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Interrogatories of Commission Staff

TO: Maritime Electric Company, Limited

FROM: Cheryl Mosher, Senior Financial Advisor

DATE: November 2, 2022

RE: Rate Design Application

DOCKET: UE22503

RATE DESIGN STUDY[1]

1. The Farm Rate Study (attached as Appendix C to the Rate Design Study) is identified as a "preliminary draft" and states that "*a final report is planned for late in 2020, based on 24 months of hourly metered data*". Please provide the final Farm Rate Study. Does the final study impact any of the proposals in the Rate Design Study or the Rate Design Application?

2. Upon elimination of the Residential declining block rate, Maritime Electric is proposing to give farms the option to remain in the Residential rate class or migrate to the Small Industrial class. In doing so, Maritime Electric is proposing to allow each farm customer to choose the most advantageous rate class based on its electricity usage.

   a) Is this consistent with Maritime Electric's General Rules and Regulations?

   b) Do any other Maritime Electric customers have the option to choose which rate class they take service under?

   c) If not, please provide justification for allowing farm customers to choose their rate class.

   d) Please explain how allowing farm customers to choose the most advantageous rate class is consistent with cost of service regulation.

   e) Please explain how allowing farm customers to choose the most advantageous rate class is consistent with Bonbright's principles of rate design,[2] specifically:

      i. Freedom from controversies as to proper interpretation;

[1] See Exhibit M-1(a), filed June 30, 2020.
[2] See Rate Design Study at page 19.

ii. Fairness of the specific rates in the apportionment of total costs of service among the different customers;

iii. Avoidance of undue discrimination in rate relationships; and

iv. Efficiency of the rate classes and rate blocks in discouraging wasteful use of service while promoting all justified types and amounts of use.

3. Refer to Maritime Electric's General Rules and Regulations.

a) Please explain why service to churches falls within the Residential rate class, while service to other religious and charitable institutions falls within the General Service rate class.

b) How does MECL distinguish between churches and other religious and charitable institutions. Please provide examples of each.

4. In Appendix C, at pages 84 to 85 of the Rate Design Study, MECL discusses the requirements for farms to be eligible under the Small Industrial rate class. What changes to MECL's General Rules and Regulations are required to facilitate the proposed migration of farms to the Small Industrial rate? In particular, please specify any proposed amendments to the exiting definitions (Section B) and the rate application guidelines (Section N).

5. Assume farm customers are given the option to either remain in the Residential rate class or migrate to the Small Industrial rate. Provide an estimate of the number of farms that are expected to remain in the Residential rate class, and those that are expected to migrate to the Small Industrial rate class.

6. Based on the above estimates, and assuming that MECL's Rate Design Application is approved as filed, calculate the resulting RTC for each of MECL's rate classes.

RATE DESIGN APPLICATION – STAGE 1[3]

7. In Docket UE20954, Maritime Electric defined "rate shock" to mean "*a rate increase so high that some customers cannot pay their bills. The determination of the point at which a rate increase qualifies as rate shock is subjective*."
Maritime Electric continued to state that "*while* [rate shock] *is one consideration in developing rate proposals, it is not, nor should it be, the only consideration*."[4]
In the present application, MECL is proposing to limit annual increases in customers' bills to 5% to "*minimize rate shock*".[5]

a) Is it MECL's position that an annual rate increase of greater than 5% represents rate shock?

[3] See Exhibit M-1, filed May 14, 2021.
[4] See Docket UE20954, Exhibit M-7, Maritime Electric response to IR-1 and IR-3.
[5] See Rate Design Application, page 21.

b) If yes, what evidence does MECL have regarding customers' inability to pay bills if an annual rate increase exceeds 5%?

8. At page 41 of the Application, Maritime Electric states that "*Net metering customers pay little or none of the demand related fixed costs associated with their service resulting in these costs being recovered from all other customers in their rate class*". MECL estimates that net metering customers are avoiding approximately $645 of fixed costs per year, and that net metering customers have a RTC of only 31 percent.[6]

a) Please provide the average cost broken down by component incurred by Maritime Electric to connect a net metering customer. Are these costs fully recovered by the net metering customer? If not, please explain how these costs are recovered.

b) Please explain why Maritime Electric is not proposing to increase the monthly service charge to recover these costs from net metering customers.

c) Has Maritime Electric considered creating a separate rate class for net metering customers? Please explain.

d) If Maritime Electric created a separate rate class for net metering customers, what would the monthly service fee be to recover costs associated with a net metering customer? Please include the justification, calculations and RTC's under this scenario.

e) Please explain how the subsidization of net metering customers by other ratepayers is consistent with Bonbright's principles and the preamble to the *Electric Power Act*, which requires electric rates to be reasonable, publicly justifiable and non-discriminatory.

