Maritime Electric Co.Ltd. (MECL) 2022 Capital Budget Application (UE20733)-

Comments to the Island Regulatory and Appeals Commission

Peak Load Growth and Affordable Capital Expansion:

Over the last eight (8) years MECL annual capital budgets have been driven by the forecasted growth in peak load. The approach taken by MECL continues to be that the latest peak load forecasts must be preempted by expanding the delivery infrastructure at whatever the cost.

The peak load demand of 287MW for 2020 added $71M to the annual energy and delivery operating costs representing 35% of the total 2020 Revenue Requirement of $203M. A significant portion of this $71M is the accumulated cost of successive capital expenditures passively "chasing" the increasing forecasts of peak load demand. **Question 1: When will the Commission direct MECL to invoke a program for reducing and eventually controlling future peak load demand?** The Electric Power Act permits both the PEI Energy Corporation and MECL to introduce Demand Side Management (DSM) programs; load demand reduction is neither the exclusive prerogative nor within the capability boundaries of efficiencyPEI. MECL has the customer data and the system expertise to selectively engage customers to control their demand load immediately.

Appendix A of this 2022 application delivers the final call for action to halt the escalation in capital expenditure! **Question 2: From past $20M to $25M budgets, to the recent years' $40M, how can annual capital budget forecasts of $60M/$55M for 2023 and 2024 and $93M/$97M for 2025 and 2026 be contemplated and practical capital corrective actions ignored?**

Customers' Costs and Maritime Electric Co. Financial Return

All new annual capital expenditures are passed on directly to MECL customers as an electricity rate increase. For MECL there is no operating cost impact or financial risk, simply an increased shareholder value and an improved Return on Investment (ROE). For the $40M expenditure requested, customers will pay an additional $1.4M for added MECL profit, $1.2M for debt financing and $1.1M for annual depreciation charges – an additional total cost, including higher income taxes, of $3.9M for each future year. For a projected Revenue Requirement of $233M for 2021, this drives a minimum annual rate increase of 1.68% for all customers which is entirely due to capital expenditure for one year.

Question 3: Is an annual capital budget that represents 17% of annual revenue, or 11% of Rate Base, both affordable and comparable with other low growth Canadian Electric Utilities? Limited public information from other Utilities suggests 10% of revenue or 7% of Rate Base are the accepted key performance indicators.