PRINCE EDWARD ISLAND
Regulatory & Appeals Commission
Commission de réglementation et d'appels
ÎLE-DU-PRINCE-ÉDOUARD

Docket: **UE20946**
Order: **UE23-04**

IN THE MATTER of an application by Maritime Electric Company, Limited for an order approving rates, tolls and charges for electric service for the years March 1, 2023 to February 28, 2026, pursuant to section 20 of the *Electric Power Act*, RSPEI 1988, c. E-4.

CERTIFIED TRUE COPY

Nicole McKenna,
Commission Legal Counsel
Prince Edward Island Regulatory and Appeals Commission

Order

BEFORE THE COMMISSION ON Monday, the 24th day of April, 2023.

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

OVERVIEW OF THE APPLICATION:

1. On June 20, 2022, Maritime Electric Company, Limited ("MECL") filed an application with the Prince Edward Island Regulatory and Appeals Commission (the "Commission") seeking approval for new electric rates, tolls and charges for a three year period (the "GRA" or the "Application"). If approved, new rates for all rate classes would come into effect on March 1st in each of 2023, 2024 and 2025.

2. In the GRA as filed, MECL sought to increase the energy charge per kWh for each rate class. If approved, the energy charge would increase by 3.1 percent to 4.0 percent. For the benchmark Residential and General Service customer, the total cost of electricity would increase between 2.9 percent to 3.1 percent per year. The actual increase for a particular customer would vary depending on their rate class and energy consumption.

3. The rates proposed in the GRA assumed that MECL's return on average common equity ("ROE") would increase from 9.35 percent to 9.95 percent based on 40 percent average common equity.

4. Following receipt of the GRA, the Commission gave public notice of the Application through a publication in local newspapers and on the Commission website. Interested members of the public were given the opportunity to issue questions to MECL, submit comments to the Commission, and apply for intervener status.

5. The Prince Edward Island Energy Corporation ("PEIEC") applied for and was granted Added Party Intervener status.[1] There were no other requests for intervener status.

6. In early January 2023, MECL and PEIEC sought Commission approval to enter into settlement negotiations with respect to all matters contained in the GRA.[2] The request was made in accordance with the Commission's *Rules of Procedure for Negotiated Settlements In Matters of Utility Regulation* ("*Rules of Negotiated Settlement*").

7. On January 12, 2023, the Commission approved the request and permitted MECL and PEIEC to enter into settlement negotiations, subject to certain conditions. These conditions were set out in the Commission's letter of direction dated January 12, 2023.[3]

8. On February 10, 2023, a report was received from the Commission's independent expert, London Economics International LLC ("London Economics").[4] London Economics was retained by Commission staff to provide an expert opinion regarding a just and reasonable ROE for MECL. London Economics independently estimated the ROE for the rate setting period and recommended an ROE of 9.7 percent based on the proposed capital structure of 40 percent equity.

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[1] Order UE22-05
[2] Exhibit M-10 and Exhibit EC-3
[3] Exhibit C-3
[4] Exhibit C-5

9. On April 4, 2023, a settlement between MECL and PEIEC was filed with the Commission (the "Proposed Settlement").[5] The Proposed Settlement amends certain parts of the GRA as filed. As a result of the amendments, MECL's revenue requirement over the three year rate setting period has been reduced by approximately $5.8 million.

10. The reduction in revenue requirement is driven primarily by two amendments to the GRA as filed:

    a) **Reduction in the Proposed ROE**: In the Proposed Settlement, the ROE used to calculate MECL's revenue requirement has been reduced from 9.95 percent to 9.35 percent. MECL would have the ability to earn an additional 0.35 percent up to a maximum of 9.7 percent. If approved, this "deadband" of a further 0.35 percent would give MECL the opportunity to earn an ROE of up to 9.7 percent through operational efficiencies and/or business growth.

    b) **Reduction in the Provincial Debt Repayment**: After the GRA was filed in June 2022, PEIEC provided MECL with a revised repayment schedule for the provincial debt repayment costs. The repayment schedule was revised to reflect insurance proceeds associated with delays in the Point Lepreau Nuclear Generating Station refurbishment, including a related interest swap gain. There was no change to the collection period of the debt.

11. These two amendments, taken together, represent approximately 90 percent of the total reduction in the revenue requirement.

12. The reduction in the annual revenue requirement results in a reduction in the proposed increase to customer rates. As a result, the Proposed Settlement would see electric rates increase by 2.6 percent in 2023, 2.6 percent in 2024, and 2.7 percent in 2025, depending on a customer's rate class and energy consumption. The below table shows the annual rate increase proposed in the GRA as filed versus the annual rate increase in the Proposed Settlement:

Annual Rate Increase for a Benchmark Customer			
	2023/2024	**2024/2025**	**2025/2026**
GRA as filed	3.0%	3.0%	3.0%
Settlement	**2.6%**	**2.6%**	**2.7%**

13. The Proposed Settlement, if approved, would see new electric rates come into effect on May 1, 2023, March 1, 2024 and March 1, 2025.

14. After receiving the Proposed Settlement, the Commission determined that a public hearing would be held. The Commission gave public notice of the Proposed Settlement and the

[5] Exhibit M-14

hearing in local newspapers and on the Commission website. Interested members of the public were invited to submit comments to the Commission in advance of the hearing.

15. The hearing was held in the Commission hearing room on April 18, 2023. The hearing was open to the public and was broadcast live on the Commission's website.

