

All our energy.  
All the time.



February 28, 2024

Ms. Cheryl Mosher  
Island Regulatory and Appeals Commission  
PO Box 577  
Charlottetown PE C1A 7L1



Dear Ms. Mosher:

***2023 Capital Budget Variance Report***

Please find attached five copies of the Company's 2023 Capital Budget Variance Report. An electronic version will follow shortly.

If you have any questions or concerns, please do not hesitate to contact me at 902-629-3701.

Yours truly,

MARITIME ELECTRIC

A handwritten signature in blue ink, appearing to read "M Francis".

Michelle Francis  
Vice President,  
Finance & Chief Financial Officer

MF15  
Enclosures

**MARITIME ELECTRIC COMPANY, LIMITED**  
**2023 CAPITAL BUDGET VARIANCE REPORT**

**February 28, 2024**

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1 **INTRODUCTION**

2  
3 On May 24, 2023, the Island Regulatory and Appeals Commission (“IRAC” or the “Commission”) issued Order UE23-06 approving an application by Maritime Electric Company, Limited (“Maritime Electric” or the “Company”) in respect of its 2023 Capital Budget. This report provides a description of the variances of the actual expenditures from the approved 2023 Capital Budget.

7  
8 **2023 Capital Projects**

9 As per the summary table in Section B, total expenditures for 2023 capital projects, net of contributions in aid of construction (“CIAC”), were \$51.0 million. A number of projects could not be completed in 2023, requiring a carryover of \$5.2 million to 2024, net of CIAC. Compared to the approved budget of \$49.0 million, the total capital expenditures for 2023 are expected to be over budget by \$7.3 million. The over-budget variance is due primarily to higher-than-expected expenditures on provisional items including service work, line extensions, street light installations, storm restoration, and line alterations due to road and bridge work by the Provincial Government. Other contributing factors include inflationary increases to the cost of substation power transformers, polemount and padmount distribution transformers, line and substation materials and equipment, and civil construction materials and sitework.<sup>1</sup>

19  
20 **Prior-Year Carryovers**

21 Total expenditures in 2023 on capital budget items carried over from prior years, net of CIAC, were \$8.3 million.<sup>2</sup> Three of the prior-year carryover items could not be completed in 2023, requiring a carryover of \$2.6 million to 2024. The net result is that total expenditures on items carried over from prior years are expected to be \$3.7 million above the approved budget amount of \$7.1 million.<sup>3</sup>

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<sup>1</sup> More specific information on inflationary cost increases is provided within the report.  
<sup>2</sup> \$8,268,581 (\$3,646,278 - Appendix II; Column D; Total 2023) + \$(4,622,303 - Appendix I; Column D; Subtotal 2020, 2021 and 2022; Total 2023).  
<sup>3</sup> \$7,100,000 (2022 Capital Budget Variance Report; Appendix I; Column E) as approved in Order UE23-10.

1 **Carryovers to 2024**

2 Of the total \$7.8 million carryover amount required in 2024,<sup>4</sup> approximately 7 per cent relates to  
3 projects being delayed due to the timing of capital budget approval,<sup>5</sup> 12 per cent relates to the  
4 PEI Broadband Project,<sup>6</sup> and the remaining 81 per cent of the carryover amount is necessary to  
5 complete projects that were delayed due to material supply chain issues and/or to allow for  
6 completion of outstanding work by vendors and contractors. The Company expects to complete  
7 all of the carryover project work in 2024, with the possible exception of line truck deliveries under  
8 the Transportation Equipment category (Section 5.8 of the 2023 Capital Budget Application), due  
9 to longer-than-normal delivery lead times resulting from the continuation of manufacturer supply  
10 chain delays.

---

<sup>4</sup> \$7.8 million = \$5.2 million (carryover for 2023 capital projects) + \$2.6 million (carryover for prior-year projects).

<sup>5</sup> 7% = \$547,000 / \$7,791,000.

<sup>6</sup> 12% = (\$2,300,000 - \$1,400,000) / \$7,791,000.

## SUMMARY

	Approved 2023 Budget (A)	2023 Actual Expenditures (B)	2023 Variance (C = B - A)	Carryover to 2024 (D)	Total Expected Expenditures (E = B + D)	Expected Variance From Budget (F = E - A)
Generation	\$ 814,000	\$ 744,940	\$ (69,060)	\$ -	\$ 744,940	\$ (69,060)
Distribution	28,977,000	35,300,608	6,323,608	1,348,000	36,648,608	7,671,608
Transmission	15,672,000	12,268,511	(3,403,489)	3,582,000	15,850,511	178,511
Corporate	2,837,000	2,765,726	(71,274)	285,000	3,050,726	213,726
Capitalized General Expense	730,000	841,522	111,522	-	841,522	111,522
Interest During Construction	<u>680,000</u>	<u>682,428</u>	<u>2,428</u>	<u>-</u>	<u>682,428</u>	<u>2,428</u>
Sub-Total	<b>49,710,000</b>	<b>52,603,735</b>	<b>2,893,735</b>	<b>5,215,000</b>	<b>57,818,735</b>	<b>8,108,735</b>
Less:						
CIAC	<u>(750,000)</u>	<u>(1,586,930)</u>	<u>(836,930)</u>	<u>-</u>	<u>(1,586,930)</u>	<u>(836,930)</u>
NET TOTAL	<b><u>\$ 48,960,000</u></b>	<b><u>\$ 51,016,805<sup>7</sup></u></b>	<b><u>\$ 2,056,805</u></b>	<b><u>\$ 5,215,000</u></b>	<b><u>\$ 56,231,805</u></b>	<b><u>\$ 7,271,805</u></b>

<sup>7</sup> Total does not include expenditures for prior year projects carried over to 2024. Refer to Appendix II.

