



Interrogatories of Commission Staff

TO: Maritime Electric Company, Limited
FROM: Cheryl Mosher, Senior Financial Advisor
DATE: November 20, 2024
RE: 2025 Capital Budget Application
DOCKET: UE20741

1. Please provide a copy of the most recent Distribution Asset Management Program.
2. Please provide current forecasts for the anticipated capacity related supplemental capital budget request as it relates to the five year forecast in Appendix A. Please also provide an updated Appendix A that includes all anticipated capital projects and expenditures up to and including 2029.
 - a. Please confirm if the Renewables application mentioned to Commission Staff is included in Appendix A. If not, please ensure it and all other planned projects are included in the updated Appendix A.
3. Please provide a forecast, as of December 31, 2024, of the unspent portion of any previously approved capital budget that MECL intends to carryover to 2025. Please include a forecast of any remaining carryovers from prior years.
4. Customer Contributions are presented as a lump sum deduction to the overall capital budget. Please provide a breakdown of all budgeted customer contributions by project.
5. Section 3.3 of the application states that the 2025 capital budget forecast is \$7.6 million higher than expected during the recent General Rate Application. MECL expects the incremental increases to be offset through sales growth and operational efficiencies during the remainder of the rate-setting period.
 - a. Please explain why the forecast is now \$7.6 million higher than previously forecast. Include a detailed explanation for the proposed increase.
 - b. Does MECL expect 100% of the incremental costs to be offset?
 - c. What operational efficiencies is MECL expecting that will offset this increase? Please include all calculations and assumptions.
 - d. MECL indicated sales growth would also help offset the increased cost. Please provide MECL's updated forecasts as compared to the General Rate Application.

6. In Appendix E – page 4 – the table references the 2025 revenue requirement per table 6-6 of the GRA is \$260,577,000; however, per the General Rate Application the total revenue requirement from basic rates was \$256,992,000. In addition, the total revenue requirement per the settlement agreement (Exhibit M-14 of the GRA) is \$255,063,000.
 - a. Please explain this variance.
7. Section 3.7(b) – Provide a detailed comparison of 2023 budgeted labour and transportation costs as compared to actual expenditures in 2023. If there are significant variances, provide a detailed explanation for the variance.
8. Section 3.6(c) – Capital Cost Accounting – MECL indicated it follows Canadian private entity Generally Accepted Account Principles (“ASPE”) which allows reference to other guidance including accounting principles established in the United States (“US”) including Federal Energy Regulatory Commission (“FERC”).

For the following projects, please provide justification to support capitalizing the expenditure versus expensing it as an operating expense.

- a. Section 4.1(b) EEC Mechanical Upgrades and Electrical Assessment – specifically the Electrical Assessment.
 - b. Section 5.5(e) Satellite Based Vegetation Imaging – Distribution,
 - c. Section 6.2(e) Satellite Based Vegetation Imaging – Transmission,
 - d. Section 7.1(b) Comprehensive Building Condition Assessment, and
 - e. Section 7.2(c) Cybersecurity Enhancements.
9. Section 4 – Generation – MECL indicated that the Generation component of the capital budget is comprised of projects required to maintain the generating stations in a state that enables the Company to meet reliability and safety requirements including requirements set out by the NB Power Purchase Agreement.
 - a. Please explain if MECL is in compliance with the NB Power Purchase Agreement.
 - b. If MECL is not in compliance with the NB Power purchase agreement, are there any additional costs to ratepayers?
10. Section 5 – Distribution – Explain how the proposed 2025 Capital Budget is in line with the 2020 ISP and with DAMP. Identify any deviations.
11. Section 5.1(b) – Replacements due to Road Alterations:
 - a. Has the Province of PEI finalized their 2025 plans for infrastructure work since MECL filed their 2025 capital budget application?
 - b. If so, what (if any) impact does this have on MECL’s proposed 2025 budget?
12. Section 5.2 – Distribution Transformers:

