



Docket: UE41401
Order: UE24-02

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IN THE MATTER of an application by the Prince Edward Island Energy Corporation for approval of an Electricity Efficiency & Conservation Plan for a three year term, pursuant to section 16.1 of the *Electric Power Act*, RSPEI 1988, c. E-4.

Order

BEFORE THE COMMISSION ON Tuesday, the 23rd day of April, 2024.

J. Scott MacKenzie, K.C., Chair
M. Douglas Clow, Vice-Chair
Kerri A. Carpenter, Commissioner

INTRODUCTION:

1. On December 22, 2021, the Prince Edward Island Energy Corporation (“PEIEC”) filed an application with the Prince Edward Island Regulatory and Appeals Commission (the “Commission”) seeking approval of an Electricity Efficiency & Conservation Plan (the “EE&C Plan” or the “Plan”) for a three year period, from 2022/2023 to 2024/2025. The application and the Plan were filed voluntarily by PEIEC, in accordance with section 16.1(2.1) of the *Electric Power Act*.¹
2. PEIEC expects the proposed Plan will result in approximately 34.45 GWh of total net energy savings and 16.85 MW of total net demand savings over the three year term.
3. The total cost of the proposed Plan is \$24.52 million. PEIEC is proposing to recover 20 percent of the cost (being approximately \$4.9 million) from the customers of Maritime Electric Company, Limited (“MECL”) and Summerside Electric (“SE”). The remaining 80 percent of the cost is expected to be funded by the federal and provincial governments.

LEGISLATIVE FRAMEWORK:

4. PEIEC is a public utility – and subject to Commission regulation – for the purposes of energy efficiency and demand-side resource measures.² The *Act* defines “*energy efficiency and demand-side resource measures*” to mean any activities, techniques, standards or programs that are, or may be, used to either:
 - (a) reduce the consumption of electric energy; or
 - (b) modify when electric energy is consumed.³
5. As the proposed Plan was submitted by PEIEC voluntarily, it must satisfy the requirements set forth in section 16.1(5.1) of the *Act*. In particular, the Plan must:
 - (a) ***be for a term that is consistent with industry standards;***
 - (b) ***satisfy the Commission that the particular energy efficiency and demand-side resource measures contained in the plan are reasonably likely, on implementation, to achieve the results forecast in the plan;***
 - (c) ***contain a reasonable estimate of***
 - (i) ***the financial costs, for each public utility named in the plan and its customers, to be incurred on implementing the plan and over the course of its term, and***
 - (ii) ***the financial benefits, for each public utility named in the plan and its customers, to be achieved on implementing the plan and over the course of its term; and***

¹ RSPEI 1988, c. E-4 (“*Act*”)

² *Act*, section 1(4)

³ *Act*, section 1(1)(e)

- (d) ***contain a plan for apportioning the costs and benefits referred to in clause (c) between the public utilities named in the plan.***

[emphasis added]

6. If the Commission is satisfied that the EE&C Plan submitted by PEIEC meets each of these requirements, then the Plan may be approved by the Commission.⁴
7. If the EE&C Plan is approved, the Commission is required to issue an Order to each public utility named in the Plan requiring the public utility to pay the costs as set out in the Plan.⁵ PEIEC is also required to report annually to the Commission on matters such as program implementation, the results achieved, and any other information that may be required by the Commission.⁶

PROCEDURAL BACKGROUND:

8. Following receipt of the proposed Plan, a public notice was published on the Commission website and in local newspapers. Interested members of the public were invited to submit questions to PEIEC and written comments to the Commission. In the notice, the public was advised that a hearing would not be held unless the Commission determined it was necessary.
9. Following publication of the notice, questions were issued to PEIEC by MECL and by an interested member of the public, Mr. Roger King. MECL and Mr. King also submitted written comments on the proposed Plan to the Commission. All questions and comments were made publicly available on the Commission's website.
10. The Commission did not receive any requests for intervention with respect to the application.
11. On April 14, 2022, PEIEC filed an amended Plan with the Commission (the "Amended Plan"). According to PEIEC, the Amended Plan is based on corrected and updated data inputs that impact the cost effectiveness testing results.⁷
12. On July 14, 2022, a technical session was held at the request of PEIEC to explain the model, methodology and forecasts used to develop the Plan. The technical session was held in the Commission hearing room with participants attending both in-person and virtually. During the technical session, the Commission had the opportunity to ask clarifying questions of PEIEC and its advisor, Grant Thornton.
13. In addition to the technical session, Commission staff issued more than forty interrogatories to PEIEC. Interrogatories from Commission staff were issued on April 6, 2022, June 17, 2022, January 23, 2023, and March 29, 2023.

⁴ Act, section 16.1(6)

⁵ Act, section 16.1(8.1)

⁶ Act, section 16.1(13)

⁷ Exhibit E-9

14. PEIEC filed responses to the interrogatories on April 27, 2022, August 12, 2022, February 17, 2023 and April 29, 2023, respectively. All interrogatories and all non-confidential responses were made publicly available on the Commission website.
15. Upon review of PEIEC's interrogatory responses, the Commission identified material changes in the funding contributions that PEIEC was seeking from electric ratepayers. Following a meeting between Commission staff and PEIEC on June 28, 2023, PEIEC agreed to file supplemental information with the Commission that clearly identified any material changes from the application as filed in December 2021. PEIEC filed the supplemental information with the Commission on July 14, 2023 (the "Supplemental Filing").⁸
16. By letter dated October 13, 2023, the Commission expressed concerns about the requests contained in the Supplemental Filing, particularly as they related to EE&C over-spending in 2022/2023 and the potential rate impact for utility customers.⁹ PEIEC was given the opportunity to make further submissions or file additional evidence in support their request.
17. On November 15, 2023, PEIEC provided its written response to the Commission.¹⁰ PEIEC advised that it did not intend to make further submissions or file additional evidence on the issue. Instead, PEIEC intended to focus on the implementation of the EE&C Plan, pending Commission approval.
18. Upon review of the application, the proposed EE&C Plan and the complete record, the Commission has determined that a public hearing is not necessary to make an informed decision with respect to this application.

EXISTING EE&C PLAN:

19. The proposed Plan is PEIEC's second EE&C Plan to be filed with the Commission.
20. PEIEC's first EE&C Plan was approved by the Commission in May 2019, following an extensive review by the Commission's independent expert, Synapse Energy Economics, Inc.¹¹
21. Although the initial EE&C Plan was to remain in effect until March 31, 2021, the development of a new EE&C Plan by PEIEC was delayed due to the COVID-19 global pandemic. As a result of the delay, PEIEC asked that the initial EE&C Plan, approved in Commission Order UE19-03, remain in effect until March 31, 2022.
22. In September 2021, the Commission issued Order UE21-06. The Order approved the continuation of the existing EE&C Plan until March 31, 2022.

⁸ Exhibit E-14

⁹ Exhibit C-5

¹⁰ Exhibit E-15

¹¹ Commission Order UE19-03

23. As part of this application, PEIEC has requested that the existing EE&C Plan remain in effect until February 28, 2023, with the new EE&C Plan to take effect as of March 1, 2023.

PRELIMINARY ISSUE – SUPPLEMENTAL FILING:

24. As part of this application, the Commission has before it three different versions of an EE&C Plan. The first version is the EE&C Plan that was filed with the Commission on December 22, 2021.¹² The second version is the Amended Plan that was filed on April 4, 2022.¹³ The third version is the Supplemental Filing that was filed in July 2023.¹⁴
25. In reviewing a proposed EE&C Plan, the Commission must be satisfied that the Plan contains a reasonable estimate of the financial costs and the financial benefits for utilities and their customers.¹⁵ For the reasons that follow, the Commission does not approve the financial costs that PEIEC has proposed in its Supplemental Filing. Instead, the Commission will consider both the programming and funding requirements proposed in the EE&C Plan as filed in December 2021, and as amended in April 2022.
26. In the Plan as filed in December 2021, PEIEC advised that it had over-collected \$2.01 million from utility customers between 2019 and 2021. PEIEC proposed to use the over-collection to reduce the EE&C expenditures paid by utility ratepayers during the three year term of the new Plan. As a result, although the proposed EE&C expenditures allocated to MECL and SE totaled \$4.9 million over the three year term, the utilities' actual contribution to EE&C expenditures would be \$2.89 million. This equates to annual contributions of approximately \$868,000 from MECL and \$96,500 from SE.
27. The Supplemental Filing materially changes the annual EE&C expenditures to be recovered from MECL and SE customers during the term of the Plan.
28. According to the Supplemental Filing, PEIEC is seeking approval to recover EE&C expenditures of \$3.177 million from MECL and SE ratepayers for the 2022/2023 year. This represents a significant increase from the EE&C expenditures recovered from utility ratepayers in the previous year (\$667,627 in 2021/2022). It is also almost three times higher than the EE&C expenditures approved by the Commission (\$1.2 million) under the existing EE&C Plan.
29. In the Supplemental Filing, PEIEC is proposing to use the amount over-collected from ratepayers since 2019 to offset the over-spend in 2022/2023. This means that the \$2.01 million would not be used to offset EE&C expenditures over the next three years. As a result, there would be a material increase in the EE&C costs paid by utility customers over the next three years.

¹² Exhibit E-1

¹³ Exhibit E-9

¹⁴ Exhibit E-15

¹⁵ Act, sections 16.1(5.1), 16.1(6)

30. The Commission does not approve PEIEC's use of the \$2.01 million as proposed in the Supplemental Filing, and does not approve the recovery of the 2022/2023 over-spend from utility customers.
31. PEIEC has not provided compelling evidence as to why the EE&C expenditures recoverable from ratepayers increased from \$667,627 in 2021/2022 to \$3.177 million in 2022/2023, particularly as the existing Plan remained in place with no approved changes to the programs or funding. However, even if the cost of the approved EE&C programming did exponentially increase in 2022/2023, PEIEC has not provided compelling evidence as to why these excess costs should now be paid by MECL and SE customers.
32. MECL, PEIEC and the Commission relied on the annual expenditures proposed in the December 2021 version of the Plan to determine the appropriate EE&C rate riders to be charged to MECL customers. The rate rider is a per kilowatt hour amount that MECL charges to its customers, and remits to PEIEC, to pay for its share of annual EE&C expenditures.
33. The EE&C rate riders were approved by the Commission as part of MECL's General Rate Application in April 2023.¹⁶ Electric rates – including the EE&C rate riders – have been approved until February 28, 2026. Any material increase to the EE&C expenditures will increase the EE&C rate rider, and will ultimately increase electric rates for MECL's customers.
34. The Commission is not prepared to approve a rate increase for electric customers in the absence of compelling evidence to do so. For all of these reasons, the Commission does not approve PEIEC's use of the \$2.01 million as proposed in the Supplemental Filing, and does not approve the recovery of the 2022/2023 over-spend from MECL and SE customers.
35. Instead, in considering the financial costs and financial benefits of the proposed EE&C Plan,¹⁷ the Commission will consider the proposed funding contributions and the proposed use of the over-collection as filed in the December 2021 Plan and as amended in April 2022.

PROPOSED EE&C PLAN:

Plan Development

36. According to PEIEC, the guiding principles of customer value, customer need and customer affordability were central to the development of the proposed EE&C Plan.
37. PEIEC explained that once these guiding principles were defined, the proposed Plan was developed using the following staged approach:
 - (a) Consideration of the current EE&C Plan's performance;

¹⁶ Commission Order UE23-04

¹⁷ As required by section 16.1(5.1)(c) of the Act.

