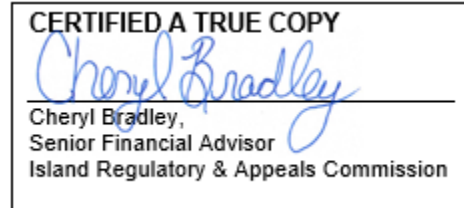




Docket: UE20740
Order: UE25-02



IN THE MATTER of an application by Maritime Electric Company, Limited for an order of the Island Regulatory and Appeals Commission approving the 2023 Capital Budget Variance Report, pursuant to section 17(4) of the *Electric Power Act*, R.S.P.E.I. 1988, Cap. E-4.

Order

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

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

BACKGROUND:

1. Maritime Electric Company, Limited (“MECL” or the “Company”) is required to report to the Commission its actual expenditures on improvements or additions to its property in the prior calendar year (see *Electric Power Act*, section 17(4)).
2. MECL is also required to obtain Commission approval to carryover the unspent portion of any previously approved capital budget (see Order UE21-02).
3. In April 2024, the Commission issued Order UE24-03 approving MECL’s capital budget for 2024. As part of the 2024 capital budget, the Commission also approved a forecast carryover of \$7.8 million, which represented the unspent portion of previously approved capital budgets that MECL intended to carryover and spend in 2024.
4. In February 2024, MECL filed its report with the Commission detailing its actual expenditures on improvements or additions to its property for 2023 (the “2023 Variance Report”).
5. As part of the 2023 Variance Report, MECL advised that it made capital expenditures totalling \$51.016 million in 2023, which was \$2.56 million over the approved capital budget of \$48,960 million. The Company explained that a number of projects could not be completed in 2023 due to later than expected start dates, material supply issues and/or to allow for contractor completion of outstanding tasks prior to final payment.
6. MECL advised that the unspent portion of the 2023 capital budget that was proposed to be carried over to 2024 was \$5.215 million. As a result, the Company expected to be over budget by approximately \$7.271 million.
7. MECL also advised that the actual carryover of the unspent portion of all previous capital budgets was \$7.8 million. The total carryover was therefore in line with the forecast during the 2024 capital budget (\$7.7 million). The Company explained that of the total carryover amount, \$2.576 million was being carried over from 2020, 2021 and 2022, and \$5.215 million was being carried over from 2023.
8. Following receipt of the 2023 Variance Report, the Commission issued interrogatories to MECL requesting further information. The interrogatories were issued on August 22, 2024. MECL filed responses to the interrogatories on October 9, 2024.

DECISION:

9. For the reasons that follow, the Commission approves the 2023 Variance Report as filed.
10. MECL is expected to exceed its approved 2023 capital budget by \$7.271 million. This represents approximately 14.9 percent of the total budget (\$48.960 million).
11. The Company has provided detailed explanations as to which projects were over or under budget, and the reasons for the variances. Many of the capital expenditures that were over budget were due to factors outside of the Company’s control. Some examples include:

- a) Section 5.2 – Distribution Transformers were over budget by \$2,444,000 due to inflationary cost increases for transformers in 2023;
 - b) Section 5.3 – New Overhead & Underground Services were over budget by \$3,010,000 due to increased new construction and upgraded service request projects in 2023; and
 - c) Section 5.4 – Line Extensions were over budget by \$900,000 due to the high volume of new construction.
12. The expenditures that were higher than forecast were partially offset by customer contributions that were also higher than forecast. Actual customer contributions were approximately \$836,000 higher than forecast.
 13. The Commission has reviewed the 2023 Variance Report and is satisfied that MECL has provided adequate explanations to justify the variance of \$7.271 million from the approved 2023 capital budget.
 14. The Commission has also reviewed the carryover amount of \$7.79 million, which includes a carryover of \$2.576 million from 2020, 2021 and 2022 and \$5.215 million from 2023.
 15. The Company explained that of the \$2.576 million being carried over from 2020, 2021 and 2022, \$2.3 million is in relation to the Broadband Project with customer contributions of \$1.4 million expected. Therefore, of the total carryover amount of \$7.791 million, \$900,000 (or approximately 12 percent) relates directly to the PEI Broadband Project.
 16. As explained in Order UE23-06, the work performed on the PEI Broadband Project in a given year is driven by third parties (namely Bell Canada and Xplornet Communications). As a result, the annual expenditures related to the project are outside of MECL's control.
 17. An additional \$2.664 million of the total carryover amount relates to supplier delays for vehicles ordered by MECL. The Commission recognizes that supplier delays are outside of MECL's control and may be impacted by supply chain issues.
 18. These two line items alone account for approximately 46 percent of the total carryover amount. The Commission recognizes that these expenditures were not spent in the year in which they were approved for reasons outside of MECL's control.
 19. For all of these reasons, the Commission is satisfied with the Company's explanation of both the variance from the approved 2023 capital budget and the unspent portion of the 2020, 2021 and 2022 capital budgets that is being carried forward. The Commission therefore approves the 2023 Variance Report as filed.

ORDER:

The Commission Orders as follows:

1. The 2023 Variance Report is approved as filed with the Commission on February 28, 2024.

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

BY THE COMMISSION:

(sgd) M. Douglas Clow

M. Douglas Clow, Acting-Chair

(sgd) Kerri Carpenter

Kerri Carpenter, Commissioner