,295	180,435
2021	293,730	113,295	180,435
	2,624,479	1,019,655	1,604,824
2022 Bridge	82,713	113,295	(30,582)
2023 Test	82,713	113,295	(30,582)
	2,789,905	1,246,245	1,543,660

Account 2440 - Annual Amortization

Year	Original	Revised	Difference
2014	8,852	4,426	4,426
2015	23,268	11,634	11,634
2016	34,172	17,086	17,086
2017	42,339	21,169	21,169
2018	56,911	28,455	28,455
2019	70,146	35,073	35,073
2020	89,411	44,705	44,705
2021	98,590	49,295	49,295
	423,688	211,844	211,844
2022 Bridge	64,530	67,888	(3,358)
2023 Test	84,530	87,888	(3,358)
	572,748	367,620	205,127

1-Staff-74

Ref: (1) OEB Staff IR, 6-Staff-61
(2) OEB Accounting Procedures Handbook for Electric Distribution Utilities, Article 220, page 37.

Preamble:

Bluewater Power states in Reference 1 that it intends to appeal the pending 2018 reassessment based on the same items as the 2014 to 2017 appeals.

In Reference 1, Bluewater Power provided a table of the tax impact of the appeal. The figures shown in the table below 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

Per Reference 2, Account 1592 PILs and Tax Variances for 2006 and Subsequent Years shall be used to record tax impact of,

> … Any differences that result from a change in, or a disclosure of, **a new assessing or administrative policy** that is published in the public tax administration or interpretation bulletins by relevant federal or provincial tax authorities.

Questions:

a) Please provide a breakdown of the tax impacts to the test year PILs for smart meter and rotten poles if MoF agrees with the appeal.

Response:

Smart Meter

If the MoF agrees with the appeal, this means smart meter expenditures would be recorded in Class 8 (CCA rate of 20%) and not in Class 47 (CCA rate of 8%). The appeals are for the 2014 to 2018 taxation years. Thus, per the 2014 Notice of Assessment, the 2014 opening UCC amount of $1,889,532 in Class 47 relating to smart meters would need to be transferred to Class 8. This is the starting point for the year over year continuity of the CCA calculations leading into the 2023 test year. In addition, since all smart meter expenditures made in 2019 to 2022 (actuals) and the 2023 test year are recorded in Class 47, they will need to be transferred to Class 8 as well.

After all of the above noted amounts are transferred into Class 8 for all respective years, the 2023 test year will result in an additional CCA deduction of approximately $61,339. Thus, the reduction in PILs is $61,339 x 26.5% = $16,255. Grossed up, $16,255 / 73.5% = $22,116.

Thus, the PILs amount embedded in the base revenue requirement would be reduced by the grossed-up amount of $22,116 relating to smart meters.

Rotten Poles

If the MoF agrees with the appeal, there will be two impacts to the 2023 test year PILs calculation.

First, there will be a deduction on Schedule 1 in the amount of $1,957,000, which equals the 2023 budget for the wood pole replacement program. Thus, the reduction in PILs is $1,957,000 x 26.5% = $518,605.

Second, there is the elimination of the CCA deduction relating to rotten pole expenditures that are currently included in Class 47 from 2014 through to the 2023 test year. The additions to Class 47 for these years will need to be reversed. The cumulative effect will result in a lower CCA deduction in the 2023 test year of approximately $1,071,450. Thus, the increase in PILs is $1,071,450 x 26.5% = $283,934.

When combining both of these impacts, the 2023 test year will result in a net PILs reduction of $234,671 ($518,605 less $283,934). Grossed up, $234,671 / 73.5% = $319,280.

Thus, the PILs amount embedded in the base revenue requirement would be reduced by the grossed-up amount of $319,280 relating to rotten poles.

Summary

If the MoF agrees with the appeal, the combination of the smart meter ($22,116) and rotten pole ($319,280) tax impacts will be a total reduction to the grossed-up PILs amount embedded in the base revenue requirement of $341,396.

