

MARITIME
ELECTRIC
A FORTIS COMPANY

May 14, 2010

Hand 1:30

PEI Seniors Citizens' Federation Inc.
40 Enman Crescent, Suite 177
Charlottetown, PE C1E 1E6

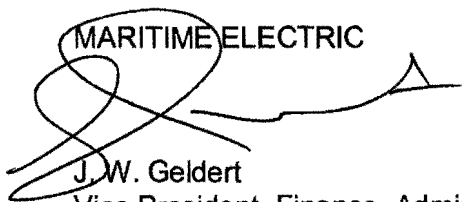
Attention: Mr. Eric Hammill

Dear Mr. Hammill:

Please find enclosed Maritime Electric's responses to the questions raised in your letter of May 6, 2010.

Yours truly,

MARITIME ELECTRIC



J.W. Geldert
Vice President, Finance, Administration
And Chief Financial Officer

JWG34
Enclosure as noted

1. Please provide the data for comparing the monthly bills of a rural Island household consuming a monthly average of 650 kWh. Calculations for each of the months of January to December, for the years 2008, 2009, 2010 and 2011 and each for the three (3) following rate conditions would be appreciated.
 - i) As for past years and as proposed in the 2010 Supplemental Affidavit for 2010 and 2011;
 - ii) Leaving the base and basic rates as current for 2009 but using an eight (8) month ECAM amortization schedule for the post-2006 portion of customer debt for 2010 and 2011; and
 - iii) Leaving the base and basic rates as current for 2009 but using a five (5) month ECAM amortization schedule for the post-2006 portion of customer debt for 2010 and 2011.

Response:

1. The attached schedules provide the monthly calculations as requested.

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**Maritime Electric Company, Limited
Rural Residential Customer - 650kWh Per Month
UE20940 - Interrogatory PEISCF-1(i)**

| | Jan-08 | Feb-08 | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 | Nov-08 | Dec-08 | Annual |
|--------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------------------|
| Basic Rate per kWh | 0.1068 | 0.1068 | 0.1068 | 0.1087 | 0.1087 | 0.1087 | 0.1087 | 0.1087 | 0.1087 | 0.1087 | 0.1087 | 0.1087 | |
| ECAM Rate per kWh | 0.0124 | 0.0133 | 0.0145 | 0.0167 | 0.0304 | 0.0345 | 0.0359 | 0.0401 | 0.0428 | 0.0466 | 0.0486 | 0.0517 | |
| | 0.1192 | 0.1201 | 0.1213 | 0.1254 | 0.1391 | 0.1432 | 0.1446 | 0.1488 | 0.1515 | 0.1553 | 0.1573 | 0.1604 | |
| Service Charge | \$24.39 | \$24.39 | \$24.39 | \$24.83 | \$24.83 | \$24.83 | \$24.83 | \$24.83 | \$24.83 | \$24.83 | \$24.83 | \$24.83 | \$296.64 |
| Energy Charge | 69.42 | 69.42 | 69.42 | 70.66 | 70.66 | 70.66 | 70.66 | 70.66 | 70.66 | 70.66 | 70.66 | 70.66 | \$844.16 |
| ECAM Charge | 8.06 | 8.65 | 9.45 | 10.83 | 19.73 | 22.41 | 23.31 | 26.08 | 27.83 | 30.32 | 31.59 | 33.61 | \$251.86 |
| Sub-total | \$101.87 | \$102.46 | \$103.26 | \$106.31 | \$115.21 | \$117.89 | \$118.80 | \$121.56 | \$123.32 | \$125.81 | \$127.07 | \$129.09 | \$1,392.65 |
| GST | 5.09 | 5.12 | 5.16 | 5.32 | 5.76 | 5.89 | 5.94 | 6.08 | 6.17 | 6.29 | 6.35 | 6.45 | \$69.63 |
| Total Change | \$106.96 | \$107.58 | \$108.43 | \$111.63 | \$120.97 | \$123.79 | \$124.74 | \$127.64 | \$129.48 | \$132.10 | \$133.43 | \$135.55 | \$1,462.29 18.23% |

