IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O.1998, c.15 (Sched B)

AND IN THE MATTER OF an application by Bluewater Power Distribution Corporation for an Order or Orders pursuant to section 78 of the *Ontario Energy Board Act, 1998* for the final recovery of certain regulatory assets.

RECOVERY OF REGULATORY ASSETS
RP-2005-0020 / EB-2005-0527

Bluewater Power Distribution Corporation
Responses to Interrogatories of

SCHOOL ENERGY COALITION

Bluewater Power Distribution Corporation
P.O. Box 2140
855 Confederation Street
Sarnia, ON N7T 7L6

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RESPONSES TO INTERROGATORIES OF
School Energy Coalition

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1. *Ref: page 12. With respect to Retail Cost Variance Accounts, Bluewater has indicated that it is not seeking any recovery in relation to these accounts. Please provide an explanation as to why the company is not seeking recovery. Please provide the balances for these accounts.*

Response

Bluewater Power is not seeking recovery on accounts 1518 and 1548 because no costs have been recorded to these accounts. The balance in both accounts is zero and, therefore, there is no amount for which to seek recovery. In the Board's Decision with Reasons dated December 9, 2004, at paragraph 4.0.12, that it would not require recording and filing of this information if a distributor had not already done so.

2. *Ref: page 13. With respect to Miscellaneous Deferred Debit Account, please provide a detailed breakdown of all costs incurred and charged to this account.*

Response

See answer to OEB Interrogatory #17.

3. *Ref: page 16. Please confirm that the total cost for Regulatory Requirements in the table should be $97,714.04.*

Response

We confirm the total in section 9 on page 16 should be $97,714.04. This discrepancy does not affect the total of the transition costs, which remains $4,785,300.71.

4. Ref: page 17-24 and page 53. With respect to the SAP solution for Billing Activities:

a) Please provide all documentation demonstrating that adaptation of the existing Daffron system was not a viable option for the company.

Response

Please see answer to OEB Interrogatory #25.

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b) Is the company aware of any other Ontario LDC's currently using a Daffron based system?

Response

There were as many as 17 members of the Daffron Ontario Users Group (DOUG) in 2000/2001 and, according to a newsletter from Daffron (Number 2-2004), there were only 9 users of the Daffron product in Ontario at that time.

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c) Please provide all documentation related to joint development of the SAP software with Canadian Niagara Power, including any costing agreements.

Response

The joint development with Canadian Niagara Power (CNP) was based on CNP's proposal in response to the RFP. A copy of their proposal is attached as Schedule 1:

"BWP_Sch1A_CNP RFP_SEC Q4c"

The relationship was essentially twofold; first, CNP agreed to provide to Bluewater Power the benefit of its efforts to develop a market-ready SAP Solution Template and, second, that Bluewater Power agreed to hire Tridium Consulting Ltd. to carryout the implementation. A copy of the Tridium contract dated August 30, 2001 is attached as:

"BWP_Sch1B_Tridium_SEC Q4c"
"BWP_Sch1C_Statement of Work_SEC Q4c"

d) Please provide estimates of the cost savings achieved through the partnership with Canadian Niagara Power.

Response

The benefits to Bluewater Power of the partnership with CNP were twofold.

First, the Template provided by CNP reduced the cost of configuring SAP Utilities Solution to the Ontario Market. It is reasonable to estimate that the availability of the Template saved Bluewater Power $200,000, even though modifications to that Template were required by Bluewater Power.

Second, as discussed in the answer to OEB Interrogatory #33, the costs to Bluewater Power of incorporating the market ready component of the SAP Solution was $320,000. That figure is significantly less than would have been expected had Bluewater Power been responsible for developing that market ready component. It is reasonable to estimate that Bluewater Power saved more than $1,000,000 through the partnership with CNP.

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e) Please comment on KPMG's audit findings related to causation.

Response

KPMG was not prepared to offer a conclusion as to whether all costs were, or were not, qualifying transition costs and therefore deferred to the Board to make that determination.

The Board's guidelines for transition costs, requires that at least 75% of the costs had to be directly attributable to market readiness. The SAP integrated solution included non-billing modules. The incremental cost of the finance module and materials management module was $136,375 and was lower than the cost that would have been incurred to integrate the SAP solution with the existing Daffron system (see OEB Interrogatories #30 and 32). This cost is indirectly attributable to market readiness and Bluewater Power's application is well within the Board's requirement, with 95% of the costs being directly attributable to market readiness.

f) Please provide details of the modifications "made to either maintain operational savings or customer conveniences already in place…". Please provide a cost estimate directly related to these modifications.

Response

Modifications to the Template	**Cost**
Monthly billing changed to bi-monthly billing	$ 90,000
Dunning procedure changed to include auto-dialer	$ 60,000
Chart of Accounts changed to Ontario Energy Board Standard	$ 20,000
Plant Maintenance and Sales & Distribution module revamped	$ 25,000
Authorization stage change from Purchase Order level to Requisition level	$ 16,000
Automatic Telebank Postings from the bank has been added	$ 20,000
Late payment charges process changed to collect earlier in the billing cycle	$ 50,000
Miscellaneous	$ 39,000
TOTAL	$320,000

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g) Please quantify the "continuing benefits to Bluewater Power's ratepayers that result from the modifications.

Response

The modifications resulted in estimated annual cost savings for Bluewater Power of approximately $400,000 when compared to costs that would have been incurred had the Template not been modified. These were not new savings, but were cost savings already employed at Bluewater Power prior to implementing the SAP Solution. Therefore, the modifications were necessary to maintain existing efficiencies.

h) Please provide documentation related to and resulting from the January 2002 review of the project by the CEO, and the August 2002 review by the Board of Directors.

Response

See Schedule 2

"BWP_Sch2A_CEO Review_SEC Q4h"

and

"BWP_Sch2B_BofD Review_SEC Q4h"

5. *Ref: page 29. Please show in detail each of the cost components making up the total $96,771 total IMO requirements costs.*

Response

This total is made up of the following cost components:

$ 84,510	Prudential Fee charged by Royal Bank
$ 12,261	Consulting charges from B&B Technology Services Inc.
$ 96,771	

No legal fees with respect to the Prudential have been included in account 1570. B&B Technology Services Inc. was a consulting firm that was engaged to assist Bluewater Power in its efforts to meet Market Opening requirements.

6. *Ref: page 30. With respect to the Retailer/Customer requirements costs, please define the basis on which invoices were determined to be "primarily based on retailer requirements…".*

Response

The costs included in APH Category 5 were determined to be related to retailer/customer requirements where they were:

(1) consulting dollars related to the Business Connector. For an explanation of the Business Connector, please refer to page 19-20 of the Application; and

(2) temporary staff costs incurred to facilitate data conversion specific to retail customers.

Bluewater Power's SAP Implementation Costs

Increased Costs

A number of things make up cost overruns for this project including changes that had to be done to the CNP template in order to perform Bluewater Power specific business transactions. In addition, there have been some significant issues that have pushed costs upward. A summary of these follows...

Changes to the CNP Template Including Cost / Cost Recovery Breakdown

1. Monthly billing changed to bi-monthly billing
    a. Cost: $65,000
    b. Cost Recovery: $200,000 annually
    c. Explanation: CNP performs billing to customers on a monthly basis. It has been the practice of Bluewater Power to do this on a bi-monthly basis. Bi-monthly billing saves significant dollars in the areas of meter reading, printing and billing consumables, postage and number of interactions customers have with Customer Service Reps.

2. Dunning procedure changed to include auto-dialer
    a. Cost: $60,000
    b. Cost Recovery: $60,000 annually
    c. Explanation: CNP did not have a process to automatically call customers who are late in paying bills to communicate potential shutoffs without payment. Bluewater Power has had this functionality for a few years now and it has been determined that it replaces one full time Customer Service Rep job. The cost recovery includes salary and benefit costs.

3. Chart of Accounts changed to Ontario Energy Board Standard
    a. Cost: $15,000
    b. Cost Recovery: N/A
    c. Explanation: CNP has always been an privately owned corporation. As such, it has not had to comply with some of the Ontario Energy Board regulations. In this case, the Chart of Accounts CNP uses does not map to the one prescribed by the Ontario Energy Board. Bluewater Power must set up accounts in this manner.

4. Plant Maintenance and Sales & Distribution module completely revamped
    a. Cost: $25,000
    b. Cost Recovery: $20,000 annually
    c. Explanation: The Plant Maintenance (and subsequently, in SAP, Sales & Distribution) module was not very well developed. While this was known at the outset, actual project configuration displayed a need to make significant changes to incorporated such things as on-line estimating instead of quotes with true-ups. A number of things changed to streamline

the process for engineering to perform work and for that to flow through the system to capture properly into Financials and Purchasing.

5. Bill Address Printing changed to accommodate Canada Post standards
    a. Cost: $5,000
    b. Cost Recovery: $10,000 annually
    c. Explanation: CNP does not do mass mailing of bills, but instead mails bills out in small quantities at regular postage rates. Bluewater Power has always mass mailed bill according to Canada Post standards to receive discounted postage. It was determined that the cost savings still warranted mass mailing.

6. Authorization stage change from Purchase Order level to Requisition level
    a. Cost: $16,000
    b. Cost Recovery: N/A
    c. Explanation: CNP only had authorizations for purchase of materials at the Purchase Order stage. Bluewater Power has used a requisition format to grant proper authorizations prior to the Purchasing Department receiving a request. It was determined that that practice would continue at Bluewater Power.

7. Automatic Telebank Postings from the bank has been added
    a. Costs: $20,000
    b. Cost Recovery: N/A
    c. Explanation: CNP currently does not have customers using on-line or telebanking features to pay bills. Bluewater Power, does provide this service to customers and subsequently an interface had to be built to enable this to happen.

8. Late payment charges process changed to collect earlier in the billing cycle
    a. Costs: $30,000
    b. Cost Recovery: $110,000 annually
    c. Explanation: CNP had configured their late payment charges to kick in only on the day of notice of customer cutoff; which was a significant number of days past the billing due date. Bluewater Power charges a late payment on the third day (allowing for weekend due dates) past the billing due date. The amount of money collected into the third day but before a cutoff notice would be sent is significant. It was determined to make the appropriate changes.

9. Programming to data conversion and data migration programs
    a. Costs: $30,000
    b. Cost Recovery: N/A
    c. Explanation: CNP indicated they had data conversion and data migration programs that had been developed and would be used for this project.

Because of the changes and differences to processes and legacy data, these programs required either additional changes or complete re-writes.

10. Other minor changes
    a. Costs: $14,000
    b. Cost Recovery: N/A
    c. Explanation: Some additional minor changes to the CNP template were necessary.

Total Increased Costs Due to Template Changes:	$280,000
Total Annual Cost Recovery Due to Template Changes:	$400,000

Cost Overruns Not Associated with Change

1 Lack of knowledge or poor advice from CNP team members
    a. Costs: $80,000
    b. Explanation: Many times a team member from CNP would take Bluewater Power down a path or direction in advising on efforts to cleanse data or configure SAP that would in turn prove to be wrong. This caused a number of time delays and re-doing of work. In addition, the level of technical expertise did not have the ability to incorporate a well contrived and proven methodology for the sharing of servers or the template. This caused a number of delays in being able to perform work or created efforts on the part of Bluewater Power to figure out technology needs to enable it to happen. This created the need for an additional consultant at cost to Bluewater Power.