The revised gross-up PILs amount submitted in response to Staff-1(a) above is $337,060. Thus, the grossed-up PILs amount to be embedded in the base revenue requirement would be reduced to nil absent any other changes.

b) Please provide Bluewater Power's thoughts on why Account 1592 should be considered for the tax liability for smart meters given it is resulted from correcting one CCA class to another due to misclassification.

Response:

Bluewater Power believes that the definition of Account 1592 – PILs and Tax Variances leads to its use in the smart meter scenario. This account should be used to record the resulting tax impact of any CCA class/rate differences that result from the Ministry of Finance approving Bluewater Power's appeal, and the CCA class/rates underpinning ratemaking.

If the Ministry of Finance agrees with the appeal, then Class 8 (CCA rate of 20%) would be used, and not Class 47 (CCA rate of 8%). The 2023 test year PILs model reflects the use of Class 47, which includes historical smart meter additions as well as the 2023 test year forecast additions.

c) Please clarify what was the accounting treatment for the rotten poles in the 2013 CoS application. Was it included in the App. 2 BA? If the rotten poles were capitalized in the 2013 rates, why these assets were expensed for PILs?

Response:

In the 2013 application rotten poles were capitalized for the purposes of rate base and PILs, with rotten poles expenditures contributing to the CCA available in the test year PILS calculation. Subsequent to the setting of rates, Bluewater, on the advice of KPMG, expensed rotten pole spending for tax purposes.

Please explain whether there has been a tax rule change to trigger the capitalization of the rotten poles for PILs since 2014?

Response:

Bluewater notes that the current MoF position is that rotten poles are to be capitalized for tax purposes, and to Bluewater's knowledge there has been no tax rule change since 2014 triggering expense treatment of rotten pole replacements.

1-Staff-75
Questions:

1. Please provide the business case or capital project sheet similar to those found in Appendix F for the 'Vacant Land' purchase of $900,000.

Response:

The justification considered by Bluewater's Board of Director's with respect to the vacant land acquisition are set out below:

- We have been struggling with storage space in our rear yard since 2017
- Recent capital budgets have included racking space for transformers (2020 and 2022)
- We have also added metal braces to our pole racks to increase the number of poles that can be stored, but there is no further options to safely increase the height of storage.
- There is more racking included in the 2023 budget, but we are unable to "go up" any further and maintain an acceptable level of safety.
- In addition, trucks require access to the yard and the turns are currently too tight according to the users of the facility.
- This situation has been aggravated in recent years, given supply shortages, late deliveries and increased overall capital demands (including increased poles replacements and growth in subdivisions).
- There may be options for storage space rental but none would offer the same proximity. Any savings in rent would be minor, if any, and would be offset by inefficiencies and time required to move materials. We believe that buying the land is the most efficient total cost solution.
- The owner of the land is aware of the value of the land to Bluewater Power. It is the only land with the potential benefit of proximity. At the same time, this negotiation was initiated by the land owner, so there is an interest in converting this asset to cash. This has proven to be a difficult negotiation as both sides have held their ground thus far.

2. Did Bluewater Power attempt to defer any projects from 2023 to the rest of the DSP period following the deferral of the vacant land purchase?

Response:

No, the fact that the land purchase was delayed from 2022 to 2023 did not have any impact on the rest of the DSP.

3. As part of Bluewater Power's response to 2-Staff-14, Bluewater Power separated the cost pertaining to only the replacement of poles from the program cost for the historical years. OEB staff has calculated the unit cost per pole for both the program and only the replacement of the pole per year based on 2-Staff-14 and has presented the findings in the tables below.

    a. Please confirm the figures in the tables below.

    b. Does Bluewater Power have an estimate of solely the replacement of poles for the forecasted period as well or at least for the test year?

    c. Please explain the increased pole replacement per unit costs in 2020 and 2021.

    d. Please explain why the unit cost estimation for 2023 is 8% greater than that of 2022 and please explain how the unit cost estimation was developed for 2023.

