Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'Énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273

VT INCEPIT FIDELIS SIC PERMANET
Ontario

BY E-MAIL

November 13, 2008

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Re: Board Staff Interrogatories
2009 Electricity Distribution Rates
Bluewater Power Distribution Corporation
Board File Number: EB-2008-0221

Please find the attached Board staff interrogatories in the above proceeding. Please forward the following to Bluewater Power Distribution Corporation and all other parties for this proceeding.

Sincerely,

Original signed by

Daria Babaie
Manager

Attachment

Board Staff Interrogatories
2009 Electricity Distribution Rates
Bluewater Power Distribution Corporation
EB-2008-0221

1 OPERATING COSTS

1.1 General – Historical OM&A Expenses Data

Ref: http://www.oeb.gov.on.ca/OEB/_Documents/EB-2006-0268/Comparison_of_Distributors_with_2007_data.xls

The figures in Table 1 below are taken directly from the public information filing of Bluewater Power Distribution Corporation (Bluewater) as part of the the Reporting and Record-keeping Requirements ("RRR") initiative of the OEB. The figures are available on the OEB's public website.

Table 1

	2003	2004	2005
Operation	$344,513	$285,083	$296,163
Maintenance	$327,735	$307,800	$253,056
Billing and Collection	$402,872	$267,358	$237,490
Community Relations	$39,998	$29,005	$136,458
Administrative and General Expenses	$7,668,211	$7,726,269	$7,990,281
Total OM&A Expenses	**$ 8,783,329**	**$ 8,615,515**	**$ 8,913,448**

Please confirm Bluewater's agreement with the numbers for Total OM&A Expenses that are summarized in Table 1. If Bluewater does not agree with any figures in Table 1, please explain why not and provide amended tables with a full explanation of all changes.

1.2 General – OM&A Expenses

Ref: Exhibit 4/Tab 2/Schedule 1/ Attachment 1

Board staff took the figures from the evidence provided in Exhibit 4 of Bluewater's application and prepared Table 2 below as a summary of Bluewater's OM&A expenses. Please note that rounding differences may occur, but are not material to the questions that follow.

Table 2

	2006 Board Approved	2006 Actual	2007	2008 Bridge	2009 Test
Operation	$ 280,776	$ -	$ 2,206,991	$ 2,258,862	$ 3,535,352
Maintenance	$ 256,425	$ -	$ 122,553	$ 140,410	$ 157,640
Billing and Collection	$ 267,288	$ -	$ 1,277,336	$ 1,370,749	$ 1,497,443
Community Relations	$ 189,005	$ -	$ 94,640	$ 175,409	$ 216,871
Administrative and General Expenses	$ 8,187,189	$ -	$ 5,213,650	$ 5,550,385	$ 5,951,113
Total OM&A Expenses	**$ 9,180,683**	**$ -**	**$ 8,915,170**	**$ 9,495,815**	**$ 11,358,419**

Board staff took the figures from the evidence provided in Exhibit 4 of Bluewater's application and prepared Table 3 below which summarizes Bluewater's OM&A forecasted expenses. Please note that rounding differences may occur, but are not material to the questions that follow.

Table 3

	2006 Board Approved		2006 Actual		2007 Actual		2008 Bridge		2009 Test	Variance 2009/2007
Operation	280,776	-280,776	0	2,206,991	2,206,991	51,871	2,258,862	1,276,490	3,535,352	1,328,361
		-100.0%		-		*2.4%*		*56.5%*		***60.2%***
Maintenance	256,425	-256,425	0	122,553	122,553	17,857	140,410	17,230	157,640	35,087
		-100.0%		-		*14.6%*		*12.3%*		***28.6%***
Billing & Collections	267,288	-267,288	0	1,277,336	1,277,336	93,413	1,370,749	126,694	1,497,443	220,107
		-100.0%		-		*7.3%*		*9.2%*		***17.2%***
Community Relations	189,005	-189,005	0	94,640	94,640	80,769	175,409	41,462	216,871	122,231
		-100.0%		-		*85.3%*		*23.6%*		***129.2%***
Administrative and General Expenses	8,187,189	-8,187,189	0	5,213,650	5,213,650	336,735	5,550,385	400,728	5,951,113	737,463
		-100.0%		-		*6.5%*		*7.2%*		***14.1%***
Total OM&A Expenses	**9,180,683**	**-9,180,683**	**0**	**8,915,170**	**8,915,170**	**580,645**	**9,495,815**	**1,862,604**	**11,358,419**	**2,443,249**
		-100.00%		-		6.51%		19.61%		**27.41%**

a) Please confirm that Bluewater agrees with the figures presented in Table 2 and Table 3. If Bluewater does not agree with any figures in the tables, please explain why not and provide amended tables with a full explanation of all changes.

b) In its application, Bluewater did not provide 2006 actual figures for its operating costs.

Please provide a table that:

i) Lists all the accounts and sub-accounts related to the categories listed in Table 3 above.

ii) Includes 2006 actuals, 2007 actuals, 2008 bridge amounts, and 2009 test year amounts for each account and sub-account.

iii) Includes a year-to-year variance analysis.

c) Please complete Table 4 below by identifying and listing the key cost drivers that are contributing to the overall increase of 27% in total 2009 OM&A expenses over 2007 historical actuals. Please include the actual 2006 figures for both opening and closing balances in Table 4 below. Please add additional rows to Table 4 if necessary. Some examples of specific costs drivers include items such as increase in staff compensation, hiring staff, increase in cost of contractors, increase in inflation, etc.

Table 4

	2006 Actual	**2007**	**2008**	**2009**
Opening Balances	**$ Opening Balances**	**$ Closing Balances from 2006 Actual**	**8,915,170**	**9,495,815**
Cost Driver 1				
Cost Driver 2				
Cost Driver 3				
Cost Driver 4				
Etc.				
Closing Balances	**$ Closing Balances**	**8,915,170**	**9,495,815**	**11,358,419**

d) For the period 2006 to 2009, please provide detailed and specific explanations for each cost driver in Table 4 above.

1.3 General – Cost Efficiency Programs

Ref: Exhibit 4/Tab 2/Schedule 1/Attachment 1

Please describe and quantify the benefits of any cost efficiency programs that Bluewater has undertaken, e.g. cost reduction, contract negotiations, system automation, cost savings or other programs that are either in place now or are contemplated at some future time.

