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The Island Regulatory
and Appeals Commission

January 19, 2024

Ms. Cheryl Mosher
Island Regulatory & Appeals Commission
PO Box 577
Charlottetown PE C1A 7L1

Dear Ms. Mosher:

**UE21505 – Application to Recover Operating and Capital Costs
Related to Hurricane Fiona
Responses to Interrogatories from Mr. Edward Robillard**

Please find attached the Company's responses to interrogatories from Mr. Edward Robillard with respect to the Company's Application to Recover Operating and Capital Costs Related to Hurricane Fiona filed with the Commission on November 2, 2023.

Yours truly,

MARITIME ELECTRIC

A handwritten signature in blue ink that reads "Gloria Crockett".

Gloria Crockett, CPA, CA
Manager, Regulatory & Financial Planning

GCC03
Enclosure

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Via email: robillard@pei.sympatico.ca

January 19, 2024

Mr. Edward Robillard
35 Barkley Ave
Stratford PE C1B 1Z5

Dear Mr. Robillard:

**UE21505 – Application to Recover Operating and Capital Costs
Related to Hurricane Fiona
Responses to Interrogatories**

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Gloria Crockett, CPA, CA
Manager, Regulatory & Financial Planning

GCC04
Enclosure



INTERROGATORIES

**Responses to Interrogatories
of
Mr. Edward Robillard**

Rate Increase due to Hurricane Fiona Damages

Submitted January 19, 2024

MARITIME ELECTRIC

As a supplier, do you cut back on service, eliminate improvement opportunities, limit consumption by its customers, and question your ability to meet new demands or reduce stakeholder return on investments. “Maritime Electric Company, Limited carries on a business as a public utility subject to the Electric Power Act engaged in the production, purchase, transmission, distribution, and sale of electricity within Prince Edward Island”.

IR-1 What, where and how much electricity does Maritime Electric produce?

Response:

To meet customers’ energy demand and supply requirements, the Company has a contractual entitlement to energy and capacity from NB Power’s Point Lepreau Nuclear Generating Station (“Point Lepreau”) and an agreement for the purchase of energy and capacity with New Brunswick Energy Marketing (“NBEM”) delivered via four submarine cables leased from the Province of PEI. The Company also purchases 92.5 megawatts (“MW”) of wind-powered energy under contract with the PEI Energy Corporation (“PEIEC”) and maintains 89 MW (net) of on-Island generating capacity.

The primary role of the Company’s generation assets is to supply energy in times of curtailment from off-Island energy suppliers or during transmission line outages or curtailments, either on PEI or the mainland. The generation assets also provide backup for the four submarine cables connecting PEI to the mainland and have the added benefit of providing on-Island capacity that does not need to be purchased through the Energy Purchase Agreement with NBEM.

MARITIME ELECTRIC

The Company had indicated that it was preparing a detailed report on the restoration efforts, compiling the necessary information to finalize the actual cost of the restoration effort, how much of the cost was capital versus operating. This report will be provided to the Commission and in term they to make it available to interested individuals as soon as it is completed.

IR-2 Has this happened and is it broken down by capital costs versus operating.

Response:

Yes, the initial report was filed on January 31, 2023 and an updated report was filed on March 7, 2023. The link to the final report posted on the Commission's website is provided here:

<https://irac.pe.ca/wp-content/uploads/EXhibit-M-5-Hurricane-Fiona-Post-Mortem-Report-filed-March-7-2023.pdf>

MARITIME ELECTRIC

There is no indication, or to any reference to MECL's insurance coverage. I would assume that they have insurance and that it provides coverage for such issues as those created by environmental disruption.

IR-3 What does MECL's insurance policies cover?

Response:

The Company's insurance portfolio is procured by Fortis Inc. on behalf of its group member subsidiaries, which allows Maritime Electric to obtain sufficient insurance coverage on assets that is competitively priced. Coverages include property, casualty, liability, and special purpose coverages including cybersecurity liability.

The Company's property insurance includes coverage of office buildings, generation assets, the four submarine cables¹ and substations. However, insurance on overhead transmission and distribution line assets is limited to within 1,000 feet of the insured generation plants and substations. Overhead transmission and distribution beyond 1,000 feet of the insured generation plants and substations are excluded as coverage of these assets is either unavailable or uneconomical to obtain. Since the damage sustained from Fiona was on overhead distribution and to a lesser degree, overhead transmission line assets outside of 1,000 feet of insured generation plants and substations, it was not covered by insurance.

