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## Interrogatories of Commission Staff

**TO:** Maritime Electric Company, Limited

**FROM:** Cheryl Mosher, Senior Financial Advisor

**DATE:** September 11, 2018

**RE:** 2019 Capital Budget Application

**DOCKET:** UE20728

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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:

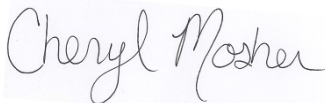
1. With respect to **Section 4.3(a)** Combustion Turbine 3 Turbo-Generator Overhaul, please:
  - a. Provide the full particulars of the project costs listed in Appendix C, Table 1 by line item (i.e. Material, Internal Labour and Project Management).
  - b. Provide all quotes obtained from suppliers, particularly with respect to Material.
2. With respect to **Section 4.4(a), (b)** Borden Plant Projects:
  - a. How are the provisional amounts for combustion turbine improvements and buildings and services improvements calculated?
  - b. What improvements are planned for the 2019 year?
  - c. Please provide all quotes/estimates obtained in relation to the proposed improvements.
3. With respect to **Section 5.2(a)** Polemount and Padmount Transformer Equipment:
  - a. Please provide full particulars of the project, including expenditures and work to be performed.
  - b. Please provide any quotes or estimates MECL obtained for labour and/or materials.
  - c. Are the transformers replacing existing transformers? If so, please provide confirmation that the transformers to be replaced are at the end of their useful life.

4. With respect to **Section 5.2(b)** Pre-1982 Polemount Transformers Life Extension, please provide an expenditure summary which includes a breakdown of the number of units replaced, testing costs and labour costs.
5. With respect to **Section 5.4(b)** Reliability Driven Line Extensions and **Appendix E**:
  - a. According to Appendix E, there are two alternative routes being considered with respect to the Bonshaw Circuit.
    - i. Please provide a comparison of the two proposed routes in terms of benefits and cost.
    - ii. What further investigations will be performed to identify the preferred route?
    - iii. When will these investigations be completed, and at what cost?
  - b. Please provide a summary of expenditures (i.e. materials, labour, etc.) together with supporting cost information for both the West Royalty Substation 3<sup>rd</sup> Circuit and the Bonshaw Circuit.
6. With respect to **Section 5.5(a)** Single Phase and Three Phase Rebuilds and **Appendix F**:
  - a. Please provide the age of each distribution line in MECL's distribution system.
  - b. Why were the lines identified in Appendix F chosen to be rebuilt in 2019?
  - c. How and upon what criteria did MECL make these determinations?
  - d. Upon review of Appendix F, some of the lines which are proposed to be rebuilt have only 30% (or less) of the poles identified as "old eastern cedar".
    - i. Why must these lines be rebuilt?
    - ii. Does MECL intend to replace all poles along the line rebuild, or only those that are described as "old eastern cedar"?
  - e. For line rebuilds costing more than \$500,000 (namely, the Iona Road Single Phase Rebuild, and the Howlan Road Single Phase Rebuild) please provide a detailed breakdown of proposed expenditures, including the number of poles to be replaced and the estimated replacement costs.
7. With respect to **Section 5.5(c)(ii)** Accelerated Distribution Component Replacement – Eastern Cedar Pole Replacement Program:
  - a. Please provide a complete copy of the independent assessment performed by EDM International Inc. (Appendix H includes only the field inspection and testing results).
  - b. Please provide full particulars of the Eastern Cedar Pole Replacement Program.
  - c. Please provide the cost to replace each pole, including labour and materials.
  - d. What is Maritime Electric's pole procurement strategy?
  - e. How will MECL ensure a rotation of pole replacements as poles reach the end of their useful life?
8. With respect to **Section 5.6(e)** Bridge Meters for Load Research:
  - a. Will the bridge meters have a useful life greater than one year for data collection purposes?
  - b. How will bridge meters be used going forward and what is their expected useful life?
  - c. Why is MECL proposing to conduct demand research at this time?
  - d. Why was this research, if necessary for cost allocation, not performed prior to the filing of the cost allocation study (June 29, 2018) and the anticipated rate design study (October 31, 2018)?

