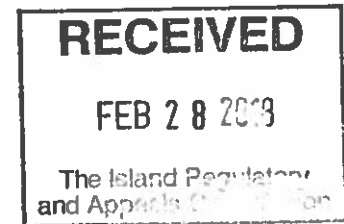




February 28, 2018



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

Dear Commissioners:

2017 Capital Budget Variance Report

Please find attached five copies of the Company's 2017 Capital Budget Variance Report. An electronic version copy will follow shortly.

If you have any questions, please do not hesitate to contact me at 902-629-3763.

Yours truly,

MARITIME ELECTRIC

A handwritten signature in cursive script, appearing to read "Enrique Riveroll".

Enrique Riveroll
Manager, Regulatory & Financial Planning

ER08
Enclosure

**MARITIME ELECTRIC COMPANY, LIMITED
2017 CAPITAL BUDGET VARIANCE REPORT**

February 28, 2018

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MARITIME ELECTRIC COMPANY, LIMITED
2017 CAPITAL BUDGET VARIANCE REPORT
INTRODUCTION

On November 24, 2016, the Island Regulatory and Appeals Commission issued Order UE16-08 approving an Application by Maritime Electric Company, Limited (“Maritime Electric” or the “Company”) in respect of its 2017 Capital Budget. This report provides a description of the variances of the actual expenditures from the approved 2017 Capital Budget.

Total capital expenditures (net of contributions in aid of construction) for 2017 were \$27,912,425, or approximately 5 per cent, under the approved budget. The Company has deferred certain 2017 capital projects, totaling \$1,488,000, to 2018 (Appendix I). In addition, the Company has deferred certain 2016 capital projects, totaling \$690,000 to 2018 (Appendix I). Redeployment of engineering resources to the Submarine Cable Interconnection Project during the first half of the year, IT priority changes to cybersecurity projects, coordinating the timing of various aspects of the multi-year West Royalty Improvement project and delays in delivery times for certain materials and equipment are the primary reasons for the deferral of these projects until 2018.

The total capital expenditure variance for 2017, after consideration of projects deferred to 2018, is \$1,425 over budget (see Summary Table on Page 2-1). The Company experienced higher than planned expenditures on distribution investments due to increased customer driven demand for new services and street lighting (\$513,000), higher than planned costs for customer driven distribution line extensions and rebuilds (\$381,000), higher than planned costs for transportation equipment (\$84,000), higher costs incurred for the 2017 component of the multi-year Y-104 transmission project (\$30,000), higher than planned costs for information technology projects (\$49,000) and higher than budgeted Interest During Construction charges (\$134,000).

These over budget variances were partially offset by lower than planned expenditures on generation asset improvements (\$551,000), lower than planned expenditures on replacements due to storms, collision, fire and road alterations (\$123,000), lower than planned distribution transformer costs (\$33,000), lower than planned costs for system meters (\$14,000), distribution equipment (\$15,000) and transmission line projects (\$92,000) as well as lower than planned

**MARITIME ELECTRIC COMPANY, LIMITED
2017 CAPITAL BUDGET VARIANCE REPORT
INTRODUCTION**

costs for corporate general projects (\$17,000) and higher than planned contributions in aid of construction (\$346,000).

In 2017, the Company completed \$4,024,960 of previously approved capital project work that was in progress at the end of 2016. A schedule of these projects is provided in Appendix II.

MARITIME ELECTRIC COMPANY, LIMITED
2017 CAPITAL BUDGET VARIANCE REPORT
SUMMARY

	<u>Approved 2017 Budget</u>	<u>2017 Expenditures</u>	<u>Estimated Expenditures in 2018</u>	<u>Total Expected Expenditures</u>	<u>Variance From Budget</u>	<u>Approved 2018 Budget</u>
Generation	\$ 1,253,000	\$ 701,505	\$ -	\$ 701,505	\$ (551,495)	\$ 1,771,000
Distribution	18,030,000	18,407,597	415,000	18,822,597	792,597	20,113,000
Transmission	8,641,000	7,838,402	742,000	8,580,402	(60,598)	6,240,000
Corporate	1,068,000	759,165	331,000	1,090,165	22,165	2,164,000
Capitalized General Expense	491,000	502,450	-	502,450	11,450	527,000
Interest During Construction	<u>316,000</u>	<u>449,760</u>	<u>-</u>	<u>449,760</u>	<u>133,760</u>	<u>400,000</u>
Sub-Total	29,799,000	28,658,879	1,488,000	30,146,879	347,879	31,215,000
Less: Contributions in Aid of Construction	<u>(400,000)</u>	<u>(746,454)</u>	<u>-</u>	<u>(746,454)</u>	<u>(346,454)</u>	<u>(400,000)</u>
Net Total	<u>\$29,399,000</u>	<u>\$27,912,425</u>	<u>\$ 1,488,000</u>	<u>\$29,400,425</u>	<u>\$ 1,425</u>	<u>\$30,815,000</u>