16. In the course of the hearing, MECL presented evidence from a panel of witnesses, namely:

- Jason Roberts, President and Chief Executive Officer
- Michelle Francis, Vice President, Finance and Chief Financial Officer
- Angus Orford, Vice President, Corporate Planning and Energy Supply
- Enrique Riveroll, Vice President, Customer Service

17. Although PEIEC did not call any evidence at the hearing or question any of MECL's witnesses, PEIEC's legal counsel made a closing submission confirming PEIEC's agreement with all aspects of the GRA as filed by MECL and amended only by the Proposed Settlement. Although PEIEC's legal counsel advised that PEIEC had obtained two expert opinions, the opinions were not filed with the Commission or made publicly available by PEIEC.

18. The evidence filed with respect to the Application is extensive. The record includes more than 70 exhibits, including four expert reports. There was also a comprehensive pre-hearing interrogatory process. In total, the Commission, through its staff and expert witness, issued 106 interrogatories to MECL. MECL filed responses to all interrogatories in advance of the hearing.

19. All documents filed in this matter were provided to the parties. All non-confidential filings, including the expert reports, were made available to the public via the Commission website.

20. At the commencement of the public hearing, the parties filed an Affidavit on Negotiated Settlement as required by the Commission's *Rules of Negotiated Settlements*.[6] The sworn Affidavit is signed by both MECL and PEIEC and confirms, among other things, that MECL did not withhold any relevant information, all issues have been resolved, and all parties are in agreement with the Proposed Settlement.

21. The Commission has considered all of the evidence filed with respect to the Application in reaching the decision that follows.

COMMISSION'S AUTHORITY UNDER THE *ELECTRIC POWER ACT*:

22. The Commission is an independent, quasi-judicial tribunal. It exercises appellate, adjudicative, and regulatory authority under a number of provincial statutes, including the

[6] Exhibit M-16

Electric Power Act. In doing so, the Commission is required to follow legislative requirements and administrative law principles.

23. The *Electric Power Act* gives the Commission broad regulatory oversight over public utilities, including MECL. When MECL seeks to vary its rates for electric service, it must first apply to the Commission for approval. The Commission has the authority to approve the rates proposed by MECL, or to determine and fix new rates.[7] The electric rates set by the Commission are the lawful rates and the rates that MECL is permitted to charge its customers.[8]

24. As MECL is a regulated monopoly and can only charge the rates approved by the Commission, the rates set by the Commission must balance the interests of MECL and the interests of its customers. As a result, the Commission's ratemaking function is designed to allow MECL to recover its legitimate costs of providing service, and an opportunity to earn a return on investment, at rates that are fair and reasonable for its customers.

25. Negotiated settlements are commonly used in matters of electric utility regulation across Canada. They allow the parties to determine what matters are agreed upon and what matters are in contention. This can lead to a more efficient regulatory process, which benefits both the utility and its customers.

26. However, the Commission, as regulator, is not bound by any settlement agreement between the parties. Notwithstanding that a settlement has been reached, the Commission is required to review and evaluate the General Rate Application as a whole, and to set rates, tolls and charges for electric service that are reasonable, publicly justifiable and non-discriminatory.

27. The Commission's approach to settlement agreements was explained in Commission Order UE16-04R. The following principles bear repeating:

> *The Commission notes at the outset that it is not a party to the Agreement and does not consider itself to be, in any way, bound by the terms of the Agreement. The Commission's jurisdiction to regulate public utilities, including Maritime Electric, is founded in the EPA [Electric Power Act]. Although the Agreement is evidence that certain matters are supported by the Government, the Commission must still exercise its jurisdiction to set rates, tolls and charges for electric service that it determines to be reasonable, publicly justifiable, and non-discriminatory.*
>
> […]
>
> *Once the interested parties reach a negotiated settlement, the agreement is not simply approved by "rubber stamp" of the regulator. Instead, a regulator presented with a negotiated settlement is required to determine if the agreement is in the public interest (see Nova Scotia Power Inc. (Re), 2012*

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[7] *Electric Power Act*, section 20(1)
[8] *Electric Power Act*, section 20(2)

> *NSUARB 227 at para. 24). A settlement agreement does not replace an "appropriate and informed review by the Board as to what is in the overall public interest" (see ATCO Electric Ltd. v. Alberta (Energy and Utilities Board), 2004 ABCA 215 [ATCO] at para. 139).*[9]

28. The Commission has followed this approach in its review of this GRA and the Proposed Settlement.

DECISION:

29. Based on a review of all of the evidence, the Commission is satisfied that, for the most part, the Proposed Settlement represents an appropriate balance between the interests of MECL and the interests of its customers. It is also satisfied that the rates, tolls and charges set forth in the Proposed Settlement are, in the circumstances, reasonable and publicly justifiable.

30. The Commission does, however, have concerns about certain aspects of the Proposed Settlement, as will be discussed following. These concerns will be addressed through the requirement of further filings by MECL and review and investigation by the Commission, in accordance with the Commission's mandate and general power of supervision under the *Electric Power Act*.

Allowed ROE

31. In the Proposed Settlement, MECL has agreed to an ROE of 9.35 percent for the purpose of calculating its revenue requirement, and a maximum ROE of 9.7 percent for the purpose of calculating its annual earnings. This means that although an ROE of 9.35 was used to calculate customer rates, MECL will have the opportunity to earn an ROE of up to 9.7 percent through operating efficiencies and/or business growth.

