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The Island Regulatory and Appeals Commission

February 28, 2025

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

Dear Ms. Mosher:

2024 Capital Budget Variance Report

Please find attached five copies of the Company's 2024 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

Michelle Francis
Vice President,
Finance & Chief Financial Officer

MF10
Enclosures

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MARITIME ELECTRIC COMPANY, LIMITED
2024 CAPITAL BUDGET VARIANCE REPORT

February 28, 2025

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INTRODUCTION

On April 23, 2024, the Island Regulatory and Appeals Commission ("IRAC" or the "Commission") issued Order UE24-03 approving an application by Maritime Electric Company, Limited ("Maritime Electric" or the "Company") in respect of its 2024 Capital Budget. This report provides a description of the variances between the actual expenditures and the approved 2024 Capital Budget.

2024 Capital Projects

As per the summary table in Section B, total expenditures for 2024 capital projects, net of contributions in aid of construction ("CIAC"), were $58.0 million. Some projects could not be completed in 2024, requiring a carryover of $9.8 million to 2025. Compared to the approved budget of $63.5 million, the total capital expenditures for 2024 are expected to be over budget by $4.3 million. The over-budget variance is due primarily to higher-than-expected expenditures on provisional items including replacements due to road alterations, distribution transformers, service work, customer-driven line extensions, communications make-ready work, and Corporate Services facilities-related work. Other contributing factors include inflationary, and quantity-requirement increases for polemount and padmount distribution transformers, line and substation materials and equipment, and civil construction materials and sitework.

Prior-Year Carryovers

Total expenditures in 2024 on capital budget items carried over from prior years, net of CIAC, were $6.5 million.[1] Four of the prior-year carryover items could not be completed in 2024, requiring a carryover of $1.9 million to 2025. The net result is that total expenditures on items carried over from prior years are expected to be $0.2 million above the approved budget amount of $4.4 million.[2]

[1] $6,536,575 = $5,469,804 (Appendix II; 2024 (F) column; TOTAL) + $1,066,771 (Appendix I; Costs Incurred in 2024 (D) column; Subtotal 2022 and 2023).

[2] $192,044 = $4,561,044 (Appendix I; Total (F) column; Subtotal 2022 and 2023) - $4,369,000 (Appendix I; Budget (A) column; Subtotal 2022 and 2023).

Total Carryovers to 2025

Of the $11.7 million total carryover amount required in 2025,[3] approximately 7 per cent relates to projects being delayed due to the timing of capital budget approval,[4] 17 per cent relates to projects that were carried over from a prior year and are not yet completed, and 76 per cent relates to projects that were delayed due to government approval processes, material supply chain issues and/or to allow for completion of outstanding work by vendors and contractors. The Company expects to complete all carryover work in 2025, with possible exceptions including line truck deliveries under the Transportation Equipment category, due to longer-than-normal delivery lead times, and the Tignish substation and related projects under the Line Extensions, Substation Projects, and Transmission Projects categories, due to a delay associated with a municipal rezoning land issue.

[3] $11.7 million (rounded) = $9.8 million (carryover for 2024 capital projects) + $1.9 million (carryover for prior-year projects).

[4] 7% = $827,000 / $11.7 million

SUMMARY

	Approved 2024 Budget (A)	2024 Actual Expenditures (B)	2024 Variance (C = B - A)	Carryover to 2025 (D)	Total Expected Expenditures (E = B + D)	Expected Variance From Budget (F = E - A)
Generation	$ 1,430,000	$ 978,177	$ (451,823)	$ 122,000	$ 1,100,177	$ (329,823)
Distribution	40,441,000	41,613,055	1,172,055	4,443,000	46,056,055	5,615,055
Transmission	17,513,000	13,449,731	(4,063,269)	4,775,000	18,224,731	711,731
Corporate	3,616,000	3,430,473	(185,527)	414,000	3,844,473	228,473
Capitalized General Expense	844,000	848,206	4,206	-	848,206	4,206
Interest During Construction	799,000	639,424	(159,576)	-	639,424	(159,576)
Sub-Total	**64,643,000**	**60,959,066**	**(3,683,934)**	**9,754,000**	**70,713,066**	**6,070,066**
Less:						
Contributions	(1,179,000)	(2,979,763)	(1,800,763)	-	(2,979,763)	(1,800,763)
NET TOTAL	**$ 63,464,000**	**$ 57,979,303[5]**	**$ (5,484,697)**	**$ 9,754,000**	**$ 67,733,303**	**$ 4,269,303**

[5] Total does not include expenditures for prior year projects carried over to 2024. Refer to Appendix II.

4.0 GENERATION

Generation – Summary

	Capital Budget Subcategory	Approved 2024 Budget (A)	2024 Actual Expenditures (B)	2024 Variance (C = B - A)	Carryover to 2025 (D)	Total Expected Expenditures (E = B + D)	Expected Variance From Budget (F = E - A)
4.1	Charlottetown Generating Station – Buildings and Site Services	$ 347,000	$ 292,400	$ (54,600)	$ 95,000	$ 387,400	$ 40,400
4.2	Charlottetown Generating Station – Turbine Generator	181,000	200,192	19,192	-	200,192	19,192
4.3	Borden-Carleton Generating Station – Buildings and Site Services	37,000	41,609	4,609	-	41,609	4,609
4.4	Borden-Carleton Generating Station – Turbine Generators	865,000	443,976	(421,024)	27,000	470,976	(394,024)
	TOTAL	**$ 1,430,000**	**$ 978,177**	**$ (451,823)**	**$ 122,000**	**$ 1,100,177**	**$ (329,823)**

4.1 Charlottetown Plant Buildings and Services Projects

The Generation 4.1 category was $40,400 over budget.

