

**Maritime Electric Co. Ltd. (MECL) 2026 Annual Capital Budget Application –
UE20746.**

Comments to the Island Regulatory and Appeals Commission

Introduction

Similar to the 2025 Capital Application Interrogatories process, MECL needed more time (3 weeks) to respond to public questions, namely from the directed date of February 17th to March 10th. The MECL responses to my interrogatories of January 27th were received on March 9th, hence the delay of this submission to the Commission.

Three (3) Priority Issues with the MECL Application:

Topic 1: Key Performance Indicators (KPI) for Capital Expenditures:

The topic of KPI tracking, as a method of determining priority capital expenditures, that I proposed in 2025 was not adopted but the continued acceleration of annual capital spending by MECL is again confirmed by this Application. For the last five (5) years (2022 to 2026 and net of the AMI/CIS project starting in 2025), Appendix A in the Application shows regular, non-supplemental capital expenditures as: \$39M, \$52M, \$60M, \$75M, and \$102M respectively. MECL is now embarking on a new capital spend paradigm by projecting annual capital expenditures in excess of \$100M. This funding growth cannot be sustained by the actual growth in the number of customers served. I expand the two 2025 questions:

- 1) “Can customers continue to afford these capital costs and increased MECL profit?”
- 2) Doesn’t our Government now have an obligation to participate and start to provide capital funding for partial ownership of the PEI electricity infrastructure?
- 3) What MECL criteria are adopted to determine annual capital affordability, annual operating fiscal/debt security and effective fiscal management?
- 4) How is the iteration of recent MECL Supplemental Capital Expenditures going to be factored into the overall financial sustainability of MECL?

Topic 2: Transmission planning support for the proposed Skinners Pond Wind Farm

MECL endorsement of the Skinners Pond Wind Farm, a joint Commercial (Invenergy), PEI Government and MECL 100MW energy supply project, is still not publically confirmed. This is despite the Federal funding of \$43M for Transmission Services being allocated to the PEI Government in 2020, the 2023 MECL Sustainability report citing a need for 100MW additional wind energy/120MW additional solar energy and the MECL 2023 \$14M Woodstock Switching Station that was partially justified by “the Company will be in a better position to interconnect future wind generation facilities in western PEI”. This delay is in direct contrast to the dominant project timing influence that the Federal Government’s assistance of \$19M had on the MECL AMI/CIS Application (UE20737). The current MECL status is “in the System Impact Study phase”. I submit that this major project and the static status of other projects in the “Interconnection Request Queue” reveals a priority/focus problem with the MECL “System Impact Study” process that should be of concern to the Commission, our Government and all Islanders.

Topic 3: Guarded and Non-transparent Release of Information from MECL:

MECL Responses to **IR 1, IR2, IR 3, IR7, IR8, and IR13** all provided added and clarifying information. However the remaining twelve (12) responses (70% of total) were guarded and incomplete and offered no supporting data nor clarified the original questions.

An overview and brief descriptions of the inadequate responses is provided in the Appendix on page 4 and page 5.

Proposed Order Content:

I propose that in considering the information and observations within the three (3) topics identified above, three (3) companion conclusions can be drawn:

- 1) **With MECL embarking on a new paradigm of annual capital expenditures in excess of \$100M, a more stringent affordability/priority justification process is required.**
This funding growth cannot be sustained by the actual growth in the number of customers served or without PEI Government participation. An objective justification, affordability and priority (KPI) setting process for capital funding needs to replace the current overly subjective process used by MECL; auditing of the MECL debt security and fiscal management of capital costs needs also to be more obvious and visible. Finally, with the recent PEI Government Ministerial assignment of Energy to Transportation and Infrastructure the scene is set for active Government oversight and funding leading to partial Government ownership of the PEI Electricity Infrastructure and identifying it as the critical economic and social necessity for our Island.
- 2) **There are Core Issues with the Planning and Control of PEI's Electricity Infrastructure:**
MECL has at least 90% of all PEI's electricity utility expertise – it is a capable and operationally competent Utility with accumulated electricity infrastructure experience that should be recognized. However, MECL is guided by a very strong profit motivation dictated by the parent company/single shareholder Fortis and has a cautioned adoption of new technology, especially renewable energy. The issues of the growing mistrust of MECL by most Islanders and the slow adoption of new generation technology by MECL require a more transparent and inclusive Electricity Infrastructure control mechanism. Secondly, in an environment where the regulation complexities within the Cost of Service Model are increasing, the Commission could benefit from a coordinated, inclusive and available PEI technical resource in deliberating the regulation duties.
- 3) **There is an urgent need to Change the Planning and Control of PEI's Electricity Infrastructure:** As referenced in the Doane Grant Thornton "PEI Infrastructure Report" of May 2025 for the PEI Government, a PEI version of an "Independent Electricity System Operator (IESO)" should be established as a single entity comprising MECL, Summerside Electric Utility (SEU) and the PEI Energy Corporation (PEIEC). Combining 100% of all PEI's electricity utility expertise into one PEI IESO will establish the Technical Authority for the planning and control of our electricity infrastructure and provide an independent Utility/Technical resource for the Commission to continue effective MECL regulation duties.