¹ The four submarine cables are owned by the Province of PEI and, under the terms of their lease, the Company is required to maintain and insure the cables.

MARITIME ELECTRIC

The following are my comments and questions relative to your application to IRAC for funding for restoration of service because of Fiona.

Quote 1: “The electricity transmission and distribution systems that connect power plants with consumers have construction, operation, and maintenance costs, which include repairing damage to the systems from accidents or extreme weather events and improving cybersecurity” (Griffin: Maritime Electric)

IR-4 What has been the budget totals year over year since 2018 for vegetation management across **all operating budgets and expenditure budgets?**

Response:

Table 1 provides the vegetation management budgets and actual expenditures for 2018 thru 2023 as well as the budgets for 2024 and 2025.

TABLE 1 Vegetation Management Annual Budgets and Expenditures (\$000) 2018 - 2025														
	2018		2019		2020		2021		2022		2023		2024	2025
Description	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Budget
Transmission	367	270	377	143	232	230	400	544	397	1,092	473	549	551	627
Distribution	1,534	1,272	1,343	1,596	1,240	1,414	1,436	2,766	1,831	3,224	2,144	2,372	2,773	3,362
TOTAL	1,901	1,542	1,720	1,739	1,472	1,644	1,836	3,310	2,228	4,316	2,617	2,923	3,324	3,989

In addition, in its 2024 Capital Budget Application, the Company proposed new capital projects for Distribution and Transmission Corridor Widening of \$861,000 and \$370,000 respectively. If approved, these will be annual capital budget programs to fund removal of vegetation along existing distribution and transmission lines that is outside of the right of way but its near lines.

MARITIME ELECTRIC

IR-5 Is the budget for vegetation management rolled over from year to year? If not, one would only assume that this is an operational expenditure based on a multi fiscal year plan.

Response:

No, the vegetation management budget is developed annually as part of a five-year rolling business plan. The budget is then used to develop revenue requirement to be recovered through customer rates approved by the Commission through a General Rate Application (“GRA”). A GRA typically sets rates for a period of three years to reduce the regulatory burden. Hence, changes to the budget typically take place in the following GRA.

MARITIME ELECTRIC

IR-6 What were the extreme weather event budgets and expenditure associated with 2022, the year Fiona struck?

Response:

The Company has annual operating and capital provisions for normal storm activity such as snowstorms, lightening storms, etc. based on historical experience. The Company does not budget operating or capital expenditures for extreme weather events such as Fiona, which had unprecedented impacts on the Island not just for the Company but also for property owners, government infrastructure including roadways, coastal harbours, etc.

The reason the Company has not, historically, budgeted for extreme weather events is that this could place undue rate pressure and hardship on customers to collect these amounts in advance in years when these events do not occur. To help mitigate the impact of such events when they do occur, the Company has sought approval to defer these costs and recover the costs from customers over an extended period as discussed in the Application, a practice that is common in the utility industry.

Alternatively, some utilities seek and receive regulatory approval to collect storm reserves from customers through rates. The amounts collected from customers are set aside in a reserve account and when a major weather event occurs, the costs to restore power are charged to the reserve account. The Company is investigating the appropriateness of proposing such a mechanism for regulatory approval in its next GRA.

MARITIME ELECTRIC

IR-7 I assume that companies utilizing Maritime Electrics network will be charged the same percentage of costs for restoration as electrical residential customers if they will not be, why are they not?

Response:

Yes, the rate increases proposed in this Application are a per kWh rate for all customer rate classes including commercial rate classes.

MARITIME ELECTRIC

IR-8 What percentage of the costs incurred as a result of Fiona were billed to customers utilizing Maritime Electrics network for their carrier service to their customers.

Response:

Bell Canada (“Bell”) participates in a joint use pole ownership agreement with Maritime Electric, where poles that are part of the agreement and owned by Bell are their responsibility. Maritime Electric bills Bell for work performed on any Bell owned joint use poles. Maritime Electric works only on poles and support guys, not the communication lines and connections.

Communication companies such as Eastlink and Xplornet do not own poles and instead they pay monthly attachment fees to the pole owner, either Maritime Electric or Bell. Work performed on the communication lines and connections are performed by the communication company. Attachment fees collected from communication companies contribute to the ongoing maintenance required including a portion for vegetation management.

