

MARITIME
ELECTRIC
A FORTIS COMPANY

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AUG 12 2008

The Island Regulatory
and Appeals Commission

August 12, 2008

Island Regulatory and Appeals Commission
PO Box 577
Charlottetown PE C1A 7L1

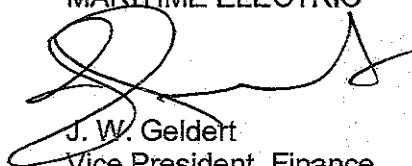
Dear Commissioners:

Please find attached (8) copies of the Application of Maritime Electric to amend its 2008 Capital Budget. A PDF copy will be forwarded shortly.

If further information is required, questions may be directed to the undersigned at 629-3679.

Yours truly,

MARITIME ELECTRIC



J. W. Geldert
Vice President, Finance
and Chief Financial Officer

JWG45
Encl. as noted

Maritime Electric

CANADA

PROVINCE OF PRINCE EDWARD ISLAND

**BEFORE THE ISLAND REGULATORY
AND APPEALS COMMISSION**

**IN THE MATTER of the Application of
Maritime Electric Company, Limited to
amend its 2008 Capital Budget.**

**APPLICATION
TO
AMEND THE 2008 CAPITAL BUDGET
MARITIME ELECTRIC COMPANY, LIMITED**

Date: August 12, 2008

CANADA

PROVINCE OF PRINCE EDWARD ISLAND

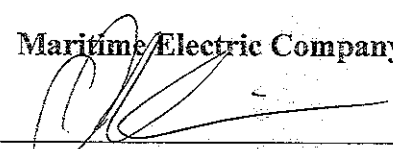
**BEFORE THE ISLAND REGULATORY
AND APPEALS COMMISSION (the "Commission")**

**IN THE MATTER of the Application of
Maritime Electric Company, Limited to amend
its 2008 Capital Budget.**

1. Maritime Electric Company, Limited ("Maritime Electric") hereby makes application to amend its 2008 Capital Budget.
2. Specifically, Maritime Electric requests an Order from the Commission approving an increase of \$13,900,000 in Maritime Electric's 2008 Capital Budget to reflect the construction of a new West Cape Energy Inc. transmission line and the development of a power corridor in western Prince Edward Island.
3. In support of this application, Maritime Electric relies upon the affidavit of J. William Geldert attached hereto.

DATED this 12th day of August, 2008.

Maritime Electric Company, Limited



D. Spencer Campbell
and Thomas P. Laughlin
Counsel for the Applicant
whose address for service is:
65 Grafton Street, P.O. Box 2140
Charlottetown, PE C1A 8B0
Telephone: (902) 629.4549
Facsimile: (902) 566.5283
E-mail: scampbell@smss.com
tlaughlin@smss.com

CANADA

PROVINCE OF PRINCE EDWARD ISLAND

BEFORE THE ISLAND REGULATORY
AND APPEALS COMMISSION (the "Commission")

IN THE MATTER of the Application of
Maritime Electric Company, Limited to amend
its 2008 Capital Budget.

AFFIDAVIT OF J. WILLIAM GELBERT

I, J. William Geldert, of Charlottetown, in Queens County, Province of Prince Edward Island,
HEREBY MAKE OATH AND SAY AS FOLLOWS:

1. I am the Vice President, Finance, Administration and Chief Financial Officer of Maritime Electric Company, Limited ("Maritime Electric") and, as such, have personal knowledge of the matters deposed to herein.
2. Maritime Electric is a corporation incorporated under the laws of Canada with its head or registered office at Charlottetown, aforesaid, and carries on business as a public utility within the scope of the *Electric Power Act* engaged in the production, purchase, transmission and distribution of electricity in Prince Edward Island.
3. On June 27, 2007 Maritime Electric filed an application for approval of its capital budget for the year 2008.
4. On October 11, 2007 the Commission approved Maritime Electric's application.
5. Since the date of Maritime Electric's application, West Cape Energy Inc. ("WCE"), a Suez Energy North America company, has decided to proceed with an expansion of its West Cape Wind Farm which will increase its output from an existing 20 MW to 100 MW.

