THE ISLAND REGULATORY AND APPEALS COMMISSION
Prince Edward Island
Île-du-Prince-Édouard
CANADA

CERTIFIED A TRUE COPY
Cheryl Mosher
Cheryl Mosher,
Senior Financial Advisor
Island Regulatory & Appeals Commission

Docket: **UE20944**
Order: **UE20-06**

IN THE MATTER of an application by Maritime Electric Company, Limited for an Order of the Island Regulatory and Appeals Commission approving the rates, tolls and charges for electric service for the years March 1, 2020 to February 28, 2022, pursuant to section 20 of the *Electric Power Act*, R.S.P.E.I. 1988, Cap. E-4, and for certain approvals incidental thereto.

BEFORE THE COMMISSION ON Monday, December 21, 2020.

J. Scott MacKenzie, Q.C., Chair
M. Douglas Clow, Vice-Chair
Erin T. Mitchell, Commissioner

ORDER

1 BACKGROUND

1. On November 30, 2018, Maritime Electric Company, Limited ("Maritime Electric" or the "Company") filed an application with the Island Regulatory and Appeals Commission ("IRAC" or the "Commission") seeking, among other things, approval of the rates, tolls and charges for electric service for a three year period from March 1, 2019 to February 28, 2022 (the "2018 Application").

2. In the 2018 Application, the Company was seeking a 1.1 percent rate increase per year for the "typical" customer in each of its rate classes. This represented a cumulative rate increase of 3.3 percent over the proposed three year term (1.1 percent increase per year for three years).

3. Following receipt of the 2018 Application, the Commission engaged independent experts to assist in the review of various aspects of the Application. Commission staff and experts engaged in an extensive pre-hearing interrogatory process. In total, the interrogatory process spanned seven months and saw 205 interrogatories asked and answered. The volume of material produced and reviewed was extensive. At the conclusion of the interrogatories, the record consisted of approximately 5,000 pages.

4. The public hearing of the 2018 Application was scheduled to commence on August 6, 2019. On July 31, 2019 – six days prior to the hearing – Maritime Electric filed updated schedules with the Commission which included revised rates for electric service.

5. As part of the July 31, 2019 filing, Maritime Electric advised that it was seeking a reduced rate increase of 0.7 percent per year in each of the next three years. At the hearing, the Company's representatives advised that the actual proposed rate increase was 1.7 percent in year one, no increase in year two, and a 0.8 percent increase in year three.

6. Notwithstanding the late filing, the public hearing took place as scheduled. The hearing commenced on August 6, 2019 and concluded on August 9, 2019.

7. On September 27, 2019, the Commission issued its decision and Order with respect to the 2018 Application, being Order UE19-08.

8. The Commission ordered that the electric rates then in effect for the period from March 1, 2018 to February 28, 2019, were to remain in effect.

9. Maritime Electric was also ordered to file updated financial information with the Commission, based on the Company's financial results at December 31, 2019. This information was to be filed on or before January 31, 2020.

10. The Commission intended to use this updated financial information to establish electric rates for the balance of the rate setting period, which is scheduled to end on February 28, 2022.

2 OVERVIEW OF PROCEEDINGS

11. In October 2019, the Commission engaged the expert assistance of Grant Thornton LLP to assist in the review of Maritime Electric's updated financial information.

12. On January 31, 2020, Maritime Electric filed its updated financial information with the Commission, based on financial results to December 31, 2019. As part of its initial filing, the Company was seeking a 1.8 percent rate increase for the "typical" customer, effective

March 1, 2020. The Company proposed a further rate increase of 1.8 percent effective March 1, 2021. This represented a cumulative rate increase of 3.6 percent for the typical customer.

13. On February 10, 2020, the Company filed a revised application with the Commission. The Company explained that it had identified an error in the energy cost estimates contained in the January 31, 2020 filing. As a result of this revision, the cumulative rate increase for the "typical" customer was reduced from 3.6 percent to 2.9 percent.

14. On February 14, 2020, the Company filed a further revised application with the Commission. The Company explained that it had identified an error in the calculation of Residential revenue for 2020 and 2021.

15. In the revised application filed on February 14, 2020, the Company sought a rate increase of 1.1 percent for the "typical" customer, effective March 1, 2020, and a further rate increase of 1.2 percent effective March 1, 2021. As a result, the cumulative rate increase for the "typical" customer was reduced to 2.3 percent, assuming that new rates came into effect on March 1, 2020.

16. Upon receipt of the updated financial information, Grant Thornton undertook a thorough review of the information and issued numerous interrogatories to Maritime Electric seeking additional information and supporting documentation. At that time, the Commission and Maritime Electric expected to have new rates in place as soon as practicable.

17. However, in March of 2020, the Province was impacted by the COVID-19 global pandemic. The pandemic led to an almost immediate shutdown of many businesses, resulting in layoffs and economic uncertainty for businesses and individuals alike.

18. In early April 2020, Maritime Electric contacted the Commission seeking to defer any potential rate increase until after the pandemic subsided. The Company proposed to continue working with Grant Thornton in its review of the Company's updated financial information, so that an Order could be issued once the economic situation was more stable.

19. The Commission granted Maritime Electric's request to defer any change in electric rates.

20. Between April and October 2020, Grant Thornton and Maritime Electric worked diligently and cooperatively in reviewing the Company's updated financial information. This included the exchange of 98 interrogatories, all of which were answered by Maritime Electric.

21. On October 14, 2020, Grant Thornton issued a comprehensive report based on its review of Maritime Electric's updated financial information and proposed electric rates. A copy of the report was provided to Maritime Electric and made publicly available on the Commission website.

22. Upon receipt of the Grant Thornton report, the Commission issued a public notice inviting public input on the proposed change in electric rates. The notice was published on the Commission website and in local newspapers. Interested members of the public were invited to review the filings and to issue any questions to Maritime Electric. They were also invited to submit written comments to the Commission for consideration.

23. The Commission also issued interrogatories to Maritime Electric seeking additional information and/or clarification of certain issues identified by Grant Thornton. The interrogatories were issued on November 10, 2020 and December 11, 2020. Maritime

Electric filed responses to the interrogatories on November 24, 2020 and December 16, 2020, respectively.

24. The issues to be decided by the Commission have been narrowed significantly as a result of the public hearing that was held in August 2019 and Commission Order UE19-08, which decided many of the factors that impact electric rates. Instead, the scope of this Application is limited to the review of the Company's updated financial information based on financial results to December 31, 2019, and the determination of electric rates based on the updated financial information.

25. The Commission, having reviewed the Application, the Grant Thornton report, the responses to interrogatories, and all questions and comments from the public, has determined that a public hearing is not required with respect to the Application. The Commission's decision and Order with respect to the proposed change in rates follows.

3 RATES

26. In accordance with section 20(1) of the *Electric Power Act*, Maritime Electric is required to apply to the Commission when it wishes to vary the existing rates, tolls or charges for electric service. The Commission has the discretion to approve the rates, tolls and charges in whole or in part. Although section 20(1) provides little guidance on how the Commission should exercise its discretion, the preamble to the *Electric Power Act* states that the "*rates, tolls and charges for electric power should be reasonable, publicly justifiable, and non-discriminatory*".

27. In setting rates, the Commission must balance the interests of ratepayers and the interests of Maritime Electric. This duty was explained by the Supreme Court of Canada in the leading case of *Northwestern Utilities, Limited v. The City of Edmonton and Board of Public Utility Commissioners of Alberta*, [1929] SCC 186 [*Northwestern Utilities*] as follows:

> *The duty of the Board was to fix fair and reasonable rates; rates which, under the circumstances, would be fair to the consumer on the one hand, and which, on the other hand, would secure to the company a fair return for the capital invested.*

28. In the revised application filed on February 14, 2020, the Company sought a rate increase of 1.1 percent for the "typical" customer, effective March 1, 2020, and a further rate increase of 1.2 percent effective March 1, 2021. As a result, the cumulative rate increase for the "typical" customer was 2.3 percent, assuming that new rates came into effect on March 1, 2020.

29. The proposed rate increase assumed that the rates would be in place for a 24 month period (from March 1, 2020 to February 28, 2022). However, as the proposed change in rates was deferred due primarily to the COVID-19 pandemic, the Company is seeking approval for a revenue shortfall account. According to Maritime Electric, the revenue shortfall account would allow the Company to meet its 2020 revenue requirement notwithstanding that rates were not approved on March 1, 2020. The Company proposes to collect the revenue shortfall from ratepayers during a fourteen month period (from January 1, 2021 to February 28, 2022).

30. As a result, the Company is seeking a 3.5 percent increase in electric rates for the "typical" customer, effective January 1, 2021. The electric rates would remain in effect until February 28, 2022, or until otherwise varied by the Commission.

3.1 Findings

31. The Commission approves the rates, tolls and charges for electric service as set out in the schedule of rates attached as **Appendix "A"** to this Order. The rates shall be effective January 1, 2021 and shall remain in effect until February 28, 2022, or until otherwise varied by the Commission.

32. The rates in Appendix "A" represent an increase of approximately 2.9 to 3.0 percent for the "typical" customer. However, the actual impact for an individual customer will depend on the customer's rate class and electricity consumption (or demand).

33. The Commission considers the approved rates as representing a fair and reasonable balance between the interests of Maritime Electric and that of its customers. It is important to emphasize that Maritime Electric's rates have not increased since March 1, 2018 – a period of almost three years.

34. In establishing the approved rates, the Commission was required to consider and decide a number of variables, each of which impacts the rates, tolls and charges for electric service. The Commission's findings with respect to each variable is discussed following.

4 ENERGY SALES FORECAST

35. Maritime Electric filed its initial application with the Commission in November 2018. At that time, the Company was seeking approval of three year rates to be implemented effective March 1, 2019.

36. On July 31, 2019 – six days before the public hearing – the Company filed updated schedules, including updated sales forecasts for the rate setting period. The forecasts varied significantly from those filed in November 2018.

37. At the hearing, the Company's representatives testified that in April 2019, Maritime Electric updated its load forecast using a revised methodology. According to the Company, in late 2018 and early 2019, it became apparent that sales were increasing at above forecast levels. This led Maritime Electric to revisit its load forecast methodology.

38. The Commission was not aware of the revised load forecast methodology until the public hearing in August 2019. As a result, the Commission was not in a position to determine whether the revised load forecast methodology developed by Maritime Electric in April 2019 was more accurate than the methodology used in November 2018.

39. At the time that the application was filed in November 2018, the Company forecast sales growth for 2019 to be 2.6 percent. Five months later, in April 2019, the Company increased its forecast sales growth for 2019 from 2.6 percent to 3.8 percent.

40. This led the Commission to express concerns about the Company's sales forecasts in Order UE19-08.

41. In January 2020, Maritime Electric filed its 2019 actual energy sales with the Commission as part of its updated financial information. The Company's actual energy sales for 2019 were 1,286.9 GWh. This was 18.6 GWh less than the Company's July 2019 forecast (1,305.5 GWh).

42. Grant Thornton, as part of its review, noted that the difference between the Company's forecast and actual energy sales for 2019 was one percent. The variance was driven primarily by changes to the operational plans of a small number of customers, as well as

normal variances in HDD and CDD. Grant Thornton concluded that the variance between 2019 forecast and actual sales was not unreasonable.

43. Grant Thornton also reviewed Maritime Electric's revised load forecast methodology and energy sales forecasts for 2020 and 2021. They concluded that the revised load forecast methodology is an acceptable methodology within the industry. Grant Thornton found no errors or omissions in the mathematical performance of the forecast, and found that the inputs and assumptions were supported.

5 REVENUE REQUIREMENT

44. In Order UE19-08, the Commission addressed concerns with Maritime Electric's forecast revenue requirement. The first concern related to the revised load forecast methodology. The revised load forecast directly impacted the Company's forecast revenue requirement. As the revised forecasts were filed only six days before the hearing, and after the interrogatory process had concluded, the Commission and its expert advisors did not have an opportunity to review or analyze the revised forecasts in detail.

45. The second concern related to Maritime Electric's history of over-earning beyond its allowed rate of return. The Commission concluded that the Company's level of over-earning – more than $28.5 million between 2011 and 2019 – raised questions about the accuracy of the Company's forecast revenue requirement.

46. The Company does not keep any of the over-earnings. All of the over-earnings are transferred to the Rate of Return Adjustment ("RORA") account and credited back to ratepayers.

