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August 28, 2026

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The Island Regulatory
and Appeals Commission

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

Dear Ms. Bradley

**2024 Capital Budget Variance Report (UE20744)
Response to Interrogatories from Commission Staff**

Please find attached the Company's response to Interrogatories from Commission Staff with respect to the 2024 Capital Budget Variance Report filed on February 28, 2025. An electronic copy will follow shortly.

Yours truly,

MARITIME ELECTRIC

A handwritten signature in blue ink that reads "Gloria Crockett".

Gloria Crockett, CPA, CA
Director, Regulatory & Financial Planning

GCC31
Enclosure



INTERROGATORIES

**Response to Interrogatories
of
Commission Staff**

**2024 Capital Budget Variance Report
(UE20744)**

Submitted August 28, 2026



AFFIDAVIT

CANADA

PROVINCE OF PRINCE EDWARD ISLAND

**BEFORE THE ISLAND REGULATORY
AND APPEALS COMMISSION**

IN THE MATTER of Section 17(4) of the *Electric Power Act*
(R.S.P.E.I. 1988, Cap. E-4) and **IN THE MATTER** of the
Application of Maritime Electric Company, Limited for the
approval of the 2024 Capital Budget Variance Report.

AFFIDAVIT

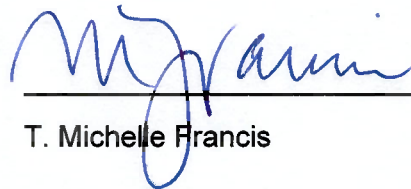
I, T. Michelle Francis of Emyvale, in Queens County, Province of Prince Edward Island,
MAKE OATH AND SAY AS FOLLOWS:

1. I am the Vice President, Finance and Chief Financial Officer for Maritime Electric Company, Limited and as such have personal knowledge of the matters deposed to herein, except where noted, in which case I rely upon the information of others and in which case I verily believe such information to be true.
2. I prepared or supervised the preparation of the attached Interrogatory responses and to the best of my knowledge and belief the responses are true in substance and in fact.

SWORN TO at Charlottetown,
Prince Edward Island, the 28th
day of August, 2026.



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


T. Michelle Francis



INTERROGATORIES

Maritime Electric

The Island Regulatory and Appeals Commission (the “Commission”), in assessing the reasonableness of the Application requesting Approval of the 2024 Capital Budget Variance Report (the “Application”), submitted by Maritime Electric Company, Limited (“Maritime Electric” or “MECL”), requests responses to the following interrogatories:

General

IR-1 Please provide a breakdown of the customer contributions received in relation to their corresponding projects.

Response:

Table IR-1 shows a breakdown in the customer contributions received in 2024.

TABLE IR-1	
Breakdown of Customer Contributions in 2024	
Capital Budget Section	Contributions
5.2 Distribution Transformers	\$ 69,348
5.3 Services and Street Lighting	2,177,274
5.4 Line Extensions	359,123
5.5 Line Rebuilds	374,018
TOTAL	\$ 2,979,763

Maritime Electric

Section 4 – Generation

IR-2 Section 4.2 – Charlottetown Generation Station – Turbine Generator

- a. What were the a) forecast, and b) actual rates of inflation from 2023 to 2024?
- b. How was the addition of two heat pumps to the CT3 equipment building unforeseen?

Response:

- a.
 - a) For projects budgeted under 4.2 Charlottetown Generating Station – Turbine Generator, inflation was forecast at 3 per cent.
 - b) This budget item is a provisional allowance for unforeseen equipment failures and requirements, rather than a budget for specific, pre-identified purchases. As such, Maritime Electric would not have prepared 2023 budget pricing for each item ultimately purchased in 2024. Therefore, it is not possible to calculate an actual item-specific inflation rate by comparing the 2024 purchase cost to a corresponding 2023 price.

