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Regulatory & Appeals Commission
Commission de réglementation et d'appels
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Interrogatories of Commission Staff

TO: Maritime Electric Company, Limited

FROM: Cheryl Mosher, Senior Financial Advisor

DATE: October 26, 2023

RE: 2024 Capital Budget Application

DOCKET: UE20739

1. Section 3(a) of the *Electric Power Act* requires Maritime Electric to "*furnish at all times such reasonably safe and adequate service and facilities for services as changing conditions require*".

    a. Does MECL consider severe weather events, such as the polar vortex experienced in February 2023, to be a changing condition under which MECL must operate?

    b. What steps is MECL taking to harden the grid and prepare the grid in response to the intensifying weather systems and energy demand growth?

    c. Which of the proposed 2024 Capital expenditures are related to strengthening the grid? Please quantify the reliability improvements associated with these capital expenditures.

2. Please provide a forecast, as of December 31, 2023, of the unspent portion of any previously approved capital budget that MECL intends to carryover to 2024. Please include a forecast of any remaining carryovers from prior years.

3. Please comment on the recommendations made by Synapse Energy Economics, Inc. in its report entitled "Prince Edward Island Resource Planning and Maritime Electric Capital Expenditures", dated April 27, 2022, as they relate to the proposed 2024 Capital Budget.

4. Section 3.3 of the application states that the 2024 capital budget forecast is $8.5 million higher than expected during the recent General Rate Application.

    a. Please explain why the forecast is now $8.5 million higher than previously forecast. Include a detailed explanation for the proposed increase.

5. Confidential Appendix Q-1 – The SAIDI (MED and Externally Caused Outages Excluded) table indicates that in the past six years, MECL has experienced less outage hours as compared to the Atlantic Utilities Average.

    a. What is considered an industry standard measurement of SAIDI (MED and Externally Caused Outages Excluded)?

    b. What is MECL's target SAIDI (MED and Externally Caused Outages Excluded)?

    c. What does it mean if MECL's SAIDI (MED and Externally Caused Outages Excluded) is trending below the Atlantic Utility Average?

6. Confidential Appendix Q-1 - MECL's SAIDI (All in) has been significantly above the Atlantic Utility Average for the last couple of years.

    a. What is considered an industry standard measurement of SAIDI (All In)?

    b. What is MECL's target SAIDI (All In)?

    c. MECL states that it has been focusing on improving SAIDI (All In) reliability performance. What is MECL doing to improve its reliability performance during major weather events?

    d. Which 2024 capital projects or expenditures will improve MECL's reliability performance during major weather events?

7. Section 3.7(a) – MECL states that in Canada it is not a requirement to be FERC compliant; however, it is considered good utility practice to do so. Is MECL FERC compliant in regards to its accounting policies and maintenance of books and records?

8. Section 3.7(b) – Have there been any changes to how MECL calculates and allocates labour between capital and operating, as well as between various capital projects? If yes, provide details and support.

9. Section 3.7(b) – Provide a detailed comparison of 2022 and 2023 budgeted labour and transportation costs included in the 2022 & 2023 Capital Budgets as compared to 2022 actual and 2023 forecasted labour and transportation costs in the respective capital budgets. If there are significant variances, provide a detailed explanation for the variance.

10. Section 4 – Generation – A number of the capital projects for Generation include a contingency of 15 percent. Please provide further justification for a contingency of this magnitude, and explain how MECL determined the contingency for these projects.

11. Section 4.4(a) – CT1 Generator Overhaul:

    a. Will this project extend the life of the asset?

b. There is a quote for materials in addition to a significant internal labour and transportation budget. Will this overhaul be completed in-house by MECL staff or will a third party be completing the work?

12. Section 5 – Distribution – Explain how the proposed 2024 Capital Budget is in line with the 2020 ISP and with DAMP. Identify any deviations.

13. Section 5.1 – Replacements Due to Storms, Collisions, Fire and Road Alterations – The total identified in the header of section 5.1 is $2,011,000; however; the total per Table 23 is $2,170,000.
    a. Please explain the difference between the two amounts.

