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## Interrogatories of Commission Staff

**TO:** Maritime Electric Company, Limited

**FROM:** Cheryl Mosher, Senior Financial Advisor

**DATE:** November 10, 2020

**RE:** Application for Electric Rates effective March 1, 2020 and March 1, 2021

**DOCKET:** UE20944

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The Island Regulatory and Appeals Commission (the “Commission”), in assessing the application submitted by Maritime Electric Company, Limited (“Maritime Electric” or “MECL”) for electric rates effective March 1, 2020 and March 1, 2021, requests responses to the following interrogatories:

90. Since 2013, MECL has been collecting its annual contribution to the cable contingency fund (\$375,000) through a rate rider charged to electricity customers at the rate of \$0.00027/kWh. In accordance with Commission **Order UE18-05**, the Commission ordered that the cable contingency contribution be collected through the OATT, effective August 1, 2018. As there has been no change to electric rates for distribution customers since March 1, 2018, please explain:
  - a. How the cable contingency fund contribution has been collected since August 1, 2018?
  - b. Has MECL continued to charge the rate rider of \$0.00027/kWh to distribution customers since August 2018?
  - c. If so, please provide a complete accounting of the funds collected through the rate rider from August 1, 2018 to present.
91. Please provide the actual monthly energy sales (GWh) for the period from January 1, 2020 to October 31, 2020, and compare to MECL’s forecast monthly sales as filed in the July 2019 update [see **Exhibit M-25**]. In the event the actual energy sales differ from the forecast in any month(s), please provide an explanation for the variance(s). Please identify any variances related directly to the COVID-19 pandemic.

92. Has the COVID-19 pandemic impacted MECL's forecast financial position for 2020? If so, please explain and quantify.
93. In July 2019, MECL forecast its 2019 energy sales to be 1,305.5 GWh [see **Exhibit M-25**]. Its actual energy sales for 2019 were 1,286.9 GWh. Although MECL's actual energy sales were less than forecast in 2019, the Company over-earned by \$3.5 million in 2019.
- Please explain why MECL over-earned in 2019, notwithstanding that its energy sales were less than forecast, and notwithstanding that there has been no change in electric rates since March 1, 2018.
  - In the event the Company's 2019 over-earnings were due to variances between forecast and actual results or expenditures for 2019, please provide a side-by-side comparison of the forecast versus actual amounts, together with explanations for the variances.
94. In its report dated October 14, 2020, Grant Thornton recommends that the Commission consider "*whether the short term borrowing rate is an appropriate rate to be charged given that RORA is a component of rate base where its components earn (or pay) a return based on the Company's weighted average cost of capital (or return on average rate base)*" [see **Grant Thornton Report at page 62, lines 8-10**]. Please comment on this recommendation.
95. The proposed rates and rate impact as calculated by MECL assume that electric rates will be implemented effective March 1, 2020 and March 1, 2021, and that the rate setting period will end on February 28, 2022. Please provide a schedule showing the impact on the proposed rates assuming that the proposed rates are implemented effective January 1, 2021 and that the rate-setting period will end on February 28, 2022. Assume all other requests made by MECL in the application are approved as filed.
96. Please provide the rates and the rate impact that arise from the following scenarios.

**SCENARIO 1:**

Please assume as follows:

- The Commission approves a revenue shortfall account. The balance of the revenue shortfall account is equal to the amount of revenue required for MECL to meet its 2020 rate of return calculated based on rates that are currently in effect (i.e. do not assume there was a rate increase on March 1, 2020). Please include the calculation of this amount based on actual results from January 1, 2020 until October 31, 2020, and forecast results from November 1, 2020 until December 31, 2020.
- The CTGS accumulated reserve is recovered over a sixty-month period beginning January 1, 2021.
- The Hurricane Dorian costs (\$3,002,900) are recovered using the 2019 RORA balance.
- MECL's share of the EE&C costs collected through the rate rider from March 1, 2019 to December 31, 2020 are remitted to PEIEC. The EE&C rate rider for the 2020/2021 collection period is reduced accordingly. Please provide all supporting calculations, including forecasts for the period from November 1, 2020 to December 31, 2020.

