



Interrogatories of Commission Staff

TO: Maritime Electric Company, Limited

FROM: Cheryl Mosher, Senior Financial Advisor

DATE: August 11, 2022

RE: 2022 Supplemental Budget Request – Purchase of Transmission Assets
Located in Bedeque, PE

DOCKET: UE20736

1. Maritime Electric states that the transmission assets, if purchased by MECL, will be included in rate base.
 - a) What is the value of the assets that will be recorded in Maritime Electric's rate base in each of 2022 to the end of the useful life of the assets?
 - b) What is the return on rate base (in dollars per year) that will MECL earn on the assets during their lifetime?
2. Maritime Electric states that there was a catastrophic failure of 138 kV circuit switch CS1 in 2018. An internal inspection was conducted which identified that the equipment was approaching the end of life requiring near term replacement.
 - a) What was the financial cost of the catastrophic failure in 2018 and who paid for this?
 - b) Please provide a copy of the internal inspection performed in 2018.
 - c) Have any of the assets been replaced since 2018? If yes, please provide full particulars, including the cost and who paid for the replacement.
3. In addition to operating and capital costs, will there be decommissioning costs and/or depreciation expense associated with the transmission assets? If yes, please provide the forecast cost of same over the useful life of the assets.
4. Please provide a copy of the Interconnection Lease Agreement of July 2017, which was attached as Appendix "A" to the May 2, 2022 correspondence from the Provincial Government.
5. In the General Rate Application currently before the Commission, MECL advises that the terms of the Interconnection Lease have been amended effective July 1, 2022. Please provide a copy of the amended Interconnection Lease Agreement effective July 1, 2022.

6. According to the Application, the Contingency Fund was established to pay for capital replacements related to the interconnection.
 - a) Is the Contingency Fund funded solely by MECL, or are funds contributed by other sources? Please explain.
 - b) Please provide the historic capital expenses for the transmission assets for the previous 10 years.
 - c) Who paid for the capital expenditures detailed in response to (b) above?
 - d) Why is the Contingency Fund “*no longer the appropriate manner of financing*” capital replacement costs? (reference Application at page 7, lines 22 to 24)
 - e) The Contingency Fund could be used to partially fund the required capital investment in the 138 kV transmission assets. This is consistent with the purpose of the Contingency Fund and past practice. Please explain why this is not presented as an option in this Application.

7. MECL is currently collecting \$375,000 from transmission users, in accordance with the provisions of the Interconnection Lease Agreement, in order to increase the balance of the Contingency Fund to \$5.0 million.
 - a) Are the transmission assets to be purchased by MECL included in the existing OATT rates? If not, will MECL be seeking Commission approval to further amend the OATT rates and schedules?
 - b) If the Application is approved, will transmission users be required to both contribute \$375,000 to the Contingency Fund, and also pay for capital replacement costs of the transmission assets?
 - c) If the assets are purchased by MECL, which portion of the forecast capital costs in each year (2022 to 2029) will be recovered from transmission users, and which portion will be recovered from distribution customers?

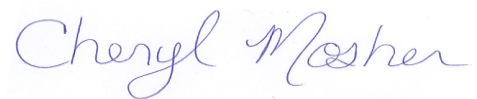
8. Maritime Electric states that it currently maintains the transmission assets. As a result, the transfer in ownership will not change the operating expenses associated with their maintenance. Please provide the historic operating expenses for the transmission assets for the previous 10 years, as well as the forecast operating expenses for 2022 to 2029.

9. Please provide the age, end of useful life, and forecast replacement cost for each asset listed in Appendix A of the Application.

10. If approved, what (if any) impact will the purchase of the transmission assets have on the OATT Schedule Update and the General Rate Application currently before the Commission, including the rates proposed therein? Please provide supporting calculations, inputs and assumptions.

11. Please provide the rate impact for both transmission and distribution customers, for 2022 to 2029, if the transfer of the transmission assets is approved. Please provide all supporting calculations, inputs and assumptions.

Additional interrogatories may follow.

A handwritten signature in blue ink that reads "Cheryl Mosher". The signature is written in a cursive style with a large initial 'C' and 'M'.

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