1 4.0 GENERATION

2

3 Generation – Summary

4

	Capital Budget Subcategory	Approved 2023 Budget (A)	2023 Actual Expenditures (B)	2023 Variance (C = B - A)	Carryover to 2024 (D)	Total Expected Expenditures (E = B + D)	Expected Variance From Budget (F = E - A)
4.1	Charlottetown Generating Station – Buildings and Site Services	\$ 101,000	\$ 82,063	\$ (18,937)	\$ -	\$ 82,063	\$ (18,937)
4.2	Charlottetown Generating Station – Turbine Generator	349,000	353,620	4,620	-	353,620	4,620
4.3	Borden-Carleton Generating Station – Buildings and Site Services	85,000	72,646	(12,354)	-	72,646	(12,354)
4.4	Borden-Carleton Generating Station – Turbine Generators	<u>279,000</u>	<u>236,611</u>	<u>(42,389)</u>	<u>-</u>	<u>236,611</u>	<u>(42,389)</u>
	<b>TOTAL</b>	<b><u>\$ 814,000</u></b>	<b><u>\$ 744,940</u></b>	<b><u>\$ (69,060)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 744,940</u></b>	<b><u>\$ (69,060)</u></b>

5

6 4.1 Charlottetown Plant Buildings and Services Projects

7 The Generation 4.1 category was \$18,937 under budget.

8

9 2023 Variances

ECC Facility and Equipment Upgrades	\$ (25,178)	
CGS Miscellaneous Building and Site Upgrades	6,241	\$ (18,937)
<b>Generation 4.1 Under-Budget Variance</b>		<b><u>\$ (18,937)</u></b>

13

14 Energy Control Centre (“ECC”) Facility and Equipment Upgrades had an under-budget  
15 variance of \$25,178 due to equipment and contractor labour costs being less than  
16 expected.

17

18 Charlottetown Generating Station (“CGS”) Miscellaneous Building and Site Upgrades, a  
19 provisional budget category, had an over-budget variance of \$6,241 due to higher-than-  
20 anticipated expenditures on unforeseen equipment failures.

4.2 Charlottetown Generating Station – Turbine Generator

The Generation 4.2 category was \$4,620 over budget.

2023 Variances

CT3 Fuel Forwarding Building Upgrades	(57,602)	
CT3 Fuel Tank Coating System Upgrade	(3,679)	
CGS Combustion Turbine Improvements, Parts and Tools	65,901	\$ 4,620
<b>Generation 4.2 Over-Budget Variance</b>		<b>\$ 4,620</b>

Combustion Turbine #3 (“CT3”) Fuel Forwarding Building Upgrades had an under-budget variance of \$57,602 due to lower-than-anticipated contractor cost to complete the fire detection and communication upgrades. The contractor was able to utilize new fire detection equipment being installed at the CT3 Equipment Building to reduce cost.

The CT3 Fuel Tank Coating System Upgrade project had an under-budget variance of \$3,679 due to tender prices being lower than budget estimates.

CGS Combustion Turbine Improvements, Parts and Tools, a provisional budget category, had an over-budget variance of \$65,901 due to higher-than-anticipated expenditures on unforeseen equipment failures.

4.3 Borden Generating Station – Buildings and Site Services

The Generation 4.3 category was \$12,354 under budget.

2023 Variances

BGS Communication Equipment Upgrades	(12,216)	
BGS Miscellaneous Building and Site Upgrades	\$ (138)	\$ (12,354)
<b>Generation 4.3 Under-Budget Variance</b>		<b>\$ (12,354)</b>

The Borden Generating Station (“BGS”) Communication Equipment Upgrades project had an under-budget variance of \$12,354 due to lower-than-anticipated expenditures on contractor labour.



1 BGS Miscellaneous Building and Site Upgrades, a provisional budget category, was  
2 materially on budget.

3

4 **4.4 Borden Generating Station – Turbine Generators**

5 The Generation 4.4 category was \$42,389 under budget.

6

7 2023 Variances

8 BGS Tank Farm Upgrades \$ (59,927)

9 BGS Combustion Turbine Improvements, Parts and Tools 17,538 \$ (42,389)

10 **Generation 4.4 Under-Budget Variance \$ (42,389)**

11

12 The BGS Tank Farm Upgrades project had an under-budget variance of \$59,927 due to  
13 lower-than-anticipated expenditures on contractor labour and engineering.

14

15 BGS Combustion Turbine Improvements, Parts and Tools, a provisional budget category,  
16 had an over-budget variance of \$17,538 due to higher-than-anticipated expenditures on  
17 unforeseen equipment failures, which also increased internal labour.

5.0 DISTRIBUTION

Distribution – Summary

	Capital Budget Subcategory	Approved 2023 Budget (A)	2023 Actual Expenditures (B)	2023 Variance (C = B - A)	Carryover to 2024 (D)	Total Expected Expenditures (E = B + D)	Expected Variance From Budget (F = E - A)
5.1	Replacements Due to Storms, Collisions, Fire and Road Alterations	\$ 1,840,000	\$ 2,912,557	\$ 1,072,557	\$ -	\$ 2,912,557	\$ 1,072,557
5.2	Distribution Transformers	9,327,000	11,771,530	2,444,530	-	11,771,530	2,444,530
5.3	Services and Street Lighting	5,650,000	8,660,039	3,010,039	-	8,660,039	3,010,039
5.4	Line Extensions	3,439,000	4,376,077	937,077	-	4,376,077	937,077
5.5	Line Rebuilds	5,330,000	5,335,404	5,404	-	5,335,404	5,404
5.6	System Meters	656,000	638,187	(17,813)	18,000	656,187	187
5.7	Distribution Equipment	1,477,000	1,179,508	(297,492)	342,000	1,521,508	44,508
5.8	Transportation Equipment	1,258,000	427,306	(830,694)	988,000	1,415,306	157,306
	<b>Sub-Total</b>	<b><u>\$ 28,977,000</u></b>	<b><u>\$ 35,300,608</u></b>	<b><u>\$ 6,323,608</u></b>	<b><u>\$ 1,348,000</u></b>	<b><u>\$ 36,648,608</u></b>	<b><u>\$ 7,671,608</u></b>
	Less:						
	CIAC	(750,000)	(1,585,930)	(835,930)	-	(1,585,930)	(835,930)
	<b>Sub-Total</b>	<b><u>\$ (750,000)</u></b>	<b><u>\$ (1,585,930)</u></b>	<b><u>\$ (835,930)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (1,585,930)</u></b>	<b><u>\$ (835,930)</u></b>
	<b>TOTAL</b>	<b><u>\$28,227,000</u></b>	<b><u>\$33,714,678</u></b>	<b><u>\$ 5,487,678</u></b>	<b><u>\$ 1,348,000</u></b>	<b><u>\$ 35,061,678</u></b>	<b><u>\$ 6,834,678</u></b>

5.1 Replacements Due to Storms, Collisions, Fire and Road Alterations

The Distribution 5.1 category was \$1,072,557 over budget.

