All our energy.
All the time.

MARITIME ELECTRIC
A FORTIS COMPANY

December 17, 2025



Island Regulatory & Appeals Commission
PO Box 577
Charlottetown PE C1A 7L1

Dear Commissioners:

**RE: Order UE25-07 – On-Island Capacity for Security of Supply Project**
**Request for Confidentiality**

We write further to the decision and direction contained in Commission Order UE25-07.[1]

Maritime Electric Company, Limited ("Maritime Electric" or the "Company") appreciates the Commission's detailed review of its requests for confidentiality.

Pursuant to the Commission's decision and direction, enclosed please find Exhibit M-1 Appendices E and F, and Exhibit M-12, including Appendices A, B and F. In accordance with the Commission's direction in Paragraph 8 of Order UE25-07 (page 17), Appendices C, D and E of Exhibit M-12 are not being submitted at this time due to objections from ProEnergy. The Company will await further instructions from the Commission regarding the confidential treatment of these outstanding documents.

**Exhibit M-1 – Appendix F (Estimated Impacts on Rate Base, Revenue Requirement, and Customer Rates)**

The Commission determined that Exhibit M-1 – Appendix F does not include information that qualifies for confidential treatment. Maritime Electric accepts the Commission's assessment, with one exception: Line 2 of Page 4 (Avoided Capacity Costs). Revealing the avoided capacity costs, when combined with publicly available details in Exhibit M-1, would disclose cost information related to Maritime Electric's Energy Purchase Agreement ("EPA") with New Brunswick Power ("NB Power").[2] As the Commission noted in Order UE25-07, cost information and price assumptions related to Maritime Electric's EPA with NB Power warrant confidential treatment.

To protect this sensitive information, Maritime Electric has redacted Line 2 of Exhibit M-1 Appendix F Page 4. Line 3 was also redacted to prevent the calculation of the value in Line 2. These redactions align with the Commission's decision to maintain confidentiality of EPA cost information.

**Exhibit M-12 – Appendix F (Estimated Impact on Rate Base, Revenue Requirement and Customer Rates)**

The Commission determined that Exhibit M-12 – Appendix F does not include information that qualifies for confidential treatment. Similar to Maritime Electric's position on Exhibit M-1 – Appendix F (above), Maritime Electric accepts the Commission's assessment, with one exception: Line 2 of Page 4 (Avoided Capacity Cost). Revealing the avoided capacity costs would disclose cost information related

1 Docket UE20742.
2 Maritime Electric purchases energy and capacity from New Brunswick Energy Marketing Corporation, but "NB Power" is used for simplicity.

to Maritime Electric's EPA with NB Power. As the Commission noted in Order UE25-07, cost information and price assumptions related to Maritime Electric's EPA with NB Power warrant confidential treatment.

To protect this sensitive information, Maritime Electric has redacted Line 2 of Exhibit M-12 Appendix F Page 4. Line 3 was also redacted to prevent the calculation of the value in Line 2. These redactions align with the Commission's decision to maintain confidentiality of EPA cost information.

**Exhibit M-12 – Main Body of the Supplemental Application**

The Commission has permitted limited redactions, as outlined in Paragraph 4 of Order UE25-07. In accordance with this authorization, Maritime Electric has redacted percentages on Pages 6, 18, 19 and 32, and cost information in the "ProEnergy Engineering, Procurement and Construction Scope" section of Table 2 on Page 25. This approach aligns with the Commission's decision to redact vendor-specific pricing in Exhibit M-12 Appendices C and D. Additionally, the Company has redacted cost information in the "Maritime Electric Scope" section of Table 2 to prevent the calculation ProEnergy's pricing information. These redactions align with the Commission's decision to maintain confidentiality of EPA cost information.

**Exhibit M-12 – Appendix C (ProEnergy Budgetary Proposal)**

In addition to the redactions approved by the Commission, in its letter provided as Attachment 1, ProEnergy is requesting approval from the Commission to redact the contact information contained on Page 4.

**Exhibit M-12 – Appendix D (Slot Reservation Agreement)**

In addition to the redactions approved by the Commission, in its letter provided as Attachment 1, ProEnergy is requesting approval from the Commission to redact the contact information contained on Page 3.

**Exhibit M-12 – Appendix E (Draft Gas Turbine Equipment and Sale Agreement)**

ProEnergy has objected to the public release of the entire Exhibit M-12 – Appendix E. ProEnergy's letter (provided as Attachment 1) requests the removal or full redaction of the document and outlines the reasons for the objection. In light of ProEnergy's request, the Commission may consider it appropriate to withdraw the document, which is contemplated under Rule 54(e) of the Commission's Rules of Practice and Procedure.[3]

**Exhibit M-12 – Appendix A (S&L Letter re: Firm Generation Capacity on Prince Edward Island)**

The Commission's Order UE25-07 does not address Exhibit M-12 – Appendix A, which was filed publicly but included redactions on Page 3. The redactions are necessary to protect commercially sensitive pricing information from ProEnergy and are consistent with the Commission's approved redactions.

**Conclusion**

For clarity, and to aid the Commission in releasing documents publicly, Table 1 summarizes Maritime Electric's filings and their current status with respect to confidentiality.

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[3] Rule 54(e) on Page 21 states that "The Commission may: order that the document be withdrawn..."

| TABLE 1<br>Maritime Electric Filings Confidentiality Status | | |
|---|---|---|
| **Exhibit Number** | **As Originally Filed** | **December 17, 2025 Update** |
| Exhibit M-1 (main body) | Public | Public |
| Exhibit M-1 – Appendix A | Public | Public |
| Exhibit M-1 – Appendix B | Public | Public |
| Exhibit M-1 – Appendix C | Public | Public |
| Exhibit M-1 – Appendix D | Public | Public |
| Exhibit M-1 – Confidential Appendix E | Confidential | Public with redactions |
| Exhibit M-1 – Confidential Appendix F | Confidential | Public with redactions |
| Exhibit M-12 (main body) | Public with redactions | Public with updated redactions |
| Exhibit M-12 – Appendix A | Public with redactions | Public with redactions |
| Exhibit M-12 – Appendix B | Confidential | Public with redactions |
| Exhibit M-12 – Appendix C | Confidential | Awaiting Commission decision to redact ProEnergy contact information |
| Exhibit M-12 – Appendix D | Confidential | Awaiting Commission decision to redact ProEnergy contact information |
| Exhibit M-12 – Appendix E | Confidential | Awaiting Commission decision to remove ProEnergy document |
| Exhibit M-12 – Appendix F | Confidential | Public with redactions |

As noted, Maritime Electric has made two redactions that were not specifically addressed in UE25-07, one in Exhibit M-1 Appendix F and the other in M-12 Appendix F. We await the Commission's direction as to whether these redactions are acceptable.

Finally, we also await the Commission's direction on the confidentiality of Exhibit M-12 Appendices C, D and E given the attached comments made by ProEnergy.

Yours truly,

MARITIME ELECTRIC

Michelle Francis
Vice-President, Finance & Chief Financial Officer

MF56
Enclosure

PROENERGY

December 17, 2025

Maritime Electric Company, Limited
180 Kent Street
Charlottetown, PE C1A 7N2
Attn: Adam MacKenzie, Planning Engineer

Subject: IRAC Confidentiality Order UE25-07

Re: Contractor Request for Redaction of Commercially Sensitive Information

Dear Mr. MacKenzie:

In response to your email dated December 9, 2025, and subsequent discussions between Maritime Electric and PROENERGY, PROENERGY agrees with the proposed release of previously redacted information with one exception: PROENERGY requests the removal, or full redaction, of "Exhibit D – Gas Turbine Purchase and Sale Agreement" (Appendix E to UE25-07)(referred to herein as the "Gas Turbine PSA"). The Gas Turbine PSA represents PROENERGY's terms and conditions for the potential future sale and definitive contract between PROENERGY and Maritime Electric. The Gas Turbine PSA is the baseline as part of PROENERGY's proposals, is used as the starting point for potential negotiations, and is not a reflection of a final agreement between the parties. The Gas Turbine PSA contain commercially and legally sensitive contractual positions by PROENERGY which, if received by any competitor of PROENERGY, would provide them an unfair advantage in future business pursuits involving PROENERGY and its customers and counterparties. Accordingly, PROENERGY requests that Maritime Electric not disclose the Gas Turbine PSA as a required disclosure in the context of an approval for the Slot Reservation. Lastly, as a general comment, it is PROENERGY's preference to avoid the release of any PROENERGY individual employee's contact information in order to protect the privacy of our employees. We prefer for public or media comments/outreach to go through our normal channels on our website.

Thank you for your understanding in this matter and don't hesitate to contact us with any further questions.

Sincerely,

Landon Tessmer, P.Eng.
VP, Commercial Operations

**C A N A D A**

**PROVINCE OF PRINCE EDWARD ISLAND**

**BEFORE THE ISLAND REGULATORY**
**AND APPEALS COMMISSION**

**IN THE MATTER** of Section 17(1) of the *Electric Power Act* (R.S.P.E.I. 1988, Cap. E-4) and **IN THE MATTER** of the Supplemental Filing of Maritime Electric Company, Limited for the approval of an Accelerated On-Island Capacity Development Solution as part of the On-Island Capacity for Security of Supply Project.

# SUPPLEMENTAL FILING re:
# ON-ISLAND CAPACITY FOR SECURITY OF SUPPLY PROJECT
# OF
# MARITIME ELECTRIC COMPANY, LIMITED

**August 14, 2025**

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Confidential Appendix C ProEnergy Budgetary Proposal
Confidential Appendix D Slot Reservation Agreement
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Confidential Appendix F Impact on Rate Base, Revenue Requirement and Customer Rates Calculations

# 1.0 APPLICATION

**C A N A D A**

**PROVINCE OF PRINCE EDWARD ISLAND**

**BEFORE THE ISLAND REGULATORY AND APPEALS COMMISSION**

**IN THE MATTER** of Section 17(1) of the *Electric Power Act* (R.S.P.E.I. 1988, Cap. E-4) and **IN THE MATTER** of the Supplemental Filing of Maritime Electric Company, Limited for the approval of an Accelerated On-Island Capacity Development Solution as part of the On-Island Capacity for Security of Supply Project.

## Introduction

Maritime Electric Company, Limited ("Maritime Electric" or the "Company") is a corporation incorporated under the laws of Canada with its head or registered office at Charlottetown and carries on a business as a public utility subject to the *Electric Power Act* engaged in the production, purchase, transmission, distribution, and sale of electricity within Prince Edward Island ("PEI").

## Application

Maritime Electric hereby submits a Supplemental Filing for an order of the Island Regulatory and Appeals Commission ("IRAC" or the "Commission") associated with the On-Island Capacity for Security of Supply Project (the "Project"), specifically seeking approval of a deferral account for future recovery from customers of costs related to a time-sensitive solution.

The proposal contained in this Supplemental Filing represents a just and reasonable balance of the interests of Maritime Electric and those of its customers and will, if approved, allow the

Company to continue to perform necessary capital additions at a cost that is, in all circumstances, reasonable.

**Procedure**

Filed herewith is the Affidavit of Jason C. Roberts, T. Michelle Francis, Angus S. Orford and Enrique A. Riveroll which contains the evidence on which Maritime Electric relies in the Supplemental Filing Application.

Dated at Charlottetown, Province of PEI, this 14th day of August 2025.

**D. Spencer Campbell, Q.C.**

STEWART MCKELVEY
65 Grafton Street, PO Box 2140
Charlottetown PE C1A 8B9
Telephone: 902-892-2485
Facsimile: 902-566-5283
Solicitors for Maritime Electric Company, Limited

## 2.0 AFFIDAVIT

**C A N A D A**

**PROVINCE OF PRINCE EDWARD ISLAND**

**BEFORE THE ISLAND REGULATORY AND APPEALS COMMISSION**

**IN THE MATTER** of Section 17(1) of the *Electric Power Act* (R.S.P.E.I. 1988, Cap. E-4) and **IN THE MATTER** of the Supplemental Filing of Maritime Electric Company, Limited for the approval of an Accelerated On-Island Capacity Development Solution as part of the On-Island Capacity for Security of Supply Project.

**AFFIDAVIT**

We, Jason C. Roberts of Suffolk, T. Michelle Francis of Emyvale, Angus S. Orford of Charlottetown and Enrique A. Riveroll of New Dominion, in Queens County, Province of Prince Edward Island, MAKE OATH AND SAY AS FOLLOWS:

We are the President and Chief Executive Officer, Vice President, Finance and Chief Financial Officer, Vice President, Corporate Planning and Energy Supply and Vice President, Sustainability and Customer Operations for Maritime Electric, respectively, and as such have personal knowledge of the matters deposed to herein, except where noted, in which case we rely upon the information of others and in which case we verily believe such information to be true.

Maritime Electric is a public utility subject to the provisions of the *Electric Power Act* engaged in the production, purchase, transmission, distribution and sale of electricity within PEI.

## *SECTION 2.0 AFFIDAVIT*

We prepared or supervised the preparation of the evidence and to the best of our knowledge and belief the evidence is true in substance and in fact.

Section 9.0 contains a proposed Order of the Commission based on the Company's Application.

SWORN TO SEVERALLY at
Charlottetown, Prince Edward Island,
the 14th day of August, 2025.

Jason C. Roberts

T. Michelle Francis

Angus S. Orford

Enrique A. Riveroll

A Commissioner for taking affidavits
in the Supreme Court of Prince Edward Island.

