



Docket: UE20735
Order: UE23-06

IN THE MATTER of an application by Maritime Electric Company, Limited for an Order approving the 2023 Annual Capital Budget, pursuant to section 17(1) of the *Electric Power Act*, R.S.P.E.I. 1988, Cap. E-4.

CERTIFIED A TRUE COPY

Cheryl Mosher

Cheryl Mosher,
Senior Financial Advisor
Island Regulatory & Appeals Commission

Order

BEFORE THE COMMISSION ON Thursday, the 24 day of May, 2023.

J. Scott MacKenzie, K.C., Chair
M. Douglas Clow, Vice-Chair

BACKGROUND:

1. On July 6, 2022, Maritime Electric Company, Limited (“MECL”) filed an application with the Prince Edward Island Regulatory and Appeals Commission (the “Commission”) seeking approval of its 2023 Annual Capital Budget (the “Application”).
2. Following receipt of the Application, the Commission gave public notice of the Application through a publication in local newspapers and on the Commission website. Interested members of the public were given the opportunity to issue questions to MECL, and submit comments to the Commission.
3. One interested member of the public submitted written questions to MECL, and one member of the public submitted written comments to the Commission. All questions and comments were made publicly available on the Commission’s website.
4. The Commission issued interrogatories to MECL on November 2, 2022 and March 10, 2023. MECL filed responses to the interrogatories on December 6, 2022 and March 28, 2023, respectively.
5. While the Commission’s review of the Application was ongoing, MECL requested interim approval of certain 2023 capital expenditures, pending the Commission’s final decision with respect to the entirety of the Application.
6. On April 28, 2023, the Commission issued Order UE23-05 approving certain 2023 capital expenditures on an interim basis, pending the Commission’s final decision with respect to the entirety of the Application.

DECISION:

7. The Commission has had an opportunity to review the Application, as well as the additional information provided by MECL in response to interrogatories. The Commission is satisfied that, with the exception of the capital expenditures discussed following, the balance of the proposed capital expenditures for 2023 are, in the circumstances, reasonable.
8. Based on the evidence currently before the Commission, the Commission is not satisfied that the following capital expenditures are necessary for MECL to provide safe and adequate service in 2023:
 - a. **Section 4.1(a) – Energy Control Centre Facility and Equipment Upgrades:** The Commission does not approve the proposed \$12,000 expenditure for bicycle racking at the Energy Control Centre, Backup Control Centre and Charlottetown Generating Station. MECL agrees that this expenditure can be deferred to a future capital budget application.
 - b. **Section 4.3(b) – Borden Generating Station Entrance Landscaping:** The Commission does not approve the proposed \$51,000 expenditure to plant trees and landscape at the entrance to the Borden Generating Station site.

- c. **Section 7.1(b) – Comprehensive Building Condition Assessments:** The Commission does not approve the proposed \$410,000 expenditure for a comprehensive building condition assessment at 180 Kent Street and the West Royalty Service Centre. The Commission is not satisfied that the proposed assessments are materially different than the assessments completed in 2019 (180 Kent Street) and 2017 (WRSC).
 - d. **Section 7.2(d) – Customer Service and Communication Enhancements:** The Commission does not approve the proposed expenditure of \$58,000 to enable customers to update their account information without speaking to a customer service representative. MECL agreed that this expenditure can be deferred as the same functionality may be included in the proposed customer information system.¹
 - e. **Section 7.2(d) – Customer Service and Communication Enhancements:** The Commission does not approve the proposed expenditure of \$158,000 for projects to collect and track customer satisfaction data, enhance web chat services, and add an energy calculator to MECL’s website, as the same functionality may be available through the proposed customer information system.
9. Although the Commission does not approve these capital expenditures at this time, MECL can apply to the Commission for approval in 2023, or future years, should MECL consider any or all of these expenditures necessary to provide safe and adequate service.
 10. In response to the Commission’s interrogatories, MECL advised that the following capital projects must also be deferred:
 - a. **Section 4.4(a) – Combustion Turbine #1 Generator Overhaul:** This project includes the inspection and testing of certain components of combustion turbine #1 (“CT1”). The proposed capital expenditures associated with the project are \$663,000. Through the interrogatory process, MECL advised that the project must be deferred due to the timing of work associated with the combustion turbine #3 equipment building project. According to MECL, deferring the CT1 generator overhaul will better facilitate the scheduling of company resources that are common to both projects.
 - b. **Section 6.1(g) – 138 kV Breaker Replacement Program:** The proposed capital expenditure of \$153,000 was for the replacement of the 138 kV breaker at the Bedeque substation that serves Y-101. The expenditure must be deferred as MECL’s request to purchase certain transmission assets in Bedeque, including the 138 kV breaker for Y-101, was not approved by the Commission.²
 11. In total, capital expenditures of \$1.505 million are either deferred or not approved as part of the current Application. As a result, the approved capital budget for 2023 will be reduced from \$50,465,000 to \$48,960,000.

