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The Island Regulatory
and Appeals Commission

January 15, 2026

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

Dear Ms. Bradley:

***Response to Interrogatories from Commission Staff
On Island Capacity for Security of Supply Project (UE 20742)***

Please find attached the Company's responses to interrogatories from Commission Staff with respect to the On-Island Capacity for Security of Supply Project Application filed with the Commission on December 18, 2024.

Yours truly,

MARITIME ELECTRIC



Gloria Crockett
Director, Regulatory & Financial Planning

GCC01
Enclosure



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**RESPONSES TO INTERROGATORIES
FROM
COMMISSION STAFF**

**On-Island Capacity for Security of Supply Project
(UE20742)**

Submitted January 15, 2026

The Island Regulatory and Appeals Commission (the “Commission”), in assessing the reasonableness of the Application requesting Approval for On-Island Capacity for Security of Supply Project (the “Application”), submitted by Maritime Electric Company, Limited (“Maritime Electric” or “MECL”), requests responses to the following interrogatories:

Section 1 – Procurement and Vendor Assessment

IR-1 Describe MECL’s procurement process used to select ProEnergy, including whether the process was competitive, the procurement method used, and the internal approvals obtained.

Response:

As described in Section 4.1 of the Accelerated On-Island Capacity Development Solution (“Accelerated Capacity Solution”) August 2025 Supplemental Filing (“Supplemental Filing”), Maritime Electric Company Ltd. (“Maritime Electric” or “Company”) undertook a series of critical steps to advance the project since the original application was filed in December 2024.

On January 22, 2025, Maritime Electric presented the Application during a technical session with the Commission, emphasizing the urgent need for timely approval of upfront engineering work. On February 5, 2025, NB Power first informed Maritime Electric that it was pursuing a dispatchable generation facility in New Brunswick and identified ProEnergy as its supplier, noting that following a competitive bid process ProEnergy was selected as the successful bidder, with its ability to meet NB Power’s in-service deadline of 2028 being a key differentiator in the evaluation. At that time, NB Power first raised the possibility of Maritime Electric participating in its Renewable Integration and Grid Security (“RIGS”) project. After reviewing this possibility, Maritime Electric determined that additional capacity must be located on Prince Edward Island (“PEI”) due to interconnection limitations and the need for synchronous condensing capability.

Recognizing the criticality of procuring capacity as quickly as possible, Maritime Electric met directly with ProEnergy on April 30, 2025, to discuss a parallel project. ProEnergy confirmed that it could accommodate a 100 MW package for Maritime Electric if the schedule aligned with NB Power’s project, enabling shared resources and execution synergies. On May 30, 2025, Maritime Electric formally requested a proposal from ProEnergy and by June 13, 2025, received a budgetary cost proposal, followed by a draft Slot Reservation Agreement on July 16, 2025. This was not a competitive pricing process; Maritime Electric requested pricing exclusively from ProEnergy due to the time-sensitive nature of the opportunity and ProEnergy’s prior demonstration to NB Power that it was uniquely positioned to deliver the required capacity within the 2028 timeline.

In parallel, Maritime Electric pursued a negotiated settlement process with the PEI Energy Corporation (“PEIEC”). On June 3, 2025, the Company filed a request with IRAC to initiate settlement discussions. Despite extensions granted by the Commission, on July 22, 2025, the Government of PEI, on behalf of the PEIEC, advised that it did not believe a negotiated settlement was the appropriate path forward. Importantly, the Government’s letter confirmed that PEIEC had engaged independent experts whose consensus was that additional on-Island capacity is required. However, neither the PEIEC nor the Government shared any details of the analysis or findings underlying that consensus with Maritime Electric or the Commission. Further, PEIEC explicitly acknowledged Maritime Electric’s efforts to bring forward a potential solution that could

materially reduce costs and accelerate the in-service date. While PEIEC declined to proceed with settlement discussions, its recognition of both the urgent need for capacity and the value of Maritime Electric's proposed approach underscores the seriousness of the situation and the importance of timely action.