As indicated in the Review and Report on Hurricane Fiona and Restoration report, UE21505 submitted to the Island Regulatory & Appeals Commission on March 7, 2023, Maritime Electric received approximately \$0.7 million for third party revenue related to Fiona. The third-party revenue relates to recoveries for restoration work done to assets owned by the joint use communications provider. Bell Canada (“Bell”) participates in a joint use pole ownership agreement with Maritime Electric, where poles that are part of the agreement and owned by Bell are their responsibility to maintain. Maritime Electric bills Bell for work performed on any Bell owned joint use poles. Maritime Electric work billed only relates to poles and support guys, not the communication lines and connections which are done by the communications provider.

MARITIME ELECTRIC

IR-9 As adjacent property owners, what were the associated costs and action plans for federal, provincial, and municipal levels of government because of Fiona.

Response:

As a public utility, the costs incurred by the Company were only those needed to safely restore electricity to customers. The Company is not privy to any cleanup costs incurred by property owners and government stakeholders as a result of Fiona.

MARITIME ELECTRIC

Quote 2: “The primary reason for the outages mostly were the trees that had come down across our lines in Fiona's wake” (Maritime Electric). The utility was criticized by the province's electricity regulator (IRAC) for spending just a fraction of what other utilities in the region spend each year on vegetation management that is electively trimming trees growing near power lines so that they are less likely to fall in such a way that they take out stretches of power line” (IRAC). At the time, Maritime Electric was on a schedule to conduct tree trimming along Island distribution lines once every 35 years, compared to once every eight years for Nova Scotia Power.

IR-10 Is vegetation management and tree trimming one in the same?

Response:

Tree trimming is one of many vegetation management activities, and typically refers to removal of branches, stems, or full ground cutting. In a utility context, vegetation management is a broad term that refers to the implementation of strategies for targeted assessment and management of vegetation in proximity to distribution and transmission lines.

MARITIME ELECTRIC

IR-11 Is “near power lines” those within the right of away?

Response:

The Company’s pole line is primarily located along the edge of the Provincial right-of-way (“ROW”), with some located on private property with easements. Maritime Electric’s Environmental Management Section permit from the Province of Prince Edward Island allows for the maintenance of the Provincial ROW. Where easements have been acquired, the Company is able to also maintain those ROWs. However, for vegetation that is near power lines in areas adjacent to Provincial ROW, Maritime Electric must obtain permission from each private landowner to perform vegetation management.

The requirement to obtain permissions to perform vegetation management on private land limits the extent to which Maritime Electric can perform the required vegetation management, which limits the overall effectiveness of some of its vegetation management activities.

Without additional context, Maritime Electric cannot confirm the location referred to in the quote. However, the majority of trees that fall onto power lines are located outside the ROW on private property.

MARITIME ELECTRIC

IR-12 What are the reasons for the frequency of once every 35 years for tree trimming on PEI as compared to once every eight years for Nova Scotia Power? With previous storms such as Dorian, Juan or any other weather events where high winds brought down trees should Maritime Electric have not amended its vegetation management plan budgets knowing that the outcome and impact of these events and potential future disruptions in the future.

Response:

The 2023 GRA referred to Maritime Electric having a 35-year cycle for distribution vegetation management. This was presented as a mathematical equivalent to compare the Company's current risk-based trimming program to a cycle-based trimming program and was calculated using the estimated amount of vegetation to be managed across the distribution system, average costs, and the approved budgets at that time. The purpose of the evidence provided in the 2023 GRA was to support the Company's request for an increased vegetation management budget in order to transition to a cycle-based trimming program where appropriate.

As a regulated utility, Maritime Electric cannot materially increase its operating expenditures without approval from the Commission, and changes to the Company's operating expenditures, among other costs, is part of its General Rate Application ("GRA") process. A materially increased vegetation management budget was submitted to the Commission in the 2023 GRA which was filed in June 2022, well before Fiona. As summarized in Table 1 of IR-4 herein, the Company has consistently spent more than the vegetation management operating budget since 2019, the year Dorian occurred. Starting at approximately \$1.6 million in 2019, the annual vegetation management budget increased by an average of 8 per cent through to 2022, and by another 18 per cent in 2023 to a total of \$2.4 million. As approved in the 2023 GRA, Maritime Electric will increase its annual budget until it reaches \$4 million in 2025, which is more than double the 2021 budget. As discussed in IR-4, the Company has also proposed new capital projects for Distribution and Transmission Corridor Widening totalling \$1.2 million for vegetation management outside of the ROW.

