

All our energy.
All the time.



April 27, 2023

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



Dear Commissioners:

2023 Capital Budget Application
Docket UE20735

Please consider this letter and attachments as an update on necessary 2023 capital expenditures while the 2023 Capital Budget Application ("Application") is still under review. Due to an obligation to provide service under Section 2.2(1) of the *Electric Power Act* and in the absence of an approved Application, Maritime Electric has had to incur some capital expenditures that have not yet been approved by the Commission. More specifically, the Company has identified several recurring Capital Budget items that include unavoidable expenditures based on its *Electric Power Act* obligations. To advise the Commission on the capital spending that has been required for such recurring budget items, the Company has provided a list of recurring capital requirements and associated expenditures to the end of the first quarter of 2023 in the table below.

Budget Item	Description	Expenditures from January 1 to March 31, 2023
5.1a	Replacements Due to Storms, Fire and Collisions	\$ 626,825
5.1b	Replacements Due to Road Alterations	45,876
5.2	Distribution Transformers	3,006,430
5.3	Services and Street Lighting	1,836,317
5.4a	Customer Driven Line Extensions	465,308
5.5b	Distribution Line Refurbishment	165,144
5.6	System Meters	81,118
5.7a	Substation, Line and Communication Equipment	386,671
5.7b	Relay Replacement Equipment	23,710
5.7c	Switch Replacement Equipment	9,954
5.7d	Line Tools and Equipment	63,883
6.2a	69 kV and 138 kV Switch Program	134,887
6.2b	Transmission Line Refurbishment	154,760
7.1	Corporate Services	40,389
7.2a	Hardware Acquisitions	123,345
7.2b	Purchased Software and Upgrades	28,495
7.2c	Cybersecurity Enhancements	207,425
TOTAL		\$ 7,458,252

.../2

In addition to the above recurring Capital Budget categories that are associated with keeping the supply system operational to serve customers, the Company has identified six (6) non-recurring projects with portions thereof that had to begin while the Application is under review by the Commission. These projects and the rationale for not deferring until Commission approval is provided in Appendix 1 attached to this letter. There are also seven (7) projects which the Company will need to begin in the second quarter if they are to progress in 2023. The rationale for having to initiate these projects prior to Commission approval is provided in Appendix 2.

The Company appreciates the opportunity to identify and present what it considers to be unavoidable capital expenditures and time-sensitive projects. It is important that the Company's internal and external resources are fully engaged to ensure continuity of service to customers.

Should you have any questions or concerns regarding the above or any aspect of the Company's 2023 Capital Budget Application, please do not hesitate to contact me at 902-629-3701.

Yours truly,

MARITIME ELECTRIC



Michelle Francis
Vice President, Finance and Chief Financial Officer

MF24
Enclosure

Budget Category	Description (Budget) and Rationale for Proceeding
5.5a	Single Phase and Three Phase Line Rebuilds (\$2,406,000) – Construction work has started on Bloomfield to Elmsdale (Route 2) Line Rebuild and planning work is underway for the remaining rebuild projects. Reliability and line condition concerns require these projects to proceed as planned. Expenditures on this budget item in the first quarter was \$516,667.
5.5c(i)	Eastern Cedar Pole Replacement Program (\$1,242,000) – Reliability and line condition concerns require this project to proceed as planned. Expenditures on this budget item in the first quarter was \$590,275.
6.1a	Crossroads Substation Rebuild (\$3,323,000) – This is the second and final year of construction on this multi-year project and work must be completed ahead of winter peak loading. Long-delivery equipment needs to be ordered and construction must begin by end of the second quarter, as the section of the station being rebuilt in 2023 has already been decommissioned. Expenditures on this budget item in the first quarter was \$718,148.
6.1b	West Royalty X5 Autotransformer Upgrade (\$4,650,000) – The design must be completed in the second quarter to allow time for civil, steel and equipment tenders. Expenditures on this budget item in the first quarter was \$40,912.
6.1c	Woodstock Switching Station (\$1,741,000) – The design must be completed in the second quarter to allow time for civil tenders. Expenditures on this budget item in the first quarter was \$26,640.
6.2c(i)	Transmission Lines (\$454,000) - The Crossroads substation transmission modifications are required to accommodate completion of the rebuild work at the Crossroads substation. Expenditures on this budget item in the first quarter was \$137,827.

Budget Category	Description (Budget) and Rationale for Beginning
4.2a	Combustion Turbine 3 ("CT3") Fuel Forwarding Building Upgrades (\$114,000) – To mitigate employee safety hazards, building damage and loss of supply risk due to fire, it is recommended by Maritime Electric insurers that fire detection and communication be installed. It would be efficient to complete this work while contractors are onsite for other work.
4.2b	CT3 Fuel Tank Coating System Upgrade (\$60,000) – To avoid additional outages on CT3, this work must be completed during the scheduled June to September shutdown.
4.4b	BGS Tank Farm Upgrades (\$164,000) – This project requires an outage to both CT1 & CT2. The Company has missed the opportunity to complete this work during the 2023 spring outage and must begin preliminary work soon to allow this work to be completed before the winter peak season.
5.5b	Reliability Driven Line Extensions (\$1,982,000) – Planning work has begun on both the Robertson Road Three Phase Conversion and the Coleman feeders. Construction work will need to begin soon to allow for completion in 2023.
5.8a	Line Operation Vehicles (\$545,000) – Due to current long lead times for Line Operation Vehicles all four (4) vehicles must be ordered soon if they are to be received in 2024.
6.1d	Tignish Substation (\$2,573,000) – Land purchase and design must be completed in the second quarter to allow time for civil, steel and equipment tenders.
6.1f	Substation Modernization Program (\$528,000) – Due to long delivery times, the transformer reclosers must be ordered soon if they are to be received in 2023.