Following the conclusion of settlement discussions, Maritime Electric submitted the Supplemental Filing to IRAC on August 14, 2025, in recognition of the seriousness of the capacity shortfall and the condensed timeline required to maintain alignment with NB Power's project. The Company emphasized that failure to act promptly would jeopardize this opportunity leading to increased costs and significant project delays.

Considering the severe capacity shortfall facing PEI and the benefits inherent in the ProEnergy proposal, the Company concluded that it would be derelict in its responsibility to ensure reliable service if it did not present this opportunity to the Commission. While Maritime Electric did not undertake a competitive pricing process for this project, it is important to note that other utilities have executed such processes for similar requirements. NB Power and UNS Energy both conducted competitive procurements and ultimately selected ProEnergy as their supplier. Most notably, Newfoundland and Labrador Hydro ("NL Hydro") recently completed a comprehensive competitive bid process - executed in a manner consistent with what many regulators would consider best practice - which took approximately one year to conclude. Despite this rigorous approach, NL Hydro now anticipates that its 150 MW CT project budget of \$891 million is insufficient. The current \$891 million budget is already approximately 78 per cent higher than Maritime Electric's proposal on a per-MW basis, and its estimated in-service date has moved to 2030.¹ These outcomes underscore the time-sensitive nature of Maritime Electric's approach and the significant cost and schedule advantages associated with the ProEnergy solution.

¹ More information on the NL Hydro project can be found on the Public Utilities Board of Newfoundland and Labrador's website - <http://www.pub.nl.ca/applications/NLH2025AvalonCombustionMarch/index.php>

IR-2 Provide the evaluation framework used to assess ProEnergy and any other vendors considered, including evaluation criteria, weighting, scoring results, and the involvement of any external advisors or consultants.

Response:

Appendix A to the Supplemental Filing contains a letter from Sargent & Lundy (“S&L”), evaluating the ProEnergy proposal in the context of Maritime Electric’s current and projected capacity requirements and the prevailing high demand in the global combustion turbine market. S&L’s independent assessment provides a clear rationale for proceeding with the ProEnergy option. The most critical findings are summarized below:

1. Urgent Need for Additional Firm Capacity

By 2027, PEI’s peak load will exceed available interconnection and on-island generation, requiring immediate action to maintain reliability.²

2. Accelerated Delivery and Cost Certainty

ProEnergy’s PE6000 turbines offer shorter lead times and pricing stability, reducing procurement risk and cost escalation risk during a period of unprecedented global demand for combustion turbines.

3. Technical Suitability and Market Realities

Refurbished PE6000 units are well suited for Maritime Electric’s operating conditions, and global turbine shortages make this option the most practical.

4. Recommendation to Proceed

S&L concludes that ProEnergy provides the only timely, cost-effective solution to address PEI’s firm capacity needs and mitigate reliability risks.

These findings, as documented in Appendix A, reinforce that the ProEnergy option is the only path to address the significant capacity deficit by 2028. Maritime Electric submits that this independent assessment strongly supports approval of the Accelerated Capacity Solution.

² Maritime Electric is currently operating under a capacity deficit, meaning it cannot secure sufficient firm capacity to meet its capacity requirement. By 2027, projected peak loads are expected to exceed the combined capability of the interconnection and all available dispatchable generation. Under these conditions, the only way to serve all customers during peak periods would be through wind generation, which cannot be guaranteed.

IR-3 Identify all vendors evaluated and explain MECL's rationale for selecting ProEnergy as the preferred vendor over other options, including a comparison of experience, qualifications, and proposed scope.

Response:

While Maritime Electric did not initiate a broad solicitation for this project, the ProEnergy proposal was evaluated in detail against market alternatives.

As part of this process, S&L conducted an independent assessment that included cost comparisons with other leading manufacturers. S&L incorporated indicative pricing of major equipment components into their comparative analysis and concluded that the ProEnergy option represented the most practical and cost-effective solution given current market conditions and the urgent need for dispatchable capacity.

S&L's recommendation to proceed with the Accelerated Capacity Solution reflects several critical factors: the severe capacity shortfall facing PEI; the urgent need to secure generation resources and bring new capacity online as quickly as possible; and the advantages of aligning with NB Power's established schedule. This solution enables accelerated delivery, cost efficiencies, and reduced risk, which are benefits that would be significantly diminished if Maritime Electric pursued alternative paths.

