

CANADA

EU 20940

PROVINCE OF PRINCE EDWARD ISLAND

BEFORE THE ISLAND REGULATORY  
AND APPEALS COMMISSION

IN THE MATTER of Section 20 of the  
Electric Power Act (R.S.P.E.I. 1988, Cap.E-  
4) and IN THE MATTER of the Application  
of Maritime Electric Company, Limited for  
an order of the Commission approving rates,  
tolls and charges for electric service for the  
periods beginning April 1, 2010 and April 1,  
2011 and for certain approvals incidental to  
such an order.

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INTERROGATORIES  
MINISTER OF ENVIRONMENT, ENERGY AND FORESTRY  
PROVINCE OF PRINCE EDWARD ISLAND

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February 19, 2010

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Reference: Background Documentation and Information Applicable to the Application

1. Please provide a copy of the audited financial statements for the Applicant for the last five (5) years.
2. Please provide a copy of the annual report submitted by the Applicant to the Island Regulatory and Appeals Commission for the last (5) years.

Reference: Background Documentation and Information Applicable to the Application

1. Please provide a copy of all capital budgets and approvals for the past five (5) fiscal periods.
2. Please reconcile, for the past five (5) years, capital budget approvals and the attendant changes to the appropriate capital accounts on the balance sheet.
3. If there are end-of-fiscal year reports submitted to the Island Regulatory and Appeals Commission, please provide a copy for each of the five (5) years. If there are no reports submitted, please explain why.

Reference: Background Documentation and Information Applicable to the Application

1. Please provide a copy of the last approved cost of service (cost application) study. Provide the copy in both hard copy and electronic format as an Excel worksheet. Indicate the author(s) of the study, the date it was prepared, and the date it was approved. Please ensure that none of the cells in the spreadsheet are locked or password protected and that all formulae are intact. To the extent these materials are deemed to be confidential, please provide the Province with a suitable Confidentiality Undertaking in order to accommodate this request.
2. Please provide a copy of the most recent completed cost of service (cost allocation) study. Provide the copy in both hard copy and electronic format as an Excel worksheet. Indicate the author(s) of the study and the date it was prepared. Please ensure that none of the cells in the spreadsheet are locked or password protected and that all formulae are intact. To the extent these materials are deemed to be confidential, please provide the Province with a suitable Confidentiality Undertaking in order to accommodate this request.

Reference: Background Documentation and Information Applicable to the Application

1. For each of the past five (5) fiscal years, please provide the following financial information:
  - i. Number of common shares issued. Number of shares issued to the major shareholder. Number of shares issued to all other shareholders.
  - ii. Total number of common shares outstanding at the end of each fiscal year. Amount of shares held by major shareholder at the end of each fiscal year. Amount of shares held by all other shareholders at the end of each fiscal year.
  - iii. Dividends paid to major shareholder in dollars and percentage of net income. Dividends paid to all other shareholders in dollars and percentage of net income.
  - iv. Additions to retained earnings in dollars and percentage of net income.
  - v. Total long-term debt outstanding at the end of the fiscal year, together with details on each outstanding issue, including principal amount, date of issue, date of maturity, amount of premium or discount, stated interest rate, and effective yield.

Reference: Background Documentation and Information Applicable to the Application

1. With respect to the Monthly ECAM calculation contained in Appendix 3 of the Application, please provide a similar table for each calendar year from January, 2004 to December 31, 2008. Provide this in both hard copy and spreadsheet format using Excel. For the spreadsheet filing, please add the two years that were forecast in Appendix 3.

Reference: Organizational Structure of MECL

1. Please provide a list of Directors and Officers for the Applicant.
2. Provide a list of committees and sub-committees (if applicable) of shareholders, directors, or officers or any combination thereof. Provide the purpose of each committee and sub-committee.

Reference: Organizational Structure of MECL

1. Provide an organizational chart that lists every management position (e.g., executive, senior manager, manager) above that of supervisor. Provide the chart in both graphical and tabular form.

Note: If executive, senior manager, manager are not the right titles for the top three levels of management, identify the correct titles in the preparation of the response.



Reference: Management Compensation

For each of the top three levels of management (e.g., executive, senior manager, manager, etc.) and for each of the last five (5) fiscal years, provide the following data:

1. Average salary for each level.
2. Total salary paid for each level.
3. Average bonus, if any, for each level.
4. Total bonus, if any, for each level.

Note: Answers to (1) to (4) inclusive above should be provided to the Commission only, on a confidential basis.

5. The increase in Supervision and Management expenses for 2010 is 7.4 percent over 2009 levels. What is the range of salary increases for the various Supervision and Management staff? (Provide this response according to the levels indicated above.)

Note: If executive, senior manager, manager are not the right titles for the top three levels of management, identify the correct titles in the preparation of the response.

Reference: Energy Sales

1. For each customer class, provide forecasts of energy sales for the period January 2000 to December 2011, inclusive.
2. For each customer class, provide actual energy sales for the period January 2000 to the most recent month for which data is available.

Provide both sets of data in hard copy and in Excel spreadsheet format. For the Excel spreadsheets, ensure that they are not password protected and that there are no locked cells.

