

September 25, 2025

Island Regulatory & Appeals Commission  
PO Box 577  
Charlottetown PE C1A 7L1



Dear Commissioners:

**Application for Recovery of Fiona Restoration Costs  
Docket UE21505**

In compliance with Order UE22-08, the restoration costs of \$34.6 million incurred in the fall of 2022 due to Hurricane Fiona have been fully financed with debt.<sup>1</sup> As a direct result, Maritime Electric's actual capital structure has deteriorated from the Commission-approved capital structure of 40% equity and 60% debt.<sup>2</sup>

As per Section 12.1 of the *Electric Power Act*, Maritime Electric's common equity must not be less than 35% and not more than 40%.

*Maritime Electric Company, Limited shall, as determined in accordance with generally accepted accounting principles,*

- (a) maintain **at all times not less than 35 per cent** of its capital invested in the power system in the form of common equity; and*
- (b) ensure that, for the year, not more than 40 per cent of its capital is invested in the power system in the form of common equity. [emphasis added]*

Over the three years since the restoration costs were incurred, the Company's equity component has progressively declined. Table 1 illustrates this deterioration.

Table 1 Capital Structure – Equity Component	
Period ending	Equity (%)
December 31, 2021	39.1
December 31, 2022	36.6
December 31, 2023	36.3
December 31, 2024	36.7
August 31, 2025	35.9

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<sup>1</sup> As of August 2025, the deferral balance has accumulated debt financing costs of \$5.2 million.

<sup>2</sup> Order UE19-08, section 5, approved a 40% average common equity in each of 2019, 2020, and 2021, or until otherwise varied by the Commission. Order UE23-04, section 7, approved a 40% average common equity in each of 2023, 2024 and 2025.

Historically, the Company maintained an appropriate capital structure by managing the dividends paid to its shareholder. Dividend payments would be increased when the equity component was forecast to exceed the 40% upper limit and decreased when the equity component was forecast to go below the Commission-approved annual average of 40%. The last common dividend paid to the shareholder was in December 2021. Therefore, the Company can no longer use the non-payment of dividends to maintain the Commission-approved average equity component. The latest financial forecast indicates that there is a significant risk that the equity component will fall below the legislated 35% minimum between October and December 2025, placing the Company in violation of the *Electric Power Act*.

Therefore, this letter respectfully requests immediate approval to obtain an equity contribution of \$16.0 million, which is 40% of the September 2025 balance in the Fiona-related deferral.<sup>3</sup> This contribution will bring the equity component of the Company's capital structure up to approximately 38%, which is still below the Commission-approved annual average of 40%.

If you require further information, please do not hesitate to contact me at 902-629-3701.

Yours truly,

MARITIME ELECTRIC



Michelle Francis  
Vice President, Finance &  
Chief Financial Officer

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<sup>3</sup> The deferral balance will be \$40.0 million at the end of September, which is the August 2025 deferral balance of \$39.8 million plus \$0.2 million of debt financing costs for September.