2. Market Readiness of the CNP template not complete
    a. Costs: $80,000 plus unknown
    b. Explanation: CNP has committed to providing Bluewater Power with at Market Ready template. This has not happened. CNP completed development of market ready changes December 15, 2001 and a number of things are still in the works. This means that Bluewater Power has not been able to develop and configure on a template that includes these changes. This has already caused significant delays and there remains an unknown factor until it is resolved.

3. Preparation for separation from CNP
    a. Costs: $85,000
    b. Explanation: Given the situation with CNP certain measures have taken place to enable Bluewater Power to sever ties with CNP and become autonomous with its SAP operation. These costs have included additional hardware and consulting costs. There will be future additional costs as well.

4. Additional Consulting costs

a. Cost: $300,000
b. Explanation: Because of the demand for SAP skills – especially as it relates to the Utilities Solution, qualified consultants were difficult to find and associated costs increased significantly. These included the actual fees charged by consultants, the associated travel costs to get them here, the need for increased numbers because only areas of specialization were available and value of the US dollar where a number of consultants have come from.

Total Additional Costs Not Associated with Change: $445,000

Summary of Cost Overruns:

Costs due to change:	$280,000
Costs due to other:	$545, 000
Total Additional Explainable Costs:	$825,000
Total Cost Recoveries Annually:	$400,000

TRIDIUM Technologies Inc.

Statement of Work

to

Professional Consulting Agreement ("Agreement")
Between
Tridium Technologies Inc. ("TRIDIUM")
And
Bluewater Power Distribution Corporation ("BLUEWATER")

Project Name: SAP Integration ("Project")

This Statement of Work and the terms and conditions of the TRIDIUM Professional Services Agreement, having an Effective Date of August 30, 2001, describe the Services to be provided to BLUEWATER in support of the implementation of the SAP Software System at the rates listed in Schedule A of this Statement of Work, which is hereby incorporated by reference, as authorized by BLUEWATER by signing this Statement of Work.

1. Scope and Approach

BLUEWATER requires TRIDIUM consulting services for the duration of the implementation of the individual Bluewater CCS Project hereinafter referred to as "the Project". The TRIDIUM Consultant(s) assigned to this Project will assist in the implementation of the SAP CCS system and assist BLUEWATER in gaining a comprehensive and working understanding of the implemented SAP Application components previously identified by Canadian Niagara Power in the Proposal document dated June 22, 2001.

BLUEWATER is the owner of the Project implementation and is responsible for and controls the implementation, scope, costs, resources and targeted solutions. BLUEWATER shall designate a BLUEWATER Executive Sponsor and Project Manager to work with the TRIDIUM Consultant Project Manager to facilitate the provision of the Services. It is mutually understood that business requirements, resources and dates may change. BLUEWATER is responsible for revising the estimated project plans and requesting changes to the requirements for TRIDIUM Services. Project Plans and Change Requests must be mutually agreed to and must be signed by both BLUEWATER and TRIDIUM.

The Project will start on August 30, 2001 and has an estimated final productive operation date of January 15, 2002. The TRIDIUM Consultant(s) will work on the Project during this time, performing work activities as defined in the final and mutually accepted Work Plan for said Project. BLUEWATER agrees to provide TRIDIUM at least thirty (30) days prior written notice of a request to withdraw the Services of any assigned Consultant when such withdrawal is less than the planned duration listed in this Statement of Work.

TRIDIUM Technologies Inc.

BLUEWATER agrees to provide appropriate project resources, including but not limited to equipment, data, information, workspace and appropriate and cooperative personnel, to facilitate the performance of the services, as follows:

Cooperative Personnel

- Executive Sponsor
- Project Steering Committee Members
- Project Manager
- Project Administrative Assistant
- Business Analyst – SAP Functional Support
- Legacy Application Support Analyst /Programmer
- Programmer / Analyst – Data Integration
- Subject Matter Experts – Lines of Business
- Super End-Users for Training

BLUEWATER agrees that any estimates provided in this Statement of Work may be subject to change if the project resources are not provided, or initial time assignment to project is reduced.

TRIDIUM will support the Project implementation by providing Consultants to be located at designated BLUEWATER facilities. BLUEWATER agrees and understands that the assigned TRIDIUM Consultant(s) may occasionally perform Services on the Project implementation from a TRIDIUM office (local or otherwise).

The Services provided by TRIDIUM will be invoiced as per Payment Schedule (Schedule A). Invoices will include all applicable and additional expenses incurred for the period invoiced. All payments are due upon receipt of invoice.

"The estimated cost of the project is $155,000 CDN (excluding applicable taxes). This estimate is intended for BLUEWATER's budgetary and TRIDIUM's resource scheduling purposes." This amount is contingent on the approval by BLUEWATER and TRIDIUM of the final Project Scope document, to be completed at the end of the Project Preparation Phase.

The TRIDIUM Project Manager will assist in planning the project, selecting resources and quality checking the activities and progress.

Additional Statements of Work may be added to this Agreement by mutual agreement.

IN WITNESS WHEREOF, the parties have so agreed as of the date written above.

Acceptance:

Bluewater Power Distribution Corporation

Signature: J L McMichael

Print Name: J L McMichael

Title: Vice President & Chief Financial Officer

Date: October 2/2001

Acceptance:

Tridium Technologies Inc.

Signature:

Print Name: PAUL CAMMALLERI

Title: MANAGING CONSULTANT

Date: OCTOBER 2, 2001

TRIDIUM Technologies Inc.

SCHEDULE A

to

Statement of Work

between

Tridium Technologies Inc. ("TRIDIUM")

And

Bluewater Power Distribution Corporation ("BLUEWATER")

Rates. The following rates will apply for services requested by BLUEWATER and delivered by TRIDIUM Consultants outside of the defined and agreed Project Scope.

The rates applicable to each category in Canadian dollars are as follows:

	K1	K2	K3	K4	K5	K6	K7	K8
Daily rate (1) (up to 8 hrs.)	$1,000	$1,200	$1,400	$1,600	$1,800	$2,000	$2,500	$3,000
Half day rate (1) (up to 4 hrs.)	$500	$600	$700	$800	$900	$1,000	$1,250	$1,500
Hourly rate of (1) overtime	$125	$150	$175	$200	$225	$250	$350	$425
Off hours (2) (up to 8 hrs.)	$1,500	$1,800	$2,100	$2,400	$2,800	$3,200	$3,750	
On-call service (3) (up to 8 hrs.)	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
On-call rates (3) (up to 8 hrs.)	$1,500	$1,800	$2,100	$2,400	$2,800	$3,200	$3,750	
Remote Consulting (4) (hourly rate)	$270	$270	$270	$270	$270	$270	$270	$270

Expenses: as incurred per visit **Mileage:** **35 cents per kilometer**

(1) Daily and half day and overtime rates are applied to consulting services provided from Monday 6:00 a.m. until Friday 8:00 p.m., excluding holidays as observed by TRIDIUM.

The following constitutes off hours:
- TRIDIUM observed Holidays
- Weekends: 8:00 p.m. Friday until 6:00 a.m. Monday
- Weekdays: 8:00 p.m. until 6:00 a.m.

On-call service is a pre-arranged service by which BLUEWATER places a request to have a TRIDIUM Consultant available for remote technical assistance accessible by pager or mobile telephone for a specified time period. If service is required it will be billed at the on call rates (see above). This service will be provided remotely via a telecommunications link.

(4) Remote consulting is an hourly rate for consulting services provided via a telecommunications link during business hours (Monday 6:00 a.m. through Friday 8:00 p.m.).

The following notes apply to all work performed on the Project :

(5) Expenses such as tolls, airport taxes, parking fees, car rental, taxis and other kind of transportation, project-related telephone, flight tickets, hotels and per Diem charges (not to exceed to a total of $75.00 for daily meals, personal telephone calls) will be charged as incurred per visit, including weekends when TRIDIUM Consultant(s) may remain in the city/town for the project purposes, short time to travel to TRIDIUM Consultant's principal office or to reduce costs and expenses.

(6) In case BLUEWATER provides housing and transportation, BLUEWATER will supply cleaning and maintenance of the individual accommodation for each TRIDIUM Consultant, as well as all expenses incurred in combustible, maintenance and total coverage insurance of the vehicles assign to the TRIDIUM Consultants. Travel costs and living expenses are calculated from the Consultant's principal residence, portal to portal. Coach class airline travel will be utilized unless otherwise authorized by BLUEWATER .

(7) If BLUEWATER specific customizations are carried out in TRIDIUM's computer center, a machine time surcharge of $500 per day will be added to the above rates. If a separate test system is required to carry out Modifications and Extensions, an additional fee will be charged, based on resources required.

The following Payment Schedule will apply to the fixed price fee for the implementation services delivered as per agreed Project Scope.

Total "Fixed" Project Cost	$155,000.00	
15 % Pre-Payment – Sep 01, 2001		$23,250.00
1st Payment – Oct 01, 2001		$27,125.00
2nd Payment – Nov 01, 2001		$27,125.00
3rd Payment – Dec 01, 2001		$27,125.00
4th Payment – Jan 01, 2002		$27,125.00
15 % Final Payment - 10 days after "Go-Live"		$23,250.00
TOTAL PAYMENTS	$155,000.00	$155,000.00

TRIDIUM Technologies Inc.

Exhibit 1

to
Statement of Work
to
Professional Services Agreement ("Agreement")
between
Tridium Technologies Inc. ("TRIDIUM")
and
Bluewater Power Distribution Corporation ("BLUEWATER ")

Change Order Procedure

Any change to the Statement of Work must be agreed to, in writing, by the parties. The following procedure will be used to control all changes, whether requested by BLUEWATER or TRIDIUM.

- All Requests For Changes ("RFC"), a copy of which is attached hereto, to the Statement of Work must be made in writing and shall be submitted by the Project Manager. Each request should contain the following information:
- Reason for change;
- Impact, if any, on existing Deliverables and/or definition of additional Deliverables;
- Estimated impact, if any, on project schedule; and
- Estimated change, if any, in project fees.
- All RFCs must be submitted to the Project Manager (TRIDIUM) and Project Steering Committee. The Project Steering Committee shall review and accept or reject the RFC. If rejected, the RFC shall be returned to the submitting party with written reasons for rejection and, as appropriate, any alternatives.
- All approved RFCs will be incorporated into the Statement of Work via written amendment. TRIDIUM will not perform any services outside of the Statement of Work until the amendment has been executed by BLUEWATER .

TRIDIUM Technologies Inc.

PROFESSIONAL SERVICES AGREEMENT

This Professional Services Agreement ("Agreement") is entered into as of the Effective Date defined below by and between **Tridium Technologies Inc.**, duly registered according to Canadian law, with registered address in Ontario, at 10520 Yonge Street, Unit 35B, Suite 132, Richmond Hill, L4C 3C7 (hereinafter "TRIDIUM") and **Bluewater Power Distribution Corporation** - duly registered according to Canadian law, with offices at 855 Confederation Street, Sarnia, Ontario, N7T 7L6 (hereinafter "BLUEWATER ").

RECITAL

WHEREAS, TRIDIUM provides, through its employees and third party contractors ("Consultants"), software consulting and professional services ("Services") in support of implementation of the Software (SAP) which BLUEWATER desires to obtain.

