Maritime Electric Co.Ltd. (MECL) 2019 Rate Application UE 20944

Post Public Hearing Comments to IRAC – August 13 2019

Issues Arising from the Hearing:

The uncontrolled, continuing increase in Peak Load Demand will become the major energy supply cost challenge that must be addressed. Further, the current confusion around declining or inclining tariff mechanisms will remain until the large "Residential" grouping of customers, having quite different energy use and peak load demands, is segmented into smaller, energy-use tariff groups.

What was less clear during the hearing was the degree to which the costs presented have been optimized by MECL and scrutinized by the Commission. The application shows that Revenue Requirements (MECL costs) will increase by around 4.5% each year, the ROE (profit) will increase 3.3% each year yet customer rates will increase by around 1.0% each year. The increased contributions and collected revenues accumulated by MECL since 2016 are apparently being applied to offset these forecasted, significant operating cost increases. However, for the next Rate Application (2021) no such offsets are forecasted. Either a significant increase in customer rates will then ensue or additional cost accrual accounts will be raised by MECL to amortize customer debt thereby setting ROE (profit) even higher.

Concluding Recommendations:

I assume that the Commission will issue an order defining new rates for this year and setting future directives for implementation before March 2021. Hopefully these directives will seek more significant tariff changes to address the existing RTC inequities and the current no-alternatives removal of the second block; the clear inappropriateness of some 54 industrial farming organizations residing in the Residential tariff group must be rectified. Equally important will be the Commission directives that target containment in the growth of MECL operating costs and capital financing burdens. The annual trend of increasing costs cannot be sustained by equitable and fair increases in revenue collected from customers.

My energy related summary recommendations are:

1) Deny the proposed change to the rural residential service rate as being inequitable with second block removal and premature to a proposal for a new rate structure as requested by the Commission. Apply the saved cost to immediately reduce the proposed increase in the General Service tariff.

My energy related summary recommendations are ………(continued):

2) By March 2021 create segmented groups of customers based upon energy use (and not energy application) across a suite of tariffs to encourage customers to change energy use habits and begin a containment of the rapidly increasing Peak Load Demand.
3) By March 2021 build a new “Residential” rate structure which includes a dominant Demand element for the “High Use” groups similar to the existing General Service tariff.
4) Before March 2021 the second block should be removed completely. Having an interim step of increasing the block to 5000KWh/month actually worsens the inequity between customers. Those within the use range of 2000KWh/month to 5000KWh/month will experience the highest rate shock; users in excess of 5000KWh/month are spared some rate shock with the irony that the highest energy users experience the lowest rate shock.
5) Immediately change the General Service tariff to become more “Load Factor” sensitive and begin correction of the high Revenue-to-Cost (RTC) ratio. This adjusted tariff also provides a no-cost pilot deployment for a Load Factor based tariff in readiness for deployment of similar tariffs for “High Use” residential customers.

<u>Process Conclusion:</u>

My engagement with the Commission’s review of this complex Rate Application has taken significant time and effort but I believe the Commission was sincere in inviting and encouraging public input. I hope my contributions have proved useful to the Commission.