However, more generally and as an indicative industrial proxy, the Handy-Whitman Index of Electric Utility Construction Costs – under Construction and Equipment, Other Production Plant – indicates inflation at 9.4 per cent for the line-item “Total Other Production Plant” over the period July 1, 2023 to July 1, 2024. The corresponding reference page from the Handy Whitman Index document is provided as IR-2 – Attachment 1.

- b. The addition of two heat pumps was primarily required for cooling the CT3 equipment building electrical room and office space. The need for cooling was identified during the summer of 2024 – the building’s first summer - when temperatures inside the building approached 36° Celsius. The cause was heat from equipment operation accumulating due to the building's highly effective insulation. This led to the installation of two heat pumps and some ducting, to ensure a safe working environment for employees.

Maritime Electric

Section 5 – Distribution

IR-3 Section 5.2 – Distribution Transformers

- a. How much did inflation impact the unit cost of a transformer, compared to the budgetary cost?
- b. What were the main drivers for the increased requirement for polemount and padmount transformers?
- c. How did supply chain delays contributed to increased transformer requirement?

Response:

- a. Upon closer review of transformer purchases in 2024, inflation did not materially affect new transformer unit costs; rather, it was the lack of availability of refurbished polemount transformers - requiring the purchase of additional quantities of new units - which increased average polemount transformer unit costs relative to the original budget.
- b. The over-budget variance was partially due to a higher-than-expected need for larger capacity transformers. The Company ordered more 25, 50, and 75 kilovolt-ampere ("kVA") polemount transformers, and less 15 kVA polemount transformers than originally budgeted, to adjust to the trend in increased customer supply requirements. Similarly, the Company ordered more 300 and 500 kVA padmount transformers than originally budgeted. This was partially driven by the requirements for Provincial Government projects that establish electric vehicle and school bus charging facilities.
- c. Supply chain delays for refurbished transformers were also partially responsible for the over-budget variance. As outlined in the 2024 Capital Budget Variance Report and referenced in the IR-3(a) response, due to the reduced availability of refurbished units, such that none were available for purchase in 2024, the Company was required to purchase all new units, resulting in higher overall expenditures. In addition, increased usage and supply chain delays with specific units, such as 75 kVA 8,000-volt polemount transformers, required additional purchases to meet customer demands and to avoid a stock-out.

Maritime Electric

IR-4 Section 5.3 – Services and Street Lighting

- a. This variance is roughly 40 per cent of the original budget. Explain how much lead time Maritime Electric typically receives from customers looking for new or upgraded services.
- b. What is Maritime Electric's policy on response to, and completion of, service and upgrade requests?
 - i. Did Maritime Electric defer or delay any service or upgrade requests due to volume of requests?
 - ii. Does Maritime Electric work overtime to complete these requests? If not, does Maritime Electric defer other projects to overtime hours to accommodate these requests?
- c. How much of the variance was due to:
 - i. New construction?
 - ii. Service entrance upgrades?
- d. Approximately what percentage of the new services were underground?

Response:

- a. Maritime Electric relies on historical service-related information to forecast future budgets and associated costs for the Services and Street Lighting category. In this instance, actual requirements were approximately 40 per cent higher than forecast. For many of the new service connection requests, customers typically provide only days or weeks notice and the Company strives to complete the new connections within five business days, as described in the response to IR-4(b).
- b. Maritime Electric's General Rules and Regulations, in Section D - Provision of Service, state that service will be provided as promptly as practicable. More specifically, the Company's service standard is to complete new service connections within five business days where the ability to complete the work is within Maritime Electric's control. This standard is a key performance indicator ("KPI") that is reported to the Commission monthly.
 - i. Maritime Electric's KPI performance in 2024 for completing new service requests within five business days was 100 per cent. Completion timelines for other customer-initiated service and upgrade requests varied throughout the year, generally being shorter during slower construction periods, such as winter, and longer during busier construction periods, such as spring through fall. While work-completion timeframes can vary, service and upgrade work is not intentionally delayed or deferred due to high volumes; rather, overtime or contractor assistance is sometimes required to serve customers within a reasonable timeframe.
 - ii. Yes, as indicated in the response to IR-4(b)(i), overtime is sometimes required to complete service and upgrade requests when work volumes are high.