NOW, THEREFORE, In consideration of the mutual promises and obligations in this Agreement, the sufficiency of which is hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. Services To Be Performed. TRIDIUM will provide a Consultant(s) proficient in the implementation of the applicable SAP Software at BLUEWATER's direction in accordance with Statement(s) of Work that reference this Agreement and are attached hereto and made a part of this Agreement. All Services of the TRIDIUM Consultant(s) will be coordinated with the designated BLUEWATER representative. BLUEWATER is responsible for making the necessary internal arrangements for the carrying out of the Services on a non-interference basis. The Statement(s) of Work more fully describes the scope, duration, and fees for the Services. Changes to any Statement of Work may be made upon prior written mutual agreement of the parties hereto.

2. Satisfaction with Performance. If at any time BLUEWATER is dissatisfied with the material performance of an assigned Consultant, BLUEWATER shall immediately report such dissatisfaction to TRIDIUM in writing and may request TRIDIUM to replace the Consultant. TRIDIUM shall use its reasonable discretion in accomplishing any such change.

3. Compensation of TRIDIUM. All Services will be provided by TRIDIUM on a fixed price basis , unless otherwise agreed to by the parties in the Statement of Work. Services will be invoiced in accordance with the fees listed in or referenced in the Statement of Work, or Schedules thereto, as applicable.

4. Taxes. The fees listed in the Statement of Work or Schedule thereto do not include local or municipal sales, use, property, excise, services or other taxes now or hereafter levied. Any taxes or amounts in lieu thereof paid or payable by TRIDIUM in respect of any such taxes or the fees invoiced in

accordance with this Agreement (excepting only taxes on net income) shall be for BLUEWATER's account.

5. Term. This Agreement shall be effective as of the Effective Date, specified below, and shall remain in effect until terminated by either party, upon thirty (30) days prior written notice or otherwise in accord with the applicable Statement of Work. BLUEWATER shall be liable for payment to TRIDIUM for all Services provided prior to the date of any such termination, in accord with the applicable Statement of Work.

6. Proprietary Information. Both parties shall handle Proprietary Information in accordance with the terms listed below.

i) BLUEWATER agrees that any and all ideas, concepts, or other intellectual property rights related in any way to the techniques, knowledge or processes of the TRIDIUM Services and Products provided under this Agreement, whether or not developed for BLUEWATER , are the exclusive property of TRIDIUM. TRIDIUM shall have the sole and exclusive right, title and ownership to such technology.

ii) TRIDIUM agrees to grant to BLUEWATER an irrevocable, non-exclusive, worldwide, royalty-free license to (a) use, execute, reproduce, display, perform, distribute internally (not for resale) copies of, and prepare derivative works based upon the Items and (b) authorize others to do any, some or all of the foregoing.

iii) TRIDIUM shall have the right to publish any information resulting from its performance under this Agreement after obtaining BLUEWATER 's prior written approval, which approval shall not be unreasonably withheld; provided that any such approval may be conditional upon reasonable alterations or deletions to ensure that Confidential Information is not published.

7. Confidential Information. For the purposes of this Agreement, the term "Confidential Information" means all information disclosed to, or acquired by, TRIDIUM, its employees or agents in connection with, and during the term of this Agreement which relates to BLUEWATER 's past, present and future research, developments, systems, operations and business activities, including, without limiting the generality of the foregoing:

i) all items and documents prepared for, or submitted to BLUEWATER in connection with this Agreement, and

ii) all information specifically designated by BLUEWATER as confidential;

but shall not include any information which was known to TRIDIUM, its employees or agents prior to the date hereof, or which was publicly disclosed otherwise than by breach of this Agreement.

TRIDIUM Technologies Inc.

TRIDIUM acknowledges that pursuant to the performance of its obligations under this Agreement, it may acquire Confidential Information. TRIDIUM covenants and agrees, during the Term and following any termination of this Agreement, to hold and maintain all Confidential Information in trust and confidence for BLUEWATER and not to use Confidential Information other than for the benefit of BLUEWATER. Except as authorized in writing by BLUEWATER, TRIDIUM covenants and agrees not to disclose any Confidential Information, by publication or otherwise, to any person other than those persons whose services are contemplated for the purposes of carrying out this Agreement, provided that such persons agree in writing to be bound by, and comply with the provisions of this paragraph. TRIDIUM shall obtain similar covenants and agreements to those contained in this paragraph for the benefit of BLUEWATER from each of its employees or agents who are, or may be, exposed to Confidential Information.

8. Warranty.

i) TRIDIUM warrants that its Services shall be performed consistent with generally accepted industry standards. For any breach of this warranty, BLUEWATER's sole and exclusive remedy shall be, at TRIDIUM's sole option, reperformance of the unsatisfactory Services or repayment of the fees associated with the unsatisfactory Services.

ii) TRIDIUM MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, NOR ANY OTHER WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, IN CONNECTION WITH THIS AGREEMENT AND THE SERVICES PROVIDED HEREUNDER.

9. Limitation of Liability and Indemnification.

i) ANYTHING TO THE CONTRARY HEREIN NOTWITHSTANDING, UNDER NO CIRCUMSTANCES SHALL TRIDIUM OR ITS CONSULTANTS BE LIABLE TO BLUEWATER OR ANY OTHER PERSON OR ENTITY FOR AN AMOUNT OF DAMAGES IN EXCESS OF THE FEES PAID HEREUNDER OR BE LAIBLE FOR SPECIAL, INCIDENTAL, CONSEQUENTIAL OR INDIRECT DAMAGES, LOSS OF GOOD WILL OR BUSINESS PROFITS, WORK STOPPAGE, DATA LOSS, COMPUTER FAILURE OR MALFUNCTION, ANY AND ALL OTHER COMMERCIAL DAMAGES OR LOSS, OR EXEMPLARY OR PUNITIVE DAMAGES, EVEN IF TRIDIUM HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

ii) The Limitation of Liability set forth in item 9(i) above does not apply to tangible property damage, or personal injury, including death, caused by the gross negligence of TRIDIUM. TRIDIUM agrees to indemnify, defend and hold harmless BLUEWATER from and against any and all liabilities, damages, losses, claims, suits or judgments, and expenses (including reasonable attorney fees) that BLUEWATER may incur for injury to or death of persons caused by TRIDIUM's gross negligence while providing Services on BLUEWATER's site under this

Agreement. With respect to tangible property damage caused by TRIDIUM's gross negligence, such indemnity shall be limited to the extent of TRIDIUM's insurance coverage.

10. General Provisions.

i) This Agreement is a personal services agreement and the performance of any obligation hereunder may not be assigned, delegated or otherwise transferred by either party, provided however, that TRIDIUM may assign all or part of the work to be performed under this Agreement to a qualified third party.

ii) If any provision of this Agreement is found by any court of competent jurisdiction to be invalid or unenforceable, the invalidity of such provision shall not affect the other provisions of this Agreement, and all provisions not affected by such invalidity shall remain in full force and effect.

iii) The waiver by either party of a breach or default in any of the provisions of this Agreement by the other party shall not be construed as a waiver of any succeeding breach of the same or other provisions; nor shall any delay or omission on the part of either party to exercise or avail itself of any right, power or privilege that is has or may have hereunder operated as a waiver of any breach or default by the other party.

iv) Any notice required or permitted to be given hereunder shall be deemed sufficient if made in writing and deposited in the Canadian mail, postage prepaid, registered or certified, and addressed to the other party at the address first set forth above.

v) The relationship of TRIDIUM and BLUEWATER established by this Agreement is that of an independent contractor.

Any delay or non-performance of any provision of this Agreement (other than for the payment of amounts due hereunder) caused by conditions beyond the reasonable control of TRIDIUM or its Consultants, shall not constitute a breach of this Agreement, and the time for performance of such provision, if any, shall be deemed to be extended for a period equal to the duration of the conditions preventing such performance.

vii) ~~During the term of this Agreement and for a period of one (1) year thereafter,~~ BLUEWATER will not directly solicit or hire any Consultant assigned by TRIDIUM to perform any of the Service to be provided hereunder. In the event BLUEWATER does hire any such employee without TRIDIUM's prior written consent, BLUEWATER will be invoiced at a rate of forty percent (40%) of the employee's annual salary and benefits and BLUEWATER shall make payment within thirty (30) days of date of invoice.

) This Agreement and any disputes arising out of or in connection with this Agreement shall be governed by and construed in accordance with the laws of Canada.

ix) This Agreement, including all applicable Statements of Work and Schedules thereto, constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements between the parties, whether written or oral, relating to the same subject matter. No modifications, amendments, or supplements to this Agreement shall be effective for any purpose unless in writing and signed by the parties. In the event of any inconsistencies between the Agreement and a Statement of Work, the Statement of Work shall take precedence over the Agreement. Any purchase order or other document issued by BLUEWATER is for administrative convenience only. In the event of any conflict between the provisions of this Agreement, and any purchase order, the provisions of this Agreement shall prevail and govern and any additional terms in the purchase order or other document shall be inapplicable.

x) Tridium will provide a copy of their current WSIB certificate of insurance as well as a copy of their current certificate of liability insurance, prior to commencement of work on our premises, and will provide updates of these certificates throughout the duration of this project.

12. Survival. Sections 6, 8(ii), 9 and 10(vii) shall survive any termination of this Agreement.

13. Effective Date. This Agreement shall be effective as of the last date signed below, ("Effective Date").

IN WITNESS WHEREOF, the parties have so agreed as of the Effective Date.

Agreed to:	**Agreed to:**
Bluewater Power Distribution Corporation	**Tridium Technologies Inc.**
Signature: J L McMichael	Signature:
Print name: Janice L McMichael	Print name: Paul Cantalleri
Title: Vice President & Chief Financial Officer	Title: Managing Consultant
Date: October 2/01	Date: October 2, 2001

Response to R.F.P. # 407-01

BLUEWATER POWER DISTRIBUTION CORPORATION

CANADIAN NIAGARA POWER SINCE 1892 CNP

TABLE OF CONTENTS

INTRODUCTION

Attached is Canadian Niagara Power Company Limited's (CNP) response to Bluewater Power Distribution Corporation's (BPDC) R.F.P. # 407 – 01. Enclosed you will find a description of the Business Solution offering CNP has for BPDC, including any options that may be available.

As SAP is a fully integrated system (all modules within SAP interact amongst cross-functional areas) it allows for more efficient workflow processing. Advantages and benefits include:

- Increase operational efficiency
- Streamline the financial supply chain
- Wide range of reports with great flexibility
- Fully compatible with Microsoft Excel
- User-friendly windows based environment
- Facilitates better overall management of work orders, projects & work centers
- Reduce transaction costs
- Increase profitability for your company
- Enable long-term value-based management

SAP is by far the leader in providing increased efficiencies of business processes for various types of organizations and with industry-specific solutions; it simply makes implementations faster and more effective.

This proposal attempts to address all mandatory requirements requested by BPDC. Should there be the need for further clarification, CNP is fully prepared to provide additional details.

EXECUTIVE SUMMARY

CNP along with SAP Canada envision a long-term relationship through which both companies can build a strong alliance focused on growth within the utility sector. With this in mind, CNP has focused its efforts in offering BPDC, the opportunity to become a part of this arrangement, thereby creating an even stronger and mutually beneficial Business Solution Partnership.