Considering these findings, Maritime Electric determined that presenting this option to the Commission was not only appropriate, but essential to fulfill its obligation to maintain system reliability. Proceeding with this solution remains the most responsible course of action to safeguard customers and address critical on-Island capacity needs.

IR-4 Provide an explanation of the due diligence undertaken by MECL with respect to the selection of ProEnergy. Include all findings, assessments, and conclusions arising from the due diligence process.

Response:

As outlined in the response to IR-1, Maritime Electric engaged in discussions with NB Power regarding its RIGS project. These discussions included a review of the capabilities and suitability of the ProEnergy combustion turbine (“CT”) package for this region’s operational requirements, as well as ProEnergy’s reputation and track record as a supplier and installer of reliable CT packages. Maritime Electric also examined publicly available materials filed with the New Brunswick Energy and Utilities Board (NBEUB) regarding NB Power’s RIGS project.³ These materials, including Board of Directors briefing notes and committee reports, detail NB Power’s due diligence on ProEnergy. NB Power’s process included competitive procurement, evaluation of technical capabilities, financial strength, and project execution risk, culminating in a recommendation to enter a 25-year tolling agreement with ProEnergy/WattBridge.⁴ Maritime Electric also reviewed select non-redacted briefing notes provided by NB Power to Maritime Electric, which confirmed that NB Power’s decision was informed by independent engineering advice, lender due diligence, and site visits to ProEnergy’s Missouri facility and operational sites in Texas. This reinforces Maritime Electric’s confidence that ProEnergy is a technically capable and financially sound partner.

Further, as noted in the response to IR-2, S&L provided an independent technical assessment of the ProEnergy proposal and concluded that the ProEnergy proposal represents a cost-effective and time-sensitive solution to address PEI’s capacity needs and recommended that Maritime Electric pursue this opportunity to mitigate reliability risks and ensure timely commissioning.

To supplement S&L’s technical assessment, Maritime Electric’s leadership and operational staff met with directors and project managers from Fortis’s Arizona-based affiliate, UNS Energy Corporation (“UNS”) to discuss their expansion of the Black Mountain Generating Station.⁵ This expansion involves the installation of four 50 MW natural gas-fired CTs being provided by ProEnergy. During this discussion, UNS shared its decision-making process for selecting ProEnergy, emphasizing the firm’s advantageous delivery timeline and the importance of securing contractual terms early in a rapidly escalating pricing environment - factors that informed Maritime Electric’s assessment.

³ All publicly filed information on the RIGS project in NB are available on the NBEUB’s website - <https://filemaker.nbeub.ca/fmi/webd/NBEUB%20ToolKit13>

⁴ In the NB Power RIGS project, ProEnergy/WattBridge will own and operate the plant, while NB Power pays for capacity and energy services through a long-term tolling agreement rather than owning the asset. By contrast, Maritime Electric proposes a traditional “own and operate” model for its CTs, meaning the utility will finance, construct own and operate the facility, and recover costs through regulated rates.

⁵ Additional information on the Black Mountain Generating Station expansion can be found on the Arizona Corporation Commission’s website - <https://azcc.gov/news/home/2024/06/12/acc-vote-regarding-unse-black-mountain-generating-station-expansion-project>

Finally, in early September, a cross-functional team of five Maritime Electric employees visited ProEnergy's packaging facility in Sedalia, Missouri.⁶ This visit provided insight into ProEnergy's overhaul and assembly capabilities, quality control processes, and readiness for rapid deployment. These observations, combined with S&L's independent recommendation, reinforced that this proposal represents a significant opportunity for customers given current market conditions.

While pursuing a project without a competitive procurement process is not Maritime Electric's standard practice, the extraordinary market conditions, the severe capacity shortfall - which is progressively increasing and amplifying reliability risks for customers - justifies the proposal of this option for consideration by the Commission. Failing to bring forward this option would have been inconsistent with the Company's obligation to protect system reliability and serve customers' interests.

