Maritime Electric Co. Ltd. (MECL) ECAM Rate Increase Application – UE20604.

Comments to the Island Regulatory and Appeals Commission

Pointe Lepreau Core Issues Driving the Rate Increase Application

The MECL cost of Pointe Lepreau (PL) direct and replacement energy for 2021 resulted in a budget negative variance of $6.2M which, as for previous years, was accrued in the ECAM account. This computes to a 32% annual increase in the effective cost of nuclear-generated energy - replacement energy + PL operating costs - that is a direct pass-through cost from NB Power to PEI customers.

Since 2013 (excepting 2014) there have been consecutive budget negative variances ranging from $1.89M to $6.6M each year. The uniqueness of the 2021 situation, unlike previous years, is no significant MECL positive variances were available to null the ECAM account.

Despite MECL reporting that "NB Power has invested in Equipment Reliability and enhanced maintenance activities as part of a long-term effort ", the PL plant production efficiency (capacity) has deteriorated over the last five years from 94% in 2017 to 75% in 2021.

Observations from the Interrogatories

a) As a base load energy supply contract, the MECL- PL Participation Agreement provides an effective avoided MECL capacity cost for 29MW - estimated at $8.7M each year- but this is significantly offset by the required pay-down of the 2012 PL refurbishment debt held by the PEI Energy Corporation – currently at $70M. Annual payments of $5.5M from 2022 to 2038 are to be funded from customer rates.

b) Assuming that PL plant capacity (efficiency) improvements return for 2022 and future years, a capacity performance of 85% still yields an energy cost premium for PL energy of at least 35% as compared to either NBP firm energy or PEI wind energy.

c) The March 2022 remaining RORA balance - approximately $600K - should be applied to mitigate the 2021 ECAM balance

Conclusions:

The PL plant reduced energy output of 2021 was spread over five sporadic months and resulted in 24% less energy delivered. Perhaps of equal concern to both MECL and the Commission is that the recurring problems occurred immediately after the last scheduled maintenance was completed in November 2020. It would be prudent for MECL to submit to the Commission performance data on a quarterly basis for the PL plant starting March 2022 and ongoing until energy output stability, controlled operating and maintenance costs and an 85% consistent production capacity performance are proven.

The consecutive PL energy budget variances over the last nine years have accumulated to a $32M customer debt. It would be prudent for MECL to change the annual budgeting process to reflect more accurately the actual PL energy costs.