Maritime Electric

- c. Maritime Electric does not track variances at an individual service order level or by service type, nor does it discretely distinguish service upgrades from other modifications to existing services. However, an approximate breakdown of service types for service orders completed in 2024 under 5.3 Services and Street Lighting, is provided in Table IR-4(c).

TABLE IR-4(c)	
Approximation of Service Orders by Type	
Service Type	% of Service Orders
New Connection	26
Existing Connection (No upgrade)	43
Existing Connection (Upgrade)	31
TOTAL	100

Approximately 19 per cent of the service orders completed for existing services were for the Provincial Government's Free Heat Pump and Oil to Heat Pump Affordability programs. This equates to approximately 14 per cent of all service orders completed in 2024 under 5.3 Services and Street Lighting.

- d. Approximately 40 per cent of new connection service orders completed in 2024 under 5.3 Services and Street Lighting were for underground service.

Maritime Electric

IR-5 Section 5.4 – Line Extensions

- a. How did these projects (North Road in Stanley Bridge, Stratford line extension) become high priorities for Maritime Electric when they were not highlighted in the original 2024 Capital Budget?
 - i. What projects were deferred or carried over as a result of undertaking these projects?

Response:

- a. The North Road three-phase conversion and the Stratford line extension projects were customer-driven initiatives that were not known at the time the 2024 Capital Budget Application was being developed. As these projects were undertaken in response to customer requests for electric service, they were not discretionary and had to be completed within a reasonable timeframe.

Combined customer contributions associated with these two projects totaled \$1,136,729, offsetting a significant portion of the overall costs.

- i. No projects were deferred or carried over as a result of undertaking these projects.

Maritime Electric

IR-6 Section 5.5 – Line Rebuilds

a. Communication Make-Ready Work

- i. How much of the variance was covered by customer contributions?

b. Backlot Feed Relocation

- i. The 2024 Capital Budget included a budget of \$475,000 to replace 17 spans. When adding the requested variance, this works out to \$29,660 per span.
1. Explain how the efforts for this project added up to this cost per span to remove backlot feeds.
 2. How does this cost per span compare to a typical cost per span of construction for a) building a new line, and b) rebuilding a single or three phase distribution line?

Response:

- a. i. Communication Make-Ready Work contributions were \$17,908.

- b. i. The cost per span for backlot feed relocation is not directly comparable to new line construction, as relocation projects typically involve more than simply replacing poles and conductor. Backlot feed relocation generally involves construction of a new roadside distribution line, transfer and reconnection of existing customer services in a way that does not inconvenience each customer, and working around site-specific obstacles such as trees, fences, sheds, pools, decks, septic systems and other residential-yard items. Also, yard access challenges often require specialized equipment and additional labour to complete the work safely. As a result, the labour requirements and cost per span can be significantly higher than new line construction.

1. Laurie Drive scope was to replace 6 spans (250 metres (“m”)) of backlot primary and secondary. Construction activities included building a front-lot line on Donwood Drive for 11 spans (400 m) with 6 new service poles, and a front lot line on Laurie Drive for 8 spans (290 m) with 8 new service poles. As a result, the 6 backlot feed line spans were replaced with 19 new spans and 14 new service poles. The full extent of this additional work was not known when the project budget was estimated and, as such, an over-budget variance occurred.

Charlotte Drive/Prince Charles Drive combined scope was to replace 11 spans (400 m) of backlot primary and secondary. Construction activities included building a front lot line on Charlotte Drive for 10 spans (350 m) and adding 3 new service poles. The extent of the work required was consistent with the budget allocation for the project.

2. (a) As indicated in the response to IR-6(b)(i), cost per span is not a meaningful measure for comparing backlot feed relocation to new line construction. In addition to the noted differences in work

complexity, in established areas span lengths can vary significantly depending on lot sizes, road layouts, conductor type, pole placement requirements, service locations, and site-specific constraints. As a result, line relocation versus new line construction can be substantially different in terms of material and labour costs per span. Accordingly, the number of spans alone is also not a reliable indicator of project complexity or cost.