⁶ This facility serves as a Level IV depot – one of only seven such depots worldwide - for CTs where ProEnergy performs complete overhauls, manufactures critical replacement components and reassembles CTs to original equipment manufacturer specifications. The facility also integrates final assembly of plant packages, including winterized exterior shells and auxiliary systems, ensuring readiness for shipment and rapid deployment.

IR-5 Disclose any relationships (financial or otherwise) between MECL (including its executives, management, Board members, or related companies) and ProEnergy.

Response:

There are no relationships between Maritime Electric executives, management or Board members and ProEnergy. Maritime Electric was made aware that UNS recently procured combustion turbines from ProEnergy; UNS is a wholly owned subsidiary of Fortis Incorporated (Maritime Electric's parent company) but is independent of Maritime Electric.

IR-6 Identify the individual(s) responsible for the overall Project management, and provide their qualifications and relevant experience managing projects of similar scale and scope.

Response:

Maritime Electric has the internal expertise required to manage the Accelerated Capacity Solution effectively. The Company employs personnel with extensive experience in generation operations and major project execution, including individuals who played key roles in the installation of CT3 in 2004–2005. This historical knowledge of CT installation provides a solid foundation for managing a project of this scale.

Maritime Electric also maintains a team of engineers and operational professionals who have successfully delivered significant multi-year infrastructure projects, including complex generation, transmission and interconnection initiatives. These resources have been actively engaged throughout the capacity assessment and application process, as well as the evaluation of the ProEnergy proposal. However, until regulatory approval is granted, these employees must continue to fulfill their current operational responsibilities. Upon approval, Maritime Electric will assemble a dedicated project team tailored to the project requirements, using internal expertise to ensure successful execution.⁷

In addition to leveraging internal resources, Maritime Electric will secure a consultant, typically referred to as an Owner's Engineer, to provide oversight and technical assurance throughout the project development. The Owner's Engineer will be an individual or firm with extensive experience in managing generation projects, particularly CT installations. This role is critical in large-scale infrastructure projects to ensure that the interests of the owner are protected and that the project is executed in accordance with contractual, technical, and regulatory requirements.

⁷ Staff selected to manage the approved project will be backfilled.

IR-7 Provide MECL's assessment of the risks associated with choosing ProEnergy as the vendor for this project. Describe any risk reviews, red-flag assessments, or internal or external analyses MECL completed, and summarize the key findings.

Response:

The risk of choosing ProEnergy for this project presents the same inherent risk of choosing any vendor, that being the risk that unforeseen circumstances will impede the vendor's ability to execute the project as contracted. The risk of choosing ProEnergy is no greater than choosing another vetted vendor.

Maritime Electric assessment of ProEnergy's proposal, as addressed in the responses to IR-1 through IR-4 herein, provides the assurance that this vendor has been properly vetted. That vetting process is summarized as follows:

- **Discussions with NB Power** – As per IR-1, NB Power's due diligence confirmed ProEnergy as the only supplier capable of meeting the required timeline and mitigating risks associated with extended lead times.⁸
- **Independent Assessment by S & L** – As per IR-2, S&L concluded that ProEnergy's proposal represents a cost-effective, time-sensitive solution and recommended proceeding to mitigate reliability risks.
- **Industry Validation** – As per IR-4, UNS's experience with ProEnergy for four similar CTs reinforced confidence in vendor capability and highlighted the importance of timely contracting.
- **Site Visit Observations** – Also in IR-4, Maritime Electric's visit to ProEnergy's Sedalia facility confirmed robust manufacturing processes and readiness to deliver complex generation projects on schedule.

Therefore, Maritime Electric considers ProEnergy technically capable and commercially positioned to deliver this project successfully.

⁸ NB Power's due diligence process, as documented in filings with the NBEUB, included a comprehensive review of ProEnergy's organizational structure, financial backing, and operational track record. NB Power confirmed that the project would be financed through a special purpose vehicle with approximately 80% non-recourse debt and 20% equity, supported by institutional lenders who conducted their own rigorous assessments. NB Power also validated ProEnergy's reliability commitments, supply chain readiness, and ability to meet schedule constraints - factors critical to mitigating execution risk. Maritime Electric's review of these materials and NB Power's findings further substantiates the conclusion that ProEnergy presents no greater risk than other vetted vendors.

