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December 22, 2008

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

Dear Ms. Walli:

Re: EB-2008-0221 Bluewater Power 2009 Rate Application
Interrogatory Responses from Applicants

Please find attached the Interrogatory Responses of Bluewater Power Distribution Corporation to the School Energy Coalition interrogatories.

Two hard copies will follow via courier.

Should there be any questions please contact me at the number below.

A handwritten signature in black ink that reads "L. Dugas".

Leslie Dugas
Manager of Regulatory Affairs
Bluewater Power Distribution Corporation
Email: ldugas@bluewaterpower.com
519-337-8201 ext. 255

cc: All Intervenors

**Bluewater Power Distribution Corporation
Response to School Energy Coalition Interrogatories
2009 Electricity Distribution Rates
EB-2008-0221**

Question #1

Reference: Ex. 2/1/1, pg. 2 (Table 2.1.1.1):

a) *What accounts for the large drop in SAIDI and SAIFI from 2005 to 2006?*

1 (a) Response:

a) Table 2.1.1.1 is replicated below with an additional column indicating the variance from 2005 to 2006.

The decrease in the value of the reliability statistics in 2006 is mainly due to a 22% decrease in the number of interruptions (410 in 2005 vs. 336 in 2006). The year 2005 was a very hot summer, and that tends to result in an increase in outages due to transformer malfunctions. The reduced outages in 2006 also results in fewer hours of interruption, and fewer customers were impacted by the outages. All of these factors led to lower overall SAIDI and SAIFI values in 2006.

Outage Information					
(Excluding Loss of Supply)	2007	2006	2005	3 Yr Average	Variance 2006 Vs. 2005
# of Customers Involved in Outages	88,118	90,775	152,052	110,315	-68%
# of Customers * 12 months	424,596	424,596	414,108	421,100	2%
# of Hours of Interruption (min./60)	94,414	81,646	112,219	96,093	-37%
# of Interruptions	400	336	410	382	-22%
Outage Ratios:					
SAIDI	2.67	2.31	3.25	2.74	
SAIFI	2.49	2.57	4.41	3.15	
CAIDI	1.07	0.9	0.74	0.9	

Question #2:

Reference: Ex. 2/1/3, pg. 2, and Ex. 2/3/6:

- a) *The evidence states, at Ex. 2/1/3, pg. 2, that the large increase in capital expenditures in the test year is primarily caused by three "non-routine" capital projects, the building renovations/expansion project; the SAP upgrade project; and the Modeland transmission station meter upgrade project. However, the descriptions provided in Ex. 2/1/6 do not identify which projects belong in each of those groups. Therefore:*
- i. *Please provide a table summarising the capital projects included under each group identified at Ex. 2/1/3, pg. 2 (building renovations/expansion project; SAP upgrade; and Modeland transmission station upgrade) showing the projected costs (for each year if more than one year), and the projected in-service date for each projected.*

2 (a) Response:

Table 2.1 below summarizes the three projects, with the projected costs, and the reference pages for more detailed explanations.

Table 2.1

Project ID	Project Name	Reference for Explanation	Projected Cost	Projected In-service date
O5	Building Renovations/Expansion	Exhibit 2, Tab 3, Schedule 6, page 67-70	2009– \$863,315 2010 - \$400,000 2011 - \$2.5-\$4M	Q3-Q4
M7	Modeland Transmission station upgrade	Exhibit 2, Tab 3, Schedule 6, page 46	\$525,074	Q3-Q4
IT18	SAP upgrade	Exhibit 2, Tab 3, Schedule 6, page 54-66	\$1,445,145	Q3

Question #3:

Reference: Ex. 2/3/8: Capitalization Policy

- a) *There are several references to this exhibit throughout the pre-filed evidence. However, the exhibit does not explain how the policy differs from the existing policy. Therefore:*
- i. *Please provide a summary of the change in capitalization policy.*
 - ii. *Please explain how the simplified approach (whereby capital projects managed in-house are assigned an additional amount of 10% included in the total capital cost) works. In particular, how is OM&A labour cost charged to OM&A offset by the amount added to the capital cost for these projects?*
 - iii. *Is this policy unique to BPDC? Can BPDC point to any precedent where such a capitalization policy is used?*

Response:

- i. Summary:

Bluewater Power's capitalization policy came under review with the assistance of our third-party independent advisors in preparation of this filing. There was no question that Bluewater Power's capitalization policy led to an appropriate level of capitalization. The question was whether there was a simpler and more transparent methodology of calculating capitalization of overhead and management.

The capitalization methodology was revised with the goal in mind of improving the efficiency and transparency while maintaining consistency with the total level of capitalization from prior years. The change in the Capitalization Policy can be summarized as follows:

- a. Hourly capitalization rate reduced to reflect benefits only:

EX: Lineman (2008) = \$56.01/hr vs. Lineman (2009) = \$40.58/hr
- b. Capital Budget item for Management Labour (UT43) removed for 2009. The budget for UT43 in 2008 was \$194,000

- c. 2009 saw the introduction of a Capitalization Rate of 10%. The total budget for each capital project managed internally is material plus direct labour costs including benefits plus 10% for overhead costs.

ii. Explanation:

The following chart is representative of the effect of the change using two different theoretical examples.

	Previous Policy	2009 Policy	Variance
Example #1:			
Materials and services	\$50,000	\$50,000	\$0
Internal Labour	1000hrs x \$56.01 = \$56,010	1000hrs x \$40.58 = \$40,580	(\$15,430)
Capitalization Rate		\$9,058	\$9,058
Total	\$106,010	\$99,638	(\$6,372)
Example #2:			
Materials and services	\$100,000	\$100,000	\$0
Internal Labour	500hrs x \$56.01 = \$28,005	500hrs x \$40.58 = \$20,290	(\$7,715)
Capitalization Rate		\$12,029	\$12,029
Total	\$128,005	\$132,319	\$3,501

The examples show that projects heavy in external costs are likely to lead to higher capitalization under the revised policy. On balance, the 2009 capital budget would be substantially the same regardless of the Capitalization Policy utilized. That point is made clear with the attachment below titled ' 2009 Capital Budget – Capitalized labour comparison' showing the 2009 Capital Budget under each policy. In fact, it shows that capitalization is approximately \$82,718 less under the revised policy.

If the OEB does not accept the revised Capitalization Policy, then we request that the Capital Budget as set out in Attachment 3 under the heading "Old Policy" be considered for approval. The impact on rates applied for would be immaterial.

2009 Capital Budget - Capitalized labour comparison**New method of capitalizing labour vs old method**

Project Number	Project Name	Description	Justification	new method old method		variance total capital
				Total Cost (new method)	Total Cost (old method)	
UTILITY	Utility Projects					
UT1	Furniture	Replacement of chairs and furniture	Replacement of furniture - see company wide below			\$0
UT2	Substation Building	New siding, windows, doors, painting, fences, roofs, fire detection, etc for various stations	Substation Buildings require general repairs and updates.	\$106,970	\$100,000	\$6,970
UT3	27.6 Load Break Switch Replacement	Regular Program of Asset replacement - installation of 3 load brakes	Replacement of old Air break switches with new load break units as per list prepared by the Control Room - Reliability Purposes	\$48,940	\$50,000	-\$1,060
UT4	Street Widening	Plant relocation necessary to accommodate Municipal road widenings or changes	Obligation under the Municipal Roads legislation	\$53,274	\$60,000	-\$6,726
UT5	27.6kV Neutral Program	Upgrade 27.6kV neutral conductor	Work identified by independent engineering audit in 1999. Improves relay protection characteristics and fault clearing times	\$146,820	\$150,000	-\$3,180
UT6	27.6 Feeder - Petrolia	Extend 27.6kV feeder	Load conversion from 4kV to 27.6kV is necessary to avoid capacity issues on 4kV system due to regular system load growth	\$97,880	\$100,000	-\$2,120
UT7	Alvinston/Oil Springs - Capital Items	Asset Replacement program	Secondary and primary conductor replacements as required to meet load growth over time.	\$19,576	\$20,000	-\$424
UT8	4KV Load Conversion	Load Conversions to 27.6kV	Required to reduce specific 4kV load capacity issues arising during peak periods in summer	\$97,880	\$100,000	-\$2,120
UT9	Pt. Edward Upgrades	Load Conversion to 27.6	Secondary and primary conductor replacements, conversions as required to meet load growth over time.	\$48,940	\$50,000	-\$1,060
UT10	Tools (Vehicles & other)	Replacement tools	Standard list of truck tools and equipment.	\$44,000	\$40,000	\$4,000
UT11	Vehicle Replacements	Replacing: Veh17 @ \$260k; Veh27 @ \$25k; Veh19 @ \$25k; New engineering veh (veh 15) @ \$20k, Addition new large truck \$150k	End of Life Replacements	\$528,000	\$480,000	\$48,000
UT12	New Connections (OEB Requirements)	New Subdivision Connections, system upgrades to meet capacity, and new infill service connects	This is an OEB Requirement that is difficult to accurately predict. This based on current knowledge and experience	\$978,799	\$1,000,000	-\$21,201