1.4 General – Cost Efficiency Programs

Ref: Exhibit 4/Tab 2/Schedule 8/page 4
Ref: Exhibit 2/Tab 3/Schedule 6/page 48
Ref: Exhibit 2/Tab 3/Schedule 6/page 65

In Exhibit 2/Tab 3/Schedule 6, page 48, Bluewater stated the following:

> "*Bluewater Power is currently engaged in a multi-year Application Maintenance Outsourcing (AMO) agreement with Deloitte Consulting. The purpose of this agreement is for Deloitte to provide development expertise to assist Bluewater Power in the ongoing sustainability of SAP. Under this agreement, Deloitte works with Bluewater Power IT and Business functional staff to develop and maintain the SAP asset*."

…

> *"This agreement is planned to expire in 2008. Subsequently it is not budgeted for in 2009 with the expectation that most development in this area will be managed through the SAP upgrade project."*

a) Please explain whether Bluewater intends to outsource any of its internal functions, eg, customer service, etc.

b) In Exhibit 2/Tab 3/Schedule 6/page 48, Bluewater identifies the following amounts regarding the Application Maintenance Outsourcing (AMO) agreement with Deloitte Consulting:

2007 Actual - $70,483
2008 Budget - $144,000
2009 Budget - $0

i) Please provide an explanation of these costs.
ii) Provide a breakdown of these costs and identify whether these amounts have been capitalized or expensed.

iii) Please describe the benefits realized by the Application Maintenance Outsourcing project as compared to the total costs of $214,483 incurred over 2007 and 2008.

c) In Exhibit 4/Tab2/Schedule 8/page 4, Bluewater indicates that it spent $126,341 in 2007 for annual maintenance of its SAP system.

i) Please explain the nature of the SAP system annual maintenance costs.
ii) What has Bluewater budgeted for its SAP system annual maintenance in 2008 and 2009?
iii) Please provide a further breakdown of the SAP system annual maintenance costs for 2007, 2008, and 2009.

d) Please file the case study, including a cost-benefit analysis, undertaken by Deloitte that explains the purpose of the multi-year Application Maintenance Outsourcing (AMO) agreement.

e) In Exhibit 2/Tab 3/Schedule 6/page 65, Bluewater has identified $185,000 in expenses for the SAP upgrade.
i) Please provide an explanation and breakdown of these expenses.
ii) Please explain why Bluewater has proposed to capitalize these costs and not expense them.

f) In Exhibit 2/Tab 3/Schedule 6/page 65, Bluewater has identified $75,000 in SAP licensing for the SAP upgrade. Please explain why this cost is being capitalized and not expensed.

1.5 General – Cost Savings due to Amalgamation

Ref: Exhibit 1/Tab 2/Schedule 1/page 1

On October 30, 2000, Bluewater incorporated when the former Sarnia Hydro-Electric Commission, Petrolia Public Utilities Commission, Point Edward Public Utilities Commission, Watford Public Utilities Commission, Alvinston Public Utilities Commission, and OilSprings Hydro-Electric Commission merged into one company.

a) Please file with the Board any plan that was developed outlining quantitative cost saving objectives that were envisioned as a result of the merger.
b) If cost savings and efficiency gains were among the objectives leading to the formation of Bluewater, please provide evidence demonstrating that it has realized cost savings and gained efficiencies from 2000 to 2008.

1.6 CEO Contingency Fund – OM&A

Ref: Exhibit 2/Tab 3/Schedule 1/Attachment 1
Exhibit 2/Tab 3/Schedule 6, p.16

In Exhibit 2/Tab 3/ Schedule 1/Attachment 1, Bluewater makes reference to Project UT25 "CEO Contingency Fund" for which an expenditure of $212,425 is budgeted in 2009.

In Exhibit 2/Tab 3/Schedule 6, p.16, it is stated that:

"The CEO Contingency Fund has been created to capture unforeseen capital costs that arise during the course of the year that require an immediate response. The fund has been used, for example, to make major repairs to power line vehicles that have been required within the budget year. The budget has also been utilized to purchase job-specific equipment that has been required within the budget year.

Having the contingency fund has allowed the Bluewater Power senior management team to provide more conservative and accurate capital budget figures during the annual budget processes knowing that funds for unforeseen expenditures can be accessed with the approval from the President and CEO. The fund was utilized almost in its entirety in 2007 and is on track to be fully utilized in 2008"

a) Bluewater states that the CEO Contingency Fund as been created to capture unforeseen capital costs that arise during the course of the year that require an immediate response. Please clarify whether Bluewater has included a Contingency Fund for its 2009 OM&A.

b) If Bluewater has not created a Contingency Fund for 2009 OM&A, please explain how contingencies were dealt with in the past to capture unforeseen OM&A costs that might have arisen during the course of the year that required an immediate response.

1.7 Contracted Services

Ref: Exhibit 4/Tab 2/Schedule 1/Attachment 1

a) From 2006 through 2009, please identify the portion of total OM&A expenses that is related to contracted services.
b) For each of the years, 2006 through 2009, please identify the selection process for the contracted services.
c) For each contracted service, please identify the year in which the selection process was used to select a particular contractor.
d) Please provide examples of contracted services for the period of 2006 through 2009 in which Bluewater negotiated cost savings or contemplates achieving costs savings. Regarding contracted services, please provide evidence, if any that demonstrates that Bluewater has implemented cost efficiency initiatives or it is contemplating undertaking initiatives that help Bluewater achieve savings at some future time.

1.8 Maintenance Programs and Projects

Ref: http://www.oeb.gov.on.ca/documents/minfilingrequirements_report_141106.pdf
Ref: Exhibit 4/Tab 1/Schedule 1
Ref: Exhibit 4/Tab 2/Schedule 1/Attachment 1

Asset management consists of processes and systems that help evaluate, prioritize, and select the distributor's maintenance and capital plans to maximize the benefits to its customers and shareholder.

For the purpose of providing the information regarding its maintenance and capital plans, Bluewater should use its identified materiality threshold items.

a) In regards to Bluewater's 2009 maintenance plans:

   i) Please provide a list of criteria and rationale that Bluewater has utilized in the prioritization and selection of its 2009 maintenance projects.

   ii) Please complete the following Table 5 and provide ranking and the description of the maintenance projects using the threshold test that is outlined above. Please note that the rating "1" is the highest priority, rating "2" is the second highest priority, rating "3" is the third highest priority etc. Please use additional rows, if necessary.

iii) Please explain and file with the Board necessary evidence, if any, how the priorities of these maintenance projects are determined and their expenditures are justified by the distributor's management using the criteria identified in part "a(i)", e.g. reliability statistics, customer complaints, cost information, etc.