47. As explained by Grant Thornton, when Maritime Electric's revenue requirement for rate setting purposes is greater than actual for a given year, the Company is able to achieve its maximum allowable rate of return. As a result, Maritime Electric has an inherent bias to overstate its revenue requirement for rate setting so that it can earn its maximum rate of return.

48. As part of its review, Grant Thornton undertook a thorough review of the Company's forecast revenue requirement for 2020 and 2021. Grant Thornton tested the accuracy of Maritime Electric's calculations and the reasonableness of the underlying assumptions used to calculate the revenue requirement.

49. Following its review, Grant Thornton concluded that there was nothing to indicate that the components of the forecast revenue requirement for 2020 and 2021 were unreasonable.

6 IMPACT OF COVID-19

50. The Company's updated financial information was filed in January 2020, prior to the COVID-19 pandemic. Maritime Electric has advised, through the interrogatory process, that as of October 31, 2020, it is forecasting its net purchased and produced energy to be 37.5 GWh less than its January 2020 forecast (forecast of 1,450.2 GWh in January 2020 versus forecast of 1,412.7 GWh in October 2020).

51. As a result of lower sales, Maritime Electric is forecasting revenue to be $4.6 million lower than that reflected in the January 2020 filing. The lower than forecast revenue is partially offset by lower energy supply costs. The Company forecasts that its energy supply costs are approximately $3.5 million lower than reflected in the January 2020 filing.

52. The Company is therefore forecasting a reduction in marginal net revenue of approximately $1.1 million.

53. Maritime Electric has taken steps to mitigate its losses through the reduction of certain operating expenses. The Company estimates that it has reduced its operating expenses by approximately $750,000 by: (i) delaying the replacement of certain retiring employees; (ii) delaying tree trimming activities; (iii) delaying certain line maintenance activities; (iv) reducing some administrative costs; (v) delaying some annual property maintenance activities; and (vi) realizing lower short-debt borrowing costs as the COVID-19 pandemic has resulted in lower interest rates.

54. As a result, the Company has forecast the net impact of COVID-19 to be approximately $350,000. Maritime Electric does not seek to recover net revenues lost due to the COVID-19 pandemic from ratepayers.

7 REVENUE SHORTFALL ACCOUNT

55. In May 2020, Maritime Electric requested that the Commission consider approving a revenue shortfall deferral account. According to Maritime Electric, because electric rates were not approved effective March 1, 2020, it has lost revenue between March 1st and the date on which the new rates come into effect. A revenue shortfall account, according to Maritime Electric, would allow the Company to meet its 2020 revenue requirement, notwithstanding that rates were not approved on March 1, 2020.

56. Assuming new rates are effective January 1, 2021, Maritime Electric has forecast the balance of the proposed revenue shortfall account to be $2,556,928 for the period from March 1, 2020 to December 31, 2020. The Company requests that the amount be collected from ratepayers over the remaining fourteen month rate setting period (January 1, 2021 to February 28, 2022).

57. In calculating the balance of the proposed revenue shortfall account, Maritime Electric assumes that the electric rates for which it seeks approval came into effect on March 1, 2020. The calculation also assumes that the proposed ECAM base rate of $92.25 (an increase from $91.61) is approved retroactively to March 1, 2020. The Company then calculates the revenue it would have earned by applying the rate increase to its forecast sales.

58. As part of the interrogatory process, the Commission asked Maritime Electric to calculate the revenue shortfall account so that the balance is equal to the amount of revenue required for the Company to meet its 2020 rate of return. The Company was directed to calculate the balance based on rates currently in effect (assuming no retroactive rate increase) and based on actual results from January 1, 2020 to October 31, 2020, and forecast results from November 1, 2020 to December 31, 2020.

59. Maritime Electric explained that calculating the revenue shortfall account in this way will lead to an increase in the amount recoverable from ratepayers. According to Maritime Electric, comparing actual to forecast results reflects the year-to-date impact of lower than forecast energy sales, caused primarily by the COVID-19 pandemic. Throughout its interrogatory responses, Maritime Electric emphasized that it is not seeking to recover COVID related losses from ratepayers.

60. As part of the interrogatory process, the Commission also asked Maritime Electric to calculate rates assuming a revenue shortfall account is not approved. The Company

advised that if a revenue shortfall account is not approved, the Company will experience an earnings shortfall of approximately $2.4 million and the Company's return on average common equity will be 7.88 percent, which is below the maximum allowed rate of return of 9.35 percent.

61. The Company also noted that a decision resulting in an impaired level of return has the potential to negatively impact the Company's business risk and financial risk profile. This, in turn, could erode the Company's credit rating and lead to higher costs for customers in the long run.

62. The Company also advised that if a revenue shortfall account is not approved, the Company's 2020 average common equity will have a corresponding reduction of $1.2 million, and the Company's equity ratio will fall to 39.5 percent.

63. According to Maritime Electric, if a revenue shortfall account is not approved, the Company will effectively be denied any reasonable opportunity to earn its allowable rate of return.

64. Grant Thornton, as part of its review, reviewed Maritime Electric's calculation of the revenue shortfall balance and the proposed methodology to collect the revenue shortfall. Grant Thornton did not note any discrepancies in the calculation, and confirmed that the components of the proposed revenue shortfall account are internally consistent with the application as filed by Maritime Electric.

65. However, Grant Thornton noted that Maritime Electric calculated the revenue shortfall account balance based on forecast rather than actual sales. Grant Thornton stated that actual per kilowatt hour sales would be available for this period and could be incorporated into Maritime Electric's revenue shortfall calculation when available.

66. Grant Thornton also advised that Newfoundland and Labrador Hydro and Newfoundland Power Inc. have used excess earnings or revenue shortfall accounts in the past to address balances which accumulate due to rate implementation dates that differ from forecast. The methodology proposed by Maritime Electric to recover the revenue shortfall is comparable to the methodology used by utilities in Newfoundland and Labrador.

7.1 Findings

67. Maritime Electric seeks approval of a revenue shortfall account calculated based on the recovery of its forecast 2020 revenue requirement. The Commission is not prepared to approve a revenue shortfall account that is calculated based on the recovery of forecast amounts, particularly as actual results are available up to at least October 31, 2020.

68. As explained in Order UE19-08, the Commission has concerns about the accuracy of Maritime Electric's forecast revenue requirement. Grant Thornton, as part of its report, confirmed that Maritime Electric has an inherent bias to overstate its revenue requirement for rate setting purposes. By doing so, the Company can ensure that it meets its maximum allowed rate of return in a given year.

69. Maritime Electric's level of over-earnings (approximately $28.5 million between 2011 and 2019) is evidence that the Company has historically over-estimated its revenue requirement for rate setting purposes. As a result, the calculation of a revenue shortfall account based on the Company's 2020 forecast revenue requirement may reasonably result in over-earnings in 2020.

70. Further, based on the Company's financial results to date and its responses to the interrogatories of Commission staff, it is clear that the Company's 2020 forecast revenue requirement is overstated. This is not the result of forecasting errors on the part of the Company, but is instead the result of decreased sales resulting from the COVID-19 pandemic. Because the Company's overall 2020 energy sales per kilowatt hour are lower than forecast, the Company's corresponding energy supply costs (and therefore its 2020 forecast revenue requirement) are also lower than forecast.

71. The Commission is not prepared to approve a revenue shortfall account based on the recovery of a forecast revenue requirement that is known to be higher than actual. Maritime Electric, in response to this concern, notes that in the event the proposed revenue shortfall account results in over-earnings, the over-collection will be returned to customers through the RORA account.

72. Although that is the case, the role of the Commission is to set rates that are just and reasonable. In doing so, the Commission must consider not only the interests of Maritime Electric, but also those of its customers. If the Commission approves electric rates that allow the Company to over-earn, the result is that ratepayers are paying more than the cost to serve them. The electric rates would, therefore, not be just and reasonable, and would not be consistent with the cost of service model.

73. Although Maritime Electric, as a regulated utility, must be provided with the opportunity to recover its operating and capital costs, its customers must also be assured that they are paying only what is necessary for the service they receive – no more and no less. As explained by the Supreme Court of Canada:

> *In order to ensure that the balance between utilities' and consumers' interests is struck, just and reasonable rates must be those that ensure consumers are paying what the Board expects it to cost to efficiently provide the services they receive, taking into account both operating and capital costs. In that way, consumers may be assured that, overall, they are paying no more than what is necessary for the service they receive, and utilities may be assured of an opportunity to earn a fair return for providing those services.*
>
> (see *Ontario (Energy Board) v. Ontario Power Generation Inc.*, 2015 SCC 44, at para. 20)

74. In support of the proposed revenue shortfall account, Maritime Electric submits that if the account is not approved, the Company will be denied any reasonable opportunity to earn its maximum allowable rate of return. According to the Company, if the revenue shortfall account is not approved, its forecast return for 2020 will be 7.88 percent. This is less than the Company's maximum allowed return on average common equity, which is 9.35 percent.

75. The approved ROE of 9.35 percent is the <u>maximum</u> return that Maritime Electric is entitled to earn. A return of 9.35 percent in any given year is not guaranteed. The Company's actual rate of return will vary with any number of factors, including the Company's sales:

> *This of course does not mean that the Board must accept every cost that is submitted by the utility, nor does it mean that the rate of return to equity investors is guaranteed. In the short run, return on equity may vary, for example if electricity consumption by the utility's customers is higher or lower than predicted.*

(see *Ontario (Energy Board) v. Ontario Power Generation Inc.*, *supra*, at para. 17)

76. These principles were confirmed in comments made by JT Browne Consulting and filed by Maritime Electric. In its *Comments on Retroactive Ratemaking*, JT Browne Consulting explains that under the cost of service model, the rates set should give the utility the opportunity to recover its costs of providing service, including a fair return – no more and no less. JT Browne Consulting emphasizes that the cost of service model refers to an opportunity to recover costs, not a guarantee.

77. For these reasons, the Commission is not prepared to approve a revenue shortfall account that is based on recovery of the Company's forecast revenue requirement for 2020.

78. However, the Commission recognizes that Maritime Electric has incurred actual expenses in 2020 with no corresponding increase in its revenue, as electric rates have not increased since 2018.

79. Although the Company's revenue has not increased since 2018, the Company's actual expenses have. These increased expenses include (but are not limited to) actuarial costs of $1.3 million related to the Company's post-employment health benefit plan, $3.9 million for increased depreciation expenses resulting from Order UE19-08, and increased regulatory costs associated with the General Rate Application.

80. Without approval of a revenue shortfall account, the Company will not be provided with the reasonable opportunity to recover these expenses from ratepayers. Maritime Electric estimates that without a revenue shortfall account, its 2020 earnings shortfall, net of tax, will be $2.4 million.

81. The Commission therefore approves a revenue shortfall account to recover Maritime Electric's actual revenue requirement for 2020.

82. The purpose of approving a revenue shortfall account based on the Company's actual results is to reduce the likelihood of over-earning associated with forecast amounts. The Commission is satisfied that this represents an appropriate balance between the interests of Maritime Electric and those of its customers.

83. Calculating the revenue shortfall account based on actual results is also consistent with the recommendation made by Grant Thornton that the revenue shortfall should be calculated based on Maritime Electric's actual sales, once available. It is also consistent with the Ontario Energy Board approach to calculating foregone revenue due to postponed rate implementation from COVID-19.

84. A revenue shortfall account based on recovery of Maritime Electric's actual 2020 revenue requirement will not guarantee that the Company will meet its maximum allowed rate of return in 2020. The Company is forecasting that, even with the approved revenue shortfall account, the Company will not meet its maximum allowed ROE of 9.35 percent in 2020.

85. Maritime Electric shall be permitted to recover the following items through the revenue shortfall account:

Description	Total
Reduction in electric revenue due to delay in rates	$2,451,544
Reduction in net energy costs due to no change to ECAM base rate	($753,655)
December 31, 2019 Weather Normalization Reserve Account ("WNRA") balance not applied to revenue requirement	$1,057,328
Total Forecast Revenue Shortfall	**$2,755,217**

86. The reduction in electric revenue ($2,451,544) and reduction in net energy costs due to the Energy Cost Adjustment Mechanism ("ECAM") base rate ($753,655) are calculated based on the Company's actual energy sales to October 31, 2020, and forecast sales for November 1 to December 31, 2020. The Company shall calculate the true revenue shortfall amount based on actual sales up to December 31, 2020, once these sales figures are available. The updated calculation shall be filed with the Commission on or before January 31, 2021 for review and final approval.

