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Interrogatories of Commission Staff

TO: Maritime Electric Company, Limited

FROM: Cheryl Bradley, Director of Finance & Regulatory Affairs

DATE: September 2, 2026

RE: Supplemental Capital Budget Request for Cost Changes to CIS AMI Application

DOCKET: UE20745

The Island Regulatory and Appeals Commission (the "Commission"), in assessing the reasonableness of the Supplemental Capital Budget Request for Cost Changes to CIS AMI Application (the "Application") submitted by Maritime Electric Company, Limited ("Maritime Electric" or "MECL"), requests responses to the following interrogatories:

1. Page 12, Table 1 of Amended and Restated SCBR (16 April 2024) shows an estimated IDC of $2,800,000. Page 10, Table 3 of this Application forecasts an IDC for the CIS portion of $2,314,981, while page 15, Table 5 forecasts an IDC for the AMI portion of $1,243,024, for a total forecast IDC of $3,558,005. This represents an overall IDC increase of 27 per cent from April 2024 to July 2025.

    a. What are the biggest factors in the approximate 16 per cent increase in CIS IDC from April 2024 to the filing of this Application?

    b. What are the biggest factors in the approximate 54 per cent increase in AMI IDC from April 2024 to the filing of this Application?

    c. Why has the IDC forecast increase by such a large amount between April 2024 and July 2025, when the requested non-IDC Project cost increases total approximately $3.128 million, or 4.9 percent of the previously approved non-IDC Project costs?

    d. Provide a reconciliation of the increase in IDC, identifying the main factors contributing to the increase, including changes in project costs, timing, schedule and IDC rates.

    e. Appendix A identifies a 2028 CIS average balance subject to IDC of $1,168,000 and a forecast average return on rate base of 6.69 per cent, but no IDC is included for 2028. Explain why no IDC has been calculated for 2028 and provide a corrected calculation, if required.

f. Reconcile Appendix B to Table 5, including the 2027 “Total Annual Budget” of $4,227,000 in Appendix B compared to $4,276,000 in Table 5, and the total annual budget of $22,641,457 in Appendix B compared to $22,745,481 in Table 5.

g. Page 13 states that the expected AMI IDC increase is $383,000, while Table 4, Table 5 and Appendix B identify the increase as $438,000. Confirm the correct amount and explain the discrepancy.

2. Table 1 in Section 3.2 Reporting Requirements does not match Table 1 in Section 6.0 Proposed Order.

    a. Verify which table accurately portrays Maritime Electric’s request under this Application.

    b. Explain the discrepancy between the total IDC of $758,000 and total SCBR of $3,886,000 in Section 3.2 and the total IDC of $703,000 and total SCBR of $3,831,000 in the Proposed Order.

    c. Provide a corrected proposed order, if required.

3. Page 12, lines 23-31. The Application states that Maritime Electric signed a Statement of Work in July 2023 with an estimated cost of USD $798,000, but included only USD $435,000 in the April 16, 2024 Amended and Restated Application from Docket UE20737 based on an expectation that the Statement of Work could be reduced.

    a. Explain the basis for the expectation that the Statement of Work could be reduced, including any analysis or supporting documentation available at the time.

    b. Identify the work, services, or deliverables that Maritime Electric expected could be removed and explain what knowledge was gained during the Project that resulted in the full scope now being required.

    c. Explain why the full system integration cost was not anticipated in the April 16, 2024 Amended and Restated SCBR.

    d. Explain why the difference between the July 2023 Statement of Work and the amount included in the April 2024 budget was not addressed through the base Project budget or contingency.

4. Appendix C-2, Pages 1-3

    a. Provide an explanation of what each of the charges are for.

b. Explain why these costs were unforeseen and not included in the April 16, 2024 Refiled Application under Docket UE20737.

c. For each charge, identify when Maritime Electric first became aware that the cost would be incurred and when the expenditure was incurred or committed.

d. Explain why each cost is not appropriately funded from the contingency approved for the CIS portion of the Project.

5. Appendix C-3, Page 1

a. Explain the derivation, and difference, between the two values labeled as ‘B’.

b. Identify which value was used to determine the amount requested in this Application and explain why that value was used.

6. Appendix C-3, Pages 2-4

a. Are these invoices different than pages 1-3 in Appendix C-2, and if so where are these costs reflected in Table 3?

b. For each invoice, identify the amount included in the SCBR and the corresponding budget category in Table 3.

7. Appendix C-4, Pages 1-2

a. Provide these pages in an Excel spreadsheet file.

b. Identify the assumptions and exchange rates used in the calculations.

