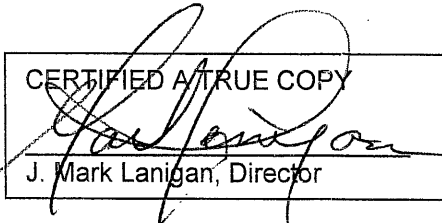


**THE ISLAND REGULATORY AND
APPEALS COMMISSION**
Prince Edward Island
Île-du-Prince-Édouard
CANADA

Docket UE20942
Order UE16-04

IN THE MATTER of an
application by Maritime Electric Company,
Limited to approve the rates, tolls and charges
for electric service for the period beginning
March 1, 2016 and for certain approvals
incidental thereto;

AND IN THE MATTER of
the Electric Power Act, R.S.P.E.I. 1988, Cap. E-
4 and the Island Regulatory and Appeals
Commission Act, R.S.P.E.I. 1988, Cap. I-11;

CERTIFIED A TRUE COPY

J. Mark Lanigan, Director

**BEFORE THE
COMMISSION**

on Monday, the 29th day of February, 2016.

J. Scott MacKenzie Q.C., Chair
Douglas Clow, CPA, CA, Vice-Chair
John Broderick, Commissioner
Michael D. Campbell, Commissioner

Order

IN THE MATTER of
an application by Maritime Electric Company,
Limited to approve the rates, tolls and charges
for electric service for the period beginning
March 1, 2016 and for certain approvals
incidental thereto;

Order

Whereas on July 23, 2015, Maritime Electric Company, Limited ("Maritime Electric") filed an application with the Island Regulatory and Appeals Commission (the "Commission") seeking to amend rates of depreciation with respect to Maritime Electric's several classes of property for the period beginning January 1, 2016 (Commission Docket UE#21603) ("Depreciation Rate Application");

And Whereas on October 28, 2015, Maritime Electric filed an application with the Commission seeking to approve proposed amendments to the rates, tolls and charges for electric service for the period beginning March 1, 2016 (Commission Docket UE#20942) ("General Rate Application");

And Whereas notices of the Depreciation Rate Application and the General Rate Application were published by the Commission on August 7, 2015 and October 28, 2015, respectively;

And Whereas on January 29, 2016, Maritime Electric filed with the Commission an agreement between Maritime Electric and the Government of Prince Edward Island ("Agreement"), which Agreement addresses or agrees to amend certain matters raised in the General Rate Application and the Depreciation Rate Application, as well as other matters relating to electric service in the Province of Prince Edward Island;

And Whereas on January 29, 2016, the Commission issued a procedural order directing that the General Rate Application and the Depreciation Rate Application be consolidated and heard together in Commission Docket UE#20942 (the "Amended Application");

And Whereas a Notice of Public Hearing with respect to the Amended Application was published by the Commission on January 29, 2016;

And Whereas the Notice of Public Hearing outlined certain details of the Agreement and invited members of the public to comment on the Amended Application and to participate in a public hearing;

And Whereas Maritime Electric filed an updated application record with the Commission on February 5, 2016;

And Whereas interrogatories were exchanged and public comments were received with respect to the Depreciation Rate Application, the General Rate Application, and the Amended Application;

And Whereas a public hearing was held with respect to the Amended Application on February 25, 2016;

And Whereas the Government of Prince Edward Island was granted formal intervener status in the Amended Application and permitted to call evidence and cross-examine witnesses at the public hearing;

And Whereas the Environmental Coalition of Prince Edward Island Ltd. was permitted to ask questions of witnesses and make an oral submission at the public hearing;

And Whereas the Leader of the Official Opposition was permitted to make an oral submission at the public hearing;

And Whereas no other individuals requested intervener status or the opportunity to make an oral submission at the public hearing;

AND UPON considering the written and oral submissions received from the parties and from members of the public;

NOW THEREFORE, pursuant to the Electric Power Act, R.S.P.E.I. 1988, Cap. E-4 and pursuant to the Island Regulatory and Appeals Commission Act, R.S.P.E.I. 1988, Cap. I-11,

IT IS ORDERED THAT

Rates, Tolls & Charges

1. Maritime Electric shall charge the rates, tolls and charges for electric service as set out in Appendix 1 hereto for the period from March 1, 2016 to February 28, 2019, which rates, tolls and charges are based upon the forecast values and input values set forth in Appendix 2 hereto.

Return on Average Common Equity

2. Maritime Electric shall be entitled to earn a maximum return on average common equity of 9.35 per cent for each of the calendar years 2016, 2017 and 2018, and thereafter until varied by the Commission.

Energy Cost Adjustment Mechanism

3. The Energy Cost Adjustment Mechanism ("ECAM") set forth in Appendix 3 hereto shall apply to the approved basic rates for meter readings taken on or after March 1, 2016.
4. The base rate per kWh for use in the ECAM shall be as set forth in Appendix 2 hereto for each of the years March 1, 2016 to February 28, 2017; March 1, 2017 to February 28, 2018; March 1, 2018 to February 28, 2019, and thereafter until varied by the Commission.

Rate of Return Adjustment

5. During the period from March 1, 2016 to February 28, 2019, Maritime Electric shall refund to ratepayers the balance of the Rate of Return Adjustment ("RORA") account accumulated to December 31, 2015, being \$15,156,765. The balance of the RORA account shall be refunded at the rates as set out in Appendix 2 hereto for each of the years March 1, 2016 to February 28, 2017; March 1, 2017 to February 28, 2018; March 1, 2018 to February 28, 2019, and thereafter until varied by the Commission.
6. Any over earnings accumulated during the period from January 1, 2016 to February 28, 2019 shall be deposited to a separate RORA account, the balance of which shall be refunded to ratepayers commencing March 1, 2019, or as further directed by the Commission.