A key component of the alliance with BPDC is the implementation of the Enterprise Resource Planning (ERP) system (SAP) and partnering with CNP, to allow for rapid implementation and cost savings. This strategy will position BPDC to take full advantage of an industry-specific solution that has been proven in various utilities. In addition, the implementation of such a software solution, would allow for further growth of BPDC and its ability to support an increased customer base as well as offer new corporate services and billing capabilities. Furthermore, it will eliminate the need to maintain and support multiple other information systems.

There are certain key factors to consider throughout this response. CNP's offering of the industry solution template allows for BPDC to take advantage of a pre-defined functionality that has been proven. Adapting CNP's solution will reduce implementation time and result in cost savings. Furthermore, CNP's suggestion to utilize the existing QA and development servers at their corporate data centre will mean additional savings of over forty thousand dollars in hardware costs. BPDC would only be required to purchase their own production server, which will be situated at BPDC's corporate headquarters. In addition, the costs that have been quoted in this response, while taking into consideration the fact that both CNP and BPDC will be entering into a long-term Business relationship, are specific to the Phase I functionality described in this document. Phase II functionality, and associated costs, will be addressed once a more in-depth scoping exercise is completed. Phase III implementation of the HR (Human Resources) module, is available through SAP and can be considered in a later joint effort with BPDC and CNP.

CNP looks forward to building a long-term Business Partnership with BPDC that capitalizes on the core strengths of both companies while fostering synergies and cost savings through the sharing of resources and expertise. We believe that this type of partnership can and will become a model for the electric utility industry.

CORPORATE PROFILE

Canadian Niagara Power

Headquartered in Fort Erie, Ontario, Canadian Niagara Power Company Limited is an integrated Ontario-based electric utility with its core business focus in electric generation, transmission, distribution and energy consulting. Founded in 1892, the company began generating electricity in 1905 from its Rankine Generating Station located on the Canadian side of the Niagara River and subsequently began distributing electricity to the town of Fort Erie in 1907. Canadian Niagara Power is the only privately owned utility successful in establishing public/private partnerships with municipally owned utilities in the Province.

Canadian Niagara Power is owned equally by Niagara Mohawk, a New York utility and Fortis Inc., an Atlantic Canada-based diversified services company with interests in Newfoundland Power and Maritime Electric, Caribbean Utilities and Belize Electric. These two parent firms provide a depth of resources that enable Canadian Niagara Power to offer a comprehensive range of services that are normally only available from major utilities. With revenues of approximately $40 million, Canadian Niagara Power Inc. distributes electricity to 14,800 customers in Fort Erie, and operates approximately 32 kilometres of transmission lines, six transformer stations, and 900 kilometres of distribution lines. Canadian Niagara Power is also a shareholder in Westario Power Holdings Inc. a 20,000 customer utility locate in mid-western Ontario and Rideau St. Lawrence Holdings Inc. having a customer base of 6,500 located southwest of the Ottawa Valley. Canadian Niagara Power is also in the final stages of completing an operating lease with Port Colborne Hydro Inc. adjacent to Canadian Niagara Power's Fort Erie utility which when completed will result in a combined Niagara Region customer base of over 26,000 customers.

Canadian Niagara Power's experience in wholesale energy transactions provides the company with a distinct competitive edge. The company is a licensed wholesale marketer with the Federal Energy Regulatory Commission (FERC) and a licensed retail electricity supplier with the Ontario Energy Board (OEB). Canadian Niagara Power is committed to providing the most cost efficient electric generation, transmission and distribution services available, through public and private sector partnerships, new product development and innovative technologies.

Canadian Niagara Power is actively working to extend its leadership role in the Ontario energy industry. With almost 100 years of business experience as an unregulated utility, and backed by the financial resources of its parent companies and a strong management team, Canadian Niagara Power will remain at the forefront in this new competitive environment.

CORPORATE PROFILE

SAP

Founded in 1972, SAP is the recognized leader in providing collaborative e-business solutions for all types of industries and for every major market.

Headquartered in Walldorf, Germany, SAP is the world's largest inter-enterprise software company, and the world's third-largest independent software supplier overall. SAP employs over 21,700 people in more than 50 countries, all of them dedicated to providing high-level customer support and services.

SAP has leveraged its extensive experience to deliver the definitive e-business platform for the NEW Economy -- mySAP.com. The mySAP.com collaborative e-business platform allows employees, customers, and business partners to work together successfully -- anywhere, anytime. mySAP.com is open and flexible, supporting databases, applications, operating systems, and hardware from almost every major vendor.

By deploying the best technology, services, and development resources, SAP has delivered an e-business platform that unlocks valuable information resources, improves supply chain efficiencies, and builds strong customer relationships.

Currently SAP has 10 Million Users, 30,000 Installations, 1,000 Partners, and 22 Industry Solutions across the world.

SAP is listed on several exchanges, including the Frankfurt stock exchange and NYSE, under the symbol "SAP."

ADVANTAGES AND EFFICIENCIES

The following list of advantages and efficiencies represent a sample of the achievements that will be experienced and inherited by BPDC should they decide to enter the Business Solution Partnership CNP is offering, involving SAP's Industry Solutions - Utilities.

Customer Service: the Customer Care and Service System (CCS) provides much more information at the representative's fingertips. This allows for better and more efficient customer service. For example, the clerk no longer needs to exit from screens to get an account balance and to see work orders. Customers no longer have to be transferred from clerk to clerk to obtain information. Now, the first representative that the customer speaks with is able to handle all of the customers needs. Customer address accuracy is greatly improved from legacy using the Regional Structure, or defining all streets and address ranges as well as postal codes in the system reduce the representative's ability to make data entry errors. Customer adjustments can now be processed on line without the cumbersome calculations required in legacy.

Staffing Efficiencies: starting with the implementation of the SAP module CCS throughout the first two years, we redesigned the entire structure of the customer service department. We moved away from "silos" of experts to a fully cross-trained staff using the Universal Representative philosophy. This aided staff greatly and improved our scheduling and overall department efficiency. We eliminated the need for filing of documents; the SAP system stores all of the information on-line so the representative can quickly access any customer information. Presently, we are at a "zero" overtime status, meaning that staff is not required to work overtime to maintain customer service levels. Call volumes, as monitored by our ACD have decreased quite substantially since our go-live period April 1, 2000.

Device Management: previously the majority of our meter records were kept on paper card files. We had the ability to store only rudimentary information in our legacy system. Now, with the SAP system, all device information is stored on-line. The billing multipliers are calculated dynamically to ensure more accurate billing than legacy. Current and potential transformer information is now also stored on-line in CCS. In addition;

- Device tracking & certification system with controlled validation
- Dynamic installation equipment reports and Service multipliers
- Plant Maintenance material and labor control with tracking.
- Transformer customer loading reports
- Greatly assisted our work order processes
- Dynamic customer PM information
- Improved work order quotations, estimations and purchase orders

Credit and Collections: within the first year, we noticed a real improvement in the efficiency of our credit and collections procedures (Dunning). Previously, the process was not automated and the clerk had to research customers based on a paper file and memory. The new system is automated, run once daily and is much easier to operate and monitor. Reporting capabilities now allow the customer representative and supervisor to track collections performance.

Work Management: on a system basis it performs the cost allocation of manpower and material and on an automatic basis once the work is completed and a work order is closed. This functionality allows the preparation of standardized material lists for inclusion in work orders requiring standard types of construction. It also serves as a catalyst for streamlining workflow and after the implementation of work management, our paper trail was reduced from eleven to three steps.

Financials: as with other functional areas of SAP, the financials module allows for increased efficiencies. The following functionality is a sample of some of the efficiencies that CNP has realized as a result of the systems implementation;

- Drill-down functionality which provides details on transactional activity
- Up-to-date information at all times
- Powerful Cost accounting & management reporting module
- More efficient general ledger processing
- Budgeting & Forecasting functionality
- Comprehensive asset management system with automatic depreciation of assets
- Complete materials management & inventory module interface with Financial & work order planning
- Stronger purchasing controls with automated authorization capabilities

SAMPLE LIST OF SUCCESSFUL IMPLEMENTATIONS

Reliant Energy

- Operating in Texas, Arkansas, Louisiana, Okalahoma, Mississippi, and Minnesota
- Serving approximately 4 million natural gas and electrical customers

New Brunswick Power

- Operating in New Brunswick
- Serving approximately 340,000 electrical customers

Public Service Electric and Gas Company (PSE&G)

- Operating in Newark, New Jersey
- Serving 5.5 million gas and electrical and energy alternative customers

GPU

- Operating in New Jersey and Pennsylvania
- Serving approximately 2 million electrical customers

"Using SAP software as our enabling tool, the Business Integration is bringing about fundamental change in the way we manage the core requirements of our business: the management of work, material procurement, plant maintenance, human resources, and costs."

(Lawrence R. Codey, President and CEO – PSE&G)

The new CCS system provides much more information at the customer service representative's fingertips. This allows for better and more efficient customer service. Customers no longer have to be transferred from clerk to clerk to obtain information. Now, the first representative that the customer speaks with is able to handle all of the customers needs.

(Kristine Carmichael Manager, Customer Service - CNP)

Within the first year, we noticed a real improvement in the efficiency of our credit and collections procedures (Dunning). Previously, the process was not automated and the clerk had to research customers based on a paper file and memory. The new system is automated, run once daily and is much easier to operate and monitor. Reporting capabilities now allow the representative and the Supervisor to track collections performance.

(Jennifer Fretz-Joseph – Customer Service Analyst – CNP)

PROJECT APPROACH

CNP is proposing a three Phase approach to implementation of the ERP system at BPDC. The following will outline the various Phases and a description of the work included.

Phase I

CNP is proposing that Phase I include the following functionality which will allow BPDC to get the "best value" for their investment. Implementation of Financials (FI) and Cost Centers (CO), Customer Care & Service (CCS), Work Management and Materials Management modules of SAP will enable BPDC to address their immediate needs for a fully integrated Customer Information System.

The above-mentioned functionality will allow BPDC to address and incorporate the following list of functions.

