

All our energy.
All the time.



July 31, 2019

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

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JUL 31 2019

The Island Regulatory
and Appeals Commission

Dear Commissioners:

In preparation for the scheduled hearings August 6 – 9, 2019 to consider the Company's General Rate Application for the years 2019 – 2021, Management has refreshed its sales forecast for the period and updated its revenue and cost projections as well as deferral account balances for year to date results up to June 30, 2019. Based upon these updates and assuming electricity rate adjustments September 1, 2019, March 1, 2020 and March 1, 2021 annual electricity costs increases for the typical customer in each rate class are now projected to be 0.7 per cent per year as outlined below.

Maritime Electric Company, Limited General Rate Application - Customer Cost Update									
Urban Residential (650 kWh per Month / 7,800 kWh per Year)									
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>		<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
GRA Original Filing					Update - July 2019				
Before Tax Cost	1,415.39	1,430.83	1,446.75	1,463.06	Before Tax Cost	1,415.39	1,425.41	1,435.00	1,444.38
		1.1%	1.1%	1.1%			0.7%	0.7%	0.7%
Total Cost	1,553.00	1,531.85	1,548.57	1,565.70	Total Cost	1,552.99	1,526.17	1,536.24	1,546.09
		-1.4%	1.1%	1.1%			-1.7%	0.7%	0.6%
Rural Residential (650 kWh per Month / 7,800 kWh per Year)									
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>		<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
GRA Original Filing					Update - July 2019				
Before Tax Cost	1,443.59	1,430.83	1,446.75	1,463.06	Before Tax Cost	1,443.59	1,439.51	1,435.00	1,444.38
		-0.9%	1.1%	1.1%			-0.3%	-0.3%	0.7%
Total Cost	1,585.43	1,531.85	1,548.57	1,565.70	Total Cost	1,585.43	1,542.38	1,536.24	1,546.09
		-3.4%	1.1%	1.1%			-2.7%	-0.4%	0.6%
General Service (10,000kWh/50KW per Month / 120,000 kWh/600KW per Year)									
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>		<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
GRA Original Filing					Update - July 2019				
Before Tax Cost	22,650.82	22,894.38	23,139.29	23,384.22	Before Tax Cost	22,650.82	22,811.10	22,964.58	23,114.93
		1.1%	1.1%	1.1%			0.7%	0.7%	0.7%
Total Cost	26,048.45	26,328.54	26,610.18	26,891.85	Total Cost	26,048.45	26,232.77	26,409.27	26,582.16
		1.1%	1.1%	1.1%			0.7%	0.7%	0.7%

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Attached please find updated schedules in support of the key variables and projections related to these revised customer cost projections.

Yours truly,

MARITIME ELECTRIC

A handwritten signature in black ink, appearing to read 'J. Roberts', with a stylized flourish at the end.