Proposed Order Commentary:

In summarizing the conclusions from the Interrogatories as captured in the Appendix (pages 4 and 5), three (3) primary commentaries warrant inclusion in the Commission's Order:

1) Bedeque Substation: \$11,370,000

This is an \$11.4M project proposal where a 2026 expenditure of \$429,000 is requested for transformer ordering and \$150,000 for "Engineering Design". The Interrogatories have revealed/confirmed that project planning is incomplete; there are also significant inter-dependencies with the undersea cables transmission interconnection at the existing site, involving both MECL and the Ministry of Transportation and Infrastructure ownerships and responsibilities. While pre-ordering a major component is prudent, approval of the remaining \$10M+ should be delayed until the full engineering design is complete and the joint ownership and impacts of potential undersea cables replacements are explained and documented.

2) Mount Pleasant Substation: \$8,473,000

Two major justification aspects cited by MECL for this project are a significant forecasted customer population increase in the proposed served area and a forecasted increase in the "customer" deployment of Distributed Energy Resource (DER) sites. However specific data requested on both topics was not provided by MECL, leading to my conclusion that this project would benefit from a more detailed justification review and is a likely candidate for delaying to a future year. Again the per-ordering of the transformer (\$412,000) might be prudent.

3) Inadequate Electricity Supply from now and beyond 2028?

From IR-17/18 responses, the single action taken by MECL is that a request to NB Power in July 2025 was submitted to increase the 300MW PEI/Nova Scotia/New Brunswick intertie transmission limit to 350MW by 2028, conditional on the approval of the NB Power RIGS project. However, in February 2025, (five months earlier) MECL rejected the NB Power offer to participate in the Service (not Capital), Natural Gas (not Diesel) RIGS generation contract for the proposed expansion from 400MW to 500MW, namely 100MW additional capacity for PEI. This offer was rejected by MECL.

(IR-17 questioned: "Apart from the current IRAC Generation Application for a 2028 installation, what are the MECL recommendations and actions intended to immediately recover adequate electricity supply, from now and beyond 2028, to avoid the current Supply restriction?". IR-18 questioned: "In particular, what are the MECL recommendations and actions to increase the 300MW PEI/Nova Scotia/New Brunswick intertie transmission limit as a priority and which projects in either this capital budget request or those estimated in Appendix A apply?")

Appendix

Overview of Interrogatories Incomplete Information:

Salient extracts are shown below; my follow-up comments/question(s) are shown in “**bold**” following the extracted “MECL Response”:

1) Bedeque Substation: \$11,370,000

IR-4: What is the reason for having to replace the transmission reactors? What will be the ratings and is this the same as previously installed?

MECL Response:

In discussions with the Government of PEI, the reactors were identified as end of life due to their age and condition..... **How did the Ministry of Transportation decide “end of life”?**

IR-5: What is the reason for separating the costs of mounting/connecting/integrating the new reactors as an MECL/customer cost when the reactors (old or new) are owned and paid for by the Government? The reactors cannot function “out-of-the-box”.

MECL Response:

Please refer to Response to IR-3. Detailed design for the replacement of the reactors has not yet been completed and the installation location of the new reactors within the site remains to be determined.

This is a \$11.4M project proposal with incomplete planning; is there a MECL capital expansion objective here?

IR-6: In previous capital budgets there were plans to upgrade/replace the Government owned interconnections from the sub-sea cables #1 and 2 to the transmission switching station; have these been completed? If not what are the current MECL recommendations for the Government owner?

MECL Response:

Replacements of Y-101 and Y-103 have not been completed. Any inquiries related to capital investments for these assets should be directed to the Government of PEI.

This is not helpful especially as both the Ministry of Transport and the PEIEC are Government owners of Infrastructure and MECL advised in 2022 that upgrades were required.

2) Mount Pleasant Substation: \$8,473,000

IR-9: To better understand the Substation and Switching services for Prince County..... please describe the service areas, number of customers and forecasted growth in each service area.

MECL Response: The approximate number of customers supplied by each western PEI substation....

The response provides a customer distribution forecast on page 11 showing between 1600 and 3300 customers per Substation but no comparative Queens/Kings county data to confirm the customer density requirement for new substations and load data (as shown for Bedeque) was not provided.