87. The revenue shortfall account shall be recovered from ratepayers over the fourteen month period, from January 1, 2021 to February 28, 2022. Recovery of the revenue shortfall account is included in the rate increase approved herein and is incorporated into the schedule of approved rates attached as Appendix "A" to this Order. Any uncollected or over-collected amount at the end of the fourteen month period shall be addressed during the next rate setting period, or as otherwise ordered by the Commission.

88. The revenue shortfall is intended to recover foregone revenue due, in part, to COVID related delays in approving new rates. As explained herein, in April 2020, the Commission approved Maritime Electric's request to defer any potential rate increase until after the pandemic subsided.

89. With this in mind, the Commission is not prepared to allow Maritime Electric to charge or recover from ratepayers any interest on the balance of the revenue shortfall account. Further, Maritime Electric is not permitted to include the balance of the revenue shortfall account in its rate base, or to earn a rate of return thereon. In the circumstances, the Commission finds this to be a fair and reasonable balance between the interests of Maritime Electric and that of its customers.

8 CHARLOTTETOWN THERMAL GENERATING STATION ("CTGS") DEPRECIATION & DECOMMISSIONING COSTS

90. In June 2018, Maritime Electric filed an updated depreciation study with the Commission. The depreciation study was prepared by Gannett Fleming and based on the Company's financial results to December 31, 2017 (the "2017 Depreciation Study").

91. As part of the 2018 Application, Maritime Electric proposed to adopt some, but not all, of the recommendations made in the 2017 Depreciation Study. In particular, Maritime Electric sought approval to establish a regulatory deferral account with respect to the accumulated reserve variance associated with the CTGS ($16.245 million).

92. The Commission did not approve the regulatory deferral account for the CTGS accumulated reserve variance. Instead, the Commission ordered Maritime Electric to

adopt all recommendations made by Gannett Fleming, effective January 1, 2020. This included the adoption of the proposed depreciation rates and the amortization of the accumulated reserve variance for all assets.

93. As part of this Application, Maritime Electric seeks approval to establish a regulatory deferral account, as of January 1, 2020, for the projected unrecovered depreciation and reserve variance amortization in relation to CTGS. Maritime Electric estimates the balance of the deferral to be $9,654,524. However, this is an estimate only and the final amount to be recovered will differ.

94. According to Maritime Electric, the unrecovered amortization expense is caused by certain assumptions that were made in the 2017 Depreciation Study. Firstly, the depreciation rates in the Study were calculated based on an assumed implementation date of January 1, 2018. As the rates were not implemented until January 1, 2020, there is a two year "gap" in recovery of the depreciation expense.

95. Secondly, the 2017 Depreciation Study assumes a full year of deprecation is recorded in the final year of retirement. However, Maritime Electric's accounting policy and practice is to record one half year depreciation in the year of addition and one half year of depreciation in the year of retirement.

96. Grant Thornton undertook a review of the proposed CTGS deferral account. They did not note any exceptions to the forecast balance of $9,654,524 as calculated by Maritime Electric.

97. However, Grant Thornton did not recommend approving the deferral account at this time. Instead, Grant Thornton recommended that Maritime Electric should be required to file a future application after the technical update and the 2020 depreciation study are completed. In doing so, there is less uncertainty regarding the forecast balance of the deferral account.

98. In response to this recommendation, Maritime Electric explained that the use of a regulatory deferral account for the CTGS accumulated reserve variance will provide flexibility in managing the impact on customer electricity costs by enabling the establishment of an appropriate amortization period and determination of the amounts to be recovered in each year.

99. Although the balance of the proposed deferral account ($9,654,524) is an estimate only, the Company advised that the Commission can instruct the Company to adjust amounts recorded in the deferral account. The Company also proposes to obtain a technical update to the 2017 Depreciation Study as at December 31, 2019, to provide an estimate of the amount to be recorded in the deferral account.

100. As part of the interrogatory process, the Commission asked Maritime Electric to calculate the proposed rate impact of amortizing the proposed CTGS deferral over a 60 month period, beginning January 1, 2021. Maritime Electric advised that this will increase the 2021 revenue requirement by $1.9 million, resulting in higher customer rates than those proposed by the Company.

101. Maritime Electric provided several reasons in support of deferring the recovery of the CTGS accumulated reserve variance to the next rate setting period. In particular, deferring recovery will mitigate the impact on customer rates that resulted from the adoption of the depreciation rates set forth in the 2017 Depreciation Study. The adoption of the

depreciation rates resulted in an increase of more than $5 million in forecast depreciation expense compared to the depreciation expense recovered in 2019 rates.

102. Second, deferring the recovery of the CTGS reserve variance will allow the amount to be updated to reflect the results of a new depreciation study based on financial results up to December 31, 2020, and provide a more accurate calculation of the balance to be recovered.

103. Finally, deferring the recovery of the CTGS reserve variance until the next rate setting period will allow its recovery over the same period as the completion of the decommissioning activities.

8.1 Findings

104. The Commission finds that it is appropriate to establish a regulatory deferral account for the CTGS unrecovered depreciation and reserve variance amortization associated with the two year gap in implementation of the 2017 Depreciation Study and the retirement year assumption differences. The Commission is satisfied that the deferral account represents an appropriate balance and will mitigate any further increase in depreciation expense for the remainder of this rate setting period.

105. The Commission further finds that it is appropriate to recover the balance of the deferral account during the next rate setting period, as recovery will coincide with completion of the CTGS decommissioning.

106. Maritime Electric shall obtain a technical update to the 2017 Depreciation Study as at December 31, 2019, to provide an estimate of the amount to be recorded in the deferral account.

107. Maritime Electric shall also file with the Commission an updated forecast balance of the CTGS reserve variance based on the results of the 2020 depreciation study. In accordance with Order UE19-08, the 2020 depreciation study, based on financial results to December 31, 2020, shall be filed with the Commission no later than June 30, 2021.

PROVINCIAL COSTS RECOVERABLE

9 DALHOUSIE & POINT LEPREAU DEBT

108. In February 2016, Maritime Electric entered into a Debt Collection Agreement with the Government of Prince Edward Island and the Prince Edward Island Energy Corporation (“PEIEC”). The Debt Collection Agreement relates to certain debts that were assumed by the Province in relation to the closure of Dalhousie and the refurbishment at Point Lepreau.

109. In accordance with the Debt Collection Agreement, Maritime Electric is required to charge its customers a rate rider of $0.00536 per kilowatt hour. The funds collected through the rate rider are then remitted to the Province to pay down the debt.

110. The collection of the amount owing to the Province through a rate rider leads to variability in the amount collected by Maritime Electric. Although the amount to be remitted by the Company is fixed, the amount that is collected varies with the Company’s energy sales.

111. It is Maritime Electric’s practice to remit to the Province the entire amount collected through the rate rider – whether the amount is more or less than is required to service the debt. In 2019, for example, the Company over-collected by $1,147,807. The entire amount of the over-collection was remitted to PEIEC.

112. In written comments to the Commission, PEIEC confirmed that all over-collections received in respect of the Point Lepreau and Dalhousie costs are held for the sole purpose of making payments on the debt.

113. Maritime Electric and PEIEC have both expressed concern about the variability and over-collections caused by using a rate rider to collect the debt. In its written submissions to the Commission, PEIEC stated that it does not wish to receive over-collections as it results in present-day ratepayers paying more than their fair share of the debt. PEIEC strongly supports amending the Debt Collection Agreement to require fixed monthly payments.

114. In its application, Maritime Electric proposed to decrease the rate rider for recovery of the debt from $0.00536 per kilowatt hour to $0.0040 per kilowatt hour, effective January 1, 2021. However, PEIEC subsequently advised that the fixed monthly remittances for the next three years need only be approximately $425,000 per month.

115. In response to this information, Maritime Electric proposed two options for consideration. The first is to reduce the proposed rate rider from $0.0040 per kilowatt to $0.0036 per kilowatt hour to reflect a monthly remittance of $425,000. PEIEC is supportive of this approach.

116. A second option is to approve the proposed rate rider of $0.0040 per kilowatt hour and set aside the over-collection as an amount payable to customers. If the rate rider of $0.0040 is approved, Maritime Electric forecasts that it will over-collect by $720,594 between January 1, 2021 and February 28, 2022.

9.1 Findings

117. A rate rider that allows for the over-collection of the debt payable to the Province results in present-day ratepayers paying more than their fair share of the debt. The Commission finds that it is in the best interest of ratepayers to ensure that they are charged a rate rider that is consistent with the present debt repayment obligations. The Commission therefore approves the rate rider of $0.0036 per kilowatt hour, effective January 1, 2021.

118. Although Maritime Electric shall charge a rate rider of $0.0036 per kilowatt hour, the Company shall remit to PEIEC a monthly remittance equivalent to the amount required to service the debt. In the event there is an over-collection of the debt during the rate setting period, the amount of the over-collection shall not be paid to PEIEC. Instead, the amount of the over-collection shall be tracked using a separate account, the balance of which shall be refunded or remitted as ordered by the Commission. The Company shall file the balance of the account (if any) with the Commission as part of its monthly reporting requirements.

119. Further, and as explained in Order UE19-08, the debt repayment to the Province is a known and fixed amount to be recovered from ratepayers. As the amount recoverable is not subject to fluctuate, it can properly be collected through basic rates. In the next General Rate Application filed by the Company, the Company shall either include the amount of the debt repayment in its revenue requirement for collection through basic rates, or propose an alternative method of collection that avoids any over-collection from present-day ratepayers.

120. The Commission trusts that Maritime Electric and PEIEC will amend the Debt Collection Agreement (if necessary) so as to comply with the terms of this Order.

10 ELECTRICITY EFFICIENCY & CONSERVATION PLAN

121. In May 2019, the Commission issued Order UE19-03 approving the Electricity Efficiency & Conservation Plan ("EE&C Plan") filed by PEIEC.

122. In accordance with the Order, Maritime Electric was required to contribute a fixed amount to the annual cost of the EE&C Plan. The amount was to be collected from ratepayers through a rate rider, and remitted to PEIEC on a monthly basis.

123. In accordance with Order UE19-03, Maritime Electric was required to collect and remit the following amounts to PEIEC:

$540,000 in 2018/2019

$900,000 in 2019/2020

$1,100,000 in 2020/2021

124. Although Maritime Electric has remitted the amount owing for 2018/2019, it has failed to remit its share of the EE&C Plan costs for 2019/2020 or 2020/2021.

125. According to Maritime Electric, because the proposed change in basic rates was not approved in Order UE19-08, the Company did not collect, and therefore did not remit, its share of the EE&C costs.

126. In the present application, Maritime Electric seeks approval to collect EE&C costs totalling $3,100,000 from ratepayers between January 1, 2021 and February 28, 2022. The Company has calculated the EE&C costs to include the amounts outstanding for 2019/2020 ($900,000) and 2020/2021 ($1,100,000), and forecast EE&C costs of $1,100,000 for 2021/2022.

127. Maritime Electric has calculated the rate rider for the EE&C costs to be $0.0019 per kilowatt hour, based on forecast sales of 1,659,431 kilowatt hours. The Company seeks approval to charge this rate rider, effective January 1, 2021.

128. Grant Thornton does not agree with Maritime Electric's position that it did not collect any EE&C costs as part of its 2019 rates.

129. Order UE19-08 states that the electric rates currently in effect for the period from March 1, 2018 to February 28, 2019 shall remain in effect until February 28, 2020, or until otherwise varied by the Commission. Grant Thornton determined that the revenue requirement approved in 2018 included recovery of demand side management ("DSM") costs in the amount of $573,000. As there was no change in the electric rates, the 2019 revenue requirement also included recovery of DSM costs in the amount of $573,000.

130. Grant Thornton recommends that the amount of the DSM costs collected in 2019 be remitted to PEIEC. The EE&C rate rider would be reduced accordingly.

131. PEIEC agrees with Grant Thornton's interpretation.

132. Maritime Electric advised that if the DSM costs are remitted to PEIEC, the net impact to ratepayers will be nil. According to the Company, the balance payable to PEIEC would be taken from the 2019 RORA account. Therefore, the reduction in the EE&C rate rider would be offset by a corresponding reduction in the RORA refund rate.

133. Maritime Electric also advised that the actual 2019 DSM costs were $415,802, after deducting the DSM costs actually incurred by the Company ($157,198).