Project Number	Project Name	Description	Justification	Total Cost (new method)	Total Cost (old method)	variance total capital
UTILITY	Utility Projects					
UT13	Transformers	Capital Asset for Regular stock turnover	Storm stock and regular attrition requirements . Does Not include units under capital project	\$163,485	\$150,000	\$13,485
UT14	5kV Protective Relay Replacement	Replace and Upgrade the antiquated protective relaying at the 4kV substations	Reliabilty and safety-based reasons for requesting this project	\$81,940	\$80,000	\$1,940
UT15	Safety Related	Safety signs, equipment etc.	Provision for unplanned and/or necessary safety-related items.	\$11,000	\$10,000	\$1,000
UT16	Cross Arm/Cap & Pin Insulator Replacement Program	Replace crossarms and insulators	Reliability improvements to reduce effects of cracked arms and old insulators.	\$97,880	\$100,000	-\$2,120
UT17	Wood Pole Replacement Program	Identify and replace aging poles	Reliability improvements and end of life replacements	\$97,880	\$100,000	-\$2,120
UT18	27.6 Lines Upgrade	Re-conductor and re-build feeders	Future load growth, supply reliability for customers	\$97,880	\$100,000	-\$2,120
UT19	Watford	Asset Replacement program, install at Watford DS 27.6 Kv primary switchgear (in stock), duct, riser and install 4Kv risers to the east of substation. Phase 2 - Install cables and connect equipment	Creates a safer environment for the area as the substation is now located next to a school, all equipment installed will be enclosed.	\$77,334	\$80,000	-\$2,666
UT20	Load Balancing	Balance loading on all 4 kv & 27.6 Kv Feeders	Balance feeder loadings to avoid overloaded situations during peak periods	\$47,425	\$50,000	-\$2,575
UT21	Contingency Fund	CEO Contingency Fund	For unexpected capital expenditures during the year.	\$212,425	\$200,000	\$12,425
UT22	Fault Indicators - Underground	Target devices used to indicate fault direction where pad-mount transformers are used.	Fault finding is critical to reducing outage times. These devices allow for faster location of the fault by offering direction information to field staff	\$18,970	\$20,000	-\$1,030
UT23	Manhole Structure Re-builds	Restore manhole structures	Concrete and steel degradation, end of life.	\$51,970	\$50,000	\$1,970
UT24	Service Centre	Various upgrades required such as roofing, painting, flooring, lighting	Service Center Buildings require general repairs and updates.	\$53,485	\$50,000	\$3,485
UT25	Animal Protection	Reliability centered program to improve protection on main 27.6kV feeders from animal contact.	Animal contacts are one of the largest causes of outages, this will help minimize outages on the feeders. Also reflects work with Hydro1 at St. Andrew's.	\$103,940	\$100,000	\$3,940

Project Number	Project Name	Description	Justification	Total Cost (new method)	Total Cost (old method)	variance total capital
UTILITY	Utility Projects					
UT26	Overhead Line - Back Lot Re-Build	Re-build back-lot overhead lines in Coronation Park and Retlaw/Charlesworth area	Reliability improvements and end of life replacements.	\$97,880	\$100,000	-\$2,120
UT27	27.6 Kv Feeder Extensions	Extend Various Feeders : Research Park on Modeland & Wellington to relieve load on 96M23; 18M11; Telfer Feeder tie, Churchill Rd., Christina St., Lakeshore Rd.	Future load growth, supply reliability for customers and to create redundancy.	\$122,350	\$125,000	-\$2,650
UT28	8 Kv Load Conversions	Load Conversions to 27.6 Kv	Required to reduce specific 8 Kv load capacity issues arising during peak periods.	\$73,410	\$75,000	-\$1,590
UT29	Transformer Cover Replacements	Replacement of old transformer covers with new ones as per list prepared by the Control Room - Reliability & Safety Purposes	Regular Program of Asset Replacement	\$24,470	\$25,000	-\$530
UT30	Storm Restoration	Stock items and labour	Based on 2007 expected storm maintenance costs per internal order	\$146,820	\$150,000	-\$3,180
UT31	Remote Load Break Switches	Remote load break switches or reclosures	Reduce outages through automation. Sectionalizes feeders when a fault occurs.	\$75,880	\$80,000	-\$4,120
UT32	Modeland TS/St. Andrews Upgrades	Expansion of Modeland/St. Andrew's to meet capacity requirements	Station capacity is approaching full capacity, expansion will be required for future load growth, supply reliability for customers	\$163,485	\$150,000	\$13,485
UT33	Substation Transformer Replacements	Replace station transformers	Asset replacement at well beyond life span.	\$126,137	\$125,000	\$1,137
UT34	GIS	Implement Responder - Outage Management System	Responder - Outage Management System improves response time for outages, maximizes reliability, minimize outages, improves customer satisfaction, reduces costs and improves safety.	\$160,455	\$150,000	\$10,455
	Management Labour	Alex, Janice, Brad, Mark H., Randy, Albert, Mark V., Mark J.	To capture portion of SMT's time that should be attributed to capital.		\$244,028	-\$244,028
	Total Utility			\$4,277,580	\$4,464,028	-\$186,448
Meters	Meters					
MT1	Single Phase 100 amp meter replacement	Replacing 100 amp meters with 200 amp.	New services are 200 amp	\$96,706	\$100,000	-\$3,294

Project Number	Project Name	Description	Justification	Total Cost (new method)	Total Cost (old method)	variance total capital
UTILITY	Utility Projects					
MT2	Polyphase mechanical demand replacement	Replacing mechanical with electronic meters.	Electronic demand has KW and KVA which could lead to more revenue. Ongoing project nearing completion	\$55,365	\$60,000	-\$4,635
MT3	New Meters	Residential and Commercial meters	Meters for new services	\$27,500	\$25,000	\$2,500
MT4	Tools			\$6,600	\$6,000	\$600
MT5	Transmission Station meter upgrade - Modeland	Upgrade required by IESO	We are required by IESO to take ownership of meters and upgrade them to new specs. Based on 9 feeders.	\$525,074	\$500,000	\$25,074
	Total Metering			\$711,245	\$691,000	\$20,245
IT	IT					
IT1	Corporate IT Security	Purchase and implementation of new perimeter security solution	In on-going efforts to mitigate heightened threats, Bluewater Power needs to further increase preparedness against both internal and external security attacks.	\$48,462	\$45,000	\$3,462
IT3	Data Centre Lifecycle	\$46,500 - availability mgmt. \$30,000 - capacity mgmt. \$125,000 - continuity mgmt. \$43,500 - capitalized labour	This deals with the Data Centre lifecycle. It includes Network, UPS, and Server replacement lifecycles: Depending on equipment the lifecycle is 3 to 6 years.	\$266,107	\$197,500	\$68,607
IT7	Computer Infrastructure Lifecycle	Replacement and addition of older PCs, monitors, printers, fax machines, etc.	We are operating on a 4-year lifecycle approach to PCs. This enables standardization of product and service and keeps a consistent financial impact to budgets. As well, any adds to staff or role changes requiring new PCs are covered here.	\$118,777	\$110,000	\$8,777
IT8	IT Staff Capitalization	Staff costs associated with other IT capital projects.	Time should be properly allocated to each capital project. This amount is capitalized labour not accounted for in specific projects.	\$60,267	\$75,000	-\$14,733
IT9	Legislated Business Application Upgrades / SAP Improvements	Services of professional application development consultants	This is required to perform OEB and Ministry of Energy legislated changes to internal business processes. For example, Bill 100, rebates, price changes, etc. Also for the development and advancement of SAP as is relates to business process efficiencies.	\$198,625	\$190,000	\$8,625

Project Number	Project Name	Description	Justification	Total Cost (new method)	Total Cost (old method)	variance total capital
UTILITY	Utility Projects					
IT11	Software - Upgrades and Additions	Numerous Software Purchases	It is essential that we remain compliant with licensing requirements of all software in use at BWP. This covers adds to staff and upgrades to or additional applications.	\$107,036	\$100,000	\$7,036
	SAP Upgrade		The existing version of SAP was implemented in 2004. That version will be entering the 'extended' support period in 2009 and only be supported to 2011. As well, given the impact of Smart Metering, changes done to the system should be done post upgrade to take advantage of newer features and reduced cost. Therefore, the best timing for an SAP upgrade is in 2009	\$1,445,145	\$1,495,000	-\$49,855
IT4	Data Centre Network Lifecycle Replacement	Install Power Distribution Units and upgrade wiring to accommodate changes in load requirements	The existing Network equipment is aging and in need of being lifecycle replaced.	\$173,036	\$160,000	\$13,036
	Document Management Phase II - Central File	Implement MS SharePoint for Document Management	The amount of physical paper documents has and continues to grow to unmanageable levels. Configuring Microsoft SharePoint (software already owned) is an integrated and cost effective solution for meeting this need.	\$15,018	\$15,000	\$18
	Total IT			\$2,432,473	\$2,387,500	\$44,973
	Other					
O2	Building Renovation	Building Renovation		\$863,315	\$825,003	\$38,312
	Furniture	company wide		\$0	\$0	\$0
O3	Meter-Reading Tools	Meter-Reading Tools		\$2,200	\$2,000	\$200
	Total Other			\$865,515	\$827,003	\$38,512
	Total Company			\$8,286,813	\$8,369,531	-\$82,718

Question #4

Reference: Ex. 4/1/2, pg. 4:

- a) What was the reason for the sudden increase in non-core distribution activities in 2007?