[illegible]

Maritime Electric Company, Limited
Rural Residential Customer - 650kWh Per Month
UE20940 - Interrogatory PEISCF-1(i)

[illegible][illegible]

Maritime Electric Company, Limited
Rural Residential Customer - 650kWh Per Month
UE20940 - Interrogatory PEISCF-1(ii)

| | Jan-08 | Feb-08 | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 | Nov-08 | Dec-08 | Annual |
|--------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------------------|
| Basic Rate per kWh | 0.1068 | 0.1068 | 0.1068 | 0.1087 | 0.1087 | 0.1087 | 0.1087 | 0.1087 | 0.1087 | 0.1087 | 0.1087 | 0.1087 | |
| ECAM Rate per kWh | 0.0124 | 0.0133 | 0.0145 | 0.0167 | 0.0304 | 0.0345 | 0.0359 | 0.0401 | 0.0428 | 0.0466 | 0.0486 | 0.0517 | |
| | 0.1192 | 0.1201 | 0.1213 | 0.1254 | 0.1391 | 0.1432 | 0.1446 | 0.1488 | 0.1515 | 0.1553 | 0.1573 | 0.1604 | |
| Service Charge | \$24.39 | \$24.39 | \$24.39 | \$24.83 | \$24.83 | \$24.83 | \$24.83 | \$24.83 | \$24.83 | \$24.83 | \$24.83 | \$24.83 | \$296.64 |
| Energy Charge | 69.42 | 69.42 | 69.42 | 70.66 | 70.66 | 70.66 | 70.66 | 70.66 | 70.66 | 70.66 | 70.66 | 70.66 | \$844.16 |
| ECAM Charge | 8.06 | 8.65 | 9.45 | 10.83 | 19.73 | 22.41 | 23.31 | 26.08 | 27.83 | 30.32 | 31.59 | 33.61 | \$251.86 |
| Sub-total | \$101.87 | \$102.46 | \$103.26 | \$106.31 | \$115.21 | \$117.89 | \$118.80 | \$121.56 | \$123.32 | \$125.81 | \$127.07 | \$129.09 | \$1,392.65 |
| GST | 5.09 | 5.12 | 5.16 | 5.32 | 5.76 | 5.89 | 5.94 | 6.08 | 6.17 | 6.29 | 6.35 | 6.45 | \$69.63 |
| Total Change | \$106.96 | \$107.58 | \$108.43 | \$111.63 | \$120.97 | \$123.79 | \$124.74 | \$127.64 | \$129.48 | \$132.10 | \$133.43 | \$135.55 | \$1,462.29 18.23% |

[illegible]

Maritime Electric Company, Limited
Rural Residential Customer - 650kWh Per Month
UE20940 - Interrogatory PEISCF-1(ii)

| | Jan-10 | Feb-10 | Mar-10 | Apr-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Annual |
|--------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|------------|
| Basic Rate per kWh | 0.1178 | 0.1178 | 0.1178 | 0.1178 | 0.1178 | 0.1178 | 0.1178 | 0.1178 | 0.1178 | 0.1178 | 0.1178 | 0.1178 | |
| ECAM Rate per kWh | 0.0221 | 0.0206 | 0.0188 | 0.0198 | 0.0198 | 0.0198 | 0.0191 | 0.0268 | 0.0260 | 0.0235 | 0.0228 | 0.0228 | |
| | 0.1399 | 0.1384 | 0.1366 | 0.1376 | 0.1376 | 0.1376 | 0.1369 | 0.1446 | 0.1438 | 0.1413 | 0.1406 | 0.1406 | |
| Service Charge | \$26.92 | \$26.92 | \$26.92 | \$26.92 | \$26.92 | \$26.92 | \$26.92 | \$26.92 | \$26.92 | \$26.92 | \$26.92 | \$26.92 | \$323.04 |
| Energy Charge | 76.57 | 76.57 | 76.57 | 76.57 | 76.57 | 76.57 | 76.57 | 76.57 | 76.57 | 76.57 | 76.57 | 76.57 | \$918.84 |
| ECAM Charge | 14.37 | 13.38 | 12.21 | 12.84 | 12.89 | 12.90 | 12.44 | 17.40 | 16.90 | 15.30 | 14.82 | 14.79 | \$170.25 |
| Sub-total | \$117.86 | \$116.87 | \$115.70 | \$116.33 | \$116.38 | \$116.39 | \$115.93 | \$120.89 | \$120.39 | \$118.79 | \$118.31 | \$118.28 | \$1,412.13 |
| GST | 5.89 | 5.84 | 5.78 | 5.82 | 5.82 | 5.82 | 5.80 | 6.04 | 6.02 | 5.94 | 5.92 | 5.91 | \$70.61 |
| Total Change | \$123.75 | \$122.72 | \$121.48 | \$122.15 | \$122.20 | \$122.21 | \$121.73 | \$126.93 | \$126.41 | \$124.73 | \$124.23 | \$124.19 | -4.29% |

