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Chair and CEO
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October 13, 2023

James R. Gogan
McInnes Cooper
292 Charlotte Street
Suite 300
Sydney, NS B1P 1C7

Dear Mr. Gogan:

RE: Prince Edward Island Energy Corporation Application for Approval of an Electricity Efficiency & Conservation Plan
Docket: UE41401

The Prince Edward Island Regulatory and Appeals Commission (the "Commission") has reviewed the supplemental filing submitted on behalf of the Prince Edward Island Energy Corporation ("PEIEC") in Commission Docket UE41401. The supplemental filing was filed on July 14, 2023, and makes material changes to the approvals requested in the Electricity Efficiency & Conservation ("EE&C") Plan filed by PEIEC in December 2021.

From the Commission's perspective, the most significant changes to the requested regulatory approvals are PEIEC's proposed use of the \$2.01 million over-collection,¹ and its request to recover \$3.177 million of EE&C expenditures from utility ratepayers in 2022/2023.

In the application as filed, PEIEC proposed to use the over-collection (\$2.01 million as of 2021) to reduce the EE&C expenditures paid by utility ratepayers during the term of the new EE&C Plan. As a result, although the proposed EE&C expenditures allocated to Maritime Electric ("MECL") and Summerside Electric ("SE") totaled \$4.9 million over the three year term, the utilities' actual contribution to EE&C expenditures would be \$2.89 million.² This equates to annual contributions of approximately \$868,000 from MECL and \$96,500 from SE.

The annual EE&C contributions proposed by PEIEC in the application were relied on by MECL to calculate the EE&C rate rider charged to MECL customers. The rate rider is a per kilowatt hour

¹ According to PEIEC, it over-collected \$2.01 million from Maritime Electric and Summerside Electric customers between 2019 and 2021.

² Exhibit E-9(d), page 8, Table 3.

amount that MECL charges to its customers, and remits to PEIEC, to pay for its share of annual EE&C expenditures.

The EE&C rate riders were approved by the Commission as part of MECL's General Rate Application ("GRA").³ As electric rates – including the EE&C rate riders – have been approved until February 28, 2026, any material change to the amount of EE&C expenditures will necessarily impact the EE&C rate riders. This will, in turn, impact the electric rates paid by MECL customers.

It should be noted that PEIEC and MECL entered into a negotiated settlement agreement with respect to all matters contained in the GRA. As part of the negotiated settlement agreement, PEIEC expressly agreed to the EE&C rate riders that were proposed by MECL and approved by the Commission.⁴

The supplemental filing submitted by PEIEC in July 2023 materially changes the annual EE&C expenditures to be recovered from both MECL and SE during the term of the Plan. Based on the evidence before the Commission, the changes arise primarily due to a significant increase in EE&C expenditures in 2022/2023.

According to the supplemental filing, PEIEC is seeking approval to recover EE&C expenditures of \$3.177 million from MECL and SE ratepayers in 2022/2023. This represents a significant increase from the EE&C expenditures recovered from utility ratepayers in the previous year (\$667,627 in 2021/2022). It is also almost three times higher than the annual utility contributions approved in the existing EE&C Plan (\$1.2 million).⁵

In the supplemental filing, PEIEC seeks to use \$1.373 million of the \$2.01 million over-collection to partially offset the over-spend in 2022/2023. PEIEC proposes to recover the balance of the over-spend from over-remittances made by MECL and SE in 2022/2023.

According to the supplemental filing, the utilities' actual remittances between April 1, 2022 and February 28, 2023 were \$1.804 million. However, the required annual remittances under the existing EE&C Plan were only \$1.2 million. This represents over-remittances of more than \$600,000 during the 11 month period.

The dramatic increase in EE&C expenditures in 2022/2023 is a serious concern for the Commission. PEIEC has not provided compelling evidence as to why the EE&C expenditures recoverable from ratepayers increased from \$667,627 in 2021/2022 to \$3.177 million in 2022/2023. PEIEC has also not provided compelling evidence that these expenditures should appropriately be borne by MECL and SE customers.

As a result of the over-spend in 2022/2023, PEIEC is no longer proposing that the over-collections between 2019 and 2022 be used to offset EE&C expenditures during the term of the Plan. If the regulatory approvals requested in the supplemental filing are approved, the EE&C rate riders agreed to by PEIEC – and approved by the Commission – in the GRA will be adjusted upward. The result is an increase in the electric rates paid by MECL (and possibly SE) customers.

³ Docket UE20946, Order UE23-04.

⁴ Docket UE20946, Exhibits M-14, M-14(b) and EC-4.

⁵ Note that the existing EE&C Plan was approved to continue only until March 31, 2022 (see Order UE21-06). However, PEIEC seeks to have the existing Plan remain in effect until a new EE&C Plan is approved (see Exhibit E-12, Response to IR-39).

Based on the evidence currently before it, the Commission is not inclined to allow PEIEC to recover EE&C expenditures of \$3.177 million from MECL and SE customers in 2022/2023. Instead, the Commission is inclined to allow the existing EE&C Plan, including the annual utility contributions of \$1.2 million, to remain in effect until a new EE&C Plan is approved. The amount over-collected between 2019 and 2021, and the amount over-remitted in 2022/2023, would be used to reduce the EE&C expenditures paid by utility ratepayers during the term of the new EE&C Plan.

Should PEIEC wish to make further submissions or file additional evidence with respect to these matters, it may do so no later than November 10, 2023. The Commission will consider any further submissions or evidence prior to making its decision.

Yours very truly,

A handwritten signature in dark ink, appearing to read 'J. Scott MacKenzie', with a long horizontal flourish extending to the left.

J. Scott MacKenzie, K.C.
Chair & Chief Executive Officer