



October 6, 2015

Mr. Mark Lanigan  
Regulatory Services  
Island Regulatory and Appeals Commission  
PO Box 577  
501-134 Kent St  
Charlottetown PE C1A 7L1

Dear Mr. Lanigan:

**2014 Depreciation Study Filing Docket UE21603  
Response to Supplemental Interrogatory - Mr. John te Raa**

Please find attached the Company's response to the Supplemental Interrogatory from Mr. John te Raa with respect to the 2014 Depreciation Study Application. An electronic copy will follow.

Yours truly,

MARITIME ELECTRIC



Jason Roberts  
Director, Regulatory & Financial Planning

JCR66  
Enclosure



Via email: [johnteraa@gmail.com](mailto:johnteraa@gmail.com)

October 6, 2015

Mr. John te Raa  
1848 Hardy Mill Rd - Rte 220  
York PE C0A 1P0

Dear Mr. te Raa:

**2014 Depreciation Study Filing Docket UE21603  
Response to Supplemental Interrogatory**

Please find attached the Company's response to your Supplemental Interrogatory with respect to the 2014 Depreciation Study filing.

Yours truly,

MARITIME ELECTRIC

A handwritten signature in blue ink, appearing to read "J. Roberts", with a long horizontal stroke extending to the right.

Jason C. Roberts  
Director, Regulatory & Financial Planning

JCR69  
Enclosure

1. **teRaa**

In response to the Depreciation filing I offer the following comments and observations.

**Dalhousie Ownership:**

In my interrogatories I posed the following questions.

What was the salvage value at time of termination of the equity position in Dalhousie?

Please provide the annual and accrued depreciation related to the original cost at December 31, 2014 for the Company's equity in the Dalhousie Generation Station?

Maritime Electric responded in part as follows "the Company did not maintain an equity position in the facility". In my view the company did not answer my question in a satisfactory manner.

The record shows that Maritime Electric did have an ownership in the facility prior to 1994 and sold its ownership position.

Docket UE21801(year 1993) - Order UE93-10

Section 2.3.1

Under Maritime Electric's generation capacity:

10% ownership interest in a 200MW coal/oil-fired plant located in Dalhousie, New Brunswick providing 19MW at the delivery point to PEI.

2.3.4 - Dalhousie Investment

Last line..."Recognising that the project is scheduled to be completed in 1994, the Commission wishes to know the Company's intention with respect to the Dalhousie plant and the anticipated impact on rates.

Further evidence to the fact of ownership.

Docket UE20708 - Order UE94-4

Section 3.2 - Supplemental Capital Items – 1993

The company also applied for approval of \$396,000 related to a new administration building at the Dalhousie plant.

The discussion of the Dalhousie administration building focused on whether the building should be considered as part of the overall Dalhousie project. Subsequent to the hearing, the company was notified that the Commission was unwilling to approve the expenditure until a full review of the Dalhousie upgrade was completed. The hearing is still pending.

Section 2.4

Production Expenditures propose for 1994 are shown in table 3.

Item P-5 Dalhousie Capital Additions \$20,300,000

**Shortly after the hearings Maritime Electric operated in a price cap environment and sold its ownership in the Dalhousie facility.**

**Conclusion:**

**The Dalhousie Investment was part of the company assets used to calculate the return on equity.**

**In my view the company has an obligation to properly answer my questions.**

**1. Response**

At December 31, 2014, the Company no longer had an equity position in the Dalhousie Generating Station.

In 1981, the Company entered into an agreement with NB Power for the purchase of a 10% ownership interest in the Dalhousie No. 2 unit.

During the period 1987 to 1990, the Province of New Brunswick entered into agreements to limit SO<sub>2</sub> emissions and decided to convert the plant to operating with Orimulsion fuel. During the period 1991 to 1994, it was determined that the ownership benefits for Maritime Electric did not warrant the additional investment that would be required.

The agreement was dissolved in December 1994 and the Company sold its position to NB Power and entered into a Unit Participation Agreement in December 1994. As a result, the references from Docket UE20708 referenced above never occurred.

As a result of the sale, the assets and accrued depreciation accounts were reduced and the resulting NBV of \$10,922,380 was removed from the Company's accounts. The following note from the Company's annual audited financial statements is as follows:

**"8. SALE OF EQUITY INTEREST**

On December 30, 1994, the Company sold its equity interest in the No. 2 Unit at Dalhousie, New Brunswick to the New Brunswick Power Corporation (NB Power). The proceeds of the sale were used to reduce short term debt and finance ongoing operations. At the time the Company entered into an agreement with NB Power for 20 MW of capacity and energy from the total Dalhousie Plant (Units 1 and 2)."

As a result of the sale, the Dalhousie Investment was no longer part of the company assets used to calculate the return on equity since December 31, 1994.