



Docket: UE20605
Order: UE23-09

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IN THE MATTER of an application by Maritime Electric Company, Limited for an Order approving an Energy Cost Adjustment Mechanism rate adjustment beginning October 1, 2023, pursuant to section 20 of the *Electric Power Act*, RSPEI 1988, Cap. E-4.

Order

BEFORE THE COMMISSION ON Monday, the 25th day of September, 2023.

J. Scott MacKenzie, K.C., Chair
M. Douglas Clow, Vice-Chair

BACKGROUND:

1. Maritime Electric Company, Limited (“MECL”) has applied for an Order approving an Energy Cost Adjustment Mechanism (“ECAM”) rate adjustment to customers’ bills beginning October 1, 2023 (the “Application”).
2. The ECAM is a regulatory deferral account that 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.
3. In June 2022, MECL filed a General Rate Application (“GRA”) with the Commission seeking approval for new electric rates effective March 1, 2023.¹ The rates proposed by MECL in the GRA included collection of the forecast ECAM balance as of December 31, 2022.
4. When the GRA was filed, the ECAM balance was forecast to be \$6.791 million as of December 31, 2022. However, the actual ECAM balance as of December 31, 2022 was \$11.655 million – \$4.864 million higher than forecast. The GRA did not include a plan to recover the difference between the forecast and actual ECAM balance.
5. Through the interrogatory process, MECL agreed that it was not appropriate to defer the outstanding ECAM balance to the next rate setting period. Instead, MECL intended to file a separate application in 2023 to seek recovery of the ECAM balance.
6. In the circumstances, the Commission determined that it was reasonable to deal with the outstanding ECAM balance in a separate rate adjustment. To ensure the collection of the ECAM balance was dealt with in a timely manner, MECL was ordered to file the ECAM rate adjustment with the Commission no later than July 31, 2023 for an October 1, 2023 rate adjustment.²
7. On July 26, 2023, MECL filed this Application with the Commission, as required by Order UE23-04.
8. Following receipt of the Application, the Commission gave public notice through a publication in local newspapers and on the Commission website. In the notice, the Commission invited interested parties to issue questions to MECL, submit comments to the Commission, or apply for intervener status in accordance with the Commission’s Rules of Practice & Procedure.
9. The Commission received three comments from interested members of the public.³ The Commission also received one request for Friend of the Commission intervener status submitted on behalf of Energy Democracy Now! Co-operative Limited (the “Co-op”).⁴

¹ Docket UE20946

² Order UE23-04

³ Exhibits P-1, P-2, P-3

⁴ Exhibit ED-1

10. The Co-op sought intervenor status to address issues of renewable energy, including ownership of renewable energy initiatives. These issues are not the subject of the Application before the Commission, as it relates to the narrow issue of the recovery of energy costs incurred, but not yet recovered, by MECL. Therefore, submissions on these issues and community-based power generation will not assist the Commission in resolving the issues raised in this particular Application. The Commission, therefore, did not grant intervenor status to the Co-op in this Application.⁵
11. On August 21, 2023, Commission staff issued interrogatories to MECL seeking further information with respect to the Application.⁶ MECL filed responses to the interrogatories on August 29, 2023.⁷

OVERVIEW OF THE APPLICATION:

12. In Order UE23-04, the Commission approved an ECAM collection rate of \$0.00589 per kWh for the period May 1, 2023 to February 29, 2024, and \$0.00287 per kWh for the period March 1, 2024 to February 28, 2025.
13. In this Application, MECL seeks approval to increase the ECAM rate adjustment by \$0.0033 per kWh, effective October 1, 2023. The proposed increase is intended to recover the outstanding ECAM balance (\$4.9 million) remaining as of December 31, 2022.
14. If approved, the benchmark Residential and General Service customers⁸ will experience annual cost increases of 1.6 percent as a result of the proposed increase to the ECAM rate adjustment. Industrial customers are estimated to experience a 3.4 percent increase, although the actual rate impact will vary depending on each customer's consumption and demand.
15. According to MECL, energy supply costs incurred in 2022 were significantly higher than those originally forecast in the GRA due primarily to outages at Point Lepreau. MECL reports 136 full outage days and 36 de-rated output days in 2022, the majority of which were unscheduled.⁹
16. Outages and periods of de-rated output at Point Lepreau impact MECL's energy supply costs in two ways. First, MECL must secure replacement energy to meet customer requirements. Second, MECL's share of Point Lepreau's operating and maintenance costs may be higher or lower than forecast.
17. In 2022, MECL submits that its share of Point Lepreau operating and maintenance costs were actually \$1.0 million lower than forecast in the GRA. However, MECL incurred

⁵ Exhibit C-2

⁶ Exhibit C-1

⁷ Exhibit M-2(a), (b)

⁸ MECL defines a benchmark Residential customer to mean a customer that consumes 650 kWh of energy per month. A benchmark General Service customer is defined to mean a customer that consumes 10,000 kWh of energy and uses 50 kW of demand per month.