32. The 9.7 percent "deadband" is not unlike the earnings sharing mechanisms that MECL has applied for in previous General Rate Applications. The Commission has consistently refused MECL's requests for an earnings sharing mechanism due to MECL's pattern of over-earning.[10]

33. The Commission has also expressed serious concerns about the impact that an earnings sharing mechanism will have on the rate of return adjustment ("RORA") account.[11] In the absence of an earnings sharing mechanism, savings associated with operational efficiencies and increased revenue associated with sales growth are refunded to ratepayers through the RORA account. The "deadband" that MECL and PEIEC have agreed to means that those financial benefits will now go to MECL, rather than to its customers. A RORA balance will not be recorded until MECL has achieved an ROE of 9.7 percent.

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[9] Order UE16-04R at paras. 28, 32
[10] Order UE19-08 at paras. 124-126
[11] Order UE19-08 at para. 124

34. Despite the Commission's ongoing concerns, the Commission approves an ROE of 9.35 percent up to a maximum of 9.7 percent. The Commission is satisfied that a "deadband" is appropriate in these specific circumstances as the ROE for the purpose of calculating the revenue requirement is less than the ROE recommended by the expert witnesses, including the independent expert retained on behalf of the Commission. In addition, the maximum ROE for the purpose of calculating annual earnings (9.7 percent) is the lowest ROE recommended by the expert witnesses.

35. MECL should not assume that a deadband or earnings sharing mechanism will be approved in any other circumstances or in future rate applications.

36. As part of the Proposed Settlement, MECL has committed to achieving the allowed maximum ROE by "*effectively managing the business and/or finding cost efficiencies that are neutral or beneficial to rate payers*".[12] MECL has specifically agreed that it will not decrease its vegetation management costs in order to achieve the maximum ROE.

37. The Commission accepts these parameters as being appropriate and in the best interest of ratepayers. MECL is required to report to the Commission, on an annual basis, the ROE actually earned, together with a complete accounting of the management decisions and/or cost efficiencies that contributed to earnings above 9.35 percent, and an explanation of how the management decisions and/or cost efficiencies are neutral or beneficial to ratepayers.

Vegetation Management

38. The GRA was filed in June 2022, before the Province was impacted by Post-Tropical Storm Fiona ("Fiona") in September 2022. Fiona caused extensive damage to MECL's transmission and distribution systems. The restoration efforts cost approximately $35 million and it took MECL approximately three weeks to restore power to all customers. According to MECL, the majority of the damage was caused by tree contacts.

39. MECL was aware – prior to Fiona – that its vegetation management plan was inadequate and was contributing to system outages during major events.[13] In 2019, MECL completed a vegetation inspection of all of its off-road transmission system and almost half of its roadside transmission and distribution systems. Based on the results of this inspection, MECL estimated that 60,600 distribution spans and 6,400 transmission spans required "*urgent vegetation management to avoid a significant deterioration of reliability*".[14]

40. In the GRA as filed, MECL advised that its current vegetation management cycle results in a 35 year cycle for distribution lines and a 14 year cycle for transmission lines.[15] This is substantially higher than the vegetation management cycles used by other utilities in Atlantic Canada. By comparison, New Brunswick Power's distribution vegetation management cycle is 5 to 7 years, while Nova Scotia Power follows an 8 year cycle.[16]

[12] Exhibit M-14 at page 2
[13] Exhibit M-1 at pages 24-25
[14] Exhibit M-1, Appendix E, page 5, lines 11-14
[15] Exhibit M-1, Appendix E, page 4, lines 13-14
[16] Exhibit M-1, Appendix E, page 4, Table E-1

According to MECL, "*good utility practice recommends a vegetation management cycle of five to ten years*".[17]

41. In the GRA, MECL set out options that it considered to improve its current vegetation management cycle.[18] A target vegetation management cycle of 6 years for the distribution system would require an annual budget of $8.1 million. As MECL currently budgets only $1.4 million for distribution vegetation management, it determined that an annual increase of $6.7 million would be "*too high for customers*".[19]

42. Instead, MECL has proposed to increase the annual budget by $700,000 annually until it reaches $4 million in 2025. This means that by 2025, MECL's vegetation management cycle will be 14 years for the distribution system and 9 years for the transmission system. PEIEC agreed to this vegetation management plan as part of the Proposed Settlement.

43. However, due to the increasing severity and frequency of major weather events, the Commission has serious concerns about the vegetation management plan and the impact on system reliability. MECL is required, by virtue of the *Electric Power Act*, to provide safe and adequate service "*as changing conditions require*".[20] Severe weather events, such as Fiona, are a changing condition under which MECL must operate, and its operational and capital plans must be updated to reflect these conditions.

44. The Commission requires additional information from MECL as to the current state of its vegetation management program, particularly in the wake of Post-Tropical Storm Fiona, to assess the sufficiency of current and planned expenditures. As a result, MECL must file a comprehensive report with the Commission, no later than December 1, 2023, that identifies areas of risk for reliability and that clearly details MECL's short-term and long-term plans (both operating and capital) for vegetation management, including the forecast improvements in vegetation management and reliability.

Energy Cost Adjustment Mechanism

45. The Energy Cost Adjustment Mechanism ("ECAM") is a regulatory deferral account approved by the Commission. The ECAM is used to defer unplanned fluctuations in energy supply costs that occur in a rate setting period. Prudently incurred energy supply costs that exceed the forecast cost are recorded to ECAM and recovered from ratepayers as directed by the Commission.

46. MECL incurred higher than forecast energy supply costs in 2022 due, primarily, to unscheduled outages at Point Lepreau. The increase in purchased and produced electricity costs were appropriately deferred to the ECAM account for future collection from ratepayers.