Jason C. Roberts
Vice President, Finance & Chief Financial Officer

JCR44
Enclosure

Maritime Electric Company, Limited					
Schedule of Inputs					
		Forecast			
	2018 Actual	2019	2020	2021	
Summary of Forecast NPP and Sales					
Net Purchased & Produced (kWh)	1,349,045,314	1,402,929,500	1,466,458,400	1,496,833,100	
Sales (kWh)					
Residential	612,763,141	645,698,000	683,806,000	707,918,000	
General Service	393,555,865	399,887,000	406,560,000	409,797,000	
Large Industrial	151,702,962	157,100,000	161,600,000	162,004,000	
Small Industrial	91,653,039	95,329,000	96,919,000	97,691,000	
Street Lighting	5,175,526	5,032,000	4,791,000	4,550,000	
Unmetered	2,458,006	2,485,000	2,510,000	2,535,000	
	<u>1,257,308,539</u>	<u>1,305,531,000</u>	<u>1,356,186,000</u>	<u>1,384,495,000</u>	
ECAM Base Rate per kWh	0.09161	0.09380	0.09475	0.09627	Note 1
RORA Rebate per kWh	0.00345	0.00264	0.00264	0.00264	Note 1
PEIEC EE&C Collection Rate per kWh	-	0.00130	0.00080	0.00090	Note 1
Capital Structure (Average)					
Debt	60.73%	60.40%	60.00%	60.00%	
Equity	39.27%	39.60%	40.00%	40.00%	
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	
Return on Average Common Equity (ROE) - Target	9.35%	9.35%	9.35%	9.35%	
Return on Average Common Equity (ROE) - Lower Limit	-	8.85%	8.85%	8.85%	
Return on Average Common Equity (ROE) - Upper Limit	-	9.85%	9.85%	9.85%	
Rate Base (Average)	373,575,121	389,337,000	403,836,000	414,388,000	
Return on Average Rate Base - Target	7.07%	7.02%	6.83%	6.82%	
Return on Average Rate Base - Lower Limit	-	6.82%	6.63%	6.62%	
Return on Average Rate Base - Upper Limit	-	7.22%	7.03%	7.02%	
Average Short Term Financing Rate	3.6%	4.0%	4.2%	4.2%	
Annual Capital Expenditures	32,189,313	39,633,000	37,957,000	37,107,000	
Summary of Revenues and Expenses					
Basic Rate Revenue					
Residential	104,126,939	109,316,000	117,263,000	123,713,000	
General Service	63,326,321	64,683,000	67,361,000	68,769,000	
Large Industrial	13,701,483	14,088,000	14,905,000	15,219,000	
Small Industrial	12,713,699	12,964,000	13,504,000	13,769,000	
Street Lighting	2,381,685	2,373,000	2,294,000	2,209,000	
Unmetered	431,049	431,000	436,000	447,000	
	<u>196,681,176</u>	<u>203,855,000</u>	<u>215,763,000</u>	<u>224,126,000</u>	
Transmission Revenue	9,451,985	10,185,000	10,247,000	10,382,000	
Miscellaneous Revenue	2,841,315	2,350,000	2,211,000	2,254,000	
Other Revenue	12,293,300	12,535,000	12,458,000	12,636,000	
Total Revenue	<u>208,974,476</u>	<u>216,390,000</u>	<u>228,221,000</u>	<u>236,762,000</u>	
Operating Expenses					
Energy Costs , net of ECAM	123,351,097	130,171,000	139,326,000	144,372,000	
Distribution & Transmission	7,726,597	7,989,000	8,214,000	8,438,000	
Transmission - OATT (Other)	7,488,580	8,137,000	8,214,000	8,356,000	
Corporate	9,354,098	10,373,000	11,497,000	12,733,000	
Amortization - Fixed Assets & Other	23,200,828	26,132,000	27,270,000	28,270,000	
Financing Expenses	12,618,847	13,090,000	12,796,000	12,985,000	
Income Taxes	6,101,048	6,302,000	6,531,000	6,748,000	
Due To Customers - Weather Normalization Reserve	469,169	336,000	-	-	
Due To Customers - Rate of Return Adjustment (RORA)	5,239,809	-	-	-	
Net Earnings	<u>13,424,403</u>	<u>13,860,000</u>	<u>14,373,000</u>	<u>14,860,000</u>	

Note 1 - Effective date for 2019 is September 1, all other years effective March 1.

Maritime Electric Company, Limited
General Rate Application - Customer Cost Update

Urban Residential (650 kWh per Month / 7,800 kWh per Year)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>		<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
GRA Original Filing					Update - July 2019				
Before Tax Cost	1,415.39	1,430.83	1,446.75	1,463.06	Before Tax Cost	1,415.39	1,425.41	1,435.00	1,444.38
		1.1%	1.1%	1.1%			0.7%	0.7%	0.7%
Total Cost	1,553.00	1,531.85	1,548.57	1,565.70	Total Cost	1,552.99	1,526.17	1,536.24	1,546.09
		-1.4%	1.1%	1.1%			-1.7%	0.7%	0.6%