[illegible]

Maritime Electric Company, Limited
Rural Residential Customer - 650kWh Per Month
UE20940 - Interrogatory PEISCF-1(iii)

[illegible][illegible]

Maritime Electric Company, Limited
Rural Residential Customer - 650kWh Per Month
UE20940 - Interrogatory PEISCF-1(iii)

| | Jan-10 | Feb-10 | Mar-10 | Apr-10 | May-10 | Jun-10 | Jul-10 | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Annual |
|--------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------------------|
| Basic Rate per kWh | 0.1178 | 0.1178 | 0.1178 | 0.1178 | 0.1178 | 0.1178 | 0.1178 | 0.1178 | 0.1178 | 0.1178 | 0.1178 | 0.1178 | |
| ECAM Rate per kWh | 0.0221 | 0.0206 | 0.0188 | 0.0198 | 0.0198 | 0.0198 | 0.0191 | 0.0428 | 0.0416 | 0.0346 | 0.0301 | 0.0274 | |
| | 0.1399 | 0.1384 | 0.1366 | 0.1376 | 0.1376 | 0.1376 | 0.1369 | 0.1606 | 0.1594 | 0.1524 | 0.1479 | 0.1452 | |
| Service Charge | \$26.92 | \$26.92 | \$26.92 | \$26.92 | \$26.92 | \$26.92 | \$26.92 | \$26.92 | \$26.92 | \$26.92 | \$26.92 | \$26.92 | \$323.04 |
| Energy Charge | 76.57 | 76.57 | 76.57 | 76.57 | 76.57 | 76.57 | 76.57 | 76.57 | 76.57 | 76.57 | 76.57 | 76.57 | \$918.84 |
| ECAM Charge | 14.37 | 13.38 | 12.21 | 12.84 | 12.89 | 12.90 | 12.44 | 27.84 | 27.05 | 22.51 | 19.60 | 17.78 | \$205.81 |
| Sub-total | \$117.86 | \$116.87 | \$115.70 | \$116.33 | \$116.38 | \$116.39 | \$115.93 | \$131.33 | \$130.54 | \$126.00 | \$123.09 | \$121.27 | \$1,447.69 |
| GST | 5.89 | 5.84 | 5.78 | 5.82 | 5.82 | 5.82 | 5.80 | 6.57 | 6.53 | 6.30 | 6.15 | 6.06 | \$72.38 |
| Total Change | \$123.75 | \$122.72 | \$121.48 | \$122.15 | \$122.20 | \$122.21 | \$121.73 | \$137.89 | \$137.06 | \$132.30 | \$129.24 | \$127.33 | \$1,520.07 -1.88% |

[illegible]

2. For each of the three (3) rate/amortization debt conditions defined in question #1, please show the remaining post-2006 debt balance at year end for 2008 to 2011 inclusive.

