

CAC (MPI) Pre-Ask 2

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Preamble to IR:

There appears to be a change in the amounts reported for "Adjust for Initiative Expenses (BO 12.1d)" as reported in PF – 1 Part IX – Pro Formas page 5 line 38 and PF – 1 MPI Exhibit #50, page 5 line 36.

Adjust for Initiative Expenses (BO 12.1 d) \$000:

Year	PF -1 Part IX	PF – 1 MPI Exhibit #50 Updated	Difference
2023/24	\$29,195	\$27,608	\$1,587
2024/25	26,142	24,017	2,125
2025/26	26,609	24,202	2,407
2026/27	10,735	6,935	3,800
2027/28	3,634	1	3,633

Question:

- a) Please provide the reason for the change in initiative expenses as per the table in the preamble.

- b) Please provide a detailed analysis, by initiative and year, of the initiative expenses as per MPI Exhibit #50 updated. Also include the 'useful life' of each initiative to provide the background for the potential amortization period for each initiative.

Rationale for Question:

RESPONSE:

a) 2024/25 allocation of NOVA P&C Costs

Allocation % Change - In the preliminary June filing there was an allocation error. The allocation to basic was 50%, but should have been 24%. The final application reflects the appropriate allocation %, as it relates to on going costs.

Funding Pull Down - at a corporate level, in the final application, MPI removed approximately \$10M of unallocated funds that were present in preliminary June filing, thereby reducing the overall budget amount which would be allocated to Basic. This was part of the top down budget approach under taken by MPI. The combination of the foregoing two changes is what is causing the drift in the model for 2024/25.

Post 2024/25 allocations of Nova P&C Costs - the issue relates to the Capital Master Summary not capturing all the amortization effects due to labor interruption. MPI made interim adjusts to reflect the expected changes. As these changes are post the 2024/25 rating period, and labor interruption is unknown, we do not expect to be in a position to provide an update.

- b) Following MPI's Policy for Capitalization of Organization and Development Costs, the amortization period used for initiative expenses is 5 years except for the NOVA Program whereby costs are amortized over 10-years.

Please refer to Appendix 1 Basic Implementation Expenses Deferred for Rate Setting Purposes and Recovery Schedule.

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