2024 Variances	
CGS Security Upgrades	$ (89,907)
CGS Storage Building Upgrades	11,117
CGS Miscellaneous Building and Site Upgrades	24,190
	$ (54,600)
2025 Carryovers (Appendix I)	
CGS Security Upgrades	63,000
CGS Storage Building Upgrades	32,000
Generation 4.1 Over-Budget Variance	**$ 40,400**

CGS Security Upgrades is expected to have an under-budget variance of $26,907, including a carryover of $63,000. The under-budget variance is due to reduced costs for

the camera system, and the carryover is necessary because aspects of the camera and security system upgrades could not be finalized until the steam plant demolition project was complete.

Charlottetown Generating Station ("CGS") Storage Building Upgrades is expected to have an over-budget variance of $43,117 including a carryover of $32,000. The variance is due to higher-than-expected contractor bid submissions, and unexpected costs associated with structural deficiencies discovered during the renovation that had to be addressed. The carryover is necessary because contractor selection was delayed to align with capital budget approval, and the selected contractor was not available to start the project until late fall, which changed the timeline for project completion to early 2025.

CGS Miscellaneous Building and Site Upgrades, a provisional budget category, had an over-budget variance of $24,190 due to higher-than-expected expenditures on unforeseen building and equipment failures and requirements. Examples of unforeseen expenditure items that contributed to this amount include:

- A contractor was required to replace components in the Energy Control Centre ("ECC") building's heating, ventilation and air conditioning system after the unit malfunctioned; and
- A contractor was required to upgrade parts of the ECC building's roof after an inspection identified deficiencies.

4.2 Charlottetown Generating Station – Turbine Generator

The Generation 4.2 category was $19,192 over budget.

2024 Variances

CGS Combustion Turbine Improvements, Parts and Tools	$ 19,192
Generation 4.2 Over-Budget Variance	**$ 19,192**

CGS Combustion Turbine Improvements, Parts and Tools, a provisional budget category, had an over-budget variance of $19,192 due to higher-than-expected expenditures on

unforeseen equipment failures and requirements. Examples of unforeseen expenditure items that contributed to this amount include:

- Necessary changes to drainage infrastructure around combustion turbine 3 ("CT3") resulting from the demolition of the steam plant;
- Replacement of the CT3 balance of plant air compressor;
- Addition of two heat pumps to the CT3 equipment building;
- Replacement of a hydraulic actuator on CT3;
- Purchase of calibration equipment for CT3;
- Replacement of a pressure sensor on CT3; and
- Replacement of a resistance temperature detector input pack on CT3.

4.3 Borden Generating Station – Buildings and Site Services

The Generation 4.3 category was $4,609 over budget.

2024 Variances

BGS Miscellaneous Building and Site Upgrades	$ 4,609
Generation 4.3 Over-Budget Variance	**$ 4,609**

Borden Generating Station ("BGS") Miscellaneous Building and Site Upgrades, a provisional budget category, had an over-budget variance of $4,609 due to higher-than-expected expenditures on unforeseen building and equipment failures and requirements. Examples of unforeseen expenditure items that contributed to this amount include:

- Replacement of sealing parts;
- Replacement of hand railing parts; and
- Replacement of other miscellaneous items.

4.4 Borden Generating Station – Turbine Generators

The Generation 4.4 category is expected to be $394,024 under budget, including a carryover of $27,000.

2024 Variances	
Combustion Turbine 1 ("CT1") Generator Overhaul	$ (431,197)
CT1 Safety Upgrades	(80,048)
BGS Combustion Turbine Improvements, Parts and Tools	90,221
	$ (421,024)
2025 Carryovers (Appendix I)	
CT1 Safety Upgrades	27,000
Generation 4.4 Under-Budget Variance (including carryover)	**$ (394,024)**

The CT1 Generator Overhaul project had an under-budget variance of $431,197 due to a scope change that allowed testing to being completed with the generator rotor in situ, versus being removed. This resulted in lower-than-expected expenditures on contractor labour and engineering.

The CT1 Safety Upgrades project is expected to have an under-budget variance of $53,048, including a carryover of $27,000. The variance is due to lower-than-expected expenditures on contractor labour and engineering, and the carryover is necessary because lead times for equipment fabrication are longer than expected.

BGS Combustion Turbine Improvements, Parts and Tools, a provisional budget category, had an over-budget variance of $90,221 due to higher-than-expected expenditures on unforeseen equipment failures and requirements. Examples of unforeseen expenditure items that contributed to this amount include:

- Replacement of an earth fault transmitter; and
- Purchase of calibration equipment.

5.0 DISTRIBUTION

Distribution – Summary

	Capital Budget Subcategory	Approved 2024 Budget (A)	2024 Actual Expenditures (B)	2024 Variance (C = B - A)	Carryover to 2025 (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	$ 2,011,000	$ 2,165,764	$ 154,764	$ -	$ 2,165,764	$ 154,764
5.2	Distribution Transformers	14,396,000	14,957,939	561,939	609,000	15,566,939	1,170,939
5.3	Services and Street Lighting	7,165,000	10,043,755	2,878,755	-	10,043,755	2,878,755
5.4	Line Extensions	4,829,000	4,209,081	(619,919)	1,468,000	5,677,081	848,081
5.5	Line Rebuilds	7,014,000	7,444,473	430,473	-	7,444,473	430,473
5.6	System Meters	686,000	714,431	28,431	-	714,431	28,431
5.7	Distribution Equipment	1,666,000	1,702,059	36,059	87,000	1,789,059	123,059
5.8	Transportation Equipment	2,674,000	375,553	(2,298,447)	2,279,000	2,654,553	(19,447)
	Sub-Total	$ 40,441,000	$ 41,613,055	$ 1,172,055	$ 4,443,000	$ 46,056,055	$ 5,615,055
	Less:						
	Contributions	(1,179,000)	(2,979,763)	(1,800,763)	-	(2,979,763)	(1,800,763)
	TOTAL	$39,262,000	$38,633,292	$ (628,708)	$ 4,443,000	$ 43,076,292	$ 3,814,292

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

The Distribution 5.1 category was $154,764 over budget.