7. With the exception of any amounts over-refunded to ratepayers, Maritime Electric shall not be permitted to recover any amounts from the RORA account(s), and in particular, Maritime Electric shall not be permitted to recover from the RORA account(s) in the event it does not attain a return on average common equity of 9.35 per cent. In the event of an over-refund, Maritime Electric shall not be permitted to recover all or part of the over-refund from ratepayers without the approval of the Commission.

Weather Normalization Mechanism

8. The Weather Normalization Mechanism and Reserve Account set forth in Appendix 4 hereto is approved, on an interim basis, for the period January 1, 2016 to February 28, 2019. The Commission shall determine the appropriateness of continuing a permanent Weather Normalization Mechanism and Reserve Account.

Depreciation Rates

9. Maritime Electric shall adopt the depreciation rates set forth in Appendix 5 hereto, effective as of January 1, 2016 (the "Depreciation Rates"). The Depreciation Rates shall remain in effect until varied by the Commission.
10. Maritime Electric shall record and incorporate into the Depreciation Rates the recommended amortization of the accumulated reserve variance associated with the Charlottetown Thermal Generating Station commencing in 2016 and as outlined in Appendix 6 hereto.

Further Studies

11. Maritime Electric shall undertake a rate design study to consider changes to the multi-block residential energy pricing structure, and related changes to Maritime Electric's other rate structures. The rate design study and a proposed rate structure shall be filed with the Commission on or before April 30, 2018.
12. On or before April 30, 2017, Maritime Electric shall prepare and file with the Commission a Point Lepreau cost allocation classification study.
13. On or before June 30, 2018, Maritime Electric shall file with the Commission an updated cost allocation study based on financial results to December 31, 2017.

14. On or before June 30, 2018, Maritime Electric shall file with the Commission a decommissioning study with respect to the Charlottetown Thermal Generating Station.
15. On or before June 30, 2018, Maritime Electric shall file with the Commission an updated depreciation study based on financial results to December 31, 2017.

Annual & Monthly Reporting

16. In addition to all existing reporting requirements and the reporting requirements set out herein, Maritime Electric shall file with the Commission on or before February 28 in each of 2017, 2018 and 2019:
 - a. the actual values associated with each of the inputs set forth in Appendix 2 hereto, based on Maritime Electric's actual financial results for the preceding year;
 - b. the year-end balance of the RORA account(s);
 - c. the year-end balance of the Weather Normalization Reserve Account;
 - d. the audited rate of return on average rate base for the previous fiscal year; and
 - e. the audited rate of return on average common equity for the previous fiscal year.
17. In addition to Maritime Electric's current monthly reporting requirements, Maritime Electric shall file with the Commission as part of its monthly reports:
 - a. the monthly balance of the RORA account(s); and
 - b. the monthly balance of the Weather Normalization Reserve Account.
18. Maritime Electric shall file with the Commission, within six (6) months from the date of this Order, confirmation of its rate base, including details of all accounts comprising its rate base.

Material Change

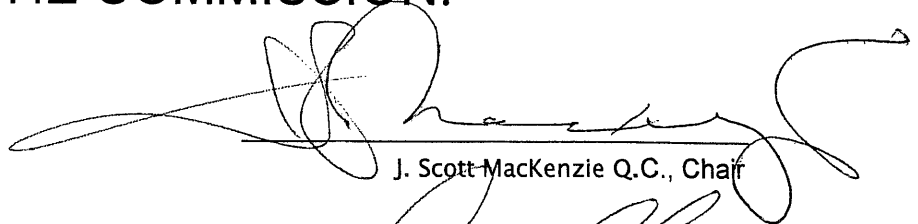
19. As agreed to by the parties, Maritime Electric, as applicant, and the Government of Prince Edward Island, as intervener and a party to the Amended Application, shall notify the Commission of any material change to any of the inputs set forth in Appendix 2 hereto in a timely manner.

Reasons to Follow

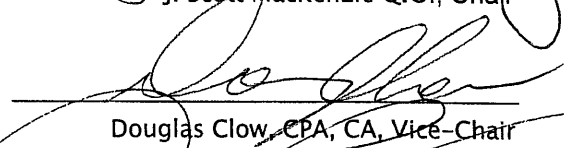
20. The Commission shall provide detailed reasons for the Order granted herein in due course.

DATED at Charlottetown, Prince Edward Island, this 29th day of February, 2016.

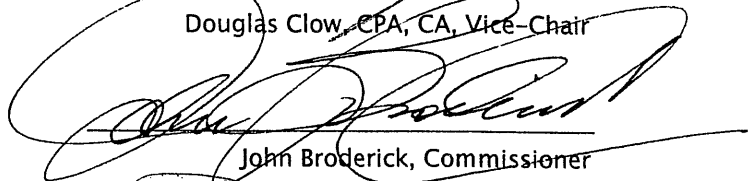
BY THE COMMISSION:



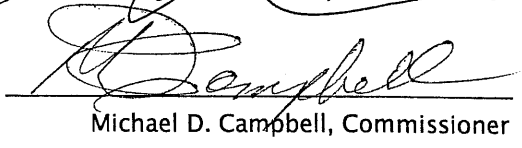
J. Scott MacKenzie Q.C., Chair



Douglas Clow, CPA, CA, Vice-Chair



John Broderick, Commissioner



Michael D. Campbell, Commissioner

NOTICE

Section 12 of the *Island Regulatory and Appeals Commission Act* reads as follows:

12. The Commission may, in its absolute discretion, review, rescind or vary any order or decision made by it, or rehear any application before deciding it.