- (b) Consideration of the results from the DSM Potential Study;
 - (c) Needs assessment from electric utilities and electricity users;
 - (d) Jurisdictional review of themes in electricity efficiency and demand response;
 - (e) Model development and cost effectiveness testing; and
 - (f) Validation of the proposed Plan.
38. According to PEIEC, it also engaged in stakeholder consultations to ensure the proposed Plan is relevant to all Islanders. The stakeholders were engaged to identify benefits and improvements to current programming, as well as opportunities for new programming.
39. PEIEC also explained that both MECL and SE were involved in the development of the proposed EE&C Plan. Although SE is not a public utility and is not subject to Commission regulation, PEIEC and SE have entered into a Service Delivery Agreement for Electricity Efficiency and Conservation Activities.

Proposed Budget & Funding

40. The current EE&C Plan approved in Order UE19-03 contemplated a budget of approximately \$13.3 million. Ratepayers were expected to cover 20 percent of the total budget, being approximately \$2.7 million.
41. Although PEIEC collected the full amount of its approved funding from utility ratepayers, it did not spend the budgeted amount. According to PEIEC, the following factors reduced actual EE&C spending from 2019 to 2021:
- (a) Program participation was less than forecast due to a variety of factors;
 - (b) Program costs were over-estimated during program design and avoided costs were under-estimated;
 - (c) PEIEC's external evaluation consultant, Econoler, determined the percentage of each program budget that is attributable to electric savings with some program budgets being reduced as a result; and
 - (d) Delays in the launch of commercial programs.
42. As a result of under-spending on EE&C programs, PEIEC over-collected \$2,010,101 from utility ratepayers between 2019 and 2021.
43. PEIEC has calculated the total cost of the proposed Plan to be \$24,521,883. It is proposing to recover 20 percent of the cost (being approximately \$4.9 million) from the customers of MECL and SE. The remaining 80 percent of the cost is expected to be funded by the federal and provincial governments. The following table shows the proposed budget and funding for each year of the proposed Plan:

Funding Source	Proposed Plan							
	2022-23		2023-24		2024-25		Total	
	\$	%	\$	%	\$	%	\$	%
Maritime Electric	1,360,203	18.0%	1,321,690	18.0%	1,732,045	18.0%	4,413,939	18.0%
Summerside Electric	151,134	2.0%	146,854	2.0%	192,449	2.0%	490,438	2.0%
Federal Government	377,834	5.0%	-	0.0%	-	0.0%	377,834	1.5%
Provincial Government	5,667,514	75.0%	5,874,178	80.0%	7,697,980	80.0%	19,239,672	78.5%
Total	7,556,685	100.0%	7,342,723	100.0%	9,622,475	100.0%	24,521,883	100.0%

44. Provincial and federal government funding is subject to appropriation of funds by the Legislative Assembly and the Parliament of Canada, respectively, for each fiscal year. PEIEC anticipates that the federal government will provide funding in the first year of the proposed Plan through the Low Carbon Economy Fund. However, new federal funding has not been committed beyond the 2022/2023 fiscal year.
45. In response to interrogatories from the Commission, PEIEC advised that in the event federal funding expires after 2023, PEIEC would continue to offer the programs in the EE&C Plan with an adjusted budget and scope as committed funding would allow.¹⁸ PEIEC confirmed that, in the event federal funding does not materialize, it will not seek to recover the shortfall from utility customers.¹⁹
46. As part of the proposed Plan, PEIEC is also seeking approval to apply the \$2.01 million over-collection to offset the cost recoverable from utility ratepayers for EE&C programs over the next three years. If approved, the amount recoverable from ratepayers under the proposed Plan would be reduced from \$4.904 million to \$2.894 million. The below table summarizes the amount of EE&C funding that PEIEC proposes to recover from utility ratepayers, after deduction for the \$2.01 million over-collection:

	Ratepayer Overcollection Adjustment			
	2022-23	2023-24	2024-25	Total
Proposed Plan Budget				
Maritime Electric	\$ 1,360,203	\$ 1,321,690	\$ 1,732,045	\$ 4,413,939
Summerside Electric	\$ 151,134	\$ 146,854	\$ 192,449	\$ 490,438
Subtotal	\$ 1,511,337	\$ 1,468,545	\$ 1,924,495	\$ 4,904,377
Overcollection from Previous Plan	\$ (546,578)	\$ (503,786)	\$ (959,737)	\$ (2,010,101)
Utility Collections for Proposed Plan				
Maritime Electric	\$ 868,283	\$ 868,283	\$ 868,282	\$ 2,604,848
Summerside Electric	\$ 96,476	\$ 96,476	\$ 96,476	\$ 289,428
Total	\$ 964,759	\$ 964,759	\$ 964,758	\$ 2,894,276

¹⁸ Exhibit 10(b), response to IR-14(a) of Commission Staff

¹⁹ Exhibit 10(b), response to IR-14(c) of Commission Staff

Proposed Plan Targets

47. As part of the current EE&C Plan, PEIEC forecast total net energy savings of 29.3 GWh and total net demand savings of 6.9 MW over the initial three year term. Although PEIEC did not achieve the forecast energy savings under the current Plan, it is forecasting greater savings under the proposed Plan.
48. In the proposed Plan, PEIEC is forecasting total net energy savings of 34.45 GWh and total net demand savings of 16.85 MW over the three year term. The annual targets by year are summarized below:

Year	Investment (\$ millions)	Total Present Value Avoided Costs (\$ millions)	Incremental Gross Energy Savings at Generator (GWh)	Incremental Gross Demand Savings at Generator (MW)	Incremental Net Energy Savings at Generator (GWh)	Incremental Net Demand Savings at Generator (MW)	Total Resource Cost Test (TRC)	Program Administrator Cost Test (PAC)	Incremental Gross Energy Savings as % of PEI Electricity Sales
2022-2023	\$ 7.56	\$ 30.52	15.27	7.09	12.44	5.71	2.37	4.58	1.00%
2023-2024	\$ 7.34	\$ 29.78	15.51	7.17	10.84	5.52	2.33	4.32	1.00%
2024-2025	\$ 9.62	\$ 30.56	15.89	7.29	11.17	5.62	2.36	4.36	1.00%
Total/Average	\$ 24.52	\$ 90.86	46.67	21.56	34.45	16.85	2.35	4.42	1.00%

49. Through the interrogatory process, the Commission asked PEIEC to explain why it has increased its forecast energy and demand savings when the current EE&C Plan did not meet its targets. PEIEC explained that it increased its forecast results for the following reasons:
- Forecast growth in energy consumption presented in load forecasts provided by MECL and SE;
 - Enhanced enabling strategies that are intended to increase awareness of efficiency program measures, resulting in increased uptake;
 - Increased incentives attracting utility customers to efficiency program measures;
 - The addition of demand response initiatives within the proposed Plan; and
 - Federal government programs to encourage net-zero emission targets are expected to encourage electrification and increase demand for efficiency programming.
50. Of note, PEIEC explained that the current EE&C Plan was based, in large part, on historical data from Nova Scotia due to a lack of data for Prince Edward Island at the time the current Plan was developed.²⁰ The estimates used in the proposed Plan are based on actual data collected over the term of the current Plan, and are therefore expected to be more accurate. PEIEC advised the Commission that it is “as confident as it can be with respect to its estimates for program uptake, spending and the resultant savings.”²¹

Proposed Programs

51. EE&C strategies are grouped into three categories in the proposed Plan: (1) residential programs; (2) commercial and industrial programs; and (3) demand response initiatives.