Table 5 – 2009 Maintenance Programs or Projects

Priority Ranking	Name of Program or Project	Ongoing or One-time	Type of Program	Description of Project	Maintenance Expenditure ($)	Rationale for Priority Selection
1						
2	e.g. Tree trimming	Ongoing	Preventive	This project is to perform tree trimming based on a three-year cycle	$	To enhance system reliability and maintaining SAIDI <X, SAIFI < Y, and CAID < Z and reduce outages to the customers
3						
4						
….						
….						
Total Prioritized Programs					$$	
Total Prioritized Programs % of Overall 2009 Maintenance Programs					%	

Notes:

1. Type of program can be Reactive, Preventive, or Predictive.
2. The need for implementing reactive programs may not occur, but be budgeted based on utility's business practice and based on past experience related to equipment failure or defects.
3. Some programs may have the same priority ranking.

1.9 Employee Costs

Ref: Exhibit 4/Tab 2/Schedule 2/ p.2/ Table 4.2.2.1

Bluewater has forecasted employee costs at $536,627.

a) Please provide a description for the "Employee Costs" category referenced in the Table 4.2.2.1 of the above evidence.

b) Please provide a listing of all accounts including dollar amounts that form the "Employee Costs" category.

1.10 Personnel Management

Ref: Exhibit 4/Tab 2/Schedule 9/Attachment 1

Please provide a description of plans (if any) to address the issue of an aging workforce.

1.11 Operating Costs – External Costs

Ref: Exhibit 4 Tab 2 Schedule 2 Page 3
Ref: Exhibit 4 Tab 2 Schedule 3 Page 10

In E4/T2/S2/p.3, Bluewater forecasted an increase of approximately $20,000 in legal fees in recognition of the fact that the in-house legal counsel will be primarily involved in the 2009 Rebasing application in the first quarter of 2009.

In addition, Bluewater has identified that its rebasing costs included $125,000 for legal fees.

Please provide justification for legal costs of $125,000 as a part of the cost for Bluewater's rebasing application.

With reference to the information in the above referenced evidence of the application, please indicate whether in-house legal counsel costs of $20,000 are included in the $125,000 legal costs for rebasing. If not, please provide further explanation for this expenditure.

1.12 Operating Costs – External Costs

Ref: Exhibit 4 Tab 2/ Schedule 2/ Page 4

Bluewater has identified one-time costs of approximately $14,000 for increased overtime and $26,000 for consulting fees as well as $26,000 for an increase in engineering consulting fees.

a) Has Bluewater amortized the above one-time costs in its 2009 rebasing application? If not, why not.

b) If Bluewater has amortized one-time costs, please explain and justify the amortization period.

c) Please identify all other one-time costs that Bluewater has not amortized and provide an explanation of why Bluewater is seeking full recovery of these costs in the 2009 rates.

1.13 Operating Costs – Employee Compensation

Ref: Exhibit 4 Tab 2 Schedule 9 Attachment 1

a) Please complete table 5 and 6 below.

Table 5: President, Executive CEO, COO, VP/Directors

	2006 EDR	2006 Actual	2007 Actual	2008 Bridge Year	2009 Test Year
Average Yearly Base Wages					
Yearly Overtime					
Yearly Incentives					
Yearly Bonuses					
Yearly Benefits					
Total					

Table 6: Management and Supervisors

	2006 EDR	2006 Actual	2007 Actual	2008 Bridge Year	2009 Test Year
Average Yearly Base Wages					
Yearly Overtime					
Yearly Incentives					
Yearly Bonuses					
Yearly Benefits					
Total					

b) Please provide the rationale for Bluewater's compensation structure(s) for its executive CEO, COO, VP/Directors, Management, and Supervisors positions and file with the Board supporting documentation.

1.14 Operating Costs – All Other Costs

Ref: Exhibit 4 Tab 2 Schedule 2 Page 2 Table 4.2.2.1

Bluewater has forecasted an amount of $1,937,998 for "All other costs". This represents an increase of $224,614 since 2007.

Please provide a listing of all accounts that form the "All Other Costs" category including the dollar amounts for each account from 2006 to 2009.

1.15 Shared Services / Corporate Cost Allocation

Ref: http://www.oeb.gov.on.ca/documents/minfilingrequirements_report_141106.pdf

Pursuant to section 2.5 (Exhibit 4 Part A and D) of the Filing Requirements for Transmission and Distribution Applications (see reference above), applicants are to file the following information:

a) The type of shared service and the total annual expense by service.
b) A detailed description of the assumptions underlying the corporate cost allocation as well as provide documentation of the overall methodology and policy.

Please complete Table 7 below for the years 2006 through 2009 describing all services that Bluewater provides and receives from its parent company as well as affiliate companies. Please duplicate the table for each year 2006 to 2009 to show the required information for the respective year. Please use additional rows, if necessary.

Table 7

Year:__________

Name of Company		Type of Service Offered	Pricing Methodology	Price for the Service ($)	Cost for the Service ($)	% Allocation	Explanation
From	To						

Type of Service Offered: Services such as billing, accounting, payroll, etc.
Pricing Methodology: Pricing Methodology includes approaches such as cost-base, market-base, tendering, etc. Please provide evidence to demonstrate the pricing methodology that was used.
Price for the Service: The amount the entity pays for the service that it receives.
Cost for the Service: The cost of to provide the service.
%Allocation: % of the costs that is allocated to the entity for the service being offered.

1.16 Purchase of Services

Ref: http://www.oeb.gov.on.ca/documents/minfilingrequirements_report_141106.pdf

Pursuant to section 2.5 (Exhibit 4 Operating & Maintenance and Other Costs, Section A) of the Filing Requirements, please file the necessary information relating to the purchase of services or products for 2006 to 2009.

1.17 Corporate Cost Allocation

Ref: EB-2005-0001 Decision with Reason for Enbridge Gas Distribution Inc. Chapter 10 p.69-91

The five principles listed below formed the basis of the Board's acceptance of Enbridge's corporate cost allocations in EB-2005-0001.