4 (a) Response:

The sudden increase in Non-Core Distribution Activities was caused primarily by external factors. First there was an increase in demand for the type of work already performed by Bluewater Power. Second, there was a new line of work in 2007 with the introduction of OPA C&DM programs.

With respect to existing lines of work (i.e. Civil Construction services and distribution line work), there were no new lines of business in 2007, but there was increased demand for the types of work already performed by Bluewater Power. In other words, although Bluewater Power was open at all times to perform Non-Core Distribution Activities, the increase in activities that took place in 2007 were primarily driven by an abundance of available work in the Sarnia-Lambton area in 2007. As demonstrated in Table 1.2.6.1 (found in Exhibit 1, Tab 2, Schedule 6), the sudden increase in 2007 is found in two areas:

1. **One-time Activities:** These were major projects that were unusual in nature and that would not reasonably be anticipated to repeat themselves. They are activities such as civil work for the Generation Affiliate installing a landfill gas collection system, as well as LED Traffic Light replacements for the entire City of Sarnia.
2. **Increased demand for repeat activities:** There was a general increase in demand for routine streetlight and traffic light capital/maintenance, but the significant increase in 2007 was seen in the area of Civil Construction reflecting a significant increase in subdivision developments.

With respect to new lines of work, the year 2007 was the first year for the OPA C&DM initiatives, and Bluewater Power participated fully in all four programs. A significant portion of the rapid increase in Gross O&M is due to approximately \$600,000 in third party costs incurred by Bluewater Power, but for which the utility was compensated by the OPA. In addition, Bluewater Power was able to recover approximately \$125,000 in fixed costs in the form of labour dedicated to operating OPA programs. All of those costs were reallocated to Account 4380.

Question 4 (b)

The evidence states, at p. 4, that the sudden increase in non-core distribution activities effectively meant that base payroll and related costs were reallocated to account 4380. SEC assumes this means that work on distribution activities was reduced as available resources (i.e. personnel) were diverted to non-core activities?

4 (b) Response:

The answer to this question is “affirmative”.

Question 4 (c)

If the answer to part (b) above is affirmative, then to what extent are 2008 and 2009 OM&A work programs catching up for work diverted to non-core activities in 2007?

4 (c) Response:

While it is true that resources are diverted to Non-Core Distribution Activities, it does not necessarily follow that the resources are diverted from “2008 and 2009 OM&A work programs” if what is meant by that phrase is the regular maintenance programs in which Bluewater Power engages such as those listed in response to Board Staff IR #1.8. The types of activities identified in that response (tree trimming, repairs, water washing, building maintenance, etc.) have remained consistent over the years. There is no maintenance program that suffered in 2007 due to increased activity in the area of Non-Core Distribution Activities.

Bluewater Power has tried to demonstrate that we were able to achieve a reduction in Net O&M (Gross O&M net of Capitalized Labour and Reallocations) due to improved efficiencies. A mid-sized utility like Bluewater Power faces a challenge in staffing itself sufficiently to be able to respond to capital needs and emergency requirements, without creating excessive “off-peak” periods where operations staff is unable to be fully productive. The availability of Non-Core Distribution Activities allows the more efficient use of staff and other resources during “off-peak” periods by allowing opportunities for additional work that is generally less time-sensitive in nature.

Accordingly, the decrease in Net O&M in 2007 is largely due to the improved efficiencies that were introduced with Non-Core Distribution Activities. There was no decrease in maintenance. Moreover, in no way have the maintenance budgets for 2008 and 2009 been increased to compensate for lower levels of maintenance in 2007.

Question #5:

Reference: Ex. 4/1/2, pg. 5; and Ex. 4/2/2

The evidence states that 58% of the increase in payroll-related costs are due to new staff.

- a) The evidence at Ex. 4/2/2, p. 12 states that all of the additions from 2008-2009 are offset by six positions leaving the utility to join the affiliate. However, the table on p. 13 shows a net increase of 6 FTE's in 2009. Please explain.*

5 (a) Response:

The point that we were attempting to make at Exhibit 4, Tab 2, Schedule 2, page 12 is that the six new positions in 2009 are offset by the six positions leaving the utility to join the affiliate in 2009. In other words, the fourth bullet refers only to the third bullet. It does not make the point that all staff additions in 2008 and 2009 are offset by the six positions leaving the utility to join the affiliate; just the new positions in 2009 are offset. In fact, the overall point of the discussion is that the net increase in FTEs during 2008 and 2009 is a net increase of six positions (not zero).

Question 5 (b)

Are the costs of the IT Programmer [Ex. 4/2/2, pg. 15] offset by lower consulting costs? If so, are they reflected in the application?

5 (b) Response:

The expectation is that by hiring a full-time IT Programmer, the amount spent on consulting costs will be reduced from the level that would otherwise exist. The 2009 budget on which this rebasing application is based reflects that there will be decreased spending on outside consulting. It is important to point out that the IT Programmer will be performing capital projects and the majority of the costs associated with the IT Programmer will be capitalized. Therefore, the cost savings that we are speaking to are primarily on the capital side, rather than reflected in the OM&A.

Question 5 (c)

The new position of "Design Technician" is justified partially on the basis of "increased levels of subdivision development." Please describe what that means. The customer counts shown at Ex. 3/2/4, pg. 1-2 show that the rate of growth in customer numbers has remained constant.

5 (c) Response:

The Engineering Department for Bluewater Power performs design services for new subdivisions, as well as performs inspections during construction. The number of new subdivisions built in our service territory in each of the last three years and projected for 2009 are as follows:

2006	2007	2008	2009
5	12	13	9

As demonstrated in Exhibit 3, Tab 2, Schedule 1, Attachment 1 on page 12, the growth rate for the number of residential customers served by Bluewater Power increased in 2007. The number of new residential customers from 2006 to 2007 was 439, whereas the average of the previous three years was 292 per year. The increase in the growth rate is approximately 50% and that is also reflected by the number of new subdivisions shown in the chart above.

Although this level of growth may not be significant by Greater Toronto Area standards, the increase in growth rate is significant for a geographic region that has seen negative or limited growth in the previous decade. Bluewater Power requires staff in order to respond to this, and other, fundamental increases in the demand on the resources in our Engineering Department.

Question #6

Reference: Ex. 4/2/1, Attachment 1:

a) Please expand the table at Ex. 4/2/1, Attachment 1 to show 2006 actuals.

6 (a) Response:

Please refer to the attachment below.

ATTACHMENT # 6

OM&A* Expenses

Account Grouping	2009 Projection	2008 Projection	Var \$	2008 Projection	2007 Actual	Var \$
3500-Distribution Expenses - Operation	3,535,352	2,258,862	1,276,490	2,258,862	2,206,991	51,871
3550-Distribution Expenses - Maintenance	157,640	140,410	17,230	140,410	122,553	17,857
3650-Billing and Collecting	1,497,443	1,370,749	126,694	1,370,749	1,277,336	93,413
3700-Community Relations	216,871	175,409	41,462	175,409	94,640	80,769
3800-Administrative and General Expenses	5,951,113	5,550,385	400,728	5,550,385	5,213,650	336,735
3950-Taxes Other Than Income Taxes	297,750	290,000	7,750	290,000	278,911	11,089
TOTAL	11,656,169	9,785,815	1,870,354	9,785,815	9,194,081	591,734

* Operations, Maintenance & Administration

Note: Variances in excess of the below-noted
materiality threshold appear in **bold**

Total Distribution Expenses	13,831,084		13,041,983
Materiality Threshold	138,311		130,420

OM&A* Expenses

Account Grouping	2007 Actual	2006 Actual	Var \$	2006 Actual	2006 EDR Approved	Var \$
3500-Distribution Expenses - Operation	2,206,991	4,004,809	(1,797,818)	4,004,809	280,776	3,724,033
3550-Distribution Expenses - Maintenance	122,553	161,650	(39,097)	161,650	256,425	(94,775)
3650-Billing and Collecting	1,277,336	1,616,760	(339,424)	1,616,760	267,288	1,349,472
3700-Community Relations	94,640	93,842	798	93,842	189,005	(95,163)
3800-Administrative and General Expenses	5,213,650	3,687,412	1,526,238	3,687,412	8,187,189	(4,499,777)
3950-Taxes Other Than Income Taxes	278,911	286,380	(7,469)	286,380	139,687	146,693
TOTAL	9,194,081	9,850,853	(656,772)	9,850,853	9,320,370	530,483

* Operations, Maintenance & Administration

Note: Variances in excess of the below-noted
materiality threshold appear in **bold**

Total Distribution Expenses	13,245,730	12,450,739
Materiality Threshold	132,457	124,507

Question #7

Reference: Ex. 4/2/2, pg. 7: the evidence states that BPDC has projected a 3% wage increase for 2009.

