

All our energy.
All the time.



July 28, 2020



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

Dear Commissioners:

Updated Timelines for PEI Broadband Project

In accordance with the Capital Expenditure Justification Criteria, on December 5, 2019, Maritime Electric Company, Limited (the "Company") filed a Supplemental Capital Budget Request for a multi-year, customer driven line rebuild project, the PEI Broadband Project. The Commission approved the 2020 Capital Budget for this multi-year project on May 5, 2020 under Commission Order UE20-02.

The purpose of this communication is to update the Commission on the status of this project based on new information that has become available now that work on the project has commenced. In particular, the Company wishes to update the Commission on changes in the project timelines for each customer as outlined in the attached report. Bell Canada has advised that they plan to proceed with the Project more quickly and complete their portion of the Project by the end of 2021. Alternatively, Xplornet Communications has advised that they will proceed more slowly than originally planned and will begin construction in 2021.

This update does not change the overall scope or budget of this multi-year project but reflects the revised timelines for each of the respective customers to ensure the successful execution of this project as required by their funding agreements.

Should the Commission have any concerns or questions regarding this matter, please 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

GCC12
Enclosure

1.0 PEI BROADBAND PROJECT TIMELINE REVISIONS

1.1 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.

In accordance with the draft Capital Expenditure Justification Criteria for multi-year capital projects, the Company filed a Supplemental Budget Request (“SBR”) with the Island Regulatory and Appeals Commission (“Commission”) on December 5, 2019. On May 5, 2020, the Commission issued Order UE20-02 approving the 2020 capital budget for this project.

1.2 Project Timelines

At the time the SBR submission was prepared, Maritime Electric had a general understanding of the volume of Project work proposed for Bell and Xplornet but did not have specific details as to the timelines for each customer. Now that the Project has commenced, Bell and Xplornet have provided more detail on their Project timelines and requirements. This update reflects this new information and the related changes to the timing of capital expenditures and contributions over the course of the Project.

Bell Canada

As outlined in the SBR, the joint use cost of Bell’s portion of this Project is shared between Maritime Electric and Bell based on the joint ownership ratio of 60 per cent allocated to Maritime Electric and 40 per cent to Bell in accordance with their Joint Use Agreement. In the initial SBR, the annual costs for Bell’s portion of the Project were forecast to occur evenly over the four years of this multi-year Project. Bell has started construction and advised Maritime Electric that it plans to complete its fibre installation work by the end of 2021.

Xplornet Communications

Under a Support Structure Agreement (“SSA”), Maritime Electric retains full ownership of the utility lines, and is therefore responsible for the costs associated with converting the lines to allow Xplornet to attach their infrastructure in accordance with industry standards. The initial conversion cost is fully recoverable from Xplornet as a Customer Contribution. Also under the SSA, Xplornet will pay an annual attachment fee to Maritime Electric for its use of Company poles. In this initial SBR, the annual costs for Xplornet’s portion of the Project were forecast to occur evenly over the four years of this multi-year Project. Maritime Electric has been advised by Xplornet that it intends to begin engineering analysis in late 2020 and construction will begin early in 2021. Xplornet will complete its fibre installation work over a three year period.

Through Maritime Electric’s SBR submission, the Commission was advised that the most cost effective Project timeframe is four years to allow for completion with minimal overtime work and without the need for higher cost off-island contractors. After consideration of the above noted changes to Bell’s and Xplornet’s timelines, the Company remains confident that it can meet the needs of both companies within these parameters.

1.3 Capital Budget Revisions

As a result of the new timelines provided by these two customers, Maritime Electric is advising the Commission of a change in the timing of funds approved by the Commission for 2020 as shown in Table 1 below:

TABLE 1						
2020 Capital Budget Revision						
	SBR Table 2		Revised		Change	
Description	Line Rebuilds	Contributions	Line Rebuilds	Contributions	Line Rebuilds	Contributions
Bell	\$ 2,436,000	\$ -	\$ 5,710,000	\$ -	\$ 3,274,000	-
Xplornet	3,247,000	2,000,000	-	-	\$(3,274,000)	\$(2,000,000)
Subtotal	\$ 5,710,000	\$ 2,000,000	\$ 5,710,000	\$ -	\$ -	\$(2,000,000)
Original Capital Budget Approved (UE19-09)	\$ 3,587,000	\$ 400,000	\$ 3,587,000	\$ 400,000	-	-
2020 Capital Budget	\$ 9,297,000	\$ 2,400,000	\$ 9,297,000	\$ 400,000	\$ -	\$(2,000,000)

Table 2 below shows the revised total annual budget provisions for the PEI Broadband Project under the new timelines:

Table 2						
2020 - 2023 Annual & Multi-year Totals for PEI Broadband Project						
	SBR Table 4¹		Revised²		Change	
	Line Rebuilds	Contributions	Line Rebuilds	Contributions	Line Rebuilds	Contributions
2020						
Bell	\$ 2,436,000	-	\$ 5,710,000	\$ -	\$ 3,274,000	\$ -
Xplornet	3,274,000	2,000,000	-	-	(3,274,000)	(2,000,000)
Subtotal	\$ 5,710,000	\$ 2,000,000	\$ 5,710,000	\$ -	\$ -	\$ (2,000,000)
2021						
Bell	\$ 2,508,000	\$ -	\$ 4,481,000	\$ -	\$ 1,973,000	\$ -
Xplornet	3,373,000	2,060,000	4,431,000	2,707,000	1,058,000	647,000
Subtotal	\$ 5,881,000	\$ 2,060,000	\$ 8,912,000	\$ 2,707,000	\$ 3,031,000	\$ 647,000
2022						
Bell	\$ 2,585,000	\$ -	\$ -	\$ -	\$ (2,585,000)	\$ -
Xplornet	3,472,000	2,121,000	4,564,000	2,788,000	1,092,000	667,000
Subtotal	\$ 6,057,000	\$ 2,121,000	\$ 4,564,000	\$ 2,788,000	\$ (1,493,000)	\$ 667,000
2023						
Bell	\$ 2,662,000	\$ -	\$ -	\$ -	\$ (2,662,000)	\$ -
Xplornet	3,577,000	2,185,000	4,701,000	2,871,000	1,124,000	686,000
Subtotal	\$ 6,239,000	\$ 2,185,000	\$ 4,701,000	\$ 2,871,000	\$ (1,538,000)	\$ 686,000
TOTAL	\$23,887,000	\$ 8,366,000	\$23,887,000	\$ 8,366,000	\$ -	\$ -
Bell	\$10,191,000	\$ -	\$10,191,000	\$ -	\$ -	\$ -
Xplornet	13,696,000	8,366,000	13,696,000	8,366,000	-	-
TOTAL	\$23,887,000	\$ 8,366,000	\$23,887,000	\$ 8,366,000	\$ -	\$ -

¹ See also the Company's Response to IR-13 on the PEI Broadband Project.

² Revised amounts for 2021-2023 are subject to annual approval by IRAC in accordance with the Capital Expenditures Justification Criteria.

1.4 Conclusion

The proposed timeline revisions are based upon the most current information from our customers for their respective share of this project. As shown in Table 2 above, there is no change to the cumulative capital expenditures and customer contribution totals for this multi-year project. Maritime Electric considers these changes to be appropriate and necessary to ensure the successful execution of the Project by Bell and Xplornet within the timelines required by their respective funding agreements.