IR-8 Explain how MECL validated ProEnergy's technical and financial capacity to deliver a project of this magnitude. Include credit checks, financial due diligence, or third-party assessments.

Response:

In addition to the validation steps outlined in IR-4, Maritime Electric has reviewed ProEnergy's most recent audited financial statements and a credit check completed by Creditsafe. Both reviews confirmed that ProEnergy is in sound financial condition, with no concerns identified that would call into question its ability to deliver a project of this magnitude.

Maritime Electric's confidence in ProEnergy's financial capacity is reinforced by NB Power's due diligence findings, which were disclosed in Board of Director level materials and confirmed through lender engagement.⁹ NB Power's analysis addressed long-term solvency, project financing structure, and risk mitigation measures, including letters of credit and security provisions embedded in the tolling agreement. These findings align with Maritime Electric's own review and provide additional assurance of ProEnergy's ability to deliver a project of this magnitude.

⁹ The most relevant information on NB Power's due diligence findings is included in the NBP (NBEUB) IR-13f Attachment – Board of Directors Materials REDACTED available here - <https://filemaker.nbeub.ca/fmi/webd/NBEUB%20ToolKit13>

Deferral Account

IR-9 Provide an update to the timeline of all activities, commitments, negotiations, and decision points associated with MECL's engagement with ProEnergy.

Response:

All significant engagement with ProEnergy to date has been provided in response to IR-1.

To date there have been no commitments made to ProEnergy and since the submission of the Supplemental Filing, there have been no additional negotiations between Maritime Electric and ProEnergy.

ProEnergy has recently confirmed that the manufacturing slot required for this project to maintain alignment with NB Power's RIGS initiative remains available; however, demand for ProEnergy's CTs continues to be strong. The duration of this availability cannot be guaranteed, as it is contingent on ProEnergy's incoming commitments from other customers.

IR-10 Identify and describe all risks MECL proposes to transfer from shareholders to ratepayers through the establishment of the proposed deferral account, including risks associated with project cancellation, delay, scope change, or non-approval.

Response:

The regulatory compact is an implicit agreement whereby the regulator grants the utility a monopoly in its service area and set rates allowing a fair return; in turn, the utility is obligated to provide safe and reliable service on a non-discriminatory basis while making prudent investments to maintain the electrical system. In setting rates that allow a fair return, the regulator also decides what costs (both operating and capital) are considered prudent for recovery from customers.

Maritime Electric seeks to provide the Commission with the necessary information for it to decide whether additional on-Island dispatchable generation capacity is required and, if yes, what related costs are prudent. If approved, Maritime Electric will be responsible for executing the project based on the costs approved by the Commission.

Maritime Electric firmly believes that a fulsome regulatory review of the evidence provided will result in the Commission's agreement that additional on-Island dispatchable capacity is required immediately and that the evidence will support the conclusion that the ProEnergy solution is the best option, resulting in the Commission's full approval to proceed with the ProEnergy solution.

Foundational to Maritime Electric's position is the fact that demand for CTs is high, their cost is increasing significantly, and their delivery times are long and increasing. If the possibility of the ProEnergy solution is lost then the only options available will be significantly more expensive and with significantly later in-service dates.

The challenge with the ProEnergy solution is that it requires a capital investment before that fulsome regulatory review can be completed.¹⁰ Therefore, the most significant risk to ratepayers is the possibility that the ProEnergy solution will not be approved by the Commission and that payments made to ProEnergy will be forfeited. Maritime Electric believes that this is an acceptable risk to ratepayers because the evidence provided will lead to the Commission's ultimate approval.

The Slot Reservation Agreement requires three progress payments within the first four months of signing and the next progress payment is required in month number 12. Maritime Electric proposes that it is possible to complete a fulsome regulatory review in less than 12 months, meaning that only the first three progress payments, together with carrying costs and Maritime Electric costs to advance permitting, site readiness, and transmission integration design, are at risk of being forfeited if the project is not approved.¹¹

With respect to risk of project delays or scope changes, once regulatory approval is granted, this capital project would be subject to the same regulatory oversight as all other capital projects. Maritime Electric would include this project in its quarterly capital report provided to the

¹⁰ In this context, a fulsome regulatory review refers to a regulatory hearing during which the evidence is presented orally and opposing views can also be presented and considered.