6. To accommodate this expansion, new transmission line facilities between the Sherbrooke and O'Leary substations are required. As these additions benefit only WCE they will pay 100% of the cost.
7. As was the case in WCE's initial 20 MW development, a letter of credit has been obtained from WCE (Exhibit 1). To this end, an interim transmission services agreement has been signed with WCE that sets out the terms and conditions for proceeding with the transmission project (Exhibit 2). The total cost of the work for WCE is estimated at \$9.2 million and is summarized as follows:

Environmental Studies and Permits	\$ 90,000
Design Engineering & Project Management	460,000
Substation Modifications and Extensions	540,000
66 km of 138 kV transmission line	6,690,000
Contingency	<u>1,420,000</u>
Total Cost/Customer Contribution	\$9,200,000

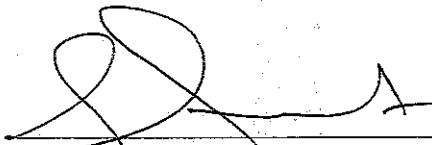
8. In addition, on April 10, 2008 the Government of Prince Edward Island announced a Five Year Economic Strategy that contained a target to reach 500 megawatts of wind energy production on Prince Edward Island by 2013. Subsequently, the Government advised Maritime Electric of its intention to fund the creation of a "Power Corridor" between Sherbrooke and O'Leary that could be used to further expand wind energy development in Western Prince Edward Island. This incremental cost for the Government is estimated at \$4.7 million.
9. As a result of the foregoing developments, Maritime Electric hereby makes application to amend its 2008 capital budget.
10. In particular, Maritime Electric hereby requests an order from the Commission approving an increase of \$13,900,000 in Maritime Electric's 2008 capital budget to reflect the

construction of the new WCE transmission line and the development of a power corridor in western Prince Edward Island.

11. As indicated above, the capital cost of these projects will be fully recovered by MECL from WCE and the Government of Prince Edward Island.
12. I make this my sworn affidavit in support of Maritime Electric's application to amend its 2008 capital budget and for no improper purpose.

SWORN TO at Charlottetown, in the
Queens County, Prince Edward Island, the
12th day of August, 2008
before me:

A Barrister of the Supreme Court of
Prince Edward Island



J. William Geldert
Vice President, Finance, Administration &
Chief Financial Officer

RECEIVED
JUN 20 2008

The Bank of Nova Scotia
Ontario International Trade Services
61 Front Street West, Suite 402
Toronto, Ontario
Canada M5H 1H1



Date of Issuance: June 19, 2008

Irrevocable Standby Letter of Credit No. S18572/275185

Stated Amount: CAD8,700,000.00

Date of Expiry: June 30, 2009

BENEFICIARY:

Maritime Electric Company, Limited
180 Kent Street, P.O. Box 1328
Charlottetown, Prince Edward Island. C1A 7N2
Attention: John D. Gaudet
Vice President, Corporate Planning
and Energy Supply

APPLICANT:

West Cape Wind Energy Inc.
Royal Bank Plaza, South Tower
200 Bay Street, Suite 3230
Toronto, Ontario. M5J 2J4

Ladies and Gentlemen:

THE BANK OF NOVA SCOTIA, Ontario International Trade Service, 61 Front Street West, 4th Floor, Toronto, Ontario, M5H 1H1 (the "Bank") hereby opens in favor of **MARITIME ELECTRIC COMPANY, LIMITED** (the "Beneficiary"), for the account of **WEST CAPE WIND ENERGY INC.** (the "Account Party"), its **IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER S18572/275185** (the "Letter of Credit") in the amount of **CANADIAN DOLLARS EIGHT MILLION SEVEN HUNDRED THOUSAND AND 00/100 (CAD8,700,000.00)** (the "Stated Amount") in accordance with the Uniform Customs and Practice for Documentary Credits (2007 Revision), International Chamber of Commerce Publication No. 600 (the "UCP").

