



Energy
Corporation

Société de
l'énergie



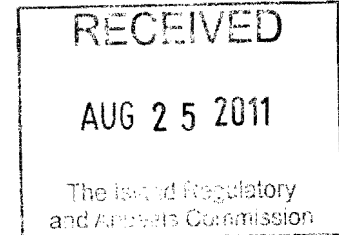
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Aug 23, 2011




Mr. J. W. Geldert
Vice-President, Finance & Chief Financial Officer
Maritime Electric Company, Limited
PO Box 1328
Charlottetown, PE C1A 7N2

Dear Mr. Geldert:

Please find attached the Prince Edward Island Governments' interrogatories to Maritime Electric Company, Limited's application for their 2012 Capital Budget (Island Regulatory & Appeals Commission Docket UE 20719).


Sincerely,


Wayne MacQuarrie

cc: Mr. Mark Lanigan, CA
Island Regulatory & Appeals Commission

att.

Interrogatories to Maritime Electric Company, Limited 2012 Capital Budget

- I 1. On Page 3-1, it is stated that Maritime Electric's on-Island generation capacity has an annual value of approximately \$4.8 million based on the current Energy Purchase Agreement with NB Power. How has this figure been calculated?
- I 2. In reference to the other benefits of on-Island generation it is further stated on Page 3-1 that it provides energy supply in times of transmission line outages in New Brunswick or PEI. During the past five years, how many times has there been supply curtailment as a result of transmission outages in New Brunswick?
- I 3. It is stated on Page 3-1 that other benefits of on-Island generation include voltage control during peak load times. Approximately how many times (and hours) per year are the on-Island generating facilities operated for voltage control?
- I 4. In reference to the statement on Page 3-1 that management recognizes that the cost of produced electricity from on-Island generation facilities is high, what is the total unit cost (including fuel, labour, operations & maintenance) in \$/MWh of producing electricity at the Charlottetown Thermal Generating Station? at the Borden Generating Station?
- I 5. At the bottom of the first bullet on Page 3-2 it is stated that wind power is not recognized as a capacity credit by Maritime Electric. Why does Maritime Electric not recognize wind as a capacity credit? Does NB Power recognize wind as a capacity credit?
- I 6. To meet the required capacity requirements, how much on-Island generation capacity is required in PEI over the next twenty years presuming a third cable of 150 MW loading capability is installed and the average annual electrical load growth is 1.5%?
- I 7. Please describe the inputs to the formula for the required capacity to meet ancillary services obligations as stated in the last bullet on Page 3-2. Based on the formula, how much capacity does Maritime Electric require?
-  I 8. How does the current cost of owning and maintaining Maritime Electric's on-Island generating facilities compare with the cost of buying capacity under the PEI Energy Accord?
- I 9. It has been stated that this capital budget has been prepared based on limiting expenditures to the Charlottetown Generating Station in anticipation of the province receiving a third cable. Has the budgeting for capital improvements to the Borden generating facility been prepared under the same premise? If not, why not?
- I 10. On Page 3-8, \$506,000 has been allocated to re-furbish air heaters on Units 9 and 10. It is stated that the steel framework and support system are badly corroded. Are there not

mitigating measures available to limit corrosion and avoid such costly expense?

- I 11. There is a provisional budget for large motor refurbishment on Page 3-9. Given the efficiency loss after rewinding a motor, is it not more cost effective to simply replace the motor or is this simply a case of avoiding large expenses for on-Island generating facilities in anticipation of the province receiving a third cable?
- I 12. There is a budget of \$225,000 allocated on Page 3-11 to replace the automatic voltage regulation on Unit 10. Is it anticipated that repeated excursions beyond the designed maximum voltage regulation will take place? On a yearly basis, how often does Unit 10 operate?
- I 13. In regards to the capital improvements described on Page 3-13 for CT 3, what are the operating hours of this unit since its commissioning? What are the anticipated improvements and upgrade requirements?
- I 14. On Page 3-14, \$1,178,000 has been allocated to mechanically overhaul Turbine 2 (CT 2) at the Borden Plant. Approximately how many hours has this unit run since its last overhaul? Presently, what is the expected annual hours of run time for this unit? On what is the budget for the overhaul based (i.e. cost of the previous overhaul)? Given the increase in the 2012 Capital Budget over the previous year, can this expenditure be deferred to another fiscal year?
- I 15. It is stated on Page 4-4 and 4-5 that expenses for Distribution Services may be partially offset by customer contributions. How are customer contributions calculated?
- I 16. The tables on Pages 4-7 to 4-10, inclusive, have headings entitled "Customer Hrs.". It is assumed that this means the annual outages to these customers. Please confirm this or explain this term.
- I 17. On Page 4-11 there is \$400,000 allocated to a Porcelain Cutout Replacement Program. Please elaborate on the nature and seriousness of the problem with these cutouts. What will be their replacements and is there any assurance that they will perform any better than the porcelain models? Will this be an ongoing annual budget item?
- I 18. Within the budget notes on Page 4-12 for the Residential Watt-Hour Meters program, it is stated that there has been enhanced customer service and improved safety for meter readers. What has been the monetary savings accrued from this program?
- I 19. Under the heading of Distribution Equipment on Page 4-14, an amount of \$1,369,000 has been allocated to "System Equipment". Is this typical of the annual amount that would be spent under this budget item?

- I 20. In light of the \$4 million increase in this capital budget, is it absolutely necessary to replace the Albany transformer as described on Page 5-1 in this fiscal year?
- I 21. As described on Page 5-7, upgrades are being proposed for the Church Road Substation. Does this include the replacement of a transformer or is it simply an addition of another transformer? If it is a transformer replacement, can the removed transformer be reused at another location?
- I 22. On Page 6-2, \$956,000 is allocated for Information Technology. Is this a normal annual amount for this category? Is it essential that all this amount be expended in 2012?
- I 23. The Capitalized General Expense of \$402,000 is described on Page 7-1. It is understood that this expense is allocated to administrative costs that are not specific to any project. What is the total administrative expense to specific and non-specific projects that is considered as a capital expenditure?