Response:

2. It should be pointed out that the amount referred to as "debt" in the interrogatory is more properly classified as Costs Recoverable from Customers. This represents the cost of energy purchased by Maritime Electric on behalf of its customers less the amount that has been collected from its customers. This balance will be recovered from customers through the operation of the Energy Cost Adjustment Mechanism. The attached schedule provides the yearend balance (2008 to 2011) of Costs Recoverable from Customers.

Maritime Electric Company, Limited
Summary of Costs Recoverable from Customers
UE20940 - Interrogatory PEISCF-2

| | 2008 | 2009 | 2010 | 2011 |
|--|-------------------|-------------------|-------------------|-------------------|
| Scenario 1(i) - 12 Month ECAM Amortization | | | | |
| Pt Lepreau Replacement Energy | - | 23,524,190 | 43,294,100 | 45,999,800 |
| Other Costs Recoverable from Customers | 34,236,456 | 20,734,195 | 7,758,500 | 12,467,600 |
| Total | 34,236,456 | 44,258,385 | 51,052,600 | 58,467,400 |
| Scenario 1(ii) - 8 Month ECAM Amortization | | | | |
| Pt Lepreau Replacement Energy | - | 23,524,190 | 43,294,100 | 45,999,800 |
| Other Costs Recoverable from Customers | 34,236,456 | 20,734,195 | 14,070,300 | 19,656,300 |
| Total | 34,236,456 | 44,258,385 | 57,364,400 | 65,656,100 |
| Scenario 1(iii) - 5 Month ECAM Amortization | | | | |
| Pt Lepreau Replacement Energy | - | 23,524,190 | 43,294,100 | 45,999,800 |
| Other Costs Recoverable from Customers | 34,236,456 | 20,734,195 | 9,377,900 | 12,849,200 |
| Total | 34,236,456 | 44,258,385 | 52,672,000 | 58,849,000 |

3. For each of the three (3) rate/amortization debt conditions defined in question #1, please show the revised monthly bill profiles for a revised ROE of eight per cent (8%) for the years 2010 and 2011 and the resulting impact on year-end, post - 2006 customer debt for these two years.

Response:

3. The following schedules illustrate the monthly bill profiles as requested above. In addition is a schedule showing a summary of Costs Recoverable From Customers under the conditions outlined above. It should be noted that the ROE of 8% results in debt interest coverages in the 2.1 to 2.2 times range which are below the Company's stated financial objectives and could lead to a downgrade in the Company's corporate credit rating, making it more expensive to issue long-term debt. Furthermore, the common equity component in the Company's capital structure falls below the legislated minimum requirement of 40% as outlined in the Electric Power Act.

UE20940 - Interrogatory PEISCF-3(i)

Change

Change

| Dec-10 | Annual |
|----------|------------|
| 0.1341 | |
| 0.0114 | |
| 0.1455 | |
| \$26.92 | \$323.04 |
| 87.17 | \$971.82 |
| 7.40 | \$138.99 |
| \$121.49 | \$1,433.85 |
| 6.07 | \$71.69 |
| \$127.56 | \$1,505.54 |
| | -2.82% |

| Dec-11 | Annual |
|----------|------------|
| 0.1321 | |
| 0.0113 | |
| 0.1434 | |
| \$26.92 | \$323.04 |
| 85.87 | \$1,034.28 |
| 7.35 | \$70.77 |
| \$120.14 | \$1,428.09 |
| 6.01 | \$71.40 |
| \$126.15 | \$1,499.49 |
| | -0.40% |

UE20940 - Interrogatory PEISCF-3(ii)

Change

Change

UE20940 - Interrogatory PEISCF-3(ii)

**Total
Change**

**Total
Change**

**Maritime Electric Company, Limited
Rural Residential Customer - 650kWh Per Month
UE20940 - Interrogatory PEISCF-3(iii)**

[illegible][illegible]

UE20940 - Interrogatory PEISCF-3(iii)