	2,013	**2,014**	**2,015**	**2,016**	**2,017**
Total Program Cost ($)	192,531	158,150	778,896	1,151,248	1,911,268
Less: Non-pole replacement costs ($)	(1,685)	-	(69,052)	(104,704)	(230,229)
Costs for wood pole replacement ($)	190,846	158,150	709,844	1,046,544	1,681,039
Number of poles replaced in program	20	17	90	120	228
Total number of poles replaced	54	41	185	210	277
Unit costs for program ($/pole)	9,627	9,303	8,654	9,594	8,383
Unit costs for poles only ($/pole)	9,542	9,303	7,887	8,721	7,373

	2,018	**2019**	**2020**	**2021**	**2022**
Total Program Cost ($)	1,706,437	2,040,526	2,316,330	1,563,010	2,076,665
Less: Non-pole replacement costs ($)	(455,231)	(401,502)	(548,845)	(180,046)	-
Costs for wood pole replacement ($)	1,251,206	1,639,024	1,767,385	1,382,964	2,076,665
Number of poles replaced in program	181	229	148	127	218
Total number of poles replaced	277	355	240	216	286
Unit costs for program ($/pole)	9,428	8,911	15,651	12,307	9,526
Unit costs for poles only ($/pole)	6,913	7,157	11,942	10,889	9,526

	2023	**2024**	**2025**	**2026**	**2027**
Total Program Cost ($)	1,957,000	2,016,000	2,076,000	2,138,000	2,202,000
Less: Non-pole replacement costs ($)					

Costs for wood pole replacement ($)					
Number of poles replaced in program	190	190	190	190	190
Total number of poles replaced	290				
Unit costs for program ($/pole)	10,300	10,611	10,926	11,253	11,589
Unit costs for poles only ($/pole)					

Response:

a) Bluewater confirms the figures in the tables provided are correct.

b) For estimation purposes Bluewater has used the same estimated cost per pole, whether the pole replaced is within the pole replacement program or part of another project. In 2023 all pole replacements are estimated at $10,300 per pole.

c) Bluewater does not have a specific explanation for why pole replacement costs were higher in 2020 and 2021 but does note that there are several factors that contributed to the fluctuations seen in Bluewater's cost per pole over the years. These factors include different sizes and types of poles installed, as well as location, overtime and additional work requirements when installing poles. For example, when replacing existing poles, costs can fluctuate significantly depending on the conductor, transformers, guy wiring, crossarm replacement, etc. that need to be replaced verse transferred from the old poles to the new poles.

d) The 2023 number was estimated in 2022 at a unit cost of $10,000 for 2023, with an additional 3% added for inflation. The 2022 actual cost per pole, which was not known until earlier this month, was not considered in the unit cost estimation.

BLUEWATER RESPONSES TO SEC PRE-SETTLEMENT QUESTIONS
(EB-2022-0016)
February 21, 2023

(Numbering follows from SEC IR numbering)

SEC-31

REFERENCE: 2-SEC-7
Appendices 2-AA, 2-AB and 2-BA, 20230213
2-Staff-12

In updating Appendices 2-AA, 2-AB and 2-BA for 2022 actuals, Bluewater states that it has moved the $900k for vacant land from 2023 to 2023. This change can be seen in the updated 2-AA line 81, 2-AB and 2-BA, removed from cell E993 and added to cell E1091.

In explaining the variances between 2022 Budget vs Actuals in 2-Staff-2, Bluewater notes a number of other changes representing a net increase in capex, resulting in an overall decrease to capex of $761k (before contributed capital).

Including the updated contributed capital, net capex changes from $11,152,000 to $11,390,939 - $929,669 = $10,461,270, a variance of ($690,730).

In the updated 2-BA the total in PP&E for 2022 is shown as $11,283,229 an increase of $131,229.

In the original 2-BA, Total net additions of $11,152k is equal to capex, indicating Bluewater expected no CWIP in 2022. However, in the updated 2-AA, cell 99, Bluewater indicates there was a change in CWIP of $698k.

From the above it would appear that while capex in 2022 was actually lower than budgeted, capital additions are actual slightly higher, in part due to the addition to rate base of $698k in CWIP.

a) Please confirm and provide a detailed reconciliation and explanation of actual capex in 2022 as shown in the updated 2-AA and 2-AB and actual capital additions as shown in the updated 2-BA, compared to the application.