IR-10: One justification for adding a substation in this area is the increase in the number of area distributed energy resources (“DER”).. Please provide a comparative description of this evolving voltage support/power factor correction challenge for all three PEI Counties currently and the forecasted future evolution.

MECL Response:

“The number of DERs installed across the three PEI counties is approximately the same relative to the number of customers served.”....followed by: “The proposed Mount Pleasant substation will shorten the length of distribution feeders in the surrounding areas, which will improve power quality”. **Are added future DERs permitted?**

IR-11: As this growth in DERs is expected to continue, what is the estimated added support cost- metric that should be expected as \$/MW/DER.

MECL Response:

Maritime Electric has not completed an analysis on the “added support cost metric that should be expected as \$/MW/DER”.

Shouldn't the costs of accommodating future DERs be understood by MECL?

IR-12: It is reported that Lennox Island is considering two solar projects – one on Lennox Island, the other (perhaps 32MW) close to the Woodstock switching station. What substation and transmission switching support challenges will arise and will the proposed Mount Pleasant substation now become the support for both projects – a change from the Wellington substation as originally listed?

MECL Response:

Large-scale solar projects wishing to connect to Maritime Electric’s system must be studied. As part of the studies, support challenges are identified and addressed as needed. Having a new substation in the Mount Pleasant area may help address support challenges. Any costs to address these challenges will be allocated to the solar project or Maritime Electric, depending on the specific nature of the challenge.

Surely a more complete answer is appropriate for an \$8.4M investment?

Summary of IR9 to IR12 - Mount Pleasant Substation::This project would benefit from a more detailed justification review and is a likely candidate for delaying to a future year.

3) PEI Electricity Infrastructure and Electricity Supply Planning – reference Appendix A

IR-14: When will the 2025 update to the MECL 2020 Integrated System Plan be available to enable a complete review of this Application and any subsequent Capital requests?

MECL Response:

The 2025 Integrated System Plan is expected to be completed by the end of September 2026.

The three year ISP update was due in 2023. For each of the subsequent four (4) capital budget applications, annual commitments for the release of the new ISP have failed.

IR-15: When will the MECL Ten Year Transmission Outlook document be similarly updated?

MECL Response:

The Ten-Year Transmission Outlook document will be presented at the Transmission Users Group meeting, which is expected to occur in the third quarter of 2026. The document will be posted on the Maritime Electric OATT website after the meeting, likely by the end of 2026.

Two Issues:

- 1) **The last update was January 2025 – are we now in a two (2) year cycle?**
- 2) **MECL has revealed another system control activity - the Transmission Users Group. In previous Applications, MECL has referenced a similar group - the PEI Interconnection Cables Group that presumably administers the Cable Contingency Fund. However, for both groups the membership is unknown, there are no public records, nor public schedule. Closed communications and closed flow of information should be changed. Summerside Electric (SEU) referred to this issue during a Summerside presentation on Power Grid Security & Reliability to a Legislature Standing Committee last year.**

IR16: What is the detailed status of each of the four (4) 2026 projects listed on the MECL “Interconnection Request Queue”?

MECL Response: The Interconnection Request Queue, as of March 6, 2026, is provided in Figure IR-16.

Figure IR-16 has identical January 2025 status’ for the four 2026 projects with “In Service Date” ranging from the (now) past date of 01/01/26 (3) and the forth project remaining at 12/01/26. Why isn’t complete data provided?

IR-17:what are the MECL recommendations and actions intended to immediately recover adequate electricity supply, from now and beyond 2028, to avoid the current Supply restriction.

MECL Response:

Apart from Maritime Electric’s Supplemental Capital Budget Request for the On-Island Capacity for Security of Supply Project, there are limited immediate options to avoid supply shortages.

The question was “from now and beyond 2028”; describing the “limited immediate options” would have helped.

IR-18:.....what are the MECL recommendations and actions to increase the 300MW PEI/Nova Scotia/New Brunswick intertie transmission limit

MECL Response:

A request for conditional firm transmission capacity associated with NB Power’s proposed Renewable Integration and Grid Security (“RIGS”) project was submitted to NB Power in July 2025, by New Brunswick Energy Marketing Corporation (a subsidiary of NB Power) on behalf of Maritime Electric. The specific request is to increase the import limit from 300 MW to 350 MW, which will be contingent on the RIGS facility generating electricity or operating in synchronous condensing mode.

In February 2025, (five months earlier) MECL rejected the NB Power offer to participate in the Service (not Capital), Natural Gas (not Diesel) RIGS generation contract for the proposed expansion from 400MW to 500MW, namely 100MW additional capacity for PEI. This offer was rejected by MECL. The MECL focus on capital investment appears to have predominated.