ChangeChange

Maritime Electric Company, Limited
Summary of Costs Recoverable from Customers
UE20940 - Interrogatory PEISCF-3

| | 2008 | 2009 | 2010 | 2011 |
|--|------------|------------|------------|------------|
| Scenario 3(i) - 12 Month ECAM Amortization | | | | |
| Pt Lepreau Replacement Energy | - | 23,524,190 | 43,294,100 | 45,999,800 |
| Other Costs Recoverable from Customers | 34,236,456 | 20,734,195 | 7,758,500 | 12,467,600 |
| Total | 34,236,456 | 44,258,385 | 51,052,600 | 58,467,400 |
| Scenario 3(ii) - 8 Month ECAM Amortization | | | | |
| Pt Lepreau Replacement Energy | - | 23,524,190 | 43,294,100 | 45,999,800 |
| Other Costs Recoverable from Customers | 34,236,456 | 20,734,195 | 14,070,300 | 19,656,300 |
| Total | 34,236,456 | 44,258,385 | 57,364,400 | 65,656,100 |
| Scenario 3(iii) - 5 Month ECAM Amortization | | | | |
| Pt Lepreau Replacement Energy | - | 23,524,190 | 43,294,100 | 45,999,800 |
| Other Costs Recoverable from Customers | 34,236,456 | 20,734,195 | 9,377,900 | 12,849,200 |
| Total | 34,236,456 | 44,258,385 | 52,672,000 | 58,849,000 |

4. Capital Reports in the 2010 Rate Application show general allocation categories. Please provide the next level of allocation detail for the years of 2008 and 2011 inclusive using the actual spend for 2008 and 2009 and the proposed spends for 2010 and 2011.

Response:

4. See attached schedule.

Maritime Electric Company, Limited
UE20940 - Interrogatory PEISCF - 4

| Generation | 2008 | 2009 | 2010 | 2011 |
|---|-------------------|-------------------|-------------------|-------------------|
| Charlottetown Plant Buildings and Services Projects | 446,229 | 556,854 | 925,000 | 429,000 |
| Charlottetown Plant Boiler Projects | 794,924 | 163,235 | 1,182,000 | 1,135,000 |
| Charlottetown Plant Turbine-Generator Projects | 154,461 | 109,370 | 692,000 | 1,363,000 |
| Borden Plant Projects | 162,289 | 505,888 | 93,000 | 231,000 |
| Carryovers | 249,399 | 835,694 | - | - |
| | 1,807,302 | 2,171,041 | 2,892,000 | 3,158,000 |
| Distribution | | | | |
| Replacements Storms, Road Alterations | 3,479,994 | 1,694,114 | 780,000 | 794,000 |
| Distribution Transformers | 3,274,640 | 3,651,729 | 2,859,000 | 3,037,000 |
| Services and Street Lighting | 3,393,021 | 3,054,514 | 2,513,000 | 2,632,000 |
| Line Extensions | 1,011,611 | 1,359,734 | 1,094,000 | 1,119,000 |
| Line Rebuild | 1,702,364 | 2,091,207 | 3,273,000 | 3,105,000 |
| System Meters | 1,043,985 | 1,233,417 | 1,266,000 | 1,238,000 |
| Distribution Equipment | 779,748 | 1,156,220 | 1,387,000 | 1,270,000 |
| 2009 Field Audit and Assessment Project | - | 810,297 | - | - |
| Transportation Equipment | 510,467 | 740,268 | 740,000 | 1,175,000 |
| Carryovers | - | 190,770 | - | - |
| | 15,195,830 | 15,982,270 | 13,912,000 | 14,370,000 |
| Transmission | | | | |
| Substation Projects | 298,814 | 75,248 | 968,000 | 782,000 |
| Line Projects | 11,928,129 | 602,183 | 975,000 | 968,000 |
| Carryovers | 3,467 | 90,173 | - | - |
| | 12,230,410 | 767,604 | 1,943,000 | 1,750,000 |
| Corporate | | | | |
| Corporate General | 133,578 | 158,203 | 135,000 | 185,000 |
| Information Technology | 599,218 | 372,213 | 659,000 | 929,000 |
| Carryovers | - | 17,328 | - | - |
| | 732,796 | 547,744 | 794,000 | 1,114,000 |
| | 29,966,338 | 19,468,659 | 19,541,000 | 20,392,000 |
| Capitalized General Expense | 1,982,504 | 2,190,512 | 2,393,000 | 2,410,000 |
| Interest During Construction | 319,302 | 321,691 | 210,000 | 100,000 |
| Less: Customer Contributions | (11,438,104) | (643,573) | (265,000) | (275,000) |
| Total | 20,830,040 | 21,337,289 | 21,879,000 | 22,627,000 |