Rural Residential (650 kWh per Month / 7,800 kWh per Year)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>		<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
GRA Original Filing					Update - July 2019				
Before Tax Cost	1,443.59	1,430.83	1,446.75	1,463.06	Before Tax Cost	1,443.59	1,439.51	1,435.00	1,444.38
		-0.9%	1.1%	1.1%			-0.3%	-0.3%	0.7%
Total Cost	1,585.43	1,531.85	1,548.57	1,565.70	Total Cost	1,585.43	1,542.38	1,536.24	1,546.09
		-3.4%	1.1%	1.1%			-2.7%	-0.4%	0.6%

General Service (10,000kWh/50KW per Month / 120,000 kWh/600KW per Year)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>		<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
GRA Original Filing					Update - July 2019				
Before Tax Cost	22,650.82	22,894.38	23,139.29	23,384.22	Before Tax Cost	22,650.82	22,811.10	22,964.58	23,114.93
		1.1%	1.1%	1.1%			0.7%	0.7%	0.7%
Total Cost	26,048.45	26,328.54	26,610.18	26,891.85	Total Cost	26,048.45	26,232.77	26,409.27	26,582.16
		1.1%	1.1%	1.1%			0.7%	0.7%	0.7%

SCHEDULE 15-2						
Annual Cost for Rural Residential Customer (650kWh per Month/7,800 kWh per Year)						
	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2020 Forecast	2021 Forecast
Service Charge	\$ 323.04	\$ 323.04	\$ 323.04	\$ 308.94	\$ 294.84	\$ 294.84
Basic Energy Charge	1,029.60	1,072.50	1,099.02	1,104.48	1,142.70	\$1,157.52
ECAM Charge	16.06	9.26	4.48	22.88	11.82	5.60
Provincial Costs Recoverable	41.81	41.81	41.81	20.90	-	-
Provincial Energy Efficiency Program	-	-	-	4.99	6.24	7.02
Cable Contingency Fund	2.11	2.11	2.11	1.05	-	-
RORA	(31.96)	(36.91)	(26.87)	(23.73)	(20.59)	(20.59)
Sub-total	1,380.66	1,411.81	1,443.59	1,439.51	1,435.00	1,444.38
HST*	199.05	211.78	216.54	215.93	215.25	216.66
Provincial Clean Energy Rebate**	-	-	(74.70)	(113.06)	(114.02)	(114.95)
Total Annual Cost	\$ 1,579.71	\$ 1,623.59	\$ 1,585.43	\$ 1,542.38	\$ 1,536.24	\$ 1,546.09
Percentage Annual Increase (%)	2.7%	2.8%	-2.3%	-2.7%	-0.4%	0.6%

* HST Rate increased from 14% to 15% effective October 1, 2016

** Effective July 16, 2018 on first 2,000 kWh of consumption

SCHEDULE 15-3						
Annual Cost for Urban Residential Customer (650kWh per Month/7,800 kWh per Year)						
	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2020 Forecast	2021 Forecast
Service Charge	\$ 294.84	\$ 294.84	\$ 294.84	\$ 294.84	\$ 294.84	\$ 294.84
Basic Energy Charge	1,029.60	1,072.50	1,099.02	1,104.48	1,142.70	1,157.52
ECAM Charge	16.06	9.26	4.48	22.88	11.82	5.60
Provincial Costs Recoverable	41.81	41.81	41.81	20.90	-	-
Provincial Energy Efficiency Program	-	-	-	4.99	6.24	7.02
Cable Contingency Fund	2.11	2.11	2.11	1.05	-	-
RORA	(31.96)	(36.91)	(26.87)	(23.73)	(20.59)	(20.59)
Sub-total	1,352.46	1,383.61	1,415.39	1,425.41	1,435.00	1,444.38
HST*	194.98	207.55	212.31	213.81	215.25	216.66
Provincial Clean Energy Rebate**	-	-	(74.70)	(113.06)	(114.02)	(114.95)
Total Annual Cost	\$ 1,547.44	\$ 1,591.16	\$ 1,553.00	\$ 1,526.17	\$ 1,536.24	\$ 1,546.09
Percentage Annual Increase (%)	2.7%	2.8%	-2.4%	-1.7%	0.7%	0.6%

