

MECL ECAM Rate Adjustment –Application UE20606

Comments to the Island Regulatory and Appeals Commission

A) Summary of Application information and New Interrogatories Information:

Point Lepreau Outages over the period 2023 to 2025:

- 1) Application Information:
 - a. Replacement Energy and Operating and Maintenance Additional Costs to December 2025 were \$29.6M and \$5.8M respectively – a total of \$35.4M
- 2) Interrogatories Information/Extracts:
 - a. NB Power estimate a total cost of \$200M for which insurance coverage is being sought. With MECL Participation Agreement at 5%, this suggests MECL's portion of energy replacement costs should be around \$10M?
 - b. MECL reports:
 - i. "but detailed updates on the insurance process (such as claims filed, denials, settlements, or awards) have not been posted in NB Power's public communications or regulatory filings available to the public as of now."
 - ii. "Maritime Electric could benefit from an insurance settlement....."
 - iii. "any such future operating cost savings or recoveries of incremental energy costs already incurred would be applied to the ECAM balance....."

Wind Energy Additional Costs over the period 2023 to 2025:

- 1) Application Information:
 - a. Replacement Energy costs of \$6.4M
- 2) Interrogatories Information/Extracts:
 - a. MECL reports: "The Company has been advising the PEI Energy Corporation (PEIEC) of the impact of the delays in renewable in-service dates and lower production at existing facilities on the energy costs and customer electricity rates since the ratchet was first triggered. It has been the PEIEC's position that these costs should be deferred to ECAM and recovered from customers as directed by the Commission."

Net Metering Additional Costs over the period 2023 to 2025:

- 1) Application Information:
 - a. A three (3) year addition-to-forecast cost total of \$5.2M is shown but the total subsidy provided by the majority of customers to the minority of installed-solar customers over the three (3) years 2023 to 2025 is \$11.1M! Perhaps even more important is the increasing annual trend of this subsidy from \$2.8M in 2023 to \$5.5M in 2025.
- 2) Interrogatories Information/Extracts:

- a. MECL reports: “The Company continues to advise the PEI Government, related governmental institutions such as the PEIEC and the Island Regulatory and Appeals Commission (“IRAC”) that customers with behind-the-meter distributed generation are being cross subsidized by non-net metering customers and that this cross-subsidization will increase as participation in these programs increase if legislative or regulatory changes are not made.”
- b. The 2017 PEI Energy Strategy (page 33) quantifies the negative economics of Net Metering and customer inequity for the majority of customers unable to afford or adopt solar installations. In particular the Government’s Strategy suggested that an installed base of around 18MW should be the maximum before considering reverting back to the normal “Avoided Cost” payback of customers’ excess solar energy. The installed base of customers’ solar systems was 44MW at the end of 2024 – over double the recommended maximum.
- c. Public information shows that the large scale Renewable Energy wind farms and the Slemon Park solar farm receive between 7.4c and 8.8c per KWh energy delivered yet retail customers receive effectively either 17.2c (first block) or 13.8c (second block) per KWh excess energy.

The Progressive Worsening of Annual ECAM Balance for four (4) years from 2022 to 2025 to the Benefit of MECL Shareholders

- 1) Application Information:
 - a. Table 4 shows for the four (4) years 2022 to 2025, a forecasted reducing ECAM balance of \$6.8M, \$4.1M, \$2.1M and \$0.1M respectively, effectively committing to IRAC and to customers that the ECAM balance would be eliminated by 2025. However, this table shows a progressive annual worsening/increasing of the actual ECAM balance of \$11.7M in December 2022 to \$32M in December 2025.
- 2) Interrogatories Information/Extracts:
 - a. “TABLE 1 GRA Forecast Earnings Associated with ECAM Balance (\$000)” shows Earnings Associated with ECAM Balance of \$ 226 , \$ 203, \$ 115 , and \$ 41 which totals as an accumulated ROE estimated to be received by MECL of \$586,000 for the four year period 2022 to 2025
 - b. “TABLE 2 Actual Earnings Associated with ECAM Balance (\$000)” shows Earnings Associated with ECAM Balance of \$ 302 , \$ 404 , \$ 539 , and \$ 940 which totals as an accumulated actual ROE received by MECL of \$2,185,000 for the four year period 2022 to 2025. Assuming that the \$32M ECAM debt is recovered from customers over the period March 2026 to February 2027, MECL will earn an additional \$550,000 ROE during 2026 on the declining balance, increasing the total actual earnings from this customer accumulated debt to \$2,735,000.

- c. MECL reports: “the Company recognized that multi-year rate setting periods are a cost effective, beneficial means of providing predictable customer rate adjustments. However, the lag associated with recovery or refund of amounts deferred in the ECAM may result in significant amounts deferred over the period until the next rate setting period is established. To address this lag and improve the regulatory efficiency of the ECAM, the Company recommended that the customer rate rider be automatically reset annually on March 1, based upon the actual ECAM balance at December 31 of the prior year rather than the current practice of using the forecast used at the beginning of the GRA rate setting period.”” In Order UE21-05, the Commission did not approve this recommendation.”

B) Recommendations for Consideration by the Commission:

- 1) The approach adopted by MECL so far in pursuing insurance recovery of the Point Lepreau Outages costs appears very passive. Surely a Commission directive for more direct negotiation with NB Power for insurance claims progress is appropriate; especially the apparent inequity around a 5% participation agreement computing to \$10M compared to the \$35M MECL reported costs that NB Power have imposed?
- 2) The Commission might consider that the PEI Energy Corporation (PEIEC) has an obligation to assist in defraying the additional costs incurred by customers through the non-delivery of annual wind energy and the renegeing on the new wind energy installations as originally planned with MECL and committed by Government within the PEI Energy Strategy?
- 3) The issue of customer inequity concerning Net Metering has been allowed to continue far too long. All parties involved – the PEI Government, the PEIEC and the Commission -should immediately pursue the corrective actions needed to change the Renewable Energy Act. Could the Commission consider initiating this process within the Commission’s Order?
- 4) It is inappropriate (and unfair) that the management of ECAM - a variable financing arrangement that only MECL control – is indirectly sanctioned when a General Rate Application (GRA) is approved by the Commission without directed oversight requirements for the duration of the GRA. It appears even more unfair and unreasonable that an MECL debt management procedure continues such that an approved MECL\Shareholder benefit of \$586,000 is allowed to increase to \$2,735,000 without correction. Should the Commission consider this debt accumulation within the context of the Electrical Power Act as NOT being “reasonable and prudent and properly chargeable” and therefore direct that repayment of funds to customers be ordered?
- 5) Should the Commission reconsider the MECL proposal “that the customer rate rider be automatically (or manually) reset annually on March 1, based upon the actual ECAM balance at December 31 of the prior year.....”