Parties to this proceeding seeking a review of the Commission's decision or order in this matter may do so by filing with the Commission, at the earliest date, a written Request for Review, which clearly states the reasons for the review and the nature of the relief sought.

Sections 13.(1), 13(2), 13(3), and 13(4) of the *Act* provide as follows:

13.(1) An appeal lies from a decision or order of the Commission to the Court of Appeal upon a question of law or jurisdiction.

(2) The appeal shall be made by filing a notice of appeal in the Court of Appeal within twenty days after the decision or order appealed from and the rules of court respecting appeals apply with the necessary changes.

(3) The Commission shall be deemed to be a party to the appeal.

(4) No costs shall be payable by any party to an appeal under this section unless the Court of Appeal, in its discretion, for special reasons, so orders.

IRAC140A(04/07)

NOTE: In accordance with IRAC's *Records Retention and Disposition Schedule*, the material contained in the official file regarding this matter will be retained by the Commission for a period of 5 years.

Maritime Electric Company, Limited
Schedule of Rates

Rate Code	March 1, 2016	March 1, 2017	March 1, 2018
110 Residential Urban			
Service Charge	\$ 24.57	\$ 24.57	\$ 24.57
Energy Charge per kWh for first 2,000 kWh	\$ 0.1356	\$ 0.1396	\$ 0.1437
Energy Charge per kWh for balance kWh	\$ 0.1079	\$ 0.1108	\$ 0.1142
130 Residential Rural			
Service Charge	\$ 26.92	\$ 26.92	\$ 26.92
Energy Charge per kWh for first 2,000 kWh	\$ 0.1356	\$ 0.1396	\$ 0.1437
Energy Charge per kWh for balance kWh	\$ 0.1079	\$ 0.1108	\$ 0.1142
131 Residential Seasonal			
Service Charge	\$ 26.92	\$ 26.92	\$ 26.92
Energy Charge per kWh for first 2,000 kWh	\$ 0.1356	\$ 0.1396	\$ 0.1437
Energy Charge per kWh for balance of kWh	\$ 0.1079	\$ 0.1108	\$ 0.1142
133 Residential Seasonal Option			
Service Charge	\$ 37.50	\$ 37.50	\$ 37.50
Energy Charge per kWh for first 2,000 kWh	\$ 0.1356	\$ 0.1396	\$ 0.1437
Energy Charge per kWh for balance of kWh	\$ 0.1079	\$ 0.1108	\$ 0.1142
232 General Service I			
Service Charge	\$ 24.57	\$ 24.57	\$ 24.57
Demand Charge - per kW for first 20 kW	\$ -	\$ -	\$ -
Demand Charge - per kW for balance of kW	\$ 13.43	\$ 13.43	\$ 13.43
Energy Charge per kWh for first 5,000 kWh	\$ 0.1664	\$ 0.1717	\$ 0.1767
Energy Charge per kWh for balance of kWh	\$ 0.1090	\$ 0.1119	\$ 0.1154
233 General Service I - Seasonal Operators Option			
Service Charge	\$ 24.57	\$ 24.57	\$ 24.57
Demand Charge - per kW for first 20 kW	\$ -	\$ -	\$ -
Demand Charge - per kW for balance of kW	\$ 13.43	\$ 13.43	\$ 13.43
Energy Charge per kWh for first 5,000 kWh	\$ 0.1664	\$ 0.1717	\$ 0.1767
Energy Charge per kWh for balance of kWh	\$ 0.1090	\$ 0.1119	\$ 0.1154
320 Small Industrial			
Demand Charge - per kW	\$ 7.46	\$ 7.46	\$ 7.46
Energy Charge per kWh for first 100 kWh per kW billing demand	\$ 0.1630	\$ 0.1682	\$ 0.1731
Energy Charge per kWh for balance of kWh	\$ 0.0826	\$ 0.0844	\$ 0.0872
310 Large Industrial			
Demand Charge per kW	\$ 14.50	\$ 14.50	\$ 14.50
Energy Charge per kWh	\$ 0.0675	\$ 0.0694	\$ 0.0714
340 Long Term Contract (Currently no customers in this rate category)			
Demand Charge per kW	\$ 15.51	\$ 15.51	\$ 15.51
Energy Charge per kWh	\$ 0.0911	\$ 0.0933	\$ 0.0963
330 Short Term Contract (Currently no customers in this rate category)			
Demand Charge - per kW	\$ 16.79	\$ 16.79	\$ 16.79
Energy Charge per kWh for all kWh in the first block	\$ 0.0929	\$ 0.0951	\$ 0.0981
Energy Charge per kWh for balance of kWh in the month	\$ 0.0773	\$ 0.0789	\$ 0.0814