5. To enable a capital spend sensitivity analysis please provide a least-impact listing of the same allocation details provided in Question #4 for an annual capital spend reduced to \$15M maximum for 2010 and 2011.

Response:

5. Each year Maritime Electric submits its annual capital budget request to IRAC for review and approval. The development of the budgetary requests is based on a number of factors including insurance requirements, system reliability improvements, customer requests, replacements due to storms, fire, collision, and road widening requests. It is also balanced against the impact it has on the Company's annual revenue requirement. As a monopoly service provider electrical utilities have an obligation to serve and must therefore meet customers driven requests. As a regulated utility there is an expectation of service reliability. This requires a continual upgrade of the energy delivery infrastructure, including maintaining on-Island generating facilities in a ready to operate mode.

It is difficult to prioritize the capital expenditures in a least-impact listing as suggested. When looking at the Distribution section of the capital expenditures it is unreasonable to eliminate any of the expenditures as the transformers, rebuilds, extensions, streetlights, service etc. are based on customer demand. If the Company were to reduce spending in these areas, service levels would be adversely affected. Expenditures on the generating facilities are required to ensure that reliable on-Island backup is available. Since Prince Edward Island is connected to the mainland power grid it is imperative that contingency planning include reliable on-Island generation.

6. The 2010 Rate Application estimates the customer debt for Point Lepreau replacement energy to be \$47M up to March 2011. It is estimated that the Point Lepreau plan refurbishment cost will be a minimum of \$1.4B and currently estimated to exceed \$1.9B. Assuming, the MECL participation agreement will dictate payment of part of this refurbishment cost what is the total estimated debt and what is the MECL plan for customer recovery of both the energy replacement debt and the refurbishment debt?

Response:

6. The Point Lepreau Participation Agreement dictates that Maritime Electric is responsible for a certain percentage of all costs associated with Point Lepreau in return for the same percentage of the total output of the facility. While Maritime Electric is not an owner of the facility it does pay for its proportionate share of the capital costs of any projects, including the refurbishment project, through the depreciation charges it pays over the life of the station. These costs are reflected in the monthly cost of the energy purchased from the station.

NB Power's replacement energy requirements are included in the overall refurbishment costs. These costs will not be charged to Maritime Electric. Maritime Electric is purchasing its own replacement energy during the refurbishment. The cost for this replacement energy is being proposed to be amortized over a 25 year period, coinciding with the new life of the refurbished Point Lepreau generating station.

7. The 2010 Rate Application estimates that the Company Use/System loss will continue at the 2009 level of about 88 MWh for 2010 and 2011. This amounts to an effective sales revenue loss of \$10M each year. Please provide a breakdown of the constituent energy use/loss components separating distribution power factor loss and line loss energy from normal operations consumed energy. For normal operations consumed energy please provide a listing of the energy consumed on a site-by-site basis, e.g. head office, generation plants, etc.

Response:

7. System losses

System losses are part of the cost of delivering electricity from where it is produced or purchased to where it is metered at customers' premises. The attached Table shows the breakdown between transmission and distribution system losses for 2009.

Company use

Company use is electricity used at Maritime Electric facilities, other than generating plants, for lighting, heating and office equipment. A breakdown of Maritime Electric's Company use for 2009 is shown in the attached Table.

Station service

In an electricity generating plant, the output from the generator is metered right at the generator terminals, before any power is drawn off for auxiliary loads. This metered quantity is referred to as gross generation.