47. The rates proposed by MECL in the GRA and in the Proposed Settlement assumed that the ECAM balance would be approximately $6.791 million as of December 31, 2022.

[17] Exhibit M-1, Appendix E, page 5, lines 2-4
[18] Exhibit M-1, Appendix E, page 6
[19] Exhibit M-1, Appendix E, page 6, lines 5-6
[20] *Electric Power Act*, section 3(a)

However, the actual ECAM balance as of December 31, 2022 was $11.655 million – $4.864 million higher than forecast. The Proposed Settlement agreed to by PEIEC does not include a plan to recover the difference between the forecast and actual ECAM balance.

48. The Commission has previously expressed concern with maintaining an ECAM balance.[21] An ECAM balance means that present-day ratepayers are not paying the full cost of the electricity they consume. This does not send the appropriate price signal to customers and is not consistent with the principle of intergenerational equity. In addition, MECL is entitled to earn a rate of return on the balance of the ECAM. This is not in the best interest of ratepayers.

49. Through the interrogatory process, MECL agreed that it is not appropriate to defer the outstanding ECAM balance to the next rate setting period.[22] Instead, MECL intends to file a separate application with the Commission in 2023 to seek recovery of the ECAM balance. This means that there will be another increase in electric rates – separate from the increase agreed to in the Proposed Settlement and approved in this Order.

50. Although the ECAM rate adjustment is not explicitly addressed in the Proposed Settlement, MECL has clearly stated its intention to file for a separate application to collect the outstanding ECAM balance. In the course of the public hearing, MECL advised that the application would be filed in a timely manner, and suggested that an ECAM rate adjustment could be effective September 2023 or March 2024.

51. PEIEC, through submissions made by its legal counsel at the public hearing, agreed with all submissions made by MECL. This is consistent with the sworn Affidavit on Negotiated Settlement which states that MECL did not withhold any relevant information and that the parties (PEIEC and MECL) were in agreement on all issues.[23] This would necessarily include MECL's express plan to file an ECAM rate adjustment separate and apart from this GRA.

52. MECL's proposal to deal with the outstanding ECAM balance in a separate rate adjustment application is, in the circumstances, reasonable. To ensure the collection of the ECAM balance is dealt with in a timely manner, MECL must file the ECAM rate adjustment application with the Commission no later than July 31, 2023 for an October 1, 2023 rate adjustment. Although this results in a short delay, the Commission agrees as it will allow for a comprehensive review of the ECAM account balance.

Weather Normalization Mechanism and Reserve Account

53. The Weather Normalization Mechanism and Reserve Account ("WNR") is a regulatory deferral account that, according to MECL, is used to stabilize electricity rates charged to customers by removing sales and energy supply cost volatility caused by temperature

[21] Order UE19-08 at paras. 155-157
[22] Exhibit M-15, page 19, Response to IR-56
[23] Exhibit M-16

changes. The mechanism operates by allowing MECL to "reserve" revenue earned in colder-than-average years for use in warmer-than-average years.

54. The WNR has been approved on an interim basis since 2016.[24] From the outset, the Commission expressed concerns about the WNR, including that it would effectively decrease the over-earnings that are refunded to ratepayers through the RORA account. Due to these concerns, the WNR has only ever been approved on an interim basis.

55. In the GRA as filed, MECL sought to have the WNR approved on a permanent basis. According to MECL, the increased penetration of electric space heating over the last 10 years has introduced greater sales volatility from variations in heating degree days ("HDD") compared to the 10 year average. The WNR is intended to mitigate the risk to MECL of sales volatility due to variations in temperature.

56. According to MECL, because the variable for HDD is based on a 10 year average, over a 10 year period, the variations from HDD balances – and the balance of the WNR – should trend to zero. However, this has not been the case.

57. When the GRA was filed in June 2022, the balance of the WNR stood at $1.8 million receivable from customers. MECL acknowledged that the receivable balance accumulated over a relatively short period of 13 months.[25] By December 31, 2022, the balance of the WNR had grown to $3.2 million receivable from customers.

58. In the Proposed Settlement, MECL acknowledges the Commission's concerns and proposes that the WNR continue on an interim basis during the rate setting period. MECL also proposes to undertake a comprehensive review of the WNR, prior to submitting its next General Rate Application, to support approval of the WNR on a permanent basis. PEIEC agreed with this approach as part of the Proposed Settlement.[26]

59. The Commission continues to have serious concerns about the WNR. These concerns are compounded by the growing balance of the WNR owed by ratepayers to MECL.

60. The WNR has now been approved on an interim basis for 7 years. MECL maintains that the function of the WNR should be considered over a 10 year cycle. At the end of 10 years, the annual variations should net to average and the balance of the WNR should be zero.[27]

61. In light of this evidence, the Commission is prepared to allow the WNR to continue on an interim basis only during the rate setting period or until the Commission orders otherwise after receipt of the comprehensive report referred to below. At the conclusion of the rate setting period (2026), the WNR will have been in effect for 10 years and – according to MECL – the balance should average to zero. However, the Commission is concerned that the balance of the WNR is trending upward at a rapid pace.

[24] Orders UE16-04 and UE16-04R
[25] Exhibit M-1, page 84
[26] Exhibit M-14, page 7
[27] Exhibit M-15, page 8, Response to IR-47

62. The idea of “capping” the balance of the WNR was put to MECL in the course of the public hearing. MECL acknowledged that although it expects the balance of the WNR to net to zero, a cap could be put in to place to provide reassurance to the Commission. MECL’s preference is that the WNR not be capped, and that a cap be further explored as part of a comprehensive review of the WNR.

