



PRINCE EDWARD ISLAND

Regulatory & Appeals Commission

Commission de réglementation et d'appels

ÎLE-DU-PRINCE-ÉDOUARD

**Docket:** UE20604  
**Order:** UE22-01  
**Date:** February 16, 2022

**IN THE MATTER** of an application by Maritime Electric Company, Limited for an order approving an Energy Cost Adjustment Mechanism rate adjustment for all customer classes for the period March 1, 2022 to February 28, 2023, pursuant to sections 13(1) and 20 of the *Electric Power Act*, R.S.P.E.I. 1988, Cap. E-4.

# Order

Panel Members:

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

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Cheryl Mosher,  
Senior Financial Officer  
Prince Edward Island Regulatory & Appeals  
Commission

## **BACKGROUND:**

1. On December 21, 2020, the Commission issued Order UE20-06 approving the rates to be charged by Maritime Electric Company, Limited ("MECL" or the "Company") for the period January 1, 2021 to February 28, 2022.
2. On December 14, 2021, the Commission issued Order UE21-14. In the Order, the Commission varied Order UE20-06 to allow Maritime Electric to file its General Rate Application, for rates effective January 1, 2023, prior to approval of a new rate structure. The Order requires that the General Rate Application for rates effective January 1, 2023 must be based on Maritime Electric's audited financial results as of December 31, 2021.
3. On December 17, 2021, Maritime Electric filed an application with the Commission seeking approval for an Energy Cost Adjustment Mechanism ("ECAM") rate adjustment to customers' bills (the "Application"). The ECAM rate adjustment, if approved, would begin March 1, 2022 and would remain in effect until February 28, 2023.
4. The ECAM rate adjustment is intended to allow Maritime Electric to recover approximately \$5.6 million in energy supply costs incurred in 2021 and due primarily to unforeseen outages at Point Lepreau.
5. The Application is not a General Rate Application, and Maritime Electric is not seeking approval for any changes to its 2022 revenue requirement or to the basic energy charge. Instead, Maritime Electric intends to work within its approved revenue requirement for 2022, and file a comprehensive General Rate Application for new rates effective January 1, 2023.
6. Following receipt of the Application, the Commission provided notice to the public via the Commission website and notices published in local newspapers. Interested individuals were given the opportunity to ask written questions of Maritime Electric, and to make written submissions to the Commission.
7. The Commission received written comments from four interested members of the public. These comments were made publicly available via the Commission website.

## **OVERVIEW OF APPLICATION:**

8. At the beginning of a rate setting period, Maritime Electric calculates the basic energy charge to be included in customer rates. The basic energy charge is based on a number of forecasts, including forecast annual energy supply costs. The forecasts are filed with the Commission and reviewed as part of the Company's General Rate Application.
9. As the basic energy charge is calculated based on forecasts, the actual energy costs incurred by Maritime Electric may vary over the rate setting period. When this occurs, the difference between the forecast and actual cost of energy is deferred to the ECAM account. The balance recorded in the ECAM account is then collected from (or returned to) customers as directed by the Commission.

10. Maritime Electric reports that its 2021 actual energy costs were significantly higher than forecasts used to set the basic energy charge. The primary reason for the higher than forecast costs are unscheduled outages at Point Lepreau and greater than anticipated operating and maintenance costs for Point Lepreau.
11. In the Application, Maritime Electric reports that Point Lepreau was out for 73 full days and operated at less than full generating capacity for an additional 27 days. In total, there were 100 days in 2021 during which there were unscheduled outages at Point Lepreau.
12. The unscheduled outages at Point Lepreau impact the energy supply costs incurred by Maritime Electric in two ways. First, the Company must secure replacement energy. Second, the Company's share of the Point Lepreau operating and maintenance costs are higher than planned.
13. Maritime Electric forecasts the cost of replacement energy for the unscheduled Point Lepreau outages in 2021 was approximately \$5 million. In addition, the Company's share of the Point Lepreau operating and maintenance costs was \$1.2 million higher than budgeted. Together, the replacement energy costs and additional operating and maintenance costs resulted in a \$6.2 million increase in actual over forecast energy costs for 2021.
14. The increased energy supply costs were partially offset by lower than forecast energy supply costs unrelated to Point Lepreau. These other costs were \$0.65 million less than forecast, and reduce the balance of the ECAM account from \$6.2 million to approximately \$5.6 million.
15. On February 9, 2022, Maritime Electric filed a special purpose audit prepared by Deloitte LLP. Deloitte LLP undertook an independent audit of the ECAM account balance at December 31, 2021, and verified that the amounts deferred to the account are in accordance with the ECAM formula that was previously approved by the Commission.
16. The increased energy costs incurred by the Company in 2021 have not yet been recovered from ratepayers. Instead, Maritime Electric deferred the unforeseen costs to the ECAM account to be recovered from ratepayers as directed by the Commission.
17. Maritime Electric is seeking Commission approval to recover the ECAM balance from customers over a 12-month period, from March 1, 2022 to February 28, 2023. If approved, the energy costs would be collected via an ECAM rate rider on customer bills of \$0.00402 per kilowatt hour.
18. The proposed ECAM rate rider is calculated in accordance with the formula approved in Section N-0 of Maritime Electric's General Rules and Regulations.
19. To calculate the rate rider per kilowatt hour, the Company provided updated forecast sales based on Maritime Electric's most recent customer load forecast updated in December 2021. The forecast sales per kilowatt hour, by rate class, are as follows:



Table 5 Forecast kWh Sales			
Class	Consumption Period		Forecast Growth
	March 1, 2021 to February 28, 2022	March 1, 2022 to February 28, 2023	
Residential	699,401,400	710,421,600	1.6%
General Service	387,780,100	400,885,300	3.4%
Large Industrial	158,014,600	163,622,200	3.5%
Small Industrial	94,383,100	98,058,200	3.9%
Street Lighting	4,048,100	3,803,800	(6.0)%
Unmetered	2,509,200	2,549,100	1.6%
<b>Total Sales</b>	<b>1,346,136,500</b>	<b>1,379,340,200</b>	<b>2.5%</b>

20. Maritime Electric proposes that, to the extent that actual kilowatt hour sales vary from the forecast, any difference between the actual amount of the ECAM collected from customers will be deferred to the ECAM account to be collected from (or refunded to) customers in a future period.

