

**Additional Questions
City of Summerside
December 7, 2007**

Question 1

Reference: Page 13 – Foster Cost Allocation Study: “As discussed, first non-general investment and expenses were directly assigned to one of the functional categories. Next, non-general plant investment and expenses, not directly assigned, were functionalized utilizing the following three standard functionalization factors: (1) gross plant, (2) net plant, and (3) operations maintenance and administrative (“OMA”).”

Please complete the following table:

	Total Balance	Directly Functionalized	Functionalized by Gross Plant	Functionalized by Net Plant	Functionalized by OMA
Non-General OMA					
Gross Plant					
Accumulated Depreciation					
Depreciation Expense					

Answer

Please refer to Maritime Electric’s response to Issue 13, Exhibit 5 of the Open Access Transmission Tariff second filing which was filed with IRAC on October 3, 2007. It is the Company’s position that the information in the Cost of Service Study is of sufficient detail for stakeholders to confirm that the methodology used to determine the revenue requirement was appropriate. In addition, the Company has proposed, in Section 12 of its Application for Basic Rates filed October 18, 2007, that the 2006 Cost of Service Study be updated in 2009.

Question 2

Reference: Foster Cost Allocation Study

Please explain how working capital has been functionalized. Please also explain how the total amount of working capital has been determined – i.e. is this accounting working capital from the company’s balance sheet (current assets minus current liabilities), or is the amount determined in a different manner (such as some percentage of cash operating expenses).

Answer

Please refer to the response to Question 1 above.

Question 3

Reference: Page 13 – Foster Cost Allocation Study: “After all such cost items were functionalized, general plant investment and expenses (originally functionalized to the temporary general category for simplicity) then were “refunctionalized” to MECL’s functions utilizing factors according to either management “in support of plant” or “in support of labor.” ”

Please identify the major categories of general plant investment and expenses, quantify the amount of each, and specify which were functionalized as "in support of plant" and which "in support of labour".

Answer

Please refer to the response to Question 1 above.

Question 4

Reference: Foster Cost Allocation Study

Please explain the functionalization of accrued revenues.

Answer

Please refer to the response to Question 1 above.

Question 5

Reference: Open Access Transmission Tariff --Stakeholder Technical Sessions, Questions and Answers, Updated July 17, 2007; Questions from City of Summerside (June 22, 2007), items 1 and 2:

Q. *Please provide the non-coincident monthly maximum load at each substation as previously requested.*

A. *Maritime Electric Response*

As indicated in the June 27, 2007 Question and Answer document:

"Maritime Electric does not routinely gather peak information from each of its substations and accessing this historical information will require substantial effort therefore COS is requested to provide additional justification for this request."

Maritime Electric believes there is no benefit to be gained from the substation data that will aid COS in determining the type of transmission service provided in the Maritime Electric OATT that best suits its needs."

The purpose of the request was not to "aid COS in determining the type of transmission service ... that best suits its needs". Such a restricted view of the information requirements of customers may be appropriate when an OATT has received IRAC approval and been put into effect; however in our view it is premature when the stakeholder input process has not yet been concluded and a public hearing before IRAC has not yet taken place.

At the current stage, it is reasonable for stakeholders to want to satisfy themselves that the choice of billing determinant proposed by MECL is appropriate, and that the billing determinant values used to compute the charges, and eventually the bills, have been determined correctly. For example, while we are aware that coincident demand, which is being proposed by MECL, is used in many US jurisdictions, it is also true that both Nova Scotia and New Brunswick base their network integration charges on net non-coincident peak demand at each delivery point, and that consistency of approach with these jurisdictions may be an important consideration for PEI. We have therefore requested

data that would allow us to determine the impacts of the choice of net non-coincident peak at each delivery point as a basis for the charges, and believe that it is in the interests of all stakeholders to have this alternative explored.

The data requested would also clarify how MECL has proposed to determine the total PEI load, from which we understand it is proposed to deduct the meter readings at Sherbrooke Substation in order to compute MECL's "native" load. It is important to clarify how MECL proposes to reflect the supply of Island loads from on-Island generators and the allocation of losses in determining billing quantities. We believe that a good understanding of these matters is important to the transparency of the process, and will become increasingly important with future load growth and development of additional generation resources at different locations on the Island. We are also concerned by MECL's comment that the requested data is "not routinely gathered".