134. As part of the interrogatory process, the Commission presented alternate scenarios to Maritime Electric to determine the rates and rate impact. One such scenario required the Company to remit to PEIEC the EE&C costs actually collected between March 1, 2019 and December 31, 2020. The Company was directed to use actual results to October 31, 2020, and forecast results for the period November 1 to December 31, 2020.

135. In this scenario, Maritime Electric advised that the amount of the EE&C costs to be recovered during the rate setting period would be reduced by $861,355. The proposed rate rider would therefore decrease from $0.0019 per kilowatt hour to $0.0013 per kilowatt hour. However, the remittance to PEIEC would result in a corresponding reduction of $415,802 in the 2019 RORA balance, and a corresponding increase of $445,553 in the Company's 2020 revenue requirement.

10.1 Findings

136. The Commission is in agreement with Grant Thornton's recommendation on this issue. As there was no change in basic rates in 2019 or 2020, the Company continued to collect DSM costs in the amount of $573,000 per year, notwithstanding that there was no corresponding remittance to PEIEC.

137. As there is currently an outstanding balance due and owing to PEIEC, Maritime Electric shall pay to PEIEC the sum of $861,355 as contribution to the outstanding EE&C costs. The amount shall be paid to PEIEC, in full, on or before December 31, 2020.

138. The Commission approves the rate rider of $0.0013 per kilowatt hour, effective January 1, 2021, to recover the balance of the EE&C costs. Maritime Electric shall collect and remit the rate rider to PEIEC on a monthly basis, as required by Order UE19-03.

DEFERRAL ACCOUNTS

11 ENERGY COST ADJUSTMENT MECHANISM

139. In Order UE19-08, the Commission addressed concerns about the use and continued existence of the Energy Cost Adjustment Mechanism ("ECAM"). These concerns included Maritime Electric's practice of recovering all energy related costs through the ECAM, and the use of the ECAM to defer energy costs to future ratepayers.

140. As part of Order UE19-08, Maritime Electric was ordered to undertake a thorough and comprehensive review of the ECAM as it currently exists, including the expenses and accounts that are currently collected through the ECAM, and the practice of deferring a portion of energy supply costs for collection from future ratepayers. Maritime Electric was required to file its review, together with any resulting recommendations, with the Commission.

141. Maritime Electric did undertake and file a comprehensive review of the existing ECAM as required by Order UE19-08. Any resulting changes to the existing ECAM will be ordered by the Commission and implemented as part of the next rate setting period.

142. In the present Application, Maritime Electric seeks approval to re-base the existing ECAM, including approval of a new base rate and collection rate. In particular, Maritime Electric

seeks approval of an ECAM base rate of $0.09225 per kilowatt hour, and a collection rate of $0.0016 per kilowatt hour, commencing January 1, 2021.

143. If the ECAM base rate and collection rate are approved, the Company forecasts the balance of the ECAM account will be $554,000 payable to customers at December 31, 2021. This assumes a forecast ECAM balance of $2,281,963 as of October 31, 2020, and sales of 1,384,528,646 kilowatt hours for the period January 1, 2021 to December 31, 2021.

144. Following its review of the existing ECAM, Grant Thornton did not note any discrepancies in the calculation of the forecast ECAM. Grant Thornton also confirmed that the components of the ECAM were internally consistent with Maritime Electric's application, and complied with Commission Order UE19-08.

11.1 Findings

145. As discussed in Order UE19-08, Maritime Electric is carrying several deferral accounts. As will be discussed herein, the WNR account and the RORA account have an amount payable to customers, while the ECAM account has a balance recoverable from customers.

146. The Commission finds that it is appropriate to use the balance of the WNR account and the RORA account to off-set and eliminate the outstanding balance of the ECAM account. This will not only eliminate the ECAM collection rate from customer rates, but it will also eliminate a regulatory asset (the ECAM account) which the Company would otherwise be entitled to earn a rate of return on. The Commission is also satisfied that the off-setting of amounts recoverable from, and payable to, customers is in accordance with accepted accounting principles.

147. For these reasons, the Commission orders that the balance of the WNR account as of December 31, 2019 ($1,057,328), and the balance of the RORA account (with accrued interest to December 31, 2020 calculated at the Company's short term borrowing rate) shall be applied to offset the balance of the ECAM account. As a result, the balance of the ECAM account will be nil at December 31, 2020. There will be no ECAM collection rate included in customer rates, effective January 1, 2021.

12 RATE OF RETURN ADJUSTMENT

148. In Order UE19-08, the Commission questioned the level of over-earning by Maritime Electric in the previous rate setting period. During the three year period between 2016 and 2018, the Company overearned by more than $10 million.

149. At the hearing in August 2019, the Company's representatives testified that Maritime Electric had also notionally over-earned by $3.3 million in the first six months of 2019 (January 1 to June 30, 2019). However, the actual amount of over-earnings could not be determined until year-end. At the hearing, the Company's representatives testified that they continued to forecast a RORA balance of zero for 2019.

150. Based on the Company's actual financial results to December 31, 2019, the Company over-earned by $3.5 million in 2019.

151. In response to interrogatories, Maritime Electric explained that the Company's 2019 over-earnings related primarily to lower than forecast depreciation expense and net energy

costs. A summary of the 2019 forecast versus actual results that contributed to the RORA balance is as follows:

Summary Table Comparison of July 2019 Forecast to 2019 Actual	
Gross Operating Revenue	(1,077,768)
Net Energy Costs	2,686,199
Distribution and Transmission	(8,026)
Transmission - OATT	(382,015)
Corporate	296,545
Amortization	2,544,112
Financing Costs	(127,094)
WNR Adjustment	(430,777)
Corporate Taxes	2,264
ROE	5,681
RORA Adjustment	**3,509,122**

152. In Order UE19-08, the Commission ordered Maritime Electric to refund any over-earnings in 2019, 2020 or 2021 to ratepayers on a per kilowatt hour basis. The refund was to be paid within 60 days of the calendar year-end.

153. In Order UE19-11, the Commission deferred the 2019 RORA refund pending receipt of the Company's updated financial information current to December 31, 2019. The Commission ordered that the refund of the 2019 RORA account would be considered as part of the updated financial filing. This would allow the Commission to determine the most appropriate use of the RORA balance, taking into consideration the overall impact on electric rates.

154. In this Application, Maritime Electric has forecast the RORA balance to be $10,486,541 as of February 29, 2020. This includes the balance of the post-2015 RORA ($6,977,418) and the 2019 RORA ($3,509,123).

155. In its response to the Commission's interrogatories, filed November 24, 2020, Maritime Electric forecast the balance of the RORA account to be $7,085,524 after deducting the amounts refunded to December 31, 2020.

156. Maritime Electric seeks approval to offset the Dorian operating costs ($3,002,882), against the 2019 RORA balance ($3,509,123), and to refund the remaining balance of the RORA account during the fourteen month period, from January 1, 2021 to February 28, 2022.

157. The Commission also directed Maritime Electric to calculate the rates and rate impact of using both the WNR balance (at December 31, 2019) and the RORA balance to offset the ECAM balance. The remaining balance of the RORA account, including accrued interest calculated at the Company's short term borrowing rate, would then be refunded to ratepayers over the fourteen month period, beginning January 1, 2021.

158. In this scenario, Maritime Electric has calculated the remaining balance of the RORA account to be $1,214,907. This balance includes the forecast interest on the RORA balance to December 31, 2020, calculated based on the Company's short term borrowing rate.

159. The Company has therefore calculated the refund rate to be $0.0007 per kilowatt hour, based on forecast sales of 1,659,431,460 kilowatt hours.

12.1 Findings

160. The Commission accepts that it is reasonable and appropriate to offset the Dorian deferred operating expenses ($3,002,884) against the 2019 RORA balance ($3,509,123). This is discussed in greater detail in section 14 of this decision.

161. The Commission also accepts that it is reasonable and appropriate to offset the RORA balance (an amount payable to ratepayers) against the ECAM balance (an amount receivable from ratepayers), for the reasons discussed in part 11 of this decision.

162. The remaining balance of the RORA account ($1,214,907) shall be refunded to ratepayers at the refund rate of $0.0007 per kilowatt hour, beginning January 1, 2021.

13 WEATHER NORMALIZATION MECHANISM

163. The Weather Normalization Mechanism and Reserve account ("WNR account") have been approved on an interim basis since 2016, and remain in effect until February 28, 2022.

164. As of December 31, 2019, the WNR account had a balance owing to customers of $1,057,328. As part of this Application, Maritime Electric proposes to return the balance of the WNR account to ratepayers. The Company proposes to apply the balance of $1,057,328 against the 2020 revenue requirement, thereby lowering the overall revenue requirement to be recovered in basic rates.

165. As part of the interrogatory process, the Commission asked Maritime Electric to calculate the rates and rate impact of alternate scenarios. One such scenario was to apply the balance of the WNR account to the ECAM balance, rather than to the revenue requirement.

166. Maritime Electric explained that applying the balance of the WNR account to the ECAM, rather than to the revenue requirement, will result in an increase in the proposed revenue shortfall account. As a result, Maritime Electric recommends that the WNR balance be credited to the Company's revenue requirement as proposed.

167. Grant Thornton, as part of its review, confirmed that the disposition of the balance of the WNR account through revenue requirement is an acceptable regulatory practice

13.1 Findings

168. The Commission agrees that the balance of the WNR account represents an amount payable to ratepayers and should be refunded without delay. The Commission therefore finds that the refund of the balance of the WNR account as of December 31, 2019 ($1,057,328) is reasonable.

169. The Commission has considered the options for refunding the WNR account balance, including the proposal to apply the WNR account balance to the 2020 revenue requirement. The Commission finds that it is more appropriate to apply the WNR account balance at December 31, 2019 to the ECAM balance, as this will result in the netting of amounts payable to and receivable from ratepayers.

170. The Commission therefore orders that the balance of the WNR account as of December 31, 2019 ($1,057,328) shall be applied to offset the balance of the ECAM account.

14 DEFERRED DORIAN OPERATING COSTS

171. On September 7, 2019, post-tropical storm Dorian ("Dorian") passed over Prince Edward Island causing extensive damage to Maritime Electric's transmission and distribution systems in the Province.

172. Following the storm, Maritime Electric filed a Storm Post-Mortem Report with the Commission. The Company also sought Commission approval to use the 2019 RORA balance to offset the Dorian storm restoration costs. At the time the request was filed, Maritime Electric did not yet know the balance of the 2019 RORA account.

173. The Commission issued Order UE19-11 (Docket UE21223) on December 23, 2019. In accordance with the Order, the Commission accepted that Maritime Electric incurred storm restoration costs as a result of post-tropical storm Dorian in the total amount of $3,465,790. Of this total amount, the Commission accepted that the Company's total operating costs were $3,002,884.

174. Although the Commission approved the deferral of the Dorian operating costs, it did not approve the offsetting of the 2019 RORA balance against the Dorian operating costs at that time. Instead, the Commission determined that the manner of recovering the Dorian operating costs, and the use of the 2019 RORA balance, should properly be considered as part of the present Application.

175. Maritime Electric now seeks approval to write off (or amortize) the Dorian deferred operating expenses ($3,002,884) against the 2019 RORA balance ($3,509,123).

14.1 Findings

176. The Commission accepts that it is reasonable and appropriate to offset the Dorian deferred operating expenses ($3,002,884) against the 2019 RORA balance ($3,509,123).

177. The remaining balance of the 2019 RORA account (being $506,239) shall be refunded to ratepayers as ordered herein.

15 OTHER MATTERS

15.1 2020 Weather Normalization Adjustment Variables

178. Maritime Electric seeks approval of the Weather Normalization Adjustment Variables for 2020. The variables are filed with the Commission on an annual basis for review and approval.

179. The proposed revisions to the Weather Normalization Adjustment Variables are summarized as follows:

Summary of Proposed Revisions to Weather Normalization Adjustment Variables		
	Approved January 1, 2019	**Proposed January 1, 2020**
MWH Variation from Average		
Average HDD Value	4,365	4,386
MWh per HDD Coefficient	50.19	68.07
Marginal Net Revenue		
Forecast Unit Revenue per MWh	143.70	145.29
Forecast Unit Energy Costs per MWh	91.61	92.25

180. As part of its review, Grant Thornton reviewed the proposed 2020 variables. Grant Thornton concluded that the 2020 variables were calculated in accordance with the approved definition and there were no material variances.