Subject to the terms and conditions hereof, this Letter of Credit secures the Account Party's obligation to pay as a contribution-in-aid-of-construction the actual cost to the Beneficiary of building the dedicated transmission and interconnection facilities required for the purpose of interconnecting the Account Party's facilities to the existing Beneficiary's transmission system under the **WEST CAPE INTERIM TRANSMISSION SERVICES AGREEMENT DATED AS OF MARCH 11, 2008** between the Beneficiary and the Account Party (the "ITSA"). Capitalized terms used and not defined herein have the meanings given to such terms in the ITSA.

The Beneficiary is only entitled to make a draw on the Letter of Credit in the event the Account Party has failed to pay, in accordance with the terms of the ITSA, amounts invoiced pursuant to **Article 12** of the ITSA.

Any amounts then drawn under this Letter of Credit shall be available by the Beneficiary's draft(s), drawn on the Bank, in the form of **Annex A** attached hereto and must be accompanied by a Drawing Certificate in the form of **Annex B** attached hereto and purportedly executed by an officer of the Beneficiary.



This Page 2 forms an integral part of Standby Letter of Credit No. S18572/275185

Partial draws of this Letter of Credit are permitted. Drawings honored by the Bank under this Letter of Credit shall not, in the aggregate, exceed the initial Stated Amount. The Stated Amount shall be automatically reduced, without any further action required by Beneficiary or the Bank, immediately upon the honoring by the Bank of any draft drawn hereunder. Following notice to the Bank, purportedly executed by authorized representative(s) or officer(s) of both the Beneficiary and the Account Party in the form of **Annex C** attached hereto, of Beneficiary's receipt from the Account Party of payment under **Article 12** of the ITSA, the Stated Amount will be reduced by the amount set forth in such notice.

This Letter of Credit shall automatically terminate at the earlier of:

- (a) **12:00 p.m. Eastern Standard Time on JUNE 30, 2009 (the "Letter of Credit Expiration Date")**; or
- (b) the date that the entire Stated Amount has been drawn in full.

Payment of any amount under this Letter of Credit by the Bank shall be made as the Beneficiary shall instruct on the **second business day** after the date the Bank receives all documentation required hereunder, in immediately available funds on such date. "**Business day**" means a day, excluding Saturday, Sunday, and any other day which shall be in the City of Toronto a legal holiday or a day on which banking institutions are closed.

This Letter of Credit is transferable in its entirety. In the event of transfer, the attached form **Annex D** is to be completed and submitted by the Beneficiary together with the original of this Letter of Credit. The transfer under this Letter of Credit is restricted to the Bank. All charges under the transfer are for account of the beneficiary.

Performance of the Bank and Beneficiary under this Letter of Credit shall be in accordance with the terms of the UCP and, to the extent not inconsistent with the UCP, shall be governed by the laws of the Province of Prince Edward Island and the federal laws of Canada applicable therein. If legal proceedings are initiated by any party with respect to the payment of this Letter of Credit, the Bank agrees that such proceedings shall be subject to the jurisdiction of the courts and administrative agencies of the Province of Prince Edward Island located in Charlottetown, Prince Edward Island. Each of the Bank, the Beneficiary and the Account Party waive, to the fullest extent permitted by law: (i) any objection which any of them may now or hereafter have to the laying of the venue of any such proceeding in a court located in Charlottetown, Prince Edward Island and any claim that any such proceeding brought in such court has been brought in an inconvenient forum; and (ii) any and all right to trial by jury in any legal proceeding arising out of or relating to this Letter of Credit.