2023 Variances

Replacements Due to Storms, Collisions and Fire	\$ 935,449
Replacements Due to Road Alterations	137,108
<b>Distribution 5.1 Over-Budget Variance</b>	<b><u>\$ 1,072,557</u></b>

Replacements Due to Storms, Collisions and Fire, a provisional budget category, had an over-budget variance of \$935,449 due to winter weather events in January and February, several high wind events in December. The increased expenditures in 2023 also included

1 capital repairs to seasonal customer connections that were not known to be required until  
2 the cottages were opened up in the spring, and removal of danger trees that posed an  
3 inherent risk to the distribution line as a result of Hurricane Fiona.

4  
5 Replacements Due to Road Alterations, a provisional budget category, had an over-  
6 budget variance of \$137,108, due primarily to a higher-than-expected amount of work  
7 accommodating road and bridge alterations by the PEI Department of Transportation and  
8 Infrastructure (“Government”). At the time the 2023 Capital Budget was being developed,  
9 Government projects for 2023 were not known and, therefore, a provisional amount was  
10 budgeted. Road and bridge related line alteration work was required in numerous locations  
11 across PEI in 2023 including Bonshaw, Winsloe, Charlottetown, New London, Scotchfort,  
12 Mount Stewart, Victoria Cross, Tracadie Cross, Bayview and Vernon Bridge.

13  
14 **5.2 Distribution Transformers**

15 The Distribution 5.2 category was \$2,444,530 over budget.

16  
17 2023 Variances

18	Distribution Transformers	\$ 2,444,530
19	<b>Distribution 5.2 Over-Budget Variance</b>	<b><u>\$ 2,444,530</u></b>

20  
21 The over-budget variance for Distribution Transformers was due to inflationary cost  
22 increases for transformer equipment and a higher-than-expected requirement for  
23 polemount and padmount transformers. Supply chain delays also contributed to  
24 the increased transformer requirement, as transformer stock levels must be  
25 reasonably maintained to meet customer needs and ensure that there is sufficient  
26 stock for storm events.

1 **5.3 Services and Street Lighting**

2 The Distribution 5.3 category was \$3,010,039 over budget.

3

4 2023 Variances

5 Overhead and Underground Services \$ 2,344,761

6 Street and Area Lighting 665,278

7 **Distribution 5.3 Over-Budget Variance** **\$ 3,010,039**

8

9 Overhead and Underground Services, a provisional budget category, was over budget by  
10 \$2,344,761. The over-budget variance was due primarily to high levels of customer service  
11 work on new construction and service entrance upgrades resulting from Provincial  
12 Government incentive programs driving heat pump, solar panel and electric vehicle  
13 charger installations. New construction service work included several large subdivisions  
14 and apartment buildings, which factored into the over-budget variance.

15

16 Street and Area Lighting had an over-budget variance of \$665,278. The over budget  
17 variance was due primarily to 678 new customer requested LED lights installed as  
18 compared to 150 provisionally budgeted. As the LED replacement program approaches  
19 completion in 2024, many of the remaining light replacements are located at busy  
20 intersections and difficult to access locations, which take longer to complete and increase  
21 labour costs.

22

23 **5.4 Line Extensions**

24 The Distribution 5.4 category was \$ 937,077 over budget.

25

26 2023 Variances

27 Customer Driven Line Extensions \$ 655,986

28 Reliability Driven Line Extensions 281,091

29 **Distribution 5.4 Over-Budget Variance** **\$ 937,077**

1 Customer Driven Line Extensions, a provisional budget category, had an over-budget  
2 variance of \$655,986, before CIAC.<sup>8</sup> The over-budget variance was due primarily to three  
3 larger projects to convert existing single phase lines to three phase:

- 4
- 5 ■ A 0.9 kilometre (“km”) section of line on the Buntain Road in Anglo Rustico;
- 6 ■ A 1.9 km section of line on the Newton Road in Kinkora; and
- 7 ■ A 0.8 km section of line on the Kelly Road in Kinkora.

8  
9 These customer projects were not known at the time the 2023 Capital Budget Application  
10 was being prepared; therefore, the associated costs of \$538,537 could not have been  
11 anticipated. The balance of the over-budget variance of \$117,449 was due to smaller-  
12 scale customer requested line extensions and conversions exceeding the provisional  
13 budget estimate.

14  
15 Reliability Driven Line Extensions, a provisional budget category, had an over-budget  
16 variance of \$281,091. The Coleman feeder project was over budget by \$257,126 due  
17 primarily to a higher-than-expected requirement for contractor line work and traffic control.  
18 The Robertson Road three phase conversion project was over budget by \$23,965 due  
19 primarily to a requirement for additional traffic control and higher-than-expected material  
20 costs.

21  
22 **5.5 Line Rebuilds**

23 The Distribution 5.5 category was \$5,404 over budget.

24  
25 2023 Variances

26	Single Phase and Three Phase Rebuilds	\$ 8,580	
27	Distribution Line Refurbishment	43,549	
28	Eastern Cedar Pole Replacement Program	28,244	
29	Deteriorated Conductor Replacement Program	18,094	
30	Backlot Feed Relocation Program	<u>(93,063)</u>	<u>\$ 5,404</u>
31	<b>Distribution 5.5 Over-Budget Variance</b>		<b><u>\$ 5,404</u></b>

<sup>8</sup> Customer driven line extension expenditures are usually offset by customer CIAC. In 2023, customer CIAC were \$836,930 higher than budgeted, which includes CIAC from the larger customer driven line extension projects.