## 3.0 EXECUTIVE SUMMARY

Maritime Electric Company, Limited ("Maritime Electric" or the "Company") submits this Supplemental Filing to the Island Regulatory and Appeals Commission ("IRAC" or the "Commission") associated with its December 18, 2024, Supplemental Capital Budget Request Application (the "December 2024 Application") for the On-Island Capacity for Security of Supply Project (the "Project"). This Supplemental Filing outlines a time-sensitive opportunity to secure 100 megawatts ("MW") of dispatchable generation capacity through an Accelerated On-Island Capacity Development Solution ("Accelerated Capacity Solution") with commissioning ahead of the 2028/2029 winter.

As a public utility regulated under the *Electric Power Act* (R.S.P.E.I. 1988, Cap. E-4), Maritime Electric is statutorily obligated to act in the public interest by identifying, pursuing, and advocating for solutions that ensure the reliable, secure, and cost-effective supply of electricity to customers across Prince Edward Island. This Supplemental Filing reflects the Company's commitment to fulfilling that mandate by advancing a time-sensitive opportunity that balances affordability, execution certainty, and long-term capacity security.

The Accelerated Capacity Solution represents the most cost-effective and viable path to securing new on-Island generation capacity by 2028. It leverages economies of scale through New Brunswick Power Corporation's ("NB Power") procurement of five 100 MW combustion turbine packages (each package contains two 50 MW combustion turbines for a total of ten combustion turbines) and enables Maritime Electric to install one additional 100 MW package at the Charlottetown Generating Station under the same delivery framework. The Accelerated Capacity Solution is critical to addressing Maritime Electric's growing capacity deficit, mitigating the risk of winter capacity supply shortages, and supporting long-term capacity security obligations.

**Project Overview**

The proposed solution consists of a 100 MW dual-fuel generation facility using two 50 MW PE6000 aeroderivative combustion turbines. These units are refurbished versions of the General Electric Verona ("GEV") LM6000 platform, identical to Maritime Electric's existing Combustion Turbine No. 3 ("CT3") unit, offering operational familiarity and infrastructure compatibility. The

facility will be installed at the Charlottetown Generating Station, a brownfield site with existing fuel and water treatment infrastructure, reducing permitting and construction risks.

ProEnergy, the PE6000 manufacturer, has committed to a turnkey engineering, procurement and construction scope with fixed pricing and defined delivery milestones. The total estimated cost of the Accelerated Capacity Solution is CAD $334 million, with [redacted] of the cost secured under fixed-price contracts. Maritime Electric has received a Slot Reservation Agreement ("SRA") and a budgetary proposal from ProEnergy, with key payments due between September and December 1, 2025 to maintain alignment with NB Power's procurement schedule.

**Strategic Justification**

The Accelerated Capacity Solution aligns with the December 2024 Application by fulfilling 100 MW of the proposed 150 MW through the installation of a 100 MW combustion turbine package at the Charlottetown Generating Station. The Company will continue to pursue the remaining 50 MW from the December 2024 Application, which will likely include the originally proposed 10 MW battery energy storage system ("BESS"). However, the original portfolio is now subject to higher cost estimates and longer lead times, which challenge its feasibility within the required timeframe. The Accelerated Capacity Solution offers:

- **Lower cost:** Estimated at CAD $3,240/kW, including emissions controls, compared to CAD $3,400/kW.[1]
- **Fixed pricing:** Secured through ProEnergy's vertically integrated supply chain and standardized PowerFLX plant design.
- **Accelerated timeline:** Commissioning by 2028, compared to 2030+ for alternative options.
- **Operational efficiencies:** Shared construction resources with NB Power and shared infrastructure with Maritime Electric's existing CT3.
- **Enhanced reliability:** On-Island synchronous condensing capability and black start functionality.

[1] S&L has provided updated overnight capital cost estimates for two new 50 MW GEV LM6000 combustion turbines, as well as a separate estimate based on the ProEnergy budgetary proposal for a comparable installation at the Charlottetown Generating Station. These estimates suggest total project costs of approximately CAD $340 million and CAD $324 million, respectively. The S&L estimate is included in the letter attached as Appendix A.

**Regulatory Approvals**

Maritime Electric requests Commission approval to establish a deferral account to support time-sensitive commercial commitments, including a USD $5.6 million Slot Reservation Payment in September of 2025 and subsequent payments totaling [redacted] by December 1, 2025. These commitments are essential to secure manufacturing capacity and maintain the project's critical path.

**Economic Impact**

A net present value ("NPV") analysis demonstrates that the Accelerated Capacity Solution will result in estimated savings of approximately 50 per cent compared to continued reliance on off-Island capacity purchases from NB Power, assuming off-Island capacity continues to be available for purchase.[2] While the Project will increase customer rates in the short term, the long-term economic benefit to customers is substantial and supports Maritime Electric's mandate to ensure reliable and secure electricity supply.

[2] Detailed inputs and calculations of the NPV analysis are provided in Confidential Appendix B.

## 4.0 BACKGROUND

On December 18, 2024, Maritime Electric filed the December 2024 Application for the On-Island Capacity for Security of Supply Project with the Commission, which proposed the addition of 150 MW of dispatchable generating capacity on Prince Edward Island ("PEI"). The proposed portfolio included:

- A 10 MW battery energy storage system ("BESS");
- A 50 MW combustion turbine; and
- 90 MW of reciprocating internal combustion engines ("RICE").

The December 2024 Application sought Commission approval of the need for the Project and a capital expenditure deferral of up to $12 million in Project costs to complete upfront engineering work and a Request for Proposals ("RFP") process.

Maritime Electric's December 2024 Application estimated a total Project cost of $427 million (in 2024 dollars). However, updated cost estimates provided on May 16, 2025, and provided in Maritime Electric's response to interrogatories from Synapse Energy Economics ("Synapse"), showed that the overnight capital cost for a 50 MW combustion turbine had increased by 16 per cent,[3] and for a 90 MW RICE Plant by 19 per cent, since the December 2024 Application was filed.[4] These increases reflected power generation market conditions in May 2025 and were based on similar equipment configurations and contingency allowances. Currently, the power generation industry continues to experience upward cost pressures due to high demand for generating equipment.

### 4.1 Timeline of Events Since Filing the December 2024 Application

On January 22, 2025, Maritime Electric provided the Commission with an overview of the December 2024 Application through an in-person technical information session presentation. The

[3] Overnight capital cost refers to the estimated cost of building a project as if it were completed instantly, without accounting for inflation, interest during construction, or market pressures. While useful for baseline comparisons, it understates the actual installed cost, which reflects real-world financial and scheduling impacts.

[4] Reference IR-12(b) of the Response to Interrogatories from Synapse Energy Economics on behalf of Island Regulatory and Appeals Commission On-Island Capacity Application (UE20742).

presentation re-iterated the urgent need for additional on-Island dispatchable generation and timely approval of the capital expenditure deferral to complete upfront engineering.

On February 5, 2025, NB Power informed Maritime Electric of its plans to develop a dispatchable generation facility in either Scoudouc or Centre Village, New Brunswick ("NB").[5] Initially the proposed facility was a 400 MW combustion turbine plant with four 100 MW packages (consisting of eight 50 MW combustion turbine units). The 50 MW combustion turbines are very similar to Maritime Electric's CT3 located in Charlottetown and the combustion turbine proposed in the December 2024 Application.[6] In describing the project, NB Power explained that its supplier, ProEnergy, was the only manufacturer capable of meeting the timeline required to address NB Power's capacity needs, noting that the additional generation must be online by 2028 to satisfy its capacity obligations. NB Power then inquired whether Maritime Electric was interested in participating in the project by expanding the order to five packages (i.e., 500 MW total).

Maritime Electric evaluated the opportunity of participating in the NB Power project, but reconfirmed that the additional capacity must be established on PEI due to limitations to the NB-PEI Interconnection,[7] and to provide synchronous condensing for on-Island voltage support.[8] However, because the economics of participating in a larger order and the potential for sharing mobilization costs of installation contractors was attractive, the Company expressed interest in a parallel PEI project. Maritime Electric then continued discussions with NB Power and informed the Government of PEI about the opportunity.

On April 23, 2025, Maritime Electric filed an update letter with the Commission regarding the actual customer loads experienced this past winter (i.e., December 2024 to February 2025) and the resulting capacity requirement implications. The letter explained that a Maritime Electric system peak load of 346 MW (or 396 MW Island system peak load) was experienced on January

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5 At the time, the final site had not been determined. Centre Village was subsequently announced as the selected location.

6 Although NB Power's planned generating station was originally expected to be 400 MW consisting of eight 50 MW CTs, that project has since been increased to a total capacity of 500 MW consisting of ten 50 MW CTs.

7 Maritime Electric currently imports 219 MW of capacity from off-Island, with its share of the NB–PEI Interconnection limited to 270 MW. This leaves only 51 MW of additional import capability. Because ProEnergy sells combustion turbine packages in 100 MW increments, participating in NB Power's procurement to add a full 100 MW of off-Island capacity was not feasible for Maritime Electric.

8 The need for on-Island synchronous condensing capability is discussed in Section 7.5 of the December 2024 Application.

30, 2025 when the temperature was only -14.9°C, indicating that a peak load that was considered an anomaly in 2023 because it occurred during a polar vortex weather event is now considered the norm in 2025. The letter also informed the Commission that, so far in 2025, there were six days that Maritime Electric's customer load exceeded 326 MW (i.e., the amount of firm capacity contracted by the Company).[9] Maritime Electric was able to successfully supply customer loads during these periods due to favourable wind generation and available NB Power non-firm energy, both of which are intermittently available and therefore not guaranteed. The Company's existing combustion turbines were also dispatched on demand during these high customer load events to maintain supply.

On April 30, 2025, Maritime Electric met directly with NB Power's supplier, ProEnergy, to discuss the opportunity of participating in NB Power's combustion turbine order. ProEnergy explained that they typically do not pursue projects of less than 300 MW, but that it could consider a 100 MW project with Maritime Electric (i.e., Accelerated Capacity Solution) if the combustion turbine packages were similar, and the project's schedule aligned with NB Power's project such that resources could be shared. Maritime Electric continued discussions with ProEnergy and maintained communication about the opportunity with the Government of PEI.

On May 2, 2025, the Commission submitted interrogatories to Maritime Electric from the Commission's expert, Synapse. In its submission, the Commission indicated that it intended to prioritize the file and advised Maritime Electric that it was planning a technical session for the week of May 26, 2025. The Company filed responses to the interrogatories by the Commission's deadline of May 16, 2025, as well as a formal request for confidentiality with respect to energy supply contracts and pricing. On May 28, 2025, Maritime Electric submitted a letter to the Commission to provide additional clarification and context regarding the Company's request for confidentiality.

Maritime Electric prepared a presentation for a technical session with the Commission and Synapse, which had been tentatively scheduled for May 29, 2025, but was not held due to the

[9] Refer to Table 10 on page 45 of the December 2024 Application for details on the firm capacity available to Maritime Electric.

Commission's concerns with the Company's confidentiality request. A decision from the Commission regarding the confidentiality request of May 16, 2025, has not yet been received.

On May 30, 2025, Maritime Electric met with ProEnergy to request a proposal for the installation of a 100 MW combustion turbine package (consisting of two 50 MW combustion turbine units) for installation adjacent to the Company's existing CT3 unit at its Charlottetown Generating Station. ProEnergy explained that the proposal would be contingent on Maritime Electric securing a reservation with ProEnergy's factory to align with the schedule of NB Power's project. On June 13, 2025, Maritime Electric received a budgetary cost proposal from ProEnergy for the installation of the 100 MW combustion turbine package, followed by an SRA received on July 16, 2025.[10]

On June 3, 2025, Maritime Electric filed a request with IRAC to enter settlement negotiations with the Prince Edward Island Energy Corporation ("PEIEC") regarding a potential solution that would reduce the cost and accelerate the in-service date of the Project. The request was filed in preparation of the Company receiving the proposal from ProEnergy. Maritime Electric considered a negotiated settlement process with the PEIEC as an IRAC endorsed process pursuant to Order UE18-10, Rules of Procedures for Negotiated Settlement in Matters of Utility Regulation and an efficient method to pursue the Accelerated Capacity Solution in a timely manner.

On June 25, 2025, the Commission submitted a letter to the PEIEC directing them to submit a filing with their position on a negotiated settlement with Maritime Electric. On July 22, 2025, after being granted two extensions from the Commission, the Government of PEI's Justice and Public Safety division, on behalf of the PEIEC, filed a letter with the Commission indicating that it "[did] not believe a negotiated settlement is the path forward to settle the matter proposed in the [December 2024] Application." The Government of PEI's letter also indicated that "The consensus of [its] experts is that additional capacity is required;" however, as of the timing of this filing, no detailed information from its experts have been provided by the Government to the Commission or Maritime Electric.

[10] The Company received the budgetary cost proposal from ProEnergy on June 13, 2025 and the SRA on July 16, 2025.

The December 2024 Application stated that "if the upfront engineering design work is not completed by the end of 2025, the Company will be unable to meet the proposed schedules,"[11] which are critical. The urgent need for a timely decision from the Commission on a capital expenditure deferral for upfront engineering was re-iterated by the Company in its January 22, 2025, presentation and in the April 23, 2025, update letter. Given current timelines, it is unlikely that the Company can complete upfront engineering by the end of 2025. Additionally, global demand for power generation equipment since the December 2024 Application was filed, as discussed in this document, have likely added a minimum of one year to the Project's schedule. Timelines for approval and global power generation equipment demand are imposing significant pressure on the Project schedule and the proposed in-service dates of the additional generating capacity, which is urgently needed.