- a. MECL states that the government incentive programs such as the new Oil to Heat Pump Affordability Program is increasing demand and will result in transformer upgrades due to increased energy supply requirements. Please quantify the increased costs imposed on the utility driven by government incentive programs.
 - b. Considering the increased cost for distribution transformers over the last few years, what has MECL done to mitigate these price increases?
13. 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.
14. Section 5.5(a) – Single Phase and Three Phase Line Rebuilds:
 - a. What is the average outage hours for customers on each of the line rebuilds as compared to the average MECL customer?
15. 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 2025 budget year versus waiting until end of life for each planned line.
16. Section 5.5(d) – Distribution Corridor Widening & Section 6.2(d) – Transmission Corridor Widening:
 - a. What is the total vegetation management costs (operating and capital) that MECL is proposing to spend in 2025?
 - b. 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.
 - c. How many kilometers of distribution corridor is MECL forecasting to widen in 2025?
 - d. Please provide a map that identifies the vegetation management that will be completed in the 2024 capital budget, and the vegetation management proposed to be completed in the 2025 capital budget.
17. Section 5.6 – System Meters – MECL has, subsequent to filing the 2025 Capital Budget application, received approval for the CIS/AMI Project which includes replacing the current radio frequency meters with smart meters.
 - a. Please explain if this recent approval affects the budget for system meters. Include all calculations and assumptions.

- b. Will radio frequency meters or smart meters be used for new construction in 2025?
 - c. Please explain how MECL plans to minimize the risk of stranded assets associated with the purchase of additional radio frequency meters in the 2025 capital budget.
 - d. Please provide additional justification to continue purchasing approximately 1,500 radio frequency meters.
18. Section 5.7 – Distribution Equipment – Table 49 – The Relay replacement equipment line does not add to \$898,000 and the Switch replacement equipment line does not add to \$71,000. Subsequently, the total budget line does not add to \$1,573,000. Please explain the discrepancy.
- a. Similarly, Table 51 is different than the sum calculated in Table 49. Please explain.
 - b. Table 52 is different than the totals in Table 49. Please explain.
19. Section 5.8 – Transportation Equipment:
- a. Please provide maintenance costs for all proposed replacement vehicles for the previous 3 years.
 - b. Has MECL completed a cost benefit analysis if their replacement criteria for vehicles was extended? Please provide all calculations and assumptions.
 - c. During the technical session, MECL indicated they are currently reviewing their replacement criteria with Fortis Alberta. Please provide a comparison between MECL’s replacement criteria and those of Fortis Alberta.
20. 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.
21. Section 6.1(d) – West Royalty Substation 13.8 kV Distribution Replacements Program is a multi year project with a budget of \$1.7 million in year 1 and a total budget of \$12.7 million.
- a. Please provide additional detailed justification for this project and any related interdependent projects.
 - b. Are there any projects that are interdependent with this project?

- c. Please provide a summary of the benefits this project and its related interdependent projects will have on the electric grid. Include reliability improvements, resiliency improvements, customer benefits, etc.

22. Section 6.1(e) – Scotchfort Substation is a multi year project with a budget of \$872,000 in year 1 and a total budget of \$16.2 million. This project is also interdependent on 3 other projects, the total budget for all 4 projects over 4 years is \$39.8 million.
 - a. Please provide additional detailed justification for this project and the related interdependent projects.
 - b. Is this the least cost alternative to replace the existing Scotchfort substation? Please include analysis and assumptions.
 - c. Please provide a summary of the benefits this project and its related interdependent projects will have on the electric grid. Include reliability improvements, resiliency improvements, customer benefits, etc.

23. Section 6.1(f) – Charlottetown Grid Modernization – This is a proposed pilot project costing \$4 million over a 4 year period. MECL indicated they have applied for government funding that could fund approximately half of the project costs.
 - a. Please provide additional justification for this project if the government funding is not approved.
 - b. What is the expected cost savings and/or customer benefits?
 - c. Is this the least cost option for customers? Please explain.
 - d. If successful will this program be proposed for other areas of the transmission system?

24. 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 2025.

Additional interrogatories may follow. Please provide responses to the Commission by December 6, 2024.



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