2024 Variances

Replacements Due to Storms, Collisions and Fire	$ 101,329
Replacements Due to Road Alterations	53,435
Distribution 5.1 Over-Budget Variance	**$ 154,764**

Replacements Due to Storms, Collisions and Fire, a provisional budget category, had an over-budget variance of $101,329 associated with responding to weather-related outage events. More significant outages included several high wind events in January, a winter

snowstorm in February, and several vehicle collisions with distribution and transmission poles.

Replacements Due to Road Alterations, a provisional budget category, had an over-budget variance of $53,435, due primarily to a higher-than-expected amount of work accommodating road and bridge alterations by the PEI Department of Transportation and Infrastructure ("Government"). At the time the 2024 Capital Budget was being developed, Government projects for 2024 were not known and, therefore, a provisional amount was budgeted. Road and bridge related line alteration work was required in numerous locations across PEI in 2024 including Cains Bridge (replacement), Bridgetown Bridge (replacement), St. Peters (roundabout), Route 13 and Route 235 (roundabout), Grafton Street and Riverside Drive (intersection), Schurman Point Road (intersection), Hampton (intersection), Old Post Road (intersection), and Blockhouse Road (widening).

5.2 Distribution Transformers

The Distribution 5.2 category is expected to be $1,170,939 over budget, including a carryover of $609,000.

2024 Variances	
Distribution Transformers	$ 561,939
2025 Carryovers (Appendix I)	
Distribution Transformers	609,000
Distribution 5.2 Over-Budget Variance (including carryover)	**$ 1,170,939**

Distribution Transformers are expected to have an over-budget variance of $1,170,939 including a carryover of $609,000. The over-budget variance is due primarily to inflationary cost increases for transformer equipment and a higher-than-expected requirement for polemount and padmount transformers. Supply chain delays also contributed to the increased transformer requirement to meet customer needs and to ensure that there is sufficient stock for storm events. Delays with transformer refurbishments also increased the number of new transformers that had to be purchased, leading to higher-than-

expected costs. The carryover is required to complete several spill prevention projects including the removal of a transclosure in Slemon Park that will be replaced with a padmount transformer, and the removal of several step-down transformers that will require distribution transformer replacements due to voltage conversions. This work was delayed due to a combination of having to accommodate a customer-requested deferral for the Slemon Park project, and the availability of replacement equipment for the step-down projects.

5.3 Services and Street Lighting

The Distribution 5.3 category was $2,878,755 over budget.

2024 Variances	
Overhead and Underground Services	$ 2,894,091
Street and Area Lighting	(15,336)
Distribution 5.3 Over-Budget Variance	**$ 2,878,755**

Overhead and Underground Services, a provisional budget category, was over budget by $2,894,091. The over-budget variance was due primarily to high levels of customer service work on new construction, and service entrance upgrades driven by Provincial Government incentive programs for heat pump, solar panel and electric vehicle charger installations. New construction service work included several large subdivisions and apartment buildings, which factored into the over-budget variance.

Street and Area Lighting had an under-budget variance of $15,336. The under-budget variance was due to the LED Streetlight Conversion Program being completed slightly ahead of schedule.

5.4 Line Extensions

The Distribution 5.4 category is expected to be $848,081 over budget, including a carryover of $1,468,000.

2024 Variances	
Customer Driven Line Extensions	$ 792,390
Reliability Driven Line Extensions	(1,412,309)
	(619,919)
2025 Carryovers (Appendix I)	
Reliability Driven Line Extensions – Tignish Substation Distribution Feeders	1,468,000
Distribution 5.4 Over-Budget Variance (including carryover)	**$ 848,081**

Customer Driven Line Extensions, a provisional budget category, had an over-budget variance of $792,390, before CIAC.[6] The over-budget variance was due primarily to the impact of the Provincial Government's Oil to Heat Pump Affordability ("OHPA") program, and two large customer driven projects, including:

- A 1.5 kilometre ("km") section of line on the North Road in Stanley Bridge was converted from single phase to three phase; and
- A line extension project in Stratford requiring 2.1 km of underground and 1.1 km of overhead construction. This project will be completed over two to three years.[7]

These two projects were not known at the time the 2024 Capital Budget Application was being prepared and, as such, the associated costs totaling $515,299 could not have been anticipated. The balance of the over-budget variance associated with Customer Driven Line Extensions of $277,091 was due to the impact of the OHPA program and smaller-scale customer requested line extensions and conversions exceeding the provisional budget estimate.

Reliability Driven Line Extensions is expected to have an over-budget variance of $55,691, including a carryover of $1,468,000. The Lady Slipper Drive North project was over budget by $33,107, and the Pleasant Grove Road project was over budget by $22,584. Both projects had higher-than-expected material costs and requirements for traffic control. A

[6] Customer driven line extension expenditures are usually offset by customer CIAC. In 2024, customer CIAC were $1,800,763 higher than budgeted, which includes CIAC from the larger customer driven line extension projects.