## 4.2 Power Generation Market Conditions

As indicated in Section 6.4.2 of the December 2024 Application and the Company's response to Synapse IR-12(a) filed on May 16, 2025, the global power generation industry is experiencing upward cost pressures and high demand due to: the retirement of coal power plants and their replacement with efficient combined-cycle combustion turbine plants; an increased penetration of renewable energy requiring fast-acting dispatchable generation to balance the grid; and significant electricity demand growth due to data centres, industrial facilities and Government policy of electrification. The high demand in the industry is causing prices to increase and equipment supply backlogs. Two major combustion turbine manufacturers, GEV and Siemens Energy, recently reported significant and escalating backlogs associated with the delivery of combustion turbines.

GEV, in its second quarter 2025 earnings release presentation on July 23, 2025, reported that the number of power orders nearly tripled year-over-year.[12] The combustion turbine manufacturer is currently shipping 5 gigawatts ("GW") of equipment per quarter and expects to have 60 GW of backlog slot reservation by year-end (i.e., three years of backlog at the current shipment rate).[13]

[11] Page 67 of the December 2024 Application.
[12] Transcript available at: https://www.gevernova.com/sites/default/files/gev_webcast_transcript_07232025.pdf.
[13] Ibid.

High demand is reported to be associated with its aeroderivative technology (i.e., dispatchable fast-acting combustion turbines) to support data centres.[14]

Similarly, Siemens Energy, in its second quarter 2025 earnings release published on May 8, 2025, reported that orders have more than doubled year-over-year.[15] Siemens Energy reported an $84 billion backlog in its gas services division (which includes combustion turbines) alongside $5 billion in Q2 revenue[16] (i.e., approximately four years of backlog at the current shipment rate). Their gas services division currently has a book-to-bill ratio (i.e., the number of new orders received to the number of orders shipped) of 2.22, which indicates that the backlog continues to increase.[17]

These reported backlogs of three and four years from GEV and Siemens Energy, respectively, do not include contract negotiations, shipping, onsite construction and commissioning timelines, which would further add to project schedules. The reported backlogs and anecdotal information received by Maritime Electric from others make it increasingly clear that the commissioning of dispatchable generation is likely not possible before 2030 or later, unless the Company pursues the Accelerated Capacity Solution.

[14] Ibid.
[15] Earnings release available here: https://www.siemens-energy.com/global/en/home/press-releases/earnings-release-q2-fy-2025.html.
[16] Ibid.
[17] Ibid.

# 5.0 ACCELERATED ON-ISLAND CAPACITY DEVELOPMENT SOLUTION

NB Power is currently developing a 500 MW combustion turbine facility in Centre Village, NB, consisting of five 100 MW combustion turbine packages (ten 50 MW combustion turbine units). The facility is expected to be operational by 2028, a key consideration in NB Power's selection process, as that is the year that NB Power expects to experience a shortfall in its generating capacity requirements.[18] ProEnergy was selected as the preferred vendor through a competitive process, which began with a public Request for Expression of Interest in the summer of 2024. Maritime Electric has the opportunity to jointly participate in NB Power's procurement of combustion turbine packages by ordering one additional 100 MW combustion turbine package (i.e., two 50 MW combustion turbine units) for installation at the Charlottetown Generating Station.

The Accelerated Capacity Solution offers several strategic advantages, including:

- Shared procurement and construction efficiency with NB Power;
- Accelerated delivery timeline, enabling commissioning in 2028;
- Reduced capital cost through vendor pricing and economies of scale;
- Enhanced system reliability with on-Island location and synchronous condensing capability; and
- Operational alignment with NB Power, enabling shared expertise and maintenance resources.

## 5.1 ProEnergy Proposal

ProEnergy's June 13, 2025, engineering, procurement and construction budgetary proposal to Maritime Electric outlines a turnkey 100 MW dual-fuel generation powerblock based on a standard package of two 50 MW PE6000 aeroderivative combustion turbines, quoted at a total price of [redacted]. The proposed delivery schedule targets commercial operation by 2028, with key milestones including Engineering, Procurement and Construction award in November 2025, mobilization in the summer of 2027 and mechanical completion by the summer of 2028. The scope includes all major equipment, balance-of-plant systems, emissions controls,

[18] https://www.cbc.ca/news/canada/new-brunswick/nb-power-us-company-pick-tantramar-for-natural-gas-plant-1.7585754

and synchronous condensing capability. ProEnergy commits to performance, emissions, and schedule guarantees, with liquidated damages provisions for delays or underperformance. The proposal is contingent on-site readiness, owner-provided permits, and a number of owner supplied services and infrastructure. Refer to Section 5.3 for details on owner responsibilities including required infrastructure, services and permitting requirements. A complete scope of work ("SOW") for ProEnergy is outlined in the budgetary Proposal included in Confidential Appendix C. As a summary, the SOW includes:

- 2 x 50 MW aeroderivative PE6000 combustion turbines;
- 2 x BRUSH brushless generators;
- 2 x turbine and generator enclosures;
- 2 x combustion turbine and generator ("CTG") auxiliary systems, including lube oil coolers, water spary augmentation and nitrogen oxides ("NOx") water injection;
- 2 x inlet air filter systems;
- 2 x exhaust stack;
- 2 x selective catalytic reduction/NOx emission control systems;
- 2 x continuous emission monitoring system;
- 1 x air compressor system;
- 1 x reverse osmosis electrodeionization demineralized water treatment system;
- 1 x CTG power distribution centre;
- 1 x pre-engineered metal building to house water treatment and air compressors systems;
- Allen Bradley ControlLogix control systems;
- 1 x low voltage switchgear, motor control centre and 13.8 kV/480 V auxiliary transformers;
- 2 x generator step up transformers;
- Transmission switches, breaker, one dead-end tower and high voltage controls and relays;
- All necessary foundations;
- Plant winterization; and
- Engineering, procurement and construction services.

ProEnergy is uniquely positioned to deliver 100 MW of on-Island dispatchable capacity urgently needed by Maritime Electric through its expertise and experience with aeroderivative turbine technology and its vertically integrated operations. As the original equipment manufacturer

("OEM") of the PE6000 combustion turbine (a modernized and fully interchangeable alternative to the GEV LM6000), ProEnergy refurbishes turbines at its Level-IV depot in Sedalia, Missouri,[19] where each unit undergoes full-speed and full-load testing under real-world conditions.

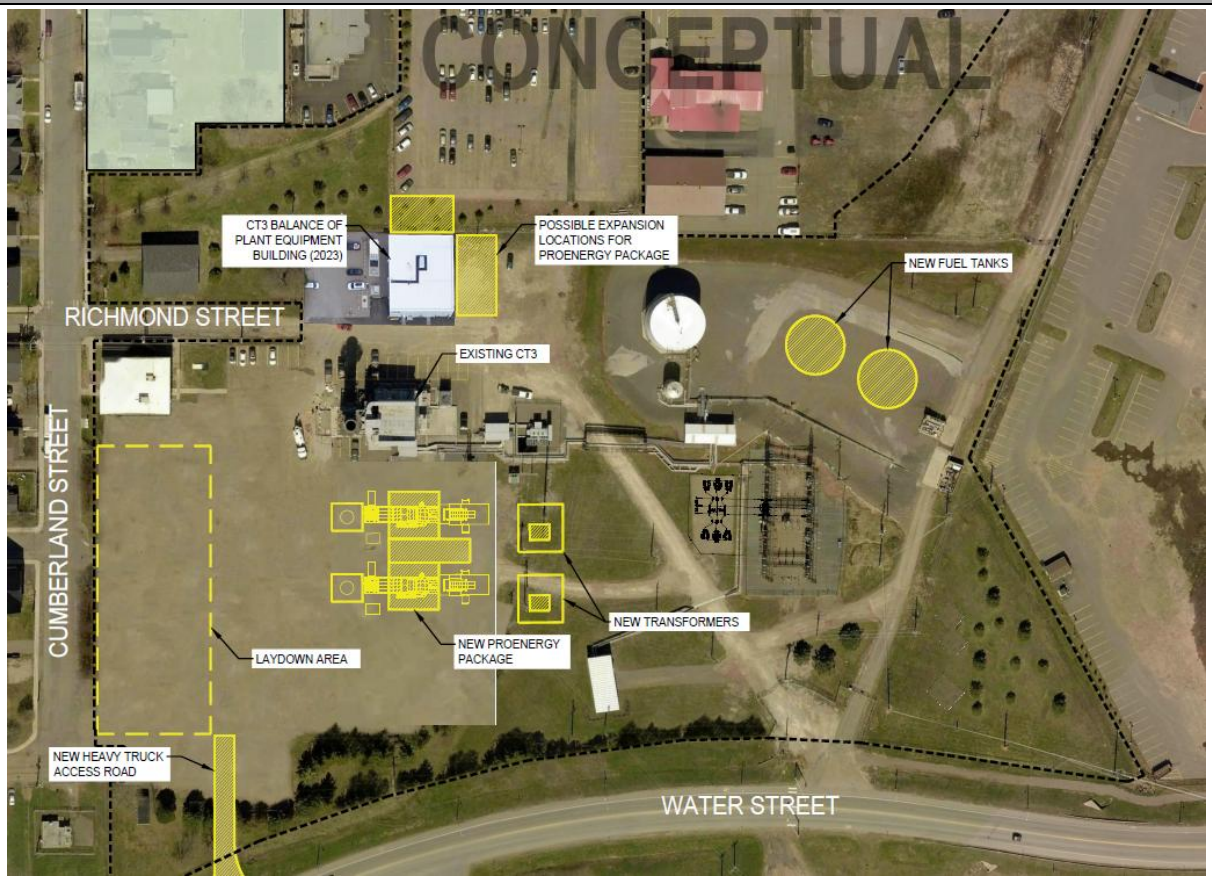
The refurbishment process, commonly referred to as "zero-houring," involves complete disassembly of the turbine, followed by an inspection of every component. All parts are evaluated against OEM specifications, and any non-compliant components are replaced. ProEnergy completes all applicable service bulletins during this process to ensure the turbine meets or exceeds current performance and reliability standards.[20] This zero-houring process effectively resets the turbine's operational life, restoring it to like-new condition while incorporating modern upgrades. The refurbished PE6000 units undergo rigorous validation through ProEnergy's International Organization for Standards (ISO) 9001:2015-certified quality control program, which spans engineering, supply chain and manufacturing.

Maritime Electric's project will directly benefit from ProEnergy's ongoing 500 MW project with NB Power, which uses the same PE6000 combustion turbines. ProEnergy typically does not pursue projects smaller than 200 MW, and its engagement with Maritime Electric is made possible only through its concurrent work in NB. This alignment enables Maritime Electric to leverage shared construction resources and sequencing advantages, with the same crews transitioning directly from units one through ten in NB to units 11 and 12 in Charlottetown. As a result, cost efficiencies are achieved through shared mobilization and demobilization, and the benefit of prior deployment experience across ten units ensures smoother implementation. These benefits are further detailed in Section 6.5.

[19] Turbine maintenance depots are tiered by level, with Level I being the most basic and Level IV or V being the most comprehensive.

[20] A Service bulletin refers to formal communication issued by an OEM, such as GEV, detailing recommended or required updates, inspections, modifications, or repairs to specific components or systems of an engine. These bulletins are typically based on field experience, reliability data, or engineering improvements and are intended to address known issues or potential failures to improve performance or safety.

**FIGURE 1**
**Conceptual Charlottetown Site Layout**




**Payment Schedule**

The total estimated cost of approximately [redacted] for the proposed 100 MW CT package is comprised of two distinct components: (1) equipment supply and (2) Engineering, Procurement and Construction.

The equipment supply component, quoted at [redacted], is governed by two key agreements: (1) the SRA and (2) the superseding Gas Turbine Equipment Purchase and Sale Agreement ("Superseding Agreement"), which are provided in Confidential Appendix D and Confidential Appendix E, respectively. Together, the agreements establish a clear and urgent timeline for Maritime Electric to secure manufacturing capacity and maintain alignment with NB Power's Centre Village project. The supply component represents the critical path of the project due to long power generation equipment lead times and industry-wide manufacturing backlogs.

The Engineering, Procurement and Construction component includes engineering, delivery, installation, and commissioning of the generation packages. While this scope is essential to the overall execution of the project, it is not currently considered part of the critical path. As a result, an Engineering, Procurement and Construction Agreement has not yet been developed. Maritime Electric and ProEnergy intend to begin drafting the Engineering, Procurement and Construction Agreement following execution of the Superseding Agreement.

Upon execution of the SRA, Maritime Electric is required to submit a slot reservation payment of USD $5.6 million. This payment secures production capacity for two PE6000 combustion turbines, generators and emissions control equipment, and is credited toward the total equipment purchase price. It also initiates the process of finalizing the Superseding Agreement, which must be executed no later than November 1, 2025 (the “Supersede Date”). Execution of the Superseding Agreement triggers a Full Notice to Proceed payment of [redacted] (i.e., [redacted] of the equipment purchase price). If the Superseding Agreement is not executed by the Supersede Date, or if Maritime Electric cancels the SRA, the Company is liable for a cancellation fee of USD $4.75 million in addition to the Slot Reservation Payment.

