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January 28, 2022

Ms. Cheryl Mosher Island Regulatory & Appeals Commission PO Box 577 Charlottetown PE C1A 7L1

Dear Ms. Mosher:

#### UE20604 – Application for an ECAM Rate Adjustment Response to Interrogatories from Mr. Roger King

Please find attached the Company's responses to interrogatories from Mr. Roger King with respect to the Company's Application for an Order to Approve an ECAM Rate Adjustment effective March 1, 2022 filed with the Commission on December 17, 2021.

Yours truly,

MARITIME ELECTRIC

Moria Crochett

Gloria Crockett, CPA, CA Manager, Regulatory & Financial Planning

GCC03 Enclosure

All our energy. All the time.



Via email: randjking@pei.sympatico.ca

January 28, 2022

Mr. Roger King 519 Simpson Mill Rd Hunter River PE C0A 1N0

Dear Mr. King:

#### UE20644 – Application for an ECAM Rate Adjustment Response to Interrogatories

Please find attached the Company's response to your interrogatories with respect to the Company's Application for an Order to Approve an ECAM Rate Adjustment effective March 1, 2022 filed with the Commission on December 17, 2021.

Yours truly,

MARITIME ELECTRIC

Maria Crochett

Gloria Crockett, CPA, CA Manager, Regulatory & Financial Planning

GCC02 Enclosure



# RESPONSE TO INTERROGATORIES FROM MR. ROGER KING

Docket UE20604 ECAM Rate Increase

Submitted January 28, 2022





#### MARITIME ELECTRIC

#### Introduction to Responses

Maritime Electric Company, Limited ("Maritime Electric" or the "Company") and New Brunswick Power Corporation ("NB Power") are parties (the "Parties") to a Unit Participation Agreement ("the Agreement" or the "Point Lepreau Participation Agreement") dated June 26, 1990 in relation to the Point Lepreau Nuclear Generating Station ("Point Lepreau" or "the Unit").

This Agreement was extended by the Parties on March 29, 1994 and further extended on September 29, 1995 until the end of the Unit's service life.

As indicated in Maritime Electric's Application, the Agreement requires Maritime Electric to pay its proportionate share of Point Lepreau's operating and maintenance costs regardless of whether the Unit is producing or not.

Pursuant to ss.48.1(b) of the *Electric Power Act*, Maritime Electric is entitled to recover from ratepayers the annual operating and maintenance costs that it pays to NB Power pursuant to the Agreement.

As a result, Maritime Electric is contractually required to pay its proportionate share of Point Lepreau's operating and maintenance costs and statutorily entitled to recover these costs from ratepayers.

Given the long duration of the Agreement, there will be years when operating and maintenance costs are higher or lower than expected. Maritime Electric nevertheless believes that the Agreement, taken as a whole, has and continues to serve Maritime Electric ratepayers well.

The Application's appendix A shows a 2021 cost of Pointe Lepreau energy at \$25.8M. The 2021 year-end ECAM balance of \$5.6M is reported to be driven by an increase in the cost of this Pointe Lepreau supply. This computes to a 27% annual increase in the cost of nuclear-generated energy that is a direct pass-through cost from NB Power to PEI customers.

IR-1 For each of the outage periods identified in Table 3 what were the replacement KWh energy quantities?

## Response:

The requested Point Lepreau replacement energy quantities in kilowatt hours ("kWh") are provided in the following table:

| Outage/Derate Periods <sup>1</sup> | Total Days | Replacement Energy (kWh) |
|------------------------------------|------------|--------------------------|
| January 2021                       | 11         | 10,236,000               |
| February 2021                      | 44         | 18,013,000               |
| April 2021                         | 14         | 9,260,000                |
| November 2021                      | 40         | 12,818,000               |
| December 2021                      | 42         | 4,183,000                |
| Total                              | 100        | 54,510,000               |

<sup>&</sup>lt;sup>1</sup> Point Lepreau has no output during an outage period and has partial output during a derate period.

IR-2 In the Power Purchase Agreement or the Pointe Lepreau Participation Agreement with NB Power what determines the price of Pointe Lepreau replacement energy? Is there an obligation upon NB Power to seek the minimum cost of this replacement energy and was this the case for 2021?