[7] As customer driven line extensions are budgeted on an annual provisional basis, expenditures are recorded to the year in which they occur. As such, there is no carryover requirement.

carryover for the Tignish Substation Distribution Feeders project is required due to ongoing delays with the municipal rezoning process for the substation site.

5.5 Line Rebuilds

The Distribution 5.5 category was $430,473 over budget.

2024 Variances	
Single Phase and Three Phase Rebuilds	$ 193,385
Communication Make-Ready Work	50,705
Distribution Line Refurbishment	39,226
Eastern Cedar Pole Replacement Program	113,631
Deteriorated Conductor Replacement Program	(1,626)
Backlot Feed Relocation Program	29,252
Distribution Corridor Widening	5,900
Distribution 5.5 Over-Budget Variance	**$ 430,473**

Single and Three Phase Rebuilds had an over-budget variance of $193,385. The budget variances for individual projects follow.

The 5.8 km Greenmount Road (Montrose to Tignish) line rebuild project was completed with an over-budget variance of $65,779, due primarily to higher-than-expected labour requirements. The project scope changed to the opposite side of the road, due to the conductor being in too poor of condition to safely rebuild on the same side as existing infrastructure.

The 5.2 km Village Green Road line rebuild project was completed with an over-budget variance of $34,741, due primarily to higher-than-expected labour requirements. As an example, approximately 18 more poles than originally estimated required insulator and hardware replacements.

The 2.8 km Egmont Bay (Route 11) line rebuild project was completed with an over-budget variance of $37,019, due primarily to higher-than-expected labour requirements. As an

example, approximately 12 more poles than originally estimated required crossarm, insulator and hardware replacements.

The 11.5 km Kingston Road line upgrade and voltage conversion project was completed with an over-budget variance of $55,846, due primarily to higher-than-expected labour requirements. As an example, approximately 2 km more line than originally estimated required new conductor.

Communication Make-Ready Work for Bell, Eastlink, and Xplornet incurred costs of $50,705 in 2024. This customer driven work included upgrading distribution lines to joint-use standards so that communication attachments could be added to poles. Because communication make-ready work is not budgeted,[8] the associated expenditures are reported as an over-budget variance.

The Distribution Line Refurbishment Program was completed with an over-budget variance of $39,226, due to higher-than-expected labour requirements, primarily associated with necessary pole and wire replacements on Kelpie Lane in Blooming Point.

The Eastern Cedar Pole Replacement Program had an over-budget variance of $113,631. The over-budget variance was due primarily to higher-than-expected labour requirements, as more complex pole replacements are increasingly being encountered with fewer eastern cedar poles remaining, and pole replacements in rural areas increased travel time compared to prior years.

The Deteriorated Conductor Replacement Program had an under-budget variance of $1,626.

The Backlot Feed Relocation Program had an over-budget variance of $29,252. The over-budget variance was primarily due to higher-than-expected labour requirements to safely complete line relocations that involved challenging site-specific conditions.

[8] This is stated on page 82 of the 2024 Capital Budget Application.

The Distribution Corridor Widening program had an over-budget variance of $5,900.

5.6 System Meters

The Distribution 5.6 category was $28,431 over budget.

2024 Variance	
System Meters[9]	$ 28,431
Distribution 5.6 Over-Budget Variance	**$ 28,431**

System Meters had an over-budget variance of $28,431 due primarily to material cost increases.

5.7 Distribution Equipment

The Distribution 5.7 category is expected to be $123,059 over budget, including a carryover of $87,000.

2024 Variances	
Substation, Line and Communication Equipment	$ 104,508
Relay Replacement Equipment	263
Switch Replacement Equipment	(1,918)
Line Tools and Equipment	(86,969)
Meter Shop Equipment	20,175
	$ 36,059

2025 Carryovers (Appendix I)	
Line Tools and Equipment	$ 87,000
Distribution 5.7 Over-Budget Variance (including carryover)	**$ 123,059**

Distribution Equipment is expected to have an over-budget variance of $123,059 including a carryover for $87,000. The carryover is necessary to allow for longer-than-expected delivery time for line tools and equipment. A breakdown of the variances for each of the distribution equipment budget items follows.

[9] Includes watt-hour meters, combination meters, metering tanks and miscellaneous metering equipment.

Substation, Line and Communication Equipment, a provisional budget category, had an over-budget variance of $104,508, due primarily to failed station service voltage transformers in Lorne Valley that required unplanned replacement.

Relay Replacement Equipment and Switch Replacement Equipment both had negligible budget variances.

Line Tools and Equipment is expected to be on budget with a carryover of $87,000 required for tools that were ordered in 2024 but will not arrive until 2025.

Meter Shop Equipment was over budget by $20,175 due to higher-than-anticipated equipment expenditures being required.

5.8 Transportation Equipment

The Distribution 5.8 category is expected to have an under-budget variance of $19,447 including a carryover of $2,279,000.

2024 Variances

Transportation Equipment (Appendix III)

▪ 2023 Line Trucks (Items 1, 3 and 4 in Appendix III)	$(1,518,918)
▪ 2024 Line Trucks (Items 2 and 5 in Appendix III)	(560,188)
▪ Passenger Vehicles/Trailers (Items 6 to 10 in Appendix III)	(73,861)
▪ EV Chargers Infrastructure Study (Item 11 in Appendix III)	(104,000)
▪ Allowance for Unforeseen Capital Expenditures (Item 12)	(41,480)
	$(2,298,447)

2025 Carryovers (Appendix I and Appendix III)

Transportation Equipment

▪ 2023 Line Trucks (Items 1, 3 and 4 in Appendix III)	$ 1,536,000
▪ 2024 Line Trucks (Items 2 and 5 in Appendix III)	588,000
▪ Passenger Vehicles/Trailers (Items 6 to 10 in Appendix III)	51,000
▪ EV Chargers Infrastructure Study (Item 11 in Appendix III)	104,000
	$ 2,279,000
Distribution 5.8 Under-Budget Variance (including carryover)	**$ (19,447)**

Line Trucks ordered in 2023, which included one aerial bucket truck, two digger derrick trucks, and one customer service utility person ("CSUP") vehicle, are expected to have an over-budget variance of $17,082 including a carryover of $1,536,000. The over-budget variance is due primarily to manufacturer surcharges. The carryover is necessary because the delivery time for line trucks now exceeds 36 months, delaying the final payment.