The reproduced version of the full equipment payment schedule detailed in Exhibit C of the SRA is shown in Table 1.

| TABLE 1<br>ProEnergy Equipment Payment Schedule | | | |
|---|---|---|---|
| **Milestone/Progress** | **Timeline** | **Payment (%)** | **Payment Amount (USD x 1,000)** |
| Equipment Slot Reservation Agreement | Date of last signature | [redacted] | [redacted] |
| Full Notice to Proceed (Supersede Date) | 1-Nov-25 | | |
| Long Lead Procurement | 1-Dec-25 | | |
| Generator Ready to Ship; Unit 1 | 1-Aug-27 | | |
| Generator Ready to Ship; Unit 2 | 16-Aug-27 | | |
| Selective Catalytic Reduction Ready to Ship; Unit 1 | 15-Nov-27 | | |
| Selective Catalytic Reduction Ready to Ship; Unit 2 | 30-Nov-27 | | |
| CTG Progress Billing 1 | 15-Jun-27 | | |
| CTG Progress Billing 2 | 15-Jul-27 | | |
| CTG Progress Billing 3 | 15-Aug-27 | | |
| CTG Progress Billing 4 | 15-Sep-27 | | |
| CTG Progress Billing 5 | 15-Oct-27 | | |
| CTG Progress Billing 6 | 15-Nov-27 | | |
| Package Ready to Ship; Unit 1 | 15-Dec-27 | | |
| Package Ready to Ship; Unit 2 | 30-Dec-27 | | |
| Engine Ready to Ship; Unit 1 | 15-Dec-26 | | |
| Engine Ready to Ship; Unit 2 | 27-Dec-26 | | |
| | | **Total Equipment Purchase Price** | |

The SRA also includes a Long Lead Procurement payment of [redacted] by December 1, 2025, related to the procurement of long-lead equipment. This results in a total required financial commitment of [redacted] by December 1, 2025, to maintain the required timeline. The remaining payments associated with equipment supply become due between December 2026 and December 2027.

While the SRA provides Maritime Electric with a defined path to secure equipment, it also includes limited flexibility to cancel. Cancellation prior to the Supersede Date is permitted, but triggers the cancellation fee of USD $4.75 million. After the Supersede Date, the terms of the Superseding Agreement govern, including provisions for liquidated damages, interest on late payments, and suspension of performance in the event of non-payment.

The quoted price for the Engineering, Procurement and Construction scope is [redacted], calculated as the difference between the June 13, 2025, budgetary proposal and the equipment supply cost, as outlined above. Maritime Electric and ProEnergy will begin drafting the Engineering, Procurement and Construction agreement following execution of the Superseding Agreement, pending Commission approval. A draft of this agreement will be shared with the Commission as soon as it is available. Unlike the equipment supply payment schedule, Maritime Electric expects that the Engineering, Procurement and Construction payment schedule will include limited upfront financial commitments, with a majority of the Engineering, Procurement and Construction payments scheduled during the period when the Engineering, Procurement and Construction contractors are onsite, which is not expected until the summer of 2027.

## 5.2 PE6000 Combustion Turbine Overview

The Accelerated Capacity Solution consists of a 100 MW combustion turbine package made up of two 50 MW PE6000 aeroderivative combustion turbine units. The PE6000 combustion turbine units are refurbished aero versions of the GEV LM6000 turbine, which is the same as Maritime Electric's CT3 unit at the Charlottetown Generating Station.[21] The similarity between CT3 and the proposed ProEnergy combustion turbines offers significant operational advantages, including:

- Familiarity with maintenance and operating procedures;
- Compatibility with existing infrastructure; and
- Streamlined training and spare parts management.

Each PE6000 combustion turbine unit includes:

- Dual-fuel capability (i.e., natural gas and ultra-low sulfur diesel);
- Fast-start capability (i.e., less than 10 minutes);
- Hydrogen readiness, up to 35 per cent blend;[22]
- Synchronous condensing capability for voltage support;
- Winterization packages; and
- Allen Bradley ControlLogix control systems.

[21] ProEnergy acquires used General Electric CF6-80C2 aircraft turbofan engines, the same core engine used in the LM6000, and refurbishes them for stationary power use. Modifications include expanding the turbine section to convert thrust into shaft power, similar to the LM6000 conversion process.

[22] Hydrogen blending is only available when burning natural gas.

**Emissions Systems**

The PE6000 combustion turbine units will be equipped with advanced emissions control systems, including:

- Selective Catalytic Reduction systems to reduce NOx to ≤7.0 parts per million ("ppm");
- Carbon monoxide ("CO") oxidation catalysts to reduce CO to ≤5.0 ppm; and
- Continuous Emission Monitoring System for real-time compliance tracking.

These systems ensure compliance with all applicable environmental regulations and support Maritime Electric's commitment to responsible and sustainable energy supply. The December 2024 Application included optional pricing for several equipment technologies related to emissions monitoring and reduction, including Selective Catalytic Reduction, Continuous Emission Monitoring System and biodiesel capability, but these were not included in the combustion turbine cost estimate of $156 million in the December 2024 Application.

## 5.3 Engineering, Procurement and Construction Scope and Owner Responsibilities

The scope of the Accelerated Capacity Solution consists of two integrated components: the turnkey Engineering, Procurement and Construction scope provided by ProEnergy and the supporting infrastructure to be delivered by Maritime Electric. ProEnergy will design and construct a 100 MW dual-fuel PowerFLX facility, including all major equipment, balance-of-plant systems, emissions controls, and commissioning. Maritime Electric will be responsible for site infrastructure, including ultra-low sulfur diesel fuel delivery systems; electrical interconnections (covering both the transmission connection from the high-side breaker on the generator step up transformers and station service); raw water supply; and connections for stormwater and wastewater discharge to municipal systems. Permitting responsibilities also fall under Maritime Electric's scope.

### 5.3.1 ProEnergy Scope

ProEnergy will deliver a turnkey PowerFLX facility, including:

- Site specific detailed engineering of all equipment, balance-of-plant components, and civil requirements;

- Turbine enclosures, auxiliary systems, and balance-of-plant components;
- Emissions systems, water treatment, and electrical interconnection;[23]
- Supply and installation of the necessary concrete foundations, structural steel, fencing, supports, etc.;
- Procurement and all required transportation and logistics associated with equipment delivery;
- All required site construction work requirements, including labour, tools, consumables, equipment rentals, site security services, etc.;
- All required commissioning and start-up services; and
- Warranty coverage for 12 months.[24]

This comprehensive offer significantly offsets owner costs and eliminates the need for much of the upfront engineering originally contemplated in the December 2024 Application. Furthermore, the secured pricing in ProEnergy's proposal, which is backed by fixed pricing and defined delivery milestones, reduces the risk of cost escalation due to volatile market conditions, providing greater budget certainty and schedule assurance.

### 5.3.2 Maritime Electric Responsibilities

Maritime Electric is responsible for fuel storage and delivery infrastructure, permitting, utility interconnections (including water, wastewater and electrical service), and the transmission connection from the high-side breaker on the generator step up transformer to the existing Charlottetown Plant substation. These responsibilities are discussed in this section and the associated estimated costs are provided in Section 5.4.

**Fuel Storage and Delivery Infrastructure**

Maritime Electric intends to install two additional two-million litre ultra-low sulfur diesel storage tanks at the Charlottetown Generating Station site. This amount of fuel storage ensures that all three combustion turbines located at the Charlottetown Generating Station can operate at full load for a minimum of seven days without additional fuel deliveries, and aligns with current storage

[23] ProEnergy scope terminates at the high-side breaker from each generator step up transformer. Interconnection from the breaker to the Charlottetown Plant substation is included in Maritime Electric's scope.

[24] Warranty shall extend for a period of 12 months following substantial completion or 24 months from equipment arrival to site, whichever is sooner.

quantities for Maritime Electric's existing combustion turbines. The fuel storage and delivery infrastructure include:

- Two additional 2 million litre bulk storage tanks;
- One additional truck offloading station;
- One additional day tank;
- Fuel polishing skid;
- Fuel forwarding pumps;
- Fuel heater; and
- All required piping, insulation, heat tracing, pumps, controls, etc. as required to deliver fuel at the required specification to the combustion turbines.

**Grid Connections**

The output from each generator step up transformer associated with the proposed 100 MW combustion turbine package will be connected to Maritime Electric's existing 69 kV Charlottetown Plant substation via independent breakers. The existing substation infrastructure and local distribution load are capable of accepting the full output from the two new combustion turbines, in addition to the existing CT3 unit. However, to accommodate additional generation, the 69 kV bus will require expansion to provide an additional connection point.

The interconnection design will be finalized following completion of a full interconnection study, which will evaluate system compatibility, load flow impacts, fault current levels, and protection coordination. Maritime Electric anticipates that only minor upgrades will be required to meet reliability standards and ensure seamless integration with the existing grid.

Strategically, the reuse of the Charlottetown substation and adjacent infrastructure offers significant advantages. It minimizes environmental disturbance, avoids the need for new transmission corridors, and accelerates permitting timelines. The estimated cost of the required transmission interconnection and substation modifications is $8 million. This estimate includes bus expansion, protection system upgrades and associated civil works and is included within the Maritime Electric responsibilities line item in Table 2 - Cost Breakdown of Accelerated Capacity

Solution. Final costs will be refined upon completion of detailed engineering and the interconnection study.

**Permitting**

The development of the 100 MW combustion turbine package at the Charlottetown Generating Station will require an Environmental Impact Assessment ("EIA") permit from the Government of PEI and municipal development approval from the City of Charlottetown. For the EIA, Maritime Electric intends to leverage the comprehensive environmental review completed in 2014 when the Company submitted a full EIA application for a similar 50 MW combustion turbine project at the same site. This prior work provides a strong foundation for the current permitting process and is expected to streamline regulatory review. In parallel, the Company has initiated preliminary discussions with the City of Charlottetown regarding development permitting requirements and intends to advance this process as soon as possible to maintain the project's proposed schedule.

**Utility Connections**

To support the successful installation and operation of the proposed 100 MW combustion turbine package, Maritime Electric will be responsible for providing utility connections and site infrastructure. This includes a municipal water supply for plant operations, stormwater and wastewater connections from the output of the ProEnergy supplied systems to the municipal systems. Station service power connections will be established by Maritime Electric. In addition, Maritime Electric will install a black start generator capable of independently starting both combustion turbines in the event of a local grid outage to ensure system resilience and operational continuity.

## 5.4 Project Cost

The estimated total cost of the Accelerated Capacity Solution for the 100 MW of combustion turbine package is shown in Table 2. The estimated cost reflects the full turnkey Engineering, Procurement and Construction scope proposed by ProEnergy, as well as Maritime Electric supplied infrastructure and services necessary to support the installation and operation of the facility.

| **TABLE 2**<br>**Cost Breakdown of Accelerated Capacity Solution** | | |
|---|---|---|
| **Item** | **Cost ($ thousands)[a]** | **Comments** |
| ProEnergy Engineering, Procurement and Construction Scope | | |
| Equipment supply (USD) | [redacted] | As quoted in SRA |
| Engineering, Procurement and Construction pricing (USD) | | Difference between Engineering, Procurement and Construction Budgetary Proposal and Equipment Supply |
| USD/CAD exchange adjustment | | Based on a current USD/CAD exchange rate of 1.38 |
| Contingency | | Due to fixed price contract, contingency allowance is only 2 per cent for ProEnergy scope |
| Total ProEnergy Scope | | |
| Maritime Electric Scope | | |
| Maritime Electric Responsibilities | | Includes the provision of fuel storage and delivery infrastructure, transmission and utilities interconnections, and permitting as per Section 5.3.2 |
| Blackstart Capability | | Added one black start generator capable of starting both CTs. |
| Maritime Electric Labour, Site Overhead and Construction Indirect Costs | | Estimated at 10 per cent of Maritime Electric Labour, Site Overhead and Construction Indirect Costs of S&L estimate for 100 MW plant. Reduced allowance is due to the fixed turn-key contract arrangement. |
| Project Indirect Costs | | Estimated at 12 per cent of Maritime Electric scope plus estimated Owner's costs not included in ProEnergy's scope. |
| Contingency | | 20 per cent contingency for Maritime Electric scope |
| Total Maritime Electric Scope | | |
| **Total Cost of Accelerated Capacity Solution** | **$ 334,229** | |
| Cost per kW ($/kW) | 3,342[b] | |

a. Costs are in CAD unless otherwise noted.
b. The S&L cost estimates presented in Appendix A and summarized in Table 3 exclude transmission and utility interconnections, as well as permitting costs, which are estimated at approximately $10 million. These components are included in the total cost shown in Table 2 to provide full transparency to the Commission. Accordingly, the cost estimates in Appendix A and Table 3 are approximately $10 million lower than the total cost presented here.

A comparison of the combustion turbine proposed in the December 2024 Application and the combustion turbine package proposed as part of the Accelerated Capacity Solution is provided in

Table 3, including an updated cost estimate (August 2025) from S&L. In August 2025, S&L provided updated indicative cost estimates for both a 1 x 50 MW and a 2 x 50 MW GEV LM6000 combustion turbine installation at the Charlottetown Generating Station. These estimates were intended to provide benchmark overnight pricing and are included in the S&L letter attached as Appendix A. It is important to note that the S&L estimates do not include transmission and utility interconnection costs or permitting, which are estimated at approximately $10 million. These components are included in the total cost shown in Table 2 for the ProEnergy turnkey proposal. As a result, the ProEnergy cost shown in Table 2 is approximately $10 million higher than the cost shown in Table 3, which reflects the S&L cost esitmate. Additionally, S&L cautions that overnight capital cost estimates – such as those presented for the LM6000 units – should not be directly compared to fixed-price proposals like ProEnergy's, due to differences in scope, escalation, financing, and market volatility.