#### Response:

The price of replacement power is not defined by either the Energy Purchase Agreement or the Point Lepreau Participation Agreement.

NB Power has indicated that they endeavor to minimize the cost of supply for all of its customers, both in-province and out-of-province, even though there is no contractual obligation in the Point Lepreau Participation Agreement.

The energy received from Point Lepreau represents 16 per cent of Maritime Electric's energy mix over the last five calendar years (i.e., 2017 to 2021), as provided for in the response to IR-4 within this document.

By comparison, in referencing the NB Power Annual Financial Reports for its last five financial years, Point Lepreau represented 26 per cent of NB Power's average energy mix over this period.

NB Power sources replacement energy for themselves (as well as Maritime Electric) when Point Lepreau is experiencing an outage or is producing partial output (i.e., derate period) and given their greater percentage exposure, NB Power is highly motivated to source energy as cheaply as possible for this replacement energy.

IR-3 The Pointe Lepreau Participation Agreement specifies 5% power participation for MECL. Does this still compute to a base supply of 34MW? What annual peak load capacity avoided cost did this represent for 2021?

# Response:

Maritime Electric increased its base energy supply from Point Lepreau from 25 megawatts ("MW") to 30 MW in the May 1994 amendment to the Point Lepreau Unit Participation Agreement ("Agreement"). At that time, this 30 MW entitlement represented 4.72 per cent of the total plant output.

As per the Agreement, Maritime Electric's entitlement remained fixed at 30 MW as the Company did not have an opportunity to share in the increased plant output after the refurbishment.<sup>2</sup> After the refurbishment, Maritime Electric's 30 MW entitlement represents 4.545 per cent to the total plant output.

It should be noted that Maritime Electric's prorata share of Point Lepreau's operating and maintenance costs decreased when the plant's total net production increased.

The cost of replacement generating capacity is confidential per the terms and conditions of the Energy Purchase Agreement with New Brunswick Energy Marketing.

<sup>&</sup>lt;sup>2</sup> Point Lepreau's net production output was increased from 635 MW to 660 MW due to the replacement of steam turbine rotors during the 2012 to 2016 refurbishment.

IR-4 For each year since the 2012 Pointe Lepreau refurbishment program what has been the % annual energy capacity delivered to MECL?

# Response:

The requested Point Lepreau replacement energy quantities as a percentage of Maritime Electric's total Net Produced and Purchased energy are provided in the following table:

| Year | Energy<br>Delivered<br>(MWh) | Maritime Electric Total Net<br>Produced and Purchased<br>(MWh) | Percentage |
|------|------------------------------|--|------------|
| 2013 | 187,098                      | 1,214,703  | 15.4%      |
| 2014 | 208,034                      | 1,256,032  | 16.6%      |
| 2015 | 191,210                      | 1,279,469  | 14.9%      |
| 2016 | 200,235                      | 1,281,775  | 15.6%      |
| 2017 | 246,050                      | 1,301,894  | 18.9%      |
| 2018 | 215,988                      | 1,348,666  | 16.0%      |
| 2019 | 221,219                      | 1,385,350  | 16.0%      |
| 2020 | 211,087                      | 1,389,089  | 15.2%      |
| 2021 | 197,670                      | 1,431,416  | 13.8%      |

IR-5 For each year since the Pointe Lepreau 2012 refurbishment program what has been the MECL cost contribution to the Pointe Lepreau annual operating and maintenance costs?