14. Section 5.1(a) – Replacements Due to Storms, Fire and Collisions:

    a. Please provide a forecast of actual 2023 expenditures as of December 31, 2023. Provide an explanation if the forecast is over/under budget.

15. Section 5.1(b) – Replacements due to Road Alterations:

    a. Provide a forecast of actual 2023 expenditures as of December 31, 2023. Provide an explanation if the forecast is over/under budget.

    b. Has the Province of PEI finalized their 2024 plans for infrastructure work? If so, what (if any) impact does this have on MECL's proposed 2024 budget?

16. Section 5.2 – Distribution Transformers:

    a. MECL states that transformer requirements in 2024 will be similar to 2023. Please explain in detail how MECL determined the transformer needs would be similar to 2023.

    b. Considering the increased cost for distribution transformers over the last few years, what has MECL done to mitigate these price increases?

17. Section 5.3 – Services and Street Lighting – MECL states there are six (6) new powerline technician positions that have been added to meet increased customer demand for service work and street lighting. Provide details of the increased customer demand to justify the increase in the internal labour and transportation section of Table 27.

18. Section 5.3(a) – Overhead and Underground Services:

    a. Please provide a forecast of actual 2023 expenditures as of December 31, 2023. Provide an explanation if the forecast is over/under budget.

    b. Provide detailed assumptions and calculations used to determine the increased budget for overhead and underground services.

19. Section 5.3(b) – Street and Area Lighting. This is the final year of the ten year planned program. Please provide a detailed summary analyzing whether the program achieved expected results.

20. Section 5.4(a) – Customer Driven Line Extensions:

    a. Please provide a forecast of actual 2023 expenditures as of December 31, 2023.
    b. Please provide an explanation how MECL calculated the increased budget amount for the 2024 year over the 2022 actuals and 2023 budget amount.

21. Section 5.4(b) – Reliability Driven Line Extensions:

    a. Explain how the line extensions will result in reliability improvements? Will these line extensions improve poor performing feeds noted in section 3? Please explain.

    b. In Table 32 the Contract Labour line item has increased over the prior year and is trending above the 5 year average. Please provide justification for this increase.

22. Section 5.5 – Line Rebuilds – MECL states:

    "*The communications make-ready requests are customer driven and are often received without advance notice; however, the Company is still obligated to complete such work in a timely manner. As such, communications make-ready work is not budgeted and instead reported to the Commission quarterly through capital expenditure forecasts and when large projects warrant, through the supplemental capital budget request ("SCBR") process*."

    a. Please explain in more detail what is meant when MECL states the work is not budgeted. Is there a provisional budget for make-ready work?

    b. Please provide a summary of historical and 2023 forecast make-ready work.

23. Section 5.5(a) – Single Phase and Three Phase Line Rebuilds:

    a. Please provide a forecast of actual 2023 expenditures as of December 31, 2023.

    b. In Table 34 the Contract Labour line item has increased over the prior year and is trending above the 5 year average. Please provide justification for this increase.

    c. What is the average outage hours for customers on each of the line rebuilds as compared to the average MECL customer?

24. Section 5.5(b) – Distribution Line Refurbishment:

    a. Does this project cover costs for inspection and refurbishment if an issue is detected, or does this project only cover inspection costs?

    b. MECL states "*The program was designed to ensure that all overhead primary distribution lines are subject to a detailed ground inspection every six years*." Has this program been able to achieve this objective of inspecting overhead primary distribution lines within a 6 year period?

    c. What savings have resulted from this program?

25. Section 5.5(c)(ii.) – Deteriorated Conductor Replacement Program:

    a. Please provide a forecast of actual 2023 expenditures as of December 31, 2023.

26. Section 5.5(c)(iii.) – Backlot Feed Relocation Program:

    a. Are the lines MECL anticipates relocating at the end of life?

    b. Please describe the condition of the lines.

    c. Justify the benefits, including a cost benefit analysis, of relocating the lines in the 2024 budget year versus waiting until end of life for each planned line.