**TABLE 3**
**Project Combustion Turbine Comparison**

| | **December 2024 Application** | **S&L Current Cost Update (August 2025)** | **Accelerated Capacity Solution** |
|---|---|---|---|
| Capacity (MW) | 1 x 50 MW | 2 x 50 MW | 2 x 50 MW |
| Model | GEV LM6000 | GEV LM6000 | ProEnergy PE6000[a] |
| In-service timeline | 2029 | 2030+ | 2028 |
| Capital Costs (CAD/kW) | | | |
| Cost before Selective Catalytic Reduction and Continuous Emission Monitoring System | 3,120 | 3,333 | 3,240 |
| Selective Catalytic Reduction cost[b] | Optional: +$160/kW | Included | Included |
| Continuous Emission Monitoring System cost[b] | Optional: +$16/kW | Included | Included |
| **Cost including Selective Catalytic Reduction and Continuous Emission Monitoring System ($/kW)** | **3,296** | **3,333** | **3,240[c]** |
| Capabilities | | | |
| Synchronous condenser capability | Included | Included | Included |
| Fuel options | Diesel<br>Natural gas | Diesel<br>Natural gas | Diesel<br>Natural gas |
| BioDiesel capability | Optional: +$114/kW | Optional: +$132/kW | Optional: +$132/kW |

a. The PE6000 is a refurbished GEV LM6000.
b. See Section 8.4 of the December 2024 Application for details.
c. Reflects a USD/CAD exchange rate of 1.38.

**Net Present Value Analysis**

In the December 2024 Application, Maritime Electric presented a 2024 NPV analysis that demonstrated that the proposed Project would result in estimated cost savings of approximately 20 per cent compared to purchasing off-Island power generating capacity from NB Power. In Maritime Electric's response to Synapse IR-2(e) filed with the Commission on May 16, 2025, the Company indicated that it had received indicative capacity pricing from NB Power on April 17, 2025, for the period inclusive of 2027 to 2030. The indicative capacity pricing from NB Power was significantly higher than the pricing used in the December 2024 Application's NPV analysis. As a result of the indicative pricing received from NB Power and the introduction of the Accelerated Capacity Solution, Maritime Electric completed an updated NPV analysis for the Accelerated Capacity Solution.

The results of the updated NPV analysis for the Accelerated Capacity Solution are shown in Table 4. Like the NPV analysis in the December 2024 Application, for comparison purposes, the updated NPV analysis is based on the Accelerated Capacity Solution installed in the present year (i.e., the base year is 2025). The NPV analysis demonstrates that the Accelerated Capacity Solution is estimated to result in savings of approximately 50 per cent compared to continuing to purchase capacity resources and ancillary services from NB Power. Supporting calculations for the NPV analysis are provided in Confidential Appendix B.

| TABLE 4 | |
|---|---|
| **(Extension to Table 14 from December 2024 Application) 2025 NPV Analysis of Accelerated Capacity Solution** | |
| Nominal Capacity (MW) | 100 |
| Load Following Assignment (MW) | - |
| Spinning Reserve Assignment (MW) | - |
| Service Life (Years) | 50 |
| Total Estimated Installed Cost ($ millions) | 334 |
| Estimated Annual Fixed O&M in Year 1 ($ millions) | 1.2 |
| **Present Cost of Project (2024 $ millions):** | |
| **Total Project Cost Over Useful Life (A)** | **412** |
| Present Avoided Cost of Project: | |
| Off-Island Capacity Purchases | 858 |
| Off-Island Load Following | 0 |
| Off-Island Spinning Reserve | 0 |
| Future Standalone Synchronous Condenser[a] | 46 |
| **Total Avoided Cost Over Useful Life (B)** | **904** |
| **Net Present Value (2024 $ millions; C = B - A)** | **492** |
| *Per Cent Savings (D = C / B)* | *54%* |

a. Represents the avoided cost of installing a standalone synchronous condenser because the Accelerated Capacity Solution cost estimate includes synchronous condensers. Refer to Section 7.5 of the December 2024 Application for more information. The cost of the standalone synchronous condenser was inflated by 30 per cent to match that of combustion turbine equipment.

## 5.5 Deferral Account

Maritime Electric respectfully requests Commission approval to establish a deferral account for the future recovery from customers of expenses incurred in relation to the Accelerated Capacity Solution. This account is essential to enable the Company to proceed with time-sensitive commercial commitments required to secure 100 MW of on-Island dispatchable generation capacity by 2028.

The increasing capacity deficit is the most critical risk facing Maritime Electric today. As detailed in Section 6.3, failure to secure new on-Island dispatchable generation capacity by 2028 through the Accelerated Capacity Solution would result in a minimum two-year delay, jeopardizing the Company's ability to supply customers during system peak periods. The Accelerated Capacity

Solution represents the only viable and cost-effective path to mitigate this risk within the required timeframe.

To maintain alignment with NB Power's Centre Village project and secure manufacturing capacity from ProEnergy, Maritime Electric must issue a non-refundable Slot Reservation Payment of USD $5.6 million by September 2025.[25] This payment initiates the production process and is credited toward the total equipment purchase price. Subsequent payments totaling [redacted] are due by December 1, 2025, including a Full Notice to Proceed payment and a Long Lead Procurement payment. These payments are governed by the SRA and are essential to maintain the project's critical path to commissioning by 2028.

Maritime Electric is, therefore, seeking Commission approval to establish a deferral account for the future recovery from customers of the following categories of expenses:

- Slot Reservation Payment;
- Full Notice to Proceed and Long Lead Procurement payments;
- Owner's costs required to advance permitting, site readiness, and transmission integration design; and
- Any additional costs necessary to maintain project momentum and alignment with NB Power's delivery schedule.

Approval of this deferral account will allow Maritime Electric to proceed with the Accelerated Capacity Solution without delay, while ensuring that all expenditures are subject to future prudency review and recovery through rates. The Company emphasizes that these early-stage commitments are not without consequence; once the Slot Reservation Payment is made, the project must continue to progress to avoid financial penalties and loss of slot reservation.

[25] The slot reservation does not have a fixed expiry date; rather, its viability depends on the volume of reservations ProEnergy receives in the coming weeks. A single large order or multiple smaller orders could push Maritime Electric's production slot beyond the timeframe required to align with NB Power's project. If that occurs, the opportunity to share resources and benefit from execution synergies may be lost, and ProEnergy may no longer be willing to proceed with the Maritime Electric project under the current terms.

Maritime Electric submits that the establishment of a deferral account is in the public interest and consistent with the Company's obligation to ensure reliable and secure electricity supply for customers. The Company is committed to transparency and will provide quarterly updates to the Commission detailing all expenditures incurred under the deferral account, as well as progress on permitting, engineering, and project development activities.

# 6.0 BENEFITS

Justification for the Project outlined in Section 7.0 of the December 2024 Application are still applicable to the Accelerated Capacity Solution. The combustion turbine package with synchronous condensing capabilities proposed as part of the Accelerated Capacity Solution aligns with the combustion turbine component of the December 2024 Application.[26] However, there are several benefits to the Accelerated Capacity Solution including lower costs, pricing security, an accelerated timeline, and construction and operational efficiencies. These benefits are discussed in this section.

## 6.1 Lower Cost

The Accelerated Capacity Solution represents a lower cost option for securing on-Island dispatchable generation capacity. Table 5 shows a comparison of capacity costs based on the December 2024 Application, an update provided in May 2025, a current August 2025 update and the Accelerated Capacity Solution. The table demonstrates the significant cost increases for dispatchable generation recently experienced in the industry and serves as evidence that the Accelerated Capacity Solution is the most cost-effective option.

[26] The combustion turbine component is described Section 6.2 of the December 2024 Application.

| TABLE 5<br>Project Capacity Cost Comparison | | | |
|---|---|---|---|
| | **Total Capacity (MW)** | **Capacity Cost (CAD/kW)** | **In-Service Timeline** |
| On-Island Capacity for Security of Supply Project Application (December 2024) | | | |
| 10 MW/40 MWh BESS | 10 | 2,664 | 2028 |
| 50 MW combustion turbine | 50 | 3,345 | 2029 |
| 90 MW RICE | 90 | 2,722 | 2030 |
| Weighted Average | | 2,926 | |
| Response to Synapse IR-12(b) Cost Update (May 2025) | | | |
| 10 MW/40 MWh BESS | 10 | 2,670 | - |
| 50 MW combustion turbine | 50 | 3,871 | - |
| 90 MW RICE | 90 | 3,234 | - |
| Weighted Average | | 3,409 | |
| S&L Current Cost Update (August 2025) | | | |
| 50 MW combustion turbine | 50 | 3,863[a] | 2030+ |
| 100 MW combustion turbine | 100 | 3,333[a] | 2030+ |
| Accelerated Capacity Solution | | | |
| 100 MW combustion turbine package | 100 | 3,240[b] | 2028 |

a. Combustion turbine cost estimates provided by S&L in May included biodiesel capabilities. Cost estimates provided in August do not include biodiesel capabilities.
b. CAD/kW capacity cost for the Accelerated Capacity Solution is based on the August 2025 S&L cost estimate, included in Appendix A, not the total project costs in Table 2, to maintain consistency with prior capacity cost comparisons.

## 6.2 Secured Fixed Pricing

ProEnergy's contract agreement structure and experience executing similar projects as an Engineering, Procurement and Construction contractor significantly reduces the risk of market price impacts and cost escalations. Their contract structure allows Maritime Electric to secure a fixed price for the combustion turbine package, which is particularly advantageous given current market volatility and inflationary trends in the industry. In total, [redacted] of the total estimated project cost, per Table 2 - Cost Breakdown of Accelerated Capacity Solution, would be secured under this arrangement. This secured pricing provides Maritime Electric with budget certainty and mitigates the risk of future cost increases that could otherwise arise from supply chain disruptions or commodity price fluctuations.

Missing out on the savings that the Accelerated Capacity Solution will provide would expose future Project costs to significant financial risk. Global demand for combustion turbines continues to rise, and manufacturers are reporting extended backlogs. If this opportunity is not secured, it is unlikely that any alternative project could be commissioned before 2030, by which time market constraints, inflationary pressures, and supply chain congestion are expected to drive project costs substantially higher.

## 6.3 Accelerated Timeline

With Maritime Electric's capacity deficit increasing each year, delays in securing on-Island dispatchable generation capacity significantly increase the risk of capacity shortages during high customer load periods. Securing dispatchable generation capacity by 2028 is the critical advantage offered by the Accelerated Capacity Solution and the only option to do so.

Due to high global power generation equipment demand, as outlined in Section 4.2, if the Accelerated Capacity Solution is missed, it is unlikely that any alternative project could be commissioned before 2030. Additionally, ProEnergy's experience, Engineering, Procurement and Construction services and contract structure provide greater certainty of project completion by 2028 and reduces the risk of schedule delays. As a result, missing the opportunity would expose Maritime Electric and customers to heightened financial risk and threaten the Company's ability to supply customers during system peaks for at least two or more winters, before any other capacity solution could be secured.

## 6.4 Brownfield Site

As described in Section 6.2 of the December 2024 Application, Maritime Electric currently has the Charlottetown Generating Station site that houses CT3, a fuel tank depot, and a water treatment facility. The Company recently demolished the Charlottetown Steam Plant on the site, which has provided ample space for the addition of a new combustion turbine package (consisting of two combustion turbines). The Charlottetown Generating Station site offers ideal conditions for the installation of additional combustion turbines, with synchronous condensing capability, and minimizes the need for new infrastructure development. This type of site is referred to as a brownfield site, and offers significant advantages compared to a greenfield site.[27]

[27] Brownfield refers to reusing previously developed land, while greenfield refers to undeveloped land.

The Charlottetown Generating Station brownfield site offers Maritime Electric considerable strategic and operational benefits. Ownership of the land eliminates the cost and risk of delays associated with land acquisition. Because of the established use of the land as a power generation site, environmental and municipal approvals are expected to be more straightforward. Additionally, shared services such as the existing fuel delivery infrastructure and water treatment facility can be leveraged, avoiding the need for duplicative investment in critical systems. Lastly, locating the new combustion turbine package within an established power generation site enables operational efficiencies, as discussed in Section 6.5.

## 6.5 Construction and Operational Efficiencies

There are several construction and operational efficiencies associated with the Accelerated Capacity Solution. The combustion turbines included in ProEnergy's standard package are refurbished GEV LM6000 model turbines, the same model as Maritime Electric's existing CT3 unit. This alignment offers significant operational advantages, including compatibility with existing infrastructure, streamlined operator training, and simplified maintenance procedures. Several Maritime Electric personnel were involved in the commissioning of CT3 in 2005 and are already familiar with the operational characteristics of the LM6000 platform.

It is also important to note that ProEnergy typically only offers Engineering, Procurement and Construction service contracts to customers installing a minimum of 200 MW. While ProEnergy is willing to sell turbine packages with two units, it does not normally provide Engineering, Procurement and Construction services for those smaller standalone projects. Maritime Electric's ability to secure Engineering, Procurement and Construction services for its 100 MW project is directly tied to the timing and alignment with NB Power's Centre Village project. This sequencing creates substantial efficiencies. The same construction crews, engineering teams, and logistics providers engaged in the NB Power project can be remobilized to PEI with minimal delay. Sequencing also provides continuity, which reduces mobilization and demobilization costs, shortens the learning curve for site-specific conditions, and allows ProEnergy to treat the PEI installation as a direct extension of its work for NB Power, rather than a separate project. These efficiencies translate into lower capital costs, reduced schedule risk, and enhanced execution certainty.