- a) Please comment on whether that assumption should be reviewed in view of recent economic circumstances, in particular the prospect of sharply falling inflation rate.*

7 (a) Response:

Bluewater Power is closely monitoring wage settlements in Ontario. There are likely to be wage settlements in our industry that become public in the coming months. Those negotiations will have involved the International Brotherhood of Electrical Workers' Union with whom we will be negotiating. Therefore, those settlements will be highly influential on the results of our negotiations.

At this point in time, there is not sufficient evidence to warrant a change to our forecast increase of 3% for wages in 2009.

Question #8

Reference: Ex. 4/2/3, pg. 9: Employee Future Benefits- AVR report

a) Please provide a copy of the AVR report.

8 (a) Response:

Please refer to the PDF electronic file attachment. This AVR report was completed in June 2008.

ATTACHMENT 8.a



DION DURRELL
Actuaries and Consultants

June 23, 2008

BY COURIER

Ms. Karen Otton
Human Resources Administrator
Bluewater Power Distribution Corporation
855 Confederation Street
P.O. Box 2140
Sarnia, ON N7T 7L6

Dear Ms. Otton:

**Re: Bluewater Power Distribution Corporation Actuarial Valuation Report
as at January 1, 2008: Post-Retirement Non-Pension Benefits Plan**

As requested, attached is our actuarial valuation report as at January 1, 2008 for the above-captioned plan.

The valuation report provides details of the calculation of the FY 2008 benefit expense of \$744,000 for post-retirement non-pension benefits.

In addition, we hereby attach accounting worksheets with an extrapolation of results to compute the accrued benefit obligation as well as financial statement entries for the years ending December 31, 2009 and December 31, 2010. The extrapolations are for informational purposes only and are based on the membership data, accounting methodology, assumptions and benefit plan provisions as set out in our January 1, 2008 valuation report. In accordance with CICA Section 3461 these results must be determined using assumptions appropriate to December 31, 2008 and December 31, 2009, respectively, which cannot be known until early 2009 and 2010.

Please note, if there are significant changes to information subsequent to this letter, a full actuarial review may be required. Significant changes to the information would include re-negotiated benefits, increased benefit costs, significant swings in demographics, for instance.

DION, DURRELL + ASSOCIATES INC.

250 Yonge Street, Suite 2900, Toronto, Ontario, Canada M5B 2L7 Tel: 416.408.2626 Fax: 416.408.3721



Ms. Karen Otten

June 23, 2008

page 2

If you have any questions regarding the valuation report or the attached accounting schedules, please do not hesitate to call.

Yours truly,

Stanley Caravaggio, F.S.A., F.C.I.A.
Consulting Actuary
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(E-mail: stanleyc@dion-durrell.com)

Connie Cheung
Actuarial Analyst
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(E-mail: conniec@dion-durrell.com)

SC/CC:jb
Enclosures

Bluewater Power Distribution Corporation
ESTIMATED BENEFIT EXPENSE (CICA 3461)
-FINAL-

	Calendar Year 2008	Projected Calendar Year 2009	Projected Calendar Year 2010
Discount Rate	5.00%	5.00%	5.00%
Withdrawal Rate	2.00%	2.00%	2.00%
Assumed Increase in Employer Contributions	expected*	4.50%	8.00%

A. Determination of Benefit Expense

Current Service Cost	245,218	257,479	270,352
Interest on Benefits	390,882	411,902	433,900
Expected Interest on Assets	-	-	-
Past Service Cost/(Gain)	-	-	-
Transitional Obligation/(Asset)	-	-	-
Actuarial (Gain)/Loss	108,029	103,439	97,984
Benefit Expense	744,129	772,819	802,236

B. Reconciliation of Prepaid Benefit Asset (Liability)

Accrued Benefit Obligation (ABO) as at December 31	8,097,046	8,533,454	8,986,095
Assets as at December 31	-	-	-
Unfunded ABO	(8,097,046)	(8,533,454)	(8,986,095)
Unrecognized Loss/(Gain)	1,740,653	1,637,214	1,539,231
Unrecognized Transition	-	-	-
Prepaid Benefit Asset (Liability)	(6,356,393)	(6,896,239)	(7,446,864)
Actual Prepaid Benefit/(Liability) as at January 1	(5,508,400)		
Correction to Benefit Provision	(326,806)		
Prepaid Benefit/(Liability) as at January 1	(5,835,206)	(6,356,393)	(6,896,239)
Benefit Income/(Expense)	(744,129)	(772,819)	(802,236)
Contributions/Benefit Payments by the Employer	222,941	232,973	251,611
Prepaid Benefit Asset (Liability)	(6,356,393)	(6,896,239)	(7,446,864)

* based on estimated employer benefit payments for those expected to be eligible for benefits

Projected calendar year 2009 and 2010 results are provided for informational purposes only. In accordance with CICA 3461 these results must be determined using assumptions appropriate to December 31, 2008 and December 31, 2009, respectively.

Bluewater Power Distribution Corporation

ESTIMATED BENEFIT EXPENSE (CICA 3461)

FINAL

	Calendar Year 2008	Projected Calendar Year 2009	Projected Calendar Year 2010
Discount Rate	5.00%	5.00%	5.00%
Withdrawal Rate	2.00%	2.00%	2.00%
Assumed Increase in Employer Contributions	expected*	4.50%	8.00%

C. Calculation of Component Items

Calculation of the Service Cost

- Current Service Cost	245,218	257,479	270,352
------------------------	---------	---------	---------

Interest on Benefits

- ABO at January 1	7,683,888	8,097,046	8,533,454
- Current Service Cost	245,218	257,479	270,352
- Benefit Payments	(111,470)	(116,487)	(125,806)
- Accrued Benefits	7,817,635	8,238,038	8,678,001
- Interest	390,882	411,902	433,900

Expected Interest on Assets

- Assets at January 1	-	-	-
- Funding	111,470	116,487	125,806
- Benefit Payments	(111,470)	(116,487)	(125,806)
- Expected Assets	-	-	-
- Interest	-	-	-

Expected ABO as at December 31

- ABO at January 1	7,683,888	8,097,046	8,533,454
- Current Service Cost	245,218	257,479	270,352
- Interest on Benefits	390,882	411,902	433,900
- Benefit Payments	(222,941)	(232,973)	(251,611)
- Expected ABO at December 31	8,097,046	8,533,454	8,986,095

Expected Assets as at December 31

- Assets at January 1	-	-	-
- Funding	222,941	232,973	251,611
- Interest on Assets	-	-	-
- Benefit Payments	(222,941)	(232,973)	(251,611)
- Expected Assets at December 31	-	-	-

Projected calendar year 2009 and 2010 results are provided for informational purposes only. In accordance with CICA 3461 these results must be determined using assumptions appropriate to December 31, 2008 and December 31, 2009, respectively.

Bluewater Power Distribution Corporation **ESTIMATED BENEFIT EXPENSE (CICA 3461)**

FINAL

	Calendar Year 2008	Projected Calendar Year 2009	Projected Calendar Year 2010
Discount Rate	5.00%	5.00%	5.00%
Withdrawal Rate	2.00%	2.00%	2.00%
Assumed Increase in Employer Contributions	expected*	4.50%	8.00%
<u>D. Actuarial (Gain)/Loss</u>			
(Gain)/Loss on ABO as at January 1			
- Prepaid Benefit/(Liability)	5,508,400		
- Unamortized (Gain)/Loss From Prior Year	1,754,699		
- Correction to Benefit Provision	326,806		
- Expected ABO	7,589,904	8,097,046	8,533,454
- Actual ABO	7,683,888	8,097,046	8,533,454
- (Gain)/Loss on ABO	93,984	-	-
(Gain)/Loss on assets as at January 1			
- Expected Assets	-	-	-
- Actual Assets	-	-	-
- (Gain)/Loss on Assets	-	-	-
Total (Gain)/Loss as at January 1	1,848,682	1,740,653	1,637,214
10% of ABO as at January 1	768,389	809,705	853,345
Total (Gain)/Loss in Excess of 10%	1,080,293	930,948	783,869
Expected Average Remaining Service Life (Years)	10	9	8
Minimum Amortization for Current Year	108,029	103,439	97,984
Actual Amortization for Current Year	108,029	103,439	97,984
Unamortized (Gain)/Loss as at December 31	1,740,653	1,637,214	1,539,231

Projected calendar year 2009 and 2010 results are provided for informational purposes only. In accordance with CICA 3461 these results must be determined using assumptions appropriate to December 31, 2008 and December 31, 2009, respectively.



