

# **Maritime Electric Co. Ltd. (MECL) 2023 Application to Collect Operating and Capital Costs Related to Hurricane Fiona – UE21505.**

## **Clarification Questions for MECL – January 2024**

### **Insurance Protection:**

- 1) Please provide an overview of the insurance coverage contracted by MECL for Offices, Buildings, Generation, Distribution infrastructures and Transmission infrastructures. Presumably for each category, the risks covered will include:
  - a) Employee and public liability
  - b) Vandalism, theft, intrusion, fire and water damage
  - c) Abnormal events, e.g. storms, lightning, wind, etc.
- 2) What was the source of the \$0.7M “Third Party Revenue” entry in Table 14 of the Hurricane Fiona Post-Mortem Report?

### **Mitigation of Climate Related Infrastructure Damage**

- 1) What alternatives for the physical mitigation of climate related infrastructure damage have been recently considered? Is there a logical time frame and sequence for implementation?
- 2) What progress has been made during 2023 on the actions and proposals listed on pages 60 to 62 of the Hurricane Fiona Post-Mortem Report?
- 3) What alternatives for the cost mitigation of climate related infrastructure damage have been recently considered? As a minimum please provide the relative rating in terms of advantages, disadvantages and costs for the following possible alternatives:
  - a) contingency funds,
  - b) external insurance coverage,
  - c) a storm cost deferral mechanism,
  - d) an extended Weather Normalization Mechanism and Reserve (currently only HDD);

### **Changes in Capital due to Storm Fiona:**

- 1) When damaged capital assets are removed and then replaced, please explain the financial transactions to retire the removed asset and then how the capital value and useful life of the replacements are determined. This question also seeks clarification of the page 21 statement that “capital and retirement portions of the restoration costs were \$14.8 million and \$4.5 million, respectively”.
- 2) Considering that “Vegetation Management” is an annual operating cost that protects capital assets what is the justification for assuming that all labor required to safely access and replace the damaged assets be a capital cost especially as this labor cost amounted to 81 per cent of the total capital cost claimed.

## **Operating Costs Amortization over 5 years**

As this application has selected an operating cost amortization period for customers of five (5) years:

- a) For each of the five (5) years please provide a table showing the constituents of the annual Revenue Requirement for each of: a) the \$17.7M operating cost, b) the \$19.3M capital/carrying costs and c) the carrying cost for the requested additional \$14M shareholder investment. Where applicable the minimum cost constituents assumed would be the Return on Debt, the Return on Equity, Debt repayment, Depreciation cost and Income Taxes.
- b) For each of the five (5) years please show the planned depreciated value of the original \$19.3M capital and the declining balance of the \$17.7M operating debt as of March for each year.
- c) As the Application specifies new composite rates for just the first two (2) years, starting March 2024 please show the forecasted remaining balance of the \$17.7M operating debt for March 2025 and March 2026 after these new rates have been collected.

## **Inclusion in Rate Base – section 4.4**

- 1) Reference IRAC Order UE22-08 please explain how the directed deferral of Fiona related costs (as an “accounts receivable”/ non-regulatory asset) has caused the decline in MECL’s equity component down to 36.6% and why Shareholder dividends were suspended in 2023.
- 2) Please provide all the calculations that arrive at a shareholder injection requirement of \$14M.

## **Request for Legislation for Private Property Access to Enable Vegetation Control**

- 1) Approximately what proportion of the 81% labor content of the \$19.3M Capital cost was spent on work on private property?
- 2) Approximately what proportion of the \$17.7M Restoration cost could have been avoided if access to private property for Vegetation Control had been in effect before Storm Fiona?
- 3) Please summarize the MECL salient requirements of new “private property access” legislation.
- 4) Please identify the chronology of MECL’s activities and the content of specific requests made to PEI Legislators so far for this new legislation.
- 5) What is MECL’s assessment/understanding of the PEI Government’s current status on this subject and how does MECL plan to collaborate with Government to introduce legislation?

## **Government Engagement for Assistance is Defraying Costs**

Appendix B provides copies of the two letters sent to Premier King (February and May 2023) and includes footnotes in the Application as to third party reported progress and responses.

- 1) Please provide a summary of all outreach and response communications between MECL and our Provincial Government in pursuit of financial assistance during 2023.
- 2) Please also provide a summary of all outreach and response communications between MECL and the Federal Government either directly or with the aid of the Provincial Government.