

NON-CONFIDENTIAL

1 **Request IR-51:**

2
3 **Does MECL currently have any form of earnings adjustment mechanism in place? Is ePEI**
4 **recommending some form of earnings adjustment mechanism? If so, please describe in**
5 **detail.**

6
7 Response IR-51

8 The Company Maritime Electric currently has a Rate of Return Adjustment (RORA) deferral
9 account which requires the Company to return to customers 100 per cent of regulated earnings
10 above the authorized ROE, currently set at 9.35 per cent.

11
12 In the November 2018 General Rate Application filing, the Company has proposed the adoption
13 of an Earnings Sharing Mechanism in the form of a banding or allowable range of return on
14 average common equity for 2019 and future years.

15
16 As outlined in Section 12 of Maritime Electric’s November 2018 filing, the Company proposes
17 the adoption of a symmetrical ESM with a deadband of ± 50 basis points around the proposed
18 ROE of 9.35 per cent. Under this model, the Company would retain the benefit of surplus earnings
19 and assume the risk of an earnings shortfall within the deadband from 8.85 per cent to 9.85 per
20 cent.

21
22 For earnings greater than 9.85 per cent in a year, it is proposed to return those excess earnings to
23 the customer. In addition, for earnings below 8.85 per cent, it is proposed that the Company
24 would be permitted to establish a deferral account for the shortfall to provide the Company with
25 an earned ROE of no less than 8.85 per cent for that year. The deferral amount would then be
26 recovered in future years as approved by IRAC.

27