Maritime Electric Company, Limited
Schedule of Rates

Rate Code	Lamp Wattage	Type		Annual	Monthly			
				kWh	kWh	March 1, 2016	March 1, 2017	March 1, 2018
619	43	LED	St Lights - Rented	176	15	\$ 11.53	\$ 11.80	\$ 12.07
* 620	200	HPS	St Lights - Rented	1033	86	\$ 33.15	\$ 33.91	\$ 34.69
625	50	LED	St Lights - Rented	205	17	\$ 11.94	\$ 12.21	\$ 12.49
* 630	70	HPS	St Lights - Rented	389	32	\$ 15.25	\$ 15.60	\$ 15.96
* 631	100	HPS	St Lights - Rented	553	46	\$ 19.40	\$ 19.85	\$ 20.31
* 632	150	HPS	St Lights - Rented	799	66	\$ 27.69	\$ 28.33	\$ 28.98
633	250	HPS	St Lights - Rented	1283	106	\$ 37.65	\$ 38.52	\$ 39.41
634	400	HPS	St Lights - Rented	1886	157	\$ 44.04	\$ 45.05	\$ 46.09
* 635	125	MV	St Lights - Rented	656	54	\$ 15.10	\$ 15.45	\$ 15.81
* 636	175	MV	St Lights - Rented	881	73	\$ 19.20	\$ 19.64	\$ 20.09
* 637	250	MV	St Lights - Rented	1210	101	\$ 26.70	\$ 27.31	\$ 27.94
* 638	400	MV	St Lights - Rented	1906	158	\$ 37.26	\$ 38.12	\$ 39.00
639	70	Lanterns	City Lanterns - Rented	389	32	\$ 56.06	\$ 57.35	\$ 58.67
* 640	70	HPS	St Lights - Owned	389	32	\$ 5.99	\$ 6.13	\$ 6.27
* 641	100	HPS	St Lights - Owned	553	46	\$ 7.90	\$ 8.08	\$ 8.27
* 642	150	HPS	St Lights - Owned	779	65	\$ 10.62	\$ 10.86	\$ 11.11
643	250	HPS	St Lights - Owned	1283	107	\$ 16.81	\$ 17.20	\$ 17.60
644	400	HPS	St Lights - Owned	1886	157	\$ 26.53	\$ 27.14	\$ 27.76
* 645	125	MV	St Lights - Owned	656	55	\$ 8.95	\$ 9.16	\$ 9.37
* 646	175	MV	St Lights - Owned	881	73	\$ 12.13	\$ 12.41	\$ 12.70
* 647	250	MV	St Lights - Owned	1210	101	\$ 16.75	\$ 17.14	\$ 17.53
648	400	MV	St Lights - Owned	1906	159	\$ 26.51	\$ 27.12	\$ 27.74
* 650	200	HPS	St Lights - Owned	1033	86	\$ 14.63	\$ 14.97	\$ 15.31
666	72	LED	St Lights - Rented	295	25	\$ 13.27	\$ 13.58	\$ 13.89
670	100	LED	St Lights - Rented	410	34	\$ 15.44	\$ 15.80	\$ 16.16
719	43	LED	St Lights - Owned	176	15	\$ 2.43	\$ 2.49	\$ 2.55
* 720	200	HPS	Yard Lights - Rented	1033	86	\$ 30.31	\$ 31.01	\$ 31.72
* 730	70	HPS	Yard Lights - Rented	389	32	\$ 15.25	\$ 15.60	\$ 15.96
* 731	100	HPS	Yard Lights - Rented	553	46	\$ 19.36	\$ 19.81	\$ 20.27
* 732	150	HPS	Yard Lights - Rented	799	66	\$ 27.69	\$ 28.33	\$ 28.98
733	250	HPS	Yard Lights - Rented	1283	106	\$ 37.65	\$ 38.52	\$ 39.41
734	400	HPS	Yard Lights - Rented	1886	157	\$ 44.04	\$ 45.05	\$ 46.09
* 735	125	MV	Yard Lights - Rented	656	54	\$ 15.10	\$ 15.45	\$ 15.81
* 736	175	MV	Yard Lights - Rented	881	73	\$ 19.20	\$ 19.64	\$ 20.09
* 737	250	MV	Yard Lights - Rented	1210	100	\$ 26.71	\$ 27.32	\$ 27.95
* 738	400	MV	Yard Lights - Rented	1906	158	\$ 34.12	\$ 34.90	\$ 35.70
* 740	70	HPS	Yard Lights - Owned	389	32	\$ 5.99	\$ 6.13	\$ 6.27
* 741	100	HPS	Yard Lights - Owned	553	46	\$ 7.90	\$ 8.08	\$ 8.27
742	150	HPS	Yard Lights - Owned	779	65	\$ 10.62	\$ 10.86	\$ 11.11
743	250	HPS	Yard Lights - Owned	1283	107	\$ 16.81	\$ 17.20	\$ 17.60
744	400	HPS	Yard Lights - Owned	1886	157	\$ 26.53	\$ 27.14	\$ 27.76
745	125	MV	Yard Lights - Owned	656	55	\$ 8.95	\$ 9.16	\$ 9.37
746	175	MV	Yard Lights - Owned	881	73	\$ 12.13	\$ 12.41	\$ 12.70
747	250	MV	Yard Lights - Owned	1210	101	\$ 16.75	\$ 17.14	\$ 17.53
748	400	MV	Yard Lights - Owned	1906	159	\$ 26.51	\$ 27.12	\$ 27.74
749	180	LPS	Yard Lights - Owned	869	72	\$ 12.38	\$ 12.66	\$ 12.95
750	200	HPS	Yard Lights - Owned	1033	86	\$ 14.63	\$ 14.97	\$ 15.31
751	135	LPS	Yard Lights - Owned	730	61	\$ 9.85	\$ 10.08	\$ 10.31
752	90	LPS	Yard Lights - Owned	521	43	\$ 6.91	\$ 7.07	\$ 7.23
753	250	Flood	Yard Lights - Rented	1283	107	\$ 35.92	\$ 36.75	\$ 37.60
754	400	Flood	Yard Lights - Rented	1886	157	\$ 44.73	\$ 45.76	\$ 46.81
755	250	Halide	Yard Lights - Rented	1148	95	\$ 37.84	\$ 38.71	\$ 39.60
756	400	Halide	Yard Lights - Rented	1878	156	\$ 46.57	\$ 47.64	\$ 48.74
757	1000	Halide	Yard Lights - Rented	4346	362	\$ 79.93	\$ 81.77	\$ 83.65
758	70	Halide	St Lights - Owned	390	32	\$ 5.40	\$ 5.52	\$ 5.65
759	100	Halide	St Lights - Owned	533	44	\$ 7.39	\$ 7.56	\$ 7.73
760	175	Halide	St Lights - Owned	894	74	\$ 12.40	\$ 12.69	\$ 12.98
761	250	Halide	St Lights - Owned	1148	95	\$ 15.91	\$ 16.28	\$ 16.65
762	400	Halide	St Lights - Owned	1878	156	\$ 26.01	\$ 26.61	\$ 27.22
763	1000	Halide	St Lights - Owned	4346	362	\$ 60.20	\$ 61.58	\$ 63.00
764	100	LED	St Lights - Owned	410	34	\$ 5.68	\$ 5.81	\$ 5.94
765	150	Halide	St Lights - Owned	759	63	\$ 10.51	\$ 10.75	\$ 11.00
766	72	LED	St Lights - Owned	295	25	\$ 4.08	\$ 4.17	\$ 4.27
775	107	LED	St Lights - Owned	438	37	\$ 6.07	\$ 6.21	\$ 6.35
780	143	LED	St Lights - Owned	586	49	\$ 8.12	\$ 8.31	\$ 8.50
785	175	LED	St Lights - Owned	718	60	\$ 9.93	\$ 10.16	\$ 10.39