In absence of an approved budget to sufficiently establish and maintain cycle-based trimming across the entire electrical system, a risk-based approach is therefore appropriate and necessary to ensure that the vegetation that poses the highest risk to reliability is addressed across as much of the electrical system as possible, within the approved budget. A risk-based approach relies on field assessment (e.g., vegetation condition, proximity, customer impact, etc.) to identify and prioritize individual spans and small segments of line that present the highest-risk.

MARITIME ELECTRIC

Quote 3: But in its application to recover Fiona costs, the company says "the vast majority" of trees that came down on power lines that weekend fell from outside the right of way where the company is permitted to trim trees. "For this reason, the level of damage on the electricity system from Fiona would not have been materially reduced had the company invested additional resources into traditional vegetation management prior to the onset of Fiona." (Griffin: Maritime Electric)

IR-13 What were the processes used to remove downed trees from adjoining properties to Maritime Electric right away by Fiona and past power outages because of downed trees from adjoining properties?

Response:

In an emergency or outage situation, Maritime Electric is permitted to cut or remove trees that have caused an outage or are preventing the safe restoration of power. During outage restoration there is a focus on cutting or removing trees to make it safe to restore power; however, extensive tree trimming that would typically be done during planned maintenance is not performed.

MARITIME ELECTRIC

IR-14 In addition to financial planning, what are the initiatives for communications with involved property owners as to the impact they have on the distribution system of electricity to other islanders.

Response:

The Company recently delivered a series of customer awareness campaigns to educate customers on tree planting. Given the extensive outages caused by trees on private property during Fiona and the amount of replacement trees planted in 2023, the campaign focused on the implications of tree planting in proximity to power lines, and included a revised Tree Planting Guide, information on tree trimming in proximity to power lines, and the Right Tree Right Place model. In addition, the campaign also targeted municipal stakeholders to ensure their beautification and tree planting initiatives are aligned with Maritime Electric's Tree Planting Guide.

MARITIME ELECTRIC

IR-15 At the time, Maritime Electric was on a schedule to conduct tree trimming along Island distribution lines once every 35 years, compared to once every eight years for Nova Scotia Power. Why was the variance so great between Nova Scotia and Maritime Electric?

Response:

Please refer to the response to IR-12 herein.

Nova Scotia Power has indicated that an 8-year cycle is their target; however, Maritime Electric does not have information on the actual cycle achieved in Nova Scotia.

MARITIME ELECTRIC

Quote 4: "Maritime Electric was negligent in its vegetation management," he said on Monday. It did not keep up with industry standards even for the Maritimes and now we're a higher rate of this cost because you're paying overtime for the workers that had to come in here and do this particular work." *Liberal MLA Rob Henderson*

IR-16 MLA Rob Henderson said that Maritime Electric's power restoration costs should not be a problem passed on to people who buy power to light their homes. What is Maritime Electric's response to his statement?

Response:

As discussed in Section 4.4 on page 13 of the Application, the Company has an obligation to serve all customers within its service territory at all times as part of the regulatory compact set out in the *Electric Power Act*. In return, the utility is given an opportunity to earn a fair return on the shareholder's investment commensurate with the risk of investing in the utility. The *Electric Power Act* also requires that the Commission approve the rates the Company charges its customers, and the Commission serves to ensure those rates are reasonable, publicly justifiable, and non-discriminatory.

When a natural disaster occurs, a utility is expected to do what is necessary to restore service as quickly as possible, the cost of which can be significant. This cost is considered necessary when weighed against the societal impact of extending the duration of the outage experienced by customers. The associated restoration costs related to Fiona were prudently incurred and reasonable in the circumstances to restore power to customers and, in accordance with the legislation, the Company submitted the Application seeking Commission approval to recover Fiona-related costs from customers.

MARITIME ELECTRIC

Quote 5: A company review of power lines after post-tropical storm Dorian hit the Island in 2019 found 74 per cent "require[d] urgent vegetation management to avoid a significant deterioration of reliability" in P.E.I.'s electrical grid.

IR-17 What actions were undertaken to address the issues because of this review?

Response:

Please refer to the response in IR-4 herein. Table 1 indicates an increase of 362 per cent on transmission vegetation management from 2020 to 2022 and an increase of 128 per cent on distribution vegetation management from 2020 to 2022. In the 2023 GRA filed with the Commission in June 2022, the Company sought and received approval to increase the annual operating budget for transmission and distribution vegetation management to \$4.0 million by 2025 to improve reliability for customers.

