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The Island Regulatory
and Appeals Commission

February 28, 2023

Ms. Cheryl Mosher
Island Regulatory & Appeals Commission
PO Box 577
Charlottetown PE C1A 7L1

Dear Ms. Mosher:

Audited Schedules of Maritime Electric Company, Limited

Please find attached five copies of the Company's audited schedules of rate base, return on average rate base, average common equity and return on average common equity for the year ended December 31, 2022. An electronic copy will follow.

If you have any questions or concerns, please do not hesitate to contact me at 902-629-3701.

Yours truly,

MARITIME ELECTRIC

A handwritten signature in blue ink that reads "Michelle Francis".

Michelle Francis
Vice President,
Finance & Chief Financial Officer

MF13
Enclosures

The Schedules of Maritime Electric Company, Limited

December 31, 2022

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Independent Auditor's Report

To the Management of
Maritime Electric Company, Limited

Opinion

We have audited the calculation of rate base, calculation of return on average rate base, and the calculation of average common equity and return on average common equity of Maritime Electric Company, Limited (the "Company") as at December 31, 2022, (collectively referred to as the "schedules").

In our opinion, the financial information in the schedules of the Company is prepared, in all material respects, in accordance with the basis of presentation described in Note 1.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Schedules* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the schedules in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Use

We draw attention to Note 1 to the schedules, which describes the basis of accounting. The schedules are prepared to assist the Company to meet the requirements of the Island Regulatory and Appeals Commission (the "Commission"). As a result, the schedules may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Schedules

Management is responsible for the preparation of the schedules in accordance with Note 1, and for such internal control as management determines is necessary to enable the preparation of the schedules that is free from material misstatement, whether due to fraud or error,

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these schedules.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Moncton, New Brunswick
February 24, 2023

Maritime Electric Company, Limited
Schedule 1 - Calculation of rate base
As at December 31, 2022

	2022
	\$
Property, plant and equipment	739,769,117
Less: Capital work in progress	(6,471,688)
Less: Accumulated amortization and future site removal and restoration provision	(247,647,611)
Less: Contributions - net	(24,828,085)
Less: Future income taxes	(29,975,814)
Less: Employee future benefits liability	(5,683,677)
Add: Regulatory liabilities - other	1,685,043
Add: ECAM costs due from customers	11,655,299
Add: Deferred financing costs	1,234,748
Add: Regulatory assets - other	3,997,114
Add: CTGS unrecovered depreciation	10,672,276
Add: Intangible assets	4,062,587
Add: Deferred charge	1,211,943
Add: Working capital allowance	
Fuel inventory	2,303,655
Cash working capital	6,638,861
Income taxes paid	87,904
Total rate base	468,711,672
Average rate base*	451,832,961

* Average rate base calculated using total rate base for the year ended December 31, 2021 amounting to \$434,954,251

The accompanying note is an integral part of the schedules.

Maritime Electric Company, Limited
Schedule 2 - Calculation of return on average rate base
Year ended December 31, 2022

	2022
	\$
Revenue	236,034,613
Operating expenses (net of ECAM)	<u>(173,753,849)</u>
	62,280,764
Amortization - financing costs	(21,396)
Amortization - property, plant and equipment and intangible assets	(24,205,499)
Amortization - deferred charges	<u>(93,600)</u>
Earnings before income taxes and interest	37,960,269
Income taxes	<u>(7,466,959)</u>
Earnings on average rate base - interest expense excluded (A)	<u>30,493,310</u>
Average rate base (B)	451,832,961
Return on average rate base - % (A/B)	6.75%

The accompanying note is an integral part of the schedules.

Maritime Electric Company, Limited
Schedule 3 - Calculation of average common equity and return on average common equity
Year ended December 31, 2022

	2022
	\$
Net Earnings Non Regulated	15,982,910
Non Regulatory Expenses (net of tax)	<u>435,504</u>
Net earnings regulated (A)	16,418,414
 Average debt (B)	 288,774,092
 Average common equity (C)	 175,182,008
Average revenue shortfall (D)	<u>346,915</u>
Total Equity (E=C+D)	175,528,923
Total (F=B+C+D)	464,303,015
 Return on average common equity (A/E)	 9.35%
 Capital structure	
Debt (B/F)	62.20%
Equity (E/F)	37.80%

The accompanying note is an integral part of the schedules.