1. The service is specifically required by the utility;
2. The level of service provided is required by the utility;
3. The costs are allocated based on cost causality and cost drivers;
4. The cost to provide the service internally would be higher and the cost to acquire the service externally on a stand-alone basis would be higher; and
5. There are scale economies.

Please provide information as to how Bluewater's corporate cost allocation policy meets each of these principles.

2 COST OF CAPITAL, CAPITAL STRUCTURE, AND WEIGHTED AVERAGE COST OF CAPITAL

2.1 Long Term Debt Rate

Ref: Exhibit 6/Tab 1/Schedule 2
Ref: Exhibit 1/Tab 3 Schedule 2," Financial Statements (2007)", Note 5.
Ref: Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors December 20, 2006, page 14 - http://www.oeb.gov.on.ca/documents/cases/EB-2006-0088/report_of_the_board_201206.pdf

Note 5 of Bluewater's 2007 Audited Financial Statements makes reference to the following debt:

"Subordinate promissory note payable to shareholders, bearing interest at 7.25%, with interest payable in quarterly instalments, with no specific repayment terms for principal amounts. Shareholders can demand payment with twelve months written notice."

On Long-Term Debt, Section 2.2.1 of the Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors - December 20, 2006 states, in part:

*"**For all variable-rate debt and for all affiliate debt that is callable on demand the Board will use the current deemed long-term debt rate.** When setting distribution rates at rebasing these debt rates will be adjusted regardless of whether the applicant makes a request for a change." [Emphasis in original]*

Beginning on Line 25 of Exhibit 6 Tab 1 Schedule 2 Page 2, Bluewater states the following in support of its use of a 7.25% rate for this debt:

"The OEB Cost of Capital Report permits certain forms of callable debt to be considered long-term debt recovered at its face value, but purports to distinguish between debt that is callable by an affiliate and debt that is callable by a third party. There is no jurisdictional basis to make that distinction. Moreover, there is no factual basis in the case of the debt of Bluewater Power because the Promissory Notes have been treated at all times as if they were third party debt."

a) Please elaborate on what is meant by the statement that “There is no jurisdictional basis to make that distinction.”

b) With reference to the statement that “there is no factual basis in the case of the debt of Bluewater because the Promissory Notes have been treated at all times as if they were third party debt,” please state why Bluewater believes this to be the case. Please explain why Bluewater takes the position that negotiating a debt rate with an affiliate is the same as negotiating it with a non affiliate. Please reference any efforts that were made at the time the debt was negotiated to ensure that the rate was equivalent to that which would have been obtained from a third party.

3 RATE BASE AND CAPEX

3.1 Consistency of Information Provided

Ref: Exhibit 2/Tab 1/Schedule 2, p .1
Exhibit 2/Tab 2/Schedule 1, p. 1

In Exhibit 2/Tab 1/Schedule 2, p.1 ending net capital asset balances for the years 2007, 2008 and 2009 are shown as follows:

2007: $37,626,977

2008: $37,944,816

2009: $41,145,335

In Exhibit 2/Tab 2/Schedule 1, the Fixed Asset Continuity Statements show net book values for the years 2007, 2008 and 2009 as follows:

2007: $36,908,359

2008: $37,226,198

2009: $40,426,717

Please provide a reconciliation of the two above sets of numbers.

3.2 Capital Program Increase

Ref: Exhibit 2/Tab 3/Schedule 1

In this Schedule, Bluewater lays out its actual capital additions for the year 2007 and its planned capital additions for 2008 and 2009. The size of the program increases considerably in 2009 from the 2008 level rising from $5.1 million in 2008 to $8.3 million in 2009.

a) Please provide the breakdown for each of 2006 through 2009 showing the total of capital expenditures that are "one-time programs" vs. "ongoing programs".

b) Please provide an overview of why Bluewater believes that such a large increase in its capital program is justified in 2009 in light of the considerably lower CAPEX levels in the 2007/2008 period.

c) Please discuss the extent to which Bluewater considered a phased approach to its capital program and if a phased approach was considered, why it was not adopted. If a phased approach was not considered, please explain why not.

d) Please state why Bluewater believes that it has the capacity to complete such a large capital program in 2009. In this context, please provide an update as to where the 2008 capital program stands on a completion basis as of September 30, 2008. Please also discuss whether or not Bluewater anticipates having any carryover projects from 2008 and if so what their impact would be in 2009.

e) Please provide an explanation on the measures that Bluewater has taken or will undertake, e.g. use of tendering process and deploying the lowest bid contractor, negotiations with suppliers on purchase of material and equipment, etc. to execute capital program projects in the most cost-effective way. Please file any evidence that demonstrates Bluewater's effort in undertaking and implementing measures that would achieve cost savings for Bluewater's capital programs.

3.3 Capital Expenditure Forecasts

Ref: Exhibit 2/Tab 3/Schedule 1

Please provide the CAPEX forecasts for 2010, 2011, and 2012.

3.4 CEO Contingency Fund

Ref: Exhibit 2/Tab 3/Schedule 1/Attachment 1
Exhibit 2/Tab 3/Schedule 6, p.16

In Exhibit 2/Tab 3/ Schedule 1/Attachment 1, Bluewater makes reference to Project UT25 “CEO Contingency Fund” for which an expenditure of $212,425 is budgeted in 2009.

In Exhibit 2/Tab 3/Schedule 6, p.16, it is stated that:

“The CEO Contingency Fund has been created to capture unforeseen capital costs that arise during the course of the year that require an immediate response. The fund has been used, for example, to make major repairs to power line vehicles that have been required within the budget year. The budget has also been utilized to purchase job-specific equipment that has been required within the budget year.

Having the contingency fund has allowed the Bluewater Power senior management team to provide more conservative and accurate capital budget figures during the annual budget processes knowing that funds for unforeseen expenditures can be accessed with the approval from the President and CEO. The fund was utilized almost in its entirety in 2007 and is on track to be fully utilized in 2008”

c) Please provide a full justification as to why the CEO Contingency Fund was created including an explanation as to how contingencies were dealt with in Bluewater’s planning process before the CEO Contingency Fund was created and what motivated the decision by Bluewater management to adopt this approach

d) Please state why Bluewater believes that the contingency fund allows the senior management team to, as stated above, “provide more conservative and accurate figures during the annual budget processes”. Please provide copies of any internal assessments that may have been undertaken that would support this statement.