MARITIME ELECTRIC COMPANY, LIMITED
2017 CAPITAL BUDGET VARIANCE REPORT
GENERATION

Generation – Summary

	Approved 2017 Budget	2017 Actual	2017 Variance	Approved 2018 Budget
4.1 Charlottetown Plant Buildings and Services Projects	\$ 88,000	\$ 8,823	\$ (79,177)	\$ 125,000
4.2 Charlottetown Plant Boiler Projects	154,000	20,196	(133,804)	125,000
4.3 Charlottetown Plant Turbine-Generator Projects	876,000	591,424	(284,576)	1,311,000
4.4 Borden Plant Projects	<u>135,000</u>	<u>81,062</u>	<u>(53,938)</u>	<u>210,000</u>
Total	<u>\$1,253,000</u>	<u>\$ 701,505</u>	<u>\$ (551,495)</u>	<u>\$1,771,000</u>

4.1 Charlottetown Plant Buildings and Services Projects **Variance \$(79,177)**

The Generation 4.1 budget category for 2017 consisted of miscellaneous buildings and site services projects as well as a planned roof replacement project at the Charlottetown Thermal Generating Station (CTGS). A 2017 study by CBCL Engineering on the feasibility of repurposing the CTGS building structure (post-decommissioning) concluded that the entire roof of the CTGS building may need replacement. As a result, it was decided to cancel the 2017 project to replace a section of the roof (reduction of \$49,000) and to defer this work until a decision can be made on the whole structure. The budget amounts for miscellaneous buildings and site services projects were provisional based on past experience; however, no major issues materialized during the year resulting in lower than budgeted expenditures of approximately \$30,000. As a result, Category 4.1 was \$79,177 or 90 per cent under budget.

MARITIME ELECTRIC COMPANY, LIMITED
2017 CAPITAL BUDGET VARIANCE REPORT
GENERATION

4.2 Charlottetown Plant Boiler Projects **Variance \$(133,804)**

The Generation 4.2 budget category was \$133,804 or 87 per cent under budget. The budget amounts for tool replacements, boiler improvements and boiler insulation replacement and improvement were provisional based on past experience; however, no major issues materialized during the year resulting in lower than budgeted expenditures. With the planned decommissioning of the CTGS, the Company is continuing to manage spending on the units by only performing work that is necessary for ongoing safety and reliability requirements. Tool replacements were \$30,100 lower than budget, miscellaneous boiler improvements were \$62,000 lower than budget and boiler insulation replacements and improvements were \$41,700 under budget for a total under budget variance of approximately \$133,800.

4.3 Charlottetown Plant Turbine-Generator Projects **Variance \$(284,576)**

The Generation 4.3 budget category was \$284,576 or 32 per cent under budget. The projects to retrofit the gas NO_x water pump to a liquid NO_x water pump and the water treatment plant filter replacement project were \$187,400 and \$41,500 respectively lower than budget due to better than expected pricing from the OEM and a more favourable USD/CAD exchange rate as compared to budget. Finally, the budget amounts for miscellaneous turbine projects were provisional based on past experience; however, no major issues materialized during the year resulting in lower than budgeted expenditures of approximately \$57,000.

MARITIME ELECTRIC COMPANY, LIMITED
2017 CAPITAL BUDGET VARIANCE REPORT
GENERATION

4.4 Borden Plant Projects **Variance \$(53,938)**

The Generation 4.4 budget category was \$53,938 or 40 per cent under budget. The budget amounts for miscellaneous combustion turbine improvements and miscellaneous buildings and site services projects were provisional based on past experience; however, no major issues materialized during the year resulting in lower than budgeted expenditures. No buildings and site services project work was required resulting in a reduction of \$30,000. The requirement for combustion turbine improvement work was lower in 2017 due to work that was completed to the turbine enclosures in 2016 during the Cable Interconnection Project and resulted in a reduction of \$23,938.