27. Section 5.5(d) – Distribution Corridor Widening & Section 6.2(d) – Transmission Corridor Widening:

    a. MECL has not included vegetation management in previous capital budgets. Why has MECL included distribution corridor widening in its 2024 capital budget?

    b. Provide justification to support including vegetation management as a capital expenditure versus an operating expenditure.

    c. Is the classification of this expense as capital (rather than operating) consistent with MECL's accounting policy? Please explain.

    d. Which (if any) other Atlantic Canadian electric utilities capitalize vegetation management?

    e. In the General Rate Application, MECL filed a vegetation management plan for the rate setting period. This proposed capital program was not included in MECL's vegetation management plan as filed. Why?

    f. In accordance with Order UE23-04, MECL is not permitted to decrease vegetation management costs to achieve the maximum allowed ROE. Is MECL proposing to capitalize vegetation management costs to decrease operating costs in 2024?

    g. What is the total vegetation management costs (operating and capital) that MECL is proposing to spend in 2024?

    h. MECL states that this is a recurring capital requirement. However, the majority of the recurring work will be performed by contractor (rather than internal) labour. Is this the least cost option? Please provide all supporting calculations/assumptions.

    i. How many kilometers of distribution corridor is MECL forecasting to widen in 2024? Please provide all supporting calculations/assumptions.

28. Section 5.6 – System Meters – Considering MECL has an application before the Commission that includes replacing the current meters with smart meters, please

provide additional justification to continue purchasing approximately 1,500 radio frequency meters.

29. Section 5.7 – Distribution Equipment – Table 47 – The Relay replacement equipment line does not add to $168,000 and the Switch replacement equipment line does not add to $61,000. Subsequently the total budget line does not add to $1,666,000. Please explain the discrepancy.

    a. Similarly, Table 49 is different than the sum calculated in Table 47. Please explain.

    b. Table 50 is different than the sum calculated in Table 47. Please explain.

30. Section 5.8 – Transportation Equipment:

    a. What are the implications of not purchasing an additional Aerial Bucket (one does not replace an existing vehicle)?

    b. MECL indicated in 2023 they were approved to purchase a vegetation management truck; however, due to operational requirements the Company changed this to an aerial bucket. This resulted in the total budget requirement to increase $550,000. Did MECL obtain Commission approval for this change?

    c. As MECL did not order a vegetation management truck in 2023, will this affect MECL's vegetation management plan? Please explain.

    d. There is no vegetation management truck included in the 2024/2025 budget for line operation vehicles. Has this vehicle been deemed unnecessary? Explain.

    e. With respect to small vehicles and equipment, what are the operational requirements in relation to the proposed new pole trailer?

    f. MECL indicated they are in the process of transitioning its passenger vehicle fleet to plug-in hybrid electric vehicles and all-electric vehicles. Is this the most cost effective plan? Please provide a cost benefit analysis to support the proposed additions.

31. Section 6 – Transmission:

    a. Which of these capital expenses does MECL intend to recover from transmission customers as part of the next OATT schedule update?

    b. What is the resulting impact for transmission customers? Assume all proposed capital expenditures are approved and recovered under the OATT as proposed by MECL.

32. Section 6.1(a) – Woodstock Switching Station:

    a. Provide a forecast of actual 2023 expenditures as of December 31, 2023. Please provide an explanation if the forecast is over/under budget.

b. The 2024 and 2025 revised budgets have materially changed since the 2023 Capital budget application. Please provide additional support for the power transformer and substation equipment price increases and additional civil works costs.

33. Section 6.1(b) – Tignish Substation:

a. Provide a forecast of actual 2023 expenditures as of December 31, 2023. Please provide an explanation if the forecast is over/under budget.

b. The 2024 revised budgets have materially changed since the 2023 Capital budget application. Please explain and provide support the increase costs.

34. Section 6.1(g)(i) – Backup Generator System:

a. In 2020, MECL began upgrading critical substations by replacing aged, or adding new, backup generators. Which substations have new or replaced backup generators?

b. How many substations require new backup generators?

c. In which substation does MECL propose to install a backup generator in 2024? Provide justification.