3.5 Vehicle Replacements

Ref: Exhibit 2/Tab 3/Schedule 1/Attachment 1
Exhibit 2/Tab 3/Schedule 6, pp. 5-9

In Exhibit 2/Tab 3/Schedule 1/Attachment 1, Bluewater states that it expects to incur expenditures of $528,000 in 2009 on Project UT12 “Vehicle Replacements.” This proposed expenditure follows similar expenditures on vehicle replacement of $450,000 in 2008 and $261,891 in 2007.

On Page 5 of Exhibit 2/Tab 3/Schedule 6, Bluewater states that:

“Bluewater Power works from a five year capital plan to prepare for vehicle budgeting. For the purpose of large fleet vehicles a team comprised of users, a mechanic and a management supervisor is created to review the products of different manufacturers and request estimated costs early in a budget year. Following budget approval from the Bluewater Power Board of Directors the team moves into deeper analysis, utilizing demonstration vehicles, visiting and discussing reliability, warrantee response and overall vehicle satisfaction with other LDCs who have purchased similar equipment.

The Materials Management Department prepares an RFP based on team results and sends it out to the chosen manufacturers who have met the desired vehicle criteria. The contract is awarded based on the manufacturer meeting the required specifications, cost and overall support from the team”

a) Please provide the referenced “five year capital plan to prepare for vehicle budgeting.”
b) Please provide Bluewater’s level of capital expenditures on vehicle replacement for the 2001 to 2006 period.
c) Please provide any quantitative analyses that were undertaken that support the proposed 2008 and 2009 level of expenditures on vehicle replacements.
d) Please provide a summary of the RFP process results leading to the 2008 and 2009 budgeted vehicle replacement amounts including the competing bids that were considered and how they were scored to determine the winning bidders.

3.6 Building Renovations/Expansion

Ref: Exhibit 2/Tab 3/Schedule 1/Attachment 1
Exhibit 2/Tab 3/Schedule 6, pp. 67-70

In Exhibit 2/Tab 3/Schedule 1/Attachment 1, Bluewater states that it expects to incur expenditures of $863,315 in 2009 on Project 05 “Building Renovations/Expansion”. This is a considerably higher expenditure than the 2008 level of $185,000 and the 2007 level of $28,154.

In Exhibit 2/Tab 3/Schedule 6, pp. 67-70, Bluewater identifies a number of reasons for this increased level of expenditures. These reasons often appear to be related to factors that go back a number of years, for instance it is stated on page 68 that “Since 1990 staff has increased significantly and, as a result, staff are doubled up in offices, sitting in hallways, or utilizing spaces not designated to safely and effectively accommodate personnel”. Other factors are cited that appear to go back to the 2000 merger. For example, for equipment bay space, on page 68, it is stated that “similar to the personnel impact of the merger Bluewater assumed responsibility for all equipment bay storage requirements for the trucks and other equipment absorbed as part of the merger.”

a) For each of the years from the 2000 merger to 2011, during which Phase V of the Multi-Year Program will commence, please provide the overall level of expenditures on building renovations/expansions, broken down by major line items. For each phase of the multi-year program, please specify the amounts that have been, or are anticipated to be spent in each year and what they will be spent on.
b) Please provide any cost/benefit analyses that may have been undertaken to justify the Multi-Year Program and the other expenditures.

3.7 SAP Upgrade

Ref: Exhibit 2/Tab 3/Schedule 6, pp.54-66
Exhibit 2/Tab 3/Schedule 6, Attachment 1
Exhibit 2/Tab 3/Schedule 1, Attachment 1

In Exhibit 2/Tab 3/Schedule 1/Attachment 1, Bluewater states that it expects to incur expenditures of $1,445,145 in 2009 on Project IT18 “SAP Upgrade”. No expenditures are stated as having been incurred on this project in either 2007 or 2008.

In its evidence, Bluewater discusses the reasons for undertaking the SAP upgrade, including alternatives considered such as the outlined "Alternative #1: SAP Upgrade," on page 59 of Exhibit 2/Tab3/Schedule 6 and "Alternative #2: Custom Development", on page 64 of the same exhibit." In support of these expenditures, Bluewater also provides an independent technology assessment by SJH Consulting.

a) Please file with the Board all supporting documents including prior studies and cost/benefit analyses that Bluewater conducted to assess alternative ERP systems and to justify the selection, development and implementation of the SAP system. Please include an explanation as to why Bluewater could not deploy more cost effective systems to meet its ERP needs.
b) Please provide a complete overview of the factors leading to Bluewater's decision to undertake this upgrade expenditure including an explanation of why this expenditure was determined to be necessary.
c) Please provide the total annual ongoing costs to maintain this system including the breakdown cost such as licence fees, maintenance fees, etc.
d) Please state whether Exhibit 2/Tab 3/Schedule 6/Attachment 1 "Bluewater Power SAP ERP 6.0 Upgrade Plan – Independent Assessment" represents the full report by SJH Consulting, or a summary of it. If it is not the full report, please provide a copy of this report. Please also state whether SJH Consulting undertook any quantitative assessments in support of its recommendations and, if so, please provide them.

3.8 Trans Station Meter Upgrade - Modeland

Ref: Exhibit 2/Tab 3/Schedule 6, p .46
Exhibit 2/Tab 3/Schedule 1/Attachment 1

In Exhibit 2/Tab 3/Schedule 1/Attachment 1, Bluewater states that it expects to incur expenditures of $525,074 in 2009 on Project M7 Trans Station Meter Upgrade - Modeland. No expenditures are stated to have been incurred on this project in either 2007 or 2008.

Please provide a more detailed explanation as to how the costing on meter upgrade projects of this kind is determined including alternatives assessed and whether or not any competitive bidding is involved.

3.9 27.6 kV Neutral Program

Ref: Exhibit 2/Tab 3/Schedule 1/Attachment 1
Exhibit 2/Tab 3/Schedule 6, pp. 20-22

In Exhibit 2/Tab 3/Schedule 1/Attachment 1, Bluewater states that it expects to incur expenditures of $146,820 in 2009 on Project UT5 "27.6 kV Neutral Program." This proposed expenditure follows expenditures in this area of $40,000 in 2008 and $24,512 in 2007.