MARITIME ELECTRIC COMPANY, LIMITED
2017 CAPITAL BUDGET VARIANCE REPORT
DISTRIBUTION

Distribution – Summary

	<u>Approved 2017 Budget</u>	<u>2017 Actual</u>	<u>2017 Variance</u>	<u>Approved 2018 Budget</u>
5.1 Replacements due to Storms, Collision, Fire and Road Alterations	\$ 1,400,000	\$ 1,276,552	\$ (123,448)	\$ 1,432,000
5.2 Distribution Transformers	3,388,000	3,354,755	(33,245)	2,989,000
5.3 Services and Street Lighting	4,369,000	4,882,276	513,276	4,384,000
5.4 Line Extensions	1,963,000	2,133,350	170,350	3,310,000
5.5 Line Rebuilds	3,862,000	4,072,242	210,242	4,303,000
5.6 System Meters	542,000	441,884	(100,116)	591,000
5-7 Distribution Equipment	1,571,000	1,367,292	(203,708)	1,761,000
5.8 Transportation Equipment	<u>935,000</u>	<u>879,246</u>	<u>(55,754)</u>	<u>1,343,000</u>
Sub-Total	18,030,000	18,407,597	377,597	20,113,000
Less: Contributions in Aid of Construction (CIAC)	<u>(400,000)</u>	<u>(746,454)</u>	<u>(346,454)</u>	<u>(400,000)</u>
Total	<u>\$17,630,000</u>	<u>\$17,661,143</u>	<u>\$ 31,143</u>	<u>\$19,713,000</u>

5.1 Replacements - Storms, Collision, Fire and Road Alterations Variance \$(123,448)

The 5.1 budget category was \$123,448 or 9 per cent under budget. The decrease from budget is primarily the result of less than anticipated storm related damage to the system over the course of the year.

5.2 Distribution Transformers Variance \$(33,245)

The 5.2 Distribution Transformer category was \$33,245 or 1 per cent under budget due to lower than expected transformer requirements.

MARITIME ELECTRIC COMPANY, LIMITED
2017 CAPITAL BUDGET VARIANCE REPORT
DISTRIBUTION

5.3 Services and Street Lighting **Variance \$513,276**

The 5.3 budget category was \$513,276 or 12 per cent over budget. After three years of actual requests for new services coming in well below the budget based on the trailing 5 year average, the Company reduced the 2017 budget for services and street lighting by \$500,000. However, actual requests for both new overhead and new underground services increased significantly in 2017 over prior years. In 2017, the total new service requests were 1,091 (499 overhead/592 underground) compared to 973 (526 overhead/477 underground) in 2016, an increase of approximately 11 per cent. This resulted in the over budget variance in Category 5.3. Requests for new services were partially offset by contributions in Aid of Construction ("CIAC") from customers (presented at the bottom of the Distribution Summary Schedule on Page 4-1).

5.4 Line Extensions **Variance \$170,350**

The 5.4 Line Extensions budget category was \$170,350 or 9 per cent over budget. The variance is due to a number of customer-driven line extensions that were completed in 2017 including a 2 kilometre line extension/conversion project along the Newton Road near Kinkora. The Newton Road and other smaller line extension projects were partially offset by CIAC from customers (presented at the bottom of the Distribution Summary Schedule on Page 4-1) contributing to the \$346,454 positive CIAC variance.

5.5 Line Rebuilds **Variance \$210,242**

The 5.5 budget category was \$210,242 or 5 per cent over budget. The variance was driven by several communication provider make-ready projects that were not known at the time of developing the 2017 Capital Budget. The larger make-ready projects involved pole-line upgrade work in Abrams Village (5.4 kilometres on Route 11), Stanley Bridge (3 kilometres in Seawood Estates) and New London (1.7 kilometres on Marks Road). These make-ready projects were partially offset by contributions from the communication providers that requested the work through joint use or pole attachment agreements.

