



Docket: UE20741
Order: UE25-01

CERTIFIED A TRUE COPY

Cheryl Bradley,
Senior Financial Advisor
Island Regulatory & Appeals Commission

IN THE MATTER of an application by Maritime Electric Company, Limited for an Order approving the 2025 Annual Capital Budget, pursuant to section 17(1) of the *Electric Power Act*, R.S.P.E.I. 1988, Cap. E-4.

Order

BEFORE THE COMMISSION ON Friday, the 31st day of January, 2025.

M. Douglas Clow, CPA, CA, Acting Chair
Kerri A. Carpenter, Commissioner

BACKGROUND:

1. On August 2, 2024, Maritime Electric Company, Limited (“MECL”) filed an application with the Prince Edward Island Regulatory and Appeals Commission (the “Commission”) seeking approval of its 2025 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 both written questions to MECL and written comments to the Commission.¹ All questions and comments were made publicly available on the Commission’s website.
4. On October 23, 2024, a technical session was held in the Commission’s hearing room. The technical session provided the Commission with the opportunity to ask MECL clarifying questions about the Application, thereby streamlining the regulatory process. The technical session was recorded and forms part of the record in this Application.²
5. Following the technical session, on November 20, 2024, the Commission issued written interrogatories to MECL.³ MECL was directed to file its responses to these interrogatories by December 6, 2024.
6. On November 29, 2024, MECL wrote to the Commission requesting that the time to file its interrogatory responses be extended to December 20, 2024.⁴ The extension was requested to ensure that the responses filed by MECL were comprehensive and addressed the intended subject matter.
7. MECL filed its responses to the Commission’s interrogatories on December 20, 2024.⁵

DECISION:

8. The Commission has had an opportunity to review the Application, as well as the additional information provided by MECL at the technical session and in response to interrogatories. The Commission is satisfied that, with the exception of certain capital expenditures discussed in the following paragraphs, the balance of the proposed capital expenditures for 2025 are, in the circumstances, reasonable.
9. The following capital expenditures relate to new, multi-year capital projects:
 - a. **6.1(d) – West Royalty Substation 13.8 kV Distribution Replacements:** This is a proposed three-year capital project (2025 to 2027). Although the proposed capital

¹ Exhibits P-1, M-3, P-2

² Exhibit C-1

³ Exhibit C-2

⁴ Exhibit M-4

⁵ Exhibit M-5

expenditure in 2025 is \$1,777,000, the total cost of the three-year project is forecast to be \$12,674,000.

- b. **6.1(e) – Scotchfort Substation:** This is a proposed three-year capital project (2025 to 2027). Although the proposed capital expenditure in 2025 is \$872,000, the total cost of the three-year project is forecast to be \$16,194,000.

The Scotchfort Substation Project is also interdependent with three other capital projects: the Y-119 Extension to Scotchfort transmission line project, the Y-109 Bedeque to Bannockburn Road rebuild project, and the Scotchfort substation transmission modifications project. The total combined budget of all interdependent projects is forecast to be \$39,774,000.⁶

- c. **6.2(c)(iii) – Y-119 Extension to Scotchfort:** This is a proposed four-year capital project (2025 to 2028) and is interdependent with the Scotchfort Substation Project discussed above. Although the proposed capital expenditure in 2025 is \$545,000, the total cost of the four-year project is forecast to be \$12,888,000.
10. Although the combined 2025 capital cost of these projects is \$3,194,000, the total capital expenditures over all years of the projects, including interdependent projects, exceeds \$52 million. As approval in year one is effectively approval of the entire multi-year capital project, approval of these expenditures in 2025 will materially impact both future capital budgets and rates charged to customers. As a result, the Commission is not prepared to approve these capital expenditures as part of this Order. Instead, the Commission will undertake a further review of these proposed expenditures, and will issue an Order that deals with these specific capital items in due course.
11. MECL also seeks approval for the Charlottetown Grid Modernization Pilot Project (the “Pilot Project”).⁷ The proposed Pilot Project is a four-year capital project (2025 to 2028). Although the proposed capital expenditure in 2025 is only \$200,000, the total cost of the four-year project is forecast to be \$4,000,000. [REDACTED]
12. The Commission’s approval of the Pilot Project is conditional upon receipt of the full amount of the [REDACTED] funding. In the event that all or part of the [REDACTED] funding does not materialize, MECL will not be permitted to recover any shortfall from MECL customers without a further Order from the Commission. Further, the amount of any [REDACTED] funding received for the Pilot Project will be excluded from MECL’s rate base, so that the value of the assets recorded in MECL’s rate base are net of the [REDACTED] funding.