In summary, the Accelerated Capacity Solution enables Maritime Electric to leverage a unique window of execution efficiency that would not be available if a different ProEnergy (or other supplier) solution were pursued independently or at a later date. The ability to secure Engineering, Procurement and Construction services for a two-unit installation, combined with the operational familiarity of the GEV LM6000 platform and the strategic reuse of the Charlottetown Generating Station site, makes this project configuration both cost-effective and highly executable.

# 7.0 RISK ANALYSIS AND MITIGATION

The Accelerated Capacity Solution represents Maritime Electric's only viable path to securing new on-Island dispatchable generation capacity by 2028. While the ProEnergy proposal offers a firm, turnkey solution that mitigates many traditional project risks, including cost escalation and engineering uncertainty, the aggressive timeline required to align with NB Power's Centre Village project introduces its own set of challenges. This section outlines the key risks associated with the project and the mitigation strategies being pursued to ensure successful execution within the required timeframe.

## 7.1 Reservation Slot Deposit

The SRA with ProEnergy requires Maritime Electric to make a downpayment of USD $5.6 million to secure manufacturing capacity for two PE6000 combustion turbines.[28] The downpayment is credited toward the total equipment purchase price under the future Superseding Agreement, but this downpayment is largely non-recoverable if the project does not proceed. Should the Superseding Agreement not be executed by the November 1, 2025, Supersede Date, or if Maritime Electric terminates the SRA prior to that date, a Cancellation Fee of USD $4.75 million is payable by Maritime Electric.[29]

The SRA is not a passive reservation, meaning that upon execution and payment, ProEnergy is contractually obligated to begin reserving production capacity and preparing for equipment delivery. Maritime Electric must concurrently begin advancing permitting activities and regulatory approvals to meet the aggressive project schedule. The SRA outlines a series of binding payment milestones that escalate the Company's financial commitment:

- November 1, 2025: A [redacted] downpayment [redacted] of the total equipment cost is due upon issuance of the Full Notice to Proceed.
- December 1, 2025: An additional [redacted] payment [redacted] is required to initiate procurement of long-lead equipment.

[28] A copy of the SRA is included in Confidential Appendix D.
[29] As per the SRA, upon cancellation of the SRA a cancellation fee of USD $4.75 million is to be paid by Maritime Electric to ProEnergy in addition to the SRA downpayment of USD $5.6 million.

These early-stage financial commitments are essential to maintain alignment with NB Power's Centre Village project and to ensure delivery of on-Island capacity by 2028. However, they also introduce risk should permitting or regulatory approvals not be secured in time. The structure of the SRA therefore places a premium on timely and coordinated action by Maritime Electric and the Commission to advance the Accelerated Capacity Solution.

## 7.2 Tariffs and Currency Exchange Rates

The risk of tariffs or changes to the USD-to-CAD exchange rate remains a consideration. ProEnergy is located in Missouri, USA; therefore, the project may be subject to tariffs imposed between Canada and the United States. However, this risk is not unique to ProEnergy; other manufacturers of combustion turbines and RICE units also source materials or construct components within the USA and would therefore be subject to similar tariff exposure. As of August 12, 2025, the current tariff regime does not appear to materially impact the cost of the Accelerated Capacity Solution.

The ability to secure a firm, turnkey offer at a fixed price remains a key advantage of the ProEnergy proposal and a critical factor in the Company's recommendation to proceed without delay.

## 7.3 Environmental Impact Assessment Approvals

The Accelerated Capacity Solution will require EIA approval from the Government of PEI. Given that an identical combustion turbine is already located at the Charlottetown Generating Station site, the Company does not foresee EIA approval as a significant risk. Since Maritime Electric filed the December 2024 Application, the Company has had preliminary discussions with the Government of PEI's Department of Environment, Energy and Climate Action about the EIA process.

In 2014, the Company retained a consultant to help prepare an EIA for a combustion turbine project that was eventually not pursued. At the time, the EIA was for one additional GEV LM6000 combustion turbine unit. Maritime Electric recently inquired with the consultant about updating the 2014 EIA to reflect the Accelerated Capacity Solution. The consultant indicated that the EIA work completed in 2014 was still relevant and could be updated to reflect the Accelerated Capacity

Solution. The ability to complete the EIA application rapidly due to the partially completed EIA will help mitigate the risk of EIA approval delays.

### 7.4 Municipal Approvals

The Charlottetown Generating Station is currently zoned Comprehensive Development Area in the City of Charlottetown, which requires approval by city council for a construction permit. Given that an identical combustion turbine is already located onsite and that Maritime Electric recently demolished a much larger steam plant building on the same site, the Company does not foresee municipal approval as a significant risk.

Since Maritime Electric filed the December 2024 Application, the Company has had preliminary discussions with the City of Charlottetown about the potential for additional generation on the site. Maritime Electric will begin working on municipal approvals immediately, if approved by the Commission, to mitigate risks associated with municipal approval delays.

### 7.5 Deferral Account

As detailed in Section 5.5, Maritime Electric is seeking Commission approval to establish a deferral account to support time-sensitive commercial commitments under the Accelerated Capacity Solution as well as costs associated with the Company advancing permitting and siting requirements. While this account mitigates financial risk for the Company by ensuring recovery of committed expenditures, it introduces a corresponding risk for ratepayers. If the project is ultimately denied after funds have been committed, customers will remain responsible for covering those costs through rates.

The SRA requires early-stage payments totaling [redacted] by December 1, 2025. These commitments are necessary to maintain alignment with NB Power's delivery schedule and secure manufacturing capacity. However, once incurred, these costs become recoverable through the deferral account regardless of whether the project proceeds, underscoring the importance of timely regulatory approvals and coordinated execution.

# 8.0 ESTIMATED IMPACT ON RATE BASE, REVENUE REQUIREMENT AND CUSTOMER RATES

Section 10.0 of the December 2024 Application provided a hypothetical customer rate impact for the Project of approximately 10 per cent for benchmark Rural Residential, Urban Residential and General Service customers. An accurate estimated rate impact was not provided due to several listed factors. However, a significant portion of the Accelerated Capacity Solution costs are secured fixed costs through an Engineering, Procurement and Construction contract with ProEnergy; therefore, a more accurate estimated rate impact can be calculated.

The estimated impact on customer rates of the Accelerated Capacity Solution is approximately 6 per cent for benchmark Rural Residential, Urban Residential and General Service customers.[30] Detailed calculations for the estimated impact on rate base, revenue requirement and customer rates are provided in Confidential Appendix F.

While the Accelerated Capacity Solution will result in an increase in customer rates, over the useful life of the 100 MW combustion turbine package and on a present value basis, the Accelerated Capacity Solution costs are expected to be more than offset by the avoided costs, resulting in a positive economic benefit to customers, as discussed in Section 5.4. The Accelerated Capacity Solution is estimated to result in savings of approximately 50 per cent compared to doing nothing and continuing to purchase capacity resources and ancillary services from NB Power, which assumes that such resources and services will be available for purchase when needed.

[30] Benchmark Residential Rural and Residential Urban customers include 650 kWh of consumption per month. Benchmark General Service customers include 10,000 kWh of consumption per month. Taxes are excluded from the impact on customer rates.

## 9.0 PROPOSED ORDER

**C A N A D A**

**PROVINCE OF PRINCE EDWARD ISLAND**

**BEFORE THE ISLAND REGULATORY**
**AND APPEALS COMMISSION**

**IN THE MATTER** of Section 17(1) of the *Electric Power Act* (R.S.P.E.I. 1988, Cap. E-4) and **IN THE MATTER** of the Supplemental Filing of Maritime Electric Company, Limited for the approval of an Accelerated On-Island Capacity Development Solution as part of the On-Island Capacity for Security of Supply Project.

UPON receiving a Supplemental Filing by Maritime Electric Company, Limited (the "Company") for approval of an Accelerated On-Island Capacity Development Solution (the "Accelerated Capacity Solution");

AND UPON considering the December 2024 Application and Evidence filed in support thereof;

NOW THEREFORE, for the reasons given in the annexed Reasons for Order and pursuant to the Electric Power Act

IT IS ORDERED THAT

1. The need for 100 MW of the 150 MW in the On-Island Capacity for Security of Supply Project Application, filed on December 18, 2024, is approved.
2. A deferral account for future recovery from customers of expenditures related to the Accelerated Capacity Solution is approved.

3. Expenditures listed in the payment schedule outlined in the ProEnergy Slot Reservation Agreement, through the deferral account, is approved.
4. Maritime Electric shall continue to work on finalizing an Equipment Purchase and Sale Agreement ("Superseding Agreement") with ProEnergy. A final Superseding Agreement shall be provided to the Commission with detailed costing information for review prior to signing the contract.
5. Maritime Electric shall continue to work on finalizing an Engineering, Procurement and Construction contract with ProEnergy. A final Engineering, Procurement and Construction contract shall be provided to the Commission with detailed costing information for review prior to signing the contract.
6. Maritime Electric shall provide the Commission with additional details of the Company's scope of work for the project.
7. In the event that any of the ProEnergy payments exceed the amounts noted in the SRA provided in Appendix D, Maritime Electric shall submit a written update.
8. Maritime Electric shall provide the Commission quarterly progress reports including timelines and costs.

DATED at Charlottetown, Prince Edward Island, this ___ day of _____, 2025.

BY THE COMMISSION:

_____

Chair

_____

Commissioner

_____

Commissioner

# APPENDIX A

## S&L Letter
## Re: Firm Generation Capacity on Prince Edward Island

**Matthew Thibodeau, P.E.**
**Senior Vice President – Consulting Services**
**1-312-269-7633**
**matthew.r.thibodeau@sargentlundy.com**

August 13, 2025

**Re: Firm Generation Capacity on Prince Edward Island**

Kent Nicholson
Director, Production & Energy Control Operations
Maritime Electric Company Ltd.

Dear Mr. Nicholson:

Sargent & Lundy (S&L) is providing this memorandum to the Maritime Electric Company Ltd. (MECL) to provide additional information with respect to new generation capacity on Prince Edward Island (PEI). S&L issued a Capacity Resource Study and subsequent addendum, both prepared for MECL in 2022 and 2023, respectively. The retirement of generation assets on PEI, combined with increased on-island demand — most notably observed during the February 2023 polar vortex event — has left a substantial gap in available on-island capacity as compared to peak island electricity demand. This gap has the potential to leave PEI particularly exposed during any future events in which PEI is curtailed or electrically islanded from the mainland, especially during the winter months when PEI's electrical load is the highest.

In addition to being exposed during future curtailment or islanded events, because of increasing load, PEI is edging closer to not being able to meet peak load times without curtailments. By 2027, PEI's peak load is expected to be approximately 408 MW, with the current interconnection limit of 300 MW and only 104 MW of dispatchable on-island generation available. As such, during times of low or no wind generation, projected peak load in 2027 will not be able to be fully served. To address this issue, S&L recommends that MECL act promptly to install additional firm capacity on-island to help better safeguard the island against such future events.

MECL is currently considering different combustion turbine (CT) options for future firm generation capacity on PEI, including ProEnergy PE6000 turbines and General Electric (GE) LM6000 turbines. Both units have similar operating characteristics and both are well-suited to help MECL address the firm (on-island) capacity deficiency in PEI.

ProEnergy is a company that specializes in providing refurbished GE CF6-80C2 turbines, which has the same engine core as is found in the GE LM6000. Refurbished turbines represent a lower-cost option than new turbines and refurbished units can typically be installed on a relatively short timeline, as a result of shorter procurement lead times for PE6000 turbines as compared to new options, such as GE's LM6000 turbines. We understand from MECL that a neighboring utility has been independently negotiating with ProEnergy for approximately the past year and has invited MECL to be a part of their procurement discussions with ProEnergy, effectively allowing MECL to quickly move forward in project discussions with ProEnergy. Aligning with the neighboring utility's procurement timeline also allows MECL to benefit from economies of scale and accelerated delivery schedules. If MECL decides to take advantage of this opportunity, MECL needs to act promptly in order to secure their place in the ProEnergy procurement queue – significant delay on MECL's part could result in missing the current opportunity to obtain a forward position in the procurement queue. Note that a forward position in the procurement queue would also help reduce cost uncertainty for MECL. S&L does not consider the fact that the ProEnergy units are refurbished to be a significant risk for MECL. In addition, MECL will be primarily utilizing the units as backup generators to backstop the system against potential curtailment / islanding events; thus, utilization is anticipated to be relatively low. For this particular use case, S&L considers the ProEnergy PE6000 units to be well suited for MECL's needs.

Alternatively, MECL could pursue new GE LM6000 turbines. These CTs are widely used in the electricity industry and have a reliable pedigree. However, this option would require MECL to initiate a new negotiation with General Electric and enter a long procurement queue – for reference, S&L is currently observing lead times for LM6000 units in the two to three year range from order to delivery. Additionally, there is a risk of escalating and uncertain costs over the duration of the procurement process, due to recent very high demand and resulting increasing prices for combustion turbines across the industry. As a point of reference, S&L has observed the cost for LM6000 turbines (and similar CT types) increase on the order of 30% over the last 12 months. Because of these long lead times and cost uncertainties, it is unlikely that MECL could secure future LM6000 units at or near the price in ProEnergy's recent proposal. These factors make it challenging to favor purchasing new LM6000s over the opportunity MECL has to purchase PE6000s both at lower cost and on an accelerated timeline.