Line Trucks ordered in 2024, which included two aerial bucket line trucks and a digger derrick truck, are expected to have an over-budget variance of $27,812 including a carryover of $588,000. The over-budget variance is due to the higher-than-expected tender prices. The carryover is necessary because the initial progress payment is tied to truck cab/chassis delivery, which is delayed to 2025.

A total of four passenger vehicles and one pole trailer are expected to be $22,861 under-budget, including a carryover of $51,000. The under-budget variance is due to lower-than-expected tender prices on the passenger vehicles. The carryover is necessary due the lead time for delivery of the pole trailer.

The planned electric vehicle ("EV") chargers infrastructure study was deferred to align with an initiative to update the Company's fleet electrification plan, which is currently underway. As such, a carryover of $104,000 is required.

The provisional Allowance for Unforeseen Capital Expenditures (Item 11 in Appendix III) had an under-budget variance of $41,480.

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

6.0 TRANSMISSION

Transmission – Summary

	Capital Budget Subcategory	Approved 2024 Budget (A)	2024 Actual Expenditures (B)	2024 Variance (C = B - A)	Carryover to 2025 (D)	Total Expected Expenditures (E = B + D)	Expected Variance From Budget (F = E - A)
6.1	Substation Projects	$ 14,964,000	$ 11,063,521	$ (3,900,479)	$ 4,436,000	$ 15,499,521	$ 535,521
6.2	Transmission Projects	2,549,000	2,386,210	(162,790)	339,000	2,725,210	176,210
	TOTAL	$ 17,513,000	$ 13,449,731	$ (4,063,269)	$ 4,775,000	$ 18,224,731	$ 711,731

6.1 Substation Projects

The Transmission 6.1 category is expected to be $535,521 over budget, including carryovers of $4,436,000.

2024 Variances	
Woodstock Switching Station	$ (350,852)
Tignish Substation	(2,719,071)
Lorne Valley Switching Station Expansion	(94,400)
Sherwood X1 Autotransformer Replacement	(118,950)
Power Transformers	150
Substation Oil Containment Program	(21)
Substation Modernization Program	(123,220)
138 kilovolt (“kV”) Breaker Program	(673)
Communication Fibre – Woodstock to Alberton	(493,442)
Fibre Modifications Due to Road Alterations	-
	$(3,900,479)
2025 Carryovers (Appendix I)	
Woodstock Switching Station	$ 351,000
Tignish Substation	3,210,000
Lorne Valley Switching Station Expansion	94,000
Sherwood X1 Autotransformer Replacement	119,000
Substation Modernization Program	168,000
Communication Fibre – Woodstock to Alberton	494,000
	$ 4,436,000
Transmission 6.1 Over-Budget Variance (including carryover)	**$ 535,521**

The Woodstock Switching Station project is expected to be completed on budget, including a carryover of $351,000. The carryover is required due to a delay with the galvanizing process for the structural steel. As such, structural steel installation is now scheduled for early 2025.

The Tignish Substation project is expected to have an over-budget variance of $490,929, including a carryover of $3,210,000. The over-budget variance is forecast based on updated civil construction scope of work and unit-cost estimates. The carryover is required due to a delay in construction associated with the municipal rezoning process for the substation site. It is expected that the site rezoning issue will be resolved, and construction will begin in 2025.

The Lorne Valley Switching Station Expansion project is expected to be completed on budget, including a carryover of $94,000, and the Sherbrooke X1 Autotransformer Replacement project is currently tracking to be completed on budget, including a carryover of $119,000.[10] The carryovers are required due to design work starting later than planned, to align with capital budget approval.

Substation projects for Power Transformers, Substation Oil Containment, 138 kV Breakers and Fibre Modifications due to Road Alterations were completed in the year and were all materially on budget.

The Substation Modernization Program is expected to have an over-budget variance of $44,780, including a carryover of $168,000. The over-budget variance is due primarily to higher-than-expected labour costs associated with modifying the Souris substation to accommodate the mobile transformer. The carryover is required to due to long-delivery equipment items being ordered later than planned, to align with capital budget approval.

[10] Recent issues with the existing X1 autotransformer may require changes to the Sherbrooke Substation that could impact the timing and costs for this project.

The Communication Fibre – Woodstock to Alberton project is expected to be competed on budget, including a carryover of $494,000. The carryover is required to align with the construction of the transmission lines into the Woodstock switching station.

6.2 Transmission Projects

The Transmission 6.2 category is expected to be $176,210 over budget, including a carryover of $339,000.

2024 Variances	
69 kV and 138 kV Switch Program	$ 81,351
Transmission Line Refurbishment	9,600
Transmission Lines	(276,308)
Transmission Corridor Widening	22,567
	$ (162,790)
2025 Carryovers (Appendix I)	
Transmission Lines - Tignish Substation Transmission	$ 339,000
Transmission 6.2 Over-Budget Variance (including carryover)	**$ 176,210**

The 69 kV and 138 kV Switch Program had an over-budget variance of $81,351, due primarily to higher-than-expected material and contractor labour costs.