* HST Rate increased from 14% to 15% effective October 1, 2016

** Effective July 16, 2018 on first 2,000 kWh of consumption

SCHEDULE 15-4						
Annual Cost for General Service Customer (10,000kWh/50KW per Month / 120,000 kWh/600KW per Year)						
	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2020 Forecast	2021 Forecast
Service Charge	\$ 294.84	\$ 294.84	\$ 294.84	\$ 294.84	\$ 294.84	\$ 294.84
Demand Charge	4,834.80	4,834.80	4,834.80	4,834.80	4,834.80	4,834.80
Basic Energy Charge	16,092.00	16,764.00	17,190.00	17,280.00	17,874.00	18,108.00
ECAM Charge	247.01	142.53	69.00	351.99	181.77	86.13
Provincial Costs Recoverable	643.20	643.20	643.20	321.60	-	-
Provincial Energy Efficiency Program	-	-	-	76.80	96.00	108.00
Cable Contingency Fund	32.40	32.40	32.40	16.20	-	-
RORA	(491.68)	(567.81)	(413.42)	(365.13)	(316.84)	(316.84)
Sub-total	21,652.57	22,143.96	22,650.82	22,811.10	22,964.58	23,114.93
HST*	3,121.58	3,321.59	3,397.62	3,421.67	3,444.69	3,467.24
Total Annual Cost	\$ 24,774.15	\$ 25,465.55	\$ 26,048.44	\$ 26,232.77	\$ 26,409.27	\$ 26,582.16
Percentage Annual Increase (%)	2.7%	2.8%	2.3%	0.7%	0.7%	0.7%

* HST Rate increased from 14% to 15% effective October 1, 2016

**Maritime Electric Company, Limited
Update to GRA Schedules - June 30, 2019**

SCHEDULE 5-2						
Costs Recoverable From (Payable To) Customers (\$)						
	2016 Actual	2017 Actual	2018 Actual	June 30, 2019 YTD Actual	2019 Forecast	December 31 2020 Forecast
Costs Recoverable From (Payable To) Customers	\$ 2,158,214	\$ 2,876,604	\$ 3,976,694	\$ 4,252,258	\$ 2,063,348	\$ 997,519
			Note 1	Note 2		Note 3
Balance - Per the GRA Filing	\$ 2,158,214	\$ 2,876,604	\$ 4,639,400	\$ 3,929,945	2,329,000	1,950,900

Note 1: The 2018 actual balance is lower than the GRA forecast due mainly to lower than forecast energy costs for Point Lepreau from Sept-Dec 2018

Note 2: Per Appendix 4 of the GRA filing, the ECAM balance at June 30, 2019 was forecast to be \$3,929,945. YTD Actual (\$4,252,258) is higher due mainly to lower collections from customers as the ECAM collection rate remains at \$0.000575/kWh as compared to the proposed change March 1, 2019 to \$0.003643/kWh. This is offset partially by changes in the base energy costs as a result of increased gross energy costs, increased sales and no change to the ECAM Base Rate since March 1, 2019 as proposed in the GRA. A further breakdown of these items is provided below:

	GRA	Actual	Difference
December 31 Balance	\$ 4,639,432	\$ 3,976,694	\$ (662,738) See Note 1
Difference Between Actual & Forecast Base Energy Costs Collected From Customers	942,834	666,903	\$ (275,931)
	(1,652,320)	(391,341)	\$ 1,260,979
	<u>\$ 3,929,946</u>	<u>\$ 4,252,255</u>	<u>\$ 322,310</u>