S&L previously provided a cost estimate for a single LM6000 unit to MECL in September 2024 as part of MECL's regulatory filings. Since then, S&L has updated costs in this estimate to account for recent changes / inflation in prices in the industry. The updated estimate is provided in the table below, in addition to estimates for two LM6000 units and the recent proposal from ProEnergy for two PE6000 units. The cost estimate reflects an Association for the Advancement of Cost Engineering (AACE) Class 4 (feasibility study) / 5 (conceptual or screening estimate) classification. The estimated costs in the table have been levelized such that each option

reflects a consistent cost basis, for example, the procurement of all required major support equipment, required labor, overheads, etc. As such, costs can be compared side by side.

Most noteworthy is the fact that the ProEnergy cost is based on a recent proposal ProEnergy provided to MECL, meaning MECL could theoretically procure the units at or near to that price. The estimates for the LM6000 units reflect recent market pricing; however, as noted above, MECL is unlikely to be able to secure delivery for LM6000 units for two to three years due to the long procurement queue length. As such, if recent market price trends are to continue, MECL is likely to pay a substantially higher price for LM6000 turbines than what is shown in the table. Also note that in the table the per kilowatt (kW) cost of purchasing two units instead of one unit is less than double. The reason for this is that multiple units share some support / balance of plant equipment and infrastructure, which drives the per kW cost down.

Furthermore, it is important to note that the electric power industry is in a period of tremendous change and volatility. Costs for new electric power equipment and power plants have changed significantly in the past several years and may continue to do so. Due to the rapid changes and market uncertainties, it is not possible to directly quantify the validity period for generation cost estimates, but the validity period should be assumed to be quite short.

**Estimated Overnight Capital Cost Comparison for LM6000 and PE6000 Combustion Turbines ($CAD, 000s)**

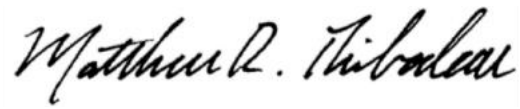
| **Units** | **1 x LM6000** | **2 x LM6000** | **2 x PE6000** |
|---|---|---|---|
| Approximate Net Capacity | 51 MW | 102 MW | 100 MW |
| Major Equipment and Installation | [redacted] | [redacted] | [redacted] |
| Balance of Plant Equipment and Installation | [redacted] | [redacted] | [redacted] |
| Development and Owner's Cost | [redacted] | [redacted] | [redacted] |
| **Total Overnight Capital Cost ($CAD, 000s)** | **197,000** | **340,000** | **324,000** |
| **Cost per kW ($/kW)** | **3,863** | **3,333** | **3,240** |

Notes:

1) The LM6000 cost estimates reflects an Association for the Advancement of Cost Engineering (AACE) Class 4 (feasibility study) / 5 (conceptual or screening estimate) classification. The PE6000 cost estimates are based on a recent ProEnergy proposal MECL received.
2) Note that the estimated costs for the LM6000 options reflect recent market pricing and are not indicative of a price proposal like that of the PE6000 option.
3) The above costs are overnight capital costs and do not include cost considerations such as escalation, financing fees, interest during construction (IDC), tariffs, land acquisition, network upgrades or interconnection facility costs, or HV transmission line. Overnight capital costs should not be compared directly with prices being seen in the marketplace, due to differences in escalation, IDC, and other factors.
4) Given the substantial lead times for LM6000 turbines and recent price increases, MECL would likely have to pay more than the values represented in the table above for the LM6000 turbines. Costs in the table above for PE6000 turbines are based on the proposal MECL recently received from ProEnergy. As such, MECL would likely pay at or near the costs indicated in the table above for the PE6000 turbines.
5) The LM6000 estimates above were updated from S&L's previous estimate to levelized the scope of services proposed in the PE6000 offering from ProEnergy.

Given the potential risk to PEI during an event where the island is curtailment / electrically isolated from the mainland, especially during the winter, we recommend MECL develop additional firm generation capacity on PEI. The opportunity to purchase ProEnergy turbines on an accelerated timeline represents a relatively low-cost solution to address PEI's needs quickly. As such, S&L recommends that MECL pursue this opportunity.

Best Regards,



Matthew Thibodeau
Senior Vice President – Consulting Services

# CONFIDENTIAL APPENDIX B

## Net Present Value Inputs and Calculations

# Net Present Value Analysis
# ProEnergy 2 x PE6000 Combustion Turbines with Synchronous Condenser
# Net Present Cost

| **Inputs** | |
|---|---|
| Nominal Capacity (MW) | 100 |
| Fuel Type | Diesel |
| Useful Life (years) | 50 |
| Total Installed Cost ($ x 1,000) | 334,229 |
| Year 1 Operation and Maintenance Cost ($ x 1,000) | 1,197 |
| Operation and Maintenance Inflation Rate | 2% |
| Corporate Income Tax Rate | 31% |
| Normal Capital Cost Allowance Rate | 8% |
| Debt Ratio | 60% |
| Equity Ratio | 40% |
| Debt Interest Rate | 4.91% |
| Equity Return Rate | 9.35% |
| Weighted Cost of Capital/NPV Rate of Return | 6.69% |

| **Project Cost ($ x 1,000)** | | | | | | |
|---|---|---|---|---|---|---|
| **Year** | **Amort.** | **O & M** | **Debt Interest** | **Equity Return** | **Income Taxes** | **Total** |
| 1 | 3,677 | 1,197 | 9,758 | 12,388 | 5,566 | 32,585 |
| 2 | 7,428 | 1,221 | 9,483 | 12,039 | 5,409 | 35,579 |
| 3 | 7,428 | 1,245 | 9,116 | 11,573 | 5,200 | 34,562 |
| 4 | 7,428 | 1,270 | 8,767 | 11,130 | 5,000 | 33,595 |
| 5 | 7,428 | 1,295 | 8,433 | 10,706 | 4,810 | 32,673 |
| 6 | 7,428 | 1,321 | 8,114 | 10,301 | 4,628 | 31,793 |
| 7 | 7,428 | 1,348 | 7,809 | 9,914 | 4,454 | 30,952 |
| 8 | 7,428 | 1,375 | 7,516 | 9,541 | 4,287 | 30,147 |
| 9 | 7,428 | 1,402 | 7,234 | 9,184 | 4,126 | 29,374 |
| 10 | 7,428 | 1,430 | 6,963 | 8,839 | 3,971 | 28,632 |
| 11 | 7,428 | 1,459 | 6,701 | 8,507 | 3,822 | 27,917 |
| 12 | 7,428 | 1,488 | 6,448 | 8,186 | 3,678 | 27,228 |
| 13 | 7,428 | 1,518 | 6,204 | 7,876 | 3,538 | 26,563 |
| 14 | 7,428 | 1,548 | 5,966 | 7,574 | 3,403 | 25,920 |
| 15 | 7,428 | 1,579 | 5,736 | 7,282 | 3,272 | 25,297 |
| 16 | 7,428 | 1,611 | 5,512 | 6,998 | 3,144 | 24,693 |
| 17 | 7,428 | 1,643 | 5,294 | 6,721 | 3,020 | 24,105 |
| 18 | 7,428 | 1,676 | 5,081 | 6,451 | 2,898 | 23,534 |
| 19 | 7,428 | 1,709 | 4,873 | 6,187 | 2,780 | 22,978 |
| 20 | 7,428 | 1,744 | 4,670 | 5,929 | 2,664 | 22,434 |
| 21 | 7,428 | 1,778 | 4,471 | 5,676 | 2,550 | 21,904 |
| 22 | 7,428 | 1,814 | 4,276 | 5,428 | 2,439 | 21,385 |
| 23 | 7,428 | 1,850 | 4,084 | 5,185 | 2,330 | 20,877 |
| 24 | 7,428 | 1,887 | 3,896 | 4,946 | 2,222 | 20,379 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 25 | 7,428 | 1,925 | 3,710 | 4,710 | 2,116 | 19,890 |
| 26 | 7,428 | 1,963 | 3,528 | 4,478 | 2,012 | 19,410 |
| 27 | 7,428 | 2,003 | 3,348 | 4,250 | 1,909 | 18,937 |
| 28 | 7,428 | 2,043 | 3,170 | 4,024 | 1,808 | 18,473 |
| 29 | 7,428 | 2,084 | 2,994 | 3,801 | 1,708 | 18,015 |
| 30 | 7,428 | 2,125 | 2,820 | 3,581 | 1,609 | 17,563 |
| 31 | 7,428 | 2,168 | 2,648 | 3,362 | 1,511 | 17,117 |
| 32 | 7,428 | 2,211 | 2,478 | 3,146 | 1,414 | 16,677 |
| 33 | 7,428 | 2,255 | 2,310 | 2,932 | 1,317 | 16,243 |
| 34 | 7,428 | 2,301 | 2,142 | 2,720 | 1,222 | 15,813 |
| 35 | 7,428 | 2,347 | 1,976 | 2,509 | 1,127 | 15,387 |
| 36 | 7,428 | 2,393 | 1,812 | 2,300 | 1,033 | 14,966 |
| 37 | 7,428 | 2,441 | 1,648 | 2,092 | 940 | 14,549 |
| 38 | 7,428 | 2,490 | 1,485 | 1,886 | 847 | 14,136 |
| 39 | 7,428 | 2,540 | 1,324 | 1,680 | 755 | 13,727 |
| 40 | 7,428 | 2,591 | 1,163 | 1,476 | 663 | 13,321 |
| 41 | 7,428 | 2,643 | 1,003 | 1,273 | 572 | 12,918 |
| 42 | 7,428 | 2,695 | 843 | 1,071 | 481 | 12,519 |
| 43 | 7,428 | 2,749 | 685 | 869 | 391 | 12,122 |
| 44 | 7,428 | 2,804 | 527 | 669 | 300 | 11,728 |
| 45 | 7,428 | 2,860 | 369 | 469 | 211 | 11,337 |
| 46 | 7,428 | 2,918 | 212 | 269 | 121 | 10,948 |
| 47 | 7,428 | 2,976 | 56 | 71 | 32 | 10,562 |
| 48 | 7,428 | 3,035 | -100 | -127 | -57 | 10,178 |
| 49 | 7,428 | 3,096 | -256 | -325 | -146 | 9,797 |
| 50 | 7,428 | 3,158 | -411 | -522 | -235 | 9,418 |
| **Total** | **367,652** | **101,225** | **197,890** | **251,225** | **112,869** | **1,030,860** |
| **NPC** | **110,115** | **24,364** | **97,637** | **123,952** | **55,689** | **411,757** |

## Net Present Value Analysis
## Standalone Synchronous Condenser
## Net Present Cost

| **Inputs** | |
|---|---|
| Nominal Capacity (MW) | 50 |
| Useful Life (years) | 50 |
| Total Installed Cost ($ x 1,000) | 39,000 |
| Year 1 Operation and Maintenance Cost ($ x 1,000) | 30 |
| Operation and Maintenance Inflation Rate | 2% |
| Corporate Income Tax Rate | 31% |
| Normal Capital Cost Allowance Rate | 8% |
| Debt Ratio | 60% |
| Equity Ratio | 40% |
| Debt Interest Rate | 4.91% |
| Equity Return Rate | 9.35% |
| Weighted Cost of Capital/NPV Rate of Return | 6.69% |

