



Interrogatories of Commission Staff

TO: Maritime Electric Company, Limited

FROM: Cheryl Mosher, Senior Financial Advisor

DATE: May 30, 2023

RE: Supplemental Capital Budget Request – Customer Information System and Advanced Metering Infrastructure Project

DOCKET: UE20737

1. In the Hurricane Fiona Post-Mortem Report dated March 7, 2023, Maritime Electric describes technological challenges that impacted restoration efforts.
 - a. The analysis and recommendations of TMG Consulting and Util-Assist were finalized before Post-Tropical Storm Fiona. In light of the technological issues encountered during Fiona, is any change to the scope or application of this Project warranted?
 - b. How will the proposed Customer Information System (CIS) and Advanced Metering Infrastructure (AMI) improve MECL's response to events such as Post-Tropical Storm Fiona?
2. Will the new CIS/AMI system include a geographic information system?
3. MECL states that implementation of radio frequency (RF) meters began in 2005.
 - a. When was installation of all RF meters complete?
 - b. Are the RF meters at the end of their useful life?
 - c. Are the RF meters fully depreciated?
 - d. If the RF meters are not fully depreciated, what is the forecast depreciation expense and how does MECL propose to recover this expense?
 - e. Is there a decommissioning cost associated with replacing RF meters with smart meters? If yes, what is the forecast decommissioning cost and how does MECL propose to recover this cost?
4. At page 7 of the Application, MECL states that when RF meters were implemented, the number of meter department staff was reduced from twenty to six. Does MECL anticipate a further reduction in meter department staff if AMI is implemented? If no, please explain. If yes, please estimate the annual cost savings.

5. At page 9 of the Application, MECL states that time-of-use rates and other innovative rate structures will make infrastructure investments and capacity costs associated with electrification “*more manageable*”. Please quantify the cost savings and avoided costs if AMI technology is implemented.
6. Refer to Table 3 at page 16 of the Application.
 - a. What is the “Owners Engineer” line item and how is it calculated? Please provide all supporting data and assumptions.
 - b. What is the “Maintenance During Project” line item and how is it calculated? Please provide all supporting data and assumptions.
7. Based on the Application, the vendors for the CIS and AMI projects have not yet been selected.
 - a. Has MECL obtained quotes from potential vendors?
 - b. If not, has MECL taken steps to have the reasonableness of its estimates verified by potential vendors?
 - c. In the event the total Project costs exceed the budgeted amounts (including contingencies), what proportion of the over-spend will be paid by MECL and what proportion will be paid by ratepayers?
 - d. Is MECL prepared to share in any cost overruns with ratepayers?
8. What is the cost per customer of the CIS/AMI Project? What is the average cost per customer for other comparable projects undertaken by other utilities?
9. How will the CIS/AMI Project benefit customers?
10. Has MECL researched the appropriateness and potential cost savings associated with using the same CIS utilized by other Fortis-owned utilities? If yes, please provide the results of the research, including particulars of forecast cost savings. If MECL has not performed this research, please explain why.
11. Refer to Table 5 at page 26 of the Application. Is the funding from Natural Resources Canada included in rate base?
12. Please provide a breakdown of the estimated ongoing annual operating costs expected after the projects are completed.
13. Under both projects, MECL indicated the need to hire additional staff to manage and run these capital projects. Will these positions continue after the projects have been completed and have they been included in IR#11 as ongoing annual operating costs?

Funding from Natural Resources Canada

14. MECL sought funding from Natural Resources Canada (NRCan) based on a total estimated project cost of \$43 million. The project cost has now increased to \$47,585,000.
 - a. Please explain the reason for the increase.
 - b. What efforts has MECL made to increase the Government funding in light of the increased project costs?
15. What is the status of the contribution agreement with NRCan?
16. The Project received conditional funding approval from NRCan on March 22, 2022. At that time, MECL was advised that the funds would need to be used within a three year period. In the Application, MECL states that the NRCan funds “*must be used by March 31, 2025 and any Project costs after that date are not eligible for reimbursement*”.
 - a. The availability of funding is time-limited and time-sensitive. Although MECL received conditional funding approval in March 2022, this Application was not filed until November 25, 2022. Please explain the reason for the delay in filing.
 - b. What steps has MECL taken, or does it intend to take, to ensure the full amount of the NRCan funding is utilized by March 31, 2025?
 - c. How will MECL fund the Project in the event the full amount of the NRCan funding cannot be utilized due to Project delays?

TMG Consulting Report

17. In Section 9.5 at page 56, TMG states that 15.25 resources will be dedicated to the CIS Project. The blended hourly rate is \$143/hour and the total fees/labour costs is \$12.2 million.
 - a. Please provide support for the hourly rate of \$143.
 - b. An hourly rate of \$143 equals an annual salary of \$278,850 based on a 37.5 hour work week. Is MECL proposing to pay each resource an annual salary of \$278,850? If no, please explain. If yes, please provide justification.
18. Are the CIS Project costs used in the Application consistent with the TMG Report? Please explain and provide justification for any variances between the costs budgeted by TMG and the costs included in the Application.
19. In Section 9.6 at page 57, TMG projects MECL internal labour costs for the CIS Project to be \$3.6 million. Please provide further information and support for the projected internal labour costs.
20. In Sections 9.9 to 9.12 at pages 59-60, TMG calculates the total annual benefit of the CIS replacement to be \$1,899,026. The annual benefit consists of:

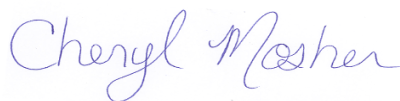
- A \$570,000 per year reduction in existing expenditures (Hard Dollar Cost Reduction);
- A \$190,000 per year benefit for the time value of money and increased revenues (Hard Dollar Revenue Enhancement); and
- A \$1,139,146 per year avoidance of additional expenditures (Soft Dollar Cost Avoidance).

How will MECL achieve these annual benefits? The response must include particulars of the existing expenditures that will be reduced and avoided on an annual basis, including the cost/benefit of each.

Util-Assist Report

21. Util-Assist refers to a business case model and a comprehensive financial model in Excel format. Please provide a copy of the Excel(s) in native/workable form.
22. Util-Assist states that, overall, the AMI project is not cost effective.
 - a. Did Util-Assist include the funding from NRCAN in its analysis?
 - b. What impact does the NRCAN funding have on the cost-effectiveness of the AMI project?
23. What customer data will be collected by MECL if AMI is implemented?
24. What frequency of meter reading is MECL proposing and why?
25. Util-Assist notes the importance of protecting customer data and privacy once AMI is implemented. What policies and procedures does MECL have in place, or plan to have in place, to protect customer data and privacy once AMI is implemented?
26. Will MECL customers have the option to opt-out of smart meters? How does MECL intend to handle opt-out requests?
27. Section 5.2, Table 8 provides a Comparison of AMI Business Cases. Please explain why both the Nova Scotia Power and New Brunswick Power All-in Cost per Meter is considerably lower than MECL's anticipated cost per meter.

Additional interrogatories may follow.



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