Transmission Line Refurbishment had an over-budget variance of $9,600, due primarily to expenditures on materials being slightly higher than expected.

Transmission Lines is expected to have an over-budget variance of $62,692, including a carryover of $339,000. The budget variances for individual transmission line projects follows.

The Tignish Substation Transmission Line project is expected to be completed on budget, including a carryover of $339,000. The carryover is necessary to complete the purchase of a section of transmission line T-23 once the municipal rezoning process for the Tignish

substation site is complete. There is a possibility that the purchase price could change if the planned location for the substation has to be moved. A change in the location of the substation could also alter transmission line construction requirements.

The Y-106 Scotchfort to Lorne Valley Transmission Line project had an over-budget variance of $62,692, due primarily to higher-than-expected labour requirements for survey and engineering, associated with the Hillsborough River crossing design.

Transmission Corridor Widening had an over-budget variance of $22,567, due primarily to higher-than-expected labour requirements at several of the 2024 work locations. This resulted when the Company was able to get landowner permissions to trim beyond the 3-metre minimum into a property, ground-cut select or all trees, and/or mow all vegetation.

7.0 CORPORATE

Corporate – Summary

	Capital Budget Subcategory	Approved 2024 Budget (A)	2024 Actual Expenditures (B)	2024 Variance (C = B - A)	Carryover to 2025 (D)	Total Expected Expenditures (E = B + D)	Expected Variance From Budget (F = E - A)
7.1	**Corporate Services**	$ 473,000	$ 912,545	$ 439,545	$ -	$ 912,545	$ 439,545
7.2	**Information Technology**	3,143,000	2,517,928	(625,072)	414,000	2,931,928	(211,072)
	TOTAL	**$ 3,616,000**	**$ 3,430,473**	**$ (185,527)**	**$ 414,000**	**$ 3,844,473**	**$ 228,473**

7.1 Corporate Services

The Corporate Services 7.1 category was $439,545 over budget.

2024 Variances

Corporate Services	$ 439,545
Corporate Services 7.1 – Over-Budget Variance	**$ 439,545**

Corporate Services, which includes a provisional component for unplanned work requirements, had an over-budget variance of $439,545. The over-budget variance is due primarily to necessary renovations at 180 Kent Street, replacement of the pole barn roof at the West Royalty Service Centre, and replacement of heating systems at the Eastern and Western District Service Centres. The 180 Kent Street renovations involved first and second floor modifications to replace aged office setups with modular systems to accommodate employees currently working at temporary locations, and the pole barn roof and heating systems were replaced due to age and condition.

7.2 Information Technology

	Capital Budget Subcategory	Approved 2024 Budget (A)	2024 Actual Expenditures (B)	2024 Variance (C = B - A)	Carryover to 2025 (D)	Total Expected Expenditures (E = B + D)	Expected Variance From Budget (F = E - A)
7.2a	**Hardware Acquisitions**	$ 573,000	$ 587,292	$ 14,292	$ -	$ 587,292	$ 14,292
7.2b	**Purchased Software and Upgrades**	882,000	616,407	(265,593)	-	616,407	(265,593)
7.2c-i	**Other IT Services/Projects**	1,688,000	1,314,229	(373,771)	414,000	1,728,229	40,229
	TOTAL	**$ 3,143,000**	**$ 2,517,928**	**$ (625,072)**	**$ 414,000**	**$ 2,931,928**	**$ (211,072)**

The Information Technology 7.2 category was $211,072 under budget.

2024 Variances	
Hardware Acquisitions	$ 14,292
Purchased Software and Upgrades	(265,593)
Cybersecurity Enhancements	(20,116)
Customer Services and Communication Enhancements	1,090
Load Modeling Software	(4,470)
GIS Upgrade to Utility Network Model	(408,402)
HSE Information Management Software	58,127
	$ (625,072)
2025 Carryovers (Appendix I)	
GIS Upgrade to Utility Network Model	$ 414,000
Information Technology 7.2	
Under-Budget Variance (Including carry over)	**$ (211,072)**

Hardware Acquisitions was over-budget by $14,292 due to labour costs being slightly higher than expected.

Purchased Software and Upgrades was under budget by $265,593 due primarily to the changes in accounting practices for cloud-based software that came into effect in 2024. The changes caused operating budgets to be over by a similar amount.

Cybersecurity Enhancements had an under-budget variance of $20,116, primarily due to lower-than-expected labour requirements to complete the implementation of a security information and event management system.

Customer Services and Communication Enhancements was materially on budget with a small over-budget variance of $1,090.

The Load Modeling Software project was under-budget by $4,470.

The GIS Upgrade to Utility Network Model project is expected to have an over-budget variance of $5,598, including a carryover of $414,000. The carryover is required due to vendor selection starting later than planned, to align with capital budget approval.

The HSE Information Management Software project had an over-budget variance of $58,127. The over-budget variance was due primarily to higher-than-expected labour requirements to complete the installation.

8.0 CAPITALIZED GENERAL EXPENSE

Capitalized General Expense – Summary

	Capital Budget Category	Approved 2024 Budget (A)	2024 Actual Expenditures (B)	2024 Variance (C = B - A)
8.0	**Capitalized General Expense**	$ 844,000	$ 848,206	$ 4,206

The capitalized general expense ("CGE") amount includes administrative costs that are properly recognized as part of the Company's overall capital expenditure program. These expenditures represent an allocation of administrative costs, not specific to any one capital project, but rather as part of the overall development, implementation and management of the Company's approved annual capital budget.