In addition to the main generator, there is also a range of auxiliary equipment in a generating plant, including pumps, fans and lighting, that are needed to enable the operation of the generator. The electricity used to operate this auxiliary equipment is referred to as station service.

The electricity that is supplied to the grid from a generating plant is referred to as net generation. This is equal to gross generation minus station service.

Continued response to 7.

During the course of a year, a generating plant will have times when it is shut down for planned maintenance or unplanned outages. During these shut down times there is still some electricity used to operate auxiliary loads such as lighting and a heating boiler. This usage is included as part of the generating plant's station service.

For generating plants that serve a standby or peaking role, which is the case for Maritime Electric's Charlottetown and Borden Plants, the electricity used for plant loads when the generators are not operating can in some cases exceed the plant's annual gross generation. However, this usage is still recorded as station service, with the result that the generating plant ends up with a negative net generation amount for the year. This was the case for the Borden Plant and Gas Turbine 3 for 2009, as shown in the attached Table.

Maritime Electric

Amendments to Rates & Elimination of 2nd Block Rate Responses to Interrogatories Filed by PEI Senior Citizens' Federation Inc.

Continued response to 7.

Interr May 2010
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RESPONSE TO SENIOR CITIZENS' INTERROGATORY 7

TABLE MWh for 2009

| | | | |
|---------------------------------|--------------|----------------------|------|
| Inputs to Transmission system: | 1,241,899 | | |
| Transmission system losses | | 44,395 | 3.6% |
| Inputs to Distribution system | 925,859 | | |
| Distribution system losses | | <u>38,143</u> | 4.1% |
| Total system losses | | 82,538 | |
| Company use: | | | |
| - Head Office (180 Kent Street) | 425 | | |
| - West Royalty Service Centre | 282 | | |
| - Substations and other offices | 922 | | |
| - Energy Control Centre | 127 | | |
| - Synchronous condenser | <u>1,592</u> | <u>3,348</u> | |
| Total losses and Company use | | <u><u>85,886</u></u> | |

| Oil-fired generators | Gross generation (MWh) | Station service (MWh) | Net generation (MWh) |
|-------------------------|--------------------------------|-------------------------------|------------------------------|
| Charlottetown Plant | 5,106 | 2,719 | 2,387 |
| Borden Plant | 143 | 437 | (294) |
| Gas Turbine 3 | 231 | 473 | (242) |

May 2010

8. The 2010 Rate Application indicates the average energy purchase cost per kWh and the percentage contribution of each of the seven (7) sources of energy. Please confirm the KWh cost of each of the seven (7) sources - actual for 2008 and 2009 and the projections for 2010 and 2011 - upon which the average costs were derived.

Response:

8. The Company does not release the details of its Energy Purchase Agreements. This information is kept on a confidential basis so as not to impair its ability to negotiate with other energy suppliers.

The Commission retains the services of an industry expert to review these costs on a regular basis.

9. The 2010 Rate Application indicates that the Dalhousie plant energy is projected to be the highest cost source (except the PEI generated energy). It would therefore appear beneficial to stop purchasing energy from the Dalhousie plant. What would be the financial impact for customers of relinquishing the Dalhousie participation agreement and acquiring replacement power within the current firm energy purchase agreement with NB Power?

Response:

9. The Dalhousie Participation, which covers the life of the facility, is a binding agreement between Maritime Electric and NB Power. Maritime Electric does not have the right to arbitrarily terminate this agreement because of the cost of energy. With the announced closure of the facility, Maritime Electric is holding discussions with NB Power regarding the termination of the Participation Agreement.

10. The 2010 Rate Application includes a Profit and Loss statement with revenue and operating expenses net of ECAM. To enable financial performance comparisons with other Canadian utility companies and similar Canadian retail distribution companies, please provide a standard Profit and Loss statement for the years 2008 to 2011 inclusive, that shows all sources of revenue, specifically including annual ECAM revenue, albeit recorded as a debt. As a minimum these P&L statements should indicate Gross Margin and Earnings-Before-Interest-and-Taxes (EBIT) for comparison purposes.

