

OPENING STATEMENT

Mr. Chairman, Commissioner Campbell, you will be happy to know that I will be brief.

MECL is of the view that there is no merit to this application and accordingly the application should be dismissed.

First, there is no business case. At the end of the day, SE has underestimated the capital cost and the ongoing costs and has made a bunch of assumptions in their business plan that doesn't stand up to scrutiny.

Their first witness, Mr. MacNeill, admitted he has never actually built a line.

Their second witness, Mr. Irving, produced a report 3 ¼ pages long with a total of 2 generously fonted and spaced pages containing general observations.

Their third witness, Ms. Zarnett, provided no written evidence and couldn't even explain whether she was an expert or an advocate. But she did admit that the only areas she has been recognized in are cost allocation and rate design, two subjects that have nothing to do with this case. And – oh yeah – putting other people's numbers into spreadsheets.

And finally Mr. Gaudet, who took us through SE's business plan which ... at its core ... is based upon a premise of status quo for the next 40 years, an assumption that has no air of reality, given all that is going on in the PEI economy generally and the field of electricity specifically.

Most significantly, SE completely ignores the fact that a new cable will be installed, one way or the other, in this Province in the near term. The fact that SE has put forward a 40 year business plan that fails to even address this cable is telling.

Second is the issue of bypass. The assumption of bypass dominates SE's business case. Bypass is a physical thing. The cases I submit are clear that to bypass, you have to go around the transmission provider's system. Or, stated another way, you have to avoid the transmission provider's system.

This is the same definition that Ms. Zarnett used in her written OATT evidence. The transmission provider's system.

In this case SE isn't going around, or avoiding, MECL's system. On the contrary, SE proposes to interconnect into MECL's system at Bedeque, arguably the most important substation in MECL's entire transmission system.

SE said very little about bypass, even though establishing a bypass is crucial to their case. They would like you to believe that we're just talking about a few feet of transmission line in the Bedeque station, so what's the big deal.

Well it is a big deal. As Mr. MacNeill said near the end of cross-examination, distance doesn't matter with a transmission tariff. You are either using it or you are not.

But in any event it's not just a few feet. The Interconnection Lease Agreement is fatal to SE's argument of bypass.

Under the ILA, the Government of PEI as owner has leased the interconnection to MECL to be operated as an integral part of MECL's transmission system.

Not just as a part of MECL's transmission system, but as an integral part of MECL's transmission system.

So it isn't just MECL's substation in Bedeque, it's everything from there to Murray Corner. All of that is part of MECL's transmission system. And it's really double that distance in terms of infrastructure because, as you know, there are 2 cables.

Now SE claims heritage rights to the interconnection.

First, that has never been established.

Second, I'm not aware of any precedent of heritage rights to transmission assets.

But in any event, all heritage rights are, at the end of the day, is a right of access on certain terms.

It's like an easement. It's my land but you have a right to walk over it.

A right of access, even if one was found to exist, does not change the fact that the interconnection is part of MECL's transmission system.

And because SE isn't going around MECL's system, there's no bypass. That really is, in my opinion, clear beyond doubt.

There is another practical reality. Assuming a new cable is installed at Borden, as soon as that new cable goes into operation, electricity purchased by SE from NB will flow, not only over the 2 submarine cables, but also over the new cable and MECL's transmission lines to Summerside's substation at Ottawa street. It happens instantly, courtesy of the laws of physics. Mr. John Gaudet will explain this in more detail. Once again, there is no bypass and there will be no bypass in the future.

Because there is no bypass, there are no transmission savings. Because there are no transmission savings, there are no avoided costs. Because there are no avoided costs, SE's business case is without merit. Because SE's business case is without merit, their application should be dismissed.

I intend to proceed by calling Mr. Nick Strum, who will speak to his capital cost estimate of the proposed transmission line and will provide commentary on the other reports. Mr. Strum is an expert in this area who is retained on a regular basis by MECL and also by both SE and the PEI Energy Corporation.

Following Mr. Strum, I will call an MECL panel to also speak to capital cost and all other issues.

As a final comment, it is important to note that the onus remains at all times on SE. It isn't MECL's job to design or cost this line or to prove interest rates or O and M costs or future load growth or anything else. It isn't the job of the Government or of the Commission.

The onus – the burden of proof – that this proposed project is in the best interests of the customers living in the City of Summerside ... the customers of both SE and MECL, remains on SE throughout. Mr. Greg Gaudet has already admitted that SE's plan, if approved, would result in a rate increase for these customers.

We intend to show that SE has not met that burden of proof.