



Energy
Corporation

Société de
l'énergie



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October 16, 2015

Mr. Mark Lanigan, CA
Island Regulatory and Appeals Commission
PO Box 577
Charlottetown, PE C1A 7L1

Dear Mr. Lanigan,

Please find enclosed Government's comments on Maritime Electric's 2016 Capital Budget and Demand Side Management Plan.

Sincerely,

Kim Horrelt

cc: Steve Loggie, CA
Maritime Electric Company, Limited

GOVERNMENT OF PRINCE EDWARD ISLAND

CANADA

PROVINCE OF PRINCE EDWARD ISLAND

BEFORE THE ISLAND REGULATORY

AND APPEALS COMMISSION

IN THE MATTER of section 17(1) of the Electric Power Act (R.S.P.E.I. 1988, Cap.E-4) and **IN THE MATTER** of the application by Maritime Electric Company, Limited for an order of the Commission approving the 2016 Annual Capital Budget and for certain approvals incidental to such an order.

COMMENTS OF THE GOVERNMENT OF PRINCE EDWARD ISLAND

Filing Docket UE20724

The Province has reviewed the Capital Plan of Maritime Electric Company, Limited (MECL) and has the following comments.

MECL is primarily a distribution utility. While it does have generation assets it purchases almost all of the electricity consumed on PEI. The generation assets of MECL are maintained as necessary system components but are used only intermittently on an as required basis to ensure the secure and reliable supply of electricity, particularly during times of peak demand. The requirement to maintain and update the transmission and distribution systems is also necessary for the secure and reliable supply, but the transmission and distribution components are always in use.

While the capital improvements proposed by MECL for 2016 may prove to be necessary, the fact that a utility of the size and configuration of MECL is spending over \$30 million annually on capital improvements is concerning, particularly considering the rate at which MECL's capital expenditures has increased over the past decade. Since 2005, MECL's capital spending has doubled, from \$15 million to over \$30 million, without an equivalent increase in energy sales, number of customers or system peak demand. While it is not expected that such increases should be directly proportional, this still raises questions:

a) How much should be spent on maintaining and upgrading PEI's electricity system to maintain reliability standards?

and

b) What is a suitable capital budget amount for a utility of this size and this configuration?

As suggested in comments provided by the PEI Energy Corporation concerning MECL's CT4 project application, a long-term resource adequacy plan should be defined and completed to answer these and other questions around the future of PEI's electricity supply system. Without information that would be included in such a plan, it will be difficult for the utility and the regulator to alter the current trend of ever increasing capital budgets.