

**Maritime Electric Co. Ltd. (MECL) 2023 Application to Collect Operating and  
Capital Costs Related to Hurricane Fiona – UE21505.**

**Third Set of Comments to the Island Regulatory and Appeals Commission**

**Application File History Summary**

This Application file started in November 2022 with a MECL request to defer the accumulated recovery costs from Storm Fiona of \$35.9M, shortly after the September 2022, two day Storm and three (3) week recovery period. The Commission approved this deferral on December 19, 2022 with a proviso that the accrual would be 100% debt-financed, hence avoiding the MECL Return on Equity (ROE) costs until the Federal and Provincial Governments' committed assistance funding was confirmed.

With MECL's, the Commission's and Governments' process delays, a final Application from MECL was submitted (one year later) to the Commission in November 2023 indicating that the debt had increased, also citing the necessity for an injection of \$14M shareholder equity to reset the MECL debt-to-equity dilution created by this now \$37M debt. Closure of the Interrogatories process was set for January 26, 2024, whereupon the Commission was in a position to set a public hearing or issue a decision Order, still subject to Governments' decisions on funding. No action was taken.

Two years later with an accumulated debt at \$40M, a MECL request for an increased equity injection of \$16M restarted the Application file; this request was approved on December 5, 2025. Subsequently a public hearing for March 3<sup>rd</sup>. 2026 and closure of any additional public input by March 17<sup>th</sup> 2026, were scheduled without any confirmation of Governments' funding assistance but confirming that the debt is now \$41.2M.

**Proposed Order Content – Disposition of Debt:**

Despite the extended duration of this Application file, the original intent of the MECL request in November 2023 has not changed – namely to collect total repayment of the Storm Fiona restoration costs from customers over a period of five (5) years electricity rate increases. No alternative debt mitigation or repayment proposals by MECL are recorded in the public records during the last three year plus period. The only two changes that affect the disposition of the original Application, that have become increased liabilities for MECL customers are:

- 1) The original debt of \$35.9M is now \$41.2M having accumulated MECL debt carrying costs of \$6.6M.
- 2) The approved MECL injection of \$16M equity has added an increase of approximately \$1.5M annual profit for MECL starting this year.

I propose that these increased liabilities for MECL customers become an added obligation for the Commission to seek a creative debt disposition mechanism other than the simple approval of the original Application. As an example, I suggest the following:

A) Reduce the Customers' Accumulated debt by:

- a) Directing the PEI Energy Corporation (PEIEC), on behalf of the PEI Government, to absorb the carrying costs (were \$2.4M in 2023 but estimated now at \$6.6M) incurred while waiting for Governments' support decisions. This should directly reduce the existing debt down to around \$34M.
- b) Directing the PEIEC to finance the Operating debt of \$15.3M as a non-MECL debt held for MECL customers which reduces the customer financing cost from 7.5% to less than 5%. Customers would pay down this debt to PEIEC as a rate rider administered by MECL. This would significantly reduce the future debt carrying costs for customers.
- c) It is unclear how the \$4.5M retired capital portion of the total \$19.3M capital debt is applied against the MECL accumulated depreciation account, but the balance of \$14.8M new capital expenditure now becomes an MECL regulatory asset. The combined customers' cost of Equity and Debt financing for this new asset should be mitigated by the Commission directing MECL to reduce (or eliminate) the "Return-on-Equity" (ROE) on the portion of Equity financing. As an earlier Commission Order UE20-06 opines, the approved ROE is a maximum and is NOT guaranteed. To close the debate on degree of responsibility for storm damage, MECL shareholders are obligated to share some of the restoration cost burden and contribute financially. This again would significantly reduce the future carrying costs for customers.

- B) To further reduce the ROE/financing carrying costs for customers, both the MECL debt and the PEIEC debt should be repaid in two (2) years and not five years as proposed. This shorter pay-back period avoids a past cost event being carried forward to new and future customers; it also reduces five years of carrying costs (including the continuing ROE received annually by MECL for the duration) to two years. It does, however, create a temporary "rate shock" for existing customers. A potential justification/benefit here could be in conveying the true (future) cost of electricity with consumers and the true cost of electrification for our Government. For low-income families, the PEI Government should invoke a two year subsidy, funded by eliminating the 2026/2027/2028 budget allocations for Solar and Heat Pump rebates.

**Lessons-Learned, Actions required and Proposed Subjective Content of the Order:**

The objective content of the Commission's final Order will decide the disbursement of the \$41.2 MECL cost of restoration from Storm Fiona. Hopefully this will apportion and set how much the PEI Government/PEI tax payers are obligated to contribute, how much profit MECL management and Fortis forfeit and how much MECL customers will pay through increased electricity rates.

The Commission might also consider the pertinent Lessons-Learned from this Application file, which have evolved over the past three years. During this extended time much effort and cost

has been spent by both MECL and the Commission such that the file has accumulated a wealth of investigations, questions, reports, and responses that present many Lessons Learned – too many to document in a useful way – but which may be prioritized in terms of proposed actions. As an example, the detailed documentation of the MECL electricity infrastructure and operations that evolved through the extensive “desk-top” investigation/interrogatories by EA Technologies and the detailed responses from MECL has provided an assimilation of operational information of storm events and recovery that has not been available or recorded in PEI before. Perhaps the Commission could be persuaded to capture, within the final Order, the salient Lessons-Learned by including some resulting recommended actions. I propose the following:

- 1) **Access to Private Lands for Vegetation Management:** The topic of legislating easier access for MECL to ground-cut and /or trim danger trees on private land adjacent to electricity lines ROW has been a PEI Government action since early 2023. The November 2025 update “do nothing” letter from Minister Arsenault to MECL confirms that no progress on legislative changes has been made over the last three (3) years. This Government lethargy is totally unacceptable.
- 2) **Vegetation Management expenditure** has to be accelerated; priority should be on protecting all transmission lines to 100% followed by setting a standard for the “at risk” distribution lines. A new “Weather/Storm Protection mandate” must be set by MECL for the location and routes of all new electricity lines and Substations. Recent examples of past suspect choices are the necessary re-siting of the St Mary’s road Sub Station proposal to Bagnall Road and the lower cost siting of the new Transmission line Y119 alongside the heavily treed Hwy 225 as opposed to adopting/expanding the existing “across fields” route used by Y109 and Y111.
- 3) **Storm Recovery Costs Contingency Funding:** In my “Weather Normalization Reserve” (WNR) Application commentary to the Commission in January 2025, I concluded in three (3) parts, two (2) of which are relevant here:
  - a. The variability in energy costs, which usually is a “receivable from customers” and a debt that attracts an MECL ROI, is captured by ECAM. Variability in “Revenue Requirement” will result from all other operating cost changes, predominantly the impact of weather. This undoubtedly will result in another “receivable from customers” debt that cannot be sustained by customers alone.
  - b. I propose that the Commission sets an Order for the PEIEC and MECL to collaborate on a proposal for a strategy on Climate Change Funding that accommodates both normal and abnormal climate change impacts and which is separate from the MECL operating finances.....