On Page 21 of Exhibit 2/Tab 3/Schedule 6, Bluewater provides a justification for this expenditure stating that:

> *"Commencing in 2009, Bluewater Power plans to commence a multi-year program to replace its remaining neutral conductors to improve reliability and power quality. Bluewater Power estimates that the entire program will take approximately 5 to 7 years to complete at a costs of $150,000 per year."*

a) Please provide any quantitative analyses including engineering studies that were undertaken that support the multi-year program expenditures referenced above.

3.10 Animal Protection

Ref: Exhibit 2/Tab 3/Schedule 1/Attachment 1
Exhibit 2/Tab 3/Schedule 6, pp. 28-29

In Exhibit 2/Tab 3/Schedule 1/Attachment 1, Bluewater states that it expects to incur expenditures of $103,940 in 2009 on Project UT29 "Animal Protection." This proposed expenditure follows expenditures in this area of $50,000 in 2008 and $22,421 in 2007.

On Page 28 of Exhibit 2/Tab 3/Schedule 6, Bluewater states that these expenditures relate to its implementation of a multi-year capital program from 2006 to 2013 designed to reduce outages and facility damage caused by animal interference.

a) Please provide a breakdown of total actual and planned expenditures for the 2006 to 2013 period on this program broken down by the categories listed on page 28.

b) Please provide any quantitative analyses that were undertaken that support this program.

3.11 Geographical Information System (GIS)

Ref: Exhibit 2/Tab 3/Schedule 1/Attachment 1
Exhibit 2/Tab 3/Schedule 6, pp. 40-42

In Exhibit 2/Tab 3/Schedule 1/Attachment 1, Bluewater states that it expects to incur expenditures of $160,189 in 2009 on Project UT45 "Geographical Information System (GIS)." There are no expenditures shown in this area in either 2007 or 2008.

On Page 42 of Exhibit 2/Tab 3/Schedule 6, Bluewater states that:

> *"Bluewater Power considered the alternative of building a custom application, but dismissed this alternative because it would be difficult and expensive to implement, maintain and update. Bluewater Power expects that there will be improved customer service and efficiency savings resulting from the proposed GIS upgrade. The savings will be reflected in improved outage management and thus a reduction in outage time. The proposed system will allow Bluewater Power to better utilize resources through a quicker response time and better time management."*

a) Please provide any quantitative analyses that were undertaken that support this expenditure.

3.12 Asset Management Plan

Ref: Exhibit 2/Tab 3/Schedule 9
Exhibit 2/Tab 3/Schedule 1, p.4

On page 4 of Exhibit 2/Tab 3/Schedule 1, Bluewater states that:

"Therefore, Bluewater Power's distribution system is nearing the end of its life. If Bluewater Power does not increase its sustaining capital investment in operating assets going forward, it will be required to make significant investments between 2020 and 2030. To avoid this last-minute catch-up scenario, commencing in 2010, Bluewater Power intends to work toward increasing its sustaining capital investment in operating assets to approximately $4 million per year."

Exhibit 2/Tab 3/Schedule 9/p. 1, which is Bluewater's asset management plan states that:

"A high-level preliminary analysis would suggest that annual spending of $5 million will be required in coming years to maintain the distribution infrastructure adequately. This projected $5 million expenditure includes $4 million in sustaining capital investments…plus $1 million in non-routine capital investments typically pursued annually."

a) Please indicate whether or not this conclusion arises out of the development of or was derived separately from Bluewater's asset management plan, or was derived separately from the development of the plan. Please state how this conclusion is integrated into the asset management plan.
b) Please provide the high-level preliminary analysis referred to above that led to this conclusion including supporting documents for deriving this estimate.
c) Please state whether this conclusion also arose from any external studies such as the 1999 study referenced in the asset management plan by Elecsar Engineering Ltd. and if so, provide any such studies.
d) Please indicate whether Bluewater has utilized any asset condition study in developing its Asset Management Plan. Please file any such study.

3.13 Capital Programs and Projects

Ref: http://www.oeb.gov.on.ca/documents/minfilingrequirements_report_141106.pdf
Ref: Exhibit 2/Tab 3/Schedule 1
Ref: Exhibit 2/Tab 3/Schedule 6

Asset management consists of processes and systems that help evaluate, prioritize, and select the distributor's maintenance and capital plans to maximize the benefits to its customers and shareholder.

For the purpose of providing the information regarding its maintenance and capital plans, Bluewater should use its identified materiality threshold items.

In regards to Bluewater's 2009 capital plans:

a) Please provide a list of criteria and rationale that Bluewater has utilized in the prioritization and selection of its 2009 capital projects.
b) Please complete the following Table 8 and provide a ranking and description of the capital projects using the threshold test that is outlined above. Please note that a rating of "1" is the highest priority, rating "2" is the second highest priority, rating "3" is the third highest priority etc. Please use additional rows, if necessary.
c) Please explain and file with the Board necessary evidence, if any, with respect to how the priorities of these projects are determined using the criteria identified in part "a", e.g. asset condition study, system planning, regulatory compliance, etc.

Table 8 – 2009 Capital Projects

Priority Ranking	Project Name	Description of Project	Type of Program	Capital Investment ($)	Discretionary Or Non-discretionary	Start Date of Project	Date In Service	Rationale for Priority Selection
1								
2								
3	e.g. New 27.6 kV	This project is to build a new U/G feeder from Station ABC	Addition of a new asset	$	Non-discretionary	June 09	Dec. 09	To relief the overloading of the existing underground feeders and meet the load growth of x% forecasted in the next y years.
4								
….								
….								
Total $ for Prioritized Programs				$$$				
Total $ Prioritized Programs as a % of Overall Total 2009 CAPEX				%				
Discretionary Programs as % of Total Prioritized Programs				%				
Non-discretionary Programs as				%				

% of Total Prioritized Programs			
Replacement Programs as % of Total Prioritized Programs		%	
Rehabilitation Programs as % of Total Prioritized Programs		%	
Upgrade Programs as % of Total Prioritized Programs		%	
New Additions as % of Total Prioritized Programs		%	

Notes:

1. Type of program can be replacement, rehabilitation, or upgrade of an existing asset, or an addition of a new asset.
2. Non-discretionary – a "must do" project or related directly to the core infrastructure (e.g. stations, feeders, etc.), or the need for which is determined beyond the control of the Applicant, e.g. regulatory or Government initiatives.
3. Discretionary – the need is determined at the discretion of the Applicant and the program can be deferred.
4. Some programs may have the same priority ranking.