DION DURRELL
Actuaries and Consultants

BLUEWATER POWER DISTRIBUTION CORPORATION

Report on the Actuarial Valuation of Post-Retirement Non-Pension Benefits

As at January 1, 2008

FINAL

June 23, 2008

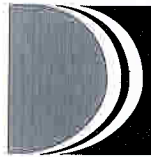
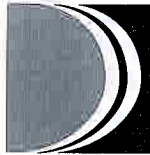


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EXECUTIVE SUMMARY

PURPOSE

MEARIE Actuarial Services and Dion, Durrell + Associates Inc. were engaged by Bluewater Power Distribution Corporation (the "Corporation") to perform an actuarial valuation of the post-retirement non-pension benefits sponsored by the Corporation and to determine the accounting results for those benefits for the fiscal period ending December 31, 2008. The nature of these benefits is defined benefit.

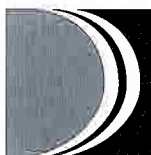
This report is prepared in accordance with The Canadian Institute of Chartered Accountants (the "CICA") guidelines outlined in Employee Future Benefits, Section 3461 of the CICA Handbook—Accounting (CICA Section 3461). CICA Section 3461 was first applied to the Corporation with effect from January 1, 2002.

The most recent full valuation was prepared as at January 1, 2005 based upon the then appropriate assumptions.

The purpose of this valuation is threefold:

- i) to determine the Corporation's liabilities in respect of post-retirement non-pension benefits at January 1, 2008;
- ii) to determine the benefit expense for fiscal year 2008; and
- iii) to provide all other pertinent information necessary for compliance with CICA Section 3461.

The intended users of this report include the Corporation and their auditors. This report is not intended for use by the plan beneficiaries or for use in determining any funding of the benefit obligations.

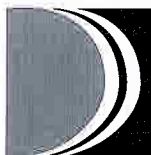


SUMMARY OF KEY RESULTS

The key results of this actuarial valuation as at January 1, 2008 with comparative results from the previous valuation as at January 1, 2005 are shown below:

	January 1, 2005	January 1, 2008
	(000's)	(000's)
ACCRUED BENEFIT OBLIGATION (ABO)		
a) People in receipt of benefits	\$ 3,298	\$ 3,689
b) Fully eligible actives	\$ 840	\$ 1,159
c) Non fully eligible actives	<u>\$ 2,028</u>	<u>\$ 2,836</u>
TOTAL	\$ 6,165	\$ 7,684
CURRENT SERVICE COST for following 12 months	\$ 216	\$ 245
BENEFIT EXPENSE for following 12 months	\$ 671	\$ 744
PREPAID BENEFIT LIABILITY at January 1	<u>\$ 3,999</u>	<u>\$ 5,835</u>

The January 1, 2008 Prepaid Benefit Liability is equal to \$5,508,400 (based on the projections contained in our January 1, 2005 valuation report) plus an amount of \$326,806 relating to the correction to the valuation of post-retirement survivor benefits.



ACTUARIAL CERTIFICATION

An actuarial valuation has been performed on the post-retirement non-pension benefit plans sponsored by the Corporation as at January 1, 2008, for the purposes described in this report.

In accordance with the Canadian Institute of Actuaries Consolidated Standards of Practice General Standards, we hereby certify that, in our opinion, for the purposes stated in the Executive Summary:

1. The data on which the valuation is based is sufficient and reliable;
2. The assumptions employed, as outlined in this report, have been selected by the Corporation as management's best estimate assumptions (no provision for adverse deviations) and are in accordance with accepted actuarial practice;
3. The actuarial methods employed, as outlined in Section C, are appropriate for the purpose and consistent with sound actuarial principles;
4. All known substantive commitments with respect to the post-retirement non-pension benefits sponsored by and identified by the Corporation are included in the calculations; and
5. The valuation conforms to the standards set out in the Canadian Institute of Chartered Accountants Accounting Handbook Section 3461.

We are not aware of any subsequent events from January 1, 2008 up to the date of this report that would have a significant effect on our valuation.

The latest date on which the next actuarial valuation should be performed is January 1, 2011. If any supplemental advice or explanation is required, please advise the undersigned.

Respectfully submitted,

DION, DURRELL + ASSOCIATES INC.

Stanley Caravaggio
Fellow, Canadian Institute of Actuaries

Connie Cheung
Actuarial Analyst

Toronto, Ontario
June 23, 2008



SECTION A

VALUATION RESULTS

Table A - 1 shows the key valuation results for the prior valuation and the current valuation.

Table A - 2 shows the sensitivity of the valuation results to certain changes in assumptions. We have shown a change to the assumed retirement age from age 61 to 59, and an increase/decrease in the health and dental claims cost trend rates by 1% per annum.

Table A - 3 presents the determination of the actuarial gain/(loss) from the previous valuation at January 1, 2005.

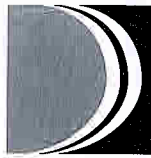


TABLE A - 1
VALUATION RESULTS

(IN THOUSANDS OF DOLLARS)

	January 1, 2005	January 1, 2008
1. ACCRUED BENEFIT OBLIGATION		
a) People in receipt of benefits	\$ 3,298	\$ 3,689
b) Fully eligible actives	\$ 840	\$ 1,159
c) Not fully eligible actives	\$ 2,028	\$ 2,836
TOTAL ABO	\$ 6,165	\$ 7,684
2. BENEFIT EXPENSE		
a) Current Service Cost	\$ 216	\$ 245
b) Interest Cost	\$ 314	\$ 391
c) Expected Return on Assets	\$ -	\$ -
d) Amortization of Transition Amount	\$ -	\$ -
e) Amortization of Prior Service Cost	\$ -	\$ -
f) Amortization of (Gains)/Losses	\$ 141	\$ 108
TOTAL BENEFIT EXPENSE for following 12 months	\$ 671	\$ 744
3. BENEFIT PAYMENTS* for following 12 months	\$ 190	\$ 223

* Based on estimated employee benefit payments for those expected to be eligible for benefits.

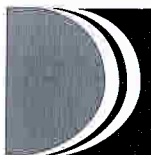


TABLE A - 2
SENSITIVITY ANALYSIS

(IN THOUSANDS OF DOLLARS)

January 1, 2008				
	<i>Valuation Results</i>	<i>Retirement Age 59</i>	<i>1% Higher Trend</i>	<i>1% Lower Trend</i>
1. ABO				
a) People in receipt of benefits	\$3,689	\$3,689	\$3,981	\$3,443
b) Fully eligible actives	\$1,159	\$1,213	\$1,334	\$1,017
c) Not fully eligible actives	<u>\$2,836</u>	<u>\$3,045</u>	<u>\$3,662</u>	<u>\$2,230</u>
TOTAL	\$7,684	\$7,947	\$ 8,977	\$6,690
2. CURRENT SERVICE COST for following 12 months	\$ 245	\$ 264	\$ 320	\$ 191
3. INTEREST COST for following 12 months	\$ 391	\$ 405	\$ 459	\$ 338
4. AVERAGE WORKING LIFETIME OF THE CURRENT ACTIVE EMPLOYEES (YEARS)	10	10	10	10



TABLE A - 3
DEVELOPMENT OF NET GAINS OR LOSSES
(IN THOUSANDS OF DOLLARS)

Expected ABO at December 31, 2007 before Correction Based on roll forward of January 1, 2005 valuation	\$ 7,263
Correction to Benefits Provided	\$ <u>327</u>
Expected ABO at December 31, 2007	\$ 7,590
Actual ABO at January 1, 2008	\$ <u>7,684</u>
Actuarial Loss (Gain) on ABO	\$ 94

AMORTIZATION OF UNAMORTIZED ACTUARIAL LOSS

Unamortized Net Actuarial Loss (Gain) at December 31, 2005	\$ 1,755
Actuarial Loss (Gain) for Current Year at January 1, 2008	\$ <u>94</u>
Total Loss (Gain) at January 1, 2008	\$ 1,849
Less: Actual Amortization for 2008	\$ <u>108</u>
Expected Unamortized Net Actuarial Loss (Gain) at December 31, 2008	\$ 1,741



DEVELOPMENT OF NET GAINS OR LOSSES (cont'd)

Please note that the actual ABO at January 1, 2008 is approximately \$94,000 higher than the expected ABO at December 31, 2007. This is due to a combination of the following factors:

- A change in claim cost trend rate assumptions (an increase of approximately \$194,000 in the total ABO)
- Difference between the actual and the expected benefit premium rates (a decrease of approximately \$56,000 in the total ABO)
- Deviations from the expected demographic changes of the valued group and other miscellaneous factors (a decrease of approximately \$44,000 in the total ABO)

CICA Section 3461 states that any gain or loss in excess of 10% of the ABO must, at minimum, be amortized over the expected average remaining service lifetime (E.A.R.S.L.). The E.A.R.S.L. of the current active group is 10 years. Under these guidelines, the minimum required amortization for the year 2008 is approximately \$108,000. Bluewater Power Distribution Corporation has previously amortized the net loss in excess of the 10% corridor over the E.A.R.S.L. and this practice has been continued for 2008.



