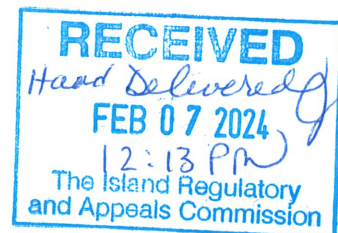


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February 7, 2024

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



Dear Commissioners:

**2024 Capital Budget Application
Docket UE20739**

Please consider this letter and attachments on necessary 2024 capital expenditures while the 2024 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 will have 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 ("Obligatory Items"). A listing of these Obligatory Items, the corresponding budget for each, and a proposed interim approval amount is provided the table below.

Budget Item	Description – Obligatory Items	Budget
4.1c	CGS Miscellaneous Building and Site Upgrades	\$ 37,000
4.2a	CGS Combustion Turbine Improvements, Parts and Tools	181,000
4.3a	BGS Miscellaneous Building and Site Upgrades	37,000
4.4c	BGS Combustion Turbine Improvements, Parts and Tools	118,000
5.1a	Replacements Due to Storms, Collisions, Fire and Road Alterations	2,011,000
5.2	Distribution Transformers	14,396,000
5.3	Services and Street Lighting	7,165,000
5.4a	Customer Driven Line Extensions	2,274,000
5.5b	Distribution Line Refurbishment	855,000
5.6	System Meters	686,000
5.7	Distribution Equipment	1,666,000
6.1j	Fibre Modifications Due to Road Alterations	45,000
6.2a	69 kV and 138 kV Switch Program	631,000
6.2b	Transmission Line Refurbishment	1,027,000
7.1a	Corporate Services	473,000
7.2a	Hardware Acquisitions	573,000
7.2b	Purchased Software and Upgrades	882,000
7.2c	Cybersecurity Enhancements	787,000
TOTAL		\$ 33,844,000
Proposed Interim Approval of 50% (rounded)		\$ 17,000,000

.../2

In addition to the above recurring Capital Budget items that are associated with keeping the supply system operational to serve customers, the Company has identified an additional 18 items totalling approximately \$22.2 million that are time sensitive ("Time Sensitive Items") and necessary to begin while the Application is still under review by the Commission. These Time Sensitive Items and the rationale for beginning them before the Commission's review of the Application is complete are provided in the attached Appendix 1.

To allow work to begin on the Capital Budget items identified herein, Maritime Electric is seeking interim approval to proceed with necessary expenditures totalling up to \$17 million for the Obligatory Items and up to \$11 million for the Time Sensitive Items. There are also several other Capital Budget Items that will need to begin during the spring if they are to progress in 2024. The rationale for initiating these other items, along with an update of expenditures on Obligatory and Time Sensitive Items, will be provided at a later date, if necessary.

The Company appreciates the opportunity to identify and explain what it considers to be obligatory and time sensitive capital budget expenditures. It is important that the Company's internal and external resources are able to complete work that is necessary for ensuring safe, reliable and responsive service to customers.

Should you have any questions or concerns regarding the above or any aspect of the Company's 2024 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

MF06
Enclosure

Budget Category	Description – Time Sensitive Items
4.4a	CT1 Generator Overhaul (\$648,000) – This project was applied for in the 2023 Capital Budget Application but subsequently deferred. It cannot be delayed further and the work must be completed in May/June so the unit is available during high load periods. ✓
5.4b(i)	Lady Slipper Drive North Three Phase Conversion (\$600,000) – Loading on this section of single phase line has continued to increase and conversion to three phase should not be delayed.
5.4b(ii)	Pleasant Grove Road Three Phase Conversion (\$487,000) – Loading on this section of single phase line has continued to increase and conversion to three phase should not be delayed.
5.5a(i)	Greenmount Road (Montrose to Tignish) Line Rebuild (\$972,000) – Due to the age and condition of the line, this project should not be delayed.
5.5a(iii)	Egmont Bay (Route 11) Line Rebuild (\$646,000) – Due to the age and condition of the line, this project should not be delayed.
5.5c(i)	Eastern Cedar Pole Replacement Program (\$1,304,000) – Safety and reliability concerns require this program to proceed as planned. ✓
5.5c(ii)	Deteriorated Conductor Replacement Program (\$432,000) – Safety and reliability concerns require this program to proceed as planned. ✓
5.5c(iii)	Backlot Feed Relocation Program (\$475,000) – Safety and reliability concerns require this program to proceed as planned. ✗
5.5c(iv)	Distribution Corridor Widening (\$861,000) – Necessary to complete work early in the year, due to cutting restrictions during migratory bird nesting season (April to September). ✗
5.8a	Line Operation Vehicles - Items 1 to 4 (\$1,556,000) – Items 1 to 4 were ordered in 2023 and budgeted over two years. ✓
5.8b	Small Vehicles and Equipment - Item 7 (\$100,000) – This provisional item is necessary for addressing unforeseen transportation equipment requirements in a timely manner. ?
6.1a	Woodstock Switching Station (\$7,669,000) – This project is underway. 2024 is the second year of a three-year project. ✓

Budget Category	Description – Time Sensitive Items (continued)
6.1b	Tignish Substation (\$3,000,000) – This project is underway. 2024 is the second year of a two-year project. ✓
6.1d	Sherbrooke X1 Autotransformer Replacement (\$126,000) – This is a critical system component with a long delivery. The existing Sherbrooke X1 autotransformer is aged, deteriorated and at capacity. Replacement cannot be delayed. ✓
6.1e	Power Transformers (\$2,192,000) – These are critical system components with a long delivery. The power transformers are necessary due to existing units being aged and deteriorated and/or at capacity. ✓
6.2d	Transmission Corridor Widening (\$370,000) – Necessary to complete work early in the year, due to cutting restrictions during migratory bird nesting season (April to September). ✗
7.2e	Load Modeling Software (\$216,000) – This software is a critical tool for operation and planning of the transmission network. Replacement can no longer be delayed as the existing version used by Maritime Electric is over ten years old and obsolete. ?
7.2f	GIS Upgrade to Utility Network Model (\$439,000) – The ESRI geometric network currently used by Maritime Electric is now obsolete. The resources required to upgrade to the Utility Model Network are scheduled to start work on the project in March. ?
7.2g	HSE Information Management Software (\$107,000) – This is the second phase of a project that was approved in the 2022 Capital Budget. ?