The CGE category was $4,206 over budget, due primarily to the addition of an assistant storekeeper in response to higher inventory levels and increased capital activity.

9.0 INTEREST DURING CONSTRUCTION

Interest During Construction – Summary

	Capital Budget Category	Approved 2024 Budget (A)	2024 Actual Expenditures (B)	2024 Variance (C = B - A)
9.0	**Interest During Construction**	$ 799,000	$ 639,424	$ (159,576)

The Company provides for the financing of construction work in progress by including an interest during construction ("IDC") allowance as an addition to the cost of property constructed, using a return on average rate base with the assumption that all one-year project costs are financed over an average 90-day cycle, while all multi-year projects are financed over an average 180-day cycle. The IDC allowance is deducted from the Company's financing expenses and subsequently charged to operations through amortization over the service life of the related assets.

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

The IDC category was $159,576 under budget due to the $11.7 million of unfinished projects requested to be carried over to 2025, resulting in a lower-than-average work in progress throughout the year.

A P P E N D I X I

Schedule of Capital Budget Carryover Items

SCHEDULE OF CAPITAL BUDGET CARRYOVER ITEMS

The following schedule outlines the capital projects (approved in Orders UE21-16, UE23-06, and UE24-03) carried over to 2025.
Amounts carried over to 2025 represent estimated expenditures to complete the projects in 2025.

Original Project Year - ID	Description	Budget (A)	Costs Incurred In 2022 (B)	Costs Incurred In 2023 (C)	Costs Incurred In 2024 (D)	Carryover to 2025 (E)	Total (F = B + C + D + E)	Variance (G = F- A)	Comments
2022-5.8	Transportation Equipment	2,014,000	290,597	494,612	310,976	1,000,000	2,096,185	82,185	Delays in vehicle availability and delivery from vendor and required modifications.
2023-5.8	Transportation Equipment	1,258,000	-	427,306	525,010	463,000	1,415,316	157,316	Delays in vehicle availability and delivery from vendor.
2023-6.1h	Communication Fibre – Alberton to Tignish	643,000	-	137,584	230,785	173,000	541,369	(101,631)	Work to be completed in 2025 once substation site is finalized.
2023-6.2c	Transmission Lines	454,000	-	201,174	-	307,000	508,174	54,174	Line to be purchased in 2025 once substation site is finalized.
Subtotal 2022 and 2023		**$ 4,369,000**	**$ 290,597**	**$ 1,260,676**	**$ 1,066,771**	**$ 1,943,000**	**$ 4,561,044**	**$ 192,044**	
2024-4.1a	CGS Security Updates	90,000	-	-	93	63,000	63,093	(26,907)	Carryover required because aspects of the camera and security system upgrades could not be finalized until the steam plant demolition project was complete.
2024-4.1b	CGS Storage Building Upgrades	220,000	-	-	231,117	32,000	263,117	43,117	Carryover required due to contractor selection being delayed to align with capital budget approval.
2024-4.4b	CT1 Safety Upgrades	99,000	-	-	18,952	27,000	45,952	(53,048)	Carryover required due to lead times for equipment fabrication being longer than were expected.
2024-5.2	Distribution Transformers	14,396,000	-	-	14,957,939	609,000	15,566,939	1,170,939	Carryover required to complete spill prevention work that was delayed at the request of the customer or due to availability of replacement equipment.
2024-5.4b	Reliability Driven Line Extensions – Tignish Substation Distribution Feeders	1,468,000	-	-	-	1,468,000	1,468,000	-	Carryover required for the Tignish substation distribution feeders project, which has been delayed due to Tignish substation land issue.
2024-5.7d	Line Tools and Equipment	389,000	-	-	302,031	87,000	389,031	31	Carryover required for tools that were ordered in 2024 and will not arrive until 2025.
2024-5.8	Transportation Equipment	2,674,000	-	-	375,553	2,279,000	2,654,553	(19,447)	Carryover required because progress and delivery payments for line trucks were delayed due to supply chain issues. In addition, the lead time for the pole trailer is longer than expected, and the EV chargers infrastructure study was delayed to align with a Foris EV Roadmap initiative.
2024-6.1a	Woodstock Switching Station	7,669,000	-	-	7,318,148	351,000	7,669,148	148	Carryover required due to a delay with the galvanizing process for the structural steel.
2024-6.1b	Tignish Substation	3,000,000	-	-	280,929	3,210,000	3,490,929	490,929	Carryover required due to a delay in substation construction, associated with a municipal rezoning land issue. It is expected that the land issue will be resolved and construction will begin in 2025.
2024-6.1c	Lorne Valley Switching Station Expansion	98,000	-	-	3,600	94,000	97,600	(400)	Carryover required due to design work starting later than planned, to align with capital budget approval.
2024-6.1d	Sherbrooke X1 Autotransformer Replacement	126,000	-	-	7,050	119,000	126,050	50	Carryover required due to design work starting later than planned, to align with capital budget approval.
2024-6.1g	Substation Modernization Program	547,000	-	-	423,780	168,000	591,780	44,780	Carryover required to due to long-delivery equipment items being ordered later than planned, to align with capital budget approval.
2024-6.1i	Communication Fibre – Woodstock to Alberton	973,000	-	-	479,558	494,000	973,558	558	Carryover required to align with the construction of the transmission lines into the Woodstock switching station, which is planned for 2025.
2024-6.2c	Transmission Lines – Tignish Substation	339,000	-	-	-	339,000	339,000	-	Carryover required to connect a section of transmission line T-23 to the substation once the land issue is resolved.