- The balance of the RORA account and WNR account are used to offset the ECAM balance. Any remaining RORA balance is refunded to ratepayers over a twelve (12) month period beginning January 1, 2021.
- The rates are implemented effective January 1, 2021 and the rate-setting period will end on February 28, 2022.
- All other requests made by MECL in the application are approved as filed.

#### **SCENARIO 2:**

Please assume as follows:

- The Commission does not approve any revenue shortfall account.
- The CTGS accumulated reserve is recovered over a sixty-month period beginning January 1, 2021.
- The Hurricane Dorian costs (\$3,002,900) are recovered using the 2019 RORA balance.
- MECL's share of the EE&C costs collected through the rate rider from March 1, 2019 to December 31, 2020 are remitted to PEIEC. The EE&C rate rider for the 2020/2021 collection period is reduced accordingly. Please provide all supporting calculations, including forecasts for the period from November 1, 2020 to December 31, 2020.
- The balance of the RORA account and WNR account are used to offset the ECAM balance. Any remaining RORA balance is refunded to ratepayers over a twelve (12) month period beginning January 1, 2021.
- The rates are implemented effective January 1, 2021 and the rate-setting period will end on February 28, 2022.
- All other requests made by MECL in the application are approved as filed.

#### **SCENARIO 3:**

Please assume as follows:

- The Commission does not approve any revenue shortfall account.
- The CTGS accumulated reserve is deferred to the next rate setting period.
- The Hurricane Dorian costs (\$3,002,900) are recovered using the 2019 RORA balance.
- MECL's share of the EE&C costs collected through the rate rider from March 1, 2019 to December 31, 2020 are remitted to PEIEC. The EE&C rate rider for the 2020/2021 collection period is reduced accordingly. Please provide all supporting calculations, including forecasts for the period from November 1, 2020 to December 31, 2020.
- The RORA account balance is used to offset the ECAM balance. The WNR account remains as deferred. Any remaining balance of the RORA account is refunded to ratepayers over a twelve (12) month period.
- The rates are implemented effective January 1, 2021 and the rate-setting period will end on February 28, 2022.
- All other requests made by MECL in the application are approved as filed.

#### **SCENARIO 4:**

Please assume as follows:

- The Commission approves a revenue shortfall account. The balance of the revenue shortfall account is equal to the amount of revenue required for MECL to meet its 2020 rate of return calculated based on rates that are currently in

effect (i.e. do not assume there was a rate increase on March 1, 2020). Please include the calculation of this amount based on actual results from January 1, 2020 until October 31, 2020, and forecast results from November 1, 2020 until December 31, 2020.

- The CTGS accumulated reserve is recovered over a sixty-month period beginning January 1, 2021.
- The Hurricane Dorian costs (\$3,002,900) are recovered using the 2019 RORA balance.
- MECL's share of the EE&C costs collected through the rate rider from March 1, 2019 to December 31, 2020 are remitted to PEIEC. The EE&C rate rider for the 2020/2021 collection period is reduced accordingly. Please provide all supporting calculations, including forecasts for the period from November 1, 2020 to December 31, 2020.
- The RORA account balance is used to offset the ECAM balance. The WNR account remains as deferred. Any remaining balance of the RORA account is refunded to ratepayers over a twelve (12) month period.
- The rates are implemented effective January 1, 2021 and the rate-setting period will end on February 28, 2022.
- All other requests made by MECL in the application are approved as filed.

The Commission may approve electric rates based on the above scenarios. With this in mind, please provide any comments that MECL may have with respect to each of these scenarios, including any details or information that may be pertinent to the Commission's decision.

**Additional interrogatories may follow.**



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Prince Edward Island Regulatory & Appeals Commission