MARITIME ELECTRIC COMPANY, LIMITED
2017 CAPITAL BUDGET VARIANCE REPORT
DISTRIBUTION

5.6 System Meters **Variance \$(100,116)**

The 5.6 System Meters category was \$100,116 or 20 per cent under budget. This is primarily due to the deferral of a Farm Bridge Metering project to 2018 in the amount of \$70,000 due to delays in delivery of the meters as well as an outstanding meter delivery of \$16,000 that was received in 2018 for a total deferral of \$86,000 (see Appendix I – Schedule of Deferred Budget Items). After consideration of these deferrals, this budget category will be under budget by approximately \$14,000 or less than 3 per cent.

5.7 Distribution Equipment **Variance \$(203,708)**

The 5.7 budget category was \$203,708 or 13 per cent below budget. The following items in this budget category, ordered in 2017, had extended delivery times and will arrive early in 2018 resulting in a carryover to 2018 of \$189,000 (see Appendix I – Schedule of Deferred Budget Items):

Distribution capacitors	\$90,000
Distribution equipment parts/contacts	\$56,000
Communication equipment	\$34,000
Single phase electronic recloser	<u>\$9,000</u>
	<u>\$189,000</u>

After consideration of these carryover amounts, this project category will be approximately \$14,700 or less than 1 per cent under budget.

5.8 Transportation Equipment **Variance \$(55,754)**

The Transportation 5.8 budget category was \$55,754 or 6 per cent under budget. Considering the carryover note below on the Hiab Boom Truck, the category will be \$84,246 over budget. The increased expenditure was partially driven by the unplanned requirement to re-chassis a small bucket (CSUP) truck for the Central District which was not included in the original budget (an increase of \$99,100). The increase was also driven by bids for the Honda Element, Hiab Boom Truck, Aerial

MARITIME ELECTRIC COMPANY, LIMITED
2017 CAPITAL BUDGET VARIANCE REPORT
DISTRIBUTION

Device Boom Truck (Western District) and Small Bucket Truck (Western District) coming in higher than expected for a combined increase of \$60,146. These increases were partially offset by the \$75,000 allowance for unforeseen capital expenditures included in the approved Transportation Equipment budget category.

The following budget provision for Category 5.8 will be deferred to 2018 (see Appendix I – Schedule of Deferred Budget Items).

- i. Hiab Boom Truck \$140,000
This truck was ordered and a deposit paid in 2017 but, due to assembly lead times, it will not be received until later in 2018. The carryover amount represents the estimated remaining cost of the unit on order and in production.

MARITIME ELECTRIC COMPANY, LIMITED
2017 CAPITAL BUDGET VARIANCE REPORT
TRANSMISSION

Transmission – Summary

	Approved 2017 Budget	2017 Actual	2017 Variance	Approved 2018 Budget
6.1 Substation Projects	\$ 2,652,000	\$ 1,911,049	\$ (740,951)	\$ 2,876,000
6.2 Transmission Projects	3,707,000	3,615,047	(91,953)	3,364,000
6.3 Y-104 Multi-Year Project	<u>2,282,000</u>	<u>2,312,306</u>	<u>30,306</u>	<u>-</u>
Total	<u>\$ 8,641,000</u>	<u>\$ 7,838,402</u>	<u>\$ (802,598)</u>	<u>\$ 6,240,000</u>

6.1 Substation Projects **Variance \$(740,951)**

The 6.1 budget category was \$740,951 or 28 per cent under budget. The under budget variance is primarily the result of deferring three substation related projects, totaling \$742,000, to 2018 as follows (see Appendix I – Schedule of Deferred Budget Items):

- i. Project 6.1 (a) Wellington Substation Carryover \$550,000
Construction of the Wellington Substation began in late 2017. This carryover provides for the purchase, installation and commissioning of the remaining substation equipment.

- ii. Project 6.1 (b) Wellington Transformer Carryover \$110,000
This carryover includes the necessary civil work required to accommodate the transformer and the transportation, installation, testing and commissioning of the transformer in preparation for energization.

MARITIME ELECTRIC COMPANY, LIMITED
2017 CAPITAL BUDGET VARIANCE REPORT
TRANSMISSION

iii. Project 6.1 (d) Mount Mellick Substation Land Carryover \$82,000

Project 6.1 (d) Mount Mellick Substation was deferred to 2018 as a result of a focus on completion of the Interconnection Project. This has allowed for a more in-depth review of the Mount Mellick location from which it has been concluded that siting options near Mount Albion are preferred. In addition, new provincial guidelines for environmental assessments require the identification of multiple siting options for community pre-consultation purposes. This has resulted in a delay of the land purchase.

