



PRINCE EDWARD ISLAND
Regulatory & Appeals Commission
Commission de réglementation et d'appels
ÎLE-DU-PRINCE-ÉDOUARD

5th Floor Suite 501
National Bank Tower
501-134 Kent Street
P.O. Box 577
Charlottetown, PE C1A 7L1
Tel 902-892-3501
Fax 902-566-4076

Interrogatories of Commission Staff

TO: Maritime Electric Company, Limited

FROM: Cheryl Bradley, Director of Finance & Regulatory Affairs

DATE: September 18, 2026

RE: 2026 Capital Budget Application

DOCKET: UE20746

The Island Regulatory and Appeals Commission (the “Commission”), in assessing the reasonableness of the 2026 Capital Budget Application (the “Application”) submitted by Maritime Electric Company, Limited (“Maritime Electric” or “MECL”), requests responses to the following interrogatories:

54. Section 3.3 - Estimated Impact on Rate Base, Revenue Requirement and Customer Rates
- a. This section states that the effects of this budget are expected to be offset through sales growth and operational efficiencies until the next GRA is in place.
 - i. Can you please elaborate on the expected sales growth - how much growth is expected? What is expected to drive this growth? How much growth is required to offset the current capital budget as assumed?
 - ii. What is meant by operational efficiencies? What projects in this budget are expected to improve this?
 - b. This section states that “approval of the Application as filed will not require any customer rate increase until the next GRA is filed” – once the GRA is filed, what is the expected effect of this capital budget on customer rates?
55. Section 3.2 - Table 1: Proposed 2026 Capital Budget Expenditures
- a. There is a projected customer contribution of \$4,546,000, Can you please provide a further break down of this number? Please ensure, if this contribution is using budgeted contributions from 2021 through 2025, to include the actual contributions for the same period.
 - b. The total capital expenditures proposed in this budget does not include the Advanced Metering for Sustainable Electrification project, which has already been approved. To get a clearer picture of the total capital expenditures planned for the year, can you please send us an additional version of Table 1: Proposed 2026 Capital Expenditures that does include this project?

56. Section 4.1(c) - Fuel Offloading Weather Enclosure

- a. What is the approximate operating cost of maintaining the area through the winter without the enclosure?
- b. Would this enclosure have any use after the planned decommissioning of the turbine?

57. Section 4.1(d) - SCADA Video Wall Display

- a. One of the future projects listed for 2027 includes adding GIS capabilities to SCADA. Is the current display upgrade necessary for this future project?

58. Section 4 - Generation

- a. The intro to this section justifies these projects based on reliability and safety requirements as specified in the Electric Power Act, the Company's Energy Purchase Agreement ("EPA") with NB Power, health and safety legislation, insurance requirements and contingency plans. Can you please specify what these requirements are and how they are measured?

59. Section 4.2(b) - CT3 Water Treatment Equipment Replacement

- a. This project is justified in the application based on the equipment being at the end of its service life. In your response to the Commission's previous interrogatories, you specified that the system will be 20 years old in 2026, with an expected service life of 10-20 years.
 - i. In your 2025 Capital Budget application, upgrades to the RO-EDI equipment were scheduled as a capital project for 2027. What changed between these two applications that required this project in 2026 rather than 2027?

60. Section 4.4 (d) - CT1 and CT2 Computer Hardware and Software Replacement

- a. This project is justified in the application based on the current systems being obsolete. However, based on the software and controllers listed, it seems that some of them have been obsolete for some time already (ex. CT1's controller was installed in 2003, and a typical obsolescence of 15 years indicates that it would have been obsolete in 2018 based on the numbers given in your application). Can you please explain why you have determined these upgrades to be necessary in the current year and not in any of the preceding years when they were also obsolete?
- b. We weren't able to find this project listed in the Future Capital Projects section of capital budget applications for previous years. Can you please indicate why this project wasn't identified by your capital spending processes sooner?
- c. After using obsolete software for so many years already, would it be possible to continue using the existing system for the remaining operational life of the CT1 and CT2 turbines in the lead up to their decommissioning?

61. Internal and External Labour:

- a. The below table breaks down the budget categories for the 2026 and 2025 capital budgets before factoring in customer contributions. Based on the below the Internal Labour decreased from 22% in 2025 to 17% in 2026; meanwhile, Contract Labour increased from 12% to 19% (i.e. it makes up a larger proportion of the total budget in 2026 than internal labour) and the "Other" category (including Civil works, other various services not listed explicitly as "Contract Labour") increased from 1% to 8%.
 - i. Can you please explain this increased emphasis on external labour?
 - ii. With budgeted contract labour increasing from \$ 9.5 million to nearly \$ 20 million, do you foresee any challenges in finding the labour to complete these services?