### **DECISION:**

21. The Commission has had an opportunity to review the Application, as well as the 805 audit report prepared by Deloitte LLP.
22. The Commission is satisfied that an ECAM rate adjustment is appropriate in the circumstances.
23. Maritime Electric is not seeking approval for a new revenue requirement or new basic energy charges for its customers in 2022. Instead, Maritime Electric has made financial arrangements that will allow the Company to provide service at the electric rates approved effective January 1, 2021.
24. In the present Application, the Company is seeking approval solely to recover unforeseen energy supply costs that were incurred in 2021. The unforeseen costs, totalling approximately \$5.6 million, relate primarily to unscheduled outages and increased operating and maintenance costs at Point Lepreau.
25. The Commission is satisfied that an ECAM rate adjustment is the appropriate mechanism by which to recover the unforeseen energy supply costs incurred in 2021.
26. The ECAM rate adjustment is permitted by Maritime Electric's approved General Rules and Regulations. From a regulatory perspective, it is an efficient way by which Maritime Electric can recover certain energy supply costs without the time and expense associated with filing a comprehensive General Rate Application.

27. An ECAM rate adjustment will also ensure that the energy supply costs incurred in 2021 are paid (as near as possible) by the customers who actually consumed the electricity. The Commission has previously expressed concern about intergenerational inequity if costs are deferred and collected from future ratepayers. As the costs were incurred by Maritime Electric to provide service to its customers in 2021, those costs should be paid by the customers who actually used the electricity – rather than being deferred and paid by future ratepayers.
28. In the present circumstances, Maritime Electric could (for example) have elected to defer the ECAM balance to be addressed as part of its next General Rate Application. In that case, ratepayers in 2023, 2024 and 2025 would be paying for a portion of electricity consumed by customers in 2021. This would have resulted in intergenerational inequity.
29. Although the deferral of costs is appropriate in certain circumstances, the Commission is satisfied that the recovery of the ECAM balance beginning in 2022 is appropriate. In making this decision, the Commission has considered the rate impact to ratepayers (being \$0.00402 per kilowatt hour), and the fact that Maritime Electric is not seeking any other rate increase in 2022.
30. The Commission is also satisfied that the \$5.6 million deferred to the ECAM in 2021 was calculated in accordance with the approved ECAM formula contained in the approved General Rules and Regulations.
31. The Commission is likewise satisfied that the higher than forecast energy costs incurred by Maritime Electric in 2021 were related to unforeseen outages at Point Lepreau. In the circumstances, it was reasonable for Maritime Electric to purchase replacement energy to ensure that it could continue to serve its customers while Point Lepreau operated at less than the anticipated generating capacity. It was also reasonable for Maritime Electric to defer the energy costs to the ECAM account and to seek Commission approval prior to recovering the amounts from ratepayers.
32. Maritime Electric is seeking to recover the additional energy costs from ratepayers over a 12-month period, beginning March 1, 2022 and ending February 28, 2023. The Commission considers the proposed period of recovery to be appropriate, taking into consideration the resulting rate impact to customers, and the principle of intergenerational equity.
33. For all of these reasons, the Commission approves the ECAM rate adjustment of \$0.00402 per kilowatt hour, effective March 1, 2022 to February 28, 2023.
34. The ECAM rate adjustment is calculated based on forecast energy sales for the period March 1, 2022 to February 28, 2023. Any difference between forecast and actual energy sales will have a corresponding impact on the amount of the ECAM balance that is collected from ratepayers during the period.
35. As a result, in the event the actual amount collected via the ECAM rate adjustment results in collection of an amount over or under \$5.6 million, the difference shall be deferred to

the ECAM account to be collected from (or refunded to) customers as directed by the Commission.

**ORDER:**

The Commission Orders as follows:

1. Maritime Electric shall collect an ECAM rate adjustment of \$0.00402 per kilowatt hour on electricity consumed on or after March 1, 2022.
2. The ECAM rate adjustment shall remain in effect until February 28, 2023, or until otherwise varied by the Commission.
3. In the event the actual amount collected via the ECAM rate adjustment results in collection of an amount over or under \$5.6 million, the difference shall be deferred to the ECAM account to be collected from (or refunded to) customers as directed by the Commission.
4. Maritime Electric's General Rules and Regulations shall be amended to include an updated Schedule of Rates that reflects the terms of this Order. The General Rules and Regulations shall be filed with the Commission on or before February 25, 2022.

**DATED** at Charlottetown, Prince Edward Island, this 16<sup>th</sup> day of February, 2022.

**BY THE COMMISSION:**

*(sgd) J. Scott MacKenzie*

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J. Scott MacKenzie, Q.C., Chair

*(sgd) M. Douglas Clow*

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M. Douglas Clow, Vice-Chair

*(sgd) Erin T. Mitchell*

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Erin T. Mitchell, Commissioner