63. Although a further review of the WNR is warranted, if the balance of the WNR is not capped now, there is a real risk to customers that the balance owed by customers to MECL will increase over the course of the rate setting period.

64. As a result, the WNR shall be capped such that the amount recorded in rate base, and the amount recovered from or refunded to ratepayers at a future date, shall not exceed the balance of the WNR as of April 30, 2023. This should not have a material impact on MECL for at least two reasons: (1) MECL is not seeking to recover the WNR balance from ratepayers during the rate setting period, and (2) according to MECL’s own evidence, the balance of the WNR should average to zero (i.e. decrease) by 2026.

65. MECL must also undertake a comprehensive review of the WNR prior to filing its next General Rate Application. The comprehensive review must (among other things) fully explain other weather normalization mechanisms approved by regulators across Canada, and how those mechanisms compare or differ from MECL’s approved WNR. The review must include consideration of cooling degree days and whether cooling degree days should properly form part of the WNR. The comprehensive review must be filed on or before January 31, 2024.

General Rules & Regulations

66. MECL’s General Rules and Regulations (“GRR”) relate to the kind of service supplied to customers and the manner by which that service is supplied.[28] In addition to the rates for electric service, the GRR deal with matters such as security deposits, billing and payment requirements, disconnections initiated by MECL, and customer contributions for line extensions. Often, customer complaints made to the Commission have to do with the interpretation and application of the GRR.

67. In recent years, Canadian utilities and regulators have undertaken comprehensive reviews of the rules governing the provision of service. The Commission directs MECL to likewise undertake a comprehensive review of its GRR. The comprehensive review should compare and contrast similar Rules used by other Canadian regulators and utilities, with a specific emphasis on consumer safeguards that are not currently available in MECL’s GRR.

68. The comprehensive review of the GRR shall be filed with the Commission on or before January 31, 2025. Any changes to the GRR approved by the Commission will take effect in the next rate setting period.

[28] *Electric Power Act*, section 13(1)

Depreciation & Amortization

69. In July 2021, MECL filed a depreciation study based on financial results ending December 31, 2020 (the “2020 Depreciation Study”).[29] The authors of the 2020 Depreciation Study, Gannett Fleming, noted that MECL’s actual retirement costs “*are trending much higher than contemplated in previous depreciation studies*”.[30] Further analysis by Gannett Fleming “*resulted in net salvage percentages that are considered abnormally high*”. Gannett Fleming determined that further analysis of the general expense retirement account is warranted.

70. In response to interrogatories issued by the Commission, MECL advised that additional analysis of the general expense retirement account has not yet been completed.[31]

71. MECL is directed to undertake the additional analysis of the general expense retirement account recommended by Gannett Fleming. This analysis will form part of the next depreciation study, which is to be filed with the Commission on or before June 30, 2024, based on financial results to December 31, 2023.

ORDER:

For the foregoing reasons, the Commission Orders as follows:

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 May 1, 2023, and shall remain in effect until February 28, 2026, or until otherwise varied by the Commission.

General Rules & Regulations

3. MECL’s General Rules and Regulations (“GRR”) shall be amended to incorporate the terms of this Order.

4. The amended GRR shall be filed with the Commission on or before May 15, 2023.

5. MECL shall undertake a comprehensive review of its GRR. The comprehensive review shall (among other things) compare and contrast similar Rules used by other Canadian regulators and utilities, with a specific emphasis on consumer safeguards that are not currently available in MECL’s GRR.

6. The comprehensive review of the GRR shall be filed with the Commission by January 31, 2025, and any changes to the GRR approved by the Commission shall take effect in the next rate setting period.

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[29] Exhibit M-1(c)
[30] Exhibit M-1(c) at pages IV-4 to IV-5
[31] Exhibit M-7, page 68, Response to IR-44(a)

Return on Equity

7. The ROE used in the calculation of the revenue requirement shall be 9.35 percent based on 40 percent average common equity in each of 2023, 2024 and 2025, or until otherwise varied by the Commission.

8. The maximum allowed ROE used in the calculation of earnings shall be 9.7 percent in each of 2023, 2024 and 2025, or until otherwise varied by the Commission.

9. MECL shall be permitted to achieve the maximum allowed ROE of 9.7 percent through management decisions and/or cost efficiencies that are neutral or beneficial to ratepayers.

10. MECL shall not be permitted to decrease its vegetation management costs to achieve the maximum allowed ROE.

11. MECL shall file with the Commission, no later than February 28th in each year of the rate setting period, a report that contains:

    a) the ROE actually earned by MECL in the preceding year;

    b) a complete accounting of the management decisions and/or cost efficiencies that contributed to any earnings above 9.35 percent; and

    c) an explanation of how the management decisions and/or cost efficiencies are neutral or beneficial to ratepayers.

Rate of Return Adjustment

12. If MECL's earnings exceed 9.7 percent based on 40 percent common equity in any year of the rate setting period, the excess earnings shall be recorded to a separate RORA account specifically for over-earnings accumulated during the period from January 1, 2023 to February 28, 2026.

13. The balance of the RORA account (if any) as of December 31st in each year of the rate setting period shall be refunded to ratepayers as directed by the Commission.

14. MECL shall continue to report the balance of the RORA account to the Commission on a monthly and annual basis.

Energy Cost Adjustment Mechanism

15. The ECAM base rate per kWh shall be as follows:

    $0.09050 for the period May 1, 2023 to February 29, 2024;

    $0.09440 for the period March 1, 2024 to February 28, 2025; and

    $0.09612 for the period March 1, 2025 to February 28, 2026.