Response:

Bluewater Power confirms Appendices 2-AA, 2-AB and 2-BA filed with the interrogatory responses are correct. The reconciliation at the bottom of Appendix 2-AA filed with the interrogatory responses was incomplete for the 2022 draft actual amounts. It has been updated to reflect the 2022 change in CWIP of $871,215. Appendix 2-AA and 2-AB now both reconcile to Appendix 2-BA.

b) Bluewater originally forecasted that there would be $0 CWIP in 2023. Based on 2022 actuals, is Bluewater maintaining this forecast? If not, please provide an update.

Response:

Bluewater's forecast of CWIP for 2023 based on its forecast capital spending for 2023 remains as $0 change. For clarity, it is expected the CWIP of $157,769 at the end of 2022 will remain at the end of 2023.

SEC-32

REFERENCE: 4-SEC-17

Based on the updated Appendix 2-JA for 2022 actuals, Bluewater spent $253k less for OM&A as follows:

	2022 actual	2022 budget	Variance
Operations	$ 3,936,106	$ 4,479,433	$ (543,327)
Maintenance	$ 1,359,441	$ 1,294,093	$ 65,348
Billing and collecting	$ 2,006,222	$ 1,933,180	$ 73,042
Community Relations	$ 26,724	$ 142,483	$ (115,759)
Administrative and General	$ 6,859,329	$ 6,591,705	$ 267,624
Total	$14,187,822	$ 14,440,894	$ (253,072)

Please explain the variances in Operations and Administration and General.

Response:

Operations: The $543,327 underspend in Operations is driven by three factors:

(1) **FTEs**: Bluewater created 1 new Powerline Technician role for the year 2022, as well as sought to immediately replace 2 vacancies from 2021; recruitment was successful but delays created a partial shortfall compared to budget. Bluewater also lost 3 Powerline Technicians in 2022, which created vacancies for a period of time; all vacancies have been filled, but delays created a further shortfall compared to budget. Finally, there was one Powerline Technician that took a partial Paternity Leave but has now returned to work. The cumulative effect was a shortfall of $323,000 of actual to budget.
(2) **Overtime**: Overtime is under-budget by approximately $135,000.

(3) **Allocations**: The remaining $85,000 shortfall in OM&A is the amount by which the allocation of regular time to capital, billable and affiliate exceeded the amount budgeted to be allocated out of OM&A to capital, billable and affiliate.

Administration and General: The 2022 Actuals have been presented on a preliminary basis. Bluewater expects that final allocations will be reviewed and completed prior to completion of the financial statements; in particular, we note that Administrative and General category currently includes spending that will be reallocated to Community Relations. If we net the shortfall in Community Relations budget from over-spend in the Administrative and General budget, the remaining variance to be explained is $151,865 ($267,624 - $115,759). We have reviewed the items in Administrative and General and can currently confirm the following individual items exceed budget:

(1) Legal exceeded budget by $36,000 due to union arbitrations.
(2) Insurance premiums exceeded budget by $20,000.
(3) Training and travel costs exceeded budget by $25,000.

SEC-33

REFERENCE: 4-SEC-20 Vegetation Management
4-AMPCO-25

The updated J-2C and the responses to the referenced interrogatories show the following for spending on vegetation management:

$000	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Budget	212	216	221	260	343	400
Actual	228	198	138	187	353	
Variance	16	(18)	(83)	(73)	10	
Cycle					156	150
Catch up					73	74
On-demand					80	116
Internal					44	60

In its response, Bluewater states that the underspend in 2019 to 2021 is due to COVID and contractor issues. The total underspend as shown is $174k. Based on catchup spending in 2022 and 2023 of $147k, please confirm that Bluewater will be almost caught up by the end of 2023. If not, please explain why.

Response:

Confirmed.

SEC-34

REFERENCE: 4-SEC-25

The response to the IR indicates that in all years except 2013, Bluewater has paid out and expects to pay in 2023 100% of the 'possible' incentive pay.

a) Please confirm that this means Bluewater employees achieved or are expected to achieve 100% on all Corporate Performance Indicators.

