



UE20942

IN THE MATTER of an application by Maritime Electric Company, Limited (“MECL” or the “Company”) for an Order of the Commission approving rates, tolls and charges for electric service for the period beginning March 1, 2016 and for certain approvals incidental to such an Order.

Interrogatories of Commission Staff

February 10, 2016

Commission staff hereby requests responses to the following written questions:

General

1. Provide a breakdown, by category, of all payments to Fortis or Fortis related companies for each of years 2014 and 2015.
2. Provide a breakdown, by category, of the corporate services and support account (page 52 of original application) for costs incurred in 2014 & 2015 and the projected costs for 2016.
3. With respect to Articles 4.1 and 4.2 of the 2016 General Rate Agreement between the Company and the Government of Prince Edward Island (the “Agreement”), explain the circumstances under which MECL may recover from customers funds for the RORA account. Why should customers wait until after this agreement expires before receiving any rebate of RORA earned during the contract period?
4. With respect to Schedule 9-2 of Appendix B of the amended application of the Company dated February 5, 2016 (“amended application”) provide an explanation of the NB/Cable Interconnection charges and an explanation of the Schedules 1, 2,3c,4,9 and 10 charges.
5. During the period from March 1, 2016 to February 28, 2019, under what circumstances would the Company seek Commission approval for an amendment to the ECAM base rates as set out in paragraph 2 of the proposed order in the amended application?

Rates – Schedule 9-1 of Refiled Application

6. With respect to Schedule 9-1, page 21 of the amended application, provide an explanation of the “Provincial Costs Recoverable” of \$41.81.

7. What is the current balance of the existing Cable Contingency Fund and when will this fund be fully replenished? Will the new cables require a new Cable Contingency Fund and if so what is the projected balance of this fund?
8. Is the cost recovery for the recently announced replacement cables included in the 2.3% rate increase? What is the estimated capital cost of the cable replacement project? How much of this amount is to be recovered from ratepayers and over what time period?

Depreciation

9. Under which section of the *Electric Power Act* are you requesting the revised depreciation rates be effective as of January 1, 2016?
10. Does the Commission have jurisdiction to amend depreciation rates for MECL before March 1, 2016? To recover the requested depreciation on the CGS for 2016, what rate of depreciation would be required if the date for the implementation is March 1, 2016?
11. With respect to Appendix 2 of the proposed order in the amended application, provide a breakdown of the anticipated annual capital expenditures in each of the years 2017 and 2018.
12. With respect to Schedule 12 – 11, page 80 of the original application of the Company dated October 21, 2015 (“original application”), what are the amortization rates associated with Intangible Assets? Provide a breakdown of assets in this category by asset class and fiscal year created.

Financial

13. The cost of service study discussed in Section 13 of the Application demonstrates that that Residential Customers have not been paying the full costs of providing service to them, but that General Service customers have been paying more than the cost of their service. Is this correct?
 - a. The amended application proposes delaying changes to the second block discount rates until a further detailed study is completed. Is this correct?
 - b. Is it correct (based on page 9 of the original application) to say that maintaining the current second block rate system is estimated by Maritime Electric to be a subsidy of \$773,000, over term of the Agreement, to that portion of the residential customer class consuming over 2000 kwh/month?
14. Why should the Commission delay implementation of the second block rate changes proposed by MECL in the original application? Are you aware of any other jurisdiction in North America which has a discounted pricing structure for greater energy consumption by residential customers?
15. With respect to the weather normalization mechanism and reserve, under what section of the Electric Power Act does the Commission have jurisdiction to order this effective January 1, 2016? What are the implications of changing the effective date to March 1, 2016?

16. Please provide particulars of cost saving initiatives to be implemented over the term of this agreement which will result in customer savings.
17. MECL's Schedule of Interest Expense on Long Term Debt (Schedule 12-4 of the original application) includes some debt with higher than currently available borrowing rates. Has MECL done an analysis to determine if this debt can be retired or re-negotiated to take advantage of current borrowing rates?
18. Have the changes in the *Electric Power Act* increasing the debt to equity ratio and capping the equity component at 40% resulted in higher borrowing costs for MECL?
19. With respect to Appendix B, Schedule 9-1 of the amended application, there is a significant increase in OATT expense in 2017 and 2018, please explain.
20. With respect to Appendix B, Schedule 15-1 of the amended application, please explain the expenditure planned for Borden-Carleton generation in 2018.

Energy Supply

21. Is there a signed contract with NB Power which will provide firm, contractual energy and transmission necessary to provide reasonably safe and adequate service over the term of the Agreement? If so, please provide a copy.
22. With respect to Appendix B, Schedule 8-3 of the amended application, MECL is projecting increases in firm energy purchases and decreases in system energy purchases over the term of this agreement. Please explain.

Point Lepreau

23. What is the Point Lepreau Classification study and what is its purpose?

Demand Side Management

24. What annual budget amount has been included in the Schedule of Inputs for DSM ?
25. What are the rate consequences over the term of the Agreement if no DSM plan is approved or a DSM plan is approved for a different value than budgeted in the Schedule of Inputs?

Rate of Return

26. Attached find reports issued by Concentric Energy Advisors and Ontario Energy Board ("OEB") staff relating to Cost of Capital and Equity Returns. Please provide commentary rationalizing the agreed upon ROE of 9.35% in the Agreement with the analysis of these reports. Please advise on the Company's estimates of risk premiums which should be paid to MECL as a result of its size, location or other unique factors.
27. Do you have any information indicating the Schedule of Inputs is now inaccurate, or will within the term of the Agreement, be different than the projections therein in any material respect?

Responses to these interrogatories must be received by the Commission by Thursday February 18, 2016 at 4:00 pm. Additional interrogatories may follow.

DATED at Charlottetown, Prince Edward Island, this 10th day of February, 2016.

A handwritten signature in blue ink, appearing to read "J. Mark Lanigan".

J. Mark Lanigan CA, CPA
Director, Corporate and Appeals
Division, Island Regulatory & Appeals
Commission

Attachments – Concentric Report
OEB Report