



Interrogatories of Commission Staff

TO: Maritime Electric Company, Limited
FROM: Cheryl Mosher, Senior Financial Advisor
DATE: June 27, 2023
RE: 2022 Capital Budget Variance Report
DOCKET: UE20738

The Island Regulatory and Appeals Commission (the “Commission”), in assessing the reasonableness of the 2022 Capital Budget Variance Report submitted by Maritime Electric Company, Limited (“Maritime Electric” or “MECL”), requests responses to the following interrogatories:

1. Please provide a breakdown of the customer contributions received in relation to their corresponding projects.
2. In the draft Capital Expenditure Justification Criteria date November 2019 – the cost overruns are to be communicated with the Commission when overruns are more than \$100,000 and 10% of the approved project budget. A number of projects met this criteria during the 2022 year, but were not communicated with Commission in real time.
 - a. Why were the overruns not communicated with the Commission prior to the filing to the 2022 capital variance report?
 - b. Please provide justification for why the Commission should approve overruns on projects which met the more than \$100,000 and 10% criteria mentioned in the draft Capital Expenditure Justification Criteria.
3. Section 5.3 – Services and Street Lighting was over budget due to service request associated with new construction continuing to remain high as well as upgrade service requests due to provincial government incentive programs.
 - a. Please provide a breakdown of services provided as compared to budget.
 - b. Please provide an average cost per service budgeted as compared to actual.
 - c. Were there customer contributions received to offset the costs.

4. Section 5.4 – Line Extensions was over budget due primarily to two large projects which MECL was not aware there was a requirement to complete these projects for customers at the time the 2022 capital budget application was prepared.
 - a. Please explain why this was not known at the time of the capital budget and whether it is a customer driven expense?
 - b. If so, were there customer contributions received to offset the costs.
5. Section 5.5(d) – Eastern Cedar Pole Replacement was over budget due to the availability of contractor resources providing an opportunity to complete extra pole replacements during the year.
 - a. MECL is expecting the 2022 Capital budget to approximately be \$4 million over budget, including carryovers. Please justify spending over and above the approved budget amount in the 2022 year without first obtaining Commission approval.
 - b. The over budget amount is greater than \$100,000 and 10% and therefore requires MECL to communicate to Commission staff regarding the cost over runs of the project. Please explain why this was not done.
6. Section 6.1(a) – East Royalty Substation was over budget due to primarily increase for civil works due to contract labour and material cost increases and modifications. Please provide additional support and explanations regarding this project.
7. Section 6.1(b) – Crossroads Substation rebuild was over budget due to an increase for switches, breaker, hardware and the power transformer, as well as structural steel. Please provide additional support and explanations regarding this project.

Additional interrogatories may follow.



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