Response:

For all years from 2014 to 2021 all corporate performance indicators were met. For the years 2022 and 2023, we have budgeted assuming 100% incentive pay. The decision on incentive pay for the 2022 fiscal year will be made by Bluewater's Compensation Committee in April of 2023, and the decision on incentive pay for 2023 fiscal year will be made by Bluewater's Compensation Committee in April of 2024.

b) If so, please explain how the objective 'Distribution System Performance requires the company to yearly identify and complete reliability or safely projects as determined by the Board annually' was met when System Renew has been underspend over the last five years?

Response:

The Corporate Performance Indicator referenced in the question ("identify and complete reliability or safety projects") applies to the 2023 fiscal year only. The Incentive Plan outlined in response to SEC-25(c) is the Incentive Plan introduced for 2023 that was introduced on a go-forward basis to reflect the Business Plan adopted in 2022. It is the relevant incentive plan for the Test Year.

The Incentive plan(s) in place for the years 2013 to 2022 did not have a similar performance criteria relating to completion of reliability or safety projects. The criteria under the Incentive Plans for the period from 2013 to 2022 were as follows:

1) Spending Performance: OM&A spending must be below budget.
2) Customer Service Performance: Individual metrics mirror the "Customer Focus" criteria under the new plan. Bluewater notes that response time to outages contributes to reduced duration of outages and, hence, reliability.
3) Financial Performance: Net income before tax must exceed budget.
4) Safety performance: Safety criteria similar to today.

c) If this is not correct, please provide details on the scores for each year and how much that represented in terms of possible incentive for each year.

Response:

Not applicable.

SEC-35

REFERENCE: 6-VECC-43

Bluewater updated Appendix 2-H for Other Revenue and actual 2022 was $1,369k vs a forecast of $1,183k. Please explain the reasons for the variance and update the forecast for 2023 as appropriate.

Response:

The difference between the 2022 Bridge Year forecast and the 2022 draft actual amount is approximately $186K. There are three primary drivers behind this variance which total approximately $159K. The remaining variance of $27K is made up of immaterial increases and decreases relating to ten other accounts.

Margin on Billable Jobs (Accounts 4325/4330) - $71K

Bluewater Power can point to three non-recurring and abnormal billable projects in 2022 that will not be continuing in 2023, which had a combined gross revenue of $802K. The finalization of the OLC project of $220K, the Plank Road energy storage project of $232K, and a large customer's battery storage connection project of $350,000. Bluewater Power has an approximate overall margin of 15% for most billable jobs. These three projects have an average margin closer to 10%. Thus $802K x 10% = $80K which is the main driver behind the $71K variance.

Rent from Electric Property (Account 4210) - $40K

This variance is the result of increased vehicle rental revenue earned from an affiliate. In the latter part of 2022, the usage by the affiliate unexpectedly grew to address increased demands for unplanned maintenance work by chemical valley companies.

Bluewater Power is not aware of any chemical valley shutdowns or planned maintenance work in 2023 which would result in an unexpected increase in this revenue stream similar to 2022.

Miscellaneous Non-Operating Income (Account 4390) - $48K

This account is solely related to the sale scrap material. Per Appendix 2-H, an increase in this revenue stream started in 2020, and continued in 2021 and 2022. This increase is directly related to capital project UT36 'Downtown Secondary Network Cable Replacement' as shown in Appendix 2-AA, which is now completed in 2022.

This project resulted in the old 500mcm copper lead cables being removed and sold to a scrap metal recycling company. Since this project ended in 2022, the revenue stream for the sale of scrap material was set at pre-2020 historical levels.

Summary

Bluewater Power believes the 2023 test year total amount of forecast Other Revenue as filed with the interrogatory responses remains appropriate. The interrogatories resulted in two changes to the original evidence filed. The first was to Account 4210 Rent from Electric Property (pole rental revenue) and the second was to Account 4245 Government and Other Assistance (amortization of contributed capital).

No further changes have been made due to the abnormal and non-recurring items in 2022 explained above.

SEC-36

REFERENCE: 2-Staff-12
2-AMPCO-21

Please explain the 0km of underground cable replaced shown in 2-AMPCO-21 for the $348,676 spent on project UT26 in 2022 shown in 2-Staff-12.