* These charges are applicable to existing fixtures only.

Maritime Electric Company, Limited
Schedule of Rates

	March 1, 2016	March 1, 2017	March 1, 2018
610 Pole Rental -Wood	\$ 4.38	\$ 4.38	\$ 4.38
611 Pole Rental -Concrete	\$ 7.96	\$ 7.96	\$ 7.96
Unmetered Rates (based on 100 watt fixture)			
810 8 Hour Lighting per kWh	\$ 0.1661	\$ 0.1699	\$ 0.1738
Minimum Charge	\$ 11.67	\$ 11.67	\$ 11.67
820 12 Hour Lighting per kWh	\$ 0.1661	\$ 0.1699	\$ 0.1738
Minimum Charge	\$ 11.67	\$ 11.67	\$ 11.67
830 24 Hour Lighting per kWh	\$ 0.1661	\$ 0.1699	\$ 0.1738
Minimum Charge	\$ 11.67	\$ 11.67	\$ 11.67
840 Air Raid & Fire Sirens	Currently no customers in this rate category		
850 Outdoor Christmas Lighting - 5.77¢ per watt of connected load per week	Currently no customers in this rate category		
234 Customer Owned Outdoor Recreational Lighting			
Service Charge	\$ 24.57	\$ 24.57	\$ 24.57
Energy Charge per kWh for first 5,000 kWh	\$ 0.1661	\$ 0.1699	\$ 0.1738
Energy Charge per kWh for balance of kWh	\$ 0.1020	\$ 0.1043	\$ 0.1067
Short Term Unmetered Rates			
Currently no customers in this rate category			
Energy Charge:			
per kWh of estimated consumption	\$ 0.1661	\$ 0.1699	\$ 0.1738
Connection Charge:			
A. Connecting to existing secondary voltage	Three-Phase \$99.08		
B. Where transformer installations are required, the following connection charges will apply:			
	Three-Phase		
(1) Up to and including 10 kVA	\$209.17		
(2) 11 kVA to 15 kVA	\$301.01		
(3) 16 kVA to 25 kVA	\$336.64		
(4) 26 kVA to 37 kVA	\$336.64		
(5) 38 kVA to 50 kVA	\$336.64		
(6) 51 kVA to 75 kVA	\$523.96		
(7) 76 kVA to 125 kVA	\$555.59		
(8) Above 125 kVA	\$594.94		

