

October 19, 2017

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

Dear Commissioners:

Pursuant to Section 10 of the Electric Power Act, Maritime Electric Company, Limited hereby requests an Order of the Commission approving the sale and transfer of land located in Borden-Carleton, PEI to the Prince Edward Island Energy Corporation as required under Article 6.1 of the Interconnection Lease Agreement. Further details with respect to the proposed sale and transfer are included in the attached proposal.

If you have any questions concerning the information contained herein, please do not hesitate to contact me at 902-629-3696.

Yours truly,

MARITIME ELECTRIC

Jason Roberts  
Vice President, Finance &  
Chief Financial Officer

JCR03  
Encl. as noted

**Proposal to Sell and Transfer Land**  
**to the**  
**Prince Edward Island Energy Corporation**

## **Background**

On March 21, 2014, Maritime Electric entered into a Memorandum of Understanding (“MOU”) with the Province of PEI (the “Province”) to undertake an Interconnection Upgrade Project (the “Interconnection Upgrade” or “Project”) to “supplement the transmission capacity of the two existing aged submarine cables, thereby increasing the security of supply and supply adequacy of affordable electricity to Prince Edward Island.”

Under the terms of the MOU, the Province, as owners of the Interconnection Upgrade, agreed to lease these assets, for their useful life, to Maritime Electric on terms to be negotiated between the parties. The Company, in accordance with the MOU, agreed to operate, repair and maintain the Interconnection Upgrade as an integral part of its electric supply and transmission system.

The Interconnection Upgrade Project was substantially completed on July 1, 2017 when Cable #3 was placed into service and deemed used and useful for purposes of supplying electricity to customers on PEI. With this milestone achieved, the Province and Maritime Electric, recognizing that time was of the essence to ensure the safe and reliable operation of the new interconnection, focused efforts on completing the Interconnection Lease Agreement between the Province, Prince Edward Island Energy Corporation (“PEIEC”) and Maritime Electric.

## **Interconnection Lease Agreement**

The Interconnection Lease Agreement (the “Lease”) is an agreement between the Province, the PEIEC and Maritime Electric governing the operation and maintenance of all submarine cable interconnection facilities (Interconnection #1 and Interconnection #2) between PEI and New Brunswick. This Lease consolidates and replaces the lease agreement for the original Cable 1 and 2 interconnection (Interconnection #1) and, commencing July 1, 2017, is effective for the duration of the service life of the facilities (Interconnection #1 and Interconnection #2).

The Lease is similar to the prior lease agreement in that it recognizes the interconnection facilities are part of the Maritime Electric transmission system and obligates the Company to insure, operate, maintain and repair the interconnection facilities in accordance with Good Utility Practice. It also contains a number of new provisions and changes which reflect today’s

circumstances as related to the additional interconnection facilities and the electricity industry on PEI.