IRAC Table 1 Summary of Capital Budget Application by Category (before customer contributions)				
Description	2025		2026	
Material	46,748,627	61%	55,218,000	52%
Internal Labour & Transportation	16,782,000	22%	17,900,000	17%
Contractor Labour	9,473,000	12%	19,924,000	19%
Contingency	1,301,373	2%	3,214,000	3%
Other	639,000	1%	8,642,000	8%
Capitalization of General Expense	919,000	1%	863,000	1%
Interest During Construction	869,000	1%	1,427,000	1%
Total Capital Budget (before customer contributions)	\$ 76,732,000		\$107,188,000	

62. Section 5.1(b) - Replacements due to Road Alterations

- a. The application listed a provisional amount based on historical figures since the provincial infrastructure plans had not yet been released at the time the application was written. Now that this report has been released, do you anticipate any changes to this amount?

63. Section 5.2(a) - Distribution Transformers

- a. The application indicates that the materials budget is down based on current inventories. Can you please indicate the approximate number of each transformer type in your inventory at the beginning of 2026? How many of these were purchased in 2025?
- b. How many transformers of each type are expected to be installed in 2026?
- c. With the Oil to Heat Pump Affordability (OHPA) Program closing to new applicants as of July 2026, does this have any impact on your forecasts for new transformers for the current budget?

64. Section 5.3(a) - Overhead and Underground Services

- a. With the Oil to Heat Pump Affordability (OHPA) Program closing to new applicants as of July 2026, does this have any impact on your forecasts for services for the current budget?

65. Section 5.3(b) - Street and Area Lighting

- a. This program is described as covering the installation of LED pole-mounted street and yard lights, the replacement of HPS lanterns with LED lanterns, and light replacements due to fixtures reaching the end of their useful life. Can you please break down how much of this budget is for each of these activities?
- b. How much longer would the HPS lanterns be expected to last if they weren't replaced in the current year?
- c. The application mentions that the lanterns are rented – can you please elaborate on how this rental income is recorded? What is the amount of rental income earned from these lanterns in each of the past five years? Is rental income expected to increase after converting the lanterns to LED?

66. Section 5.4(b) - Load and Reliability Driven Line Extensions

- a. The budget for this section is nearly 5 times greater than the adjusted average of the previous five years. Can you justify an increase of this magnitude given that the metrics you use to measure reliability performance (SAIDI and SAIFI) have remained relatively stable over the past decade (Section 3.5 System Reliability Performance and Improvement)?

Adapted from Table 34 Historical and Proposed Capital Expenditures Load and Reliability Driven Line Extensions						
Description	2021	2022	2023	2024	2025 Budget	2026 Budget
Material	\$245,167	\$188,315	\$319,166	\$236,149	\$233,000	\$1,323,000
Contractor Labour	310,700	629,606	1,470,845	707,416	1,036,000	5,518,000
Internal Labour and Transportation	270,000	306,852	316,268	196,051	214,000	424,000
Other	6,255	3,962	156,812	3,075	-	-
Less: Joint Use Charged To/ Owned by Third Party	-	-51,725	-	-	-	-
TOTAL	\$832,122	\$1,077,010	\$2,263,091	\$1,142,691	\$1,483,000	\$7,265,000

67. Section 5.5(a) - Single Phase and Three Phase Line Rebuilds

- a. Table 36: Historical and Proposed Capital Expenditures Single Phase and Three Phase Line Rebuild includes the joint use charged to/owned by a third party for 2021 and 2022.
 - i. Should the current year also include a third-party amount related to Xplore's contributions for the Rural Broadband project?
 - ii. For illustrative purposes, can you please send us an additional version of Table 36 that includes these contributions for 2026 (and previous years, as applicable)?
- b. The portion of contractor labour included in this budget has increased from the 40%-50% range in previous years to over 70% in 2025 and 2026.
 - i. Can you please explain the reasoning for this increase?
 - ii. What would the impact be on the budget if a greater proportion of internal labour was used instead? Are there other reasons that this wouldn't be feasible?
- c. The budget for this section is over 2 times greater than the adjusted average of the previous five years (before third-party contributions). The justification listed for this project is to provide safe and reliable service – same as above, can you justify this given that the metrics you use to measure reliability performance (SAIDI and SAIFI) have remained relatively stable over the past decade (Section 3.5 System Reliability Performance and Improvement)?

68. Section 5.5(d) - Distribution Corridor Widening

- a. The application states that once a corridor is widened under this program, it will be maintained under the vegetation management program (operational expense).
 - i. How many kilometres of distribution and transmission lines are currently being maintained under this program?
 - ii. Does this maintenance program include sections along private property?
 - iii. Once a private landowner gives permission for corridor widening, is this section automatically included in the maintenance program, or are there any additional permissions that must be obtained?
- b. Can you please give some additional details as to how landowner permission is obtained for this program:
 - i. The response to IRAC's previous queries indicated that segments of distribution line were identified for this program in a 2025 satellite scan of the full system. For the segments identified in this scan, were permission requests sent out all at once, or were they only sent out for each year for the sections expected to be completed during that year?
 - ii. At the end of 2025, were there any properties where permission was obtained, but widening had not yet taken place?
 - iii. For the previous year of this program (2024 and 2025) can you please indicate how many permission requests were sent out, and what portion of those requests were positive?