Therefore, we also request that MECL please explain what metering facilities are in place at each substation and what process is used to retrieve and store the meter readings. Please indicate what changes in either equipment or process, if any, would be required in order to allow billings under the OATT on the basis of net non-coincident monthly peak demand at each delivery point, and also to support billings on the basis of coincident peak, supported by a reading from each substation. Please also indicate specifically how the figures identified as "PEI Peak" were determined (i.e. what meters being read, and what computations or adjustments applied).

Answer

The data is being collected and will be provided when available.

Question 6

Reference: Open Access Transmission Tariff --Stakeholder Technical Sessions, Questions and Answers, Updated July 17, 2007; Questions from City of Summerside (June 22, 2007), item 7:

Q. *Reference: Maritime Electric Open Access Transmission Tariff, draft as filed November 30, 2006, UE20935, Page 4, Section 1.18.*

"1.18 Native Load Customers

The wholesale and retail power customers of the Transmission Provider on whose behalf the Transmission Provider, by statute, franchise, regulatory requirement, or contract, has undertaken an obligation to construct and operate the Transmission Provider's system to meet the reliable electric needs of such customers."

*Does MECL intend it to be construed from this section that the Transmission Provider's obligation to construct or operate assets to meet reliable electric needs extends **only** to the Native Load Customers as defined in this paragraph i.e. "wholesale and retail **power** customers"? If not, please provide any documentary references establishing such obligation to customers other than Native Load Customers.*

A. ***Maritime Electric Response***

No. The purpose of the OATT is to provide non-discriminatory access to the

*Maritime Electric Transmission System to all Eligible Customers. The City of Summerside is by definition an Eligible Customer and entitled to Transmission Service as per Part II or Part III of the Maritime Electric OATT. Maritime Electric Native Load customers will be purchasing Network Service and will be **subject to all applicable policies, procedures and tariff charges contained in the approved OATT in the same manner as other Transmission System users based on the service they choose to purchase. [bolding added].***

- A. Based on the words in bold font, the City of Summerside understands that it is MECL's intention to identify all network generator points and all network load points, and schedule them accordingly in the same manner as will be required of the City of Summerside. Please confirm this, and if not, please explain what will be done instead and why.

Answer

Yes, Maritime Electric will identify all Network Loads and all Network Resources as required by Sections 29 to 31 of the OATT. This information will be updated annually as per Section 31.6 to ensure adequate transmission planning.

Scheduling for Network Service will be done on an hourly basis for the aggregated load of all Maritime Electric's individual Network Loads.

- B. The City of Summerside infers that it is not a Native Load customer as defined in Section 1.18 of the draft OATT. Please clarify whether MECL understands itself to have an obligation to provide *transmission* service to non-Native Load customers.

Answer

The Maritime Electric OATT provides for non-discriminatory Transmission Access to all Eligible Customers. The City of Summerside fits the definition of an Eligible Customer.

Question 7

Please explain, with a calculated example, how the benefits of revenues from wind exports will be shared with all transmission customers. For example, will it be applied to reduce the total revenue requirement, or to reduce monthly rates, and if so, how, and in what time frame? Please compare that with the method that NB Power uses to flow benefits of out and through transmission usage to transmission system users in New Brunswick.

Answer

The revenue generated wind exports under the Open Access Transmission Tariff will be applied against the total revenue requirement for the Transmission System. Refer to Table 3.1 in the Maritime Electric Tariff Design document.

A simplified example: A 10 MW wind farm operating at a 35% capacity factor and taking Non-Firm hourly Point-to-Point Transmission Service and exporting would pay the following tariff (Schedule 8) for Transmission Service per year:

$$\text{Tariff} = 10 \text{ MW} \times 8760 \text{ hours per year} \times (35/100) \times \$3.60 / \text{MWh} = \$110,376 \text{ per year}$$

The \$110,376 would be contributed towards the revenue requirement for the Transmission System which was \$6,052,000 in 2005 as indicated in the Transmission

Maritime Electric understands that the same method is used by the NBSO (New Brunswick System Operator). As explained in the Tariff design section of the October 2007 Tariff filing, the calculations for the charges in the Maritime Electric Tariff are based on the methodology used by the NBSO for their Tariff.