Maritime Electric Company, Limited Schedule of Inputs			
	2016	2017	2018
Summary of Forecast NPP and Sales			
Net Purchased & Produced (kWh)	1,287,845,600	1,314,420,900	1,340,478,000
Sales (kWh)			
Residential	563,660,000	580,352,000	596,667,000
General Service	391,720,000	394,887,000	397,870,000
Large Industrial	131,336,000	131,704,000	132,086,000
Small Industrial	98,933,000	103,731,000	108,397,000
Street Lighting	5,670,000	5,390,000	5,109,000
Unmetered	2,460,000	2,478,000	2,491,000
	<u>1,193,779,000</u>	<u>1,218,542,000</u>	<u>1,242,620,000</u>
ECAM Base Rate per kWh (Effective March 1)	0.08605	0.08988	0.09161
RORA Rebate per kWh (Effective March 1)	0.00410	0.00473	0.00345
Capital Structure (Average)			
Debt	59.10%	60.00%	60.00%
Equity	40.90%	40.00%	40.00%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Return on Average Common Equity	9.35%	9.35%	9.35%
Rate Base (Average)	340,818,000	359,398,000	374,717,000
Return on Average Rate Base	7.43%	7.17%	7.05%
Average Short Term Financing Rate	2.9%	3.3%	3.5%
Annual Capital Expenditures	30,660,000	29,399,000	30,815,000
Summary of Revenues and Expenses			
Basic Rate Revenue			
Residential	92,947,000	97,759,000	102,449,000
General Service	60,012,000	62,138,000	64,033,000
Large Industrial	10,854,000	11,208,000	11,448,000
Small Industrial	12,603,000	13,494,000	14,331,000
Street Lighting	2,137,000	2,101,000	2,022,000
Unmetered	397,000	414,000	422,000
	<u>178,950,000</u>	<u>187,114,000</u>	<u>194,705,000</u>
Transmission Revenue	8,110,000	12,380,000	13,963,000
Miscellaneous Revenue	1,627,000	2,025,000	1,953,000
Total Revenue	<u>188,687,000</u>	<u>201,519,000</u>	<u>210,621,000</u>
Operating Expenses			
Energy Costs	111,986,000	117,726,000	122,657,000
Distribution	8,176,000	8,727,000	8,968,000
Transmission - OATT (Cable)	-	4,133,000	5,590,000
Transmission - OATT (Other)	6,665,000	6,813,000	6,937,000
Corporate	10,094,000	10,484,000	10,783,000
Amortization - Fixed Assets & Other	21,139,000	22,397,000	23,650,000
Financing Expenses	12,388,000	12,433,000	12,645,000
Income Taxes	5,768,000	5,943,000	6,123,000
Net Earnings	<u>12,471,000</u>	<u>12,863,000</u>	<u>13,268,000</u>

Appendix 3
Energy Cost Adjustment Mechanism Formula

The Energy Cost Adjustment Mechanism ("ECAM") applies to approved basic rates for meter readings taken on or after March 1, 2016 as follows:

Base Cost of Purchased and Produced Electricity

The rate adjustment of ECAM will apply when the cost of purchased and produced electricity increases or decreases from the Base Cost. The forecast Base Rate Cost for purchased and produced electricity is \$0.08605/KWh and may be adjusted as ordered by the Commission.

Deferral of Increases or Decreases from the Base Cost

The deferral of increases or decreases in purchased and produced electricity from the Base Cost shall be calculated at the end of each month as follows:

1. Determine the total cost of purchasing and producing electricity in the month including any amounts amortized to ECAM as Ordered by the Commission;
2. Determine the net kilowatt hours of purchased and produced energy in the month;
3. Multiply the quantity of net purchased and produced energy determined in (2) above by the forecast Base Rate Cost of \$0.08605/KWh to determine the base cost of electricity;
4. Subtract the base cost of electricity determined in (3) above from the total cost of purchasing and producing electricity determined in (1) above to calculate the excess or deficiency of the cost of purchased or produced electricity from the base cost;
5. Add the excess (or deficiency) of the cost of purchased or produced energy calculated in (4) above to the corresponding excess (or deficiency) costs on the Balance Sheet.

Appendix 3
Energy Cost Adjustment Mechanism Formula

Calculation of ECAM Rate Adjustment Applied to Customers' Bills

The ECAM Rate Adjustment applied to Customers' bills shall be calculated as follows and applied to Customers' bills for not less than twelve months unless otherwise Ordered by the Commission.

6. Determine the total of the excess (or deficiency) costs on the Balance Sheet at the end of the third month proceeding the month in which the ECAM rate will be applied.
7. Determine the forecast total kilowatt hour sales for the twelve month period commencing with the month in which the ECAM rate will be applied.
8. Divide the amount calculated in (6) above by the amount calculated in (7) above to determine the ECAM rate adjustment required in cents per kilowatt hour sold and which will be applied to Customers' bills. Rate adjustment shall be calculated to the nearest three decimal places (five decimal places on the dollar).

Appendix 4
Weather Normalization Mechanism and Reserve

Purpose

The purpose of a Weather Normalization Reserve is to stabilize electricity rates to customers by removing the volatility in sales and energy supply costs caused by temperature changes relative to historical averages. Where the Heating Degree Days¹ (HDD) variation is above normal, the Company will experience incremental marginal net revenue (revenue less energy costs) which would need to be returned to customers but when HDD variation is below normal there will be a shortfall in net revenue which will need to be recovered from customers.

Calculation of Contribution to the Reserve

The balance in the Weather Normalization Reserve on the Company's balance sheet represents the cumulative monthly change in contribution from sales resulting from variations in HDD from normal and should, over time, net to zero.

As illustrated in Schedule 1, in a year when HDD are higher than normal (2013 and 2014), a marginal net revenue amount will be subtracted on the Company's income statement and added to the Reserve. When HDD are lower than normal (2010 – 2012), a marginal net revenue amount will be added to the Company's income statement and subtracted from the Reserve. Over the ten year period, the variation from average HDD balances to zero as does the balance in the reserve account.

As a formula,

$$\text{Contribution to Weather Normalization Reserve} = \text{MWh Variation from Average} \times \text{Marginal Net Revenue}$$

¹ http://climate.weather.gc.ca/glossary_e.html - Heating degree-days for a given day are the number of degrees Celsius that the mean temperature is below 18°C. If the temperature is equal to or greater than 18°C, then the number will be zero. For example, a day with a mean temperature of 15.5°C has 2.5 heating degree-days; a day with a mean temperature of 20.5°C has zero heating degree-days.

