

All our energy.
All the time.



August 29, 2023

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

Dear Ms. Mosher:

**UE20605 – Application for an ECAM Rate Adjustment
Response to Interrogatories from Commission Staff**

Please find attached the Company's responses to interrogatories from Commission Staff with respect to the Company's Application for an Order to Approve an ECAM Rate Adjustment effective October 1, 2023 filed with the Commission on July 26, 2023.

Yours truly,

MARITIME ELECTRIC

A handwritten signature in blue ink that reads "Gloria Crockett".

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

GCC14
Enclosure



RESPONSE TO INTERROGATORIES FROM THE COMMISSION

Docket UE20605
ECAM Rate Adjustment Application

Submitted August 29, 2023

IR-1 Please provide the ECAM balance as of July 31, 2023. Please explain any material change in the ECAM balance since December 31, 2022.

Response:

The ECAM balance as of July 31, 2023 was \$14,228,963. A reconciliation of the changes in the ECAM balance since December 31, 2022 is provided in Table 1.

Table 1 Summary of ECAM Activity January 1 to July 31, 2023		
ECAM Balance, December 31, 2022	A	\$ 11,655,299
GRA Forecast Energy Supply Costs Deferred	B	3,116,940
Actual Energy Costs Deferred Above GRA Forecast	C	3,623,812
Subtotal – Energy Costs Deferred to ECAM	D=B+C	6,740,752
GRA Forecast ECAM Collections from Customers	E	(3,954,523)
Actual ECAM Collections from Customers Above GRA Forecast	F	(202,934)
Subtotal - ECAM Collections from Customers	G=E+F	(4,157,457)
ECAM Balance, July 31, 2023	H=A+D+G	\$ 14,238,594

The material differences in Table 1 are the amounts that differ from the Company’s GRA forecast, items C and F.

Item C, actual energy costs deferred above the GRA forecast of \$3.6 million, was due primarily to the purchase of replacement energy of \$4.0 million related to two outages at the Point Lepreau Nuclear Generation Station (“Point Lepreau”). The remaining balance, a credit of \$0.4 million, was the net of a December 2022 energy accrual adjustment and imbalance recoveries.

The first outage at Point Lepreau was an extension of a December 2022 unplanned outage that extended 18 days into January 2023.¹ The second outage was for 40 days in April and May 2023. This 40-day outage was planned in December 2022, at which time it was expected to be a 27-day outage. Since both of these outages were not known at the time the GRA was filed, the related replacement energy was not forecast in the GRA. Together, these two outages resulted in \$4.0 million of additional energy costs being deferred to ECAM in the first seven months of 2023.

The December 2022 energy accrual adjustment resulted in an addition \$0.5 million being deferred to ECAM in January 2023.²

¹ The December 2022 outage was identified in Table 3 of the ECAM Adjustment Application.

² The actual NB Power bill for December 2022 was \$458,906 higher than the December 2022 accrual. The bill was not received until after the yearend financial records were closed in late January 2023, therefore the accrual adjustment was recorded in January 2023.

An imbalance recovery credit of \$0.9 million related to Open Access Transmission Tariff (“OATT”) and wind participants was also deferred to ECAM, partially offsetting the above increases.

Item F, actual ECAM collections from customers above GRA forecast of \$0.2 million, was a result of actual customer sales being 57.4 gigawatt hours (“GWh”) higher than forecast in the GRA for the period January 1, 2023 to July 31, 2023.

Detailed supporting calculations for Table 1 are provided in CONFIDENTIAL IR-1 - Attachment 1. This attachment is filed on a confidential basis due to the commercial sensitivity of the information contained therein.

IR-2 Please provide source documents to support the total outage days and actual costs in Table 4 of the Application.

Response:

**THIS RESPONSE IS PROVIDED IN CONFIDENCE TO THE COMMERCIAL
SENSITIVITY OF THE INFORMATION CONTAINED HEREIN**

- IR-3 In section 7.4 of the Application, MECL states that they have used the Company's most recent customer load forecast, updated in March 2023, to forecast kWh sales.
- a. The updated forecast includes growth in all rate classes. Please explain the rationale for the forecasted increases considering the 2022 ECAM collections noted in Table 2 of the Application were lower than expected.
 - b. Please outline the factors considered in the methodology and identify any changes in the methodology, assumptions or inputs from the previously approved forecast in the 2022 General Rate application. Provide justification for any changes.
 - c. Justify why it is appropriate to use the updated sales forecast in the ECAM Application, rather than using the previously approved forecast in the 2022 General Rate Application.

Response:

- a. While it is true that 2022 sales were lower than forecast resulting in lower ECAM collections from customers, the same is not true for 2023. As discussed in response to IR-1, collections from customers for January to July 2023 were higher than forecast in the GRA. This led the Company to use the sales forecast updated in March 2023 to calculate the proposed ECAM adjustment rate.
- b. As discussed in Section 7.4 of the Application, the forecast sales for the period October 1, 2023 to September 30, 2024 was based on the Company's most recent customer load forecast updated in March 2023.

This forecast is based on a methodology consistent with the forecast provided in the Company's Application for an Order approving changes to the Schedules of Rates effective March 1, 2020 and March 1, 2021 and the Company's most recent GRA. This forecast methodology was reviewed by the Commission's expert, Grant Thornton LLP. In their report dated October 14, 2020, Section 2.6, Grant Thornton concluded that "MECL's approach to load forecasting is an acceptable methodology within the industry".

While the methodology behind the forecast has not changed, the sales forecast is updated to reflect known changes to the underlying data and assumptions since the previous forecast was completed. Such updates include the most recent actual results for customer growth, customer sales, new rooftop solar photovoltaic installations, etc. Updated inputs from external sources are also reflected in the updated forecast such as forecast housing starts and forecast real GDP as well as updating assumptions for the most recent 10-year average heating degree day information. These updates ensure that the current sales forecast reflects the best available information to the Company at a given time.

- c. The Company had initially considered using the GRA sales forecast in the Application because it was previously reviewed and approved by the Commission as part of the GRA. However, the Company considered the increase in the sales forecast to be sufficient to warrant updating in this Application to ensure that the proposed ECAM adjustment was not overstated. Further, use of the updated sales forecast is supported by the increase in actual sales compared to the GRA forecast for the first half of 2023 as mentioned in the response to IR-1.