



Docket: UE20741
Order: UE26-01

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Cheryl Bradley,
Director of Finance & Regulatory Affairs
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;

AND IN THE MATTER of certain proposed capital projects that were deferred pending further review, pursuant to Commission Order UE25-01.

Order

BEFORE THE COMMISSION ON Friday, the 13th day of February, 2026.

Pamela Williams, K.C., Chair
Kerri Carpenter, Vice-Chair

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. The Commission gave public notice of the Application through a publication in local newspapers and on the Commission’s website. Interest members of the public were given the opportunity to issue questions to MECL and submit comments to the Commission. One interested member of the public submitted both written questions to MECL and written questions to the Commission.¹
3. On October 23, 2024, the Commission held a technical session in its hearing room to ask MECL clarifying questions about the Application.
4. By Order dated January 31, 2025, the Commission approved the majority of the proposed 2025 capital expenditures, but deferred approval of the following three capital projects pending further review:²
 - a. Section 6.1(d) – West Royalty Substation 13.8 kV Distribution Replacements;
 - b. Section 6.1(e) – Scotchfort Substation; and
 - c. Section 6.2(c)(iii) – Y-119 Extension to Scotchfort.³

(the “Deferred Capital Projects”)
5. In Order UE25-01, the Commission advised that due to the multi-year scope of the Deferred Capital Projects and the material capital cost implications, further review was necessary.
6. On February 26, 2025, the Commission issued written interrogatories to MECL specific to the Deferred Capital Projects.⁴
7. MECL filed its responses to the Commission’s interrogatories on July 31, 2025.⁵

DECISION:

8. The Commission has completed its review of the Deferred Capital Projects, having considered the Application, the technical session record, and the additional information obtained through the written interrogatory process. The Commission now issues this Order addressing the Deferred Capital Projects.

¹ Exhibits P-1, M-3 and P-2.

² Order UE25-01

³ These three capital projects are collectively referred to as the “Deferred Capital Projects”.

⁴ Exhibit C-3

⁵ Exhibit M-6

9. At the outset, the Commission notes that each of the Deferred Capital Projects forms part of a new, multi-year capital initiative. The particulars of each project are set out in the Application and are summarized as follows:
- a. **Section 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 expenditure in 2025 is \$1,777,000, the total cost of the three-year project is forecast to be \$12,674,000.
 - b. **Section 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. **Section 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. While the Deferred Capital Projects are operationally connected, each project responds to a distinct need. The Commission has reviewed each project on its own merits and is satisfied that the justification for each does not depend solely on the approval of the others.
11. The **West Royalty Substation 13.8 kV Distribution Replacement** project is primarily driven by asset age, condition, and reliability considerations. The record demonstrates that certain distribution infrastructure at this substation has reached or is approaching end-of-life and presents increasing maintenance and reliability risks if replacement is further deferred.
12. The **Scotchfort Substation** project is similarly driven by end-of-life asset replacement and safety considerations. The project incorporates transmission switching functionality intended to improve operational flexibility and system reliability. The Commission is satisfied that the need for replacement is supported by the condition of the existing infrastructure and associated operational risks.
13. The **Y-119 Transmission Line Extension** project is driven primarily by system-level reliability considerations associated with sustained load growth and the limitations of the existing west-to-east transmission configuration. The record demonstrates that system peak load has exceeded the approximately 350 MW threshold identified in the 2020

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.

Integrated System Plan as triggering the need for a third west-to-east transmission line. Evidence on the record shows that peak demand has reached approximately 393 MW and that load levels above 350 MW are occurring more frequently and for longer durations. The Commission is satisfied that the planning threshold identified in the Integrated System Plan has been exceeded and that continued load growth increases the risk of relying on the existing two main transmission lines during peak demand periods.

14. Although the Scotchfort Substation and the Y-119 Transmission Line Extension projects are operationally interdependent, each project has been reviewed on its own merits. Identification of interdependencies ensures transparency regarding sequencing and system integration considerations but does not constrain the Commission's discretion.
15. The Commission notes that alternatives were identified and discussed in the record where appropriate. Based on the evidence filed, the Commission is satisfied that reasonable alternatives were considered and described for each project, having regard to their respective purposes and system roles.
16. With respect to the reasonableness of the forecast capital costs of each project, the Commission acknowledges that certain cost estimates are based on internal labour rates and unit cost assumptions rather than firm vendor quotations. However, the record also includes supporting documentation for significant portions of the proposed expenditures, including vendor quotes, invoices, and comparable cost information where available. The Commission has reviewed the forecast capital costs, including the supporting materials filed, and did not identify material cost-related deficiencies that would preclude approval of the Deferred Capital Projects.
17. In conclusion, the Commission is satisfied that each of the Deferred Capital Projects is supported by a documented need grounded in asset condition, safety considerations, and/or system reliability requirements. The risks associated with continued deferral — including increasing exposure to reliability and operational risks — have been identified in the record.
18. In the circumstances, the Commission finds that each of the Deferred Capital Projects is reasonable and should be approved.
19. The Commission notes that approval of capital expenditures as part of the 2025 Annual Capital Budget does not result in an immediate change to customer rates. Any potential rate impacts associated with these projects would be considered in a future General Rate Application, where the Commission would review the Company's overall revenue requirement.
20. It is important to emphasize that the approval of the Deferred Capital Projects as part of the 2025 Annual Capital Budget does not determine the outcome of any other application before the Commission, or any future application — including future capital budget applications. The Commission retains the authority to review future system needs, forecasts, and alternative solutions in subsequent proceedings.

ORDER:

The Commission Orders as follows:

1. The following 2025 capital expenditures, previously deferred in Commission Order UE25-01, are hereby approved:
 - 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.
2. The approval granted herein relates to the proposed 2025 capital expenditures associated with these multi-year projects. Approval of the 2025 expenditures does not relieve MECL of its obligation to seek Commission approval for future-year capital expenditures in accordance with applicable legislative and regulatory requirements. Any material variance from the approved 2025 amounts, including cost overruns, remains subject to review by the Commission in a future proceeding.
3. In the event of any material change to project scope, timing, or total forecast cost, MECL shall advise the Commission in a timely manner and seek such further approval as may be required.
4. With the approvals granted in this Order, the Commission has now completed its review of MECL's 2025 Annual Capital Budget. The total approved 2025 capital expenditures align with the amount originally proposed in the Application. A summary of the approved 2025 annual capital expenditures is as follows:

Expenditure	Proposed Amount	Approved January 31, 2025	Approved February 13, 2026	Total Approved 2025
Generation	\$1,137,000	\$1,137,000	-	\$1,137,000
Distribution	\$43,772,000	\$43,772,000	-	\$43,772,000
Transmission	\$27,032,000	\$23,838,000	\$3,194,000	\$27,032,000
Corporate	\$3,003,000	\$3,003,000	-	\$3,003,000
Capitalized	\$919,000	\$919,000	-	\$919,000
General Expense				
Interest During Construction	\$869,000	\$869,000	-	\$869,000
Less: Customer Contributions	(\$1,550,000)	(\$1,550,000)	-	(\$1,550,000)
Net Capital Expenditures	\$75,182,000	\$71,988,000	\$3,194,000	\$75,182,000

DATED at Charlottetown, Prince Edward Island, this 13th day of February, 2026.

BY THE COMMISSION:

(sgd) Pamela Williams

Pamela Williams, K.C., Chair

(sgd) Kerri Carpenter

Kerri Carpenter, Vice-Chair