Any draft drawn under this Letter of Credit must be presented at the offices of the Bank in the manner provided for herein; must bear the clause "**Drawn under The Bank of Nova Scotia Standby Letter of Credit Number S18572/275185 dated June 19, 2008**"; and must be delivered prior to the Letter of Credit Expiration Date. If the Bank receives the Beneficiary's draft and certificate in conformity with the terms and conditions of this Letter of Credit prior to the Letter of Credit Expiration Date, it will honor the same.

The Bank of Nova Scotia
Ontario International Trade Services
61 Front Street West, Suite 402
Toronto, Ontario
Canada M5H 1H1



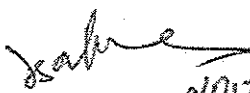
This Page 3 forms an integral part of Standby Letter of Credit No. S18572/275185


EXCEPT AS OTHERWISE EXPRESSLY STATED HEREIN, THIS LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 600.

Please address all correspondence regarding the Letter of Credit to: The Bank of Nova Scotia, Ontario International Trade Service, 61 Front Street West, 4th Floor, Toronto, Ontario, M5H 1H1, including the Letter of Credit Number mentioned above.

Yours very truly,

THE BANK OF NOVA SCOTIA


Isabella Ng
Assistant Manager


Dominic Au-Yeung
Manager

The Bank of Nova Scotia
Ontario International Trade Services
61 Front Street West, Suite 402
Toronto, Ontario
Canada M5H 1H1



ANNEX "A"

TO THE BANK OF NOVA SCOTIA LETTER OF CREDIT NUMBER S18572/275185

FORM OF DRAFT

The Bank of Nova Scotia
Ontario International Trade Service
61 Front Street West
4th Floor
Toronto, Ontario. M5H 1H1

Letter of Credit Number S18572/275185

Date of Letter of Credit:

Place: _____

Date: _____

At sight, pay to the order of **MARITIME ELECTRIC COMPANY, LIMITED** the amount of CAD [INSERT AMOUNT IN NUMBERS AND WORDS].

This draft is drawn under **IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER XXX** dated [insert date] issued by **THE BANK OF NOVA SCOTIA** for the account of **WEST CAPE WIND ENERGY INC.**

MARITIME ELECTRIC COMPANY, LIMITED

By: _____

Its _____

[Handwritten signature]

The Bank of Nova Scotia
Ontario International Trade Services
61 Front Street West, Suite 402
Toronto, Ontario
Canada M5H 1H1



ANNEX "B"

TO THE BANK OF NOVA SCOTIA LETTER OF CREDIT NUMBER S18572/275185

FORM OF NON-PAYMENT DRAWING CERTIFICATE

Date: _____

The Bank of Nova Scotia
Ontario International Trade Service
61 Front Street West
4th Floor
Toronto, Ontario. M5H 1H1

Ladies and Gentlemen:

Re: Letter of Credit Number S18572/275185 dated June 19, 2008

The undersigned, the duly authorized officer of **MARITIME ELECTRIC COMPANY, LIMITED** (the "Beneficiary") of **STANDBY LETTER OF CREDIT NUMBER S18572/275185** (the "Letter of Credit"), hereby certifies to you, as follows:

1. **WEST CAPE WIND ENERGY INC.** (the "Account Party") has failed to pay, in accordance with the terms of the **WEST CAPE INTERIM TRANSMISSION SERVICES AGREEMENT DATED AS OF MARCH 11, 2008** (the "ITSA"), amounts due pursuant to Article 12 of the ITSA (and all applicable cure periods have lapsed).
2. The Beneficiary is making a drawing under the Letter of Credit in the amount of **CAD [INSERT AMOUNT OF ACCOMPANYING DRAFT IN NUMBERS AND WORDS]** in accordance with the provisions of the Letter of Credit, as amended or supplemented from time to time.

Capitalized terms used and not defined herein have the meanings given to such terms in the Letter of Credit.