Response:

The KM of cable replaced, as provided in 2-AMPCO-21, have not been aligned with the full costs of replacement. The $348,676 reported in 2022 was for the completion of the 3.181 km of cable reported in 2021.

Bluewater Responses to VECC questions

EB-2022-0016

Feb 21, 2023

2023 RATE APPLICATION (EB-2022-0016)
PRE-SETTLEMENT FOLLOW-UP AND CLARIFICATION QUESTIONS

(Numbering follows from VECC IR numbering)

VECC-61

REFERENCE: 3-VCC 20 a) & f)
3-VECC 22 a) & b)

a) The response to VECC 20 f) indicates that the number of customers to be reclassified in 2023 will result in a net increase in the GS<50 customer count of 22. This is materially higher than the annual impact of the reclassifications that have taken place historically (per VECC 20 a)). Is there a need to make a specific adjustment to the customer count for the GS<50 class (similar to what was initially proposed for 2022)?

   i. If not, why not?

   ii. If yes, is there a need to also adjust the GS<50 volumetric use for 2023?

b) Similarly, is there a need to make a specific adjustment to the GS>50 class customer count for 2023?

Response:

a) & b) The average of reclassifications for customers from GS>50 to GS<50 has averaged 11.4 over the last 10 years. Although the projected increase of 22 in 2023 is higher than the average, it is less than the number of reclassifications in both 2019 and 2020. Bluewater doesn't know how many GS<50 and GS>50 customers will change their demands or close their accounts. This value represents only the customers that are reassigned related to rate reviews and was not intended to represent the net change in customer in the rate class.

VECC-62

REFERENCE: 3-VECC 20 f)
IRR Load Forecast Model Update, Connection Count Tab

a) It is noted that in the updated Load Forecast the 2023 customer count for the GS<50 class is based on the 2022 growth over 2021 as opposed to the historic geomean as used in the Application. Please explain the basis for the change in approach.

Response:

a) This change was unintentional. The 2022 growth rate was updated from the geometric mean growth rate to the actual 2021 to 2022 growth rate when the model was updated with actual 2022 data, so the 2023 growth rate should no longer reference that cell. The 2023 GS<50 customer growth rate has been revised to the geometric mean in the revised load forecast provided with responses to pre-settlement clarification questions (updated from 3,451 customers to 3,453 customers).

VECC-63

REFERENCE: IRR Load Forecast Model Update, Historic CDM Tab
IRR LRAMVA Model Update, Tab 5 2015-2027 LRAM

a) The savings from 2020 programs as used in the Historic CDM Tab do not match the values in the LRAMVA Model Update (Tab 5, Row 1159 when summed). Please reconcile. (Note: It appears that the 2020 programs saving were updated in the LRAMVA Form and the updated values were not used in the Historic CDM Tab)

b) Are there other instances where the program savings kWh used in the IRR LRAMVA Form were updated from those in the original LRAMVA form and, if so, please confirm that all of these updates were reflected in the Historic CDM Tab.

Response:

a) The LRAMVA Model Update is correct. Savings from a 2020 retrofit project in the GS>50 class were adjusted downward by 227,182 kWh from the application version of the LRAMVA workform to the interrogatory version and this wasn't carried forward to the load forecast. This has been corrected in the updated load forecast.

b) Yes, the IRR LRAMVA model includes an adjustment to 2018 retrofit savings (-34,372 kWh). This change is relevant to the GS>50 kW class and the change was reflected in the IRR load forecast.

VECC-64

REFERENCE: IRR Load Forecast Update, Historic CDM Tab, CDM Forecast Tab and CDM Adjustment Tab
3-SEC 16 a)

a) The 2022 savings from the PSUP project have been included in the calculation of the CDM adjustment (per the CDM Forecast and CDM Adjustment Tabs). However, they do not appear to have been included in the 2022 program savings used in the Historic CDM Tab for purposes of estimating the Intermediate class' regression model. Please clarify whether or not these savings were included in the historic CDM values used for the Historic CDM Tab.

i. If yes, please indicate where in the model this is done.

ii. If not, please provide a revised Load Forecast model.

