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Additional Interrogatories of Commission Staff

TO: Maritime Electric Company, Limited
FROM: Cheryl Mosher, Senior Financial Advisor
DATE: March 30, 2021
RE: 2021 Capital Budget Application
DOCKET: UE20731

The Island Regulatory and Appeals Commission (the “Commission”), in assessing the 2021 Capital Budget Application submitted by Maritime Electric Company, Limited (“Maritime Electric” or “MECL”), requests responses to the following interrogatories:

1. Please explain MECL’s process to determine an appropriate contingency for individual capital projects.
 - a. For capital projects with a contingency greater than ten percent (10%), please provide an explanation for why the project requires a contingency of this magnitude.
 - b. Please explain why contingencies appear to only be included in Section 4 – Generation, and not in other sections of the Capital Budget.
2. Please confirm MECL is not seeking a further rate increase in conjunction with its proposed 2021 Capital Budget.
3. Please provide a copy of the Distribution Asset Management Program referenced in Section 3.4(a) Planning Capital Investments – Capital Planning Process.
4. In Section 3.4(b) of the Capital Budget, MECL states that “*The Company maintains and annually updates a list of future capital projects based on current information*”. Please provide the list of future capital projects for the next five (5) years (i.e. 2022 to 2026 inclusive).

5. Although MECL included Section 3.4(b) Planning Capital Investments – Deferral in the Planning Process in the Capital Budget, there is no ranking or evaluation of the capital projects proposed in the present Application. MECL has indicated that all the projects proposed in the 2021 Capital Budget application cannot be deferred. Please provide a ranking of the capital projects in the Application and differentiate between projects necessary to provide safe and reliable electric service in 2021, and those which are not necessary to provide safe and reliable electric service in 2021.
6. A number of the projects listed in the Capital Budget indicate they are necessary to improve reliability. Please provide a summary of the current reliability of the PEI grid and identify areas of the PEI grid which need improvement and explain why.
7. Please provide a map of the current electric grid and indicate the proposed 2021 capital projects.
8. Please provide an estimated 5-year capital budget in dollars for major categories Generation, Distribution, Transmission and Corporate for 2022 to 2026.
9. Please provide MECL's policies for personal use of vehicles, purchase of new vehicles, and what criteria must be met to determine whether a vehicle is required for a specific position.

Section 4 – Generation

10. Please provide MECL's timeline of future plans related to the ECC building.
11. *Section 4.1 (a) - Energy Control Centre Upgrades* – please explain why a number of the items included in the description appear to be repairs and maintenance rather than capital additions. Please provide justification for capitalizing these items.
12. *Section 4.2 (d) – Combustion Turbine Improvements, Parts & Tools* - please explain why a number of the items included in the description appear to be expense in nature rather than capital additions. Please provide justification for capitalizing these items.
 - a. In addition, please provide an explanation for why this provisional amount was increased substantially over the historical 5-year average.

Section 5 – Distribution

13. *Section 5 – Distribution* has increased significantly (approximately 60%) in the last ten years. Please explain the reason for this increase.
14. *Section 5.1 (a) – Replacements due to storms, fire and collisions* - MECL identified 3 of the previous 5 years have experienced increased storm activity. However, the budget amount for the 2021 year is lower than the 5-year average. Please explain MECL's rationale for decreasing the provisional budget, considering 3 of the last 5 years included increased storm related repairs.
15. *Section 5.2 – Distribution Transformers* - Table 25 – 2019 column does not add correctly. Please update.

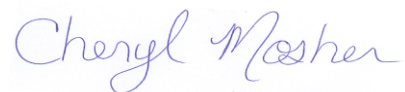
Section 6 – Transmission

16. *Section 6 – Transmission* has increased significantly (approximately 250%) in the last ten years. Please explain the reason for this increase.
17. *Section 6.1(a) - East Royalty Substation* indicates this project is needed as the current configuration lends itself to higher operation costs due to increased losses and decreased reliability to customers in the area. How does the current reliability in this area compare to other areas on the PEI electric grid?
18. *Section 6.1(c) Rattenbury Transformer Upgrade* – The purchase and installation of the Rattenbury Transformer appears to be approximately $\frac{1}{4}$ the cost of a new substation.
 - a. Approximately how many years before customer load will reach the capacity limit of this upgrade?
 - b. When will a new substation be required for this area?
 - c. Is it more cost effective to consider a substation sooner rather than upgrade the transformer?
19. *Section 6.2(c) – Y-119 – Tap to Clyde River Substation* – MECL indicated the scope of work required for the Broadband Project in 2021 has been reduced. As a result, MECL is proposing to move up the Clyde River Tap and construction of Y-119.
 - a. Please provide additional justification to move up the construction of Y-119 by 2 years.
 - b. By moving the construction of Y-119 to the 2021 Capital Budget from the 2023 Capital Budget, does this decrease the capital budget request planned for 2023?
 - c. Please extend Appendix A to include estimates for years 2022 to 2026.

Section 7 – Corporate

20. *Section 7 – Corporate* has increased significantly (approximately 150%) in the last ten years. Please explain the reason for this increase.
21. *Section 7.2 (c) – Customer Information System/billing* – Has MECL completed an internal review of systems used by either their parent company or other subsidiaries of Fortis? If yes, what are the results? If no, why not?

Additional interrogatories may follow.



Cheryl Mosher, CA, CPA
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