Maritime Electric Company, Limited

Notes to the Schedules

December 31, 2022

1. Basis of preparation

The schedules of the Company are prepared in accordance with the requirements as presented in Section 1 and 21 of the Electric Power Act, utility orders issued by the Commission and prior schedule submissions made to the Commission.

Schedule of Hurricane Fiona
restoration costs
Maritime Electric Company, Limited

December 31, 2022

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Independent Auditor's Report

To the Shareholder of
Maritime Electric Company, Limited

Opinion

We have audited the Schedule of Hurricane Fiona restoration costs of Maritime Electric Company, Limited (the "Company") as at December 31, 2022, and the notes to the Schedule (collectively referred to as the "Schedule").

In our opinion, the accompanying Schedule of the Company is prepared, in all material respects, in accordance with the basis of preparation described in Note 1.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Schedule* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Schedule in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Use

We draw attention to Note 1 to the Schedule, which describes the basis of accounting. The Schedule is prepared to assist the Company to meet the requirements of the Island Regulatory and Appeals Commission (the "Commission"). As a result, the Schedule may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Schedule

Management is responsible for the preparation of the Schedule in accordance with Note 1, and for such internal control as management determines is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Schedule.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Moncton, New Brunswick
February 24, 2023

Maritime Electric Company, Limited
Schedule - Hurricane Fiona restoration costs
Year ended December 31, 2022

	2022
	\$
Maritime Electric labour and transportation	3,564,523
Materials	3,692,221
Accommodations, meals, travel, etc. telecommunications, other	2,794,837
Third-party contractors:	
Holland Electric	4,914,775
Locke's Electric	2,186,686
NB Power	2,341,592
H-Line	2,041,106
Ontario Line Clearing	1,819,578
Newfoundland Power	1,422,638
Hydro-One	1,128,665
Atlantic Reach	1,025,498
GSD	1,024,948
Asplundh	961,910
Go With The Flow Traffic Control	1,019,468
Central Hudson	909,239
T&T Line Construction	880,384
Connect Atlantic	657,189
FortisAlberta	649,061
Saint John Energy	455,791
FortisBC	438,372
FortisOntario	351,639
Various Contractors	432,940
AVL Construction	279,756
Nightingale Tree Service	170,518
Safety First Traffic Control	153,106
Third-Party Recovery	(743,335)
	34,573,105
Capital	14,755,820
Retirement	4,522,970
Operating	15,294,315
	34,573,105

Maritime Electric Company, Limited

Notes to the Schedule

December 31, 2022

1. Basis of preparation

The Schedule of Hurricane Fiona restoration costs, which are categorized as operating, retirement or capital, is prepared in accordance with the Company's capitalization policy as disclosed in Note 2 and the Interim utility order #UE22-08 issued by the Island Regulatory and Appeals Commission on December 19, 2022.

2. Capitalization policy

The Company's accounting guidelines and capitalization policy follow specifications and instructions from the Federal Energy Regulatory Commission, Department of Energy and Electric Plant Instructions. Property, plant and equipment ("PPE") are assets that are expected to have an economic useful service life beyond one year. Expenditures made to service PPE are capitalized when the expenditure provides a betterment to the asset and its service life is extended beyond its original expected service life. Once a PPE asset reaches the end of its useful service life, it is retired from service and the associated costs of removing the asset are charged to retirement.

All expenditures associated with development, engineering, acquisition or construction of the assets are accumulated and recorded as the cost of the asset when placed into service. Examples of cost include:

- Design, engineering and consulting;
- Internal labour and transportation costs;
- Contractor labour costs;
- Materials:
 - Materials purchased or constructed (i.e., transformers, substations, generating plants); and
 - Materials supplied by Maritime Electric Stores Inventory (i.e., poles, conductor line hardware and control devices);
- Legal and professional services; and
- Other directly attributable expenditures (i.e., travel, accommodations, meals).

When major adverse events or damage caused by weather, natural disasters, accidents or emergencies occur, and requires immediate restoration response, the Company capitalizes the installation of new equipment and certain vegetation management costs that are necessary to access the installation site. The Company measures the installation costs as the actual cost of the materials plus an allocation of labour. The labour allocation is based on historical experience installing similar equipment adjusted for emergency labour rate premium, travel and other costs.

For Hurricane Fiona, the Company applied the following policies to calculate the labour allocation:

	Normal Installation	Labour Premium	Fiona Installation
Material	30%		19.67%
Labour capital	49%	x 1.75	56.23%
Labour retirement	21%	x 1.75	24.10%

All other costs are expensed as operating.