⁹ Exhibit M-1(a), Table 3

replacement energy costs of \$8.7 million due to extended and unscheduled Point Lepreau outages in 2022.¹⁰

18. Together, the variances in operating and maintenance costs and replacement energy resulted in a \$7.7 million increase in actual energy costs above what MECL forecast in the GRA.
19. This increase was offset by recoveries of \$3.0 million in (i) imbalance energy from Open Access Transmission Tariff and wind participants, and (ii) energy supplied to other utilities in the region. Variances in other energy costs and energy sales adjustments from the GRA forecast account for the remaining \$0.2 million in net additions.
20. MECL is seeking to recover the remaining ECAM balance (\$4.9 million as of December 31, 2022) from ratepayers over a 12 month period (October 1, 2023 to September 30, 2024).
21. MECL has calculated the ECAM rate adjustment to be \$0.0033 per kWh. The calculation is based on MECL's most recent customer load forecast which was updated in March 2023. Although the methodology behind the forecast has not changed, the sales forecast has been updated to reflect known changes to underlying data and assumptions, such as customer growth, sales growth, and rooftop solar photovoltaic installations.
22. Based on MECL's forecast sales, an ECAM rate adjustment of \$0.0033 per kWh will result in customer contributions of \$4.864 million between October 2023 and October 2024.¹¹ Any variance between the actual and forecast amount of ECAM collected from customers will be deferred in the ECAM account to be collected or refunded to customers in a future period.

DECISION:

23. Based on a review of all of the evidence, the Commission approves the requested ECAM rate adjustment of \$0.0033 per kWh beginning October 1, 2023.
24. The Commission finds that the additional energy costs incurred by MECL in 2022 were due primarily to extended and unscheduled outages at Point Lepreau. As these outages were not known to MECL when the GRA was filed in June 2022, the associated costs could not reasonably have been included in basic rates for recovery from ratepayers.
25. The Commission does, however, have ongoing concerns about the growing ECAM balance, as well as multiple rate increases in a single year.
26. In 2022, MECL sought a similar ECAM rate adjustment to recover \$5.6 million in energy supply costs incurred in 2021.¹² Similar to this Application, the energy supply costs were

¹⁰ Exhibit M-1(a), Table 4

¹¹ Exhibit M-1(a), Table 7

¹² Docket UE20604

due primarily to unforeseen outages at Point Lepreau. The Commission approved an ECAM rate adjustment of \$0.00402 per kWh effective March 1, 2022.¹³

27. In this Application, MECL now seeks to recover \$4.9 million in energy supply costs incurred in 2022, due primarily to unforeseen outages at Point Lepreau.
28. Through the interrogatory process, MECL advised that as of July 31, 2023, the balance of the ECAM account was approximately \$2.6 million higher than forecast in the GRA.¹⁴ It is reasonable to assume that in 2023, there will be an unrecovered ECAM balance due primarily to unscheduled outages at Point Lepreau. MECL will inevitably seek to recover these costs from ratepayers at some point in the future.
29. The Commission wants to avoid multiple rate increases in a single year, while also ensuring that customers are paying the full cost of the energy consumed by them. To do so, steps must be taken to minimize the ECAM balance during this rate setting period.
30. For this reason, the ECAM rate adjustment of \$0.0033 per kWh is approved effective October 1, 2023, and will remain in effect for the remainder of the rate setting period (February 28, 2026), or until otherwise varied by the Commission. By allowing the rate rider to remain in effect for the rate setting period, the Commission expects to eliminate the need for a future ECAM rate adjustment – and multiple rate increases – in 2024 and 2025.
31. The amount collected via the ECAM rate adjustment will be recorded to the ECAM account and used to offset the ECAM balance accrued. Any balance of the ECAM account to be collected from, or refunded to, ratepayers will be dealt with as part of MECL's next General Rate Application, or as otherwise ordered by the Commission.

ORDER:

The Commission orders as follows:

1. MECL shall collect an ECAM rate adjustment of \$0.0033 per kWh on electricity consumed on or after October 1, 2023. The ECAM rate adjustment approved herein shall be in addition to the ECAM rate adjustments per kWh approved in Order UE23-04.
2. The ECAM rate adjustment of \$0.0033 per kWh shall remain in effect until February 28, 2026, or until otherwise varied by the Commission.
3. The amount collected via the ECAM rate adjustment shall be recorded to the ECAM account and used to offset the ECAM balance accrued.

¹³ Order UE22-01

¹⁴ Exhibit M-2(a), Response to IR-1

4. Any balance of the ECAM account to be collected from, or refunded to, ratepayers shall be dealt with as part of MECL's next General Rate Application, or as otherwise ordered by the Commission.
5. MECL'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 October 20, 2023.

DATED at Charlottetown, Prince Edward Island, this 25th day of September, 2023.

BY THE COMMISSION:

(sgd) J. Scott MacKenzie

J. Scott MacKenzie, K.C., Chair

(sgd) M. Douglas Clow

M. Douglas Clow, Vice-Chair