Currently, approximate costs to build a new line in a subdivision where traffic control requirements are minimal is \$185,000 per kilometre ("km") for 3-phase construction and \$150,000 per km for 1-phase construction. For comparison, the actual main-line construction distance for the backlot feed projects in 2024 was approximately 2 kms including service poles, resulting in an estimated cost of \$258,000 per km.

- (b) The Company also does not consider cost per km, or cost per span, to be a meaningful measure for comparing backlot feed relocations and line rebuild projects (which tend to be more complex than building a new line in a subdivision). Rebuild project costs can vary significantly depending on numerous factors, including conductor type, pole class and height requirements, span lengths, lot sizes, customer density, service relocation requirements, road crossings, traffic control requirements, joint-use attachment requirements, underground utility conflicts, site accessibility, and existing line condition.

The average cost per km to rebuild lines in 2024 were as follows:

Greenmount Road Project 3-phase	\$179,000
Village Green Road Project 1-phase	\$157,000
Egmont Bay Project 3-phase	\$244,000

Maritime Electric

IR-7 Section 5.6 – System Meters - Detail what led to the increased cost of system meters.

Response:

The increased cost of System Meters in 2024 was primarily driven by customer growth exceeding the assumptions used in developing the budget. The System Meters budget included approximately 1,500 meters for new customer connections, meter replacements, and inventory requirements. However, on a year-end basis, the number of customers served increased from 88,932 in December 2023 to 91,263 in December 2024, representing growth of 2,331 customers (or 2.6 per cent). The higher-than-anticipated customer growth resulted in increased meter installation requirements and associated expenditures, resulting in the over-budget variance.

Maritime Electric

IR-8 Section 5.7 – Distribution Equipment – Substation, Line and Communication Equipment –
What vintage were the failed station service voltage transformers?

Response:

The failed station service voltage transformers at the Lorne Valley Substation were initially addressed under the manufacturer's warranty program. The affected units were returned to the manufacturer for repair and investigation; however, following their return to service, similar failures associated with SF₆ gas leakage reoccurred.

Given the repeated nature of these failures, the inability to identify and implement a permanent corrective action, the reliability concerns associated with continued operation, and the environmental risks related to SF₆ leakage, Maritime Electric elected to replace the affected units with oil-filled station service voltage transformers rather than continue relying on the existing SF₆-based design.

Maritime Electric

Section 6 – Transmission

IR-9 Section 6.1 – Substation Projects

- a. Tignish Substation – Detail the differences between the budget and the final estimates that led to this variance.
- b. Substation Modernization Program – Quantify the labour cost overrun on the Souris substation changes. What issues were encountered that led to this cost overrun?

Response:

- a. The initial budget was developed prior to completion of the station design and therefore required material quantities, foundation requirements, and construction scope to be estimated. The actual cost reflected increased requirements for imported fill and earthworks, conduit and cable trench installation, and fencing.

In addition, with the passage of time between the original budget and final estimate, construction costs increased due to higher labour, concrete, aggregate, steel, fuel, and subcontractor pricing. Together, the more defined project scope and updated market pricing accounted for the increase between the original budget and final estimate.

- b. The labour cost overrun associated with the Souris substation modifications was primarily attributable to additional construction activities identified during installation, including changes to the operating mechanism, modifications to insulator support brackets, and additional bus installation work. Labour costs were further impacted by the transportation of materials to the site and reduced construction productivity resulting from weather-related constraints during critical installation activities.

Maritime Electric

IR-10 Section 6.2 – Transmission Projects

- a. 69 kV and 138 kV Switch Program – Was this overbudget primarily based on materials, or on contractor labour? If the latter, was the cause of the overrun higher unit costs, or higher than expected hours?
- b. Y-106 Scotchfort to Lorne Valley Transmission line
 - i. Was the extra labour undertaken by internal or external resources?
 - ii. Was the route changed during this survey and engineering work?