181. The Commission is satisfied that the proposed 2020 Weather Normalization Adjustment Variables are appropriate and in accordance with the approved definition. The proposed variables are therefore approved for the period January 1, 2020 to December 31, 2020.

15.2 Interest on RORA Account

182. As part of its review, Grant Thornton noted that the interest on the RORA account balance is calculated at the bank prime rate to reflect Maritime Electric's short term borrowing rate, rather than the Company's weighted average cost of capital ("WACC").

183. Grant Thornton recommended that the Commission consider "*whether the short term borrowing rate is an appropriate rate to be charged given that RORA is a component of rate base where its components earn (or pay) a return based on the Company's WACC (or return on average rate base)*".

184. In response to this recommendation, Maritime Electric advised that they consider the short term borrowing rate to be reasonable as long as the RORA balance is refunded in a short time frame. The Company also noted that although accruing interest at the WACC instead of the short term borrowing rate would increase the RORA balance, there would be an offsetting increase in interest expense which would reduce the RORA balance. As a result, the net impact on the RORA balance would be nil.

185. In addition, the Company's debt structure reflects long term debt with a typical 40 year amortization. This is significantly greater than the fourteen month refund period proposed in the present Application.

186. The Commission is satisfied that it is appropriate to continue to calculate interest on the RORA balance at Maritime Electric's short term borrowing rate, particularly as the Commission is moving toward shorter time frames by which the Company must refund the RORA balance to ratepayers. As a result, Maritime Electric shall continue to calculate the interest on the RORA balance using the Company's short term borrowing rate.

15.3 Overcollection of Cable Contingency Fund Contributions

187. Maritime Electric is required to collect from ratepayers and remit to PEIEC a contribution to the Cable Contingency Fund. Since 2013, Maritime Electric has collected the Cable Contingency Fund contribution from distribution customers through a rate rider ($0.00027 per kilowatt hour). The Company remits to PEIEC, on a monthly basis, the full amount collected from the rate rider.

188. In July 2018, the Commission issued Order UE18-05 approving Maritime Electric's Open Access Transmission Tariff ("OATT"). As part of the approved OATT, the manner of collecting the contribution to the Cable Contingency Fund changed. As of August 1, 2018, Maritime Electric was required to recover a fixed amount of $375,000 from transmission customers as the Company's contribution to the Cable Contingency Fund.

189. However, since August 1, 2018, Maritime Electric has collected the Cable Contingency Fund contribution from both transmission customers (through the OATT) and distribution customers (through the rate rider). According to Maritime Electric, this is the result of there being no change in distribution rates in 2019.

190. Through the interrogatory process, Maritime Electric advised that since August 1, 2018, it has remitted to PEIEC all funds collected from distribution customers via the Cable Contingency Fund rate rider. In total, $778,856.93 was collected and remitted to PEIEC between August 1, 2018 and October 31, 2020.

191. In 2019, the amount of the Cable Contingency Fund recovered from transmission customers will be credited to distribution customers through the ECAM and will reduce energy costs accordingly. Maritime Electric advised that if the ECAM is not re-based in 2020, the over-collection will follow the same pattern as 2019 and will be returned to customers via the ECAM.

192. The Commission finds that the Company has over-collected the Cable Contingency Fund contribution from distribution customers since August 1, 2018. The amount of the Cable Contingency Fund over-collections for 2019 and 2020 shall be credited to distribution customers through the ECAM.

15.4 Rate Structure

193. As part of the 2016 General Rate Application (Order UE16-04), Maritime Electric was ordered to undertake a rate design study to consider changes to the multi-block residential energy pricing structure (commonly known as the "Residential second block"), and related changes to the Company's other rate structures. In accordance with Order UE16-04, Maritime Electric was required to file the rate design study and a proposed rate structure with the Commission on or before April 30, 2018.

194. In April 2018, Maritime Electric requested an extension of the deadline to file the rate design study. According to the Company, additional time was required to complete the 2017 Cost Allocation Study and to undertake a farm rate study, both of which could impact the development of rate design proposals. The Commission granted the request and issued Order UE18-02, which allowed the Company until October 31, 2018 to file the rate design study.

195. Contrary to the orders of the Commission, Maritime Electric did not file a rate design study on or before October 31, 2018, and did not include the study with the General Rate Application filed in November 2018.

196. In Commission Order UE19-08, Maritime Electric was again ordered to file a comprehensive rate design study and proposed rate structure on or before June 30, 2020. Although the Company filed a rate design study with the Commission on June 30, 2020, a proposed rate structure has not yet been filed. According to the Company, the delay is due in part to the COVID-19 pandemic which has impeded the ability of the Company to engage in public consultations.

197. On November 24, 2020, Maritime Electric wrote to the Commission to advise that they expected to provide the Commission with rate structure options, along with the results of the public consultation process, in early 2021.

198. The inequities in Maritime Electric's existing rate structure are discussed in detail in Order UE19-08. However, it bears repeating that large farming operations in the Residential rate class are paying less than their cost of service and are being subsidized by other ratepayers. It also bears repeating that General Service customers are paying 22 percent more than their cost of service.

199. The Commission is not prepared to allow the inequities in Maritime Electric's rate structure to continue beyond the current rate setting period. As a result, the Company is required to file with the Commission, and obtain approval for a new rate structure, prior to the filing of its next General Rate Application. The approved rate structure will be incorporated into the Company's next General Rate Application so that it can take effect in the next rate setting period.

200. As explained in Order UE19-08, the Commission deems a revenue-to-cost ratio ("RTC") of 95 to 105 to be the appropriate target range for all rate classes. This does not mean that the RTC for each rate class must be 95 to 105 on March 1, 2022.

201. Instead, the rate structure proposed by Maritime Electric must ensure that the RTC ratios are within the 95 to 105 within a reasonable period of time. The gradual phasing in of the new rate structure is intended to minimize any potential rate shock, and is supported by the expert evidence given by Multeese Consulting and Robert Boutilier.

202. The Commission emphasizes that the new rate structure to be proposed by Maritime Electric must be comprehensive. It should not focus solely on the elimination of the Residential second block, the treatment of farm customers, or correcting inequities in the revenue-to-cost ("RTC") ratios.

203. Although these issues must be addressed, the Commission fully expects that Maritime Electric will use this opportunity to present an innovative rate structure that is reflective of the unique mix of customers and classes of customers that the Company serves. The Commission expects that the new rate structure will not only allow the Company to collect revenue in an equitable manner, but will also consider new and innovative rate structures that may provide tangible benefits to its customers.

15.5 Requirements for Future Filings

204. Maritime Electric filed its previous General Rate Application on November 30, 2018. Commission staff and experts then engaged in an extensive interrogatory process to gather additional information and supporting documentation required for the Commission to make an informed decision. The interrogatory process spanned seven months and resulted in 205 interrogatories being issued to Maritime Electric.

205. In its review of the Company's updated financial information, Grant Thornton issued an additional 98 interrogatories to Maritime Electric.

206. The process of requesting pertinent information and supporting documentation through interrogatories is inefficient. It increases the regulatory burden on both the Commission and Maritime Electric, it impedes the regulatory process, and it impacts the ability of the Commission to issue its decision in a timely manner.

207. In an effort to improve regulatory efficiencies, the Commission requires that Maritime Electric file more comprehensive General Rate Applications in future, beginning with the application to be filed for the next rate setting period. In particular, the Company shall include with all future General Rate Applications the information and documentation set forth in Appendix A of Grant Thornton's report, a copy of which is attached to this Order. As noted in Appendix A, this includes all tables and calculations in their native form, complete with underlying calculations and supporting materials.

208. Maritime Electric may make requests for confidentiality with respect to proprietary, confidential and/or commercially sensitive information, as it did in the present Application.

Order

Based on the evidence before the Commission, and for the reasons set out herein,

IT IS ORDERED THAT:

Electric Rates

1. The Commission approves the rates, tolls and charges for electric service as set out in the schedule of rates attached as Appendix "A" to this Order.

2. The rates approved herein shall be effective as of January 1, 2021, and shall remain in effect until February 28, 2022, or until otherwise varied by the Commission.

General Rules & Regulations

3. The Company's General Rules and Regulations shall be amended to incorporate the terms of this Order.
4. The amended General Rules and Regulations shall be filed with the Commission on or before January 15, 2021.

Revenue Shortfall Account

5. The Commission approves a revenue shortfall account to recover the Company's actual revenue requirement for 2020.
6. Maritime Electric shall recover only the following items through the revenue shortfall account:

Description	Total
Reduction in electric revenue due to delay in rates	$2,451,544
Reduction in net energy costs due to no change to ECAM base rate	($753,655)
December 31, 2019 WNRA balance not applied to revenue requirement	$1,057,328
Total Forecast Revenue Shortfall	**$2,755,217**

7. The Company shall file with the Commission, on or before January 31, 2021, the updated calculation of the revenue shortfall account based on actual sales up to December 31, 2020.
8. The balance of the revenue shortfall account shall be recovered from ratepayers over the fourteen month period, from January 1, 2021 to February 28, 2022.
9. Any uncollected or over-collected amount at the end of the fourteen month period shall be addressed during the next rate setting period, or as otherwise ordered by the Commission.

10. Maritime Electric shall not charge or recover from ratepayers any interest on the balance of the revenue shortfall account.

11. Maritime Electric shall not include the balance of the revenue shortfall account in its rate base, or earn a rate of return on the balance of the revenue shortfall account.

CTGS Depreciation & Decommissioning Costs

12. The proposed regulatory deferral account for the CTGS unrecovered depreciation and reserve variance amortization is approved.

13. The balance of the regulatory deferral account shall be recovered during the next rate setting period, or as otherwise ordered by the Commission.

14. Maritime Electric shall obtain a technical update to the 2017 Depreciation Study as at December 31, 2019, to provide an estimate of the amount to be recorded in the deferral account.

15. Maritime Electric shall also file with the Commission an updated forecast balance of the CTGS reserve variance based on the results of the 2020 depreciation study.

16. In accordance with Order UE19-08, the 2020 depreciation study, based on financial results to December 31, 2020, shall be filed with the Commission no later than June 30, 2021

Recovery of Dalhousie & Point Lepreau Debt

17. Maritime Electric shall recover the debt payable to the Province via a rate rider of $0.0036 per kilowatt hour, effective January 1, 2021.

18. Maritime Electric shall remit to PEIEC a monthly remittance equivalent to the amount required to service the debt.

19. In the event there is an over-collection of the debt during the rate setting period, the amount of the over-collection shall not be paid to PEIEC. Instead, the amount of the over-collection shall be tracked using a separate account, the balance of which shall be refunded or remitted as ordered by the Commission.

20. The Company shall file the balance of the account (if any) with the Commission as part of its monthly reporting requirements.

21. In the next General Rate Application filed by the Company, the Company shall either include the amount of the debt repayment in its revenue requirement for collection through basic rates, or propose an alternative method of collection that avoids any over-collection from present-day ratepayers.

Recovery of EE&C Plan Costs

22. Maritime Electric shall pay to PEIEC the sum of $861,355 as contribution to the outstanding EE&C costs. The amount shall be paid to PEIEC, in full, on or before December 31, 2020.

23. The Commission approves the rate rider of $0.0013 per kilowatt hour, effective January 1, 2021, to recover the balance of the EE&C costs.

24. Maritime Electric shall collect and remit the rate rider to PEIEC on a monthly basis, as required by Order UE19-03.

Deferral Accounts

25. The Dorian deferred operating expenses shall be offset against the 2019 RORA balance.

26. The balance of the WNR account as of December 31, 2019, and the balance of the RORA account (with accrued interest to December 31, 2020 calculated at the Company's short term borrowing rate) shall be applied to offset the balance of the ECAM account, resulting in a nil ECAM balance as of December 31, 2020.

27. The remaining balance of the RORA account shall be refunded to ratepayers at the rate of $0.0007 per kilowatt hour, beginning January 1, 2021.

28. The Company shall not include an ECAM collection rate in customer rates, effective January 1, 2021.

Other Matters

29. The following Weather Normalization Adjustment Variables are approved for the period January 1, 2020 to December 31, 2020:

Weather Normalization Adjustment Variables	
	Approved January 1, 2020
MWH Variation from Average	
Average HDD Value	4,386
MWh per HDD Coefficient	68.07
Marginal Net Revenue	
Forecast Unit Revenue per MWh	145.29
Forecast Unit Energy Costs per MWh	92.25

30. Maritime Electric shall continue to calculate the interest on the RORA balance using the Company's short term borrowing rate.