| **Project Cost ($ x 1,000)** | | | | | | |
|---|---|---|---|---|---|---|
| **Year** | **Amort.** | **O & M** | **Debt Interest** | **Equity Return** | **Income Taxes** | **Total** |
| 1 | 429 | 30 | 1,139 | 1,445 | 649 | 3,692 |
| 2 | 867 | 31 | 1,107 | 1,405 | 631 | 4,040 |
| 3 | 867 | 31 | 1,064 | 1,350 | 607 | 3,919 |
| 4 | 867 | 32 | 1,023 | 1,299 | 583 | 3,804 |
| 5 | 867 | 32 | 984 | 1,249 | 561 | 3,694 |
| 6 | 867 | 33 | 947 | 1,202 | 540 | 3,589 |
| 7 | 867 | 34 | 911 | 1,157 | 520 | 3,488 |
| 8 | 867 | 34 | 877 | 1,113 | 500 | 3,392 |
| 9 | 867 | 35 | 844 | 1,072 | 481 | 3,299 |
| 10 | 867 | 36 | 812 | 1,031 | 463 | 3,210 |
| 11 | 867 | 36 | 782 | 993 | 446 | 3,124 |
| 12 | 867 | 37 | 752 | 955 | 429 | 3,041 |
| 13 | 867 | 38 | 724 | 919 | 413 | 2,960 |
| 14 | 867 | 39 | 696 | 884 | 397 | 2,883 |
| 15 | 867 | 39 | 669 | 850 | 382 | 2,807 |
| 16 | 867 | 40 | 643 | 817 | 367 | 2,734 |
| 17 | 867 | 41 | 618 | 784 | 352 | 2,662 |
| 18 | 867 | 42 | 593 | 753 | 338 | 2,592 |
| 19 | 867 | 43 | 569 | 722 | 324 | 2,524 |
| 20 | 867 | 44 | 545 | 692 | 311 | 2,458 |
| 21 | 867 | 44 | 522 | 662 | 298 | 2,393 |
| 22 | 867 | 45 | 499 | 633 | 285 | 2,329 |
| 23 | 867 | 46 | 477 | 605 | 272 | 2,266 |
| 24 | 867 | 47 | 455 | 577 | 259 | 2,205 |
| 25 | 867 | 48 | 433 | 550 | 247 | 2,144 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 26 | 867 | 49 | 412 | 523 | 235 | 2,085 |
| 27 | 867 | 50 | 391 | 496 | 223 | 2,026 |
| 28 | 867 | 51 | 370 | 470 | 211 | 1,968 |
| 29 | 867 | 52 | 349 | 444 | 199 | 1,911 |
| 30 | 867 | 53 | 329 | 418 | 188 | 1,854 |
| 31 | 867 | 54 | 309 | 392 | 176 | 1,799 |
| 32 | 867 | 55 | 289 | 367 | 165 | 1,743 |
| 33 | 867 | 56 | 270 | 342 | 154 | 1,688 |
| 34 | 867 | 58 | 250 | 317 | 143 | 1,634 |
| 35 | 867 | 59 | 231 | 293 | 132 | 1,580 |
| 36 | 867 | 60 | 211 | 268 | 121 | 1,527 |
| 37 | 867 | 61 | 192 | 244 | 110 | 1,474 |
| 38 | 867 | 62 | 173 | 220 | 99 | 1,421 |
| 39 | 867 | 63 | 154 | 196 | 88 | 1,369 |
| 40 | 867 | 65 | 136 | 172 | 77 | 1,317 |
| 41 | 867 | 66 | 117 | 149 | 67 | 1,265 |
| 42 | 867 | 67 | 98 | 125 | 56 | 1,214 |
| 43 | 867 | 69 | 80 | 101 | 46 | 1,162 |
| 44 | 867 | 70 | 61 | 78 | 35 | 1,111 |
| 45 | 867 | 72 | 43 | 55 | 25 | 1,061 |
| 46 | 867 | 73 | 25 | 31 | 14 | 1,010 |
| 47 | 867 | 74 | 6 | 8 | 4 | 960 |
| 48 | 867 | 76 | -12 | -15 | -7 | 909 |
| 49 | 867 | 77 | -30 | -38 | -17 | 859 |
| 50 | 867 | 79 | -48 | -61 | -27 | 809 |
| **Total** | **42,900** | **2,531** | **23,091** | **29,315** | **13,170** | **111,007** |
| **NPC** | **9,583** | **431** | **9,441** | **11,985** | **5,385** | **45,813** |

## Net Present Value Analysis
## ProEnergy 2 x PE6000 Combustion Turbines with Synchronous Condenser
## Avoided Capacity and Ancillary Service Costs

| **Inputs** | |
|---|---|
| ProEnergy 2 x PE6000 Combustion Turbines Nominal Avoided Capacity (MW) | 100 |
| Year 1-2 NB Power Firm Capacity Rate ($/MW-mo) | [redacted] |
| Year 3 NB Power Firm Capacity Rate ($/MW-mo) | |
| Year 4 NB Power Firm Capacity Rate ($/MW-mo) | |
| Year 5 NB Power Firm Capacity Rate ($/MW-mo) | |
| Year 6 NB Power Firm Capacity Rate ($/MW-mo) | |
| Year 7-50 NB Power Costs Inflation Rate | |
| Weighted Costs of Capital/NPV Rate of Return | 6.69% |

| Year | NB Power Rates ($/MW-yr) | Avoided Cost ($ x 1,000) |
|---|---|---|
| | Firm Capacity | 2 x PE6000 Capacity |
| 1 | [redacted] | [redacted] |
| 2 | | |
| 3 | | |
| 4 | | |
| 5 | | |
| 6 | | |
| 7 | | |
| 8 | | |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | | |
| 13 | | |
| 14 | | |
| 15 | | |
| 16 | | |
| 17 | | |
| 18 | | |
| 19 | | |
| 20 | | |
| 21 | | |
| 22 | | |
| 23 | | |
| 24 | | |
| 25 | | |

| | | | |
|---|---|---|---|
| 26 | [redacted] | | [redacted] |
| 27 | | | |
| 28 | | | |
| 29 | | | |
| 30 | | | |
| 31 | | | |
| 32 | | | |
| 33 | | | |
| 34 | | | |
| 35 | | | |
| 36 | | | |
| 37 | | | |
| 38 | | | |
| 39 | | | |
| 40 | | | |
| 41 | | | |
| 42 | | | |
| 43 | | | |
| 44 | | | |
| 45 | | | |
| 46 | | | |
| 47 | | | |
| 48 | | | |
| 49 | | | |
| 50 | | | |
| **Total** | | | **6,950,449** |
| **NPC** | | | **858,238** |

## Net Present Value Analysis
## ProEnergy 2 x PE6000 Combustion Turbines with Synchronous Condenser
## Summary

| | Present Value (2024 $ x 1,000) |
|---|---|
| | 2 x PE6000 with Synch. Cond. |
| Nominal Capacity (MW) | 100 |
| Useful Life | 50 |
| Total Installed Cost ($ x 1,000) | 334,229 |
| Annual Fixed O&M in Year 1 ($ x 1,000) | 1,197 |
| **Project Cost** | |
| Amortization | 110,115 |
| Operating and Maintenance | 24,364 |
| Debt Interest | 97,367 |
| Equity Return | 123,952 |
| Income Taxes | 55,689 |
| Total Project Cost | 411,757 |
| **Avoided Cost** | |
| Off-Island Firm Capacity | 858,238 |
| Off-Island Load Following | 0 |
| Off-Island Spinning Reserve | 0 |
| Standalone Synchronous Condenser | 45,813 |
| Total Avoided Cost | 904,051 |
| **Net Present Value** | **492,294** |
| ***% Savings*** | ***54%*** |

# CONFIDENTIAL APPENDIX F

## Impact on Rate Base, Revenue Requirement and Customer Rates Calculations

## Depreciation
## Estimated Impact on Rate Base, Revenue Requirement and Customer Rates

| Depreciation (000s) | Reference | | Annual |
|---|---|---|---|
| **Depreciation Expense** | | | |
| Capital Additions for 2025 | A | | 334,229 |
| Plant Investment for Depreciation | C = A + B | $ | 334,229 |
| Depreciation Rate (Note 1) | D | | 2.20% |
| 2026 Depreciation Expense (first full year of depreciation) | E = C X D | $ | 7,353 |
| **Capital Investment** | | | |
| Capital Investment | A | | 334,229 |
| Less: Customer Contributions per Annual Depreciation | F | | - |
| Total Capital Investment | G = A + F | $ | 334,229 |
| **Accumulated Depreciation** | | | |
| Accumulated Depreciation, December 31, 2026 | I | | 11,030 |
| Total Change in Accumulated Depreciation | J = H + I | $ | 11,030 |
| **Net Book Value (NBV) - Capital Investment** | **K = C - J** | **$** | **323,199** |
| **Customer Contributions** | | | |
| Customer Contributions per Annual Depreciation | F | **$** | **-** |
| **Depreciation Expense - Contributions** | | | |
| Annual Contributions | F | $ | - |
| Depreciation Rate | L | | 2.20% |
| Amortization of Customer Contributions | M = F X L | $ | - |
| Accumulated Depreciation, December 31, 2026 | N | $ | - |
| **Net Book Value (NBV) - Customer Contributions** | **O = F - N** | **$** | **-** |
| **Total 2025 Depreciation Expense (Net of Contributions)** | **P = E + M** | **$** | **7,353** |

Note 1: Assumed 50 year useful life 100% / 50 Years = 2%

## Income Taxes
## Estimated Impact on Rate Base, Revenue Requirement and Customer Rates

| **Income Taxes (000s)** | **Reference** | **Annual** |
|---|---|---|
| Capital Additions for 2025 | A | 334,229 |
| Less: Contributions | B | - |
| CCA Deductions 2026 | C | 39,038 |
| Ending UCC | D = A - B - C | $ 295,191 |
| **Future Income Taxes** | | |
| CCA Deductions 2026 | C | $ 39,038 |
| Accumulated Depreciation, December 31, 2026 | E = I - N From Page 1 | 11,030 |
| Difference CCA/Depreciation | F = C - E | 28,008 |
| Future Tax Rate | G | 31.00% |
| Future Income Tax Liability | H = F X G | 8,683 |
| **Income Tax Effects of Increased Return** | | |
| Return on Rate Base | I = H from Page 3 | $ 20,767 |
| Equity Return (grossed up) | J = G from Page 3 / (1-G) | 17,065 |
| Taxable Income from Return on Rate Base | K = J | $ 17,065 |
| **Income Tax Expense** | | |
| Taxable Income from Return on Rate Base | L | $ 17,065 |
| Add: Depreciation | M = P from Page 1 | 7,353 |
| Less: CCA | N = 2025 CCA | (25,669) |
| | O = L + M + N | (1,251) |
| Corporate Tax Rate | G | 31.00% |
| Current Income Tax Expense | P = O X G | (388) |
| Future Income Tax Expense | Q = (-M - N)* G | 5,678 |
| **Total Income Tax Expense** | **R = P + Q** | **$ 5,290** |

## 2025 Rate Base & Cost of Capital
## Estimated Impact on Rate Base, Revenue Requirement and Customer Rates

| **Rate Base & Cost of Capital (000s)** | **Reference** | | |
|---|---|---|---|
| Net Book Value, Capital Investment | A = K from Page 1 | $ | 323,199 |
| Net Book Value, Contributions | B = O from Page 1 | | - |
| Future Income Taxes | C = H from Page 2 | | (8,683) |
| **Projected Rate Base** | **D = A + B + C** | **$** | **314,516** |
| | | | |
| **Total % Increase from 2024 Actual Year End Rate Base** | **E = D / R** | | **61.55%** |
| | | | |
| Return on Debt | F = D X O | $ | 8,992 |
| Return on Common Equity | G = D X P | | 11,775 |
| Total Return On Rate Base | H = F + G | $ | 20,767 |
| | | | |
| **Weighted Average Cost of Capital ("WACC")** | | | |
| Debt | I | | 60.0% |
| Common Equity | J | | 40.0% |
| | | | |
| Cost of Debt | K | | 4.77% |
| Cost of Common Equity | L | | 9.35% |
| | | | |
| Forecast 2025 Average Capitalization (Total Debt plus Common Equity) | M | | 529,652,800 |
| Forecast 2025 Average Rate Base* | N | | 529,652,800 |
| | | | |
| WA Cost of Debt | O = I X K X M/ N | | 2.86% |
| WA Cost of Common Equity | P = J X L X M/ N | | 3.74% |
| Forecast 2025 WACC | Q = O + P | | 6.60% |
| | | | |
| **2023 Actual Year End Rate Base** | **R** | **$** | **510,977** |

## Revenue Requirement
## Estimated Impact on Rate Base, Revenue Requirement and Customer Rates

| **2025 Annual Project Revenue Requirement (000s)** | **Reference** | | **0** |
|---|---|---|---|
| Depreciation | A<br>= P from Page 1 | $ | 7,353 |
| [redacted] | | | |
| Return on Debt | C<br>= F from Page 3 | | 8,992 |
| Return on Equity | D<br>= G from Page 3 | | 11,775 |
| Income Taxes | E<br>= R from Page 2 | | 5,290 |
| **Estimated Annual Project Revenue Requirement** | **F = A + B + C + D + E** | **$** | **21,431** |
| **% Increase over 2026 Forecast Revenue Requirement** | **G = F / H** | | **8.04%** |
| **Forecast 2026 Revenue Requirement*** | **H** | **$** | **266,596** |

| **Total Change in Revenue Requirement Allocated to MECL** | **100% = F** | **$** | **21,431** |
|---|---|---|---|

* 2025 forecast revenue requirement per GRA Negotiated Settlement filed with the Commission on April 4, 2023.

## Distribution Rate Impact
## Estimated Impact on Rate Base, Revenue Requirement and Customer Rates

| **Project Rate Impact** | **Reference** | | **0** |
|---|---|---|---|
| Total Project Revenue Requirement | A = F from Appendix F X 1000 | $ | 21,431,038 |
| Forecast 2026 kWh Sales | B | | 1,649,073,000 |
| **Forecast Increase Per kWh Project Rate Impact** | **C = A / B** | **$** | **0.01300** |
| **Forecast Increase Annual Cost Benchmark Residential Customer (650 kWh per month) before tax** | **D = 650 kWh X C X 12 months** | **$** | **101.40** |
| % Increase over 2025 Forecast Annual Cost for Rural Residential Customer | E = D / I | | 6.19% |
| % Increase over 2025 Forecast Annual Cost for Urban Residential Customer | F = D / J | | 6.29% |
| **Forecast Increase Annual Cost Benchmark General Service Customer (10,000 kWh per month) before tax** | **G = 10,000 kWh X C X 12 months** | **$** | **1,560.00** |
| % Increase over 2025 Forecast Annual Cost for General Service Customer | H = G / K | | 6.07% |
| 2025 Annual Cost Benchmark Rural Residential Customer (650 kWh per month) excluding tax per GRA Negotiated Settlement filed with the Commission on April 4, 2023. | I | $ | 1,639.09 |
| 2025 Annual Cost Benchmark Rural Residential Customer (650 kWh per month) excluding tax per GRA Negotiated Settlement filed with the Commission on June 20, 2022 April 4, 2023. | J | $ | 1,610.89 |
| 2025 Annual Cost Benchmark General Service Customer (10,000 kWh per month) excluding tax per GRA Negotiated Settlement filed with the Commission on April 4, 2023. | K | $ | 25,712.54 |