16. The ECAM collection rate per kWh shall be as follows:

    $0.00589 for the period May 1, 2023 to February 29, 2024;

$0.00287 for the period March 1, 2024 to February 28, 2025; and

$0.00145 for the period March 1, 2025 to February 28, 2026.

17. MECL shall file its ECAM rate adjustment application with the Commission no later than July 31, 2023 for an October 1, 2023 rate adjustment.

Weather Normalization Mechanism and Reserve Account

18. The Weather Normalization Mechanism and Reserve Account (“WNR”) is approved on an interim basis only until February 28, 2026 or until otherwise ordered by the Commission.

19. The balance of the WNR shall be capped such that the amount recorded in rate base, and the amount recovered from or refunded to ratepayers at a future date, shall not exceed the balance of the WNR as of April 30, 2023.

20. MECL shall undertake a comprehensive review of the WNR that (among other things):

    a) fully explains other weather normalization mechanisms approved by regulators across Canada, and how those mechanisms compare or differ from MECL’s approved WNR; and

    b) includes consideration of cooling degree days and whether cooling degree days should properly form part of the WNR.

21. The comprehensive review shall be filed with the Commission on or before January 31, 2024.

Revenue Shortfall and RORA Refund

22. The forecast over-refund of the RORA account as of April 30, 2023 ($223,338) shall be offset against the forecast over-collection of the 2020 revenue shortfall account as of April 30, 2023 ($2,472,248), and the forecast net amount ($2,248,910) shall be refunded to ratepayers as a rate rider set at $0.00195 per kWh from May 1, 2023 to February 29, 2024.

23. On or before April 15, 2024, MECL shall report to the Commission the amount refunded to ratepayers as of February 29, 2024. Any amount over or under-refunded as of February 29, 2024 shall be addressed by further Order of the Commission.

Provincial Debt Repayment

24. Costs recoverable from ratepayers on behalf of the Province of Prince Edward Island related to debt repayment costs shall no longer be collected as a rate rider and shall instead be included in the revenue requirement and collected during the period May 1, 2023 to February 28, 2026.

Recovery of EE&C Plan Costs

25. MECL shall collect from ratepayers, and remit to PEIEC, the following amounts as contribution to the Energy Efficiency and Conservation Plan (“EE&C Plan”) costs:

2023/2024: $868,000

2024/2025: $868,000

2025/2026: $1,732,000

26. MECL shall collect the EE&C Plan costs as a per kWh rate rider at the following rates:

    $0.00000 for the period May 1, 2023 to February 29, 2024;

    $0.00033 for the period March 1, 2024 to February 28, 2025; and

    $0.00121 for the period March 1, 2025 to February 28, 2026.

27. MECL shall remit the annual EE&C Plan costs to PEIEC in fixed monthly amounts. Any over or under-collections shall be held in a separate account, the balance of which shall be reported to the Commission on a monthly and annual basis.

28. The annual EE&C Plan costs set forth in this Order may be varied by the Commission in Docket UE41401 (PEIEC EE&C Plan Application), in which case the rate riders approved herein shall be varied accordingly.

Vegetation Management

29. MECL shall file, no later than December 1, 2023, a comprehensive report with the Commission that identifies areas of risk for reliability and that clearly details MECL's short-term and long-term plans (both operating and capital) for vegetation management, including the forecast improvements in vegetation management and reliability.

Deprecation & Amortization

30. MECL shall adopt the depreciation rates recommended in the 2020 Depreciation Study effective as of January 1, 2023, with the exception of the rates pertaining to the Charlottetown Steam Plant.

31. The Charlottetown Thermal Generating Station Reserve Variance deferral shall be amortized as part of MECL's annual revenue requirement from January 1, 2023 to December 31, 2027.

32. On or before June 30, 2024, MECL shall file with the Commission an updated depreciation study based on financial results to December 31, 2023 (the "2023 Depreciation Study").

33. MECL shall undertake additional analysis of the general expense retirement account recommended in the 2020 Depreciation Study for inclusion in the 2023 Depreciation Study.

Reporting Requirements

34. In addition to the reporting requirements in this Order, MECL shall continue to file its usual monthly and annual reports with the Commission without change.

DATED at Charlottetown, Prince Edward Island, this 24th day of April, 2023.

BY THE COMMISSION:

(sgd) J. Scott MacKenzie

J. Scott MacKenzie, K.C., Chair

(sgd) M. Douglas Clow

M. Douglas Clow, Vice-Chair

(sgd) Erin T. Mitchell

Erin T. Mitchell, Commissioner

Maritime Electric Company, Limited
Schedule of Rates

Rate Code		March 1, 2022	May 1, 2023	March 1, 2024	March 1, 2025
110	**Residential**				
	Service Charge	$ 24.57	$ 24.57	$ 24.57	$ 24.57
	Energy Charge per kWh for first 2,000 kWh	$ 0.1532	$ 0.1593	$ 0.1634	$ 0.1690
	Energy Charge per kWh for balance kWh	$ 0.1228	$ 0.1268	$ 0.1299	$ 0.1342
130	**Residential Rural**				
	Service Charge	$ 26.92	$ 26.92	$ 26.92	$ 26.92
	Energy Charge per kWh for first 2,000 kWh	$ 0.1532	$ 0.1593	$ 0.1634	$ 0.1690
	Energy Charge per kWh for balance kWh	$ 0.1228	$ 0.1268	$ 0.1299	$ 0.1342
131	**Residential Seasonal**				
	Service Charge	$ 26.92	$ 26.92	$ 26.92	$ 26.92
	Energy Charge per kWh for first 2,000 kWh	$ 0.1532	$ 0.1593	$ 0.1634	$ 0.1690
	Energy Charge per kWh for balance of kWh	$ 0.1228	$ 0.1268	$ 0.1299	$ 0.1342
133	**Residential Seasonal Option**				
	Service Charge	$ 37.50	$ 37.50	$ 37.50	$ 37.50
	Energy Charge per kWh for first 2,000 kWh	$ 0.1532	$ 0.1593	$ 0.1634	$ 0.1690
	Energy Charge per kWh for balance of kWh	$ 0.1228	$ 0.1268	$ 0.1299	$ 0.1342
232	**General Service**				
	Service Charge	$ 24.57	$ 24.57	$ 24.57	$ 24.57
	Demand Charge - per kW for first 20 kW	$ -	$ -	$ -	$ -
	Demand Charge - per kW for balance of kW	$ 13.43	$13.43	$ 13.43	$ 13.43
	Energy Charge per kWh for first 5,000 kWh	$ 0.1871	$ 0.1958	$ 0.2010	$ 0.2080
	Energy Charge per kWh for balance of kWh	$ 0.1241	$ 0.1282	$ 0.1313	$ 0.1356
233	**General Service - Seasonal Operators Option**				
	Service Charge	$ 24.57	$ 24.57	$ 24.57	$ 24.57
	Demand Charge - per kW for first 20 kW	$ -	$ -	$ -	$ -
	Demand Charge - per kW for balance of kW	$ 13.43	$ 13.43	$ 13.43	$ 13.43
	Energy Charge per kWh for first 5,000 kWh	$ 0.1871	$ 0.1958	$ 0.2010	$ 0.2080
	Energy Charge per kWh for balance of kWh	$ 0.1241	$ 0.1282	$ 0.1313	$ 0.1356
320	**Small Industrial**				
	Demand Charge - per kW	$ 7.46	$ 7.46	$ 7.46	$ 7.46
	Energy Charge per kWh for first 100 kWh per kW billing demand	$ 0.1834	$ 0.1917	$ 0.1968	$ 0.2036
	Energy Charge per kWh for balance of kWh	$ 0.0950	$ 0.0970	$ 0.0991	$ 0.1022
310	**Large Industrial**				
	Demand Charge per kW	$ 14.50	$ 14.50	$ 14.50	$ 14.50
	Energy Charge per kWh	$ 0.0780	$ 0.0809	$ 0.0829	$ 0.0857
340	**Long Term Contract** (Currently no customers in this rate category)				
	Demand Charge per kW	$ 15.51	$ 15.51	$ 15.51	$ 15.51
	Energy Charge per kWh	$ 0.1044	$ 0.1041	$ 0.1065	$ 0.1132
330	**Short Term Contract** (Currently no customers in this rate category)				
	Demand Charge - per kW	$ 16.79	$ 16.79	$ 16.79	$ 16.79
	Energy Charge per kWh for all kWh in the first block	$ 0.1036	$ 0.1062	$ 0.1087	$ 0.1121
	Energy Charge per kWh for balance of kWh in the month	$ 0.0869	$ 0.0882	$ 0.0901	$ 0.0928