3.14 Cost of Power Assumptions

Ref: Exhibit 2/Tab 4/Schedule 2/Attachment 1

In this attachment, Bluewater provides a breakdown of its working capital calculation, but does not provide its cost of power assumptions for 2008 and 2009. Please state which rates Bluewater is assuming for its working capital calculation and how they were determined as well as any other key assumptions that may have been made.

3.15 Service Quality and Reliability

Ref: Exhibit 2/Tab 1/Schedule 1, p.2

Please provide the following information on service reliability indicators recorded and used by Bluewater:

a) A list of the Service Reliability Indicators maintained and used, and their actual values for the years 2002 through 2007;

b) Bluewater's 2008 and 2009 reliability improvement targets, if any, for the SAIDI, SAIFI and CAIDI indicators.

c) If Bluewater has established such targets, a copy of the plan that identifies programs or projects that Bluewater will undertake to achieve these targets.

4 SMART METERS

4.1 Smart Meters

Ref: Exhibit 5/Tab 1/Schedule 4

Ref: Ontario Energy Board – Guideline, Smart Meter Funding and Cost Recovery, G-2008-002, p. 10 – 11,
http://www.oeb.gov.on.ca/OEB/_Documents/Regulatory/OEB_Guideline_SmartMeters.pdf/

On page 2 of its discussion of smart meters, Bluewater states that:

“In order to mitigate future rate shock, Bluewater Power requests that the rate adder be increased to $1 per meter commencing May 1, 2009.”

With reference to the Board guideline on smart meter funding and cost recovery (pages 10-11), please provide the following information:

a) The estimated number of meters to be installed in the rate test year.
b) The actual or estimated costs per installed meter and in total.
c) A statement as to whether the distributor has purchased, or expects to purchase, smart meters or advanced metering infrastructure (“AMI”) whose functionality exceeds the minimum functionality adopted in Ontario Regulation 425/06 and an estimate of those costs.
d) A statement as to whether the distributor has incurred, or expects to incur, costs associated with functions for which the SME has the exclusive authority to carry out pursuant to Ontario Regulation 393/07 and an estimate of those costs.

5 PILS

5.1 Additions to Taxable Income

Ref: Exhibit 4/Tab 3/Schedule 1/Attachment 1
Exhibit 1/Tab 3/Schedule 3/Attachments 1 and 2
Exhibit 1/Tab 3/Schedule 2

Bluewater’s taxable income calculation, as shown on page 2 of Exhibit 4/ Tab 3/Schedule 1/Attachment 1 includes additions related to “Net employee future benefits (accrual less amounts paid)” in amounts of $847,994 for 2008 and $694,415 for 2009.

In Exhibit 1/Tab 3/Schedule 2/Attachment 1, which is Bluewater’s 2007 Financial Statements, the Balance Sheet shows a 2007 year ending “Employee future benefits” amount of $5,508,399.

In Exhibit 1/Tab 3/Schedule 3/Attachment 1 Page 2 of 5, the 2008 Pro-Forma Trial Balance shows a 2008 year ending “Employee Future Benefits” amount of $6,202,814. In Exhibit 1/Tab 3/Schedule 3/Attachment 2, page 3 of 5, the 2009 Pro-Forma Trial Balance shows a 2009 year ending “Employee Future Benefits” amount of $6,742,660.

When the differences between the previous three numbers are calculated, they produce a 2008/2007 differential of $694,415, as compared to the amount of $847,994 referenced in the first paragraph above and a 2009/2008 differential of $539,846, as compared to the amount of $694,415 referenced in the first paragraph above.

Please provide an explanation of, and reconciliation between, these two sets of numbers.

5.2 Additions to Taxable Income

Ref: Exhibit 4/Tab 3/Schedule 1, p. 2

This page enumerates additions to taxable income incorporated by Bluewater in calculating its taxable income. Included in these additions is an item “Carrying charges accrued (expensed not paid)” in the amount of $243,636 for 2009.

a) Please describe what the “Carrying charges accrued (expensed not paid)” are. In addition, please state whether this item includes amounts related to regulatory assets and if so what the amounts are and the accounts to which they are attributable.

b) Please provide Bluewater’s basis for believing that the inclusion of these amounts in the calculation of its taxable income for regulatory purposes is appropriate.

6 LOAD FORECAST

6.1 General – Economic Assumptions

a) Since the filing of Bluewater's application, given the economic situation, has Bluewater assessed the situation and identified any specific issues that may have a material impact on its load and revenue forecasts and bad debt expense forecast?

b) If so, can Bluewater provide the necessary evidence and an estimate of the timing of any update including necessary calculations?

6.2 Weather Normalization

Ref: Exhibit 3/Tab 2/Schedule 1/Attachment 1/Page 7/ 2nd paragraph

On page 7, Bluewater states: "*For Bluewater, the 10 year average from 1998 to 2007 has been adopted as the appropriate definition of weather normal.*"

Instead of using the average monthly heating degree days (HDD) and cooling degree days (CDD) from 1998 to 2007, please develop the weather normalized load forecast for 2009 by using a **trend** of monthly HDD and CDD from 1988 to 2007. Please calculate the variance and percent variance for 20-year trend forecast as compared to the Bluewater's10-year average forecast and comment on the results.

6.3 Economic and Growth Projections

Ref: Exhibit 3/Tab 2/Schedule 1/Attachment 1/Page 11/ 2nd paragraph

On page 11, Bluewater states: *"Table 8 below outlines the average number of active customer connections in each class and a trend forecast for annual customers based on the average customer additions from 2003 and 2007 period*."

Please file with the Board the supporting material related to the customer/connection forecast that Bluewater states that it is a reasonable reflection of economic expectations in its service area.

6.4 kWh Load

Ref: Exhibit 3/Tab 2/Schedule 1/Attachment 1/Page 10, 1st paragraph and Table 6

On page 10, Bluewater states: *"For classes that do not have weather sensitivity (intermediate and large users, street and sentinel lighting, unmetered scattered load), class consumption is forecast based on the annual consumption trend over the past 4 years."*

Referencing to Table 6 of the above evidence, Board staff notes that the 2008 and 2009 consumption forecasts are calculated using average of growth rate percentages for the period from 2003 to 2007.

a) Please explain the methodology that Bluewater has used to forecast the consumptions for non-weather sensitive classes.

b) If Bluewater has used an arithmetic average to calculate percentages for the period from 2003 to 2007, please update and file with the Board revised Table 6 using a trending methodology and calculate the variance from the proposed forecast consumption for 2008 and 2009.