1 Single and Three Phase Rebuilds had an over-budget variance of \$8,580. The budget  
2 variances for individual projects and programs follows.

3  
4 The 6.8 km Bloomfield to Elmsdale Route 2 line rebuild was completed with an over-  
5 budget variance of \$19,817, due primarily to material costs being higher than budget.

6  
7 The 12 km Argyle Shore line upgrade and voltage conversion project and the 1.6 km  
8 Crapaud Old Post Road line rebuild project were completed with under-budget variances  
9 of \$7,640 and \$3,597, respectively.

10  
11 The Distribution Line Refurbishment Program was completed with an over-budget  
12 variance of \$43,549, due primarily to higher-than-expected material costs and contractor  
13 labour requirements to complete the work.

14  
15 The Eastern Cedar Pole Replacement program had an over-budget variance of \$28,244,  
16 due primarily to contractor labour costs being higher than budget.

17  
18 The Deteriorated Conductor Replacement program had an over-budget variance of  
19 \$18,094 due to material costs being higher than budget.

20  
21 The Backlot Feed Relocation program had an under-budget variance of \$93,063 primarily  
22 due to contractor labour costs being lower than budget.

23  
24 **5.6 System Meters**

25 The Distribution 5.6 category is expected to be \$187 over budget, including a carryover of  
26 \$18,000.

1	<u>2023 Variance</u>		
2	System Meters <sup>9</sup>		\$ (17,813)
3			
4	<u>2024 Carryovers</u> (Appendix I)		
5	System Meters		<u>18,000</u>
6	<b>Distribution 5.6 Over-Budget Variance</b>		<b><u>\$ 187</u></b>

7

8 System Meters is expected to be materially on budget including a carryover of \$18,000

9 which is required for a metering tank that was ordered but had delivery delayed to 2024.

10

11 **5.7 Distribution Equipment**

12 The Distribution 5.7 category is expected to be \$44,508 over budget, including a carryover

13 of \$342,000.

14			
15	<u>2023 Variances</u>		
16	Distribution and Communication Equipment	\$ (342,324)	
17	Relay Replacement	18	
18	Distribution Switches	(104)	
19	Line Tools and Equipment	62,451	
20	Meter Shop Equipment	(17,533)	\$ (297,492)
21			
22	<u>2024 Carryovers</u> (Appendix I)		
23	Distribution and Communication Equipment		<u>342,000</u>
24	<b>Distribution 5.7 Over-Budget Variance (including carryover)</b>		<b><u>\$ 44,508</u></b>

25

26 Distribution Equipment is expected to have an over-budget variance of \$44,508 including

27 a carryover of \$342,000. The carryover is necessary to allow for longer than expected

28 delivery time for voltage regulators. The variances for individual distribution equipment

29 budget items follows.

30

31 Relay Replacement and Distribution Switches were materially on budget.

---

<sup>9</sup> Includes watt-hour meters, combination meters, metering tanks and miscellaneous metering equipment.

1 Line Tools and Equipment had an over-budget variance of \$62,451 due primarily to higher-  
2 than-expected costs for new and replacement tools and equipment for fleet vehicles.

3  
4 Meter Shop Equipment, a provisional budget category, was under budget by \$17,533 due  
5 to lower than anticipated equipment purchases required in the year.

6  
7 **5.8 Transportation Equipment**

8 The Distribution 5.8 category is expected to have an over-budget variance of \$157,306  
9 including a carryover of \$988,000.

10  
11 2023 Variances

12	Transportation Equipment (Appendix III)	
13	▪ Line Trucks (Items 1 to 3 in Appendix III)	\$ (489,859)
14	▪ Passenger Vehicles/Trailers (Items 4 to 7 in Appendix III)	(356,129)
15	▪ Allowance for Unforeseen Capital Expenditures (Item 8)	<u>15,294</u>
16	<b>Distribution 5.8 Under-Budget Variance</b>	<b>(830,694)</b>

17  
18 2024 Carryovers (Appendix I and Appendix III)

19	Transportation Equipment	
20	▪ Line Trucks	583,000
21	▪ Passenger Vehicles/Trailers	<u>405,000</u>
22	<b>Distribution 5.8 Over-Budget Variance (including carryover)</b>	<b><u>\$ 157,306</u></b>

23  
24 Line Trucks, which included two digger derricks, an aerial bucket line truck, and a  
25 customer service utility person (“CSUP”) vehicle, are expected to have an over-budget  
26 variance of \$93,141 including a carryover of \$583,000. The over-budget variance is due  
27 to higher-than-expected tender prices and the purchase of an aerial bucket line truck in  
28 place of a vegetation management truck.<sup>10</sup>

<sup>10</sup> Maritime Electric’s rationale for purchasing an aerial bucket truck instead of a vegetation management truck was provided in the Company’s response to IR-30 (a to d) of the Commission’s interrogatories, dated October 26, 2023, concerning the 2024 Capital Budget Application.



1 A total of eight passenger vehicles, one pole trailer and one specialized trailer (Items 4 to  
2 7 in Appendix III) are expected to be \$48,871 over budget, including a carryover of  
3 \$405,000. The over-budget variance is due to higher-than-expected tender prices on the  
4 passenger vehicles and the carryover is necessary due to manufacturer supply chain  
5 delays.

6  
7 The provisional Allowance for Unforeseen Capital Expenditures (Item 8 in Appendix III)  
8 had an over-budget variance of \$15,294 due primarily to the purchase of an all-electric  
9 pickup truck.

10  
11 Expenditure details for each Transportation Equipment budget item is provided in  
12 Appendix III.