6.2 Transmission Projects **Variance \$(91,953)**

The 6.2 transmission projects category was \$91,953 or 2 per cent below budget. This under budget variance is primarily due to both of the transmission line rebuilds (T-8 and T-21) being completed below budget.

6.3 Y-104 Multi-Year Project **Variance \$30,306**

The 6.3 budget category was \$30,306 or 1 per cent over budget. This was the final year of the 82.5 kilometre transmission line project which saw the last 13 kilometres, from the Curtis Road to the Church Road Substation, successfully completed. Overall, this multi-year project was completed at a cost of \$16,426,570, approximately \$3.6 million or 18 per cent under the original budget of \$19,983,000 proposed in the 2013 Capital Budget Application as summarized in the table below. The savings were primarily due to the realignment of approximately 22 kilometres of transmission line from a previously approved cross country route to Government roadway right-of-way, thus reducing the expenditures for easement acquisitions and vegetation clearing.

MARITIME ELECTRIC COMPANY, LIMITED
2017 CAPITAL BUDGET VARIANCE REPORT
TRANSMISSION

TABLE 1			
Y-104 Project Description	Proposed 2012 Budget	Actual	Variance
Environmental Impact Assessments	\$ 400,000	\$ 100,547	\$ (299,453)
Church Road 45/60/75 Auto-Transformers, 138 kV Breaker and Bay	2,679,000	2,686,205	7,205
Easements from Existing T-4 to Church Road	750,000	114,273	(635,727)
New Y-104 Transmission Line – 85 km proposed, 82.5 km actual	13,154,000	11,155,089	(1,998,911)
Church Road Substation 138 kV Breaker and Bay	750,000	551,242	(198,758)
Mount Stewart 138 kV Substation and Transformer (West St. Peter's selected as final location)	1,500,000	1,568,589	68,589
West Royalty Substation Breaker Addition	750,000	250,625	(499,375)
TOTAL	\$19,983,000	\$16,426,570	\$(3,556,430)

MARITIME ELECTRIC COMPANY, LIMITED
2017 CAPITAL BUDGET VARIANCE REPORT
CORPORATE

Corporate – Summary

	<u>Approved 2017 Budget</u>	<u>2017 Actual</u>	<u>2017 Variance</u>	<u>Approved 2018 Budget</u>
7.1 Corporate General	\$ 300,000	\$ 33,499	\$ (266,501)	\$ 1,090,000
7.2 Information Technology	<u>768,000</u>	<u>725,667</u>	<u>(42,333)</u>	<u>1,074,000</u>
Total	<u>\$ 1,068,000</u>	<u>\$ 759,166</u>	<u>\$ (308,834)</u>	<u>\$ 2,164,000</u>

7.1 Corporate General **Variance \$(266,501)**

The 7.1 budget category was under budget by \$266,501 or 89 per cent and is primarily the result of deferring the following projects to 2018 (see Appendix I – Schedule of Deferred Budget Items):

- i. Server Room HVAC Replacement – 180 Kent Street \$50,000
 Project 7.1 (a) has been deferred until 2018 as a result of IT resource constraints due to network cybersecurity projects (as discussed further in Section 7.2(c)).

- ii. West Royalty Service Centre Improvement Plan \$200,000
 Project commencement was delayed to coordinate with the approved 2018 Capital Budget submission request.

After consideration of these deferrals, this budget category will be approximately \$17,000 or 6 per cent under budget.

MARITIME ELECTRIC COMPANY, LIMITED
2017 CAPITAL BUDGET VARIANCE REPORT
CORPORATE

7.2 Information Technology **Variance \$(42,333)**

	<u>Approved 2017 Budget</u>	<u>2017 Actual</u>	<u>2017 Variance</u>	<u>Approved 2018 Budget</u>
7.2 (a) Hardware Acquisitions	\$ 198,000	\$ 193,453	\$ (4,547)	\$ 232,000
7.2 (b) Purchased Software and Upgrades	280,000	257,292	(22,708)	295,000
7.2 (c) Other IT Services/Projects	<u>290,000</u>	<u>274,922</u>	<u>(15,078)</u>	<u>547,000</u>
Total	<u>\$ 768,000</u>	<u>\$ 725,667</u>	<u>\$ (42,333)</u>	<u>\$ 1,074,000</u>

7.2 (a) Hardware Acquisitions **Variance \$(4,547)**

The 7.2 (a) category was \$4,547 or 2 per cent below budget.