1. Customer Information Systems

a) Customer Information with capability of supporting multi-data bases
b) Retailer Information
c) Contracts and Rates
d) Capable of both Imperial and Metric Measurements
e) New and Renewal Budget Calculations
f) Service Appointments
g) Customer Connects & Disconnects
h) Customer Deposits
i) Meter Readings (Integration with meter reading systems – ie. MVRS Itron)
j) Meter Equipment and Inventory
k) Transformer Equipment and Inventory
l) Unbundled Utility Bill Calculation and Preparation
m) Prorated Bill Calculation and Preparation
n) Non-Utility and Miscellaneous Bill Calculation and Preparation
o) Bill Printing
p) Adjustments
q) Cashiering
r) Call Centre Requirements including ACD reporting and outbound telemarketing functions.
s) Payment Processing including automated data entry on all customer accounts, Interac debit, credit card payment, Internet payment and electronic Pre-approved Bank Payments.
t) Internet account, consumption, payment inquiries and bill presentment
u) Credit and Collections

v) Billing Penalty Management
w) Wholesale and Retail Settlements including load forecasting and scheduling as well as settlement interface
x) Performance Based Regulation Service Standards
y) Service Transactions Requests (STRs) in accordance with OEB rules and procedures. The Vendor's system(s) will be responsible for using these formats/standards to electronically transact these service requests or data exchanges via XML standards.
z) The system(s) must support transaction based costing.

aa) **Marketing Communication Enhancements**:

i. Customer Letter Generation including Lawyers', Deposit, Occupancy, Budget, Reference, etc. Letters
ii. Automate bill insert placement in envelopes
iii. Adopt capability to place different bill inserts into envelopes according to bill code.
iv. Postal Code Accuracy.
v. Include customer forms generator, including contracts for all products and services.
vi. Include automatic bill analysis capability - electric versus gas, water heater
vii. Different rates to customer load profile.
viii. Add customer profile to customer record - consumption history, major appliance history, account information, past billing data, service history and non-financial data.

ab) **Bill Design Enhancements:**

i. Consumption history chart (up to 13 periods);
ii. Discount/promotion capability;
iii. Frequency of Billing (bimonthly and monthly);
iv. Capable of complex billing procedures including hourly interval loads and calculation of average weighted prices;
v. Allow for consolidated and aggregated billing;
vi. Allow for multiple utility services;
vii. Allow for multi-media billing options;
viii. Allow for merchandising of products and services;
ix. Allow for customer purchase financing and financing resource;

2. Financial Systems

a) General Ledger with capabilities of supporting multiple companies with separate general ledgers
b) Treasury (cash flows, in-house banking and bank relationship management)
c) Projects (estimates and tracking, rate recovery, distributions)
d) Budgeting – Multiple Budgets Capability
e) Date Driven Functionality for Financial Statements and Management Reporting
g) Payroll
h) Expense Reporting (advances, approvals, audits, payment options, expense analysis)
i) Accounts Payable
j) Accounts Receivable Billing
k) Asset Management
l) Regulatory Planning, Simulation and Reporting
m) Statistical and Financial Data Analysis and Reporting
n) Robust System and User Defined Reporting

3. Work Management Systems

a) Construction Project Management
b) Commissioning
c) Work Planning, Scheduling and Dispatching
d) Work Approval Process
e) Preventative and Predictive Maintenance
f) Outage Planning
g) Equipment Records
h) Integration with Geographic Information System
i) Jobs Plans
j) Work Order Planning and Estimation
k) Resources
l) Labour and Contractor Management
m) Integration with existing Calendaring Application
n) Routes Administration
o) Standards Maintenance: e.g. Compatible Units Estimates
p) Safety Plans
q) Wireless (service vehicle) I.E. work orders, time reporting
r) Vehicle Servicing Management
s) Quick Reporting (time reporting)

4. **Materials Management**

a) Purchase Order Workflow Management
b) Integration with Financials
c) Online Requisition Submission
d) Web Based Procurement
e) Exception Processing
f) Electronic Tendering
g) Integrated Analysis and Reporting
h) Integrated Inventory Management

In addition to the above-mentioned functionality, the system will support third party document management.

The above functionality will be included as part of Phase I implementation, with options for further enhancements at a later time.

Phase II

Phase II implementation will include implementation of BPDC's water and sewer business operations. With assumptions that there are approximately 4,000 customers in each line of business (totaling 8,000), the focus here will be to ensure that the functionality implemented in Phase I is also applied for these lines of business. Costs for the implementation of this functionality will be determined once a full scooping exercise has been conducted.

Phase III

Phase III implementation will include implementation of the Human Resources functionality. During this Phase, implementation of the following functionality can be implemented. This added functionality is available directly through SAP and would be considered once a full Business Solution Partnership is formalized

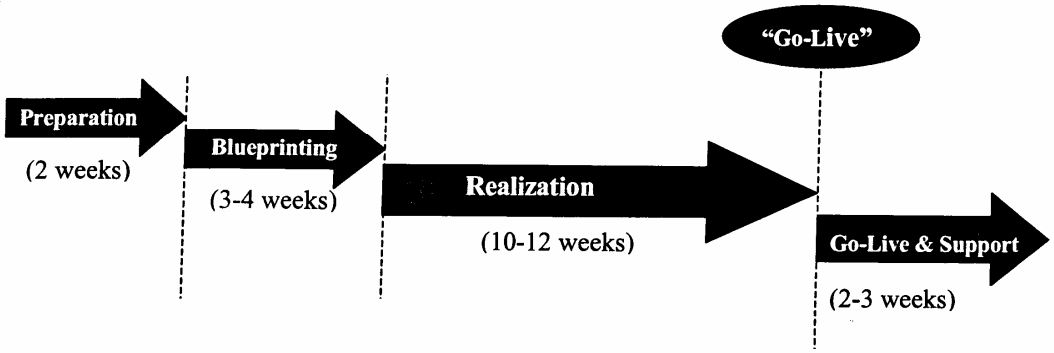
Human Resources

a) Administration
b) Payroll
c) Organizational Management and Development
d) Succession Planning
e) Time Management

f) Legal Reporting
g) Recruitment
h) Total Compensation Management
i) Workforce Analysis, Learning & Development
j) Strategic Alignment
k) Objectives Management
l) Benchmarking and Reporting

Although all mentioned functionality is of great importance to BPDC, this proposal assumes BPDC will be prioritizing the implementation phases to ensure that the greatest impact is realized in the short term. Thus, the reason for the proposed three Phase approach.

IMPLEMENTATION TIMELINE



Step 1: **Project Preparation**

In this step, it is necessary to understand the business requirements. The team will need to review the requirements and define a time line to complete the project. It will be necessary to identify key users/team members who will be involved in the implementation. The roles of these individuals should also be defined (i.e. billing/invoicing, device management, contract accounts payable/receivable etc.).

Step 2: **Business Blue Print**

During this phase the team will review the available functionality in the IS-U component. It is during this process that business requirements of the SAP IS-U system may be identified (i.e. special charges, dunning and collections procedures, payment terms, rate structures etc.) Any unique functional requirements will be identified during this phase. The team members not familiar with IS-U will learn the fundamental concepts associated with the product.

CNP will be able to provide information about the mandatory fields in SAP that will require information to be loaded from BPDC's legacy CIS. CNP has prepared batch data conversion programs (BPDC's) that load the data into the SAP system.

Arrangements will need to be made during this time to have data downloads from the legacy system into a usable format (i.e. excel). The legacy data should also be reviewed at this point to identify any potential deficiencies or errors.

At the close of this phase, the team should be able to propose a realistic time line for completion.

Step 3: Realization

During this phase of the project the team will focus on the implementation of the software.

Data cleansing will be an ongoing during this period. Configuration of the business specific items will be completed and tested. Any custom interfaces that are required, will need to be developed and tested during this period.

Loading of sample customer data into IS-U will also identify any deficiencies in legacy data.

Data to be manually loaded will also be identified at this time. Mass testing of processes such as billing, invoicing, meter reading, pre-authorized payment transfers, dunning and collections will be completed near the end of this phase.

User training will be on going throughout this period. CNP adopted the philosophy of "train-the-trainer". This allows the team to train a key individual in the area and they in turn, train the end users. CNP has developed educational material and exercises for IS-U that will be useful for this training.

A final time-line of events will be developed which will spell out the "freeze" dates for production as well as any processes that will be run in legacy prior to cutover (interest runs, write-off's etc.). Actual "run-times" for the BPDC's will be noted and included in the time-line.

Step 4: Go Live/Post Go Live Support

Once the system has "gone live", on going support will be required for a period of time. This support could include dealing with any data issues and user assistance.

The team will be able to determine that amount of post go-live support required and this support could be included in CNP contribution (ie. part of $250,000). Any issues that were determined to be out of scope for the initial implementation could also be address during the post-go live period.

TECHNICAL SPECIFICATIONS

Production system (PRD):
(BPDC to purchase their own server)

- Dell PowerEdge 6300 (Dual PII-Xeon 400 MHz, 1MB L2 Cache/Processor)

  2 GB ECC RAM

  Dell Remote Access Card 2 (DRAC2)

  Power Edge Raid Controller 2 (PERC2) quad channel LVD (80MB/s / Channel) w/128 MB battery backed cache

  Hard Disk 2×9GB, 10k RPM, RAID 0 - C: (OS/R/3 Application), H: (Extra work space)

  Hard Disk 2×9GB, 10k RPM, RAID 0 - I: (SQL Server R/3 DB transaction log)

  Dell PowerVault 200S external drive chassis (8 Drives, Split SCSI bus)

  Hard Disk 2×18GB, 10k RPM, RAID 0 - D: (SQL Server R/3 DB data 1)

  Hard Disk 2×18GB, 10k RPM, RAID 0 - E: (SQL Server R/3 DB data 2)

- Hard Disk 2×18GB, 10k RPM, RAID 0 - F: (SQL Server R/3 DB data 3)

Quality Assurance System (QAS)
(sharing of CNP's server – included in CNP's contribution)

- Dell PowerEdge 4300 (Dual PIII 450 MHz)

  1GB ECC RAM

- Dell Remote Access Card 2 (DRAC2)

  Power Edge Raid Controller 2 (PERC2) quad channel LVD (80MB/s / Channel) w/128 MB battery backed cache

  Hard Disk 2×9 C: (OS/R/3 Application), H: (Extra work space)

- Hard Disk 4×18GB, 10k RPM, RAID 5 - D: (SQL Server R/3 DB data 1), E: (SQL Server R/3 DB data 2), F: (SQL Server R/3 DB data 3), I: (SQL Server R/3 DB transaction log)

Development System (DEV)
(sharing of CNP's server – included in CNP's contribution)

- Dell PowerEdge 4200 (Dual PII 333 MHz)
- 1GB ECC RAM

- Hard Disk 6×9GB, 10k RPM, RAID 5 - C: (OS/R/3 Application), D:(SQL Server R/3 DB data 1,2,3), E: (SQL Server R/3 DB transaction log)

  Dell Power Edge Raid Controller (PERC) Dual channel Ultra Wide SCSI (40 MB/s / Channel) w/16 MB battery backed cache

All servers are:

- Windows NT 4.0 sp6 or Windows 2000 sp2.
- SQL Server 7.0 sp1 or SQL Server 2000.

  All are expected to be Windows 2000 sp2 and SQL Server 2000 by July 31.

  Hardware monitored via Dell's IT Assistant Software for hardware status and environmental conditions.

  Protected by UPS systems and emergency generation backup power.

Basics of Disaster Recovery / Backup:

(BPDC to purchase their own server)

- All databases are backed up on weeknights to disk, and then the disk copy is backed up to a DLT striped tape set.

  Friday's DLT set is transported to our Niagara Falls location for storage within a business day of backup.

- Monday - Thursday backup tapes are kept in a safe within a vault at Fort Erie Service Centre.
- Backup/Restore times from disk are typically 1.5 hours or less. Restore from tape if required adds approximately 2-4 hours.
- Off-Site Disaster Recovery Backup Server
  - A configured SAP server exists at our Niagara Falls location. The machines typical use is as a Sandbox (Test / Practice Server)
  - Sandbox's primary function is as Disaster Recovery unit.
  - Production can be loaded into Sandbox from tape to disk and disk to database in 4-6 hours. This time includes the additional steps required for preparing the system to behave correctly in the new location.