6.0 TRANSMISSION

Transmission – Summary

	Capital Budget Subcategory	Approved 2023 Budget (A)	2023 Actual Expenditures (B)	2023 Variance (C = B - A)	Carryover to 2024 (D)	Total Expected Expenditures (E = B + D)	Expected Variance From Budget (F = E - A)
6.1	Substation Projects	\$ 13,654,000	\$ 10,441,884	\$ (3,212,116)	\$ 3,275,000	\$ 13,716,884	\$ 62,884
6.2	Transmission Projects	2,018,000	1,826,627	(191,373)	307,000	2,133,627	115,627
	<b>TOTAL</b>	<b>\$ 15,672,000</b>	<b>\$ 12,268,511</b>	<b>\$ (3,403,489)</b>	<b>\$ 3,582,000</b>	<b>\$ 15,850,511</b>	<b>\$ 178,511</b>

6.1 Substation Projects

The Transmission 6.1 category is expected to be \$62,884 over budget, including a carryover of \$3,275,000.

2023 Variances

Crossroads Substation Rebuild	\$ (112,801)	
West Royalty X5 Autotransformer Upgrade	(836,930)	
Woodstock Switching Station	(7,382)	
Tignish Substation	(1,401,225)	
Substation Oil Containment Program	(56,419)	
Substation Modernization Program	(290,363)	
Communication Fibre - Alberton to Tignish	(505,416)	
Fibre Modifications Due to Road Alterations	(1,580)	\$(3,212,116)

2024 Carryovers (Appendix I)

West Royalty X5 Autotransformer Upgrade	1,122,000
Tignish Substation	1,400,000
Substation Oil Containment Program	56,000
Substation Modernization Program	293,000
Communication Fibre - Alberton to Tignish	404,000
<b>Transmission 6.1 Over-Budget Variance (including carryover)</b>	<b>\$ 62,884</b>

Crossroads Substation Rebuild had an under-budget variance of \$112,801 due to a 2022 budget year prepayment of \$217,299 for structural steel. Accordingly, without this

1           prepayment, the project would have been \$94,498 over budget in 2023. This over budget  
2           amount was due to increased civil works costs, as the site required more excavation and  
3           fill to meet compaction requirements.

4  
5           The West Royalty X5 Autotransformer Upgrade is expected to have an over-budget  
6           variance of \$285,070, including a carryover of \$1,122,000. The over-budget variance is  
7           due primarily to necessary design and installation adjustments that resulted in extra costs  
8           for civil works and installing the autotransformer, as setup for cold weather work was not  
9           planned, but required for the latter. The carryover is necessary to accommodate the  
10          delivery and installation of items with longer-than-expected manufacturing lead times.

11  
12          The Woodstock Switching Station project had an under-budget variance of \$7,382 in the  
13          first year of the three-year project.

14  
15          The first year of the Tignish Substation project is expected to have an under-budget  
16          variance of \$1,225, including a carryover of \$1,400,000. The carryover is necessary due  
17          to substation site land zoning and purchase delays. It is expected that the land issues will  
18          be resolved and construction will begin in 2024.

19  
20          The Substation Oil Containment Program is expected to have an under-budget variance  
21          of \$419, including a carryover of \$56,000. The carryover is necessary to ensure liner  
22          installation is completed at a time of year when the temperatures are appropriate for the  
23          adhesives to effectively bond material. This was not able to be completed in 2023 due to  
24          the timing of capital budget approval.

25  
26          The Substation Modernization Program is expected to have an over-budget variance of  
27          \$2,637, including a carryover of \$293,000. The carryover is necessary to complete mobile  
28          transformer accommodations, ground grid upgrades and fence replacement work that  
29          could not be completed due to the timing of capital budget approval, and to allow for  
30          delayed delivery of reclosers.

1 The Communication Fibre – Alberton to Tignish project is expected to have an under-  
 2 budget variance of \$101,416, including a carryover of \$404,000. The reason for the under-  
 3 budget variance is a 2022 budget year prepayment of \$101,000 for fibre optic cable. The  
 4 carryover is necessary to secure a site for the Tignish substation, which may change the  
 5 distance between the Alberton and Tignish substations.

6  
 7 The Fibre Modifications Due to Road Alterations, a provisional budget category, was under  
 8 budget by \$1,580.

9  
 10 **6.2 Transmission Projects**

11 The Transmission 6.2 category will be \$115,627 over budget, including a carryover of  
 12 \$307,000.

13  
 14 2023 Variances

15	69 kV and 138 kV Switch Program	\$	35,714	
16	Transmission Line Refurbishment		25,739	
17	Transmission Lines		(252,826)	\$ (191,373)

18  
 19 2024 Carryovers (Appendix I)

20	Transmission Lines - Tignish Substation Transmission			<u>307,000</u>
21	<b>Transmission 6.2 Over-Budget Variance (including carryover)</b>			<b><u>\$ 115,627</u></b>

22  
 23 The 69 kV and 138 kV Switch Program had an over-budget variance of \$35,714, due  
 24 primarily to higher-than-expected material and contractor labour costs.

25  
 26 Transmission Line Refurbishment had an over-budget variance of \$25,739, due primarily  
 27 to higher-than-expected material costs.

28  
 29 Transmission Lines is expected to have an over-budget variance of \$54,174, including a  
 30 carryover of \$307,000. The budget variances for individual transmission line projects  
 31 follows.

1           The Crossroads Substation Transmission Modifications project had an over-budget  
2           variance of \$54,174 due primarily to higher-than-expected material costs and contractor  
3           labour requirements to complete the work.

4  
5           The Tignish Substation Transmission Line project is expected to be on budget, including  
6           a carryover of \$307,000. The carryover is necessary to complete the purchase of a section  
7           of transmission line T-23 once the land issues concerning the substation site are resolved.  
8           There is a possibility that the purchase price could change if the land issues concerning  
9           the planned Tignish substation site requires a new location and more, or less, of T-23 is  
10          required. A change in the location of the substation may also result in some transmission  
11          line construction requirements.