¹ Docket UE20737

² Commission Order UE23-02

12. In addition to the annual capital expenditures for 2023, MECL must also obtain Commission approval for the unspent portion of any previously approved capital budget that MECL intends to carryover and spend in 2023.
13. In the 2022 Capital Budget Variance Report filed on February 28, 2023, MECL advised that the carryover amount required in 2023 is \$7.1 million. Of this amount, approximately fourteen percent relates to the PEI Broadband Project. The remaining carryover amount relates to projects that were delayed due to long lead times on materials and/or to allow for completion of outstanding project tasks by vendors and contractors.
14. The Commission continues to have concerns about the amount proposed to be carried over by MECL. However, the Commission recognizes that these expenditures were not spent in the year in which they were approved due, in part, to delays that are outside the control of MECL. In the circumstances, the Commission is prepared to approve the carryover amount of \$7.1 million.

ORDER:

The Commission Orders as follows:

1. MECL's 2023 Annual Capital Budget is approved as filed, except for the following capital expenditures which are not approved:
 - a) **\$12,000.00** for bicycle racking proposed in Section 4.1(a);
 - b) **\$51,000.00** for landscaping at the Borden Generating Station proposed in Section 4.3(b);
 - c) **\$410,000.00** for building condition assessments proposed in Section 7.1(b);
 - d) **\$216,000.00** for customer service and communication enhancements proposed in Section 7.2(d);
 - e) **\$663,000.00** for the combustion turbine #1 generator overhaul proposed in Section 4.4(a); and
 - f) **\$153,000.00** for replacement of the 138 kV breaker at the Bedeque substation proposed in Section 6.1(g).
2. A summary of the approved 2023 annual capital expenditures is therefore as follows:

Expenditure	Proposed Amount	Approved Amount
Generation	\$1,540,000.00	\$814,000.00
Distribution	\$28,977,000.00	\$28,977,000.00
Transmission	\$15,825,000.00	\$15,672,000.00
Corporate	\$3,463,000.00	\$2,837,000.00
Capitalized General Expense	\$730,000.00	\$730,000.00
Interest During Construction	\$680,000.00	\$680,000.00
Less: Customer Contributions	(\$750,000.00)	(\$750,000.00)
Net Capital Expenditures	\$50,465,000.00	\$48,960,000.00

3. The capital expenditures approved herein include (and are not in addition to) the interim capital expenditures approved in Order UE23-05.
4. In addition to the 2023 annual capital expenditures approved herein, the Commission approves the forecast carryover of \$7,100,000 from the 2022 and prior year capital budgets.

DATED at Charlottetown, Prince Edward Island, this 24th day of May, 2023.

BY THE COMMISSION:

(sgd) J. Scott MacKenzie

J. Scott MacKenzie, K.C., Chair

(sgd) M. Douglas Clow

M. Douglas Clow, Vice-Chair