Virtual Private Networking (VPN):

- Connection Speed: 1.544 Mbit/s - Dedicated T1 to Internet

- **Preferred connection type: IPSEC connection to our Checkpoint VPN-1 4.1 Server (works with most IPSEC compliant firewalls)**
- **Alternate connection type: Microsoft Windows 2000 VPN**

PROJECT COSTS

The following is a breakdown of the estimated costs to install SAP at BPDC:

* MySAP licensing fee per user ($7,875 * 25 users)	$196,875
** IS-U Billing ($33,750 per 10,000 contracts) Quotes	118,125
** IS-U Invoicing & Contract Management ($45,000 per 10,000 contracts)	157,500
Hardware costs	125,000
Implementation	500,000
CNP's Partnership Contribution	(250,000)
Total Installation Cost to BPDC	**$ 847,500**

*The per user fee reduces to $5,700 should BPDC decide to utilize CNP's SAP license
** This calculation is based on SAP licensing for 35,000 BPDC customer

Financing these costs through a third party is available at a lease rate of 9% annually.

Licensing Costs

SAP is paid a licensing fee for both the number of customers and the number of users. The current combined cost per meter for the Customer Care System (CCS – IS-U) is approximately $7.875 per contract, for a one-time fee of $275,625 ($118,125 plus $157,500). The cost per user for mySAP System, which includes all the financial and work management modules, is approximately $7,875 per user, so for 25 users the cost would be $196,875. These are estimates only but are based on discussions we have had with SAP with respect to their most recent quoted rates. Exact costs will vary based on the type of user access and will have to be finalized with SAP. In addition, we believe the cost per customer may be negotiable and CNP would work together with BPDC in the negotiations.

The above fees are a one-time fee and provide BPDC with the ability to purchased SAP modules as they currently exist, including all future upgrades. The ongoing maintenance costs are 19% of the initial fees or approximately $90 thousand per annum.

Hardware Costs

Hardware costs are estimated to be around $125,000 for two servers (Production and Disaster Recovery) and memory upgrades in the Development, Q&A and Sandbox servers.

We have assumed that the users at BPDC have Pentium PC's with sufficient RAM and a Microsoft 95 or higher operating system and that BPDC has appropriate firewall technology for their Internet access. These can be confirmed at later discussions but no other hardware should be required.

Implementation Costs

Without a full scoping exercise, our estimate should be considered preliminary. However, based on our experiences and the approach outlined below we believe the cost of the implementation will be around $500,000. Staff training is included in this estimate. This cost estimate refers to Phase I only and takes into account the fact that BPDC would incorporate the industry solution already defined at CNP. If however, BPDC wishes to include customized functionality there would be additional costs added, (to be determined once the full scooping exercise is complete).

As part of the proposed Business Solution Partnership, CNP is prepared to contribute $250,000 toward the cost of installing SAP at BPDC. This contribution is expected to come in the form of a combination of CNP personnel resources and actual dollars. CNP is offering to make this commitment with the assumption that BPDC supports the use of a single system configuration shared by both companies. CNP believes that reaching an agreement to sharing the configuration is necessary to ensure both companies realize the long term savings potential inherent in the partnership model.

It is our expectation that SAP could be fully implemented in under five months and possibly less than four months. For comparison, it took CNP six months to implement the SAP billing system but only four months to implement the financial and work management systems. The Port Colborne billing system implementation will take four months. BPDC would realize the benefits of these learning experiences, which would reduce both costs and time.

Our recommended approach to implementing SAP at BPDC involves developing an implementation team comprised of individuals from BPDC, CNP and various third party consultants (SAP, Tridium Technologies, independents, etc.). The key to this approach will be obtaining a strong independent project manager who can ensure that the resources are adequately provided at the proper times while taking the greatest advantage of the lower-priced skills available. The implementation team would be ultimately responsible to a joint CNP/BPDC Steering Committee.

CNP recommends this approach based on our past experience and the knowledge and contacts we have developed over the past few years. The objective is to pull together a team with the right skill sets from a variety of sources. This approach will expedite the implementation by focusing resources but more importantly, will reduce the cost of the implementation by using lower cost resources where appropriate. CNP is currently using this approach in its preparation for market readiness.

SAP would be installed at BPDC by copying the CNP configuration and then cleansing most of the data. This would provide BPDC with a fully configured system ready for data population. There are tremendous savings from this approach when compared to purchasing the SAP system, which would require a larger investment in the configuration. Sharing the configuration also allows for the sharing of the upgrade and enhancements costs in future years which will continue to provide both organizations with future savings.

Other Costs

Other than the maintenance fees described above, both BPDC and CNP will not incur other vendor required annual costs to run the SAP system. There is no programming of the system required to be maintained other than the user exits. Through our joint partnership, the IT staffs of both organizations would work together to optimize the IT support requirements of the system. As a result, CNP and BPDC would share in the ongoing costs associated with the maintenance of a common development and QA server located in CNP's data centre, however, each company would continue to maintain separate production servers as requested by BPDC. CNP believes that the establishment of a "Shared Services Agreement" between the parties is imperative to ensure that the logistics of this joint approach is clearly understood enabling the full benefits to be realized.

The other ongoing cost relates to the installation of upgrades and configuring any enhancements. These costs are all optional with respect to keeping the system operational but obviously have a large impact on the efficiency of the system from a corporate perspective. These costs are currently higher than normal at CNP due to the number of adjustments required for market opening but are expected to fall significantly in future years. Due to the shared design, all changes made by CNP and BPDC will be available for use by both parties in the future, and as a result lowered costs.

Through the partnership, between BPDC and CNP, the responsibility for end of the interconnection, for maintaining the network and for coordinating system changes will be shared amongst the IT staff. It is anticipated that a close working relationship will be developed between the two IT departments as part of this partnership so that efforts can be coordinated and increase efficiencies identified.

PROPOSED PROJECT TEAM

Executive Team

Mr. Mardon J. Erbland
Canadian Niagara Power Company Limited
President and Chief Executive Officer

Education:

1963 – 1966	Ohio State University, Columbus, Ohio Bachelor of Electrical Engineering
1961 – 1663	Wittenburg University, Springfield, Ohio Pre-Engineering Studies

Employment History:

1997 – Present	President and Chief Executive Officer Canadian Niagara Power Company Limited As President and Chief Executive Officer, Mr. Erbland has all the duties and responsibilities normally associated with the CEO. CNP, together with its subsidiary Canadian Niagara Power Inc., is a licensed Ontario electric generator, transmitter, distributor and retailer. The company wholesaler also holds a natural gas retailer's license. Annual revenues are approximately US$24 million.
1975 – 1997	Newfoundland Power Vice President, Customer Service Vice President, Corporate Services Vice President, Technical Services Vice President, Corporate Development Regional Manager, Eastern Region
1968 – 1975	Consumers Power, Michigan Superintendent of Engineering (Saginaw) Assistant Electric Superintendent (Owosso) Electrical Engineer (Flint)
1966 – 1968	Puget Power, Washington Area Engineer

Board Memberships:

Director – Canadian Electricity Association
Director – Economic Development Corporation, Fort Erie, Ontario
Chairman, Director, President & CEO – Canadian Niagara Power Inc.

Mr. William J. Daley

Vice President, Corporate Development
Canadian Niagara Power Company Limited

Education:

1996	Rensselaer Polytechnic Institute, Troy, NewYork Executive Masters Business Administration
1987	Cornell University School, Buffalo, New York Industrial Labour Relations Studies
1982	Buffalo State College, Buffalo, NY Bachelor of Science, Industrial Technology

Employment History:

1998 – Present	Vice President, Corporate Development Canadian Niagara Power Company Limited As Vice President, Corporate Development, Mr. Daley is responsible for leading the company's business growth initiatives, including marketing and negotiations for Mergers and Acquisitions of Electric Utilities, and directing the company's Energy Consulting & Brokering startup. Mr. Daley also oversees Corporate Human Resources, Labour and Employee Relations
1996 - 1998	Niagara Mohawk Energy Regional Sales Manager for Western New York Energy Marketing Startup
1982 – 1996	Niagara Mohawk Power Corporation Regional Service Manager Manager Employee Relations Director Corporate Personnel Administration Supervisor Employee Relations Supervisor Coordination/Operations Productivity Planning Analyst
1981	National Fuel Gas Company, Buffalo Industrial Engineer Technician

Board Memberships:

- Director - Westario Power Holdings Inc.
- Director - Westario Power Inc.
- Director - FortisUS Energy
- Chairman - West Seneca Christian School

Mr. Timothy B. Curtis
Vice President, Finance and Chief Financial Officer
Canadian Niagara Power Company Limited

Education:

1988	McGill University, Montreal, Quebec Master of Business Administration
1987	Canadian Institute of Chartered Accountants Chartered Accountant Designation
1984	Queen's University, Kingston, Ontario Bachelor of Commerce (Honours)

Professional Associations:

- Member - Institute of Chartered Accountants of Ontario
- Member - Bruce Trail Association
- Member - ISDA Committee which responded to the first CICA Exposure Draft on Financial Instruments in 1992

Employment History:

1998 – Present **Canadian Niagara Power Company Limited**
Vice President, Finance and Chief Financial Officer

As Vice President, Finance and Chief Financial Officer, Mr. Curtis has all the duties and responsibilities normally associated with the CFO of an innovative Ontario-based electric utility company that wholesales generated electricity, provides residential, commercial and industrial energy services and participates in the competitive retail electricity and gas markets.

1997 – 1998 Philip Services Corporation
Chief Financial Officer, Non-Ferrous Metals Division
Director, Acquisition Accounting and Integration

1995 – 1997 Commcorp Financial Services Inc.
Controller

1993 – 1995 Price Waterhouse
Manager, Financial Institutions Consulting Group

1991 – 1993	Confederation Treasury Services Limited Manager, Accounting
1989 – 1991	BT Bank of Canada Treasury Products Analyst
1988	The Toronto-Dominion Bank Tax Analyst
1984 – 1986	Coopers & Lybrand Auditor

Board Memberships:

- Rideau St. Lawrence Holdings Inc. (2000-)
  Director
- Canadian Niagara Power Inc. (1999-)
  Director
- Toronto Bruce Trail Association (1996)
  Director

Mr. Fred J. O'Brien
Vice President, Operations
Canadian Niagara Power Company Limited

Education:

1999	Queen's University, Kingston, Ontario Master of Business Administration
1984	Technical University, Nova Scotia Bachelor of Electrical Engineering

Professional Associations:

- Registered Professional Engineer in the province of Ontario

Employment History:

1998 – Present	Canadian Niagara Power Company Limited Vice President, Operations As Vice President, Operations, Mr. O'Brien has all the duties and responsibilities normally associated with the engineering, transmission, distribution and generation staff/assets of an innovative Ontario-based electricity utility company that wholesales generated electricity, provides residential, commercial and industrial energy services and participates in the competitive retail electricity and gas markets.
1984 – 1988	Square D Canada Limited Field Engineer
1988 – 1998	Maritime Electric Staff Engineer; Supervisor System Operations; Manager of Engineering

Board Memberships:

- Director – Chamber of Commerce, Fort Erie

Project Implementation Team

Paul Cammalleri – Project Manager (Photo N/A)

This candidate has over five years of direct project management experience and has held positions varying from functional consultant to Project Manager and has over fifteen years of combined management experience in various industries. He has four years of SAP R/3 experience with three complete implementations. His strong understanding of costing integration and process re-engineering within the supply chain is complimented by his communication skills. His financial and analytical skills along with his strong business acumen, allows him to understand and improve business processes. In addition, he has experience in achieving demanding timelines while maintaining assigned budget. He has demonstrated the ability to work extremely well in a dynamic environment and has developed a solid insight in understanding business requirements.