6.5 kWh Load and Revenue

Ref: Exhibit 3/Tab.2/Schedule 5/Page 1/Table 3.2.5.1

Using information in Table 3.2.5.1 from the above reference, staff calculated the 2009 normalized average consumption for Unmetered Scattered Load ("USL") reduced by 26.5% as compared to 2007 normalized average consumption for USL class. Staff also calculated the 2009 normalized average consumption for General Service 1,000 to 4,999 kW ("GS 1000-4999 kW") class reduced by 10.6% as compared to 2007 normalized average consumption for GS 1000-4999 kW class.

a) Please explain the reasons of the reduction in normalized average consumption for USL and GS 1000-4999 kW classes.

b) Please provide evidence and assumption to justify the reduction in normalized average consumption for USL and GS 1000-4999 kW classes.

6.6 Other Distribution Revenue

Ref: Exhibit 3/Tab 3/Schedule 2/Page 7/1st and 2nd paragraph
Exhibit 1/ Tab 3/ Schedule 7/ page 1

In the first paragraph on page 7 of the above reference, Bluewater states: "*The 2008 bridge year is comprised of anticipated interest income of $100,320 related to positive cash balances and an additional credit of ($223,924) related to carrying charges on the regulatory accounts expected in 2008.*" In the second paragraph on page 7 of the above reference, Bluewater states: "*The projected ($243,636) is related to carrying charges on the deferral accounts for 2009.*"

a) Please explain why the carrying charges is recorded in Interest & Dividend income (USoA 4405) instead of Other Interest expense (USoA 6035).

b) Bluewater states in Exhibit 1/ Tab 3/ Schedule 7/ page 1/1st paragraph of the above reference that, "*The only departure from APH relates to the accounting treatment of carrying charges. That departure is necessary to create consistency between the treatment of carrying charges in the 2006 EDR (EB-2005-0340) application and this application*." If this is Bluewater's response to part (a) of this interrogatory, please explain why consistency with the 2006 EDR application seems to be more important than the consistency with the Board's Accounting Procedures Handbook.

6.7 Customer Count, kWh load, kW load and Revenue

Ref: Exhibit 3/Tabs 1 and 2

Some of Bluewater's evidence may be required to be adjusted in light of responses to the preceding customer count, load and revenue forecasting interrogatories.

Please re-file any tables in Exhibit 3 that are required to be updated as a result of any changes in Bluewater's evidence.

7 DEFERRAL AND VARIANCE ACCOUNTS

7.1 Disposition of Deferral and Variance Accounts

Ref: Exhibit 5/Tab 1/Schedule1/Page 1

Please provide a schedule identifying the rate riders associated with the disposition of the deferral and variance accounts over a one, two and three year periods. Please show all relevant calculations.

7.2 Continuity Schedule for Regulatory Assets

Ref: Exhibit 5/Tab 1/Schedule 2

For all deferral and variance accounts, please complete the attached continuity schedule for regulatory assets. Furthermore, please prepare a separate schedule using the attached continuity schedule for all deferral and variance accounts that are being requested for disposition. Please note that including forecasted principal transactions beyond 2007 and the accrued interest on these forecasted balances in the attached continuity schedule is optional.

7.3 Compliance with the Uniform System of Accounts

Ref: Exhibit 1/ Tab 3/ Schedule 7/ page 1

In the first paragraph on page 1 of the above reference, Bluewater states: "*The only departure from APH relates to the accounting treatment of carrying charges. That departure is necessary to create consistency between the treatment of carrying charges in the 2006 EDR (EB-2005-0340) application and this application*."

Please explain how Bluewater justifies a departure from the Board's Accounting Procedures Handbook (APH) and being in compliance with APH just to create consistency between the treatment of carrying charges in the 2006 EDR application and this application.

8 COST ALLOCATION

8.1 Cost Allocation Informational Filing

Ref: Exhibit 8/Tab 1/Schedule 1

Please file Sheets O1 and O2 from the Cost Allocation Informational Filing EB-2007-0001, along with sheets O1 and O2 from Bluewater's updated 2006 Cost Allocation Model, as part of the record of this application. Please file Run 1 or 2, whichever one is more closely representative of Bluewater's situation. Alternatively, as a means of avoiding the difficulties described in the third paragraph of the reference page, file a modified run that is more closely representative than either of the runs in the Informational Filing.

9 LOSS FACTORS

9.1 Distribution Loss Factor

Ref: Exhibit 4/Tab 2/Schedule 10/Page 1/ Table 4.2.10.1

Please explain why Bluewater is using a 5 year average to calculate a Total Distribution Loss Factor of 3.10% instead of using the lowest distribution loss factor of 2.26% over all 5 years.

10 RATE DESIGN

10.1 Retail Transmission Service Rates

Ref: Exhibit 4/Tab 2/Schedule 13/Page 1
Ref: Ontario Energy Board Guideline (G-2208-001) - Electricity Distribution Retail Transmission Service Rates, p. (III-IV), http://www.oeb.gov.on.ca/OEB/_Documents/Regulatory/Board_Guideline_EDRTS.pdf

On August 28, 2008, the Board issued its Decision and Rate Order in proceeding EB-2008-0113, setting new Uniform Transmission Rates (UTR) for Ontario transmitters, effective January 1, 2009. The change in the UTRs affects the retail transmission service rates (RTSR) charged by distributors. Given that Bluewater is fully embedded within Hydro One Distribution, its wholesale cost of transmission service is affected by the approved UTRs change.

On October 22, 2008, the Board issued its guideline on Electricity Distribution Retail Transmission Service Rates, outlining the evidence it expects distributors to file in support of their cost of service applications.

Bluewater is expected to file an update to that application detailing the calculations for adjusting its RTSRs.

a) Please file a variance analysis using 2 years of actual data examining what, if any, trend is apparent in the monthly balances in the RTSR deferral accounts

b) Please file a calculation of the proposed RTSR rates that includes the adjustment of the UTRs effective January 1, 2009 and an adjustment to eliminate ongoing trends in the balances in the RTSR deferral accounts.