Maritime Electric Company, Limited
Schedule of Rates

	Residential	Type		Annual kWh	Monthly kWh	March 1, 2022	May 1, 2023	March 1, 2024	March 1, 2025
	619	LED	70 W HPS Equivalent St Lights - Rented		15	$ 12.49	$ 12.81	$ 13.14	$ 13.49
	625	LED	100 W HPS Equivalent St Lights - Rented		17	$ 12.93	$ 13.26	$ 13.60	$ 13.97
*	630	HPS	St Lights - Rented	389	32	$ 16.57	$ 17.00	$ 17.44	$ 17.91
*	631	HPS	St Lights - Rented	553	46	$ 21.06	$ 21.61	$ 22.17	$ 22.77
*	632	150	St Lights - Rented	799	66	$ 30.12	$ 30.90	$ 31.70	$ 32.56
	633	HPS	St Lights - Rented	1283	106	$ 41.02	$ 42.08	$ 43.17	$ 44.34
	634	HPS	St Lights - Rented	1886	157	$ 48.10	$ 49.35	$ 50.63	$ 52.00
*	635	MV	St Lights - Rented	656	54	$ 16.50	$ 16.93	$ 17.37	$ 17.84
	639	Lanterns	City Lanterns - Rented	389	32	$ 60.56	$ 62.13	$ 63.75	$ 65.47
*	640	HPS	St Lights - Owned	389	32	$ 6.59	$ 6.76	$ 6.94	$ 7.13
*	641	HPS	St Lights - Owned	553	46	$ 8.70	$ 8.93	$ 9.16	$ 9.41
*	642	HPS	St Lights - Owned	779	65	$ 11.70	$ 12.01	$ 12.32	$ 12.65
	643	HPS	St Lights - Owned	1283	107	$ 18.56	$ 19.04	$ 19.54	$ 20.07
	644	HPS	St Lights - Owned	1886	157	$ 29.22	$ 29.98	$ 30.76	$ 31.59
	666	LED	175 W MV Equivalent St Lights - Rented		25	$ 14.41	$ 14.78	$ 15.16	$ 15.57
	670	LED	St Lights - Rented	410	34	$ 16.78	$ 17.21	$ 17.66	$ 18.14
	675	LED	150 W/200 W HPS Equivalent St Lights - Rented		37	$ 15.61	$ 16.01	$ 16.43	$ 16.87
	719	LED	St Lights - Owned	176	15	$ 2.69	$ 2.76	$ 2.83	$ 2.91
*	730	HPS	Yard Lights - Rented	389	32	$ 16.57	$ 17.00	$ 17.44	$ 17.91
*	731	HPS	Yard Lights - Rented	553	46	$ 21.06	$ 21.61	$ 22.17	$ 22.77
*	732	HPS	Yard Lights - Rented	799	66	$ 30.12	$ 30.90	$ 31.70	$ 32.56
	733	HPS	Yard Lights - Rented	1283	106	$ 41.02	$ 42.08	$ 43.17	$ 44.34
	734	HPS	Yard Lights - Rented	1886	157	$ 48.10	$ 49.35	$ 50.63	$ 52.00
*	735	MV	Yard Lights - Rented	656	54	$ 16.50	$ 16.93	$ 17.37	$ 17.84
*	736	MV	Yard Lights - Rented	881	73	$ 20.98	$ 21.53	$ 22.09	$ 22.69
*	737	MV	Yard Lights - Rented	1210	100	$ 29.19	$ 29.95	$ 30.73	$ 31.56
*	740	HPS	Yard Lights - Owned	389	32	$ 6.59	$ 6.76	$ 6.94	$ 7.13
*	741	HPS	Yard Lights - Owned	553	46	$ 8.70	$ 8.93	$ 9.16	$ 9.41
	742	HPS	Yard Lights - Owned	779	65	$ 11.70	$ 12.01	$ 12.32	$ 12.65
	743	HPS	Yard Lights - Owned	1283	107	$ 18.56	$ 19.04	$ 19.54	$ 20.07
	744	HPS	Yard Lights - Owned	1886	157	$ 29.22	$ 29.98	$ 30.76	$ 31.59
	749	LPS	Yard Lights - Owned	869	72	$ 13.63	$ 13.98	$ 14.34	$ 14.73
	753	Flood	Yard Lights - Rented	1283	107	$ 39.16	$ 40.18	$ 41.22	$ 42.33
	754	Flood	Yard Lights - Rented	1886	157	$ 48.84	$ 50.11	$ 51.41	$ 52.80
	755	Halide	Yard Lights - Rented	1148	95	$ 41.17	$ 42.24	$ 43.34	$ 44.51
	756	Halide	Yard Lights - Rented	1878	156	$ 50.83	$ 52.15	$ 53.51	$ 54.95
	757	Halide	Yard Lights - Rented	4346	362	$ 87.62	$ 89.89	$ 92.23	$ 94.72
	759	Halide	St Lights - Owned	533	44	$ 8.14	$ 8.35	$ 8.57	$ 8.80
	760	Halide	St Lights - Owned	894	74	$ 13.67	$ 14.02	$ 14.38	$ 14.77
	761	Halide	St Lights - Owned	1148	95	$ 17.53	$ 17.99	$ 18.46	$ 18.96
	762	Halide	St Lights - Owned	1878	156	$ 28.67	$ 29.41	$ 30.17	$ 30.98
	764	LED	St Lights - Owned	410	34	$ 6.26	$ 6.42	$ 6.59	$ 6.77
	765	Halide	St Lights - Owned	759	63	$ 11.58	$ 11.88	$ 12.19	$ 12.52
	766	LED	St Lights - Owned	295	25	$ 4.50	$ 4.62	$ 4.74	$ 4.87
	775	LED	St Lights - Owned	438	37	$ 6.69	$ 6.86	$ 7.04	$ 7.23
	780	LED	St Lights - Owned	586	49	$ 8.95	$ 9.18	$ 9.42	$ 9.67
	785	LED	St Lights - Owned	718	60	$ 10.94	$ 11.22	$ 11.51	$ 11.82

* These charges are applicable to existing fixtures only.

Maritime Electric Company, Limited

Schedule of Rates

		March 1, 2022	May 1, 2023	March 1, 2024	March 1, 2025
610	Pole Rental -Wood	$ 4.38	$ 4.38	$ 4.38	$ 4.38
	Residential				
	Unmetered Rates (based on 100 watt fixture)				
810	8 Hour Lighting per kWh	$ 0.1830	$ 0.1913	$ 0.1964	$ 0.2032
	Minimum Charge	$ 11.67	$ 11.67	$ 11.67	$ 11.67
820	12 Hour Lighting per kWh	$ 0.1830	$ 0.1913	$ 0.1964	$ 0.2032
	Minimum Charge	$ 11.67	$ 11.67	$ 11.67	$ 11.67
830	24 Hour Lighting per kWh	$ 0.1830	$ 0.1830	$ 0.1964	$ 0.2032
	Minimum Charge	$ 11.67	$ 11.67	$ 11.67	$ 11.67
840	Air Raid & 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	$ 24.57	$ 24.57	$ 24.57
	Energy Charge per kWh for first 5,000 kWh	$ 0.1830	$ 0.1830	$ 0.1964	$ 0.2032
	Energy Charge per kWh for balance of kWh	$ 0.1139	$ 0.1171	$ 0.1198	$ 0.1237
	Short Term Unmetered Rates	Currently no customers in this rate category			
	Energy Charge:				
	per kWh of estimated consumption	$ 0.1830	$ 0.1830	$ 0.1964	$ 0.2032

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	0	$594.94