AREAS OF EXPERTISE

- Project Management
- Budgeting
- Contract Negotiations
- Business Process Reengineering
- Time Management
- Change Management
- FI/CO*, IS-U/CCS*, PS Functional Configuration (* SAP Partner Academy Certification)

PROFESSIONAL EXPERIENCE

1999 - present	**Managing Consultant,** Tridium Technologies Inc.
1998 - 1999	**Project Manager / Senior Consultant** Tullamore Advantage Inc.
1996 - 1998	**Senior Consultant, SAP Practice** Ernst & Young Management Consultants
1995 - 1996	**Project Coordinator** Union Gas/ Centra Gas Ontario
1994 - 1995	**Project Coordinator, Load Research** Union Gas/ Centra Gas Ontario
1992 - 1994	**Economic Analyst** Union Gas/ Centra Gas Ontario
1987 - present	**Property Manager** (part-time) Da Paolo Group

EDUCATION

- COGNOS – Powerplay 6.5, 1999
- Industry Solutions - Utilities, certification 1999
- Powered by *ASAP* methodology, certification 1998
- Project Systems, certification 1998
- Controlling, certification 1997
- Business Process Modeling, FUSION Methodology 1997
- Life Cycle Model, MENTOR 1997

Consulting for the Advanced Practitioner (CAP), 1997
The Canadian Securities Course, 1993
Bachelor of Administrative Studies, (Accounting major) 1991

PROJECTS & ASSIGNMENTS

Project Manager, Tullamore Advantage Inc. (1998 - 1999)

Canadian Niagara Power (1999)

- Managed team members, consisting of configurors and business process analyst
- Responsible for the development and execution of project plan, ensuring timelines and budget are achieved
- Managed Project plan to ensure alignment with multiple cross-functional areas
- Preparation of proposals and presentations to potential clients
- Developed an industry standard solution for the utilities industry
- Conducted training for both clients and junior consultants
- Experienced with pre-sales presentations
- Developed standard templates for project teams for use during implementations

Senior Consultant/ Team Lead, Ernst & Young Management Consultants (1996 – 1998)

Ontario Hydro (1998)

- FI/CO Team Lead – responsible for the consolidation of three separate SAP instances and three separate releases of SAP
- Responsibilities include the facilitation, current state analysis, and future state design
- Development of standards for the future state and ensuring an integrated, complete solution
- Coordination of strategic project plan to accomplish the consolidation of all systems

Canadian Broadcasting Corporation (1997-1998)

- PS Team Lead - Current State, Future State Definition, Configuration - Iteration 1,2, & 3, and Integration Testing
- Managed team members, consisting of configurors and business process analyst
- Defined and configured the PS structure for all project types – Capital, Operating and Maintenance Projects
- Responsibilities include the facilitation of future state, configuration, unit testing and scripting business processes
- Managed Project plan to ensure alignment with multiple cross-functional areas
- Implementation of the PS module as a program costing/managing solution

- Coordinated and guided all scripting and documentation for functional scripts and test case scenarios
- Direct involvement with the overall planning and execution of Integration Testing

Agrevo Canada (1996-1997)

- CO-PA lead - common North American reporting solution for 3 legal entities
- Responsible for the blue printing of the organizations business processes – for three legal entities, operating in three countries, and three different units of measure
- Analysis of the current state business processes
- Development of standards for the future state and ensuring an integrated, complete solution
- Conducted thorough analysis of the client's product costing and made recommendations for future state
- Defined a common reporting solution for 3 legal entities in 3 different currencies, whereby incorporating functionality to report in one common currency at any given time

Bombardier Services Division (1996)

- CO – Team member
- Scoping and planning of the Controlling module implementation
- Configuration of the Controlling module and ongoing knowledge transfer of configuration expertise to the client team.
- Development of end-user procedures.

Project Coordinator, Union/Centra Gas Ontario (1995 –1996)

- Project Coordinator - developed common costing solution for 2 legal entities
- Analysis of current financial systems to be replaced by SAP
- Configuration of SAP software to meet new business processes requirements
  Development of complex, integrated reports - management reports
- Facilitated the planning and execution of Integration testing for all modules - Prototype 1, Prototype 2, and Integration Testing
- Managed Project plans to ensure alignment with multiple functional areas
- Developed and delivered training programs for end-users (test scripts and documentation)
- Conducted "Road Show" presentations to clients and stakeholders

Project Coordinator, Load Research, Union/Centra Gas Ontario (1992 - 1995)

Management of Load Research project across northern, eastern and south-western Ontario
Responsible for all planning, budget, scheduling, and staffing for the project

- Contract negotiations with third party contractors
- Achieved project deliverables on time and on budget

Property Manager, Da Paolo Group (1987 – present)

- Property management of 8 residential and 3 industrial units
- Responsible for all maintenance and up keeping of properties
- Contract negotiations with third party contractors
- All responsibilities for interviewing and selection of tenants
  Sound knowledge of leasing contracts and Landlord/Tenant Act

Glen A. Hawley - Director, Information Technology

Mr. Hawley has led the technical SAP implementation and infrastructure development. He is an expert in systems implementation and management.

Mr. Hawley graduated from Niagara College with a Technical Diploma in 1997. In 1998, he was certified as a Microsoft Certified Systems Engineer and received the designation of Certified Technician from the Ontario Association of Certified Engineering Technicians and Technologists. He is currently engaged in the completion of his Bachelor of Science in Computing Information Systems.

In 1992, Glen was employed with Grimsby Hydro Electric Commission with roles in electrical engineering and information technology.

In 1998, Glen was brought on to Canadian Niagara Power. He has held the positions of Systems Analyst/Administrator, and Director, Information Technology.

Kristine M. Carmichael - Manager, Customer Service

Ms. Carmichael has extensive experience in the implementation of SAP's Customer Care and Service System for CNP and Port Colborne Hydro Inc., and is an expert on OEB market readiness requirements for Customer Service implementation.

Ms. Carmichael graduated from the University of Western Ontario with a Bachelor of Arts in 1992. In 1995, Ms. Carmichael graduated from Brock University with a Bachelor of Business Administration, with a concentration in marketing.

In 1992, Ms. Carmichael was employed with Canada Trust in the capacities of a Customer Service Representative and a Customer Service Officer.

In 1995, Kristine joined Canadian Niagara Power and has held the positions of Customer Service Representative, Retail Marketer and is currently the Manager, Customer Service.

Jennifer Fretz-Joseph - Customer Service Analyst

In 1998, Ms. Fretz-Joseph was assigned to the Mission Possible Team, charged with the task of implementing the enterprise solution SAP. Her focus was in the Customer Care and Service (CCS) component. She worked closely with consultants learning the configuration and functionality of the new software.

Ms. Fretz-Joseph graduated from Brock University in 1994 with a Bachelor of Applied Linguistics.

In 1994, Jennifer became a full time employee of Canadian Niagara Power. She began employment with CNP in the role of Receptionist and has since held various positions of increased responsibility within the Customer Service Department.

Currently, she holds the position of Customer Service Analyst, and is responsible for the daily operations and enhancements to the CCS system.

Maria Passero – Financial Analyst

Ms. Passero was directly involved in the implementation of SAP R/3 for CNP as the Super user for the Financial and Controlling modules. She is actively involved in the configuration of all areas within FI/CO.

Maria graduated from Brock University with a Bachelor of Arts in Business Economics in 1992.

In 1992, Maria was hired with Canadian Niagara Power as a Customer Service Representative. She later held a position as Buyer and is currently the Financial Analyst for CNP, reporting directly to the Manager of Financial Accounting.

Pat Futino – Electrical Technologist

For the past two years, Mr. Futino's focus has been on SAP. He was a team leader for the Device Management and Plant Maintenance modules of CCS during CNP's original implementation and has become an expert in these areas. Mr. Futino's roles included configuration, testing, development of training materials as well as staff training. He has designed and implemented CNP's Power Outage Management System along with a number of other reports.

Pat was a key player in the CCS 1.2 upgrade last year and he is currently managing the data migration component of the Port Colborne Hydro implementation for the PM and DM modules. As well, he is currently working on integrating SAP with remote metering capabilities.

Pat has been with Canadian Niagara Power for 18 years. He has worked in a number of capacities including a Meter and Tester, an Electrician and Transmission and Distribution Technician.

Blaine Desrosiers – Manager, Property & Procurement Services

Mr. Desrosiers was instrumental in the configuration and implementation of SAP's Materials Management Module within the company and is currently in the process of guiding the implementation of SAP R3 at Port Colborne Hydro.

Blaine came to Canadian Niagara Power Company from Horton CBI Ltd. in 1976 as a Draftsman in the Engineering Department.

Over the past 25 years, Blaine has progressed through ranks at Canadian Niagara Power. As well as his current position as Manager of Property and Procurement Services, Mr. Desrosiers has previously held the key positions of Senior Planner and Purchasing Supervisor.

Blaine played a major role in the formation of the Niagara Area Utilities Purchasing Co-Operative. Blaine was chairman of this group from its inauguration in 1993 until 1999.

Mr. Desrosiers has been a member of both the Purchasing Management Association of Canada and the National Association of Fleet Administrators for the past eight years.

As Manager of Property and Procurement Services, Mr. Desrosiers is responsible for all of the company's Property and Facility assets in addition to Rankine Generating Station Maintenance Department, Materials Management Department and Fleet Services.

PROPOSAL FORM

R.F.P #407-01

1. The successful Vendor shall perform the work as defined in the Request for Proposal Documents (herein referred to as the "work") and fulfill all other requirements of the work.

2. The Vendor hereby represents to BPDC Power that it:

   2. has carefully examined the Request for Proposal Documents as listed in the Request for Proposal;

   2.2 has the resources, skills and abilities to perform the work in accordance with the stated requirements.

3. The Vendor understands and agrees that:

   3.1 BPDC Power reserves the right to increase, decrease, delete or vary any portion of the work, and the Vendor agrees to comply with any such change in the work subject to valuation and adjustment as provided in the order.

   3.2 The quantities and/or values, if any, listed by BPDC Power herein are estimates based upon historical information. No claim will be allowed for any loss of anticipated profits resulting from any excess or deficiency in the quantities/values shown.

4. The Vendor represents and warrants to BPDC Power that the several declarations and matters stated in this proposal are true and binding in all respects, and that this proposal has been compiled by the Vendor with full knowledge and understanding of all matters and things called for insofar as they relate to the Request for Proposal Documents.

Please submit a proposal under separate cover, detailing the steps and costs associated with planning and implementing an ERP System for BPDC Power Distribution Corporation all in accordance with this Request for Proposal #407-01.

Prices shall be firm lump sum (excluding taxes) for each phase. **Note: Hourly rates are not acceptable.** Prices shall be in Canadian Funds, and include Currency Exchange, Duty, Brokerage, Freight (if applicable).

Taxes: BPDC Power pays both GST and PST if applicable. Show taxes as extra.