9. Maritime Electric has identified 45 "Other" Residential customers with consumption greater than 5,000 kWh. These 45 customers include two (2) cannabis grow operations, three (3) fish farms, and nine (9) agricultural related customers.

a) Refer to the definition of farm in Maritime Electric's General Rules and Regulations. Please explain why these 14 customers are not classified as "farms".

b) Refer to MECL's response to IR-1(c) issued by Synapse Energy Economics, Inc. ("Synapse").[7] In the 2017 Cost Allocation Study, MECL identified these 14 customers as Residential-Farm. In the 2020 Cost Allocation Study, MECL re-classified these customers as Residential-Year Round. There was no change to the definition of "farm" in the General Rules and Regulations between 2017 and 2020. Please explain why MECL re-classified these customers in 2020.

c) Is MECL proposing that these 14 customers remain the Residential rate class? If so, please provide justification.

d) Refer to MECL's response to IR-1(a) issued by Synapse.[8] MECL states that, in retrospect, three grain-handling operations currently served under the Residential rate

[6] See Rate Design Application, Appendix D, pages 2-3.
[7] See Exhibit M-7, pages 1-2.
[8] See Exhibit M-7, page 1.

should be served under the General Service or Small Industrial rates. Is MECL is proposing to move these customers to either General Service or Small Industrial as part of this Application? Please explain.

e) Assuming these 14 customers are classified as farms and allocated to Cohort 6, please calculate the resulting RTC ratios for Cohorts 6 and 7.

10. In response to IR-28 issued by Synapse,[9] MECL states that a significant portion of the 45 customers in Cohort 7 would be eligible for service under the Small Industrial rate class.

a) Which of these customers should be classified as Small Industrial based on MECL's existing General Rules and Regulations?

b) Please explain why MECL is not proposing to migrate these customers to the Small Industrial rate as part of this Application.

11. Refer to MECL's response to IR-6(a) issued by Synapse.[10] MECL states that it has changed its approach to how it classifies farms in its billing system. As a result, the number of farms in MECL's billing system has decreased from 2,094 in the 2017 Cost Allocation Study, to 523 in the 2020 Cost Allocation Study.

a) There has been no change to the definition of "farm" in MECL's General Rules and Regulations between 2017 and 2020. Please explain on what basis MECL has changed the classification of farms.

b) Do the 523 farms identified in the 2020 CAS only include farms in the Residential rate class that use more than 5,000 kWh per month?

c) In the Application, MECL is proposing certain rate design changes for "farms". Will these changes apply to the 2,094 farms identified in the 2017 CAS, or the smaller subset of 523 identified in the 2020 CAS?

12. In response to IR-6(d) issued by Synapse, MECL states that "*small farm system usage was captured in the Residential Load Study*".[11] Has MECL included farms in its Residential Load Study? If so, please explain and justify.

REPORT PREPARED BY SYNAPSE ENERGY ECONOMICS[12]

13. In Table 2 at page 7 of the Synapse Report, Synapse estimates the coincident peak and non-coincident peak load factors for Cohorts 5 and 7. Does MECL agree with these estimates? Please explain.

14. Refer to Table 3 at page 8 of the Synapse Report. Eliminating the declining block rate is not, in itself, sufficient to bring moderate to high usage Residential customers within the

[9] See Exhibit M-2, page 31.
[10] See Exhibit M-6, pages 6-7.
[11] See Exhibit M-6, page 8.
[12] See Exhibit C-4, filed May 13, 2022 ("Synapse Report").

target RTC ratio of 95 to 105. Synapse states that "*additional rate changes would be required to generate the needed revenues*".[13] Please propose additional changes to MECL's rate structure to bring moderate and high usage Residential customers within the target range of 95 to 105.

15. Synapse determined that the usage, load factor and load curves of farms differs from Residential, General Service and Small Industrial customers. As a result, Synapse recommends that farms be separated into a new rate class. Please propose a new rate class (or classes) for farms based on the load data currently available. Please provide the resulting RTC ratios.

16. Synapse determined that MECL's monthly Residential service charge is "*among the highest residential customer charges of investor-owned utilities in North America*".[14]

    a) Please calculate the Residential service charge using the basic customer method as defined by Synapse. Please calculate the resulting change in the Residential basic rate, as well as the RTC for each Residential cohort identified in Table 2 of the Synapse Report. Assume that the Residential declining block rate is eliminated.

    b) If MECL does not agree with using the basic customer method to calculate the Residential service charge, please propose an alternate manner of determining the service charge. Please include justification and the calculations request in (a) above.

17. On page 18 of the Synapse Report, at footnote 40, Synapse states that the average monthly usage for a Residential customer is approximately 800 kWh. Does MECL agree with this estimate?

18. Please provide the names, addresses, and monthly consumption level (in kWh) for each of MECL's customers in the Residential rate class who consumed more than 5,000 kWh per month in 2021. This includes both farm and non-farm customers within the Residential rate class. The Commission asks that the information be broken down by month, and that farms (as classified in the 2017 Cost Allocation Study) and net metering customers be clearly identified by MECL.

Additional interrogatories may follow.

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[13] See Exhibit C-4, at page 9.
[14] See Exhibit C-4, at page 21.