1 7.0 CORPORATE

2

3 Corporate – Summary

4

	Capital Budget Subcategory	Approved 2023 Budget (A)	2023 Actual Expenditures (B)	2023 Variance (C = B - A)	Carryover to 2024 (D)	Total Expected Expenditures (E = B + D)	Expected Variance From Budget (F = E - A)
7.1	Corporate Services	\$ 928,000	\$ 1,128,957	\$ 200,957	\$ 30,000	\$ 1,158,957	\$ 230,957
7.2	Information Technology	<u>1,909,000</u>	<u>1,636,769</u>	<u>(272,231)</u>	<u>255,000</u>	<u>1,891,769</u>	<u>(17,231)</u>
	<b>TOTAL</b>	<b><u>\$ 2,837,000</u></b>	<b><u>\$ 2,765,726</u></b>	<b><u>\$ (71,274)</u></b>	<b><u>\$ 285,000</u></b>	<b><u>\$ 3,050,726</u></b>	<b><u>\$ 213,726</u></b>

5

6 7.1 Corporate Services

7 The Corporate Services 7.1 category is expected to be \$230,957 over budget, including a  
8 carryover of \$30,000.

9

10 2023 Variances

11 Corporate Services \$ 200,957

12

13 2024 Carryovers (Appendix I)

14 Corporate Services 30,000

15 **Corporate Services 7.1 – Over-Budget Variance** **\$ 230,957**

16

17 Corporate Services, which includes a provisional component for unplanned work  
18 requirements, is expected to have an over-budget variance of \$230,957, including a  
19 carryover of \$30,000. The over-budget variance is due primarily to necessary renovations  
20 at 180 Kent Street and replacement of the pole barn roof at West Royalty Service Centre.  
21 The 180 Kent Street renovations involved repurposing part of the first floor (vacated by a  
22 tenant) for occupancy by customer service representatives ("CSRs") and reassigning  
23 employees currently working out of temporary locations to the space currently occupied  
24 by the CSRs. The variance forecast also reflects an approximately \$100,000 savings, on  
25 the Facility Access Security System Replacement project. The \$30,000 carryover is  
26 necessary to complete the labour component of the security system replacement project.

1 **7.2 Information Technology**

	Capital Budget Subcategory	Approved 2023 Budget (A)	2023 Actual Expenditures (B)	2023 Variance (C = B - A)	Carryover to 2024 (D)	Total Expected Expenditures (E = B + D)	Expected Variance From Budget (F = E - A)
7.2a	Hardware Acquisitions	\$ 334,000	\$ 336,994	\$ 2,994	\$ -	\$ 336,994	\$ 2,994
7.2b	Purchased Software and Upgrades	634,000	608,085	(25,915)	-	608,085	(25,915)
7.2c-i	Other IT Services/Projects	941,000	691,690	(249,310)	255,000	946,690	5,690
	<b>TOTAL</b>	<b>\$ 1,909,000</b>	<b>\$ 1,636,769</b>	<b>\$ (272,231)</b>	<b>\$ 255,000</b>	<b>\$ 1,891,769</b>	<b>\$ (17,231)</b>

2  
3 The Information Technology 7.2 category was \$17,231 under budget.

4  
5 2023 Variances

6 Hardware Acquisitions	\$ 2,994	
7 Purchased Software and Upgrades	(25,915)	
8 Cybersecurity Enhancements	(57,151)	
9 Engineering Fixed Asset Management System	(198,222)	
10 Line Inspection Application Enhancements	4,665	
11 Survey System Refresh	1,398	\$ (272,231)

12  
13 2024 Carryovers (Appendix I)

14 Cybersecurity Enhancements	57,000
15 Engineering Fixed Asset Management System	<u>198,000</u>

16 **Information Technology 7.2**

17 **Under-Budget Variance (Including carry over) \$ (17,231)**

18 Hardware Acquisitions was over-budget by \$2,994.

19  
20  
21 Purchased Software and Upgrades was under budget by \$25,915 due primarily to the  
22 provisional allocation for “new purchases” not being fully required.<sup>11</sup>

---

<sup>11</sup> The provisional budget for “new purchases” was \$42,000, as shown in Table 82 of the 2023 Capital Budget Application.

1 Cybersecurity Enhancements is expected to have an over-budget variance of \$151,  
2 including a carryover of \$57,000. The carryover is necessary due to a lack of external  
3 labour availability in the fourth quarter of 2023 resulting in the planned upgrades to the  
4 Borden Substation needing to be completed in first quarter of 2024.

5  
6 The Engineering Fixed Asset Management System project is expected to be on budget,  
7 including a carryover of \$198,000. The project was delayed due to the timing of capital  
8 budget approval and the carryover is necessary because internal staff were already  
9 committed to other projects once budget approval was received.

10  
11 Line Inspection Software Enhancements project had an over-budget variance of \$4,665  
12 and the Survey System Refresh project had an over-budget variance of \$1,398.



1 **8.0 CAPITALIZED GENERAL EXPENSE**

2

3 **Capitalized General Expense – Summary**

4

	<b>Capital Budget Category</b>	<b>Approved 2023 Budget (A)</b>	<b>2023 Actual Expenditures (B)</b>	<b>2023 Variance (C = B - A)</b>
5	<b>8.0 Capitalized General Expense</b>	\$ 730,000	\$ 841,522	\$ 111,522

6

7 The capitalized general expense (“CGE”) amount includes administrative costs that are properly  
8 recognized as part of the Company’s overall capital expenditure program. These expenditures  
9 represent an allocation of administrative costs, not specific to any one capital project, but rather  
10 as part of the overall development, implementation and management of the Company’s approved  
11 annual Capital Budget.

12

13 The CGE category was \$111,522 over budget, due primarily to the addition of an assistant  
storekeeper in response to higher inventory levels and increased capital activity.

1 9.0 INTEREST DURING CONSTRUCTION

2

3 Interest During Construction – Summary

4

	Capital Budget Category	Approved 2023 Budget (A)	2023 Actual Expenditures (B)	2023 Variance (C = B - A)
9.0	Interest During Construction	\$ 680,000	\$ 682,428	\$ 2,428

5

6 The Company provides for the financing of construction work in progress by including an interest  
7 during construction (“IDC”) allowance as an addition to the cost of property constructed, using a  
8 return on average rate base with the assumption that all applicable project costs are financed  
9 over an average 90-day cycle. The IDC allowance is deducted from the Company’s financing  
10 expenses and subsequently charged to operations through amortization over the service life of  
11 the related assets.