# Response:

The following table provides the details of the Company's annual contribution to the Point Lepreau annual operating and maintenance costs:

| Year | Fuel        | Cost of<br>Carrying Fuel | Cost of<br>Capital | O&M &<br>Indirect | Decommissioning<br>Charge | Guarantee<br>Fee | Inventory<br>Common<br>Stock | Heavy<br>Water | Total Point<br>Lepreau<br>O&M Cost |
|------|-------------|--------------------------|--------------------|-------------------|---------------------------|------------------|------------------------------|----------------|------------------------------------|
| 2013 | \$1,122,499 | \$42,889                 | \$8,849,928        | \$10,100,598      | \$375,359                 | \$489,014        | \$22,635                     | \$39,287       | \$21,042,210                       |
| 2014 | 982,568     | 30,277                   | 7,322,946          | 9,568,396         | 2,465,170                 | 462,272          | 38,873                       | 3,274          | 20,873,776                         |
| 2015 | 862,550     | 33,191                   | 8,135,205          | 9,732,753         | 1,995,576                 | 429,078          | 26,355                       | n/a            | 21,214,708                         |
| 2016 | 1,073,466   | 49,103                   | 8,458,263          | 8,839,107         | 1,995,577                 | 507,876          | 11,960                       | n/a            | 20,935,352                         |
| 2017 | 1,566,090   | 47,967                   | 9,128,368          | 10,803,898        | 1,995,576                 | 431,842          | 6,492                        | n/a            | 23,980,233                         |
| 2018 | 996,139     | 49,390                   | 9,339,141          | 10,260,479        | 1,995,576                 | 457,971          | 11,199                       | n/a            | 23,109,562                         |
| 2019 | 1,206,883   | 64,679                   | 9,941,422          | 10,722,332        | 1,995,576                 | 494,326          | 17,053                       | n/a            | 24,442,271                         |
| 2020 | 1,028,136   | 55,709                   | 9,773,211          | 10,683,283        | 1,995,576                 | 433,250          | 15,635                       | n/a            | 23,984,800                         |
| 2021 | 995,398     | 59,819                   | 10,285,492         | 11,977,141        | 1,998,893                 | 427,416          | 14,296                       | n/a            | 25,758,455                         |

IR-6 What action has NB Power taken to ensure that the 2021 Pointe Lepreau outages and increased operating and maintenance costs will not occur in 2022?

#### Response:

NB Power has invested in Equipment Reliability and enhanced maintenance activities as part of a long-term effort that resulted in Point Lepreau's performance improving significantly over the 2016 to 2020 period. Maritime Electric anticipates this multi-year trend along with these Equipment Reliability investments are the most valid indicators of future performance at Point Lepreau, rather than the single-year results of 2021.

Some highlights from NB Power on Point Lepreau's recent maintenance activities and performance achievements include:

- The reliability investments included significant improvements to equipment throughout the facility, resulting in strong performance since 2016. These improvements are expected to support a resumption of pre-2021 performance going forward.
- Prior to Point Lepreau being taken offline in September 2020, for a planned maintenance outage, it had achieved 417 consecutive days online, representing the longest continuous plant operation between outages since 1994. The preceding three years (i.e., 2017 to 2019) represented some of the best production results in the life of Point Lepreau, in which it averaged over 5,000 gigawatt hours ("GWh") of low carbon power output annually. These production results coincided with investments in an enhanced equipment reliability strategy based on industry best practices.
- As a low carbon generation source, Point Lepreau is essential to help meet the low carbon commitments of the Government of Canada. The 5,000 GWh of low carbon power annually produced by Point Lepreau represents the avoidance of 4.2 million tons of greenhouse gas emissions. Expressed another way, it is equivalent to the removal of over 822,000 vehicles from highways every year.
- The planned maintenance outage originally scheduled to begin April 10, 2020 had to be rescheduled because of the onset of the COVID-19 pandemic. The delayed outage was successfully and safely completed from September 3 to November 5, 2020.
- The work completed during the 2020 planned outage was diverse, with jobs on equipment and systems on both the nuclear and conventional parts of the facility, including routine maintenance, repairs, system modifications, and inspections and testing that can only be conducted when the unit is offline.
- As a result of the planned April 2020 outage being delayed, NB Power and Maritime Electric had to secure replacement power during the fall and winter periods when energy costs are typically the highest.
- In addition, Point Lepreau has a Continuous Improvement Program where NB Power learns from events internal to Point Lepreau and from the industry to prevent recurrence.

IR-7 For each year since the 2012 Pointe Lepreau refurbishment program what has been the annual ECAM amount attributable to the non-budgeted cost of Pointe Lepreau energy?