Appendix 4
Weather Normalization Mechanism and Reserve

Where,

MWh Variation from Average = (Actual HDD Value - Average HDD Value) X (MWh per HDD Coefficient)

Marginal Net Revenue = Forecast Unit Revenue per MWh - Forecast Unit Energy Cost per MWh

The following describes the components and operation of the Weather Normalization Reserve.

Determination of Average HDD Value

The first step in establishing the mechanics of the Weather Normalization Reserve is the determination of the Average HDD Value using the rolling 10 year average HDD value based upon the most recent 10 years of information available as measured by Environment Canada for the Charlottetown Airport weather station. As calculated in Schedule 2, the average annual HDD value to be used for 2016 is calculated to be 4,339 (2005-2014).

Calculation of MWh/HDD Coefficient

The next step is the determination of the annual MWh/HDD Coefficient (the "Coefficient") to be used for the upcoming year using econometric modelling. As shown in Schedule 3, using a linear regression analysis the Coefficient for 2016 is calculated at 41.73 (based on October 2014 to May 2015 data), which is the estimated change in MWh sales (customer usage) resulting from a unit variation in HDD (i.e. 41.73 MWh per HDD). The calculation excludes from the analysis the data for the months of June to September as these months are primarily cooling months, which would distort the Coefficient calculation for HDD and reduce its accuracy. In addition, only sales for year round Residential, General Service and Small Industrial classes are used as these are the only classes materially affected by variations in HDD.

Appendix 4
Weather Normalization Mechanism and Reserve

Calculation of Marginal Net Revenue

The final variable is the Marginal Net Revenue rate which is calculated as the forecast unit revenue per MWh less the forecast unit energy cost per MWh. For the same reason noted above, the unit revenue is comprised of only demand and energy charge revenues (i.e. excluding the service charge or site revenue) for Residential, General Service and Small Industrial classes as these are the only revenue factors and rate classes affected by variations in HDD. In addition, the energy cost per MWh for the year is set at the Base Rate in the ECAM for the particular year as approved by the Commission. Schedule 4 shows the calculation of the 2016 Marginal Net Revenue Rate of \$50.42/MWh.

Application

The determination of the Weather Normalization Reserve adjustment on the Company's balance sheet is to be calculated on a monthly basis as described above, effective January 1, 2016.

Revisions to the components of MWh Variation from Average and Marginal Net Revenue formulas for a calendar year are to be submitted to the Commission for approval on or before October 31 of the year prior thereto.

SCHEDULE 1							
Illustration of Annual Change in Weather Normalization Reserve							
Year	Heating Degree Days (below 18 deg C)		Space heating load		Marginal Net Revenue (\$/MWh)	Weather Normalization Reserve	
	Actual HDD	Variation from Average (4,339 days)	Coefficient (MWh/HDD)	Variation from Average (MWh)		Increase (Decrease) (\$)	Balance Owing (Recoverable) (\$)
2005	4,448	109	41.73	4,553	50.42	229,577	229,577
2006	3,996	(343)	41.73	(14,310)	50.42	(721,558)	(491,981)
2007	4,677	338	41.73	14,110	50.42	711,458	219,477
2008	4,389	50	41.73	2,091	50.42	105,425	324,901
2009	4,559	220	41.73	9,186	50.42	463,153	788,054
2010	3,968	(371)	41.73	(15,479)	50.42	(780,478)	7,575
2011	4,231	(108)	41.73	(4,503)	50.42	(227,052)	(219,477)
2012	4,055	(284)	41.73	(11,848)	50.42	(597,406)	(816,882)
2013	4,519	180	41.73	7,516	50.42	378,981	(437,901)
2014	4,547	208	41.73	8,685	50.42	437,901	(0)
		(0)		(0)			

Appendix 4

SCHEDULE 2											
Calculation of 10-Year Average HDD											
Month	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	10 year average (2005 - 2014)
Jan	854	626	737	728	866	686	744	715	812	771	754
Feb	698	677	763	686	664	608	697	700	672	717	688
Mar	654	594	643	694	675	556	621	572	603	760	637
Apr	406	411	491	418	420	367	420	379	441	453	421
May	314	204	308	286	245	262	259	224	235	308	265
Jun	117	55	121	95	102	114	150	119	107	120	110
Jul	29	5	29	0	42	13	21	12	13	1	17
Aug	17	52	38	20	30	21	14	5	17	28	24
Sep	82	116	120	121	135	107	90	76	106	118	107
Oct	247	290	248	300	345	290	249	240	291	228	273
Nov	402	374	446	421	392	429	397	424	472	461	422
Dec	628	592	733	620	643	515	569	589	750	582	622
	4,448	3,996	4,677	4,389	4,559	3,968	4,231	4,055	4,519	4,547	4,339
	Standard Deviation										258

