

Commission Docket UE20944

Maritime Electric General Rate Application

November 30, 2020

Cheryl Mosher
Senior Financial Advisor
Island Regulatory & Appeals Commission
P.O. Box 577
Charlottetown, PE C1A 7L1

Dear Ms. Mosher

Thank you for the opportunity to comment on the Maritime Electric General Rate Application for the years March 2020 and March 2021.

My only concern is that there may be material costs variances associated with delays in commissioning of the proposed wind farm in Hermanville and under estimating peak load forecasts based on minus 9 degrees Celsius.

Maritime Electric chose not to answer my questions IR-5 and IR-7 (Exhibit-xx), siting confidentially.

Not knowing the structure and details of these agreements makes it impossible to evaluate whether or not these contracts are structured for the convenience of the utilities involved and/or to maximise the benefit of the rate payers. I am in no position to comment further on this in connection with this rate application.

In no way should any of these variances be allowed to accumulate in various deferral/balancing accounts including ECAM.

The rates for 2020/2021 have to be approved without further delay.

The regulatory process has become very cumbersome, time consuming and expensive.

In 2019 Maritime Electric spent in excess of one million dollars on regulatory affairs.

There is so much evidence that I don't remember where I saw the actual number. All this at the expense of the rate payer. The main driver is to find balance between maximising shareholder value and providing a reasonable cost of service to the rate payer. Yet the shareholder does not pay for any of the regulatory costs.

I have argued for the elimination of ECAM since 2008.

The ECAM balance led Government in 2011 to step in and announce the Energy Accord with Maritime Electric. A political move that covered up problems related to the costs of energy from the Lepreau nuclear power plant and delayed the problem to today. Now the costs are scheduled to be recovered.

The costs of Lepreau energy has now gone from approximately 4 c/kWh pre upgrade to over 11 c/kWh in 2019 (see MECL response to IR- 4, Exhibit-xx), not including the deferred energy charges that were transferred to the PEI Energy Corporation as per Energy Accord. These deferred charges are now due. The cost is 3.81 c/kWh(see UE-20944 Exhibit P-36).

The cost of Lepreau energy is now over 14.8 c/kWh. This does not include the amortisation charges related to Lepreau costs incurred in 1995 or thereabout.

ECAM is at the root of this problem. In hind sight IRAC should have acted “back then”.

IRAC is a quasi-judicial tribunal. IRAC has to act accordingly and not be swayed by the wishes of the Government or Maritime Electric.

ECAM is a relic of the 1970th. It has to be eliminated. Producing a 395 page document that includes 246 pages of newspaper clippings is no reason to keep ECAM.

RORA account, this must have been created in the last 10 years.

Weather normalisation account must also be a recent addition.

All these accounts need to be closed.

Maritime Electric has to invoice monthly based on costs occurred during the month.

If necessary IRAC may have to set prices for Maritime Electric similar to the pricing of fuel oil.

This approach will be more cost effective than spending over 1 million dollars on regulatory affairs.

If Maritime Electric is not happy with the ROE, it can appeal to IRAC at the cost of it’s shareholders.

I would like to make some further comments not directly related to this application.

Lepreau Participation Agreement

As per UE-20944 Exhibit P-36, I raised the following question.

Has the Commission ever asked the question “Why is Maritime Electric still participated in Lepreau given the costs and huge risk factors associated with an aging nuclear plant”?

Risks associated with Lepreau are significant. Maritime Electric consistently refers to the risks associated with Lepreau in it’s evidence presented.

Maritime Electric has confirmed (response to IR-4, Exhibit-xx) that the cost of energy from Lepreau is now the most expensive of all energy/capacity sources. It is a take or pay contract.

It is time for IRAC to retain a qualified consultant to assess the costs/benefits associated with terminating the Maritime Electric Participation Agreement in Lepreau.

It is not advisable for IRAC to request Maritime Electric to do a comprehensive review of it's participation in Lepreau, similar to ECAM(Order UE19-08 paragraph 160 on page 23). This produced a 395 page document(UE20603), including 246 pages of newspaper clippings(Appendix V), justifying the retention of ECAM.

Maritime Electric – 2020 Integrated System Plan – filed September 30, 2020

In general

This is a good introductory report. The report indicates the need for substantial investments in the Transmission system and On-Island Generation requirements.

I am on record advocating for On-Island Generation Capacity to provide a more robust and secure electricity supply system.

The electricity market on Prince Edward Island is about to undergo a major change, if Government carries thru with trying to achieve the 2030 carbon target.

This does not in any way change the need for on-Island generating capacity.

This matter has to be addressed now.

Maritime Electric in response to IR-6 Exhibit-xx, identified that the electric space heating load for 2021 is projected to be 68 MW at an outdoor temperature of minus 9 degrees C. At an actual outdoor temperature of minus 20 degrees C. the load would be 106.5 MW. This is a real possibility. I recall the early 1990th when the district heating systems were being put to the test at these low temperatures.

The forecasted system peak load for 2021 is 275 MW. Should the temperature drop to minus 20 degrees C. on system peak the system load would be 314 MW in 2021. This is an increase of 15% over forecasted total system load. This is significant and higher than the current forecasted load of 306 MW for 2025.

This will have financial implication, but more concerning is the capability of the system to handle this demand without the Utility having to resort to load shedding. The report indicates that loads above 300 MW may cause problems to part of the grid.

The Government is promoting electrification of Prince Edward Island's energy use without any regard on impacts on the electrical grid.

The Government is also promoting installation of solar systems thru net billing. This will have significant impacts on the system load profile and result in cross subsidisation of rates.

Now is the time to implement an effective peak load management program this will delay the need to increase capacity in the transmission system.

More specifically on the subject of On-Island Generation

Maritime Electric needs to contract for new capacity in 2024

In Section 7.5 Maritime Electric states,

“Generating equipment takes several years to appropriately plan, design, and install. It takes an average of three to four years to complete both combustion turbine and RICE installations⁴⁸.”

Based on this timeline, 2021 is the year to get approval for the installation of new capacity.

This will probably be a contentious political issue. One only has to go back to 2015 when Maritime Electric proposed the installation of a 50 MW combustion turbine. The Government countered that the new capacity would be ‘green’. Government never presented a ‘green’ option.

Maritime Electric proposes 50 to 75 MW of new on-island capacity, in my view this is inadequate based on Maritime Electric’s own analysis.

Based on data provided by Maritime Electric in Table 18, wind/fossil fuel generating systems can operate in a one to one ratio in islanded mode. For a 300 MW load 150 MW fossil fuel (or equivalent) generation has to be available.

To include CT-1 and CT-2 in long term planning is not desirable since these units will be retired.

For robust planning in excess of 100 MW of additional on-island capacity is required.

Maritime Electric wants to locate the new capacity in Charlottetown. This needs to be tested. Voltage support is required in the Eastern part of the Island. To place generation capacity in Charlottetown to reduce potential overloading the West Royalty Substation is poor generation planning. A more economical method is to upgrade the substation.

Generation should probably be a mix of combustion turbines and RICE (or equivalents). With generation distributed across PEI.

IRAC should order Maritime Electric to present, in the shortest time possible, in early 2021 a generation plan for 2024.