#### Response:

At the beginning of a rate-setting period, the basic energy charge included in customer rates reflects a forecast of annual energy supply costs based on the Base Rate Cost as defined in the Energy Cost Adjustment Mechanism ("ECAM") and approved by the Commission. This forecast of annual energy supply costs includes an energy supply forecast to be delivered under the Point Lepreau Participation Agreement and a forecast of the related costs provided by NB Power.

To the extent that the actual energy supply costs incurred by the Company differ from the Base Rate Cost, the difference is deferred in the ECAM account to be collected from or refunded to customers in a future period as approved by the Commission.

With respect to Point Lepreau, costs may be deferred to the ECAM account in two ways. The first is when actual costs incurred under the Point Lepreau Participation Agreement vary from the amounts forecast for the rate-setting period. The second is when the Company's entitlement to energy generated by Point Lepreau is over or under the forecast amount and the Company has to procure more or take less energy from other sources to reflect the energy displaced by this take-or-pay contract.

| Lepreau Costs Deferred to ECAM Since 2012 (\$) |                                |  |                        |                         |  |
|--|--------------------------------|--|------------------------|-------------------------|--|
| Year   | Rate Setting Period            | Costs IncurredEstimatedUnder the LepreauReplacementParticipationEnergy CostsAgreementDeferred <sup>3</sup> |                        | Total Costs<br>Deferred |  |
| 2013   | PEI Energy Accord              | \$ 3,075,509   | \$ 3,555,000           | \$ 6,630,509            |  |
| 2014   | PEI Energy Accord              | (1,126,224)  | (316,000)              | (1,442,224)             |  |
| 2015   | PEI Energy Accord              | 1,307,708  | 3,412,000              | 4,719,708               |  |
| 2016   | General Rate Agreement/UE16-04 | 1,079,252  | 813,000                | 1,892,252               |  |
| 2017   | General Rate Agreement/UE16-04 | 3,581,233  | 1,442,000              | 5,023,233               |  |
| 2018   | General Rate Agreement/UE16-04 | 2,855,994  | (604,000)              | 2,251,994               |  |
| 2019   | 2018 Rates/UE19-08             | 4,188,371  | (1,009,000)            | 3,179,371               |  |
| 2020   | 2018 Rates/UE19-08             | 3,730,899  | (201,000)              | 3,529,899               |  |
| 2021   | UE20-04                        | 1,146,755  | 5,106,729 <sup>4</sup> | 6,196,755               |  |

The following table provides the estimated costs deferred to ECAM related to Point Lepreau for each year since 2012.

<sup>&</sup>lt;sup>3</sup> Replacement energy costs provided in this table are estimated based on the difference between the actual energy supplied by Point Lepreau and the estimate of energy to be supplied included in the Commission approved ECAM base rate in effect for the period. The difference in energy supplied is then multiplied by the average cost per kilowatt hour of energy supplied by NB Power for the year to estimate the replacement energy costs deferred in ECAM.

<sup>&</sup>lt;sup>4</sup> The 2021 costs are the actual costs for December 2021 versus a forecast of December 2021 costs that was included in the current ECAM Application.

The PEI Energy Accord (the "Accord") was a collaborative five-year agreement ending February 29, 2016 between the Company and the Province of PEI, which was intended to provide lower, stable electricity rates for PEI consumers and increase reliance on locally owned wind power through legislative amendments to the *Electric Power Act*. The five-year rate plan under the Accord was based on a set of annual forecast inputs which included, among other things, kilowatt hour ("kWh") sales and revenue, operating and capital expenditures and financing costs for the years 2011 to 2015. The Accord also set out the Government's commitment to achieving lower customer electricity costs by assuming and financing certain extraordinary costs incurred by the Company to serve customers during the Point Lepreau refurbishment and to exit the Dalhousie Participation Agreement.

The General Rate Agreement, in effect from March 1, 2016 to February 28, 2019, was a collaborative agreement between the Company and the Province of PEI to secure least-cost reliable sources of energy and related capacity at stable and predictable rates, while at the same time working toward a new provincial strategy and an effective demand side management plan to improve energy efficiency and reduce energy consumption in the province as well as a mutually agreed upon plan to deal with the results of the 2014 Depreciation Study.