Maritime Electric Company, Limited
Update to GRA Schedules - June 30, 2019

SCHEDULE 5-4				
Rate of Return Adjustment (RORA) - Pre-2016				
Payable to Customers (\$)				
Year	RORA	Interest	Refunded to Customers	Balance Owing to Customers
2011	\$ 1,874,268	\$ -	\$ -	\$ 1,874,268
2012	2,239,130	57,166	-	4,170,564
2013	3,586,955	117,873	(648,556)	7,226,836
2014	3,674,728	205,812	(829,060)	10,278,316
2015	5,444,928	277,477	(843,956)	15,156,765
2016	-	360,528	(4,112,957)	11,404,336
2017	-	243,471	(5,567,325)	6,080,482
2018	-	123,228	(4,645,305)	1,558,405
Jan-19		3,757	(438,452)	1,123,710
Feb-19		2,054	(445,971)	679,793
Mar-19		945	(398,231)	282,506
Apr-19	-	-	(282,507)	(0)
Total	\$ 16,820,009	\$ 1,392,310	\$ (18,212,320)	\$ (0)

SCHEDULE 5-5				
Rate of Return Adjustment (RORA) - Post-2015				
Payable to Customers (\$)				
Year	RORA	Interest	Refunded to Customers	Balance Owing to Customers
2016	\$ 2,100,000	\$ -	\$ -	\$ 2,100,000
2017	2,767,885	61,922	-	4,929,807
2018	5,239,809	182,419	-	10,352,035
YTD 2019	-	200,135	(779,485)	9,772,685
Total	\$ 10,107,694	\$ 444,476	\$ (779,485)	\$ 9,772,685

1. The 2018 RORA forecast included in the GRA was \$3,952,400 as compared to the actual RORA recorded for 2018 of \$5,239,809 noted above, a difference of \$1,287,409.
2. The RORA refund rate currently included in customer rates is \$0.00345/kWh as compared to the proposed refund rate of \$0.00250/kWh to take effect March 1, 2019.

Appendix 5
Calculation of Forecast Marginal Net Revenue Rate for 2019

Appendix 5 Schedule 1 Rate Class	2019 (Forecast)		
	Revenue (\$)	Sales (MWh)	Unit Revenue (\$/MWh)
Residential	95,055,450	622,772	*
General Service	61,688,529	389,984	*
Small Industrial	12,963,540	95,329	
Total	169,707,519	1,108,084	\$ 153.15
ECAM Base Rate (Proposed)			\$ (93.80)
	Marginal Net Revenue Rate		\$ 59.35

