All our energy.
All the time.

MARITIME ELECTRIC
A FORTIS COMPANY

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The Island Regulatory and Appeals Commission

February 26, 2025

Island Regulatory & Appeals Commission
PO Box 577
Charlottetown PE C1A 7L1

Dear Commissioners:

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, 2025. An electronic copy will follow.

In accordance with the Commission Order UE23-04, paragraphs 11(a) and (b), Maritime Electric achieved a rate of return on common equity ("ROE") of 9.69 per cent in 2025, which is 0.34 per cent higher than the ROE of 9.35 per cent that is reflected in customer rates and 0.01 per cent lower than the ROE of 9.70 per cent allowed in the determination of the Company's annual return.[1] The increase over the 9.35 per cent ROE was due primarily to under-budget variances related to the Company's income tax expense.[2]

In accordance with paragraph 11(c) of Order UE23-04, the Company provides the following discussion on how management decisions and financial results in 2025 are neutral or beneficial to ratepayers.

During 2025 the Company delivered 10.5 per cent more energy to customers than budgeted in the General Rate Application ("GRA"), increasing revenue and energy supply costs by approximately $24.3 million (9.5 per cent) and $15.3 million (9.7 per cent), respectively. The Company also experienced increased income, net of expenses, from the Open Access Transmission Tariff ("OATT") of $0.3 million in 2025 as a result of increased transmission service due to load growth combined with an approved increase in OATT rates effective September 1, 2025.

This increased margin allowed the Company to respond to various cost pressures within the customer rates approved by the Commission. The Company experienced higher costs for non-OATT related transmission and distribution ("T&D") activities of approximately $1.1 million, $2.1 million in general expenses, $1.3 million in amortization expense, and

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1 Order UE23-04 approved the Company's allowed ROEs.
2 Average regulated equity for 2025 multiplied by 0.34% ($237.121 million * 0.0034 = $0.8 million)

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$2.6 million in debt financing charges. These increases in costs were offset by a $1.0 million reduction in income tax expense. Together, these variances resulted in regulated net earnings of $23.0 million compared to a GRA budget of $19.8 million.[3]

With respect to T&D costs, the Company continues to enhance its operating vegetation management activities for the benefit of customers by spending $4.5 million in 2025, $0.6 million more than budgeted in customer rates. Line maintenance activities were $0.3 million higher than forecast in the GRA at $2.9 million, as the Company addresses the impact of increasing load growth while maintaining the reliability of the electrical system. The remaining variance in T&D costs related to an increase in the provincial property tax assessment of $0.2 million higher than budgeted in the GRA.[4]

The increases in General Expenses over the GRA budget were primarily driven by:

- Finance and accounting labour costs, which increased by $0.2 million;
- Corporate communications costs, which increased by $0.4 million primarily as a result of unplanned sustainability costs;
- Information technology costs were $0.5 million over the GRA. This was due to a change in accounting standards for certain software costs that require costs previously capitalized to be expensed resulting in an over budget variance of $0.7 million that was partially offset by lower labour costs of $0.2 million;
- Property maintenance, insurance and operating costs were $0.2 million over budget mainly due to the lease of additional space at the West Royalty Service Centre to accommodate additional resources needed to execute capital and maintenance programs; and
- Increased costs associated with system planning and engineering of $0.4 million and corporate services of $0.8 million.

These over GRA budget variances were partially offset by lower-than-expected employee benefit costs of $0.4 million.

Amortization expense was $1.3 million, or 4 per cent, higher than budgeted in the GRA due to the increased capital investments over the rate-setting period necessary to provide safe and reliable service to customers and to respond to load growth.

The Company's debt financing costs were $2.6 million higher than forecast in the GRA driven primarily by an average debt balance that was $83.7 million higher than forecast in the GRA. The cost of the higher debt balance was offset slightly by an average debt cost that was 0.3% lower than forecast in the GRA.[5]

The Company's tax expense was $1.0 million lower than budget driven by a 1 per cent reduction in the Provincial corporate tax rate effective July 1, 2025.