Response:

10. The attached schedule contains statements of earnings for the period 2008 to 2011. There is no ECAM revenue as suggested above, however, there is an ECAM adjustment to gross energy related costs that results in the Costs Recoverable From Customers on the Balance Sheet. This amount is then recovered from customers, with the amount collected used to reduce the Balance Sheet amount.

Maritime Electric Company, Limited
Statements of Earnings
UE20940 - Interrogatory PEISCF-10

| | Actual 2008 | Actual 2009 | Forecast 2010 | Forecast 2011 |
|--|------------------------|------------------------|--------------------------|--------------------------|
| Revenue | | | | |
| Electric Revenue | 129,373,733 | 139,334,357 | 152,673,700 | 161,828,000 |
| Other Revenue | 2,646,592 | 3,413,277 | 4,597,900 | 5,256,000 |
| Revenue Requirement | \$ 132,020,325 | \$ 142,747,634 | \$ 157,271,600 | \$ 167,084,000 |
| Amortization - Costs Recoverable From Customers (Pre-2004) | (2,000,000) | (2,000,000) | (2,000,000) | (2,000,000) |
| Net Revenue | 130,020,325 | 140,747,634 | 155,271,600 | 165,084,000 |
| Energy Costs - Gross | 127,877,469 | 127,146,340 | 121,937,300 | 120,782,400 |
| Energy Cost Adjustment Mechanism (Post-2003) | (52,593,029) | (44,526,849) | (25,196,300) | (16,813,900) |
| Net Energy Costs | 75,284,440 | 82,619,491 | 96,741,000 | 103,968,500 |
| Gross Margin | 54,735,885 | 58,128,143 | 58,530,600 | 61,115,500 |
| Transmission and Distribution | 2,545,458 | 3,451,808 | 3,703,300 | 3,857,800 |
| General Expenses | 10,658,587 | 11,806,965 | 11,502,900 | 11,674,600 |
| Amortization - Fixed Assets | 11,712,493 | 12,264,001 | 12,987,000 | 14,364,000 |
| Amortization - Deferred Charges | 121,803 | 177,840 | 240,400 | 303,000 |
| Earnings Before Interest and Taxes | 29,697,544 | 30,427,530 | 30,097,000 | 30,916,100 |
| Financing Costs | 12,487,774 | 12,674,532 | 11,748,800 | 12,089,800 |
| Earnings Before Income Taxes | 17,209,770 | 17,752,998 | 18,348,200 | 18,826,300 |
| Income Taxes | 6,200,010 | 6,362,855 | 6,353,000 | 6,243,200 |
| Net Earnings - Regulated | \$ 11,009,760 | \$ 11,390,143 | \$ 11,995,200 | \$ 12,583,100 |
| Fortis Inc Head Office Costs (net of tax) ¹ | 0 | 170,663 | 239,300 | 259,200 |
| Net Earnings - Non-Regulated | 11,009,760 | 11,219,480 | 11,755,900 | 12,323,900 |
| Return on Average Common Equity (%) - Non-Regulated | 9.99% | 9.58% | 9.55% | 9.55% |
| Return on Average Common Equity (%) - Regulated | 9.99% | 9.73% | 9.75% | 9.75% |

¹ Costs disallowed in calculating the Annual Revenue Requirement and Regulated Return on Average Common Equity as per Order UE09-02.

11. MECL communicates operating metrics to IRAC each year via an agreed set of Key Performance Indicators (KPI). Please provide a comparative summary of the past years KPI metrics for MECL as compared to other Canadian Utility companies, identifying which company performs as "best-in-class" for each of the years 2007, 2008 and 2009.

Response:

11. Maritime Electric collected its first full year of the Key Performance Indicators (KPI's) in 2008. The KPI's were developed specifically for Maritime Electric with the reporting criteria approved by IRAC. This information is not disclosed to third parties. The inability to accurately compare results against other utilities was identified during the development of the KPI's for Maritime Electric. The lack of comparability is compounded by differences in size, data preparation methodologies, operating and regulatory environments of the various utilities across Canada.