Question 8

Please confirm that since the City of Summerside began to take non-firm service (about two years ago), MECL has not distinguished between a firm and a non-firm reservation in prorating curtailments on the two (2) marine cables.

Answer

This Question and Answer Process is intended to provide Stakeholders with:

- A better understanding of the rationale and impacts of Maritime Electric's proposed OATT filing;
- A means to question, challenge and improve the proposed OATT;
- A documented record of these discussions.

This question is not relevant to the intended purpose of the Question and Answer Process and has been dealt with separately.

Question 9

Please explain any business plan that MECL has to fund capital replacement of and/or capital additions to the marine cable capacity that links MECL's transmission system to New Brunswick. If MECL believes it has no obligation to do so, or, that it would otherwise be inappropriate, please state why that is so and provide any documents, policy statements or IRAC rulings supporting that position.

Answer

A draft Transmission Expansion Plan dated October 2005 was filed with IRAC as an Appendix to the 2006 Capital Budget. The plan was developed to indicate the extent of additions to the Transmission System that might be required in order to accommodate the development of up to 300 MW of wind power on PEI. The reason for including the plan as part of Maritime Electric's 2006 Capital Budget filing was to explain why Maritime Electric was proposing to build the new transmission line to the Eastern Kings wind farm for 138 kV rather than 69 kV. This Plan indicated that the existing 200 MW submarine cable capacity would have to be increased by the time wind power on PEI begins to exceed 300 MW.

The capital requirement for expanding the capacity of the interconnection to the mainland will be funded by those Eligible Customers benefiting from the expansion. The process contemplated is an open season where new and existing Transmission System Customers would bid for a share of increased capacity. This bidding process would determine the size, location and timing of the next interconnection with the mainland.

The Transmission Expansion Policy is detailed in Attachment K of the Maritime Electric OATT.

Question 10

Has MECL considered having a charge structure for use of the maritime cables, separate and apart from the charge structure for use of the on-Island system? If not, why not? If MECL has considered it, what were considered to be the issues related to this option? Please provide copies of any policy/financial analysis MECL may have done in this regard.

Answer

Maritime Electric has not considered separating the submarine cables from the Transmission System. The submarine cables are an integral part of the existing electrical Network used to supply all Eligible Customers of the Transmission System and as such are subject to the Transmission Expansion Policy (Attachment K of the OATT) which provides for the non-discriminatory sharing of costs and benefits among all Eligible Customers of the Transmission System.

Question 11

Please indicate the number of hours and the timing of the occurrence of these hours (i.e. the days and months in which they occurred) in each of the last ten (10) years when Island demand exceeded the capacity of the cables, and the total provincial load in those hours. Please also provide MECL's forecast of the number of hours in each of the next ten (10) years when the Island load will exceed the capacity of the cables, and the total forecast load in those hours.

Answer

See Table 07DEC07-1: Hours When Peak Load Exceeded 200 MW appended to this document.

Question 12

- A. What process/mechanism does MECL propose that the result of System Impact Studies be subjected to stakeholder and regulatory scrutiny?

Answer

Maritime Electric intends to maintain a Generation Interconnection Queue table on the Maritime Electric website. This table will contain the project name, location, size, type of installation, company name and status. The System Impact Study is an Agreement between a Customer and Maritime Electric as the Transmission provider and as such, the Customer may request that information be kept confidential.

- B. Summerside understands that MECL, Ventus and the Provincial Government are having discussions about possible construction of additional transmission facilities to be possibly funded by the Provincial Government. Please confirm whether or not this is the case, and if so, please provide whatever details of the project, including route and approximate level of cost, that can be made public at this time.

Answer

At this time discussions are confidential.

- C. Has MECL commissioned or will MECL be commissioning a System Impact Study should any such project appear likely to proceed?

All significant changes to the Transmission System will require a System Impact Study.

Question 13

Summerside has had engineers complete a feasibility study on running its own transmission line from the marine cables to the City. The Study concluded that this would be cost efficient for Summerside's users. Please set out the policy reasons, if any, that Summerside should not be allowed to install its own transmission line and connect directly to the provincial government owned marine cables, by-passing MECL's on-Island transmission system.

Answer

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