Response:

a) ii. The 2022 PSUP project has been added to the 'Historic CDM' tab and included with Intermediate (No CDM) kWh figures throughout the updated load forecast model. The Intermediate regression model was updated following the revision to Intermediate (No CDM) volumes.

VECC-65

REFERENCE: 7-Staff 62

a) Please explain why the Customer Service Department weightings for the GS>50, Intermediate and LU classes are 0.5, 0.3 and 0.3 respectively. Isn't more customer service effort (per customer) normally required for larger customers?

Response:

a) The customers in the GS>50, Intermediate and LU classes require less customer service effort than residential and GS<50 customers. Residential and GS<50 customers often have more questions related to high/low usage, pricing options (TOU vs Tiered), payment questions, customers moving, landlord/tenant issues etc. The GS>50, Intermediate and LU customers don't typically have the same issues noted above, and more complicated questions that they may have are transferred to the Billing department to address, which is incorporated into the higher weightings allocated to these customers in the Billing category.

VECC-66

REFERENCE: 7-VECC 45
IRR Cost Allocation Model Update, Tabs 7.1 & 7.2

a) The meter counts used for the GS>50 class in Tabs 7.1 and 7.2 do not reconcile with the response to VECC 45. Please provide a corrected version of the CA model as required.

Response:

a) Bluewater has updated the CA model Tab 7.1 to reflect 363 GS>50 meters (one less than number of customers forecast), 10 Intermediate meters (two more than number of customers forecast), and 3 Large meters (one less than number of customers forecast).

In regard to Tab 7.2, Bluewater has reflected the 2 additional meters in the Intermediate category, the GS>50 and Large Use remain as the number of customers per sheet I6.2.

VECC-67

REFERENCE: 7-VECC 47

a) The revenue requirement used in the attachment does not match that for either the CA model from as per initial Application or the IRR update. Also the resulting Revenue to Cost Ratios vary significantly from 100%. Please review and file a revised version of the response as required.

Response:

a) Please see the updated attachment. The CA model filed with 7-VECC-47 included references to other workbooks in tab 'I8 Demand Data', causing reference errors. The attachment is the requested scenario based on the initial application version of the CA model. The revenue requirement did not match the initial application revenue requirement because some costs were not allocated due to the reference errors.

VECC-68

REFERENCE: 7-VECC 49

a) Please clarify whether the 2023 values provided based 2018, 2020 and 2021 load reflect the initial Load Forecast or the updated Load Forecast provided with the IRRs.

Response:

a) The 2023 values provided in response to 7-VECC-49 are based on the initial load forecast.

VECC-69

REFERENCE: 8-VECC 51
IRR Cost Allocation Model Update, Tab I6.2

a) VECC 51 states that for the Sentinel class the number of devices is equal to the number of connections. However, in the updated Cost Allocation model the values are different. Please reconcile.

Response:

a) Bluewater has updated tab I6.2 to reflect 358 number of devices and connections for the Sentinel class.

VECC-70

REFERENCE: 8-VECC 53

a) Based on the response to VECC 53 it appears that the incremental costs associated with gross load billing will not be known when the affected customers are sent their monthly bills. Please confirm that this is the case.

b) If confirmed, please explain when and how these customers will be charged the incremental cost.

c) If not confirmed, please reconcile with the response to VECC 53 which states: "In regard to the 2022 billings, the calculations for what Bluewater will be charged for GLB are normally done in the spring".

Response:

a) Bluewater will inform the customer(s) of the change to their billing to reflect GLB once the proposed GLB structure is approved and a process is in place.

b) Bluewater's understanding is that GLB is a retrospective annual review of the prior year's peak load when layering on the eligible embedded generation data as assessed by Hydro One. Once the analysis is completed by Hydro One, Bluewater will be notified of the impact which will be reflected on the IESO invoice likely in the month of April 2023.

If there is an increase to the Transmission Line Connection, Transformation Service or Low Voltage charges related to GLB, Bluewater intends to charge the applicable customer the incremental amount on the next invoice. If the GLB adjustment is greater than the average monthly bill, Bluewater will work with the customer and will offer that the GLB adjustment be applied over an acceptable period of time such as six or eight months.