Both the Accord and the General Rate Agreement relied on forecast financial inputs developed in advance of the rate-setting periods. While these forecasts were developed with the best available information for Point Lepreau production and costs at the time, actual results varied from these forecasts resulting in the variances shown in the preceding table.

In November 2018, the Company filed a General Rate Application ("2019 GRA) for a three-year rate period beginning on March 1, 2019. The 2019 GRA proposed resetting the ECAM Base Rate Cost on March 1 of each of the three years. In Order UE19-08, the Commission did not approve any changes to rates and the 2018 ECAM Base Rate Cost remained in effect until January 1, 2021 when Order UE20-06 came into effect. In Order UE20-06, the Commission directed the Company to offset the December 31, 2020 balance of the ECAM account with the balance of the Rate of Return Adjustment ("RORA") account. The rates approved in Order UE20-06 were based on a forecast ECAM base rate of \$0.09244 per kWh and was specifically approved by the Commission in Order UE21-03. The energy costs deferred to the ECAM in 2021 are discussed in detail in the current ECAM application, which was filed with the Commission on December 17, 2021 seeking approval of an ECAM Rate Adjustment.

IR-8 Appendix A shows the 2021 ECAM balance owing of \$5.55M; what was the 2021 ending balance of the RORA account? How will this RORA balance be distributed to customers during 2022?

#### Response:

The balance of the RORA account on December 31, 2021 was approximately \$720,000. The following table summarizes the transactions in the RORA account from January 1 to December 31, 2021.

| Summary of 2021 RORA Account Transactions                     |              |  |
|---|--------------|--|
| RORA Balance as of December 31, 2020                          | \$ 1,435,752 |  |
| Refunded to Customers - January 1 - December 31, 2021         | (1,080,560)  |  |
| Interest Accrued to Customers - January 1 - December 31, 2021 | 21,380       |  |
| 2021 RORA Accrued to Customers                                | 343,396      |  |
| RORA Balance as of December 31, 2021                          | \$ 719,968   |  |

Other than the proposed change to the ECAM collection rate, the Company has not proposed any other adjustments to current rates. Therefore, the current RORA refund rate of \$0.0007 per kWh, approved by the Commission in Order UE20-06, will remain in effect from March 1, 2022 until it is otherwise revised by Commission order.

IR-9 Appendix A shows "Amortization - Pointe Lepreau Deferred charge & DSM" for 2021 of \$242,707. What was the Pointe Lepreau Deferred charge amount and was this amount the annual payment made to the PEI Energy Corporation against the Pointe Lepreau capital debt held? If not please explain.

## Response:

No, this amount does not relate to payments made to the PEI Energy Corporation against the Point Lepreau debt.

The 2021 amortization of \$242,707 was comprised of \$93,400 associated with a Point Lepreau write-down and \$149,307 associated with the Company's Community Outreach Program.

In 2001, the Company recorded a deferred asset of approximately \$5.9 million with respect to the \$450 million write-down of Point Lepreau recognized by NB Power in 1998, subject to a Unit Participation Agreement (i.e., the Point Lepreau Participation Agreement) between the two companies.<sup>5</sup> Under the provisions of the *Electric Power Act*, effective January 1, 2004, the Company is permitted to recover these deferred costs but under such terms, timelines and conditions as the Commission determines. The Commission has issued two orders permitting the continued amortization of the deferred asset based on Point Lepreau's estimated useful life.

The Company amortized approximately \$2.0 million in total amortization in years 2001 thru 2003. Commission Order UE05-01 approved annual amortization of the Point Lepreau deferred costs in each of 2004 and 2005 of \$560,000. In Order UE05-08, the Commission approved annual amortization of \$93,400 to be recovered through the operation of the ECAM. At the end of 2021, the remaining deferred asset balance was approximately \$1.3 million and is expected to be fully amortized by 2035.

