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December 7, 2020

Island Regulatory and Appeals Commission
PO Box 577
Charlottetown PE C1A 7L1

Dear Commissioners:

PEI Broadband Project Three Month Report

Pursuant to Oder UE20-02, paragraph 3, please find attached the PEI Broadband Project Six Month Report dated December 7, 2020. The Report contains details on the PEI Broadband Project activities since the Project construction commenced on May 11, 2020 including costs incurred, scope changes, project timeline and work performed to date on this multi-year customer driven Project.

If you have any questions or concerns, do not hesitate to contact the undersigned at 902-629-3641.

Yours truly,

MARITIME ELECTRIC

A handwritten signature in blue ink that reads "Gloria Crockett". The signature is fluid and cursive.

Gloria Crockett, CPA, CA
Manager, Regulatory & Financial Planning

GCC23
Attachment

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**PEI Broadband Project
(UE20-02)**

Six Month Report

December 4, 2020

INTRODUCTION

The PEI Broadband Project (“Project”) is a four-year customer-driven joint use pole-for-pole replacement and line rebuild project that includes the installation of approximately 1,150 kilometres (“km”) of fibre optic cable as well as fixed wireless technologies on new and existing utility poles across Prince Edward Island (“PEI”). The Project is an initiative of Bell Canada (“Bell”) and Xplornet Communications Inc. (“Xplornet”) under contract with the Government of PEI.

1.0 BELL COMPONENT

Maritime Electric’s involvement in the Bell component of the Project is comprised of (i) pole-for-pole replacements (estimated at 500 km) and (ii) line rebuilds (estimated at 50 km).

The Bell component of the Project is subject to provisions of a Joint Use Agreement between Maritime Electric and Bell, which provides the basic structure for pole ownership management and processes for converting existing power-only or communication-only lines to joint use. Under the Joint Use Agreement, the ownership of the poles utilized by both parties (i.e., joint use poles) is maintained at a ratio that has Maritime Electric owning 60% and Bell owning 40% (this is referred to in the Agreement as the Joint Use Ratio). When existing Maritime Electric owned power-only or Bell owned communication-only poles are converted to joint use, there is usually a transfer of pole ownership required to maintain the Joint Use Ratio.

At the beginning of the Project there was an imbalance in the Joint Use Ratio as Bell needed to increase its ownership by approximately three percentage points to reach 40%. To accomplish this Bell had two options. Bell could purchase poles from Maritime Electric outside of the Project or correct the imbalance through the Project. Bell chose the second option and is increasing its pole ownership by completing the majority of the line rebuild portion of the Project themselves. As a result, the scope of work to be completed by Maritime Electric has changed, as discussed below.

Scope Changes

In Section 1.9.1 of the December 2019 Supplemental Budget Request (“SBR”) filing, it was anticipated that Maritime Electric would complete the estimated 50 km of line rebuild work required for the Bell component of the Project. The line rebuild portion is now estimated to be approximately 56 km. Maritime Electric has completed 6.1 km of line rebuild and Bell is completing the remainder of the line rebuild (approximately 50 km or 700 poles), in order to correct the Joint Use Ratio, as discussed above.

Also at the time of the December 2019 SBR filing, Maritime Electric estimated that the pole-for-pole replacement work would involve long spans and a high concentration of older poles that would require significant anchor work and pole upgrades to convert the lines to joint use. To date, this has not been the case. In fact, Bell has deployed fibre in many areas that have been rebuilt and upgraded within more recent years and, therefore, the required make-ready work was not as extensive as estimated. As a result, the pole-for-pole replacement costs associated with the Maritime Electric owned lines being converted to joint use are less than originally estimated.

In addition, because Bell contributions for pole structural value is based on pole age and height, the amount of the contribution collected is higher due to newer poles being purchased by Bell thus far.

Further scope changes may occur as Maritime Electric is in the process of surveying the Bell installed pole lines prior to completing its plant specific work and as such, the budget forecast remains unchanged and the amount of remaining construction costs remains an estimate at this time.

Project Timeline

Maritime Electric initiated Project construction for Bell on May 11, 2020. At that time, Bell’s plan was to complete its fibre installation work on existing Maritime Electric poles by mid-2021. Bell has revised its timeline to substantially complete this work by the end of 2020. To accommodate this, Maritime Electric has accelerated the pole-for-pole replacements to have them completed in 2020 but has deferred the plant specific work associated with the line rebuild portion to 2021.

Completed Work

Weekly meetings between Maritime Electric and Bell continue to be held to discuss Project progress and ensure issues are being resolved and work is being performed safely and productively.

From August to October 2020, Maritime Electric installed 206 new poles, retired 150 poles (58 being eastern cedar), and a total of 2,074 poles have been converted to joint use. This work was primarily completed in the following Bell network areas: Covehead, Charlottetown, Hunter River, Mount Stewart, Murray River, New Haven, Wellington, Tyne Valley, Montague and Rustico.

To date, Maritime Electric has completed the following (which includes the rebuild of a 6.1 km section of three-phase line along the Black River Road in Covehead):

- 366 new poles installed;
- 282 poles retired (including 85 eastern cedar poles); and
- 2,745 poles converted to joint use.

Bell is performing vegetation management in the communication space prior to installing fibre and Maritime Electric is performing vegetation management when necessary to complete the transfer of its conductor to the new poles.

Upcoming Work

During the remainder of 2020, Maritime Electric expects to complete the remaining pole-for-pole replacement work required by Bell. The Maritime Electric plant specific work (i.e., to install conductor and related hardware on the newly rebuilt lines) will be completed in 2021.

2.0 XPLORNET COMPONENT UPDATE

Xplornet plans to complete their portion of the Project over a three-year period starting in early 2021. Maritime Electric recently entered into a Support Structure Agreement with Xplornet and Xplornet is now evaluating routes for fibre deployment, but have not yet confirmed specific work areas with Maritime Electric.

The Xplornet component of the Project is not yet defined and therefore there is no change to the budget forecast for Xplornet at this time.

3.0 PROJECT COSTS

Up to October 31, 2020, Maritime Electric has incurred project costs of \$493,000 (Total Project Cost less Bell Total Contribution). Table 1 provides a breakdown of Project costs by component and responsibility.

Cost Component	Joint Use Cost (A)	MECL Plant Specific Cost (B)	Total Project Cost (C = A + B)	Bell Total Contribution - Bell Share Joint Use Cost & Bell Contribution for Pole Structural Value and Sacrificial Life (D)	MECL Project Costs (E = C - D)
Materials	\$ 235,000	\$ 106,500	\$ 341,500	\$ 653,500*	\$(312,000)
Labour	\$ 892,500	\$ 385,500	\$1,278,000	\$ 473,000	\$ 805,000
Total	\$1,127,500	\$ 492,000	\$1,619,500	\$ 1,126,500	\$ 493,000

* The Bell share of the joint use cost is higher than anticipated because Bell is increasing its pole ownership by completing the majority of the line rebuild portion of the Project themselves. In addition, the amount of the contribution collected is higher due to newer poles being purchased by Bell thus far.