9. With respect to **Section 5.7(a)** System Equipment:
  - a. Please provide estimates or quotes for all expenses identified in Table 8 that exceed \$100,000.
  - b. For line items in Table 8 greater than \$100,000, please provide confirmation that the original assets have reached the end of their useful life.
10. With respect to **Section 5.8** Transportation Equipment and **Appendix L**:
  - a. Please provide supplier quotes for the two Aerial Bucket Trucks, Hiab Boom Truck and Wire Tensioning Trailer.
  - b. How was the Maritime Electric Replacement Criteria for Vehicles (Appendix L, Table 2) developed? Is the underlying rationale of the replacement criteria consistent with industry standards? If so, please provide full particulars of the standards relied on.
11. With respect to **Section 6.1(a)** Lorne Valley 69kV Switching Station Expansion:
  - a. Please provide a detailed breakdown of the work to be performed for this project.
  - b. Please also provide a detailed breakdown of the budgeted cost (\$2,820,000) for this project, including the cost of labour, materials, equipment, etc. together with supporting quotes/estimates.
12. With respect to **Section 6.1(b)** 15/20 MVA Airport Power Transformer Replacement:
  - a. Please provide a detailed breakdown of the work to be performed for this project.
  - b. Please also provide a detailed breakdown of the budgeted costs (\$1,100,000) for this project, including the cost of labour, materials, equipment, etc. together with supporting quotes/estimates.
13. With respect to **Section 7.1(a)** Recurring Annual Capital Requirements, please provide complete details of the planned capital additions and refurbishments for 2019, including a breakdown of the costs of each addition/refurbishment.
14. With respect to **Section 7.2(b)** Purchased Software and Upgrades, do the costs relate to purchased software or renewal fees? Please provide quotes/estimates for each line item in Table 15.
15. With respect to **Section 8** Capitalized General Expense:
  - a. What is the dollar value of capitalized general expense recorded to date in the 2018 year?
  - b. Please provide the calculation and assumptions used to support the total expenditure of \$527,000.
  - c. Please explain why the capitalized general expense account has steadily increased since 2014.
  - d. Please explain what measures are in place to monitor this capitalized item year over year.
16. With respect to **Section 9** Interest During Construction:
  - a. Please provide full particulars of Maritime Electric's cost of borrowing.
  - b. Please provide the calculation and assumptions used to support the total expenditure of \$429,000.
  - c. Is the estimated calculation based on the current year's projects, or historical information?

17. With respect to **Customer Contributions** (\$400,000):
  - a. Please explain how customer contributions are determined.
  - b. Please provide a summary of customer contributions actually received for the previous five (5) years.
  - c. Please provide a breakdown of the budget item(s) the customer contributions relate to (i.e. customer driven line extensions, etc.).
18. Please provide a copy of Maritime Electric's capitalization policy.
19. Please explain why the following budget items should be capitalized, and how they meet the criteria for capitalizing rather than expensing:
  - a. Section 4.1(c) Charlottetown Plant Miscellaneous Building & Services - \$25,000
  - b. Section 4.2(a) Miscellaneous Boiler Projects - \$8,000
  - c. Section 4.3(b) Combustion Turbine Improvements & Spare Parts - \$189,000
  - d. Section 4.4(a) Miscellaneous Combustion Turbine Improvements - \$117,000
  - e. Section 4.4(b) Miscellaneous Building and Service Improvements - \$26,000
  - f. Section 5.1(a) Replacements Due to Storms, Collisions, Fire & Road Alterations - \$891,000
  - g. Section 5.5(b) Distribution Line Refurbishment - \$680,000
  - h. Section 5.7(b) Line Equipment - \$224,000
  - i. Section 6.2(b) Transmission Line Refurbishment - \$865,000
  - j. Section 7.1(a) Recurring Annual Capital Requirements - \$271,000
20. Please explain the effect that the proposed capital budget and associated amortization will have on distribution and transmission rates going forward.

**Additional interrogatories may follow.**



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Prince Edward Island Regulatory & Appeals Commission