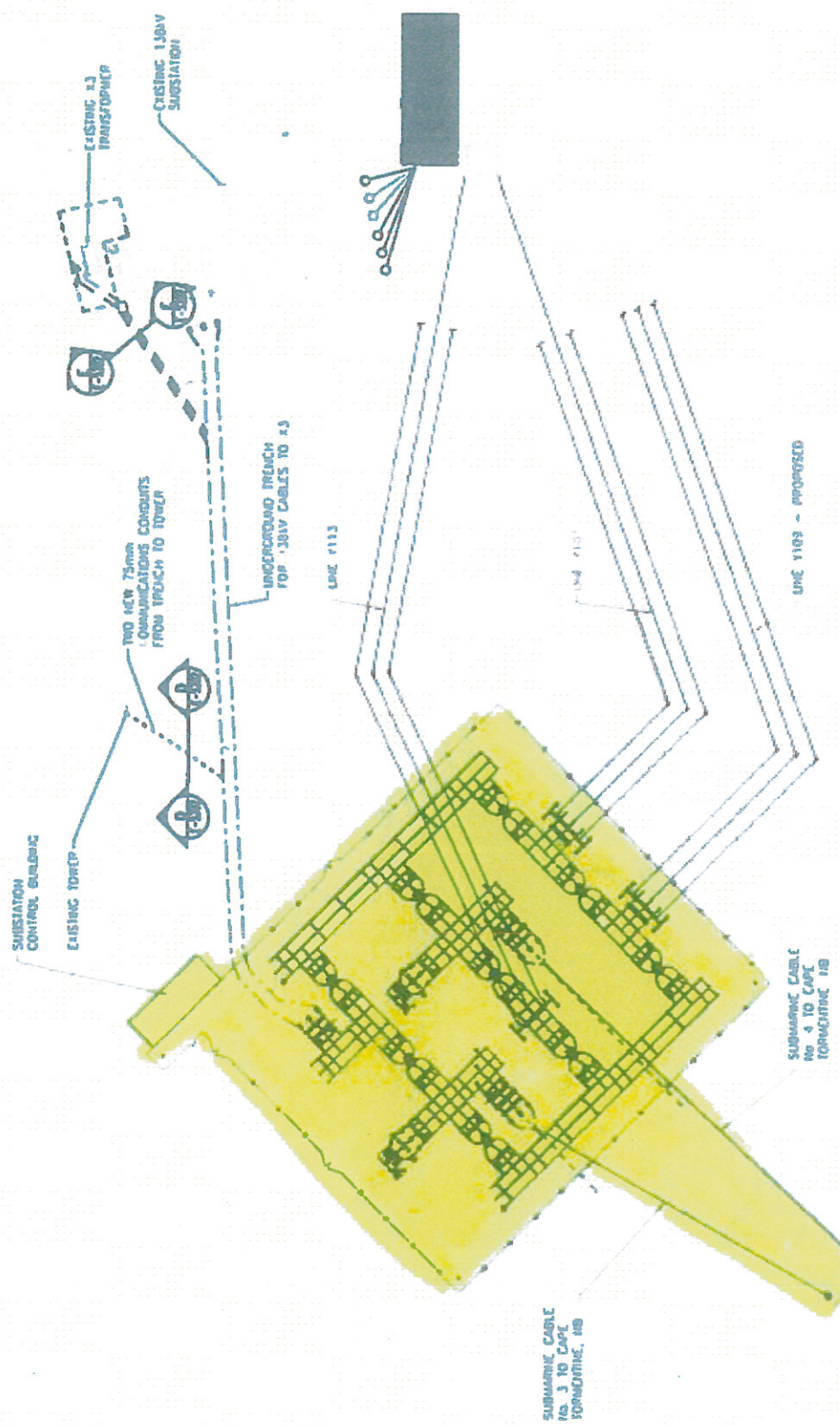
Article 6.1 of the Lease states that: "Land already vested in Maritime Electric which is, in the opinion of the Owners and Maritime Electric, necessary or necessarily incidental to the construction and operation of the Interconnection Upgrade (Interconnection #2) shall be conveyed to the PEIEC at the Cost of Acquisition thereof by Maritime Electric to become part of Interconnection #2. In the Lease Agreement, the Cost of Acquisition is defined to include the current value of the land as determined by an appraiser appointed with the mutual agreement of Maritime Electric and the PEIEC, commissions, legal and survey expenses incurred in connection with the lands, real property taxes paid in respect of the lands and any other charges incidental thereto.

Although the formal survey, fair market value assessment and related conveyance documentation will be completed upon approval of the transfer by the Commission, this conveyance is not expected to result in material proceeds upon transfer. The lands to be conveyed to PEIEC comprise a portion of a larger parcel, PID #380477, owned by the Company as outlined in the figure attached.

### **Summary**

The Interconnection Lease Agreement between the Province, PEIEC and the Company requires the sale and transfer of land owned by Maritime Electric to the PEIEC. The Company requests an Order from the Commission granting permission to Maritime Electric to convey the land it owns upon which the Interconnection #2 Facilities are situated to the PEIEC.

EXISTING  
60KV SUBSTATION



NO. 110.5