

**Maritime Electric Co. Ltd. (MECL) 2025 Annual Capital Budget Application –  
UE20741.**

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

**Introduction**

- 1) An earlier 2022 Supplemental Capital Budget Request: Advanced Metering for Sustainable Electrification Project Application – UE20737 tabled in November, 2022 had/has connection with and influences on both the 2024 Capital Budget Application and this 2025 Application. UE20737 has now been approved on October 4<sup>th</sup>. following a “Technical Session” delivered by MECL to the Commission on July 11<sup>th</sup>.
- 2) MECL requested more time to respond to public questions on this Application, namely from the directed date of October 4<sup>th</sup>. to October 31<sup>st</sup>. The MECL response to my interrogatories of September 18<sup>th</sup>. was received on October 31<sup>st</sup>., hence the delay of this submission of public comments to the Commission.

**Concluding Comments on the Approved AMI/CIS Application: UE20737**

Both the Commission's Order UE24-06 and CBC subsequent reporting of the approval of UE20737 are suggesting that there will be no impact of this significant capital expenditure on customers rates until 2027. I refer to paragraph 72 of Order UE24-06 as:

"MECL advises that the Project, if approved, will result in a 2.7 percent rate increase for benchmark Residential and General Service customers. The rate increase will not come into effect until the infrastructure is used and useful and placed into service. In terms of dollars, by 2027, this represents an increase of \$43.37 per year for a benchmark Residential customer, and \$667.20 per year for a benchmark General Service customer."

However a cumulative increase from 2024 to 2027 in "Revenue Requirement" of nearly \$17M and an increase in annual system operating cost up to \$1.8M are described in UE20737. Debt financing costs, including the increased MECL profit of over \$4M up to 2027 are cited. All these increases must become customers' obligations before 2027 unless MECL shareholders are contributing. This poses the question will customers' rates increase BEFORE 2027, albeit less than 2.7%? If not, one mechanism of customer accrual is to increase the Energy Cost Adjustment Mechanism (ECAM) deficit which is counter to earlier Commission concerns and objectives. ECAM only delays payment by customers, so the message that customers' rates will not attract 2.7% before 2027 should be clarified.

**Summary of UE20741 – 2025 Annual Capital Application - Interrogatories Information:**

**Topic 1: Key Performance Indicator (KPI) for Capital Expenditures:**

For the 2024 Capital Budget Application – UE20739 – in October 2023, I highlighted cost information relating to the Distribution Capital category and concluded “the expenditure on

annual Distribution projects will double in eight (8) years”. I also posed, for the Commission’s consideration, the question “Can customers continue to afford these capital costs and increased MECL profit?”

As shown by this Application, escalating increases in MECL Capital spending continue. This year I proposed to MECL that the “Annual Capital Expenditure (\$)” to “Delivered Energy (GWh)” ratio would be a useful metric to monitor the effectiveness and value of capital expenditures by relating capital costs to the energy delivered to customers. I further suggested that this “Capital Cost of Energy” could be a useful Key Performance Indicator (KPI) for the Utility. The resulting rounded data supplied by MECL shows that for the ten years 2019 to 2028:

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The Annual Total Capital Cost of Energy was at: \$27,000 per GWh. increasing to \$59,000 per GWh in 2028 – 2 times that of 2019 or a compound average of 7% each year

The Annual Distribution Capital Cost of Energy was at: \$19,000 per GWh. increasing to \$32,000 per GWh -1.7 times that of 2019 or a compound average of 5% each year

The Annual Transmission Capital Cost of Energy was at: \$7,000 per GWh. increasing to \$22,000 per GWh – 3 times that of 2019 or a compound average of 12% each year

In addition to repeating my 2023 question (as above) for the Commission, I add a supplemental: Doesn’t our Government now have an obligation to participate and start to provide capital funding?

## **Topic 2: Transmission planning support for the proposed Skinners Pond Wind Farm**

In contrast to the dominant influence that Federal Government financial assistance had on Application UE20737, MECL appear reluctant to acknowledge the potential role that the new Woodstock Substation will/should have in this joint Commercial, PEI Government and MECL future energy supply project. Federal funding of \$43M was allocated to the PEI Government in 2020 for Transmission services, the MECL Sustainability report cites a need for 100MW additional wind energy/120MW additional solar energy, and the 2023 Capital Application justifying the Woodstock Substation noted that “the Company will be in a better position to interconnect future wind generation facilities in western PEI”. Yet MECL support for this major project is not confirmed. In the absence of a current Integrated System Plan (ISP) – now delayed again until 2025, I submit that this apparent planning void should be of concern to the Commission, our Government and all Islanders

## **Topic 3: Extending the Usefulness of Supplemental Capital Applications**

The new Scotchfort Substation, the Y-119 Extension to Scotchfort and the Y-109 Rebuild Projects are described as being a set of interdependent projects spanning four years from 2025 to 2028 and estimated to cost nearly \$40M. So that annual tracking and Commission oversight is simplified, I propose that the Commission considers directing MECL to resubmit this major Distribution/Transmission expansion as a collective Supplemental Capital Application.