²⁰ Exhibit 10(b), response to IR-4(b) of Commission Staff

²¹ Exhibit 10(b), response to IR-3(c) of Commission Staff

52. The programs proposed for the residential sector are summarized as follows:
- (a) **Energy Efficient Equipment Rebates:** This program provides rebates for the installation of qualified high-efficiency products, such as lighting, controls and heat pumps. The program offers cash rebates, with additional rebates for lower income households. There is also financing available through the Government of Prince Edward Island to assist with up-front costs. Eligibility requirements include residents who have lived in their home for more than six months. PEIEC is budgeting \$6.59 million for Energy Efficient Equipment Rebates over the three year term.
 - (b) **Home Comfort:** This program provides insulation upgrades to low income residents, including attic insulation and blown in insulation. There is no cost to participants for the envelope upgrades. PEIEC is budgeting \$1.82 million for the Home Comfort program over the three year term.
 - (c) **Home Insulation Rebates:** This program offers rebates for the installation of insulation, air sealing improvements, and Energy Star® windows and doors. The program offers rebates to customers, as well as financing through the Government of Prince Edward Island to assist with up-front costs. Eligibility requirements include Island home owners, with additional savings provided to low income households of \$35,000 or less. An energy audit is required before commencing work, and once the work is completed. PEIEC is budgeting \$650,000 for Home Insulation Rebates over the three year term.
 - (d) **Instant Energy Savings:** This program provides instant rebates in-store on select energy efficient products such as light bulbs, thermostats, and smart power bars. The program offers seasonal and year-round rebates that are applied at the cash register with no application required. PEIEC is budgeting \$1.63 million for Instant Energy Savings over the three year term.
 - (e) **New Home Construction:** This program encourages Islanders to build new homes that cost less to operate while reducing the environmental impact through a comprehensive plan evaluation. The program subsidizes the cost of the comprehensive plan evaluation prior to construction, and the cost of a follow-up assessment within 12 months after the home is built. Rebates range from \$2,000 to \$9,000, and are determined based on the efficiency performance of the home once the final energy audit is complete. PEIEC is budgeting \$1.58 million for New Home Construction over the three year term.
 - (f) **Winter Warming:** This program provides financial assistance for low to moderate income Islanders to make their homes more energy efficient in the winter. This encompasses free installation of weatherization and energy efficient products. Eligibility requirements include residents of PEI with a total household income of \$50,000 or less. The applicants must live in the property, and the property must be either a primary residence or year-round rental property. PEIEC is budgeting \$750,000 for the Winter Warming program over the three year term.
53. The commercial and industrial strategies in the proposed Plan focus on providing energy and electricity savings to PEI businesses and organizations, including non-profits, municipalities, community centres and agricultural operations.

54. Through the stakeholder consultation process, PEIEC identified the need for education and awareness of efficiency programming and potential electricity savings in the commercial sector. Enabling strategies in education and awareness are key components of the proposed Plan, specifically for commercial organizations.
55. In addition to increasing education and awareness, the proposed Plan includes the following commercial and industrial programs:
 - (a) **Business Energy Rebates:** This program offers rebates on high-efficiency products for businesses, non-profits, institutional organizations, and agricultural facilities. Pre-approval is required for rebates greater than \$5,000. New construction is not eligible for this program and the building must have been occupied for at least six months. Eligible measures and equipment include various energy efficient products such as light fixtures and controls, heat pumps, door frame heater controls and electronically communicated motors for retail coolers. PEIEC is budgeting \$3.64 million for Business Energy Rebates over the three year term.
 - (b) **Community Energy Solutions:** This program offers energy efficiency advice and rebates to help communities become more sustainable. The program covers the cost of a total energy efficiency upgrade to a maximum of \$25,000. Businesses that consume more than 350,000 kWh per year are eligible for up to \$100,000 in subsidies. Eligibility requirements involve the completion of an energy audit for commercial buildings. Upon completion of the audit, recommendations are provided together with the estimated savings and upgrade cost. Eligible measures and equipment typically include upgrades to heating systems, optimizing ventilation, thermostats, controls and improving processes. All projects must be approved prior to purchase or installation. PEIEC is budgeting \$630,000 for Community Energy Solutions over the three year term.