31. Maritime Electric is required to file with the Commission, and obtain approval for a new rate structure, prior to the filing of its next General Rate Application. The approved rate structure will be incorporated into the Company's next General Rate Application so that it can take effect in the next rate setting period.

32. The rate structure proposed by Maritime Electric must ensure that the RTC ratios are within the 95 to 105 within a reasonable period of time.

33. The amount of the Cable Contingency Fund over-collections for 2019 and 2020 shall be credited to distribution customers through the ECAM.

34. Maritime Electric shall include with all future General Rate Applications the information and documentation set forth in Grant Thornton's report, a copy of which is attached to this Order as Appendix "B".

DATED at Charlottetown, Prince Edward Island, on Monday, December 21, 2020.

BY THE COMMISSION:

(sgd) J. Scott MacKenzie

J. Scott MacKenzie, Q.C., Chair

(sgd) M. Douglas Clow

M. Douglas Clow, Vice-Chair

(sgd) Erin T. Mitchell

Erin T. Mitchell, Commissioner

NOTICE

Section 12 of the ***Island Regulatory and Appeals Commission Act*** reads as follows:

> *12. The Commission may, in its absolute discretion, review, rescind or vary any order or decision made by it, or rehear any application before deciding it.*

Parties to this proceeding seeking a review of the Commission's decision or order in this matter may do so by filing with the Commission, at the earliest date, a written Request for Review, which clearly states the reasons for the review and the nature of the relief sought.

Sections 13(1) and 13(2) of the ***Act*** provide as follows:

> *13(1) An appeal lies from a decision or order of the Commission to the Court of Appeal upon a question of law or jurisdiction.*
>
> *(2) The appeal shall be made by filing a notice of appeal in the Court of Appeal within twenty days after the decision or order appealed from and the rules of court respecting appeals apply with the necessary changes.*

NOTE: In accordance with IRAC's *Records Retention and Disposition Schedule*, the material contained in the official file regarding this matter will be retained by the Commission for a period of 2 years.

N-28 **Rate Schedules and Rate Application Guidelines**

Schedule of "Adjusted Rates"

Maritime Electric Company Limited
effective January 1, 2021

Rate Code			Rates
110	**Residential Urban**		
	Service Charge	$	24.57
	Energy Charge per kWh for first 2,000 kWh	$	0.1492
	Energy Charge per kWh for balance kWh	$	0.1188
130	**Residential Rural**		
	Service Charge	$	26.92
	Energy Charge per kWh for first 2,000 kWh	$	0.1492
	Energy Charge per kWh for balance kWh	$	0.1188
131	**Residential Seasonal**		
	Service Charge	$	26.92
	Energy Charge per kWh for first 2,000 kWh	$	0.1492
	Energy Charge per kWh for balance of kWh	$	0.1188
133	**Residential Seasonal Option**		
	Service Charge	$	37.50
	Energy Charge per kWh for first 2,000 kWh	$	0.1492
	Energy Charge per kWh for balance of kWh	$	0.1188
232	**General Service**		
	Service Charge	$	24.57
	Demand Charge - per kW for first 20 kW	$	-
	Demand Charge - per kW for balance of kW	$	13.43
	Energy Charge per kWh for first 5,000 kWh	$	0.1831
	Energy Charge per kWh for balance of kWh	$	0.1201
233	**General Service - Seasonal Operators Option**		
	Service Charge	$	24.57
	Demand Charge - per kW for first 20 kW	$	-
	Demand Charge - per kW for balance of kW	$	13.43
	Energy Charge per kWh for first 5,000 kWh	$	0.1831
	Energy Charge per kWh for balance of kWh	$	0.1201
320	**Small Industrial**		
	Demand Charge - per kW	$	7.46
	Energy Charge per kWh for first 100 kWh per kW billing demand	$	0.1794
	Energy Charge per kWh for balance of kWh	$	0.0910
310	**Large Industrial**		
	Demand Charge per kW	$	14.50
	Energy Charge per kWh	$	0.0740
340	**Long Term Contract**		
	Demand Charge per kW	$	15.51
	Energy Charge per kWh	$	0.1004
330	**Short Term Contract**		
	Demand Charge - per kW	$	16.79
	Energy Charge per kWh for all kWh in the first block	$	0.0995
	Energy Charge per kWh for balance of kWh in the month	$	0.0828

N-28 **Rate Schedules and Rate Application Guidelines**

Schedule of "Adjusted Rates"

Maritime Electric Company Limited
effective January 1, 2021

	Rate Code	Lamp Wattage	Type		kWh	Monthly kWh		Basic Rates
	619		LED	70 W HPS Equivalent St Lights - Rented		15	$	12.43
	625		LED	100 W HPS Equivalent St Lights - Rented		17	$	12.86
*	630	70	HPS	St Lights - Rented	389	32	$	16.44
*	631	100	HPS	St Lights - Rented	553	46	$	20.88
*	632	150	HPS	St Lights - Rented	799	66	$	29.85
	633	250	HPS	St Lights - Rented	1283	106	$	40.59
	634	400	HPS	St Lights - Rented	1886	157	$	47.47
*	635	125	MV	St Lights - Rented	656	54	$	16.28
	639	70	Lanterns	City Lanterns - Rented	389	32	$	60.43
*	640	70	HPS	St Lights - Owned	389	32	$	6.46
*	641	100	HPS	St Lights - Owned	553	46	$	8.52
*	642	150	HPS	St Lights - Owned	779	65	$	11.44
	643	250	HPS	St Lights - Owned	1283	107	$	18.13
	644	400	HPS	St Lights - Owned	1886	157	$	28.59
**	651	19	LED	St Lights - Owned	78	7	$	1.16
**	652	60	LED	St Lights - Owned	246	21	$	3.67
	666		LED	175 W MV Equivalent St Lights - Rented		25	$	14.31
*	670	100	LED	St Lights - Rented	410	34	$	16.64
	675		LED	150 W/200 W HPS Equivalent St Lights - Rented		37	$	15.46
	719	43	LED	St Lights - Owned	176	15	$	2.63
*	730	70	HPS	Yard Lights - Rented	389	32	$	16.44
*	731	100	HPS	Yard Lights - Rented	553	46	$	20.88
*	732	150	HPS	Yard Lights - Rented	799	66	$	29.85
	733	250	HPS	Yard Lights - Rented	1283	106	$	40.59
	734	400	HPS	Yard Lights - Rented	1886	157	$	47.47
*	735	125	MV	Yard Lights - Rented	656	54	$	16.28
*	737	250	MV	Yard Lights - Rented	1210	100	$	28.79
*	740	70	HPS	Yard Lights - Owned	389	32	$	6.46
*	741	100	HPS	Yard Lights - Owned	553	46	$	8.52
	742	150	HPS	Yard Lights - Owned	779	65	$	11.44
	743	250	HPS	Yard Lights - Owned	1283	107	$	18.13
	744	400	HPS	Yard Lights - Owned	1886	157	$	28.59
	749	180	LPS	Yard Lights - Owned	869	72	$	13.34
	753	250	Flood	Yard Lights - Rented	1283	107	$	38.73
	754	400	Flood	Yard Lights - Rented	1886	157	$	48.21
	755	250	Halide	Yard Lights - Rented	1148	95	$	40.79
	756	400	Halide	Yard Lights - Rented	1878	156	$	50.20
	757	1000	Halide	Yard Lights - Rented	4346	362	$	86.16
	759	100	Halide	St Lights - Owned	533	44	$	7.96
	760	175	Halide	St Lights - Owned	894	74	$	13.37
	761	250	Halide	St Lights - Owned	1148	95	$	17.15
	762	400	Halide	St Lights - Owned	1878	156	$	28.04
	764	100	LED	St Lights - Owned	410	34	$	6.12
	765	150	Halide	St Lights - Owned	759	63	$	11.33
	766	72	LED	St Lights - Owned	295	25	$	4.40
	775	107	LED	St Lights - Owned	438	37	$	6.54
	780	143	LED	St Lights - Owned	586	49	$	8.75
	785	175	LED	St Lights - Owned	718	60	$	10.70

* These charges are applicable to existing fixtures only

N-28 Rate Schedules and Rate Application Guidelines

Schedule of "Adjusted Rates"

Maritime Electric Company Limited
effective January 1, 2021

			Rates
610	Pole Rental -Wood	$	4.38
	Unmetered Rates (based on 100 watt fixture)		
810	8 Hour Lighting per kWh	$	0.1790
	Minimum Charge	$	11.67
820	12 Hour Lighting per kWh	$	0.1790
	Minimum Charge	$	11.67
830	24 Hour Lighting per kWh	$	0.1790
	Minimum Charge	$	11.67
840	Air Raid and Fire Sirens	Currently no customers in this rate category	
850	Outdoor Christmas Lighting: 5.77¢ per watt of connected load per week		
234	Customer Owned Outdoor Recreational Lighting		
	Service Charge	$	24.57
	Energy Charge per kWh for first 5,000 kWh	$	0.1790
	Energy Charge per kWh for balance of kWh	$	0.1099

Short Term Unmetered Rates	Currently no customers in this rate category	
Energy Charge:		
per kWh of estimated consumption	$	0.1790

Connection Charge:	Single-Phase	Three-Phase
A. Connecting to existing secondary voltage	$99.08	$99.08

B. Where transformer installations are required, the following connection charges will apply:

	Single-Phase	Three-Phase
(1) Up to and including 10 kVA	$148.87	$209.17
(2) 11 kVA to 15 kVA	$240.79	$301.01
(3) 16 kVA to 25 kVA	$269.20	$336.64
(4) 26 kVA to 37 kVA	$301.01	$336.64
(5) 38 kVA to 50 kVA	$336.64	$336.64
(6) 51 kVA to 75 kVA	$369.58	$523.96
(7) 76 kVA to 125 kVA	$431.07	$555.59
(8) Above 125 kVA	-	$594.94

APPENDIX "B"

1. Appendix A – General Rate Application Contents

During the course of our review we noted that MECL was very responsive to all of our queries. However, some of those queries could be alleviated in future applications if the originally submitted application was mindful of the following:

- All tables and calculations could be provided in their original native form. We define native form as being the original medium used to perform the analysis. For example, the native form financial models and (excel) with any underlying calculations and supporting materials also filed as supplementary evidence to support the application,
- Supplemental narratives or descriptions of the steps taken to prepare an analysis could also be included to clarify methodologies used and quality control processes in place to demonstrate that MECL has completed a process to ensure the evidence files is free from error.

To expedite future general rate applications, we recommend that the staff of IRAC and MECL review the following information listing in advance of the preparation of the application to discuss expectations on a preliminary basis the information that will be provided when the application is filed. We would expect general rate applications to include the following information:

1.0 Purpose/Introduction

1.1 Application Background

1.1.1 About Maritime Electric – purpose, who they service.

1.1.2 Customer Expectations – reliability of service, reasonable pricing, communication.

1.1.3 Maritime Electric's Performance – discussion of company's overall performance (customer outages, assets, cost management, reliability, pricing, energy conservation).

1.1.4 Electricity Sector Developments – new electricity developments since last application, if any.

1.1.5 Risk and Return – cost of capital, business risks, economy applicable to the application.

1.2 Application proposals – Description of the overall impact on rates and what they have proposed

1.2.1 Year 1 and Year 2 Revenue Requirements – including explanations of what is being requested, the impact, effective date, primary reasons the impact occurred.

1.2.2 Customer Rates, Rules and Regulations – impact of customer rates, schedule of rates (both current and proposed), and any new service offerings, if applicable.

1.2.3 Other proposals (if applicable).

2.0 Customer Operations

2.1 Customer Service Delivery

2.1.1 Customer Expectations – description of customer contacts, communication (i.e.: increasing digital usage).

2.1.2 Balancing Costs and Service – service efficiencies (i.e.: ebills stats), customer satisfaction (i.e.: index), ensuring continuity in customer service delivery.

2.1.3 Customer Conservation – conservation plan in place (if any), costs and savings from customer participation, future customer conservation programming.

2.2 Operations and Reliability Management

2.2.1 System Overview – who services are provided to (percentage of population, area).

2.2.2 Electrical System Performance – general commentary, comparison to other Canadian utilities, significant events, reliability management.

2.2.3 Field Responsiveness – performance (comparing to Canadian average for outages), capabilities.

2.3 Operating and Capital Costs

2.3.1 Overall description of the forecast methodology used, if there have been any changes to this methodology in recent years, description of the internal quality review process included in the forecast and the accuracy of the budget/forecast in the three previous years.