The Company's Community Outreach Program was the only component of the Company's Demand Side Management Program Application, which was filed on June 3, 2015, that was approved by the Commission in Order UE15-02. The program was approved for five years and 2020 was the final year of the program and 2021 the final year of amortization.

<sup>&</sup>lt;sup>5</sup> In 2001, Maritime Electric had a 4.72 per cent participation in Point Lepreau and the original claim by NB Power was that the Company was responsible for \$21.25 million (\$450 million x 4.72 per cent) of full write-down cost. The Company was successful in negotiating a settlement for \$5.9 million in January 2001.

IR-10 What is the balance of the Pointe Lepreau capital debt held by the PEI Energy Corporation as of December 2021?

#### Response:

Maritime Electric is not in a position to provide the balance of the debt at December 31, 2021 as the debt associated with the Point Lepreau refurbishment costs is held by the PEI Energy Corporation and not by the Company.

IR-11 Noting that the total customer cost of Pointe Lepreau energy includes the annual invoiced cost from NB Power and the annual debt repayment to the PEI Energy Corporation, what has been the cost premium of Pointe Lepreau energy expressed as a percentage of the unit MWh price of firm system energy? This data is requested for each year since the Pointe Lepreau 2012 refurbishment program.

## Response:

The Company does not consider the annual debt repayments to the PEI Energy Corporation to be current period energy costs. Including these costs as part of any evaluation of the current cost of energy supplied by Point Lepreau is a misrepresentation that would unfairly inflate current energy supply costs for the facility. For this reason, the Company has not included debt repayments to the PEI Energy Corporation in the following table.

The following table is the actual cost incurred under the Point Lepreau Participation Agreement per kWh of energy (including capacity) received from Point Lepreau minus the average cost per kWh of energy procured from NB Power divided by the average cost per kWh of energy procured from NB Power. For example, in 2013 the average cost of Point Lepreau energy was 46 per cent higher than the average cost of NB Power energy.

| Year | Point Lepreau Average Cost Over<br>Average Cost for NB Power |
|------|--|
| 2013 | 46%  |
| 2014 | 35%  |
| 2015 | 43%  |
| 2016 | 35%  |
| 2017 | 24%  |
| 2018 | 30%  |
| 2019 | 38%  |
| 2020 | 38%  |
| 2021 | 45%  |

It is important to note that the Point Lepreau cost includes the cost of securing 29 MW of generating capacity while the NB Power cost does not include any generating capacity cost and, regardless of where energy is purchased from, Maritime Electric must secure and pay for sufficient generating capacity for customers.

In the Energy Purchase Agreement between Maritime Electric and New Brunswick Energy Marketing ("NBEM"), Maritime Electric purchases firm generating capacity from NBEM separate from the energy purchases in order to back-up the Firm Energy product. Secure and Assured Energy are interruptible products and NBEM is providing these products with no capacity backing them up. Maritime Electric provides on-Island generation to backstop these products at added cost.

IR-12 Noting that the total customer cost of Pointe Lepreau energy includes the annual invoiced cost from NB Power and the annual debt repayment to the PEI Energy Corporation, what has been the cost premium of Pointe Lepreau energy expressed as a percentage of the unit MWh price of PEI wind energy? This data is requested for each year since the Pointe Lepreau 2012 refurbishment program.

#### Response:

The Company does not consider the annual debt repayments to the PEI Energy Corporation to be current period energy costs. Including these costs as part of any evaluation of the current cost of energy supplied by Point Lepreau is a misrepresentation that would unfairly inflate current energy supply costs for the facility. For this reason, the Company has not included debt repayments to the PEI Energy Corporation in the following table.