69. Section 5.5(e) - Satellite-Based Vegetation Imaging

- a. This program is described as a recurring analysis to support vegetation management. As mentioned previously in the application, the vegetation management program is an operational expense. Additionally, only 20% of the distribution system will be analyzed in 2026 and each year going forward. Can you please justify why this should be a capital item and not an operational expense?

70. Section 5.6(a) - Residential and Apartment Meters

- a. This section includes a “customer-growth true-up of 1,337 additional AMI meters to capture approximately 25 percent of new meter requirements from 2023 to 2025 that were not included in the AMI project budget.”
 - i. Can you please clarify this section? Does this mean these were non-AMI meters that were installed in 2023-2025 that are now being replaced with AMI meters?
 - ii. What is the \$ amount for this true-up?

71. Section 5.6(b) - Commercial and Industrial AMI Meters

- a. Can you please indicate, in the proportion of the budget from this section, that are due to forecast customer growth vs. replacing existing meters?
- b. What factors do you consider in your customer growth forecasts?

72. Section 5.7(a) - Substation, Line, and Communication Equipment

- a. The application mentions that the need for reclosers in 2026 is determined based on loading data from winter 2025. Can you please elaborate on this process? Is there a quantifiable threshold used to determine which feeders need reclosers?

73. Section 5.7(b) - Relay Replacement Equipment

- a. The application indicates that all electromechanical relays are being updated to microprocessor ones for “cost efficiency”: can you please estimate the effect of this change on operating expenses?
- b. What is the remaining lifetime of the current processors if they weren’t updated immediately?

74. Section 5.7(c) - Switch Replacement Equipment

- a. The switch inspection program mentioned here – is it included in the capital budget, or is it an operational expense?

75. Section 5.7(g) - High Load Readiness Equipment

- a. This section and 5.7(a) Substation, Line, and Communication Equipment both budget for reclosers and capacitor banks to support load growth. Please explain how equipment is differentiated between these two budgets.
- b. Should we expect to see any decrease in the other capital budget areas for distribution equipment as a result of this project?

76. Section 6.2(a) - 69kV and 138 kV Switch Program

- a. This section mentions an air switch inspection program –
 - i. Is this included in the capital budget, or is it an operational expense?

- ii. If it is capitalized, can you please indicate the amount of the budget for this section that is related to the inspection and justify why it is capitalized?

77. Section 6.2(b) - Transmission Line Refurbishment

- a. This section indicates that it provides for inspection of the transmission system:
 - i. Please indicate the amount of the budget for inspection activities, breaking down amounts for aerial, drone, and ground inspections.
 - ii. Please justify why this is included as a capital item rather than an operational expense.

78. Section 7.1(b) - Operations Training Centre

- a. You explain in your response to the Commission's previous interrogatories that previous training was completed in part by internal and external instructors – where did this training take place?
- b. Can you please justify the need for a modular classroom as opposed to using an existing room in one of your facilities for the classroom-based portion of your new training program?
- c. How often will PLT's undergo training in this program? Will it be in use consistently throughout the year?

79. Section 7.2(a) - Hardware Acquisitions

- a. It was mentioned in this section that the IT department became responsible for cybersecurity of the OT network starting in 2019. - Please present the costs of this program (including operational costs and the costs of replacing equipment) in the past three years since foundational work was completed. How does this compare to the estimated costs if cybersecurity had been outsourced for those years instead?

80. Section 7.2(b) - Purchased Software and Upgrades

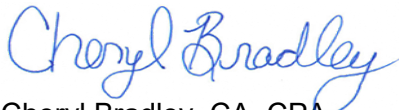
- a. It is explained in this section that more and more IT applications are being moved to the Software as a Service model – i.e. on a subscription basis.
 - i. Please indicate which software listed in Table 104 are on a subscription basis, and how much of the budget for this section is related to subscriptions.
 - ii. Please justify why software subscriptions are included in the capital budget rather than operational expenses.
 - iii. The application mentions that this model “reduces the hardware required to host the software” – have you seen a decrease in the need/cost of hardware acquisitions since implementing this model? Please provide an estimate of the savings in the 2026 budget, if relevant.

81. Section 7.2(c) - Cybersecurity Enhancements

- a. This section describes a portion of the budget to “refresh” cybersecurity equipment that have been in place for five years. Please indicate how this section is different from section 7.2(a) Hardware Acquisitions, which also includes \$340,000 to replace cybersecurity equipment.
- b. The budget for this section is over two times bigger than the adjusted average of the previous five years. Please justify this increase.

Additional interrogatories may follow. Please provide responses to the Commission by October 2, 2026.

Additional interrogatories may follow.



Cheryl Bradley, CA, CPA
Director of Finance & Regulatory Affairs
Prince Edward Island Regulatory & Appeals Commission