In addition to the increases in the operating budget for vegetation management, two new recurring capital programs to widen transmission and distribution corridors were submitted for Commission approval in the 2024 Capital Budget Application.

MARITIME ELECTRIC

IR-18 In addition, were property owners adjacent to your right away involved and in addition, to what extent were actions taken?

Response:

Please refer to the responses to IR-11 and IR-14 herein.

MARITIME ELECTRIC

Quote 6: Enrique Riveroll, vice president of sustainability and customer operations for Maritime Electric, told MLAs the utility spent \$3.5 million on tree trimming in 2021 and 2022, and has submitted a three-year plan to the Island Regulatory and Appeals Commission that would increase that spending to \$4 million in 2025.

IR-19 What were the budgets and expenditures for each year, 2021, & 2022. How did the expenditures compare to budget allocations. What are the projected results(budget/expenditures/results) for 2023? What are the projected budgets for 2024 and 2025?

Response:

Please refer to the response to IR-4 herein.

MARITIME ELECTRIC

Quote 7: Beyond that Enrique Riveroll, vice president of sustainability and customer operations for Maritime Electric, said the company plans to spend \$5 million a year clearing vegetation, which he said would put Maritime Electric on a cycle of 7-10 years for trimming trees.

IR-20 Does this statement mean that Maritime Electric will spend \$5 million dollars per year or they will spend a total of \$5 million dollars on a cycle of 7- 10 years?

Response:

The increase to \$5 million by 2027 is subject to Commission approval of the Company's next GRA, which is planned to be submitted in 2025, and the \$5 million is an annual amount.

MARITIME ELECTRIC

IR-21 Is this \$4 million requested in addition to the \$5 million?

Response:

No, the \$5 million is a \$1 million increase to the \$4 million.

MARITIME ELECTRIC

Quote 8: "It's the cost of doing business", a statement made to Maritime Electric by MLA Rob Henderson.

IR-22 What was Maritime Electric's response to this statement?

Response:

Please refer to the response to IR-16 herein.

MARITIME ELECTRIC

Quote 9: In late 2019, nearly three-quarters of Prince Edward Island's power lines were in urgent need of maintenance to protect them from being broken by nearby trees, according to documents Maritime Electric filed with the province's energy regulator.

IR-23 Was there an aggressive vegetation plan and appropriate budget allocations to ensure minimal impact would occur from future weather events?

Response:

Please refer to the responses to IR-4, IR-5 and IR-17 herein.

MARITIME ELECTRIC

IR-24 What actions did Maritime Electric take to address urgent needs identified in late 2019?

Response:

Maritime Electric prioritized the vegetation management activities that were required to reduce the risk to the electrical system, with a focus on the transmission system and main distribution feeders. This included inspections of the impacted lines, prioritization of vegetation management, and identification of danger trees for removal.²

² Definition of a danger tree is any tree outside the ROW that could contact electrical lines because of their proximity. A hazard tree is a danger tree that poses a high risk because it is defective (i.e., leaning, dead or damaged) and has imminent potential to fail.

MARITIME ELECTRIC

IR-25 What actions did Maritime Electric take with property owners adjacent to their right away to address falling trees on their lines in the 2019 report?

Response:

As discussed in response to IR-14 herein, Maritime Electric requires permission from private landowners to perform vegetation management activities and remove danger trees outside ROWs. Therefore, permissions were requested from applicable landowners for the identified vegetation management activities.

MARITIME ELECTRIC

Open Questions:

IR-26 Does Maritime Electric have an up-to-date communications strategy that identifies their expectations of individual proper owners adjacent to their right of way and what they are prepared to do to resolve any issues? What is their communications strategy?

Response:

Please refer to the response to IR-14 herein.

In the absence of utility authority to manage vegetation in proximity to power lines that are on private property, the Company must rely on the current permissions-based approach. Maritime Electric continues to work directly with customers and landowners to obtain permissions for vegetation management and removal of danger trees on private property that are at risk of falling on power lines.

MARITIME ELECTRIC

IR-27 What guarantee do consumers have that fixed rate/time charges approved for unexpected shutdowns at New Brunswick's Point Lepreau power plant will not be continued by rolling them into a different expenditure category.

Response:

This question is beyond the scope of this Application.