Maritime Electric Co. Ltd. (MECL) 2022 Supplemental Capital Budget Request:

Advanced Metering for Sustainable Electrification Project Application – UE20737.

Comments to the Island Regulatory and Appeals Commission

Introduction

1) I fully support the intent of this program but concerns with up-front customers' costs and the project complexities and schedule should be addressed.

2) This is perhaps the most challenging customer-based project undertaken by MECL:
    a. It proposes to replace the customer service computer system in conjunction with replacing all customers' meters
    b. it is to be completed in three (3) years,
    c. deployment is driven by the Federal Government's funding schedule and a technical requirement for a "full mesh" deployed network,
    d. there is no cost offset for customers until after the first five (5) years,
    e. only 50% of customers will likely benefit from and adopt the enabled Demand Side Management (DSM) tariffs,
    f. the other 50% of customers (40,000) will only accrue subjective benefits

3) Even though a major end-objective of this project is the implementation of DSM, MECL appear to be deflecting responsibility for DSM to the PEI Energy Corporation. MECL should be directed to reverse this position; it has to own and drive all DSM programs.

4) Considering the differences of scale and approach between the City of Summerside's Electricity infrastructure and MECL/PEI Energy Corporation infrastructure:
    a. in the adoption of renewable energy,
    b. in deploying Demand Side Management (DSM),
    c. in the deployment of Tantalus smart metering
    d. and in future electricity strategies,

    I suggest that the Commission would benefit from convening an information session with the staff of Summerside Electric Utility for a perspective of the City's approach so far and future strategy towards a sustainable electrification future. The Commission may find particular interest in two topics - the City's "Off-Peak Electrification" strategy and the current programs of the Maritime Municipal Utilities Consortium.

Commentary/Recommendations:

1) The Application justifies the roll-out of 80,000+ smart meters by citing the (partial) 50% Federal funding end date of March 2026. Interrogatories inform that before any new DSM tariffs can be implemented, at least one (1) year will be required to collect new customer usage data (despite the data already collected from the Bridge Meter program) and at least a further year to implement new tariffs. From a customer cost focus, the proposal here is that customers will progressively fund a $29M investment at an accumulated cost of $4M by 2026 and a further $4M to 2028 BEFORE any customer cost offsets accrue. This front-end cost includes a MECL accumulated profit by 2026 of $2.5M and $4.8M by 2028.

   Recommendation: As cost offsets for customers only emerge by 2028, an alternative temporary $29M funding mechanism is required, e.g. a PEI Government loan and/or MECL shareholders waiving equity capital contribution.

2) The financial returns for MECL and the costs benefits for customers will only accrue when Time-of Use (TOU) tariffs become available. Target selection of customers most likely to adopt TOU rates, in concert with expediting the Rate Design Application, are key requisites.

   Recommendation: Noting that nearly $10M additional customer funding is not subject to any Government schedule could the expenditure targets be re-arranged to allow a phased energizing of the Advanced Metering infrastructure in conjunction with a phased wind-down of the RI infrastructure? Employing the Itron/Tantalus network compatibility function – (reference Util-Assist report, page 33) - may apply here.

3) The Application identifies that the implementation of AMI will enable new "Time of Day (TOD) or similar tariffs to encourage customers to change energy-use habits to either reduce the collective peak load or to enable use of lower cost energy during the day". However, MECL interrogatories state that innovative rate structures are a type of demand side management (DSM) which is the responsibility of the PEI Energy Corporation. The Electric Power Act *defines* an "energy efficiency and demand-side resources plan" as the only mechanism for electricity conservation and costs control; it does not envisage the separation of "conservation" from "demand" as currently implemented by the PEI Energy Corporation. Specifically the Act permits both the PEI Energy Corporation and MECL to introduce "energy efficiency and demand-side resources" programs by seeking regulatory approval from the Commission. MECL has the customer data and the system expertise to selectively engage customers in controlling their demand load; the PEI Energy Corporation does not.

   Recommendation: The Commission's approval of this project should attach a requirement for all DSM programs employing Advanced Metering to be the responsibility of MECL.

4) Recent interrogatory responses state that “Delayed or extended AMI roll-out scenarios were not considered due to the March 31, 2025 funding availability deadline” and “alternative roll-out scenarios were not considered because the AMI roll-out scenario proposed in the SCBR Application ensures the best business case……”
In comparison, a recent interrogatory response related to the 2004 to 2013 RI meter deployment program also states:
“The replacement of the mechanical meters (i.e., non-RI meters) was completed in a phased manner for several reasons, including to:
i. Spread out the financial impacts of a significant capital investment;
ii. Allow adequate time to complete the meter replacement by existing meter department staff, eliminating the increased cost of an outside contractor completing the replacements;
iii. Allow adequate time to transition meter reading employees from meter reading to other jobs within the Company or to retirement;
iv. Create a diversified age of meters within the system, thereby spreading out future meter testing and replacement, which helped with workforce planning and management;
v. Reduce risk by allowing the Company to slowly adapt to the new metering system.”

<u>Recommendation:</u> a phased energizing of the Advanced Metering infrastructure in conjunction with accelerating the adoption of the new CIS should be re-examined.