

**Maritime Electric Co.Ltd. (MECL) November 25<sup>th</sup> Application for the Interim  
Deferral of Hurricane Fiona Costs (UE21505):**

**Comments to the Island Regulatory and Appeals Commission**

**Summary of the Application:**

Maritime Electric Company Limited (“MECL”) states that to date, \$29.9 million in Hurricane Fiona related costs have been accumulated, and up to an additional \$5 million in costs are yet to be confirmed. The application also identifies a number of current and future uncertainties related to the final costs that consumers will ultimately bear. Here it is important to understand that despite any degree of cost details or extent of justifications applied, the final cost calculated by MECL – the increased labor costs, the replacement capital costs and the increased operating costs – will ALL be borne by either tax payers or electricity rate payers.

**The Extent and Potential Magnitude of Costs Offsets:**

The Application cites some of the possible and significant cost offsets but does not provide information on the actions taken so far, nor the future initiatives planned to mitigate final costs nor the progress achieved to date. An example here is the status of the PEI Premier’s recent statements on the provincial government’s assistance. A significant omission in the Application is any reference to MECL’s insurance coverage. A summary of the Application could be assessed as: “for the Commission to provide a blank check to be deposited as a capital deferral in the Regulatory Asset account for 2022”.

**Financial Method of Accruing Costs:**

Noting that there will be no cost borne by MECL or shareholders, it is appropriate that any financial gain - either temporary or permanent - be avoided. The Application requests that all interim “yet-to-be-defined” net costs be accumulated as a Regulatory Asset by December 31<sup>st</sup>. 2022. This has a direct influence not only on future MECL Return on Equity (ROE) but also potentially upon the ROE applied for 2022. MECL does not discuss alternative accrual methods that have been considered. One obvious standard financial solution is to set an expense accrual account that can be updated and finalized during 2023 and then followed by an agreed allocation between capital and expense when all the variables and unknowns have been eliminated. Another is to request that the PEI Government provide a temporary loan to finance the expenses until all potential offsets are confirmed; Government financing costs are much lower than MECL.

**This Application should be denied:**