SECTION B

PLAN PARTICIPANTS

Table B – 1 sets out the summary information with respect to the plan participants valued in the report, along with comparisons to the participants in the previous valuation at January 1, 2005.

Table B – 2 reconciles the number of participants in the last valuation to the number of participants in the current valuation.



TABLE B – 1
PARTICIPANT DATA

Membership data as at January 1, 2008 was received from the Corporation via e-mail and included information such as name, sex, date of birth, date of hire, current salary, benefit amounts and other applicable details for all active employees and people in receipt of benefits.

We have reviewed the data and compared it to the data used in the prior valuation for consistency and reliability for use in this valuation. The main tests of sufficiency and reliability that were conducted on the membership data are as follows:

- Date of birth prior to date of hire
- Salaries less than \$20,000 per year, or greater than \$200,000 per year
- Ages under 18 or over 100
- Abnormal levels of benefits and/or premiums
- Duplicate records

In addition, the following tests were performed:

- A reconciliation of statuses from the prior valuation to the current valuation;
- A review of the consistency of individual data items and statistical summaries between the current and prior valuations; and
- A review of the reasonableness of changes in such information since the prior valuation.

ACTIVE EMPLOYEES

<i>As of January 1</i>	2005			2008		
	<u>Male</u>	<u>Female</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
NUMBER OF EMPLOYEES	55	29	84	58	33	91
AVERAGE LENGTH OF SERVICE	13.1	11.9	12.7	13.8	12.6	13.4

As of January 1, 2008

CURRENT AGE

<u>Age Band</u>	<u>Active Lives – not fully eligible</u>			<u>Active Lives – fully eligible</u>		
	<u>Count</u>			<u>Count</u>		
	<u>Male</u>	<u>Female</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
Less than 30	3	-	3	-	-	-
30-35	8	3	11	-	-	-
36-40	14	4	18	-	-	-
41-45	10	9	19	-	-	-
46-50	9	6	15	-	-	-
51-55	5	7	12	-	2	2
56-60	-	-	-	6	2	8
61-65	-	-	-	3	-	3
66-70	-	-	-	-	-	-
71-75	-	-	-	-	-	-
Greater than 75	-	-	-	-	-	-
TOTAL	49	29	78	9	4	13



As of January 1, 2008

AVERAGE SERVICE

<u>Age Band</u>	<u>Active Lives – not fully eligible</u>			<u>Active Lives – fully eligible</u>		
	<u>Service</u>			<u>Service</u>		
	<u>Male</u>	<u>Female</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
Less than 30	1.83	-	1.83	-	-	-
30-35	2.80	1.44	2.43	-	-	-
36-40	11.26	7.88	10.51	-	-	-
41-45	14.00	8.61	11.45	-	-	-
46-50	17.98	16.74	17.48	-	-	-
51-55	25.72	19.71	22.22	-	10.33	10.33
56-60	-	-	-	19.47	21.50	19.98
61-65	-	-	-	22.56	-	22.56
66-70	-	-	-	-	-	-
71-75	-	-	-	-	-	-
Greater than 75	-	-	-	-	-	-
TOTAL	12.57	12.13	12.41	20.50	15.92	19.09

PEOPLE IN RECEIPT OF BENEFITS (including LTD)

As of January 1

2005

2008

	<u>Male</u>	<u>Female</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
NUMBER OF MEMBERS	42	23	65	39	26	65

As of January 1, 2008

EXPECTED ANNUAL BENEFIT PAYMENTS

<u>Age Band</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
Less than 30	\$ -	\$ -	\$ -
30-35	\$ 14	\$ 5	\$ 18
36-40	\$ 56	\$ 14	\$ 70
41-45	\$ 42	\$ 1,161	\$ 1,204
46-50	\$ 39	\$ 28	\$ 66
51-55	\$ 24	\$ 1,703	\$ 1,727
56-60	\$ 9,485	\$ 7,117	\$ 16,601
61-65	\$ 31,996	\$ 3,891	\$ 35,887
66-70	\$ 20,994	\$ 10,187	\$ 31,182
71-75	\$ 19,062	\$ 10,542	\$ 29,604
Greater than 75	\$ 84,751	\$ 21,830	\$ 106,582
TOTAL	\$166,463	\$ 56,478	\$222, 941



TABLE B – 2
RECONCILIATION OF DATA

	Actives	Disabled	Dependents	Retirees
As at January 1, 2005	84	4	12	49
New Entrants	17	-	-	-
Terminated	(5)	-	(2)	-
Dependent	-	-	4	-
Retired	(3)	(1)	-	4
Disabled	(2)	2	-	-
Deceased	-	-	-	(7)
As at January 1, 2008	91	5	14	46



SECTION C

SUMMARY OF ACTUARIAL METHOD AND ASSUMPTIONS

ACTUARIAL METHOD

The aim of an actuarial valuation of post-retirement non-pension benefits is to provide a reasonable and systematic allocation of the cost of these future benefits to the years in which the related employees' services are rendered. To accomplish this, it is necessary to:

- make assumptions as to the discount rates, salary rate increases, mortality and other decrements;
- use these assumptions to calculate the present value of the expected future benefits; and
- adopt an actuarial cost method to allocate the present value of expected future benefits to the specific years of employment.

The ABO and Current Service Cost were determined using the projected benefit method, pro-rated on service. This is the method stipulated by CICA Section 3461 when future salary levels or cost escalation affect the amount of the employee's future benefits. Under this method, the projected post-retirement benefits are deemed to be earned on a pro-rata basis over the years of service in the attribution period. The CICA Section 3461 stipulates that the attribution period commences at the employee's hire date and ends at the earliest age at which the employee could retire and qualify for the post-retirement non-pension benefits being valued herein.

For each employee not yet fully eligible for benefits, the ABO is equal to the present value of expected future benefits multiplied by the ratio of the years of service to the valuation date to the total years of service in the attribution period. The Current Service Cost is equal to the present value of expected future benefits multiplied by the ratio of the year (or part) of service in the fiscal year to total years of service in the attribution period.

For health, dental and vision benefits, we have used the premium rates charged to retirees as an estimate of the claims to be incurred. The monthly premium rates below were used in valuing the ABO:

<i>Health Care (June 1, 2008)</i>		<i>Vision Care (June 1, 2008)</i>		<i>Dental Care (June 1, 2008)</i>	
Single Coverage	Family Coverage	Single Coverage	Family Coverage	Single Coverage	Family Coverage
\$130.71	\$296.32	\$4.08	\$11.96	\$40.35	\$93.34

The ABO at January 1, 2008 is based on membership data and management's best-estimate assumptions at January 1, 2008.

ACCOUNTING POLICIES

Bluewater Power Distribution amortizes the net amount of any actuarial gains or losses in excess of the 10% corridor over the expected average remaining service lifetime of the active members of the group.



MANAGEMENT'S BEST ESTIMATE ASSUMPTIONS

The following are management's best estimate economic and demographic assumptions as at December 31, 2007.

ECONOMIC ASSUMPTIONS

CONSUMER PRICE INDEX

The consumer price index is assumed to be 2.30% per annum.

The assumption used in the previous valuation was 2.00% per annum.

DISCOUNT RATE

The rate used to discount future benefits is assumed to be 5.00% per annum. This rate reflects the assumed long term yield on high quality bonds.

This is the same assumption that was used in the previous valuation.

SALARY INCREASE RATE

The rate used to increase salaries is assumed to be 3.00% per annum. This rate reflects the expected Consumer Price Index adjusted for productivity, merit and promotion.

This is the same assumption that was used in the previous valuation.

CLAIMS COST TREND RATE

The rates used to project benefits costs into the future are as follows:

End of Year	Current Valuation		Previous Valuation	
	<i>Health</i>	<i>Dental</i>	<i>Health</i>	<i>Dental</i>
2008 *	9.00%	5.00%	8.00%	5.00%
2009	8.00%	5.00%	7.00%	5.00%
2010	7.00%	5.00%	6.00%	5.00%
2011	6.00%	5.00%	5.00%	5.00%
2012	5.00%	5.00%	5.00%	5.00%
2013 thereafter	5.00%	5.00%	5.00%	5.00%

**Actual premium rate information has been provided for the period from January 1, 2008 to May 31, 2009.*



DEMOGRAPHIC ASSUMPTIONS

MORTALITY TABLE

Mortality is assumed to be in accordance with the 1994 Uninsured Pensioner Mortality (UP-94) table, with a projection of mortality improvements to the year 2015 based upon Projection Scale AA. The use of these rates seems reasonable given this is the mortality table to be used in accordance with the Canadian Institute of Actuaries' Standard of Practice for Determining Pension Commuted Values, effective February 1, 2005.