¹¹ Work undertaken on permitting, site readiness, and transmission integration would not be a sunk cost. Regardless of approval for the accelerated solution, dispatchable generation will be required, and the Charlottetown site remains the preferred location for the first 100 MW. CTs are the best-suited technology to deliver this capacity, and the engineering and design efforts would be transferable to a future CT project at that site.

Commission. If a project delay or scope change were to occur that caused the project's total costs to increase, this would be reported to the Commission in the quarterly capital report and the Commission has the opportunity to seek additional information when making its determination to approve any costs overruns.

Maritime Electric does not believe there is a risk of project cancellation once regulatory approval is granted.

IR-11 Provide a detailed breakdown of all costs proposed for inclusion in the deferral account, including the nature, amount, timing, and purpose of each cost, and explain the proposed accounting treatment, including how balances will be recorded, how carrying costs will accrue, and the proposed carrying cost rate.

Response:

As indicated in Section 5.5 of the Supplemental Filing, Maritime Electric seeks approval to establish a deferral account for the following:

- Slot Reservation Payment (progress payment #1) for USD \$5.6 million;¹²
- Full Notice to Proceed Payment (progress payment #2);¹³
- Long Lead Procurement Payment (progress payment #3);¹³
- Owner's costs for permitting, site readiness, and transmission integration design which is estimated at CAD \$2 million in 2026;
- Additional costs necessary to maintain project momentum and alignment with NB Power's delivery schedule which is estimated at CAD \$1 million in 2026; and
- Carrying costs calculated using the Company's weighted average cost of capital.¹⁴

Note that this list does not include all progress payments as the fourth progress payment is required 12 months after the first payment and the Company believes regulatory approval of the Project can be granted by that time.

The deferral account will be recorded as a long-term regulatory asset on the balance sheet. When the Commission approves the Project, the balance of the deferral account will be transferred to construction work in progress, which is classified as property, plant and equipment on the balance sheet, consistent with all multi-year capital projects.

With respect to carrying costs, the carrying cost will be calculated each month by applying the Company's weighted average cost of capital to the balance in the deferral account for that month. This amount will be debited to the deferral account and credited to the income statement as financing costs.

The weighted average cost of capital for 2026 is estimated to be 6.95 per cent, which is comprised of 3.02 per cent for debt and 3.93 per cent for equity.

¹² This payment was originally planned to occur in September 2025 and is now expected to be required no later than April 2026.

¹³ Progress payments #2 and #3 are required to be made within three months of the first progress payment. The Commission has approved Maritime Electric's request to keep commercially sensitive information confidential. Progress payments #2 and #3 have been qualified as commercially sensitive and are therefore not included here. The Commission and approved interveners can find the dollar values for progress payments #2 and #3 in Section 7.1 of the Supplemental Filing.

¹⁴ Maritime Electric's weighted average cost of capital is a blend of its debt and equity costs, which are already approved by the Commission.

IR-12 Provide any additional information MECL believes is relevant to the Commission's determination of whether slot reservation fees, deposits, or similar costs should be deferred and included in rate base prior to approval of the underlying Project.

Response:

Maritime Electric submits that approval of the proposed deferral account is both prudent and necessary to safeguard system reliability. As outlined in previous responses, Maritime Electric faces a significant capacity shortfall today, with peak demand projected to exceed available interconnection capacity plus all on-Island dispatchable generation by 2027. This reality underscores the urgency of securing additional firm capacity.

As noted in the Company's Response to IR-9, ProEnergy has confirmed that the slot reservation remains available but cannot guarantee its continued availability beyond early 2026. Missing this opportunity will result in commissioning delays of two to three additional years and significant cost increases. Such a delay would significantly increase reliability risk for customers. This Accelerated Capacity Solution is in the best interest of customers.

Maritime Electric believes the Application and its interrogatory responses provided thus far provide the Commission with the necessary evidence to approve the deferral account, allowing the Slot Reservation Agreement to be signed and executed, and that further regulatory review can be completed within the next 12 months to allow the Commission to approve the Project in its entirety.