The following table is the actual cost incurred under the Point Lepreau Participation Agreement per kWh of energy (including capacity) received from Point Lepreau minus the average cost per kWh of energy from renewable energy sources divided by the average cost per kWh of energy from renewable energy sources. For example, in 2013 the average cost of Point Lepreau energy was 44 per cent higher than the average cost of renewable energy.

| Summary Table |  |  |
|---------------|--|--|
| Year          | Point Lepreau Average Cost Over<br>Average Cost for Renewable Energy |  |
| 2013          | 44%  |  |
| 2014          | 27%  |  |
| 2015          | 40%  |  |
| 2016          | 33%  |  |
| 2017          | 31%  |  |
| 2018          | 33%  |  |
| 2019          | 37%  |  |
| 2020          | 40%  |  |
| 2021          | 58%  |  |

Note that the average cost per kWh of renewable energy sources does not include generating capacity costs or load following costs. The 29 MW of capacity is included in the Point Lepreau pricing. Maritime Electric has to either purchase generating capacity to back-up the PEI Wind Energy or Maritime Electric has to provide on-Island generation to backstop these products and either would represent an added cost.

IR-13 When considering all financial aspects of the Pointe Lepreau Participation Agreement what will be the future customer energy cost advantages derived from the Agreement?

#### Response:

Maritime Electric believes that continuing to participation in Point Lepreau will provide 30 MW of capacity and associated energy at costs comparable to those for a new natural gas fired combined cycle combustion turbine ("CCCT") plant. A CCCT plant is currently the only available base load generation option to replace the base load from Point Lepreau.

As indicated in response to IR-1, the 2021 annual cost of Point Lepreau was \$25.8 million. As discussed below, the annual cost of 30 MW from a CCCT plant with the same capacity factor as Point Lepreau is estimated to be \$26.8 million, which is comparable to the annual cost of Point Lepreau.

NB Power's 2020 Integrated Resource Plan ("IRP") estimates the levelized cost for a new large natural gas fired CCCT plant, at an 80 per cent annual capacity factor, to be \$117 per MWh. Adjusting to an 85 per cent annual capacity factor, which was the average capacity factor for Point Lepreau over the past five years, the comparable cost of a natural gas fired CCCT plant would be \$116 per MWh.

Maritime Electric purchases 30 MW of base load from Point Lepreau, which equates to 223,380 MWh. If the 30 MW were purchased from a natural gas fired CCCT plant it would cost \$25.9 million. To which the annual New Brunswick Open Access Transmission Tariff of \$0.9 million (30 MW at \$30,000 per MW) would need to be added, reaching a total cost of \$26.8 million.

As well as being comparable in cost to a new natural gas fired CCCT plant, Maritime Electric believes that a continuing 30 MW participation in Point Lepreau will provide the following additional benefits to customers:

- The Federal Government has mandated that all coal fired generation in Canada must be shut down by 2030. Coal fired generation represents approximately 25 per cent of the generating capacity in the Maritimes, and most of the base load generation in the area. A continuing participation in Point Lepreau will provide certainty of supply during a time of transition.
- Historically, natural gas prices have been volatile. Compared to natural gas prices, the costs associated with Point Lepreau are relatively stable.

IR-14 The proposed Order (pages 26 and 27) does not specify when the proposed ECAM "rider" ceases. Please confirm that this is February 28, 2023.

#### Response:

Based on current sales forecast for the March 1, 2022 to February 28, 2023, the proposed ECAM Rate Adjustment of \$0.00402 will recover the ECAM balance by February 28, 2023. As per Section 3.0 of the Application, the Company is proposing that the proposed ECAM Rate Adjustment be in effect from March 1, 2022 and remain in effect until February 28, 2023 or until otherwise approved by the Commission. The Company plans to file a General Rate Application ("GRA") in 2022 for rates effective March 1, 2023 which will include an assessment of all components of the energy charge.

IR-15 Noting that the next General Rate Application has been deferred until 2023 can MECL confirm that there is no expectation of a 2022 ECAM deferral and indeed there are no additional customer cost deferral amounts anticipated by December 2022? What is the expectation for the December 2022 balance of the RORA account?

## Response:

The ECAM, as approved by the Commission, is a mechanism that ensures the timely collection of prudently incurred energy supply costs from customers while at the same time providing a measure of customer rate predictability by allowing the deferral of unplanned fluctuations in energy supply costs during a rate-setting period. The current ECAM application addresses historical costs not future costs.

The Company is in the process of preparing a GRA for rates effective March 1, 2023 and that filing will provide a forecast of 2022 results, which will include forecast ECAM and RORA account balances.