* Excludes revenue and kWh sales from seasonal customers

Maritime Electric Company, Limited
Update to GRA Schedules - June 30, 2019

Appendix 5								
Schedule 4								
Monthly Change in Weather Normalization Reserve - January 1, 2016 to June 30, 2019								
MM/YY	Heating Degree Days (below 18 deg C)			Space heating load		Marginal Net Revenue (\$/MWh)	Weather Normalization Reserve	
	Actual HDD	10 Year Average Monthly HDD	Variation from 10 Year Average HDD	Coefficient (MWh/HDD)	Variation from Average (MWh)		Increase (Decrease) (\$)	Balance Owing (Recoverable) (\$)
January, 2016	713	753.9	(40.9)	41.73	(1,707)	50.42	(86,055)	(86,055)
February, 2016	608	688.2	(80.2)	41.73	(3,347)	50.42	(168,743)	(254,798)
March, 2016	654	637.2	16.8	41.73	701	50.42	35,348	(219,450)
April, 2016	475	420.6	54.4	41.73	2,270	50.42	114,459	(104,991)
May, 2016	259	264.5	(5.5)	41.73	(230)	50.42	(11,572)	(116,563)
June, 2016	121	110.0	11.0	41.73	459	50.42	23,144	(93,419)
July, 2016	30	16.5	13.5	41.73	563	50.42	28,404	(65,014)
August, 2016	23	24.2	(1.2)	41.73	(50)	50.42	(2,525)	(67,539)
September, 2016	101	107.1	(6.1)	41.73	(255)	50.42	(12,835)	(80,374)
October, 2016	255	272.8	(17.8)	41.73	(743)	50.42	(37,452)	(117,825)
November, 2016	401	421.8	(20.8)	41.73	(868)	50.42	(43,764)	(161,589)
December, 2016	665	622.1	42.9	41.73	1,790	50.42	90,263	(71,327)
January, 2017	712	751.4	(39.4)	43.21	(1,702)	49.56	(84,375)	(155,701)
February, 2017	657	704.2	(47.2)	43.21	(2,040)	49.56	(101,078)	(256,779)
March, 2017	690	646.1	43.9	43.21	1,897	49.56	94,011	(162,768)
April, 2017	416	433.7	(17.7)	43.21	(765)	49.56	(37,904)	(200,672)
May, 2017	264	256.4	7.6	43.21	328	49.56	16,275	(184,397)
June, 2017	94	114.6	(20.6)	43.21	(890)	49.56	(44,115)	(228,512)
July, 2017	27	16.4	10.6	43.21	458	49.56	22,700	(205,812)
August, 2017	29	22.8	6.2	43.21	268	49.56	13,277	(192,535)
September, 2017	92	106.2	(14.2)	43.21	(614)	49.56	(30,409)	(222,944)
October, 2017	203	279.6	(76.8)	43.21	(3,319)	49.56	(164,466)	(387,410)
November, 2017	440	423.6	16.1	43.21	696	49.56	34,478	(352,932)
December, 2017	695	613.8	81.6	43.21	3,526	49.56	174,745	(184,187)
January, 2018	764	760.1	4.3	46.66	201	51.38	10,309	(167,878)
February, 2018	621	697.3	(76.5)	46.66	(3,569)	51.38	(183,400)	(351,278)
March, 2018	602	652.1	(50.1)	46.66	(2,338)	51.38	(120,109)	(471,388)
April, 2018	445	440.1	5.0	46.66	233	51.38	11,987	(459,401)
May, 2018	280	261.9	18.0	46.66	840	51.38	43,153	(416,248)
June, 2018	168	121.2	47.2	46.66	2,202	51.38	113,157	(303,091)
July, 2018	14	18.9	(4.9)	46.66	(229)	51.38	(11,747)	(314,838)
August, 2018	9	19.9	(10.5)	46.66	(490)	51.38	(25,173)	(340,011)
September, 2018	125	104.7	20.0	46.66	933	51.38	47,948	(292,063)
October, 2018	338	276.1	62.1	46.66	2,898	51.38	148,878	(143,185)
November, 2018	520	426.3	93.2	46.66	4,349	51.38	223,437	80,252
December, 2018	709	621.1	87.9	46.66	4,101	51.38	210,731	290,983
January, 2019	757	757.6	(1.1)	50.19	(55)	52.48	(2,897)	288,085
February, 2019	737	686.7	50.1	50.19	2,515	52.48	131,962	420,047
March, 2019	638	656.8	(19.3)	50.19	(969)	52.48	(50,836)	369,212
April, 2019	449	432.6	16.2	50.19	813	52.48	42,670	411,882
May, 2019	352	257.5	94.1	50.19	4,723	52.48	247,857	659,739
June, 2019	106	118.5	(12.6)	50.19	(632)	52.48	(33,188)	626,551

Note: For 2019, the Company has recorded the WNA adjustment on the basis of the proposals in the GRA resulting in a balance owing to Customers of \$626,551. Using the variables last approved by the Commission in Order UE18-12, the WNA balance owing to customers would decrease by \$30,141 to \$596,410. Using the updated variables as presented in the revised July 2019 schedules, the WNA balance owing to customers would increase by \$43,928 to \$670,479.