SCHEDULE OF CAPITAL BUDGET CARRYOVER ITEMS

2024-7.2f	GIS Upgrade to Network Utility Model	439,000	-	-	30,598	414,000	444,598	5,598	Carryover required due to vendor selection starting later than planned, to align with capital budget approval.
Subtotal 2024		**$ 32,527,000**	**$ -**	**$ -**	**$ 24,429,348**	**$ 9,754,000**	**$ 34,183,348**	**$ 1,656,348**	
TOTAL		**$ 36,896,000**	**$ 290,597**	**$ 1,260,676**	**$ 25,496,119**	**$ 11,697,000**	**$ 38,744,392**	**$ 1,848,392**	

A P P E N D I X I I

Schedule of Capital Budget Expenditures from Prior Years Completed in 2024

SCHEDULE OF CAPITAL BUDGET EXPENDITURES FROM PRIOR YEARS COMPLETED IN 2024

Original Project Year - ID	Description	Budget (A)	Total 2020 (B)	2021 (C)	2022 (D)	2023 (E)	2024 (F)	Total (G = B + C + D + E + F)	Variance (H = G - A)
2020-5.5 SBR	PEI Broadband Project	$ 23,877,000	$ 767,933	$2,389,111	$6,547,912	$ 4,980,984	$ 3,036,809	$ 17,722,749	$ (6,154,251)
2020-5.5 SBR	Contributions – PEI Broadband Project	(10,366,000)	-	(98,955)	(1,366,528)	(1,337,355)	(1,444,841)	(4,247,679)	6,118,321
2021-5.8	Transportation Equipment	1,864,000	-	859,977	68,522	480,801	324,144	1,733,444	(130,556)
2023-5.6	System Meters	656,000	-	-	-	638,187	18,000	656,187	187
2023-5.7	Distribution Equipment	986,000	-	-	-	643,676	345,373	989,049	3,049
2023-6.1b	West Royalty X5 Autotransformer Upgrade	4,650,000	-	-	-	3,813,070	1,128,458	4,941,528	291,528
2023-6.1d	Tignish Substation	2,573,000	-	-	-	1,171,775	1,405,993	2,577,768	4,768
2023-6.1e	Substation Oil Containment	152,000	-	-	-	95,581	57,030	152,611	611
2023-6.1f	Substation Modernization	528,000	-	-	-	237,637	293,000	530,637	2,637
2023-7.1a	Recurring Annual Capital Requirements	928,000	-	-	-	1,128,957	25,028	1,153,985	225,985
2023-7.2c	Cybersecurity Enhancements	572,000	-	-	-	514,849	69,685	584,534	12,534
2023-7.2e	Engineering Fixed Assets Management System	202,000	-	-	-	3,778	211,125	214,903	12,903
TOTAL		**$ 26,622,000**	**$ 767,933**	**$3,150,133**	**$5,249,906**	**$ 12,371,940**	**$ 5,469,804**	**$ 27,009,716**	**$ 387,716**

APPENDIX III

2024 Transportation Equipment Expenditures

2024 TRANSPORTATION EQUIPMENT EXPENDITURES

Budget Item #	Vehicle Being Replaced		New Vehicle			Internal Labour	Total	Carryover to 2025	Total with Carryover
	Vehicle Being Replaced	Budget (A)	Type	Maritime Electric Department	Invoice[1] (B)	(C)	(D = B + C)	(E)	(F = D + E)
1	Digger Derrick – 2 Units Year 2	$ 966,000	Freightliner M2-106, Terex Model C-4050-PG Digger Derrick Tandem Axle	West/Central Line Department	$ -	$ 18,542	$ 18,542	$ 854,000	$ 872,542
2	Aerial Bucket Truck–2 Units - Year 1	412,000	Freightliner M2 106, Posi-Plus Model 500-55	Western/Central Line Department	-	18,542	18,542	412,000	430,542
3	CSUP Year 2	199,000	International CV515 Regular Cab, Altec Model AT41M	Western Line Department	-	9,270	9,270	263,000	272,270
4	Aerial Bucket Truck – Year 2	391,000	Freightliner M2 106, Posi-Plus Model 500-51	Eastern Line Department	-	9,270	9,270	419,000	428,270
5	Digger Derrick Year 1	176,000	Freightliner M2-106, Terex Model C-4050-PG Digger Derrick Tandem Axle	Central Line Department	-	9,270	9,270	176,000	185,270
6	Passenger Vehicle	66,000	GMC Sierra 1500	Survey Department	56,913	9,271	66,184	-	66,184
7	Passenger Vehicle	80,000	GMC Canyon	Engineering Department	53,380	9,270	62,650	-	62,650
8	Passenger Vehicle	80,000	Mitsubishi Outlander	Metering	49,354	9,270	58,624	-	58,624
9	Passenger Vehicle	49,000	Mitsubishi Outlander	Energy Control Department	46,141	9,270	55,411	-	55,411
10	Pole Trailer	51,000	Commercial PT 122 - 7KE Trailer	Central Line Department	-	9,270	9,270	51,000	60,270
11	EV Chargers Infrastructure Study	104,000	N/A	Various	-	-	-	104,000	104,000
12	Allowance for unforeseen capital expenditures	100,000	2024 Nissan Frontier	Vegetation Management	49,250	9,270	58,520	-	58,520
	TOTAL	**$ 2,674,000**		**TOTALS**	**$ 255,038**	**$ 120,515**	**$ 375,553**	**$ 2,279,000**	**$ 2,654,553**
							5.8 – Transportation Equipment Variance (G = F - A)		**$ (19,447)**

[1] Invoice amount consists mainly of the item's base price, freight, pre-delivery inspection costs and post-delivery customization costs.