Response:

- a. Material costs were five per cent over budget; however, the overall variance was due primarily to unplanned contractor labour requirements. This involved significant work to bypass and replace a 69 kV transmission line switch on transmission line T-8 that was at risk of failure. The bypass was required to avoid a significant outage to the Souris substation.
- b.
 - i. The labour-related variance was for external resources used to complete the land surveys, environmental assessment, and engineering design for the Hillsborough River crossing.
 - ii. No.

Maritime Electric

Section 7 – Corporate Services

IR-11 Section 7.1 – Corporate Services

- a. The 180 Kent Street renovations were not explicitly outlined in the 2024 Capital Budget Application. Were these renovations contemplated in the original budget?
 - i. If so, what were both the original budget and final cost of the project?
 - ii. If not, why was it necessary for the Kent Street renovations to proceed when they were not previously budgeted and approved?
- b. Was the pole barn roof replacement contemplated in the original budget?
 - i. If not, what was the primary driver in the decision to replace the pole barn roof?
 - ii. What was the total cost of that project?

Response:

Corporate Services 7.1 is a provisional budget for unplanned capital expenditures on buildings, property, office equipment, fixtures, etc., that are necessary due to such items, or components thereof, failing or being damaged due to age, weather and natural events.

- a. No, the renovations were not explicitly outlined in the 2024 Capital Budget Application.
 - i. As noted, the renovation was not explicitly outlined in the 2024 Capital Budget Application, therefore there was no original budget.
 - ii. Smaller Corporate Services projects that are not specifically identified on an individual basis within the Capital Budget are completed under the provisional 7.1a - Recurring Annual Capital Requirements budget item. This provisional item is budgeted annually as history indicates with aging infrastructure, operational and personnel changes, events will arise that require office and building renovations to accommodate changing needs.
- b.
 - i. The pole barn roof replacement was not identified in the original provisional budget as a specific separate item. High winds tore a major section of the roof off which damaged part of the main building's heating system and required emergency replacement. Due to contractor availability and delay in metal cladding delivery, the work was started in 2023 but not completed until 2024.
 - ii. Total cost in 2024 was \$52,540.

Maritime Electric

IR-12 Section 7.2 Information Technology - HSE Information Management Software – What led to the necessary labour being much higher than anticipated?

Response:

The HSE Information Management project was originally approved as a single-year capital project in the 2022 Capital Budget Application. However, due to a longer than anticipated software evaluation and selection process, most of the \$58,000 project budget was carried over to 2023

In 2023, the Company selected a software product that was more costly than the original project budget.¹ This led to the project being broken into two phases, with Phase 1 estimated to cost \$112,000 and Phase 2 estimated to cost \$107,000. This increased the total project budget to \$219,000.

While the 2024 Capital Budget Application reflected the change to a phased, multi-year project, it only requested the budget required for Phase 2 and did not include a request for additional funds to complete Phase 1. (During 2022 and 2023, approximately \$71,000 of the \$107,000 revised budget estimate for Phase 1, shown in Table 89 of the 2024 Capital Budget Application, was spent.)

The additional labour provided by the software vendor, at a cost of \$37,008 in 2024, was required to complete Phase 1. This included completing the modules for incident management, corrective and preventative actions, and job safety and hazard analysis. The balance of the 2024 over-budget variance is primarily associated with first-year software license costs to allow for configuration and implementation, that were inadvertently not included in the Phase 2 budget estimate.

While the project's over-budget variance for 2024 was \$58,000, overall expenditures on the project as a phased, multi-year project were \$236,000, or \$17,000 over budget relative to the \$219,000 total budget requirement indicated in Table 89 of the 2024 Capital Budget Application.

¹ Section 7.2 (g) of the 2024 Capital Budget Application discussed why the total project budget increased.