8. Order UE24-06 noted that the approved Project budget included contingencies of 30 per cent for CIS and 10 per cent for AMI. The Commission also found that, taken together with the fixed costs and contractual protections, the Project, if properly managed, should not exceed the approved capital expenditures.

a. Explain Maritime Electric’s understanding of the purpose of the CIS and AMI contingency amounts approved under Order UE24-06, including the types of Project risks and cost increases the contingencies were intended to address.

b. For each cost increase included in the current SCBR, excluding IDC, explain why the cost is beyond the scope of the approved contingency.

c. Table 3 identifies $497,000 of CIS contingency as having been utilized. Provide an itemized breakdown of the $497,000, identifying the expenditure and amount for each item.

d. Table 5 continues to include the full $925,000 AMI contingency while Maritime Electric seeks approval of an additional $2,718,000 in AMI costs before IDC. Explain why none of the approved AMI contingency has been applied against the cost increases included in this Application.

e. Identify the amount of CIS and AMI contingency that remains uncommitted and, where contingency is being retained for identified Project risks, describe those risks and the estimated potential costs.

f. Explain why Maritime Electric considers it reasonable to retain the remaining contingency while seeking approval for additional Project expenditures.

9. Order UE24-06 noted that a significant portion of the AMI costs were fixed and that the contracts included fixed pricing protections.

    a. For each vendor pricing increase included in this Application, identify the original quoted amount, the final contracted amount and the reason for the increase.

    b. Identify whether any of the requested increases relate to goods or services previously represented as fixed-price. If so, explain the contractual basis for the increase.

    c. Explain what consideration was given in the April 2024 Refiled Application of Docket UE20737 to the risk that vendor quotes could expire before Commission approval and contract execution.

    d. Describe any steps taken to maintain or protect the vendor pricing relied upon in the April 2024 Application.

10. The Application includes additional sourcing and procurement costs of approximately $237,000 for CIS and $160,000 for AMI, separate from the vendor pricing increases identified elsewhere in the Application.

    a. Provide a breakdown of these additional costs, identifying the nature of the work performed and whether the costs relate to internal or external labour.

    b. Identify when these costs were incurred and explain why they were not included in the April 2024 Refiled Application of Docket UE20737.

    c. Explain the basis for capitalizing costs associated with updating the Application, obtaining revised vendor pricing and re-engaging in contract negotiations.

    d. Confirm that these costs have not otherwise been recovered through operating expenses or another capital account.

11. The Application seeks additional costs related to changes in the USD/CAD exchange rate and requests approval for exchange rate variance above the 1.37 rate used in the April 2024 Application.

a. Provide an updated calculation of the foreign exchange variance using actual exchange rates for amounts paid to date and the current forecast for remaining USD-denominated expenditures.

b. Describe any measures considered or used to mitigate foreign exchange risk.

c. Confirm whether Maritime Electric is requesting approval of a fixed dollar amount for foreign exchange costs or approval of future exchange rate variance above 1.37.

d. If approval of future exchange rate variance is requested, explain how this is consistent with Order UE24-06, which limits Project expenditures to the amounts approved by the Commission.

12. Given the time that has passed since the Application was filed, provide an updated Project cost report showing, separately for CIS and AMI:

    a. expenditures incurred to date;

    b. contractual commitments outstanding;

    c. forecast costs to complete;

    d. current total forecast Project cost; and

    e. the current forecast variance from the amounts approved under Order UE24-06.

    f. Also confirm:
        i. whether the amount requested in this Application remains sufficient to complete the Project; and
        ii. whether any additional Project cost pressures have arisen since the Application was filed.

    Provide the information in Excel format.

13. The Application reflects an updated Project timeline and notes that timeline adjustments have contributed to increased IDC.

    a. Explain why CIS expenditures are now forecast into 2028 and identify when Maritime Electric first became aware of this change.

    b. Identify any material incremental costs resulting from changes to the Project schedule.

    c. For each material cost or schedule change underlying this Application, identify when Maritime Electric first became aware of the change and when the Commission was advised.

14. Order UE24-06 noted that the $19 million NRCan contribution was integral to the positive business case for the AMI Project.

a. Provide an update on the status of the $19 million NRCan contribution, including:
   i. The amount received to date;
   ii. The amount remaining to be received; and
   iii. The expected timing of the remaining funding.

b. Confirm whether the revised Project costs or schedule affect Maritime Electric's eligibility to receive the full $19 million contribution. If so, explain.

c. Confirm whether the AMI Project continues to have a positive NPV.

d. Identify any outstanding conditions, milestones or other requirements that must be satisfied before the remaining NRCan funding is received.

15. Provide an updated estimate of the impact of the additional Project costs requested in this Application on:

    a. Rate base;

    b. Annual revenue requirement; and

    c. Customer rates.

16. Compare the updated customer rate impact to the 2.7 per cent rate increase forecast in the April 16, 2024 Refiled Application from Docket UE20737.

Additional interrogatories may follow. Please provide responses to the Commission by September 25, 2026.

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Cheryl Bradley

Cheryl Bradley, CA, CPA
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Prince Edward Island Regulatory & Appeals Commission