2.3.2 Operating Costs – gross operating costs and operating costs by function, cost classification, or category.

2.3.2.1 Provide three prior years of actuals vs the budget/forecast for the period, and explanations for variances.

2.3.2.2 Budget/forecast model in its native form (i.e. excel including underlying calculations) with support for any material assumptions included in the analysis.

2.3.3 Capital Costs – capital expenditures by asset class.

2.3.3.1 Provide three prior years of actuals, vs the budget/forecast for the period, and support for variances.

2.3.3.2 Capital Budget/forecast model in its native form (i.e. excel including underlying calculations) for the rate setting period with support for any material assumptions included in the analysis.

3.0 Finance

3.1 Financial Performance

3.1.1 Revenue – table and supporting documentation detailing the energy sales and electricity revenue for three prior years of actuals vs the budget/forecast for the period (i.e.: billed revenue broken down monthly with energy sales and revenue from rates, base purchased power, and deferral mechanisms impacting the revenues included), including a breakdown of other revenue and necessary supporting materials in its native form (i.e. excel including underlying calculations).

3.1.2 Power Supply – summary/table of power supply costs for three prior years of actuals vs the budget/forecast for the period, provide supporting materials of calculations in its native form (i.e. excel, included within supporting calculations for revenues, as mentioned above), and provide explanations for increases and/or decreases year over year.

3.1.3 Depreciation – summary/table showing depreciation expense for three prior years of actuals vs the budget/forecast for the period, explanations for year over year variances, and the supporting calculations in its native form (i.e. excel including underlying calculations). Additionally, provide the depreciation study which has been relied upon in their application.

3.1.4 Employee Future Benefits – summary/table showing actual employee future benefits for three prior years vs the budget/forecast for the period, provide explanations for variances, and supporting materials.

3.1.5 Finance Charges - summary/table showing actual finance charges expenses for three prior years vs the budget/forecast for the period, provide explanations for increases or decreases year over year, and supporting materials in its native form (i.e. excel including underlying calculations) for how the calculations for each year was derived.

3.1.6 Income Taxes - summary/table showing actual income tax expenses and effective income tax rate for three prior years vs the budget/forecast for the period, provide explanations for increases or decreases year over year with supporting materials.

3.1.7 Returns - summary/table showing actual rates of return for three prior years of actuals vs the budget/forecast for the period, provide explanations for increases or decreases year over year with supporting materials.

3.1.8 Credit Metrics - summary/table showing credit metrics for three prior years of actuals vs the budget/forecast for the period, provide explanations for increases or decreases year over year.

3.2 Cost of Capital

3.2.1 Regulatory Update – background summary of the process to arrive at the cost of capital assumption in the application and the final assumption applied in their calculations.

3.2.2 Impact of Proposed Returns – comparison of the Company's forecasted financial performance for the rate setting period based on existing versus proposed scenarios (i.e. Comparative rates of return, credit metrics).

3.3 Regulatory Accounting Matters – general commentary on accounting standards applied and updates if any, existing versus proposed treatment (if any proposals), use comparative tables detailing existing versus proposed calculations if updates proposed occurred, impact on revenue requirement for existing versus proposed (if any).

3.4 Regulatory Amortizations

3.4.1 Overview – summary/table of amortization of regulatory deferrals previously approved and amortization of regulatory deferrals proposed in the application, showing the impact on revenue requirement, provide separate explanations for new regulatory deferrals set up in this application (seeking approval), and provide details on updates to current deferral mechanisms (if any).

3.4.2 Energy Cost Adjustment Mechanism – discussion on deferral mechanism, dollar impact, implementation (i.e.: rate rider), proposed recovery/refunding method, conclude on if this is consistent with previous practices or not, usage of account in the past (if applicable), supporting calculations on how the dollar/rate impact was derived.

3.4.3 Rate of Return Adjustment (RORA) - discussion on deferral mechanism, dollar impact, implementation (i.e.: rate rider), proposed recovery/refunding method, consistent with previous practices or not, usage of account in past (if applicable), supporting calculations on how the dollar/rate impact was derived.

3.4.4 Weather Normalization Mechanism - discussion on deferral mechanism, dollar impact, implementation (i.e.: rate rider), proposed recovery/refunding method, consistent with previous practices or not, usage of account in the past (if applicable), supporting calculations on how the dollar/rate impact was derived.

4.0 Rate Base and Revenue Requirement

4.1 Overview

4.2 Rate Base - forecasted average rate base for the rate setting period, what are the changes to average rate bases and why, providing supporting materials in its native form (i.e. excel including underlying calculations) of the full calculation (Plant Investment, Additions to Rate Base, Deductions from Rate Base, Working Capital Allowance).

4.3 Revenue Requirement

4.3.1 Summary of Revenue Requirements for the rate setting period – breakdown showing each cost impacting revenue requirement, plus/less adjustments to provide total revenue requirement from rates.

4.3.2 Costs and Depreciation – breakdown of costs included in revenue requirement for the forecasted years (provide tables for each separate cost proposed during the forecasted years), additional support to show how each individual costs was calculated in its native form (i.e. excel including underlying calculations), and overall revenue requirement calculation for each year in the rate setting period.

4.3.3 Return on Rate Base – summarization (table) of the proposed return on rate base, in addition to supporting materials in its native form (i.e. excel including underlying calculations) of the calculation in each of the forecasted years.

4.3.4 Deductions from Revenue Requirement – summarization (table) of the proposed deductions form revenue requirement for rate setting period, and additional supporting materials in its native form (i.e. excel including underlying calculations) for the calculations of each line item.

4.3.5 Required Revenue Increases - summarization (table) of the require revenue increases for the rate setting period, and additional supporting materials for the calculations of each line item (i.e. revenue from rates).

5.0 Customer Rates

5.1 Overview

5.2 Customer, Energy and Demand Forecast

5.2.1 Customers Served – discussion on customers Maritime Electric is responsible for, table presenting the company's customer base (percentage of total customers, percentage of total energy sales).

5.2.2 Forecast – discussion on the methodology applied and tables detailing customers and energy sales for three prior years of actuals vs the budget/forecast for the period.

5.2.3 Provide explanations for variances year over year. Provide any supporting materials in its native form (i.e. excel).

5.2.4 Provide any reports pertaining to the customer, energy and demand forecast.

5.3 Rate Change Plan

5.3.1 Embedded Revenue to Cost ("RTC") Ratio – demonstrate that the RTC ratio on the proposed rates is 90 to 110 percent for the current application. Including the calculation of the RTC. The utility should also acknowledge that the Commission deems an RTC of 95 to 105 as an appropriate target and demonstrate that they have a plan in place to work towards this target prior to the next GRA.

5.3.2 Rate Design Study – Provide an update on the most recent rate design study including and current and potential future impacts that this study might have on this application. Also comment on the timeline to the next study if applicable.

5.4 Proposed Rates

5.4.1 General – provide a schedule of existing and proposed customer rates on the proposed effective date (summary of existing compared to proposed, use a change/formula column to allow recalculation of change), provide supporting materials in its native form (i.e. excel) on the customer rate impacts for different customer class services, support for the reconciliation of the forecasted revenue from rates to the Company's revenue requirement.

N-28 **Rate Schedules and Rate Application Guidelines**

Schedule of "Adjusted Rates"

Maritime Electric Company Limited
effective January 1, 2021

Rate Code			Rates
110	**Residential Urban**		
	Service Charge	$	24.57
	Energy Charge per kWh for first 2,000 kWh	$	0.1492
	Energy Charge per kWh for balance kWh	$	0.1188
130	**Residential Rural**		
	Service Charge	$	26.92
	Energy Charge per kWh for first 2,000 kWh	$	0.1492
	Energy Charge per kWh for balance kWh	$	0.1188
131	**Residential Seasonal**		
	Service Charge	$	26.92
	Energy Charge per kWh for first 2,000 kWh	$	0.1492
	Energy Charge per kWh for balance of kWh	$	0.1188
133	**Residential Seasonal Option**		
	Service Charge	$	37.50
	Energy Charge per kWh for first 2,000 kWh	$	0.1492
	Energy Charge per kWh for balance of kWh	$	0.1188
232	**General Service**		
	Service Charge	$	24.57
	Demand Charge - per kW for first 20 kW	$	-
	Demand Charge - per kW for balance of kW	$	13.43
	Energy Charge per kWh for first 5,000 kWh	$	0.1831
	Energy Charge per kWh for balance of kWh	$	0.1201
233	**General Service - Seasonal Operators Option**		
	Service Charge	$	24.57
	Demand Charge - per kW for first 20 kW	$	-
	Demand Charge - per kW for balance of kW	$	13.43
	Energy Charge per kWh for first 5,000 kWh	$	0.1831
	Energy Charge per kWh for balance of kWh	$	0.1201
320	**Small Industrial**		
	Demand Charge - per kW	$	7.46
	Energy Charge per kWh for first 100 kWh per kW billing demand	$	0.1794
	Energy Charge per kWh for balance of kWh	$	0.0910
310	**Large Industrial**		
	Demand Charge per kW	$	14.50
	Energy Charge per kWh	$	0.0740
340	**Long Term Contract**		
	Demand Charge per kW	$	15.51
	Energy Charge per kWh	$	0.1004
330	**Short Term Contract**		
	Demand Charge - per kW	$	16.79
	Energy Charge per kWh for all kWh in the first block	$	0.0995
	Energy Charge per kWh for balance of kWh in the month	$	0.0828

N-28 **Rate Schedules and Rate Application Guidelines**

Schedule of "Adjusted Rates"

Maritime Electric Company Limited
effective January 1, 2021

	Rate Code	Lamp Wattage	Type		kWh	Monthly kWh		Basic Rates
	619		LED	70 W HPS Equivalent St Lights - Rented		15	$	12.43
	625		LED	100 W HPS Equivalent St Lights - Rented		17	$	12.86
*	630	70	HPS	St Lights - Rented	389	32	$	16.44
*	631	100	HPS	St Lights - Rented	553	46	$	20.88
*	632	150	HPS	St Lights - Rented	799	66	$	29.85
	633	250	HPS	St Lights - Rented	1283	106	$	40.59
	634	400	HPS	St Lights - Rented	1886	157	$	47.47
*	635	125	MV	St Lights - Rented	656	54	$	16.28
	639	70	Lanterns	City Lanterns - Rented	389	32	$	60.43
*	640	70	HPS	St Lights - Owned	389	32	$	6.46
*	641	100	HPS	St Lights - Owned	553	46	$	8.52
*	642	150	HPS	St Lights - Owned	779	65	$	11.44
	643	250	HPS	St Lights - Owned	1283	107	$	18.13
	644	400	HPS	St Lights - Owned	1886	157	$	28.59
**	651	19	LED	St Lights - Owned	78	7	$	1.16
**	652	60	LED	St Lights - Owned	246	21	$	3.67
	666		LED	175 W MV Equivalent St Lights - Rented		25	$	14.31
*	670	100	LED	St Lights - Rented	410	34	$	16.64
	675		LED	150 W/200 W HPS Equivalent St Lights - Rented		37	$	15.46
	719	43	LED	St Lights - Owned	176	15	$	2.63
*	730	70	HPS	Yard Lights - Rented	389	32	$	16.44
*	731	100	HPS	Yard Lights - Rented	553	46	$	20.88
*	732	150	HPS	Yard Lights - Rented	799	66	$	29.85
	733	250	HPS	Yard Lights - Rented	1283	106	$	40.59
	734	400	HPS	Yard Lights - Rented	1886	157	$	47.47
*	735	125	MV	Yard Lights - Rented	656	54	$	16.28
*	737	250	MV	Yard Lights - Rented	1210	100	$	28.79
*	740	70	HPS	Yard Lights - Owned	389	32	$	6.46
*	741	100	HPS	Yard Lights - Owned	553	46	$	8.52
	742	150	HPS	Yard Lights - Owned	779	65	$	11.44
	743	250	HPS	Yard Lights - Owned	1283	107	$	18.13
	744	400	HPS	Yard Lights - Owned	1886	157	$	28.59
	749	180	LPS	Yard Lights - Owned	869	72	$	13.34
	753	250	Flood	Yard Lights - Rented	1283	107	$	38.73
	754	400	Flood	Yard Lights - Rented	1886	157	$	48.21
	755	250	Halide	Yard Lights - Rented	1148	95	$	40.79
	756	400	Halide	Yard Lights - Rented	1878	156	$	50.20
	757	1000	Halide	Yard Lights - Rented	4346	362	$	86.16
	759	100	Halide	St Lights - Owned	533	44	$	7.96
	760	175	Halide	St Lights - Owned	894	74	$	13.37
	761	250	Halide	St Lights - Owned	1148	95	$	17.15
	762	400	Halide	St Lights - Owned	1878	156	$	28.04
	764	100	LED	St Lights - Owned	410	34	$	6.12
	765	150	Halide	St Lights - Owned	759	63	$	11.33
	766	72	LED	St Lights - Owned	295	25	$	4.40
	775	107	LED	St Lights - Owned	438	37	$	6.54
	780	143	LED	St Lights - Owned	586	49	$	8.75
	785	175	LED	St Lights - Owned	718	60	$	10.70