7.2 (b) Purchased Software and Upgrades **Variance \$(22,708)**

The 7.2 (b) category was \$22,708 or 8 per cent below budget. This is primarily attributed to labour savings as resources were deployed to cybersecurity projects.

7.2 (c) Other IT Services/Projects **Variance \$(15,078)**

The 7.2 (c) category was \$15,078 or 5 per cent below budget. This is primarily due to the deferral of two projects to 2018 in the amount of \$81,000 as follows (see Appendix I – Schedule of Deferred Budget Items):

MARITIME ELECTRIC COMPANY, LIMITED
2017 CAPITAL BUDGET VARIANCE REPORT
CORPORATE

- | | | |
|-----|--|----------|
| i. | <u>Call Recorder System</u>
Progress in this project was delayed due to IT resources constraints resulting from IT reassignments to network cybersecurity projects. | \$33,000 |
| ii. | <u>Field Inspection System</u>
This project was also delayed due to IT resources being reassigned to network cybersecurity projects. | \$48,000 |

After consideration of these deferrals, this budget category will be over budget by approximately \$66,000 or 22 per cent. This over budget variance is primarily attributed to the change in the scope of the SCADA Active Directory Project.

Upon commencing the SCADA Active Directory Project in 2017, the IT group concluded that the SCADA or Operations Technology (OT) network required initial foundational security upgrades before the SCADA Active Directory Project could be undertaken. Given the critical nature of the SCADA system in operating the electricity system on PEI, an external security consultant was engaged to conduct a complete cybersecurity assessment of the OT network. To support this assessment, internal IT resources were redeployed to complete an inventory of OT network hardware located in the Company's substations.

As a result, the Company invested approximately \$110,000 in OT network cybersecurity upgrades which exceeded the SCADA Active Directory Project budget of \$55,000. The remaining over budget variance is attributable to higher than planned expenditures related to the Network Security Review Project and Aged Systems Refresh as well as the initial investment of IT resources to commence the Bridge Meter Pilot Project.

MARITIME ELECTRIC COMPANY, LIMITED
2017 CAPITAL BUDGET VARIANCE REPORT
CAPITALIZED GENERAL EXPENSE

This amount includes a portion of administrative costs that are properly recognized as part of the Company's overall capital expenditure program. These expenditures represent an allocation of administrative costs, not specific to any one capital project, but rather as part of the overall development, implementation and management of the Company's approved annual Capital Budget.

Capitalized General Expense

	Approved 2017 Budget	2017 Actual	2017 Variance	Approved 2018 Budget
Capitalized General Expense	<u>\$ 491,000</u>	<u>\$ 502,450</u>	<u>\$ 11,450</u>	<u>\$ 527,000</u>

MARITIME ELECTRIC COMPANY, LIMITED
2017 CAPITAL BUDGET VARIANCE REPORT
INTEREST DURING CONSTRUCTION (IDC)

This amount represents an allowance for funds used during the construction of certain assets. It is reflected in the Company's financial results as an offset to financing costs, ultimately charged to fixed assets and recovered through amortization over the life of the assets. The actual IDC for 2017 was \$133,760 or 42 per cent over budget which reflects a conservation estimate for 2017 budget purposes. The budgetary provision for 2018 for the IDC category has been increased to \$400,000 to better reflect costs actually incurred for IDC.

Interest During Construction

	Approved 2017 Budget	2017 Actual	2017 Variance	Approved 2018 Budget
Interest During Construction	<u>\$ 316,000</u>	<u>\$ 449,760</u>	<u>\$ 133,760</u>	<u>\$ 400,000</u>

MARITIME ELECTRIC COMPANY, LIMITED
2017 CAPITAL BUDGET VARIANCE REPORT
SCHEDULE OF DEFERRED CAPITAL BUDGET ITEMS

The following schedule outlines the projects (approved in Order UE16-08, and for certain 2016 capital projects, approved in Order UE15-01) deferred from 2017. Certain expenditures associated with these projects were incurred in 2016 and 2017 as noted. Outlined are expenditures to complete the projects in 2018.