12

13 IDC is calculated on all capital additions except land, distribution service lines (overhead and  
14 underground), distribution street lights (overhead and underground), communications equipment,  
15 engineering and survey equipment, distribution survey and stores equipment, SCADA equipment,  
16 office equipment, fleet, computer hardware and computer software.

17

18 The IDC category was \$2,428 over budget, as a result of a higher construction work in progress  
19 balance throughout 2023.



# APPENDIX I

## Schedule of Capital Budget Carryover Items

### SCHEDULE OF CAPITAL BUDGET CARRYOVER ITEMS

The following schedule outlines the capital projects (approved in Orders UE20-02, UE21-02, UE21-16 and UE23-06) carried over to 2024.  
Amounts carried over to 2024 represent estimated expenditures to complete the projects in 2024.

Original Project Year - ID	Description	Budget (A)	Costs Incurred In 2020 (B)	Costs Incurred In 2021 (B)	Costs Incurred In 2022 (C)	Costs Incurred In 2023 (D)	Carryover to 2024 (E)	Total (F = B + C + D+ E)	Variance (G = F- A)	Comments
2020-5.5 SBR	PEI Broadband Project	\$ 14,705,000	\$ 767,933	\$ 2,389,111	\$ 6,523,344	\$ 4,984,245	\$ 2,300,000	\$ 16,964,633	\$ 2,259,633 <sup>1</sup>	Delay due to change in scope and timelines by Xplornet Communications.
2020-5.5 SBR	Contributions – PEI Broadband Project	(7,495,000)		(98,955)	(1,341,961)	(1,337,355)	(1,400,000)	(4,178,271)	3,316,729	Delay due to change in scope and timelines by Xplornet Communications.
2021-5.8	Transportation Equipment	1,864,000		859,977	68,522	480,801	434,000	1,843,300	(20,700)	Delays in vehicle availability and delivery from vendor and required modifications.
2022-5.8	Transportation Equipment	2,014,000		-	290,597	494,612	1,242,000	2,027,209	13,209	Delays in vehicle availability and delivery from vendor and required modifications.
<b>Subtotal 2020, 2021 and 2022</b>		<b>\$ 11,088,000</b>	<b>\$ 767,933</b>	<b>\$ 3,150,133</b>	<b>\$ 5,540,502</b>	<b>\$ 4,622,303</b>	<b>\$ 2,576,000</b>	<b>\$ 16,656,871</b>	<b>\$ 5,568,871</b>	
2023-5.6	System Meters	656,000	-	-	-	638,187	18,000	656,187	187	Delay in delivery of equipment.
2023-5.7	Distribution Equipment	986,000	-	-	-	643,676	342,000	985,676	(324)	Delay in delivery of voltage regulators and reclosers.
2023-5.8	Transportation Equipment	1,258,000	-	-	-	427,306	988,000	1,415,306	157,306	Delays in vehicle availability and delivery from vendor.
2023-6.1b	West Royalty X5 Autotransformer Upgrade	4,650,000	-	-	-	3,813,070	1,122,000	4,935,070	285,070	Delay due to late delivery of long lead-time items.
2023-6.1d	Tignish Substation	2,573,000	-	-	-	1,171,775	1,400,000	2,571,775	(1,225)	Delay due to complications securing a site for the substation.
2023-6.1e	Substation Oil Containment	152,000	-	-	-	95,581	56,000	151,581	(419)	Liner installation could not be completed due to the timing of capital budget approval.
2023-6.1f	Substation Modernization	528,000	-	-	-	237,637	293,000	530,637	2,637	Delay in delivery of equipment and some field work due to timing of capital budget approval.
2023-6.1h	Communication Fibre – Alberton to Tignish	643,000	-	-	-	137,584	404,000	541,584	(101,416)	Work to be completed in 2024 once substation site is finalized.
2023-6.2c	Transmission Lines	454,000	-	-	-	201,174	307,000	508,174	54,174	Transmission line purchase to be completed once substation site is finalized.
2023-7.1a	Recurring Annual Capital Requirements	928,000	-	-	-	1,128,957	30,000	1,158,957	230,957	Carryover required to complete the labour component of the facility access security system replacement.
2023-7.2c	Cybersecurity Enhancements	572,000	-	-	-	514,849	57,000	571,849	(151)	Carryover required to complete cybersecurity upgrades at Borden substation.
2023-7.2e	Engineering Fixed Assets Management System	202,000	-	-	-	3,778	198,000	201,778	(222)	Delayed due to timing of capital budget approval and limited availability of internal staff that were committed to other projects upon budget approval.
<b>Subtotal 2023</b>		<b>\$ 13,602,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,013,574</b>	<b>\$ 5,215,000</b>	<b>\$ 14,228,574</b>	<b>\$ 626,574</b>	
<b>TOTAL</b>		<b>\$ 24,690,000</b>	<b>\$ 767,933</b>	<b>\$ 3,150,133</b>	<b>\$ 5,540,502</b>	<b>\$ 13,635,877</b>	<b>\$ 7,791,000</b>	<b>\$ 30,885,445</b>	<b>\$ 6,195,445</b>	

<sup>1</sup> Maritime Electric did not request approval of the originally estimated \$4.7 million for 2023, because at that time it believed the remaining carryover amounts would be sufficient; therefore, resulting in an over-budget variance.