35. Section 6.1(g)(iii) – Mobile Transformer Accommodation:

a. MECL states that the mobile bays in older substations require expansion to accommodate larger dual voltage mobile transformers. Which substation is MECL proposing to upgrade in 2024? Provide justification.

36. Section 6.1(g)(iv) – Equipment Upgrades:

a. MECL states that the proposed budget allocation "*will enable the Company to complete line recloser upgrades at a substation with manual reclosers*". How many substations have manual reclosers?

b. Which substation is MECL proposing to upgrade in 2024? Provide justification.

37. Section 6.1(g)(v) – Fence Upgrades:

a. MECL states that the fencing at certain substations and switching stations is deteriorating and needs to be replaced. Provide particulars of the fence to be replaced in 2024.

38. Section 6.2(c) – Transmission Lines:

a. The Tignish substation transmission is a two-year project that involves the purchase of transmission line T-23 between Alberton and Tignish in 2023. In the 2023 Capital Budget, MECL allocated $307,000 for the purchase of approximately 16 km of line T-23 from PEIEC.

i. Has MECL purchased a portion of line T-23 from PEIEC?

ii. If so, what was the purchase price?

39. Section 7.2(a) – Hardware Acquisitions – Provide more details on the planned purchases for the Servers and Communication Equipment of $433,000 included in Table 81.

40. Section 7.2(b) Software Acquisitions – Cybersecurity Software attribute to the majority of the increase in this project as compared to prior year expenditures. Provide additional comments to support the increase in Cybersecurity software costs.

41. Section 7.2(c) – Cybersecurity Enhancements – In 2021, 2022, 2023 and 2024, there are increased expenditures on Cybersecurity Enhancements. Please distinguish between the Cybersecurity Enhancements undertaken in prior years versus those proposed for 2024.

42. Section 7.2(d) – Customer Services and Communications Enhancements:

    a. MECL states that proposed website upgrades are outside the scope of the CIS component of the Advanced Metering for Sustainable Electrification Project.

        i. Provide justification for completing website upgrades prior to implementation of the CIS and AMI.

        ii. Will the website upgrades be compatible with the proposed CIS and AMI?

        iii. Will further website upgrades be required upon implementation of the CIS and AMI?

    b. Table 86 includes $43,000 for material for the proposed website upgrades. Provide information on the materials required for the proposed website upgrades, with supporting documentation.

    c. Table 86 includes $46,000 for internal labour and transportation. This is in addition to the external labour for which an estimate was provided in Confidential Appendix Q-14. Provide details on the internal labour and transportation associated with proposed website upgrades, with supporting documentation.

43. Section 7.2(e) – Load Modelling Software – Provide support for the load modelling software and internal labour and transportation included in Confidential Appendix Q-14, Table 5.

44. Section 7.2(f) – GIS Upgrade to Utility Network Model:

    a. MECL is proposing to upgrade the ESRI GIS to UNM in 2024. However, according to Confidential Appendix Q-14, MECL signed a 3 year agreement for ESRI GIS in 2022. MECL has included $70,410 for ESRI GIS in 2024, in addition to the cost of the UNM (see Table 2, Confidential Appendix Q-14). Is MECL seeking approval

for capital expenditures for both ESRI GIS and UNM in 2024? If so, please explain and provide justification.

b. Confidential Appendix Q-14, Table 6, includes $80,000 for internal labour and transportation. According to the proposal from ESRI, the upgrade to UNM will be done remotely.

i. Please provide details and justification for the $80,000 internal labour and transportation claimed by MECL.

45. Section 7.2(g) – HSE Information Management Software – The HSE Information application presented to the Commission in 2022 was a one year project of $58,000. The 2022 application indicated it was for the purchase and implementation of a new HSE management software. The project presented to the Commission in the 2024 capital budget application is considerably higher with a total budget of $219,000.

a. Please explain how the project increased to $219,000.

b. Document any changes in scope in this project that led to the increased project cost.

Additional interrogatories may follow.

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