



Docket: UE20944
Order: UE21-14

IN THE MATTER of an application by Maritime Electric Company, Limited to vary Order UE20-06, pursuant to section 12 of the *Island Regulatory and Appeals Commission Act*, RSPEI 1988, Cap. I-11, and section 20 of the *Electric Power Act*, RSPEI 1988, Cap. E-4.

CERTIFIED A TRUE COPY

Cheryl Mosher,
Senior Financial Advisor
Island Regulatory & Appeals Commission

Order

BEFORE THE COMMISSION ON Tuesday, the 14th day of December, 2021.

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

BACKGROUND:

1. Between February 2016 and September 2019, the Island Regulatory and Appeals Commission (the “Commission”) issued three orders to Maritime Electric Company, Limited (“Maritime Electric” or the “Company”) ordering the Company to file a rate design study and proposed rate structure with the Commission. The Orders are as follows:
 - a) **Order UE16-04** (issued February 29, 2016) ordered Maritime Electric to file a rate design study and proposed rate structure with the Commission on or before April 30, 2018;
 - b) **Order UE18-02** (issued April 17, 2018) extended the filing deadline from April 30, 2018 to October 31, 2018, at the request of Maritime Electric; and
 - c) **Order UE19-08** (issued September 27, 2019) again ordered Maritime Electric to file a comprehensive rate design study and proposed rate structure on or before June 30, 2020.
2. Maritime Electric failed to comply with Commission Orders UE16-04 and UE18-02. Although the Company did file a rate design study on June 30, 2020, it failed to file a proposed rate structure as required by Order UE19-08.
3. On December 21, 2020, the Commission issued Order UE20-06. The Order approved electric rates for the fourteen month period from January 1, 2021 to February 28, 2022.
4. At the time that Order UE20-06 was issued, Maritime Electric still had not filed a proposed rate structure. As a result, Maritime Electric was ordered (for a fourth time) to file a proposed rate structure with the Commission. The Commission also ordered that a new rate structure must be approved prior to Maritime Electric filing its next General Rate Application. The approved rate structure is to be incorporated into the Company’s next General Rate Application.
5. On May 14, 2021, Maritime Electric filed a Stage 1 Rate Design Application with the Commission.
6. As part of its Stage 1 Rate Design Application, Maritime Electric asked that Order UE20-06 be varied to allow the Company to file its next General Rate Application prior to a decision on the Company’s rate design proposal.
7. On October 22, 2021, Maritime Electric filed a further request with the Commission seeking to vary Order UE20-06 and allowing the Company to file its next General Rate Application prior to a decision on the proposed rate design.
8. As part of its request, Maritime Electric advised that it has reviewed its financial projections for 2022, and has developed a budget that will allow the Company to work within its approved revenue requirement for 2022. As a result, Maritime Electric is proposing to file its next General Rate Application for new customer rates effective January 1, 2023 to December 31, 2025.

DECISION:

9. The Commission is reluctant to vary Order UE20-06 to allow Maritime Electric to file its next General Rate Application before an order has been issued with respect to rate design.
10. Firstly, the Company itself is responsible for the delays caused by its failure to comply with previous Commission Orders. Had Maritime Electric complied with Orders UE16-04, UE18-02 and UE19-08, the issue of rate design would have been addressed well in advance of the Company's next General Rate Application. This was the Commission's intent when issuing the Orders and setting clear timelines by which Maritime Electric was to file the proposed rate structure.
11. Secondly, and as stated in previous Commission Orders, the intent of the rate design application is to address long-standing inequities in Maritime Electric's rate structure. These inequities result in certain rate classes paying more or less than the cost to serve them – resulting in some ratepayers essentially subsidizing other ratepayers. As stated in Order UE20-06, the Commission is not prepared to allow these inequities to continue into the next rate setting period.
12. However, the Commission also recognizes that the rate design proposal has been filed and is now under review by the Commission's independent expert. Due to the involvement of expert witnesses and the anticipated level of public involvement, the process and timelines for dealing with the rate design application are now largely outside the control of Maritime Electric.
13. Further, the Commission recognizes that a thorough and comprehensive review of the next General Rate Application will take time and resources. As a result, waiting to file the General Rate Application until after an order has been issued with respect to rate design may reasonably result in a delay in approving and implementing new electric rates. Such a delay would not be in the best interests of Maritime Electric or its customers.
14. The Commission is therefore prepared to vary Commission Order UE20-06 to allow Maritime Electric to file its General Rate Application for new rates effective January 1, 2023, prior to the approval of a new rate structure. The General Rate Application is to be based on the Company's audited financial results as of December 31, 2021.
15. The Commission intends to issue an order on rate design before an order is issued with respect to the Company's next General Rate Application. This will ensure that the new rate structure is incorporated into the Schedule of Rates and will take effect in the next rate setting period.

ORDER:

The Commission Orders as follows:

1. Paragraph 31 of Commission Order UE20-06 is hereby varied. Maritime Electric shall be permitted to file its General Rate Application, for rates effective January 1, 2023, prior to approval of a new rate structure.
2. The General Rate Application for rates effective January 1, 2023 shall be based on Maritime Electric's audited financial results as of December 31, 2021.

DATED at Charlottetown, Prince Edward Island, this 14th day of December, 2021.

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