IR-2 – ATTACHMENT 1

E-2

COST TRENDS OF ELECTRIC UTILITY CONSTRUCTION

SOUTH ATLANTIC REGION (1973=100)

L i n e	CONSTRUCTION AND EQUIPMENT	F E R C	COST INDEX NUMBERS													
			2022		2023		2024		2025		2026		2027		2028	
			Jan. 1	Jul. 1	Jan. 1	Jul. 1	Jan. 1	Jul. 1	Jan. 1	Jul. 1	Jan. 1	Jul. 1	Jan. 1	Jul. 1	Jan. 1	Jul. 1
1	Total Plant-All Steam Generation		846	871	960	1006	1058	1079								
2	Total Plant-All Steam & Nuclear Gen.		842	869	959	1004	1057	1078								
3	Total Plant-All Steam & Hydro Gen.		835	860	948	993	1046	1067								
4																
5	Steam Production Plant															
6	Total Steam Production Plant		867	884	890	947	971	989								
7	Structures & Improvements-Indoor	311	776	802	810	843	876	891								
8	Structures & Improvements-Semi-Outdoor	311	745	736	671	733	760	771								
9	Boiler Plant Equipment-Coal Fired	312	835	858	884	924	945	960								
10	Boiler Plant Equipment-Gas Fired	312	-	-	-	-	-	-								
11	Boiler Plant Piping Installed		767	792	853	851	876	880								
12	Turbogenerator Units	314	845	839	788	869	882	894								
13	Accessory Electrical Equipment	315	1447	1578	1811	1892	1970	2045								
14	Misc. Power Plant Equipment	316	908	951	1076	1090	1106	1114								
15																
16	Nuclear Production Plant															
17	Total Nuclear Production Plant		679	816	832	874	901	922								
18	Structures & Improvements	321	659	703	690	721	753	776								
19	Reactor Plant Equipment	322	785	686	691	715	732	740								
20																
21	Hydro Production Plant															
22	Total Hydraulic Production Plant		656	662	644	692	734	750								
23	Structures & Improvements	331	776	802	810	843	876	891								
24	Reservoirs, Dams & Waterways	332	613	623	605	645	696	712								
25	Water Wheels, Turbines & Generators	333	660	638	599	682	702	719								
26																
27	Other Production Plant															
28	Total Other Production Plant		1125	1222	1366	1431	1484	1566								
29	Fuel Holders, Producers & Accessories	342	799	846	852	865	894	912								
30	Gas Turbogenerators	344	1169	1277	1440	1512	1568	1662								
31																
32	Transmission Plant															
33	Total Transmission Plant		774	794	879	924	964	981								
34	Station Equipment	353	982	1035	1086	1153	1183	1212								
35	Towers & Fixtures	354	730	708	641	718	736	754								
36	Poles & Fixtures	355	628	637	648	655	686	686								
37	Overhead Conductors & Devices	356	560	565	900	905	993	994								
38	Underground Conduit	357	677	684	729	724	745	749								
39	Underground Conductors & Devices	358	1550	1553	1897	2036	2123	2148								
40																
41	Distribution Plant															
42	Total Distribution Plant		855	895	1121	1149	1255	1283								
43	Station Equipment	362	901	955	986	1009	1031	1047								
44	Poles, Towers & Fixtures	364	612	620	628	638	671	673								
45	Overhead Conductors & Devices	365	819	854	1145	1172	1242	1268								
46	Underground Conduit	366	617	622	695	701	713	722								
47	Underground Conductors & Devices	367	900	860	1183	1238	1286	1303								
48	Line Transformers	368	1192	1289	1792	1845	2164	2222								
49	Pad Mounted Transformers	368	1387	1707	2235	2237	2242	2387								
50	Services-Overhead	369	513	518	732	733	751	769								
51	Services-Underground	369	540	612	641	641	657	737								
52	Meters Installed	370	401	401	556	556	567	567								
53	Street Lighting-Overhead	373	823	880	933	983	1058	1121								
54	Mast Arms & Luminaires Installed	373	719	743	809	800	822	820								
55	Street Lighting-Underground	373	869	938	994	1061	1153	1238								
56																