⁶ Note that the only interdependent capital project included in the 2025 Capital Budget is the Y-119 Extension. The Y-109 rebuild and Scotchfort substation modifications are expected to be included in the 2027 Capital Budget.

⁷ Exhibit M-1, Section 6.1(f)

⁸ Exhibit M-5, Confidential Response to IR-23

13. In addition to the annual capital expenditures for 2025, MECL must also obtain Commission approval for the unspent portion of any previously approved capital budget that MECL intends to carryover and spend in 2025.
14. As of December 2024, the proposed carryover to 2025 was forecast to be \$11,109,000.⁹ Of this amount, \$8,970,000 is proposed to be carried over from the 2024 Capital Budget, and \$2,139,000 is proposed to be carried over from prior years. Of the amount carried over from 2024, \$4,678,000 relates to the Tignish Substation Project. This Project has been delayed due to municipal rezoning processes that are outside of MECL's control.
15. As stated in previous Orders, 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 \$11,109,000.

ORDER:

The Commission Orders as follows:

1. The following 2025 capital expenditures, totalling \$3,194,000, are not approved as part of this Order:
 - a) \$1,777,000 proposed for the West Royalty Substation 13.8 kV Distribution Replacements, as described in Section 6.1(d) of the Application;
 - b) \$872,000 proposed for the Scotchfort Substation, as described in Section 6.1(e) of the Application; and
 - c) \$545,000 proposed for the Y-119 Extension to Scotchfort, as described in Section 6.2(c)(iii) of the Application.

The Commission will undertake a further review of the foregoing capital expenditures and will issue an Order specific to these capital items in due course.

2. A summary of the 2025 annual capital expenditures approved in this Order is therefore as follows:

Expenditure	Proposed Amount	Approved Amount
Generation	\$1,137,000.00	\$1,137,000.00
Distribution	\$43,772,000.00	\$43,772,000.00
Transmission	\$27,032,000.00	\$23,838,000.00
Corporate	\$3,003,000.00	\$3,003,000.00
Capitalized General Expense	\$919,000.00	\$919,000.00
Interest During Construction	\$869,000.00	\$869,000.00

⁹ Exhibit M-5, Response to IR-3, Attachment 1

Less: Customer Contributions	<u>(\$1,550,000.00)</u>	<u>(\$1,550,000.00)</u>
Net Capital Expenditures	<u>\$75,182,000.00</u>	<u>\$71,988,000.00</u>

3. With respect to the Charlottetown Grid Modernization Pilot Project described in Section 6.1(f) of the Application:
- MECL shall take all necessary steps to ensure that the full amount of the [REDACTED] funding, being [REDACTED] is received and applied to the capital costs of the Pilot Project.
 - If MECL does not receive all or part of the [REDACTED] funding, MECL shall not be permitted to recover any shortfall from MECL customers without a further Order from the Commission.
 - The amount of any [REDACTED] funding received for the Pilot Project shall be excluded from MECL's rate base, and the value of the assets recorded in MECL's rate base shall be net of the [REDACTED] funding.
4. In addition to the 2025 annual capital expenditures approved herein, the Commission approves the forecast carryover of \$11,109,000 from the 2024 and prior year capital budgets.

DATED at Charlottetown, Prince Edward Island, this 31 day of January, 2025.

BY THE COMMISSION:

(sgd) M. Douglas Clow

M. Douglas Clow, Acting Chair

(sgd) Kerri A. Carpenter

Kerri A. Carpenter, Commissioner