## **A P P E N D I X   I I**

### **Schedule of Capital Budget Expenditures from 2022 Completed in 2023**

**SCHEDULE OF CAPITAL BUDGET EXPENDITURES FROM PRIOR YEARS COMPLETED IN 2023**

Original Project Year - ID	Description	Budget (A)	Total			Total (E = B + C + D)	Variance (F = E - A)
			2021 (B)	2022 (C)	2023 (D)		
2022-4.1a	ECC Building Sidewalk Replacement	\$ 21,000	\$ -	\$ 3,361	\$ 17,051	\$ 20,412	\$ (588)
2022-4.2a	On-Island Generating Capacity Study	320,000	-	211,721	151,357	363,078	43,078 <sup>1</sup>
2022-4.4c	CT1 and CT2 Component Upgrades	131,000	-	101,778	7,509	109,287	(21,713)
2022-5.2	Distribution Transformers	5,337,000	-	4,459,495	1,365,108	5,824,603	487,603 <sup>2</sup>
2022-5.7a	Substation, Line and Communication Equipment	1,032,000	-	849,181	182,864	1,032,045	45
2022-5.7b	Teleprotection and Relay Replacement	158,000	-	106,146	51,725	157,871	(129)
2022-5.7c	Distribution Switches	113,000	-	25,576	75,816	101,392	(11,608)
2022-5.7d	Line Tools and Equipment	222,000	-	165,220	57,000	222,220	220
2022-5.7e	Meter Shop Equipment	31,000	-	8,241	16,190	24,431	(6,569)
2022-6.1a	East Royalty Substation	1,226,000	-	1,679,314	159,957	1,839,271	613,271 <sup>3</sup>
2022-6.1d	Substation Oil Containment Program	147,000	-	59,658	87,999	147,657	657
2022-6.1e	Substation Modernization Program	588,000	-	439,704	145,718	585,422	(2,578)
2022-6.1f	138 kV Breaker Replacement Program	146,000	-	47,541	98,484	146,025	25
2022-6.1g	Mobile Communications System Upgrade Project	467,000	-	430,759	95,302	526,061	59,061 <sup>4</sup>
2022-6.2a	69 kV and 138 kV Switch Program	590,000	-	494,023	96,000	590,023	23
2022-6.2c	Transmission Lines	1,245,000	-	1,121,997	103,479	1,225,476	(19,524)
2022-7.1a	Corporate Services	441,000	-	306,462	249,999	556,461	115,461 <sup>5</sup>
2022-7.2c	Cybersecurity Enhancements	547,000	-	435,907	71,285	507,192	(39,808)
2022-7.2d	Customer Services and Communication Enhancements	134,000	-	58,278	77,271	135,549	1,549
2022-7.2e	Load Flow Software	134,000	-	67,682	104,471	172,153	38,153 <sup>6</sup>
2022-7.2g	Survey Diagram Software	98,000	-	51,586	26,700	78,286	(19,714)
2022-7.2h	Health, Safety, and Environment Information Application	58,000	-	7,405	63,814	71,219	13,219
2022-7.2i	Substation Communications System Upgrade	768,000	-	446,094	341,179	787,273	19,273
<b>TOTAL</b>		<b>\$13,954,000</b>	<b>\$ -</b>	<b>\$11,577,129</b>	<b>\$ 3,646,278</b>	<b>\$ 15,223,407</b>	<b>\$ 1,269,407</b>

**SCHEDULE OF CAPITAL BUDGET EXPENDITURES FROM PRIOR YEARS COMPLETED IN 2023**

- 
- <sup>1</sup> Variance was due to additional work by Sargent & Lundy to prepare an addendum to the December 2022 Capacity Resource Study, following the February 2023 polar vortex event.
  - <sup>2</sup> Variance was due primarily to inflationary cost increases for transformer equipment that occurred since the 2022 Capital Budget Application was prepared in 2021.
  - <sup>3</sup> Variance was due primarily to increased civil works requirements, as well as inflationary cost increases for structural steel, breakers, switches and construction hardware.
  - <sup>4</sup> Variance was due primarily to project completion costs being higher than expected for materials and equipment during commissioning.
  - <sup>5</sup> Variance was due primarily to higher-than-expected provisional expenditures required to reconfigure and furnish office space at 180 Kent Street.
  - <sup>6</sup> Variance was due to actual purchase price for loadflow software being higher than budgeted.



## **APPENDIX III**

### **Transportation Equipment Expenditures**



TRANSPORTATION EQUIPMENT EXPENDITURES

Budget Item #	Vehicle Being Replaced		New Vehicle			Internal Labour (C)	Total (D = B + C)	Carryover to 2024 (E)	Total with Carryover (F = D + E)
	Vehicle Being Replaced	Budget (A)	Type	Maritime Electric Department	Invoice <sup>1</sup> (B)				
1	Digger Derrick – 2 Units Year 1	\$ 307,000	Terex C-4050-PG Digger Derrick Tandem Axle	West/Central Line Department	\$ 10,017	\$ 15,000	\$ 25,017	\$ 312,000	\$ 337,017
2	Aerial Bucket Truck <sup>2</sup> Year 1	138,000	Posi-Plus Model 500-55/68	Eastern Line Department	3,177	12,000	15,177	153,000	168,177
3	CSUP Year 1	100,000	Altec	Western Line Department	2,947	12,000	14,947	118,000	132,947
4	Trucks - 7 units	442,000	Ford F-150	Various	192,193	32,000	224,193	306,000	530,193
5	Plug-In Hybrid EV Meter Reading	51,000	To be determined	Meter Department	1,178	5,000	6,178	50,000	56,178
6	Pole Trailer	39,000	To be determined	Line Department	-	2,000	2,000	49,000	51,000
7	Specialized Trailer – Tandem Axle Extension	91,000	Jeep	XFMR Shop	29,500	5,000	34,500	-	34,500
9	Allowance for unforeseen capital expenditures	90,000	Ford Lightning	Corporate Services	97,395	7,899	105,294	-	105,294
	<b>TOTAL</b>	<b>\$ 1,258,000</b>		<b>TOTALS</b>	<b>\$ 336,407</b>	<b>\$ 90,899</b>	<b>\$ 427,306</b>	<b>\$ 988,000</b>	<b>\$ 1,415,306</b>
							<b>5.8 – Transportation Equipment Variance (G = F - A)</b>		<b>\$ 157,306</b>

<sup>1</sup> Invoice amount consists mainly of the item's base price, freight, pre-delivery inspection costs and post-delivery customization costs.

<sup>2</sup> Originally budgeted as a vegetation management truck and chipper.