Request IR-49:

Please answer the following questions regarding MECL's most recent rate case filing.

a. Did MECL make adjustments to its sales forecasts to reflect anticipated customer adoption of distributed energy resources? If so, how were such adjustments made? Please provide a reference to all sections and exhibits in the rate case filing that pertain to load forecast adjustments for distributed energy resources.

b. Did MECL make adjustments to its sales forecasts to reflect anticipated customer adoption of energy efficiency and conservation? If so, how were such adjustments made? Please provide a reference to all sections and exhibits in the rate case filing that pertain to these adjustments.

c. Please provide a reference to all the sections and exhibits in the most recent rate case filing that pertain to estimates of future revenue requirements.

d. Does MECL use a future test year?

e. How many years of revenue requirements does the rate case forecast include?

f. What assumptions are used in estimating the revenue requirements in the future test year?

g. Are the revenue requirement forecasts based on inflation, and/or productivity, and/or some other index?

Response IR-49

a.

MECL did not make any adjustments to its sales forecast to reflect anticipated customer adoption of distributed energy resources because the quantities involved are not material.

On average, MECL is experiencing an increase of 0.25 GWh annually in the amount of energy received from net metering customers. Most of this increase is from residential rooftop solar photovoltaic (PV) installations. The energy received represents an estimated 2/3 of the annual generation by a solar PV installation, and it does not reduce MECL's energy sales – rather it displaces purchases from NB Power at the wholesale price.

The other 1/3 of the annual generation by a solar PV installation is used directly by the customer (i.e. behind the meter) and represents an annual reduction in energy sales of 0.13 GWh. This is not considered significant when compared to the forecast increase in energy sales of approximately 30 GWh annually over the three year period (2019 – 2021) covered by MECL's November 2018 General Rate Application.

b.

The sales forecast shown in Schedule 7-3 of MECL's November 2018 General Rate Application has factored in (i.e. has been reduced by) efficiencyPEI's estimated savings due to their planned energy efficiency programs.

The table below shows the energy efficiency savings that were taken into account in preparing the sales forecast. It is based on information received from efficiencyPEI, and the following assumptions:

- efficiencyPEI's energy efficiency programs were assumed to start in October 2018
- MECL supplies 90% of the PEI electricity load, so 90% of efficiencyPEI's estimated savings were assumed to apply to MECL

Year	Residential (GWh)	General Service (GWh)	Cumulative Total (GWh)	Year Over Year Change (GWh)
2018	0.4	0.3	0.7	0.7
2019	2.3	2.1	4.4	3.7
2020	5.4	5.7	11.1	6.7
2021	9.0	10.7	19.7	8.6

c.

References to future revenue requirements for the years 2019 – 2021 can be found in the Company's November 2018 General Rate Application filing in the following sections:

- Section 7 – Energy Sales Forecast
- Section 14 – Financial Forecast
- Appendix 3 – Financial Statements

d.

Yes. Maritime Electric's revenue requirements for the years 2019 – 2021 are based upon projected sales, revenues and costs for those years.

e.

The Company's November 2018 General Rate Application filing includes three years of forecast revenue requirement for the period 2019 - 2021

f.

The assumptions or proposals used in forecasting revenue requirement in the Company's November 2018 General Rate Application filing for the period 2019 – 2021 are discussed throughout the application and include:

- Proposals with respect to the recovery of amounts on behalf of the Province of PEI (Section 4).
- Proposals with respect to the administration and recovery of certain regulatory deferral accounts such as the Energy Cost Adjustment Mechanism, Weather Normalization Reserve and Rate of Return Adjustment Reserve Account (Section 5).
- Proposals with respect to the recovery of depreciation on the Company's assets, including provisions for the recovery of costs associated with the planned decommissioning of the Charlottetown Thernal Generating Station (Sections 6 and 11 as well as Appendices 9 – 11).
- Assumptions with respect to annual sales growth levels for 2019 – 2021 (Section 7).
- Projected costs in 2019 – 2021 with respect to Generation, Transmission, Distribution and General Expenses (Sections 8, 9 and 10).
- Proposals with respect to the Company's target return on average common equity, target equity component and forecast debt financing costs for the years 2019 – 2021 (Section 12).
- Summary information showing the impact of the assumptions on revenue requirement throughout the application (Section 14)

g.

The revenue requirement forecasts are not directly linked to inflation or productivity indexes but are based upon the Company's projected costs for the 2019 – 2021 period. The projections reflect the various proposals throughout the application that impact revenue requirement. For the Company's projected capital and operating costs, estimates are based upon planned work activities in each of the years and those related costs reflect annual escalation estimates that align with anticipated labour cost increases and inflationary increases for material and other costs.