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3 Regulated net earnings variance of $3.2 million is composed of $0.8 million related to higher return on equity and $2.4 million related to a higher average regulated equity balance.

4 T&D property tax is levied based on a revenue-related tax calculated at 1.0 per cent of the Company's annual revenue from the prior year.

5 The Company's average debt cost provided is net of the allowance for funds used during construction charged to capital expenditures in 2025.

All of the Company's activities and decisions throughout the year were intended to support customers as they electrify their lives. In 2025 the Company facilitated the delivery of 10.5 per cent more energy to its customers compared to the GRA budget, connecting approximately 1,700 additional customers to the grid, and facilitated the connection of approximately 700 net meter solar installations.

The Company responded to the increasing needs of its customers and delivered an overall customer service level consistent with 2024 as demonstrated by several key performance indicators. The Call Centre grade of service was 81 per cent compared to 82 per cent in 2024, abandoned service calls was 4.4 per cent as compared to 4.7 per cent in 2024, and speed of answering calls was 30.8 seconds compared to 32.6 seconds in 2024. The Company's e-billing initiative reached 70.9 per cent, up 2.6 per cent over 2024, with an additional 3,350 customers converted to e-billing.

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

Yours truly,

MARITIME ELECTRIC

Michelle Francis
Vice President,
Finance & Chief Financial Officer

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Enclosures

Calculation of rate base, return on average rate base, and average common equity and return on average common equity

Maritime Electric Company, Limited

December 31, 2025

Deloitte.

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Independent Auditor's Report

To the Shareholders 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, 2025, and the notes to the schedules (collectively referred to as the "schedules").

In our opinion, the accompanying schedules of the Company are 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.

In preparing the schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 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 the 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.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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
February 25, 2026

Maritime Electric Company, Limited
Schedule 1 – Calculation of rate base
As at December 31, 2025

	2025 $
Property, plant and equipment	967,317,007
Less: Capital work in progress	(65,613,712)
Less: Accumulated amortization and future site removal and restoration provision	(282,523,559)
Less: Contributions – net	(31,447,851)
Less: Future income taxes	(45,998,672)
Less: Employee future benefits liability	(4,195,602)
Less: Regulatory liabilities – other	(1,181,700)
Add: ECAM costs due from customers	31,710,248
Add: Deferred financing costs	2,489,945
Add: Regulatory assets – other	3,880,975
Add: CTGS unrecovered depreciation	4,268,916
Add: Intangible assets	3,994,682
Add: Deferred charge	935,187
Add: Working capital allowance	
Fuel inventory	4,664,893
Cash working capital	8,489,187
Income taxes paid	112,500
Total rate base	596,902,444
Average rate base*	574,368,441

* Average rate base calculated using total rate base for the year ended December 31, 2024, amounting to $551,834,439.

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, 2025

	2025 $
Revenue	298,602,158
Operating expenses (net of ECAM)	(216,549,440)
	82,052,718
Amortization – financing costs	(38,787)
Amortization – property, plant and equipment and intangible assets	(33,943,551)
Amortization – deferred charges	(93,400)
Earnings before income taxes and interest	47,976,980
Income taxes	(7,996,073)
Earnings on average rate base - interest expense excluded (A)	39,980,907
Average rate base (B)	574,368,441
Return on average rate base - % (A/B)	6.96%

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, 2025

	2025 $
Net earnings non regulated	22,406,751
Non regulatory expenses (net of tax)	579,490
Net earnings regulated (A)	22,986,241
Average debt (B)	401,643,986
Average common equity (C)	237,643,776
Average revenue shortfall (D)	(522,385)
Total equity (E=C+D)	237,121,391
Total (F=B+C+D)	638,765,377
Return on average common equity (A/E)	9.69%
Capital structure	
Debt (B/F)	62.88%
Equity (E/F)	37.12%

The accompanying note is an integral part of the schedules.

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.