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All the time.



August 19, 2020

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

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The Island Regulatory
and Appeals Commission

Dear Commissioners:

PEI Broadband Project Three Month Report

Pursuant to Order UE20-02, paragraph 3, please find attached the PEI Broadband Project Three Month Report dated August 19, 2020. The Report contains details on the PEI Broadband Project activities since the Project construction commenced on May 11, 2020 including costs incurred and work performed to date. As well, the Report includes details of upcoming work and a summary of the updated project timelines as previously indicated in our communication dated July 28, 2020 *Updated Timelines for PEI Broadband Project*. As indicated in our previous communication, the Company does not anticipate any variation in the overall scope or budget of this multi-year customer driven Project at this time.

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".

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

GCC14
Attachment

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

Three Month Report

August 19, 2020

INTRODUCTION

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

This report is submitted by Maritime Electric Company, Limited (“Maritime Electric”) in compliance with IRAC Order UE20-02, dated May 5, 2020, which states:

“The Company shall file written reports with the Commission every three (3) months from the date the Company commences work on the PEI Broadband Project. The reports shall provide updates on costs, work performed, project timelines, and any variations from the approved expenditures approved herein.”

Maritime Electric Resources and Planning

For each work area, Maritime Electric performs detailed surveys to identify the complete scope of work, and to obtain the information needed to estimate the costs attributed to each party. Maritime Electric has hired three temporary surveyors to assist with the Project. Maritime Electric anticipates that the line construction resources available in PEI will be sufficient to complete the Project within each customer’s desired timeline, however, shortages in the availability of some construction materials and components as a result of COVID-19 could impact Project timelines.

1.0 BELL COMPONENT UPDATE

Maritime Electric initiated Project construction for Bell on May 11, 2020. Bell has advised Maritime Electric that it plans to complete its fibre installation work by the end of 2021. To accommodate this, Maritime Electric plans to complete the joint use portion of the Bell work involving poles by the end of 2020. The Maritime Electric utility specific construction on these poles will be completed in 2021.

Ongoing and Completed Work

Since Project construction began in May, weekly meetings between Maritime Electric and Bell have been held to discuss Project components and to ensure issues are being resolved and work is being performed safely and productively.

A summary of the work ongoing or completed as of July 31, 2020 is as follows:

Maritime Electric has installed 160 new poles, retired 132 poles, (27 being eastern cedar), and a total of 671 poles have been converted to joint use. This work was primarily completed in the following areas: Souris, Tignish, Covehead and Rustico.

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

As outlined in the Supplemental Information filed on December 5, 2019, Maritime Electric estimates 50 kilometres of rebuild work due to the Bell component of the Project, most commonly required due to deteriorated conductor and related safety concerns. The Black River Road in Covehead is being rebuilt as part of the Project, which will convert 6.1 kilometres of three phase construction to joint use. This rebuild is necessary because the condition of the line did not allow for a safe conversion.

Upcoming Work

Survey work is underway with construction to follow in Rustico, Charlottetown, Covehead and Hunter River. Bell has provided Maritime Electric with a priority list of areas that require work. Bell's priority list is continually being updated and as such, areas of the Project activity during the next reporting period could change.

Bell Pole Installations

Maritime Electric typically performs all joint use construction work, including the Bell component of the work. Bell is then invoiced for their portion of the costs. The Joint Use Agreement also allows Bell to perform joint use construction that meets Maritime Electric's construction standards using qualified personnel and similarly invoice Maritime Electric for

its portion of the costs. Bell and Maritime Electric have agreed that for some areas of the Project, Bell will install joint use poles on the opposite side of the road to the existing Maritime Electric lines eliminating a significant amount of work and additional costs required to convert the existing Maritime Electric line to joint use standards. Where possible, building joint use lines on the opposite side of the road to Maritime Electric's existing power lines is considered safer and more cost effective because it reduces the amount of line work to be performed while energized. It also allows for customers to be systematically moved from the existing line to the new one, reducing the need for any extended outages. At this time, the estimate of Project costs remains the same until a further assessment is made of the overall impact of the joint use construction work being completed by Bell.

2.0 XPLORNET COMPONENT UPDATE

Xplornet will complete their portion of the Project over a three-year period starting in early 2021. Maritime Electric will enter into a Support Structure Agreement with Xplornet prior to commencing their component of the Project.

3.0 PROJECT COSTS

Table 1 below shows an update on the Project costs up to July 31, 2020. Table 2 below shows details of the expenditures for Project participants.

Table 1			
PEI Broadband 2020 Budget Update (July 31)			
Description	Budget	Actual	Forecast
Line Rebuilds (Bell)	\$5,710,000	\$272,500	\$5,710,000

Table 2			
PEI Broadband 2020 Actual Cost Update to July 31			
Cost	Maritime Electric Share of Joint Use Cost	Maritime Electric Plant Specific Cost	Maritime Electric Total Cost
Materials	\$ 26,500	\$ 28,000	\$ 54,500
Labour	299,000	123,000	422,000
Sacrificial Life & Structural Value			\$ (204,000)
Total	\$ 325,500	\$ 151,000	\$ 272,500

The costs reported represent construction costs up to July 31, 2020 and includes a significant amount of survey time to get the project started and a lag in the invoicing from contractors working on the Project. In some cases, the cost associated with transferring conductor has not been included in the Plant Specific Costs as yet because this work has not been completed. In addition, as Bell attaches to new joint use poles and existing poles that are owned by the Company, the joint use pole count increases, thereby requiring Bell to purchase poles to maintain their 40 per cent ownership ratio. These contributions to date are higher than originally estimated because the poles they are purchasing are newer than anticipated.