The Beneficiary has executed and delivered this certificate on this ____ day of _____, 20____.

Sincerely,

MARITIME ELECTRIC COMPANY, LIMITED

By: _____

Its _____

20

The Bank of Nova Scotia
Ontario International Trade Services
61 Front Street West, Suite 402
Toronto, Ontario
Canada M5H 1H1

ANNEX "C"



TO THE BANK OF NOVA SCOTIA LETTER OF CREDIT NUMBER S18572/275185

FORM OF REDUCTION CERTIFICATE

Date: _____

The Bank of Nova Scotia
Ontario International Trade Service
61 Front Street West
4th Floor
Toronto, Ontario. M5H 1H1

Ladies and Gentlemen:

Re: Letter of Credit Number S18572/275185 dated June 19, 2008

The undersigned, each a duly authorized officer of **MARITIME ELECTRIC COMPANY, LIMITED** (the "Beneficiary") or **WEST CAPE WIND ENERGY INC.** (the "Account Party"), as applicable, of **STANDBY LETTER OF CREDIT NUMBER XXX** (the "Letter of Credit"), hereby certifies to you, as follows:

1. The Account Party has paid to the Beneficiary the amount of CAD [INSERT AMOUNT IN NUMBERS AND WORDS] (the "Payment Amount") under Article 12 of the ITSA, as referenced in the Letter of Credit.
2. As a result, the Account Party and the Beneficiary hereby request that, in accordance with the provisions of the Letter of Credit, the Stated Amount of the Letter of Credit be reduced by the Payment Amount. This is our irrevocable direction to you to effect such reduction.

Capitalized terms used herein and not otherwise defined have the meanings provided therefor in the Letter of Credit.

The Beneficiary has executed and delivered this certificate on this ____ day of _____, 20 ____.

The Account Party has executed and delivered this certificate on this ____ day of _____, 20 ____.

Sincerely,

BENEFICIARY:

MARITIME ELECTRIC COMPANY, LIMITED

By: _____

Its: _____

ACCOUNT PARTY:

WEST CAPE WIND ENERGY INC.

By: _____

Its: _____

2008

The Bank of Nova Scotia
Ontario International Trade Services
61 Front Street West, Suite 402
Toronto, Ontario
Canada M5H 1H1



ANNEX "D"

TO THE BANK OF NOVA SCOTIA LETTER OF CREDIT NUMBER S18572/275185

FORM OF LETTER OF TRANSFER

Date: _____

The Bank of Nova Scotia
Ontario International Trade Service
61 Front Street West
4th Floor
Toronto, Ontario. M5H 1H1

Ladies and Gentlemen:

Subject: Transferable Standby Letter of Credit _____ dated _____
issued by The Bank of Nova Scotia, Toronto (the "letter of credit")

For value received, the undersigned beneficiary hereby irrevocably transfers to:

(Name of Transferee)

(Address)

all rights of the undersigned beneficiary to draw up to but not exceeding a sum of \$ _____ (In words.....) under the above Letter of Credit, subject to the same terms and conditions.

By this Letter of Transfer, all rights of the undersigned beneficiary in such Letter of Credit are transferred to the transferee (up to the amount aforesaid) and the transferee shall (up to the amount aforesaid) have the sole right as beneficiary thereof.

The undersigned beneficiary irrevocably instructs that any amendments hereafter made must immediately be advised to the transferee for action thereon.

Kindly notify the Transferee in such form as you deem advisable of the terms and conditions of the credit as transferred and after noting the Transfer on the original instrument, which we are forwarding to you herewith, kindly forward it to the Transferee.

We authorize you to charge our account with \$ _____ or we enclose our cheque for this amount representing your Transfer commission and in addition thereto we agree to pay to you on demand any expenses that may be incurred in connection with this Transfer.

Very truly,

(Authorized Signature)

SIGNATURE AUTHENTICATED

(Bank)

Handwritten initials and signature in the bottom left corner.