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Additional Interrogatories of Commission Staff

TO: Maritime Electric Company, Limited
FROM: Cheryl Mosher, Senior Financial Advisor
DATE: October 12, 2018
RE: 2019 Capital Budget
DOCKET: UE20728

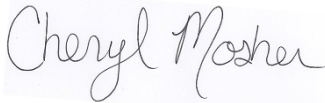
The Island Regulatory and Appeals Commission (the “Commission”), in assessing the reasonableness of the 2019 Capital Budget Application submitted by Maritime Electric Company, Limited (“Maritime Electric” or “MECL”), requests responses to the following interrogatories:

21. With respect to **Section 4.1(c)** Charlottetown Plant Miscellaneous Buildings and Services, the description of this budget line item includes lighting system improvements, process pipeline replacements, sump pump replacements, and door and window replacements. A significant amount of these items appear to be repairs and maintenance in nature. Please provide an explanation as to how these items meet the definition of a capital asset or betterment for accounting standards.
22. With respect to **Section 4.3(a)** Combustion Turbine 3 Turbo-Generator Overhaul and MECL’s response to **IR-1(a)**:
 - a. MECL has allocated \$40,000 for internal labour. Please provide the hourly rate(s) of pay for the MECL employees that will be performing the work.
 - b. Please provide justification for the Project Management costs (\$172,000), including an explanation as to how the Project Management costs were calculated by MECL.
23. With respect to **Section 4.4(b)** Miscellaneous Buildings and Services Improvements, the description of this budget line item includes enclosures for combustion turbines and other buildings, fences, roadways, etc. at the Borden Generating Facility. A significant portion of these expenditures appear to be repairs and maintenance in nature. Please provide an explanation as to how these items meet the definition of a capital asset or betterment for accounting standards.

24. With respect to **Section 5.4(b)** Reliability Driven Line Extensions and MECL's response to **IR-5(b)**, please provide justification for the labour and material costs associated with the West Royalty Substation 3rd Circuit and the Bonshaw Circuit, including an explanation as to how these line items were calculated by MECL. Please provide supporting quotes/estimates if available.
25. With respect to **Section 5.5(b)** Distribution Line Refurbishment:
 - a. Please provide a detailed breakdown of expenses, including a breakdown between inspection costs and other replacement costs.
 - b. With respect to inspection costs, are these an annual expenditure?
 - c. Please provide an explanation as to how the inspection costs meet the definition of a capital asset or betterment for accounting standards.
26. With respect to **Section 5.6** System Meters, the Commission noted this was not included in the 2017 Integrated System Plan.
 - a. Does Maritime Electric have a plan for both meter replacement and AMI deployment? If so, please provide it.
 - b. Please provide justification for investing \$655,000 into System Meters without a plan in place for future development of system meters and AMI deployment.
27. With respect to **Section 6.1(a)** Lorne Valley 69 kV Switching Station Expansion and MECL's response to **IR-11(b)**:
 - a. Please provide all quotes/estimates to support the estimated costs included in the detailed breakdown. If supporting quotes/estimates are not available, please explain why they are not available and provide an explanation as to how the estimated cost of each line item in the detailed breakdown was calculated.
 - b. Please provide an explanation as to why the project in the 2018 Integrated System Plan estimates the project at \$1.7 million but the 2019 Capital Budget estimates the project at \$2.8 million, an approximate increase of over one million dollars.
28. With respect to **Section 6.2(b)** Transmission Line Refurbishment:
 - a. Please provide a detailed breakdown of expenses, including a breakdown between inspection costs and other replacement costs.
 - b. With respect to inspection costs, are these an annual expenditure?
 - c. Please provide an explanation as to how the inspection costs meet the definition of a capital asset or betterment for accounting standards.
29. With respect to **Section 7.1(a)** Recurring Annual Capital Requirements and MECL's response to **IR-13**:
 - a. Please provide an explanation for the increase in this budget amount. For example, does management believe there will be additional capital additions over and above the average of the prior five years? If so, please explain.
 - b. The description of this item includes window and door replacement, garage doors, roofing and siding, paving for facility entrances and parking lots, office furniture and equipment, and unforeseen capital expenditures. A significant amount of these items appear to be repairs and maintenance. Please provide an explanation as to how these items meet the definition of a capital asset or betterment for accounting standards.

30. With respect to **Section 7.2(b)** Purchased Software and Upgrades and MECL's response to **IR-14**:
- a. Please provide a detailed breakdown of the costs which are annual updates and supports versus new purchases or enhancements to existing software.
 - b. MECL states in its response to IR-14 that quotes/estimates were not obtained and that the amounts are based on "prior year expenditures". Please provide the prior year expenditures which support the estimate for Purchased Software and Upgrades in the amount of \$380,000.

Additional interrogatories may follow.

A handwritten signature in cursive script that reads "Cheryl Mosher". The signature is written in black ink on a white background.

Cheryl Mosher, CA, CPA
Senior Financial Advisor
Prince Edward Island Regulatory & Appeals Commission