Mortality rates are applied on a sex-distinct basis.

This is the same assumption that was used in the previous valuation.

RATES OF WITHDRAWAL

Termination rate from active employment prior to age 55 was assumed to be equal to 2.0% per annum.

This assumption remains unchanged from the prior valuation.

RETIREMENT AGE

All active employees are assumed to retire at age 61, or immediately if currently over age 61. For employees of the Corporation hired on or after January 1, 2006, the assumed retirement age of 61 will be increased, if necessary, to the minimum of the age at which 10 years of service is reached and age 65.

This is the same assumption as used in the prior valuation.

DISABILITY

No provision was made for future disability. It is assumed that individuals currently receiving long-term disability benefits will remain disabled for a period of 2 years and then terminate employment with the corporation. This assumption remains unchanged from the previous valuation.

FAMILY/SINGLE COVERAGE

It is assumed that the current coverage type will remain into retirement. This assumption remains unchanged from the previous valuation.

EXPENSES AND TAXES

We have assumed 10.00% of benefits is required for taxes and the cost of sponsoring the program for life insurance.

We have assumed taxes and expenses are included in the premium rates for health, dental and vision benefits.

These are the same assumptions that were used in the previous valuation.



SECTION D

SUMMARY OF POST-RETIREMENT BENEFITS

The following is a summary of the plan provisions that are pertinent to this valuation.

GOVERNING DOCUMENTS

The program is governed by the following documents and agreements:

- Collective agreement entered into by Bluewater Power Distribution and Local Union No. 1802 in full force and effect from April 1, 2006 until March 31, 2009.
- Bluewater Power Distribution HR Policy No. CO-HR-003 (Pensioners/Early Retirement Benefits) issued on November 1, 2000 and most recently revised on May 8, 2007.
- Bluewater Power Distribution HR Policy No. CO-HR-011 (Survivor's Benefits) issued on November 1, 2000 and most recently revised on May 2, 2007.

What follows is only a summary of the post-retirement non-pension benefit program. For a complete description, please refer to the above-noted document.

SUMMARY OF ELIGIBILITY CONDITIONS AND BENEFITS

Post-Retirement Life Insurance

All current employees who retire from Bluewater Power Distribution Corporation are eligible for post-retirement life insurance, as per the MEARIE plan, administered by Great West Life, based upon the following table:

Classification		Amount of Retirement Life Insurance
A.	If you retire with less than 10 Years of Service in this Plan	\$2,000
B.	If you were not insured under the Superseded Plan* and retire with 10 or more Years of Service in this Plan OR if you were insured under the Superseded Plan* but at any time prior to retirement elected coverage under Options 2, 3 or 4	50% of your final annual earnings, reducing by 2-1/2% of final annual earnings on the anniversary of your retirement date each year following for ten years, to a minimum of 25% of your final annual earnings



Classification		Amount of Retirement Life Insurance
C.	If you were insured under the Superseded Plan*: 1.If at any time you elected coverage under Options 2, 3 or 4; 2.If you were hired on or after May 1, 1967 and never elected coverage under Options 2, 3 or 4 at any time prior to retirement; or 3.If you were hired prior to May 1, 1967 and never elected coverage under Options 2, 3 or 4 at any time prior to retirement	Amount will be determined in accordance with provision B above 50% of your final annual earnings 70% of the amount of coverage you were insured for immediately prior to your retirement date
Notes:	<i>All amounts of retirement life insurance are rounded upward to the nearest \$1.00. *Superseded Plan means the prior life insurance plan which this Plan replaced effective March 1, 1980. Years of Service means your service in this Plan or the Superseded Plan with your current employer you retire from, together with service credited to you in this Plan or the Superseded Plan by reason of your prior service with any other employer participating in this Plan, where the transfer occurs without intervening employment.</i>	

In addition to life insurance coverage under the MEARIE plan, employees hired on or before December 31, 1989 who retired from Bluewater Power Distribution Corporation are eligible for the following additional life insurance benefit from Great West Life for life:

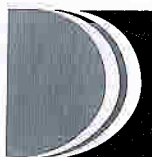
- Basic coverage is equal to 25% of a retiree's amount of basic coverage immediately prior to retirement to a maximum of \$12,500.
- The cost of premiums is shared between Bluewater Power Distribution Corporation and the retiree with Bluewater Power Distribution Corporation paying for 2/3 of the premiums, and the retiree paying for the remaining 1/3.

Post-Retirement Health, Vision and Dental Benefits

For employees hired prior to January 1, 2006

All current employees who retire from Bluewater Power Distribution Corporation are eligible for the following post-retirement health benefits:

- Extended health coverage for retirees continues for their lifetime (100% paid by Bluewater Power Distribution Corporation) with the exception of vision care, whose coverage details are outlined below.



- Post-retirement vision care benefits are paid on the following reducing schedule of payment of premiums:

<u>Year</u>	<u>Corporation Share</u>	<u>Retiree Share</u>
1	100%	0%
2	80%	20%
3	60%	40%
4	40%	60%
5	20%	80%

At the conclusion of year 5 or when the retiree attains age 65 (whichever occurs first), vision care premiums are no longer covered by Bluewater Power Distribution Corporation.

- Health coverage continues to the eligible dependents of a deceased employee or retiree for lifetime or until they cease to qualify as dependent(s).

In addition, all current employees who retire from Bluewater Power Distribution Corporation are eligible for the following post-retirement dental benefits:

- Upon retirement, the following post-retirement benefit structure applies. A retiree is entitled to the five years of coverage or coverage until attainment of age 65 (whichever occurs first).
- The benefits are paid on the following reducing schedule of payment of premiums:

<u>Year</u>	<u>Corporation Share</u>	<u>Retiree Share</u>
1	100%	0%
2	80%	20%
3	60%	40%
4	40%	60%
5	20%	80%

- Coverage for the retiree ceases thereafter.
- Dental coverage continues to the eligible dependents of a deceased employee or retiree until age 65.

For employees hired on or after January 1, 2006

All employees who retire with a minimum of 10 years of service are entitled to the same health, vision and dental benefits as retirees who were hired prior to January 1, 2006 with the exception of health benefits ceasing at age 65. Health, vision and dental benefits to eligible dependents of a deceased employee or retiree for a period of 2 years or until the dependent would have turned age 65.

For employees on LTD

Employees who retire from long-term disability are eligible for the same benefits as outlined above.



SECTION E

EMPLOYER CERTIFICATION

**Post-Retirement Non-Pension Benefit Plan
of Bluewater Power Distribution Corporation
Actuarial Valuation as at January 1, 2008**

I hereby confirm as an authorized signing officer of the administrator of the Post-Retirement Non-Pension Benefit Plan of Bluewater Power Distribution Corporation that, to the best of my knowledge and belief, for the purposes of the valuation:

- i) the assumptions upon which this report is based as summarized in Section C are management best estimate assumptions and are adequate and appropriate for the purposes of this valuation;
- ii) the membership data summarized in Section B is accurate and complete; and
- iii) the summary of Plan Provisions in Section D is an accurate and complete summary of the terms of the Plan in effect on January 1, 2008.

BLUEWATER POWER DISTRIBUTION CORPORATION

June 19, 2008
Date

Mark Hutson
Signature

Mark Hutson
Name

Controller
Title

Question 8 (b)

How are non-pension future benefit costs accounted for? Does BPDC pay into a fund for them?

8 (b) Response:

Non-pension future benefit costs are accounted for in accordance with the CICA Handbook section 3461. The AVR attached in response to Question 8(a) also contains a summary of the treatment of future benefit costs at page 13.

Non-pension future benefit costs have a non-cash impact to Bluewater Power in the current year. The non-cash expense is recorded as a debit to Future Employees Benefits expense and a credit to the long term liability Future Employee Benefit Obligation. Accordingly, Bluewater Power does not pay into a fund for non-pension future benefits.