Original Project Year - ID	Description	Budget	Costs Incurred in		Deferred to 2018	Comments
			2016	2017		
2016-6.1 (d)	Substation Automation	\$ 61,000	\$ 1,504	\$ -	\$ 60,000	Design, purchase, installation and commissioning of equipment for the automation program.
2016-6.1 (c)	Transmission System Capacitors	1,661,000	303,491	737,792	604,000	Purchase of remaining equipment, installation and commissioning of the Switched Capacitor yard equipment in the Charlottetown yard.
2016-7.1 (b)	West Royalty Service Centre Improvement Plan	<u>200,000</u>	<u>70,000</u>	<u>103,921</u>	<u>26,000</u>	Multi-year project.
Subtotal 2016		\$ 1,922,000	\$ 374,995	\$ 841,713	\$ 690,000	
2017-5.6	System Meters	542,000	-	441,884	86,000	Primarily due to the deferral of the Farm Bridge Metering project.
2017-5.7 (a)	Distribution Equipment	1,373,000	-	1,183,781	189,000	Budget items were ordered that had extended delivery times and will arrive early 2018.
2017-5.8	Hiab Boom Truck	250,000	-	127,325	140,000	Truck will arrive in 2018.
2017-6.1 (a)	Wellington Substation	976,000	-	448,159	550,000	Purchase of remaining equipment, installation and commissioning of the Wellington Substation in 2018.
2017-6.1 (b)	Wellington Transformer	992,000	-	861,770	110,000	Transformer was received in 2017. Carry over costs relate to moving the transformer to the site, protection wiring on transformer, testing and commissioning, pad equipment and the oil containment system installation.
2017-6.1 (d)	Mount Mellick Substation	82,000	-	-	82,000	Site moved from original plan site to Mount Albion. Carryover costs relate to purchase of the land and the associated legal and EIA costs.
2017-7.1 (a)	Server Room HVAC Replacement	50,000	-	-	50,000	Delayed due to changes in priorities to complete cybersecurity projects.
2017-7.1 (b)	West Royalty Service Centre Improvement Plan	200,000	-	-	200,000	Project commencement was delayed to coordinate project with 2018 plan.
2017-7.2 (f)	Call Recorder System	35,000	-	1,975	33,000	Delayed due to changes in priorities to complete cybersecurity projects.
2017-7.2 (h)	Field Inspection System	<u>50,000</u>	<u>-</u>	<u>2,000</u>	<u>48,000</u>	Delayed due to changes in priorities to complete cybersecurity projects.
Subtotal 2017		\$4,350,000	\$ -	\$3,066,894	\$1,488,000	
TOTAL		<u>\$6,472,000</u>	<u>\$ 374,995</u>	<u>\$3,908,607</u>	<u>\$2,178,000</u>	

MARITIME ELECTRIC COMPANY, LIMITED
2017 CAPITAL BUDGET VARIANCE REPORT

SCHEDULE OF CAPITAL BUDGET EXPENDITURES FROM PRIOR YEARS COMPLETED IN 2017

Original Project ID	Description	Budget	Cost Incurred			Total	Variance
			2015	2016	2017		
G-3-1	Installation of Snow Hood at CT3	\$ 443,000	\$ -	\$ 83,420	\$ 363,215	\$ 446,635	\$ 3,635
D-8	Transportation Equipment – 2015	963,000	128,822	-	881,032	1,009,854	46,854
5.4	New Glasgow Substation Feeders	500,000	-	-	513,912	513,912	13,912
5.7 (a)	SCADA Master Station Upgrade	140,000	-	78,478	31,922	110,400	(29,600)
6.1 (a)	New Glasgow Substation	1,374,000	-	120,398	1,275,249	1,395,647	21,647
6.2 (d)	T-1 Line Extension to New Glasgow Substation	1,030,000	-	95,182	877,009	972,191	(57,809)
7.1 (a)	Substation Entrance Resurfacing	55,000	-	-	43,000	43,000	(12,000)
7.2 (f)	Remote Metering	40,000	-	-	39,621	39,621	(379)
	TOTAL	<u>\$4,545,000</u>	<u>\$ 128,822</u>	<u>\$ 377,478</u>	<u>\$4,024,960</u>	<u>\$4,531,260</u>	<u>\$ (13,740)</u>