

Maritime Electric Co.Ltd.(MECL) 2017 OATT Application (UE20943) – Comments to IRAC

Application Critique:

This is another voluminous 764 page document (second only the 2016 Rate Application) with the application consuming 23 pages and the remainder consumed through many appendices. The application review challenge was lessened considerably by the IRAC Technical Briefing session held recently where MECL conducted a summary presentation essentially for the benefit of the Commissioners but pre-registered public attendees were permitted. This summary document alone is really sufficient for application commentary.

Application Commentary:

- 1) As the FERC Pro Forma has been essentially fully adopted, there is little critique of the calculation methods used to derive the proposed tariffs
- 2) It is disappointing that MECL is requesting generally higher tariffs than NB Power. This is particularly relevant for (hopefully) new commercial wind site developers who will require OATT services from both utilities. It is also unclear why the application cites NB OATT tariffs for 2015 when these were revised as of May 2016
- 3) The basis of all tariffs is the MECL annual functionalized operating costs of transmission service which is 5% of total operating costs. Examples of transmission costs for other comparable utilities is not provided
- 4) The major issue of this application is the continued practice by MECL to submit price applications on an annual basis without any indication as to how the tariffs might alter in subsequent years. This uncertainty is worsened by the use of “cost of service” data from 2014 to set OATT schedules for 2017.
- 5) Compounding the issue 4), the new mainland cables are referenced in the technical briefing material but no account of the price impact that these cables will have upon transmission to and from PEI and also within PEI is given. From other MECL data it is known that close to \$2M will be added annually to transmission costs attaching from 2018 on. This must considerably affect the OATT rates for 2018.
- 6) With longer term Power Purchase Agreements (PPA) in place, MECL has the data to accurately forecast OATT rates over a number of years. Any financial risk for MECL can be eliminated by publishing the “Input Factors” or assumptions upon which these forecasts are based and having the provision that tariff changes might be required if these input factors changed. MECL does have a PPA for 2016 to 2019.

Proposed IRAC Order Content:

- 1) Tentatively approve the application subject to MECL providing OATT schedules for at least the subsequent years of 2018 and 2019. This extended application should detail

the cost contributions from the completion of both the new mainland cables and the Y104 expansion projects.

- 2) Request operating transmission metrics for “top-of-class” electrical utilities and the comparative data that lead to high OATT schedules as compared to NB Power.

Future Planning Commentary

As a requirement for accepting any future regulatory applications, I continue to urge the Commission to seek a documented framework from MECL within which each application can be evaluated and the influence and connection between them understood. As the Commission is aware, this framework for Utilities is usually an Integrated Resource Plan (IRP) which includes forecasts, risks and costs for at least the next 10 years. Without such a future planning document that is frequently updated and frequently referenced, logical and connected decisions cannot be made. An IRP is now especially relevant with the PEI Government’s recent updating of the province’s energy strategy which provides objectives and legislative context for MECL plans going forward.