Question #9

Reference: Ex. 6/1/2, Attachment 1

- a) *With respect to the Promissory Note issued to the City of Sarnia, depending on one's interpretation, the Note is calleable by the City on either 18 months' notice or 12 months' notice appears to be callable on demand. In addition, the reference to an interest rate of 7.25% is referred to in the Note as the "Permitted Rate" which in turn is defined in Schedule "A" thereto as "the actual interest rate which the Ontario Energy Board ...may...permit regulated distribution corporations to recover for rate making purposes." The Note says "as at the date of this Promissory Note" the Permitted Rate is 7.25%.*
- i. *Please discuss whether these two factors (the fact the Note appears to be calleable on demand and the interest rate refers to an OEB-approved interest rate) suggest that the proper interest rate to apply to the Note is the Board's deemed long-term debt rate.*

9 (a) Response:

Before answer this question, Bluewater Power points out that the issue of debt rate may be moot as current economic conditions point to a deemed debt rate closely approximating the 7.25% rate under the Promissory Note.

Turing to the question, first, we confirm that the fact that the Note appears to be callable on demand should not be relevant (as addressed in response to OEB IR #2.1). Second, while we are prepared to agree that the interpretation offered is a possible interpretation of the terms of the Promissory Notes, it is not the preferred interpretation because it is not consistent with past practice. Bluewater Power has consistently applied for, and received approval for, the recovery of debt costs at 7.25% per annum.

Question #10

Reference: Ex. 8:

- a) Please provide the existing and proposed revenue to cost ratios for each rate class.*

10 (a) Response:

The revenue to cost ratios as a result of the simplified updated cost allocation filing in addition to the proposed revenue to cost ratio's are presented in the table below.

Customer Class Name	Revenue to Cost Ratios	
	Updated Cost Allocation results	Proposed results
Residential	1.00	1.00
General Service <50 kW	1.07	1.03
General Service 50 to 999 kW	0.88	0.99
General Service 1,000 to 4,999 kW	1.41	1.29
Large	1.26	1.14
Unmetered Scattered Load	0.65	0.70
Sentinel Lighting	0.33	0.45
Street Lighting	0.44	0.53

Question 10 (b)

Please provide the revenue collected from each rate class for the years 2006, 2007, 2008, and 2009;

10 (b) Response:

The table below details the distribution revenue by rate class, with the assumption that rates were in effect for 12 months of the rate year (May 1 to April 30). For example, the 2006 revenue presented is based on the rates effective May 1, 2006 to April 30, 2007 with the number of customers and volumes as presented in the load forecast for 2006.

	2006	2007	2008 Bridge Year Forecast	2009 Test Year Forecast
Residential	8,108,556	8,264,880	8,287,144	10,717,712
General Service <50 kW	2,651,633	2,689,848	2,703,400	3,417,654
General Service 50 to 999 kW	2,358,914	2,412,399	2,461,815	3,324,043
General Service 1,000 to 4,999 kW	1,189,257	1,237,467	1,198,956	1,365,143
Large	1,431,431	1,428,049	1,428,598	2,042,545
Unmetered Scattered Load	78,224	78,281	78,411	121,232
Sentinel Lighting	19,188	19,306	19,310	33,169
Street Lighting	247,317	247,702	250,142	434,948
Gross Revenue (before Transformer Allowances)	16,084,520	16,377,931	16,427,776	21,456,445
Transformer Allowances	(588,353)	(587,498)	(557,136)	(559,364)
Total Revenue	15,496,166	15,790,433	15,870,640	20,897,081
Less: Low voltage charges embedded in distribution rates	(179,624)	(179,624)	(164,987)	(189,602)
DISTRIBUTION REVENUE	15,316,542	15,610,809	15,705,653	20,707,479

Question #11

Reference: Ex. 9:

- a) Please provide the proportion of total revenue from each rate class derived from fixed vs. variable rate for the years 2006, 2007, 2008, and 2009.

11 (a) Response:

The tables below detail the revenue presented in response to question 10 (b), broken down by the fixed and variable components.

2006 Fixed and Variable Revenue	Fixed Charge Revenue	Variable Charge Revenue	TOTAL
Residential	5,081,028	3,027,527	8,108,556
General Service <50 kW	1,142,316	1,509,317	2,651,633
General Service 50 to 999 kW	1,397,933	960,981	2,358,914
General Service 1,000 to 4,999 kW	555,822	633,435	1,189,257
Large	866,027	565,404	1,431,431
Unmetered Scattered Load	39,917	38,308	78,224
Sentinel Lighting	11,425	7,764	19,188
Street Lighting	157,298	90,019	247,317
Gross Revenue (before Transformer Allowances)	9,251,766	6,832,754	16,084,520
Transformer Allowances		(588,353)	(588,353)
Total Revenue	9,251,766	6,244,401	15,496,166
Less: Low voltage charges embedded in distribution rates		(179,624)	(179,624)
DISTRIBUTION REVENUE	9,251,766	6,064,777	15,316,542

2007 Fixed and Variable Revenue	Fixed Charge Revenue	Variable Charge Revenue	TOTAL
Residential	5,145,444	3,119,435	8,264,880
General Service <50 kW	1,155,146	1,534,702	2,689,848
General Service 50 to 999 kW	1,435,953	976,446	2,412,399
General Service 1,000 to 4,999 kW	592,184	645,283	1,237,467
Large	865,016	563,034	1,428,049
Unmetered Scattered Load	40,155	38,126	78,281
Sentinel Lighting	11,425	7,881	19,306
Street Lighting	158,925	88,776	247,702
Gross Revenue (before Transformer Allowances)	9,404,248	6,973,683	16,377,931
Transformer Allowances		(587,498)	(587,498)
Total Revenue	9,404,248	6,386,185	15,790,433
Less: Low voltage charges embedded in distribution rates		(179,624)	(179,624)
DISTRIBUTION REVENUE	9,404,248	6,206,561	15,610,809

2008 Projected Revenue at Existing Rates	Fixed Charge Revenue	Variable Charge Revenue	TOTAL
Residential	5,191,930	3,095,214	8,287,144
General Service <50 kW	1,169,940	1,533,460	2,703,400
General Service 50 to 999 kW	1,503,387	958,429	2,461,815
General Service 1,000 to 4,999 kW	592,184	606,772	1,198,956
Large	865,016	563,583	1,428,598
Unmetered Scattered Load	40,155	38,256	78,411
Sentinel Lighting	11,425	7,886	19,310
Street Lighting	161,720	88,421	250,142
Gross Revenue (before Transformer Allowances)	9,535,756	6,892,020	16,427,776
Transformer Allowances		(557,136)	(557,136)
Total Revenue	9,535,756	6,334,883	15,870,640
Less: Low voltage charges embedded in distribution rates		(164,987)	(164,987)
DISTRIBUTION REVENUE	9,535,756	6,169,896	15,705,653

2009 Proposed Fixed and Variable Revenue	Fixed Revenue	Variable Revenue	Total Revenue
Residential	6,719,383	3,998,329	10,717,712
General Service <50 kW	1,484,404	1,933,250	3,417,654
General Service 50 to 999 kW	2,059,957	1,264,086	3,324,043
General Service 1,000 to 4,999 kW	673,464	691,678	1,365,143
Large	1,236,285	806,260	2,042,545
Unmetered Scattered Load	71,409	49,823	121,232
Sentinel Lighting	19,614	13,555	33,169
Street Lighting	283,312	151,636	434,948
Gross Revenue (before Transformer Allowances)	12,547,828	8,908,617	21,456,445
Transformer Allowances		(559,364)	(559,364)
Total Revenue	12,547,828	8,349,253	20,897,081
Less: Low voltage charges embedded in distribution rates		(189,602)	(189,602)
DISTRIBUTION REVENUE	12,547,828	8,159,651	20,707,479

Question 11 (b)

Please provide the Floor, Ceiling and 120% of Ceiling (using the definition set out in Section 4 of the Report of the Board, Allocation of Cost Allocation of Cost Allocation for Electricity Distributors, dated November 28, 2007) for the fixed monthly charge for each rate class.

11 (b) Response:

The information pertaining to the Floor, Ceiling and 120% of Ceiling based on the Cost Allocation Report of the Board noted in the question, is presented in the table below. The information is from Bluewater Power's updated cost allocation study which is discussed in the evidence of Exhibit 8, Tab 1, Schedule 1, page 2.

		1	2	3	5	6	7	8	9
<u>Monthly Fixed Service Charge Scenario</u>	-	Residential	GS <50	GS>50-Regular	GS 1000 – 4999 kW	Large Use >5MW	Street Light	Sentinel	Unmetered Scattered Load
Customer Unit Cost per month - Avoided Cost	Floor	\$3.58	\$12.23	\$62.49	\$233.41	\$337.18	\$0.00	\$0.09	\$19.90
Customer Unit Cost per month - Directly Related		\$5.46	\$18.21	\$94.02	\$334.54	\$487.50	\$0.01	\$0.14	\$31.36
Customer Unit Cost per month - Minimum System with PLCC Adjustment	Ceiling	\$12.91	\$27.14	\$114.63	\$351.80	\$566.52	\$9.70	\$8.50	\$37.55
	120% of Ceiling	\$15.50	\$32.57	\$137.55	\$422.16	\$679.83	\$11.64	\$10.20	\$45.06