Cost Summary of Implementation: **Price:**

Phase One-(refer to Project Costs section)	Canadian Funds $ 847,500
Phase Two (ditto)	Canadian Funds $ _____
Phase Three (ditto)	Canadian Funds $ _____
Phase Four (ditto)	Canadian Funds $ _____
	Sub Total $ _____

Budgetary Estimates: **Price:**

	Canadian Funds $ _____
	Canadian Funds $ _____
	Canadian Funds $ _____
	Canadian Funds $ _____
	Canadian Funds $ _____
	Canadian Funds $ _____
	Canadian Funds $ _____
	Canadian Funds $ _____
	Canadian Funds $ _____
	Canadian Funds $ _____
	Sub Total $ _____
	Total $ _____

Itemized Breakdown as Quoted in the Cost Summary:

Step:	Price:
Server License(s)	Canadian Funds $ _____
Desktop Licenses	Canadian Funds $ _____
Software Customization	Canadian Funds $ _____
Software Installation (available through SAP)	Canadian Funds $ _____
Training (included in CNP's $250,000 contribution)	Canadian Funds $ (included)
Software Support (included through SAP)	Canadian Funds $ (included)
Software Maintenance (19 % annually paid to SAP)	Canadian Funds $ _____
Miscellaneous costs / Other	Canadian Funds $ _____
License Fee (based on 25 users)	Canadian Funds $ 196,875
IS-U Billing (refer to Project Costs section)	Canadian Funds $ 118,125
IS-U Invoicing & Contract Management (refer to Project Costs section)	Canadian Funds $ 157,500
Hardware Costs	Canadian Funds $ 125,000
Implementation (less CNP's Partnership contribution of $250,000)	Canadian Funds $ 250,000
	Total $ 847,500

Addenda: Specify addendums included in total price (if applicable)
Addendum #1 _____ Addendum #2 _____

I/we the undersigned, herewith agree to Supply and Implement an ERP System all in accordance with this Request for Proposal #401-01 including all technical specifications and drawings and at the price and schedule stated herein.

Submitted by: Canadian Niagara Power Company Limited

Name of Signing Officer: William J. Daley

Title: Vice President, Corporate Development

Address: 1130 Bertie Street, P. O. Box 1218, Fort Erie, Ontario L2A 5Y2

Telephone: (905) 994-3631 Date: June 22, 2001

CLOSING DATE: June 26, 2001 2:00 P.M.

Signature of Signing Officer William J. Daley

CNP CONTACT

CNP welcomes any questions or concerns that BPDC may have. Should you require further clarification you can contact us directly.

Bill Daley – Vice President, Corporate Development

Direct Line: (905) 994-3631

Cell: (905) 993-1713

LETTERS OF RECOMMENDATION

SAP Canada Inc.
4120 Yonge Street, Suite 600
Toronto, Ontario M2P 2B8
www.sap.com

June 14, 2001

Re: Canadian Niagara Power

Canadian Niagara Power first became an SAP Canada customer in August of 1998 having selected SAP as their enterprise-wide solution consistent with their growth strategy in the utility sector. Canadian Niagara Power also become the first electric utilities in the world to go-live with SAP's industry solution for Utilities and ERP, and as a result, continues to provide numerous customer references and business advise to prospective SAP customers. Since becoming a customer of SAP, Canadian Niagara Power has developed and implemented core competencies in SAP to provide a high degree of self-sufficiency in the administration, implementation and on-going sustainment of their SAP environment. Canadian Niagara Power has demonstrated a high degree of dedication to their SAP investment and understands the critical factors which are required to ensure successful implementations of SAP software with the goal - continuously unleashing greater long term benefits for their company, customers and suppliers.

Canadian Niagara Power has managed two upgrades and implementations of SAP. The most recent being the work done to implement Port Colborne Hydro Inc.'s customer base into SAP, in support of their new partnership. This implementation model could certainly be of value in the proposed solution being offered to Bluewater Power. Working closely with SAP Canada, Canadian Niagara Power continues to invest in the on-going education and knowledge transfer of the SAP solution suite to it's own staff thus improving their sustainability on an on-going basis.

Working with Canadian Niagara Power has been a positive experience for SAP Canada and we look to a long and successful relationship.

Ben Flauder
Account Executive,
SAP Canada

PORT COLBORNE HYDRO INC.

380 ELM ST
PO BOX 36 STN MAIN
PORT COLBORNE ON L3K 5V7

TELEPHONE: (905) 835-0051
FAX: (905) 834-4884

June 18, 2001

Bluewater Power
P.O. Box 2140
855 Confederation Street
Sarnia, ON
N7T 7L6

To Whom It May Concern:

We are currently implementing the Customer Care and Service (CCS) module of SAP at Port Colborne Hydro. We have had the pleasure of working with the implementation team from Canadian Niagara Power Inc. (CNPI) for the past few months.

To date, our data has been cleaned, re-formatted and loaded into a test system at CNPI. Our workstations have been upgraded and the software has been loaded onsite. The implementation team from CNPI is extremely focused and knowledgeable in their area of expertise. Our staff has been involved with the CNP team in the testing and re-formatting of our data and has found them to be helpful and professional. While the implementation has been demanding at times, our staff is now getting comfortable with the new environment.

Training has been on going throughout the implementation. CNPI has provided our staff with training manuals and exercises to work on independently and in a group environment. Our Customer Service Representatives shadow CNPI representative's each week to accommodate 'hands-on' training and training sessions are held after hour at both sites.

The project has been a learning experience for all involved. We look forward to working closely with CNPI and the implementation team throughout the go-live and post go-live stages of the CCS implementation.

Kindest Regards,

Dave Reeves
General Manager, Secretary-Treasurer
Port Colborne Hydro Inc.

BLUEWATER POWER DISTRIBUTION CORPORATION

Board of Directors,
Bluewater Power Distribution Corporation

FROM: Dave Simmons, President & Chief Executive Officer

DATE: August 16, 2002

SAP Implementation Project

Bluewater Power Executive acknowledges that cost overruns for the SAP project should have been specifically brought before the Board for approval. This was not done as the result of any other intention other than one of oversight.

Bluewater Power Executive request that the Board acknowledge and accept these expenditures in the amount of $598,000 as at July 31, 2002.

It is estimated that additional costs of approximately $275,000 are required to complete the project. Bluewater Power Executive request the Board approve of this capital expenditure.

Attached for your review is the breakdown and explanation of the costs stated above. Also attached for your review and comment is a draft working paper of the final report that will be provided to you at the September 25, 2002 Board meeting. We are prepared to respond to your comments and answer any questions regarding the paper at our August 20, 2002 conference call.

DL

Dave Simmons,
President & Chief Executive Officer
Bluewater Power Distribution Corporation

Att.

Bluewater Power Distribution Corporation
SAP Implementation Project

Summary of Costs Incurred Since April 1, 2002

Separation Costs	$ 70,000	
Deregulation Costs	$ 355,000	
Core Project Consulting *	$ 173,000	
Total Costs Apr. 1 to July 31, 2002		**$ 598,000**

* These refer to invoices received after April 1, 2002 for services rendered prior to that which were part of the core implementation.

Details of $598,000 Charges Incurred Since April 1, 2002

Separation Costs ***$70,000***

Q&A Server	$35,000
Business Connector Server	$20,000
Operating Software/Cabling	$15,000
Total Separation Costs Post-April 1	$70,000

These were the costs necessary to separate our combined server from CNP to be in an independent position locally.

Deregulation Costs ***$355,000***

Consultant's fees and expenses related to deregulation programming includes the following.

Distributor consolidated billing	$98,000
Market ready rate configuration	$71,000
Retailer configuration	$61,000
EBT transactions	$58,000
Retail settlement - sales & distribution	$67,000
Total Deregulation Post April 1	$355,000

Core Project Consulting ***$173,000***

These represented the last invoices related to the core project, which were included later than expected.

This included consultants and their expenditures related to the last month of intensive work prior to the go-live period.

Projected Costs - SAP Development

Total Projected Costs ***$275,000***

While the SAP solution is implemented and functioning at Bluewater Power, there are still some ongoing development and configuration efforts. These are necessary to retain compliance with the Ontario Energy Board and to further ensure business best practices at Bluewater Power.

Currently, there is one initiative occurring to work through some issues and streamline business process in the Customer Service area. This involves one SAP CCS consultant and is expected to continue through the end of August 2002. Costs in addition to those reported to the end of July 2002 are expected to be approximately $100,000. These expenditures are necessary to correct some transaction based configuration that occurred in the original SAP implementation and to provide further SAP training for the Customer Service, Billing and Collections staff at Bluewater Power.

In addition, there are two requirements put forth by the Ontario Energy Board that Bluewater Power must implement in order to remain in compliance. These include Retailer Consolidated Billing and Annual Consumer Rebates.

Retailer Consolidated Billing

Retailer Consolidated Billing is a provision set forth in the Retail Settlement Code that allows licensed retailers to bill customers on behalf of the Local Distribution Company. Currently, Bluewater Power has one retailer who wants to provide this service. While this includes a small number of Bluewater Power customers, Bluewater is required to make the necessary changes to remain compliant. The anticipated cost of this development is approximately $60,000.

Annual Consumer Rebate

The Annual Consumer Rebate is functionality that the Ontario Energy Board has recently sanctioned that must be available by end of October 2002. This functionality will calculate an annual rebate to customers from Ontario Power Generation as required under

the market mitigation agreement. Bluewater Power has not yet developed a scope of requirement for this development, but expects that the costs could exceed $50,000.

Other work includes the following:

Industrial billing requires additional work to perfect this unique rate category. This may cost $20,000. CNP currently does not bill their large users in the SAP system. These are billed manually.

Statistical reporting was never incorporated into the CNP template. This information is necessary for OEB reporting purposes and provincial reporting purposes. The development of this is expected to cost $30,000.

A decision on the future of water/sewer billing is being researched. The SAP system is currently not capable of performing this function. This may result in additional dollars depending upon the Board's direction. This proposition will be brought to the Board if and when it is justified.

Finally, there has been some consulting efforts that occurred for which invoicing has not yet been sent to Bluewater Power. This is expected to cost approximately $15,000.

Impact on Other Capital Spending

The SAP spending is a deferred cost as per the OEB guidelines. Thus, although it has no net income impact it has an immediate cash flow impact. This cash flow impact will be mitigated upon OEB approval of the disposition of the transition deferral account, slated for January 2003.

As such, Bluewater Power has analyzed what approved budgeted capital projects could be postponed to accommodate the additional cash flow pressure. We have to be careful to ensure such postponement does not significantly negatively impact net income due to the level of forecast capitalized labour.

Downtown Rebuild Program

This 2002 budgeted capital project was intended to rebuild portions of the downtown core infrastructure. The cost of this project is budgeted at $100,000. The job was primarily to be constructed on overtime hours, due to the nature of the businesses affected. This job can be postponed until 2003 without significantly affecting reliability or capitalized labour.

Substation #2

This 2002 budgeted capital job was intended to replace several key components of the #2 Substation. The cost of this project is budgeted at $300,000. This job consists of primarily material costs and can be postponed until 2003.

Miscellaneous IT Expenditures

There are a few smaller miscellaneous projects, which had been budgeted for that can be postponed or reduced. This includes the following:

Paperless Office	$2,000
Web Docs	$45,000
AS 400 Elimination	$10,000

SAP Budgeted Expenditures

As part of the 2002 capital budget process the Board of Directors approved $100,000 for routine SAP development. Given we are now accumulating all 2002 dollars in the transition cost/implementation cost account, these budgeted dollars are not necessary in this form.

Summary of Impact of Capital Spending

As a result, $557,000 of budgeted capital projects can be postponed to accommodate the additional cash required by the market readiness project. This will help to ease the cash flow issue until 2003. It is anticipated the OEB will allow for at least staged recovery of the SAP market ready expenditures beginning in 2003.