

Multeese Consulting Incorporated

163 Parkcrest Drive, Lawrencetown, N.S. B2Z 1M1

June 10, 2019

Island Regulatory and Appeals Commission
P.O. Box 577
Charlottetown, PE C1A 7L1

Dear Commissioners:

Re: MECL's Response to Multeese Direct Evidence – Exhibit M-23

On May 31, 2019, MECL filed its response to my Direct Evidence, as filed on May 23, 2019. In its response, MECL compares my proposal to increase the Residential second block price in three increments to make it equal to the first block price, to an alternate approach of adjusting the second block energy threshold from its current level of 2000 kWh per month to 3000 kWh per month in year 1 (March 1, 2019), to 4000 kWh per month in year 2 (March 1, 2020) and eliminating the second block in year 3 (March 1, 2021). I wish to make three comments with respect to MECL's response:

- a) MECL's comparison is presented "an illustration of the economic impact to high use customers", but it is not clear whether MECL is actually proposing to modify its approach to the second block to be different from what was proposed in its Application (Exhibit M-1).
- b) In its illustration, the Company uses the 2018 Residential tariff, and in applying the Multeese approach eliminates the difference between first and second block prices in three equal increments. My approach, however, does not eliminate the difference in equal increments of \$0.00983/kWh, but in three unequal increments of \$0.0081/kWh, \$0.0078/kWh and \$0.0197/kWh. Further, my proposal does not equalize the first and second blocks based on 2018, but over the three years 2019, 2020 and 2021, and my adjustments to the second block are related to the changes I propose with respect to the General Service class.
- c) If MECL's illustration is recalculated with the second block prices proposed by MECL in Schedule 15-1 applied to MECL's option and with the second block prices as proposed by Multeese in its Table 10 applied to the Multeese approach, the incremental increases associated with the Multeese approach are less pronounced, as shown in Table A.

Table A: Comparison of Incremental Multeese Increases (\$)

Year	MECL Illustration			Using Proposed Rates		
	Increase Using Multeese Approach	Increase Using Block Increase Alternative	Incremental Multeese Increase	Increase Using Multeese Approach	Increase Using Block Increase Alternative	Incremental Multeese Increase
1	1130	407	723	984	617	367
2	1130	407	723	955	645	310
3	1130	2576	-1446	2323	3000	-677

Details of the calculations supporting the differences as calculated by MECL are included in Exhibit M-23. Details of the calculations supporting the differences based on prices as actually proposed for 2019, 2020 and 2021 are attached.

As these numbers show, the Multeese approach results in higher increases in the first two years, with a lower increase in year three. This is true in MECL's illustration, and it is also true using the actual rates proposed by MECL or Multeese. In the latter case, however, the incremental Multeese increase is much lower in all years.

Yours truly,

Mel Whalen, P. Eng.
President