## Reference: Fuel Purchase Costs

1. For all fuel purchases for fiscal years from 2005 to 2009 for which data is available, provide the following information:
  - i. Fuel type
  - ii. Supplier
  - iii. Whether the purchase was pursuant to a fuel supply contract or was made as a spot purchase.
  - iv. If the fuel purchase was made pursuant to a fuel supply contract, provide a copy of the fuel supply contract.
  - v. Volume purchased.
  - vi. Price paid.
  - vii. Delivery location
2. For fuel purchases for the forecast periods, 2010 and 2011, please provide
  - i. Fuel type
  - ii. Supplier
  - iii. Whether the purchase will be pursuant to a fuel supply contract or will be made as a spot purchase.
  - iv. Volume expected to be purchased.
  - v. Forecast price.

Reference: Energy Supply and Related Costs

For all purchased energy, actual or forecast, for the period of fiscal year 2005 to forecast 2011, provide the following information:

1. A copy of forecasts of purchased energy requirements by month for each of the fiscal years, together with a forecast allocation of these energy requirements by source.
2. Actual purchased energy by month for fiscal years 2005 to 2009, inclusive, together with an allocation by source.
3. Provide costs, on a total and on a unit basis, for your response to (2) above.
4. Provide details to explain the increase of 34 percent in 2010 in the various operating accounts of the Charlottetown Plant over 2009 actuals.
5. Provide details to explain the increase in 2010 in the various operating accounts of the 50mW combustion turbine and the Borden-Carleton plant over 2009 actuals.

Provide the data for (1), (2), and (3) in hard copy and in Excel spreadsheet format. For the Excel spreadsheets, ensure that they are not password protected and that there are no locked cells.

Reference: Forecasts and Actual Generation by Facility

1. For each generating facility, provide forecasts of monthly generation for fiscal years 2005 to 2011, inclusive.
2. For each generating facility, provide actual monthly generation, for fiscal years 2005 to the most recent month for which data is available.
3. Provide costs, on a total and on a unit basis, for your response to (2) above.

Provide both sets of data in hard copy and in Excel spreadsheet format. For the Excel spreadsheets, ensure that they are not password protected and that there are no locked cells.

Reference: Load Forecasts

1. Are there load forecasts for fiscal years 2005 to 2009, inclusive? If so, provide both forecasts and actuals by system and customer class for these years? If there aren't any forecasts for these years, please explain why.
2. Please provide copies of the load forecast for fiscal years 2010 and 2011. Provide these forecasts by system and customer class.

Provide both historical and forecast data in hard copy and in Excel format. The spreadsheet should not be password protected nor have any locked cells.

Reference: Forecasts and Actual Revenue By Customer Class

1. For each customer class, provide forecasts of monthly revenue for the period January 2000 to December 2011, inclusive.
2. For each customer class, provide actual monthly revenue for the period January 2000 to the most recent month for which data is available.

Provide both sets of data in hard copy and in Excel spreadsheet format. For the Excel spreadsheets, ensure that they are not password protected and that there are no locked cells.

Reference: ECAM and ECAM Costs

1. What was the original purpose of the ECAM mechanism?
2. Provide a table that shows, on a monthly basis, the ECAM rate, the change in the ECAM balance, the financing source and the financing cost for the ECAM balance for the following periods:
  - i. From the introduction of Base Rate Adjustment Regulations in 2001 to the period defined as Costs Recoverable From Customers Pre 2004.
  - ii. For the period from January 2004 to the implementation of the requested rebasing contained in this rate application.
  - iii. Explain what impact on financing source and cost might occur with a rebasing of the ECAM, as referenced in (ii) above. If the Applicant contends that this will have no impact on source or cost, provide support for this answer.
3. Please provide a monthly forecast of ECAM for 2010 and 2011, indicating the ECAM rate, the change in the ECAM balance, the financing source and cost for the ECAM balance.
4. Since the ECAM is a deferred expense account, provide an explanation why the Applicant should be allowed a return of investment **and** a return on investment.



Reference: Capital Structure and Costs

1. From a revenue requirement perspective, what would be the impact if the equity component in the capital structure was capped at 30 percent and there were no changes to the return on the capital components?
2. The following is a table showing Government of Canada benchmark bond yields as of February 19, 2010 (Source: Bank of Canada Website):

Term			Date of Maturity	Rate	Date of Issue
2	year	-	2012.03.01,	1.50%	(2010.01.29);
3	year	-	2012.09.01,	2.00%	(2009.08.27);
5	year	-	2014.12.01,	2.00%	(2009.08.26);
7	year	-	2016.06.01,	4.00%	(2009.08.27);
10	year	-	2019.06.01,	3.75%	(2009.02.27)

With reference to this table, please indicate what equity risk premium is incorporated in the Applicant's requested ROE of 9.75 percent? Provide calculations to support your answer.

3. What rate of return methodology or methodologies did the Applicant use to determine that a rate of return on equity of 9.75 percent was justified? Provide details of any and all calculations.

## Reference: Capital Expenditures

1. What is the rationale for the significant capital expenditures for the Charlottetown Plant in 2010 and 2011?
2. With respect to proposed generation investments for the forecast period, provide details of the analysis done to support the need for these investments?
3. Given the current negotiations between the Province and Quebec, was any analysis done on the benefits and costs of delaying generation investments? If so, provide copies of this analysis. If not, why not?
4. What are the planned transmission capital expenditures for 2010 and 2011? Provide details.
5. What are the planned corporate capital expenditures for 2010 and 2011? Provide details
6. What is the required annual capital expenditure for distribution infrastructure replacement given the kilometers of distribution infrastructure, current replacement costs and the allowed distribution depreciation?