

Maritime Electric Co. Ltd. (MECL) 2024 Annual Capital Budget Application – UE20739.

Clarification Questions for MECL – September 2023

Context of Questions:

- 1) An added complexity of this application is that the earlier 2022 Supplemental Capital Budget Request: Advanced Metering for Sustainable Electrification Project Application – UE20737 tabled in November, 2022 remains under consideration by IRAC yet capital expenditures identified in UE20737 are occurring this year (2023) and are included for 2024 to 2026 in the summary data of this application. As a result, pertinent questions relevant to UE20737 are also tabled here.
- 2) The summary data included in Appendix A usefully provides forecast capital data for the four (4) years to 2028. This positively confirms that this 2024 capital budget is a constituent of a continuous capital planning process where extended clarification questions apply.

Clarification Questions:

1. UE20737 justifies the “Rationale and Necessity” of AMI by prioritizing the Federal Government’s objectives of significant electrification of transportation by 2035 and the PEI Government’s objective of converting all space heating from oil to electricity by 2040. While data in this application is obscure, it appears that \$19.1M capital funding is being provided by either or both Governments; please confirm the sources and funding amounts.
2. How will this Government funding be separated such that:
 - a. From an increase in rate base or MECL debt perspective, no profit benefit accrues to MECL?
 - b. Will the applicable depreciation costs for customers also be avoided?
3. For the deployment of RI meters starting in 2004 and essentially completed by 2016:
 - a. What was the total program expenditure and asset value at the end of 2016?
 - b. In the subsequent 6 years, annual capital budgets suggest that an additional \$3M has been capitalized due to meter replacements and installations for new customers. What is the 2022 year end asset value and how long is the remaining depreciation period before a reasonable “write-off” asset value is achieved?
 - c. Please provide the overall financial return results for the RI Meter program when considered as an economic, phased replacement for the existing, non-RI metering infrastructure.
4. As 2024 is the first year for planned deployment of the AMI infrastructure what are the expected financial business-case forecasts for the AMI program and how do these compare with the results of the RI meter program?
5. The AMI planned expenditure will essentially be complete by 2025, the CIS planned expenditure will continue into 2026 and the MECL AMI/CIS net expenditure of \$29M significantly increases annual capital expenditures over this period. Considering this relatively accelerated deployment

and investment schedule, what business factors and customer benefits accrue from the proposed deployment plan?

6. Considering questions 3) to 5) above:
 - a. What delayed or extended AMI roll-out scenarios have been considered?
 - b. How were these alternatives rated from a business case perspective and an ability to support the iterative progress in the future PEI electrification plans?
7. The “second year” activities of the Woodstock and Tignish Substations’ construction are described but the roles and support of each Substation for the planned Skinners Pond wind farm are not. Perhaps more importantly the integration of the mandatory new Government owned transmission line from Sherbrooke to Skinners Pond required in 2024 is not included. An announcement of \$43M federal government funding was made in 2020 yet no MECL planning references are included. Please explain how this critical project is being supported by MECL.
8. The Tignish Substation project description cites the MECL purchase of T-23 from the PEIEC. Why is this MECL purchase a project requirement?
9. What is the current status and future plans for the staged refurbishment of the Government owned transmission lines Y101 and Y103 as cited in previous capital applications?
10. From and beyond 2022 the “Corporate” capital budget line is increasing significantly. Specifically what major expenditures in addition to the CIS program are being included in the 2025 forecast?
11. The “New Generation” expenditure category forecasts a future three (3) year expenditure of \$139M:
 - a. What are the constituents of this proposed expenditure and,
 - b. Does this include direct MECL ownership of part of the additional 100MW wind generation and 120MW solar generation requirement identified in the MECL 2022 Sustainability Report?
12. As peak load demand is a significant driver of capital budgets, please provide the monthly peak loads for 2021, 2022 and 2023 as:
 - a. Net PEI Peak Load and,
 - b. MECL customers only
13. As text references in this application refer to the “Integrated System Plan”, is the 2023 updated version available to provide context to this capital application? If not when will it be submitted to IRAC?