* These charges are applicable to existing fixtures only

N-28 Rate Schedules and Rate Application Guidelines

Schedule of "Adjusted Rates"

Maritime Electric Company Limited
effective January 1, 2021

			Rates
610	Pole Rental -Wood	$	4.38
	Unmetered Rates (based on 100 watt fixture)		
810	8 Hour Lighting per kWh	$	0.1790
	Minimum Charge	$	11.67
820	12 Hour Lighting per kWh	$	0.1790
	Minimum Charge	$	11.67
830	24 Hour Lighting per kWh	$	0.1790
	Minimum Charge	$	11.67
840	Air Raid and Fire Sirens	Currently no customers in this rate category	
850	Outdoor Christmas Lighting: 5.77¢ per watt of connected load per week		
234	Customer Owned Outdoor Recreational Lighting		
	Service Charge	$	24.57
	Energy Charge per kWh for first 5,000 kWh	$	0.1790
	Energy Charge per kWh for balance of kWh	$	0.1099

Short Term Unmetered Rates	Currently no customers in this rate category	
Energy Charge:		
per kWh of estimated consumption	$	0.1790

Connection Charge:	Single-Phase	Three-Phase
A. Connecting to existing secondary voltage	$99.08	$99.08

B. Where transformer installations are required, the following connection charges will apply:

	Single-Phase	Three-Phase
(1) Up to and including 10 kVA	$148.87	$209.17
(2) 11 kVA to 15 kVA	$240.79	$301.01
(3) 16 kVA to 25 kVA	$269.20	$336.64
(4) 26 kVA to 37 kVA	$301.01	$336.64
(5) 38 kVA to 50 kVA	$336.64	$336.64
(6) 51 kVA to 75 kVA	$369.58	$523.96
(7) 76 kVA to 125 kVA	$431.07	$555.59
(8) Above 125 kVA	-	$594.94

APPENDIX "B"

1. Appendix A – General Rate Application Contents

During the course of our review we noted that MECL was very responsive to all of our queries. However, some of those queries could be alleviated in future applications if the originally submitted application was mindful of the following:

- All tables and calculations could be provided in their original native form. We define native form as being the original medium used to perform the analysis. For example, the native form financial models and (excel) with any underlying calculations and supporting materials also filed as supplementary evidence to support the application,
- Supplemental narratives or descriptions of the steps taken to prepare an analysis could also be included to clarify methodologies used and quality control processes in place to demonstrate that MECL has completed a process to ensure the evidence files is free from error.

To expedite future general rate applications, we recommend that the staff of IRAC and MECL review the following information listing in advance of the preparation of the application to discuss expectations on a preliminary basis the information that will be provided when the application is filed. We would expect general rate applications to include the following information:

1.0 Purpose/Introduction

1.1 Application Background

1.1.1 About Maritime Electric – purpose, who they service.

1.1.2 Customer Expectations – reliability of service, reasonable pricing, communication.

1.1.3 Maritime Electric's Performance – discussion of company's overall performance (customer outages, assets, cost management, reliability, pricing, energy conservation).

1.1.4 Electricity Sector Developments – new electricity developments since last application, if any.

1.1.5 Risk and Return – cost of capital, business risks, economy applicable to the application.

1.2 Application proposals – Description of the overall impact on rates and what they have proposed

1.2.1 Year 1 and Year 2 Revenue Requirements – including explanations of what is being requested, the impact, effective date, primary reasons the impact occurred.

1.2.2 Customer Rates, Rules and Regulations – impact of customer rates, schedule of rates (both current and proposed), and any new service offerings, if applicable.

1.2.3 Other proposals (if applicable).

2.0 Customer Operations

2.1 Customer Service Delivery

2.1.1 Customer Expectations – description of customer contacts, communication (i.e.: increasing digital usage).

2.1.2 Balancing Costs and Service – service efficiencies (i.e.: ebills stats), customer satisfaction (i.e.: index), ensuring continuity in customer service delivery.

2.1.3 Customer Conservation – conservation plan in place (if any), costs and savings from customer participation, future customer conservation programming.

2.2 Operations and Reliability Management

2.2.1 System Overview – who services are provided to (percentage of population, area).

2.2.2 Electrical System Performance – general commentary, comparison to other Canadian utilities, significant events, reliability management.

2.2.3 Field Responsiveness – performance (comparing to Canadian average for outages), capabilities.

2.3 Operating and Capital Costs

2.3.1 Overall description of the forecast methodology used, if there have been any changes to this methodology in recent years, description of the internal quality review process included in the forecast and the accuracy of the budget/forecast in the three previous years.

2.3.2 Operating Costs – gross operating costs and operating costs by function, cost classification, or category.

2.3.2.1 Provide three prior years of actuals vs the budget/forecast for the period, and explanations for variances.

2.3.2.2 Budget/forecast model in its native form (i.e. excel including underlying calculations) with support for any material assumptions included in the analysis.

2.3.3 Capital Costs – capital expenditures by asset class.

2.3.3.1 Provide three prior years of actuals, vs the budget/forecast for the period, and support for variances.

2.3.3.2 Capital Budget/forecast model in its native form (i.e. excel including underlying calculations) for the rate setting period with support for any material assumptions included in the analysis.

3.0 Finance

3.1 Financial Performance

3.1.1 Revenue – table and supporting documentation detailing the energy sales and electricity revenue for three prior years of actuals vs the budget/forecast for the period (i.e.: billed revenue broken down monthly with energy sales and revenue from rates, base purchased power, and deferral mechanisms impacting the revenues included), including a breakdown of other revenue and necessary supporting materials in its native form (i.e. excel including underlying calculations).

3.1.2 Power Supply – summary/table of power supply costs for three prior years of actuals vs the budget/forecast for the period, provide supporting materials of calculations in its native form (i.e. excel, included within supporting calculations for revenues, as mentioned above), and provide explanations for increases and/or decreases year over year.

3.1.3 Depreciation – summary/table showing depreciation expense for three prior years of actuals vs the budget/forecast for the period, explanations for year over year variances, and the supporting calculations in its native form (i.e. excel including underlying calculations). Additionally, provide the depreciation study which has been relied upon in their application.

3.1.4 Employee Future Benefits – summary/table showing actual employee future benefits for three prior years vs the budget/forecast for the period, provide explanations for variances, and supporting materials.

3.1.5 Finance Charges - summary/table showing actual finance charges expenses for three prior years vs the budget/forecast for the period, provide explanations for increases or decreases year over year, and supporting materials in its native form (i.e. excel including underlying calculations) for how the calculations for each year was derived.

3.1.6 Income Taxes - summary/table showing actual income tax expenses and effective income tax rate for three prior years vs the budget/forecast for the period, provide explanations for increases or decreases year over year with supporting materials.

3.1.7 Returns - summary/table showing actual rates of return for three prior years of actuals vs the budget/forecast for the period, provide explanations for increases or decreases year over year with supporting materials.

3.1.8 Credit Metrics - summary/table showing credit metrics for three prior years of actuals vs the budget/forecast for the period, provide explanations for increases or decreases year over year.

3.2 Cost of Capital

3.2.1 Regulatory Update – background summary of the process to arrive at the cost of capital assumption in the application and the final assumption applied in their calculations.

3.2.2 Impact of Proposed Returns – comparison of the Company's forecasted financial performance for the rate setting period based on existing versus proposed scenarios (i.e. Comparative rates of return, credit metrics).

3.3 Regulatory Accounting Matters – general commentary on accounting standards applied and updates if any, existing versus proposed treatment (if any proposals), use comparative tables detailing existing versus proposed calculations if updates proposed occurred, impact on revenue requirement for existing versus proposed (if any).

3.4 Regulatory Amortizations

3.4.1 Overview – summary/table of amortization of regulatory deferrals previously approved and amortization of regulatory deferrals proposed in the application, showing the impact on revenue requirement, provide separate explanations for new regulatory deferrals set up in this application (seeking approval), and provide details on updates to current deferral mechanisms (if any).

3.4.2 Energy Cost Adjustment Mechanism – discussion on deferral mechanism, dollar impact, implementation (i.e.: rate rider), proposed recovery/refunding method, conclude on if this is consistent with previous practices or not, usage of account in the past (if applicable), supporting calculations on how the dollar/rate impact was derived.

3.4.3 Rate of Return Adjustment (RORA) - discussion on deferral mechanism, dollar impact, implementation (i.e.: rate rider), proposed recovery/refunding method, consistent with previous practices or not, usage of account in past (if applicable), supporting calculations on how the dollar/rate impact was derived.

3.4.4 Weather Normalization Mechanism - discussion on deferral mechanism, dollar impact, implementation (i.e.: rate rider), proposed recovery/refunding method, consistent with previous practices or not, usage of account in the past (if applicable), supporting calculations on how the dollar/rate impact was derived.

4.0 Rate Base and Revenue Requirement

4.1 Overview

4.2 Rate Base - forecasted average rate base for the rate setting period, what are the changes to average rate bases and why, providing supporting materials in its native form (i.e. excel including underlying calculations) of the full calculation (Plant Investment, Additions to Rate Base, Deductions from Rate Base, Working Capital Allowance).

4.3 Revenue Requirement

4.3.1 Summary of Revenue Requirements for the rate setting period – breakdown showing each cost impacting revenue requirement, plus/less adjustments to provide total revenue requirement from rates.

4.3.2 Costs and Depreciation – breakdown of costs included in revenue requirement for the forecasted years (provide tables for each separate cost proposed during the forecasted years), additional support to show how each individual costs was calculated in its native form (i.e. excel including underlying calculations), and overall revenue requirement calculation for each year in the rate setting period.

4.3.3 Return on Rate Base – summarization (table) of the proposed return on rate base, in addition to supporting materials in its native form (i.e. excel including underlying calculations) of the calculation in each of the forecasted years.

4.3.4 Deductions from Revenue Requirement – summarization (table) of the proposed deductions form revenue requirement for rate setting period, and additional supporting materials in its native form (i.e. excel including underlying calculations) for the calculations of each line item.

4.3.5 Required Revenue Increases - summarization (table) of the require revenue increases for the rate setting period, and additional supporting materials for the calculations of each line item (i.e. revenue from rates).

5.0 Customer Rates

5.1 Overview

5.2 Customer, Energy and Demand Forecast

5.2.1 Customers Served – discussion on customers Maritime Electric is responsible for, table presenting the company's customer base (percentage of total customers, percentage of total energy sales).

5.2.2 Forecast – discussion on the methodology applied and tables detailing customers and energy sales for three prior years of actuals vs the budget/forecast for the period.

5.2.3 Provide explanations for variances year over year. Provide any supporting materials in its native form (i.e. excel).

5.2.4 Provide any reports pertaining to the customer, energy and demand forecast.

5.3 Rate Change Plan

5.3.1 Embedded Revenue to Cost ("RTC") Ratio – demonstrate that the RTC ratio on the proposed rates is 90 to 110 percent for the current application. Including the calculation of the RTC. The utility should also acknowledge that the Commission deems an RTC of 95 to 105 as an appropriate target and demonstrate that they have a plan in place to work towards this target prior to the next GRA.

5.3.2 Rate Design Study – Provide an update on the most recent rate design study including and current and potential future impacts that this study might have on this application. Also comment on the timeline to the next study if applicable.

5.4 Proposed Rates

5.4.1 General – provide a schedule of existing and proposed customer rates on the proposed effective date (summary of existing compared to proposed, use a change/formula column to allow recalculation of change), provide supporting materials in its native form (i.e. excel) on the customer rate impacts for different customer class services, support for the reconciliation of the forecasted revenue from rates to the Company's revenue requirement.