SCHEDULE 3																																				
Calculation of MWh/HDD Coefficient																																				
Year	Month	Days in month	Actual HDD	HDD per day	Reported sales (MWh)	Fewer hours of daylight	Average HDD per day	Average MWh per day																												
2014	Jul	31	1	0.0	70,921																															
	Aug	31	28	0.9	79,973																															
	Sep	30	118	3.9	74,136																															
	Oct	31	228	7.4	72,767	2.52	5.6	2,426																												
	Nov	30	461	15.4	84,725	4.07	11.4	2,733																												
	Dec	31	582	18.8	88,471	5.21	17.1	2,949																												
2015	Jan	31	829	26.7	103,575	5.40	22.8	3,341																												
	Feb	28	858	30.6	107,097	4.53	28.7	3,455																												
	Mar	31	743	24.0	95,132	3.11	27.3	3,398																												
	Apr	30	537	17.9	90,109	1.53	20.9	2,907																												
	May	31	233	7.5	78,424	0.00	12.7	2,614																												
	Jun	30		-	72,384																															
<p>Linear regression results: (Oct 2014 - May 2015)</p> <table border="0"> <tr> <td>HDD</td> <td>Daylight hrs</td> <td>b</td> <td></td> </tr> <tr> <td>41.73</td> <td>50.89</td> <td>2045.89</td> <td>coefficients</td> </tr> <tr> <td>3.43</td> <td>14.71</td> <td>69.33</td> <td>standard error coefficients</td> </tr> <tr> <td>0.98</td> <td>68.90</td> <td>#N/A</td> <td>R², standard error y</td> </tr> <tr> <td>106.89</td> <td>5.00</td> <td>#N/A</td> <td>F, degrees of freedom</td> </tr> <tr> <td>1014942</td> <td>23737.67</td> <td>#N/A</td> <td>Regression SS, residual SS</td> </tr> <tr> <td>12.17</td> <td>3.46</td> <td>29.51</td> <td>t values</td> </tr> </table>									HDD	Daylight hrs	b		41.73	50.89	2045.89	coefficients	3.43	14.71	69.33	standard error coefficients	0.98	68.90	#N/A	R ² , standard error y	106.89	5.00	#N/A	F, degrees of freedom	1014942	23737.67	#N/A	Regression SS, residual SS	12.17	3.46	29.51	t values
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1014942	23737.67	#N/A	Regression SS, residual SS																																	
12.17	3.46	29.51	t values																																	

SCHEDULE 4			
Calculation of Forecast Marginal Net Revenue Rate for 2016			
Rate Class	2016 (Forecast)		
	Revenue (\$)	Sales (MWh)	Unit Revenue (\$/MWh)
Residential	70,955,849	545,578	*
General Service I	55,143,280	372,955	*
General Service II	1,530,913	10,751	
Small Industrial	12,692,471	98,933	
Total	140,322,513	1,028,217	\$ 136.47
ECAM Base Rate (Proposed)			\$ (86.05)
	Marginal Net Revenue Rate		\$ 50.42

* Excludes revenue and kWh sales from seasonal customers

Appendix 5
 Summary of Adjustments to Depreciation Rates
 Related to Electrical Plant Effective January 1, 2016

Depreciable Group	Original Cost At	Existing Annual Accrual		Proposed Annual Accrual	
	12/31/2014 ¹ A	Rate B	Amount C=AxB	Rate ¹ D=E/A	Amount ¹ E
<u>DEPRECIABLE ELECTRICAL PLANT</u>					
Total Steam Production Plant	61,170,863	2.50	1,529,272	4.53	2,768,484
Bordon Generating Station	12,768,390	2.50	319,210	4.81	614,008
Combustion Turbine #3	34,716,216	2.50	867,905	2.28	791,853
Total Transmission Plant	96,209,123	2.30	2,212,810	2.27	2,182,162
Distribution Plant					
Poles, Towers and Fixtures	58,696,260		1,760,888		2,051,434
Line Transformers	61,376,167		1,841,285		2,018,632
Meters	13,399,311		401,979		671,613
Other Net	171,860,410		5,162,216		5,402,998
Total Distribution Plant	305,332,148	3.00	9,166,368	3.32	10,144,677
General Plant					
Office Furniture & Equip – Computer Hardware	1,388,244		191,578		277,649
Office Furniture & Equip – Computer Software	4,978,910		687,090		497,891
Transportation Equipment	9,695,001		727,125		678,974
Other Net	22,457,753		985,590		842,004
Total General Plant	38,519,908	6.73	2,591,382	5.96	2,296,518
Total Fully Amortized General Plant	1,988,102	6.51	129,426	0.00	-
TOTAL ANNUAL IMPACT	\$550,704,751	3.05	\$16,816,372	3.41	\$18,797,702

References:
 1. 2014 Study - Page VI – Table I (Data as at December 31, 2014)

Appendix 6
Summary of Amortization of Accumulated Reserve Variance and Increase in Depreciation Expense
Related to Charlottetown Thermal Generating Station (CTGS) Effective January 1, 2016

DEPRECIABLE GROUP	Original Cost At 12/31/2014	Annual Accrual Amount	Reserve Variance Amortization	Total Annual Depreciation	Annual Rate % Including True-Up
	A	B	C	D=B+C	E=D/A
CTGS					
Structures & Improvements	8,945,331	478,270	358,012	836,282	9.35%
Boiler Plant Equipment	26,337,761	1,192,921	822,136	2,015,057	7.65%
Turbogenerator Units	22,091,772	970,221	841,223	1,811,444	8.20%
Accessory Electrical Equipment	2,283,113	63,728	53,650	117,378	5.14%
Miscellaneous Power Plant Equipment	1,512,887	63,344	42,447	105,791	6.99%
TOTAL – CTGS	\$61,170,863	\$2,768,484	\$2,117,468	\$4,885,952	7.99%

Reference:
2014 Study - Part VI – Table 3 (Data as at December 31, 2014)