

ADR #1

Settlement Questions – Feb 22, 2023

1. Confirm 'like for like' replacement of assets?

There were both overhead to overhead replacements and overhead to underground replacements of the assets. The overhead to underground replacements occurred in the case of road crossings.

2. Reference: CCMBC 14
 - a. Accounting entries for project 4.1M

The revenue earned on the OLC Project is shown in Table 5 in Exhibit 4 of Page 21. The table is reproduced below.

Year	Billable Revenue (\$)	Labour Cost built into Revenue (\$)
2019	269,003	120,886
2020	1,861,888	503,827
2021	1,581,603	612,756
2022	370,288	130,974

The revenue is recorded to Account 4325 "Revenues from Merchandise"

The corresponding cost is recorded to Account 4330 "Costs from Merchandise"

This can be seen in Appendix 2H, where there is a clear increase in both accounts in the years 2019 to 2022.

- b. What did Bluewater do with assets that were replaced?

There was no specific accounting treatment of the assets replaced under the OLC Project.

The OLC was built to provide access from the Harbour located in downtown Sarnia, through the inner part of the City to the rural area located to the Southeast of the urban area. The estimated age of the poles replaced was 30 to 60 years. Any poles whose age was closer to 30 years had been replaced in the 1980s as a result of a fully funded road widening project. The remaining poles were original.

Accordingly, the poles were either fully depreciated (as the depreciation period at the relevant time was 25 years) or were not in Rate Base to begin with as they had been funded by the City previously. There was nothing to account for with the assets that were replaced.

3. Provide the accounting treatment for rotten poles in the 2023 revenue requirement.

Bluewater confirms that rotten poles replacement expenditures are capitalized for rate base purposes to account 1830, and capitalized to Class 47 in the PILs model.

ADR #2

Feb 23, 2023

Oversize Load Corridor Project (“OLC”)

1. What are the list of assets – km of line, poles, and how are they recorded on the books.

Response:

- Estimated number of poles replaced is 155
- Estimated km of lines installed 9.1km (majority of the lines installed were underground lines)

2. \$4.1 million revenue booked to account 4325, and very little expenses – Where was it booked?

Response:

	Billable Revenue	Labour Costs	Materials, Sub-contractors and Other Costs	Total Costs	Net Revenue
2019	269,003	120,886	88,315	209,201	59,802
2020	1,861,888	503,827	1,029,745	1,533,572	328,316
2021	1,581,603	612,756	678,813	1,291,569	290,034
2022	370,288	130,974	149,665	280,639	89,649
Total	4,082,782	1,368,443	1,946,538	3,314,981	767,801

The \$4.1 million in revenue covered not only labour costs but also materials, sub-contracting and other miscellaneous expenses. All of the costs were recorded in account 4330, with the offsetting revenues of \$4.1 million recorded in account 4325. These costs were not capitalized as they were treated like other street widening projects which are billed directly to the Municipality, or any other customer request impacting our plant that does not result in additional customers or load.

All assets removed from service were fully amortized, thus there are no amounts to remove from ratebase. The most recent assets (primarily wire and poles) that were removed were from the 1980s. Most were from before that time period. Thus, already at end of life.

Applied For - App 2-AA (gross)	13,272,100
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Project #	Project Name	Cuts
L1	Land	900,000
UT74	4kV System Upgrades	817,500
IT5	Legislated Business Application Upgrades	165,000
UT15	Wood Pole Replacement Program	210,000
UT26	Primary Underground Cable Replacements	100,000
UT11	New Connections, Upgrades, Subdivisions	150,000
UT5	Petrolia	100,000
UT16	Watford	100,000
UT72	St. Clair Parkway in Sarnia (North of LaSalle Line)	262,500
		<u>2,805,000</u>
	Proposed 2023 Capital budget (gross)	<u><u>10,467,100</u></u>