Demand Response Strategy

56. PEIEC defines demand response as initiatives that reduce utility peak loads by curtailing electricity usage, either through adjusting customer energy use behavior or by signals from utilities, such as time of use (“TOU”) rates.
57. MECL does not currently have the technological requirements to provide TOU rates to customers. As a result, PEIEC is proposing to establish and launch demand response “pilot programs” in the first year of the Plan. The pilot programs include:
 - (a) Electric thermal storage systems for the residential sector;
 - (b) Interruptible rates and curtailment for the commercial and industrial sectors;
 - (c) Dual fuel systems for the residential and commercial sectors; and
 - (d) Demand load control systems for the residential and commercial sectors. The demand load control systems include Wi-Fi thermostats and storage water heater systems.

58. PEIEC has budgeted \$5.38 million for Demand Response Initiatives over the three year term of the Plan.

Enabling Strategies

59. PEIEC defines enabling strategies as programs and services offered to foster innovation, increase public awareness regarding demand side management, and educate youth and communities with the purpose of increased market transformation and participation.
60. The proposed Plan includes investment in additional promotional solutions to improve online presence, school educational activities, and one-on-one outreach with industry. PEIEC is also proposing to work with the utilities to implement Home Energy Reports (“HER”) as an enabling strategy with no barriers to adoption. This means that, if approved, electricity ratepayers would automatically receive a HER through their electricity bill.
61. A HER is defined by PEIEC as a report sent to residential electricity customers that displays home energy consumption compared to peers for the purpose of promoting energy conservation behaviour. The reports are intended to be behavioural measures with the purpose of generating savings through social and behavioural changes.
62. The current EE&C Plan has allocated 6.2 percent of the total budget for enabling strategies. PEIEC is seeking approval to increase the enabling strategies budget to 10.75 percent of the total Plan budget, being \$1,858,501. PEIEC is proposing to spend 50 percent of the enabling strategies budget in year one (\$929,251) and 25 percent in years two and three (\$464,625 per year).

Cost Effectiveness Testing

63. PEIEC defines cost effectiveness testing as an analytical framework used to inform EE&C decision making by providing insights to whether the benefits to ratepayers exceed the cost of the programs.
64. PEIEC used the Program Administrator Cost (“PAC”) test at the portfolio level as the primary cost effectiveness test, and the Total Resource Cost (“TRC”) test at the portfolio and program levels as the secondary test. The PAC test does not quantify all costs and benefits for the utility and its customers, and is used as the primary cost effectiveness test in only two Canadian jurisdictions. All other Canadian jurisdictions use the TRC test as the primary test for cost effectiveness.
65. Generally, a PAC or TRC test result below 1 indicates that a program is not cost effective, while a test result above 1 indicates that a program is cost effective. The results of the cost effectiveness testing are summarized below:

Programs	2022-2023		2023-2024		2024-2025	
	Total Resource Cost Test (TRC)	Program Administrator Cost Test (PAC)	Total Resource Cost Test (TRC)	Program Administrator Cost Test (PAC)	Total Resource Cost Test (TRC)	Program Administrator Cost Test (PAC)
Residential Programs						
Energy Efficient Equipment Rebates	2.65	7.23	2.64	7.16	2.63	7.10
Home Insulation Rebates	5.60	7.19	5.91	7.72	6.22	8.23
Winter Warming	1.37	1.37	1.38	1.38	1.39	1.39
Instant Energy Savings	0.97	3.89	0.35	1.44	0.34	1.41
New Home Construction	1.71	5.03	1.70	5.02	1.70	5.03
Home Comfort	3.58	2.99	3.55	2.97	3.53	2.95
Commercial & Industrial Programs						
Business Energy Rebates	2.06	4.97	2.07	4.98	2.07	4.99
Community Energy Solutions	1.02	4.01	1.01	3.87	1.01	3.80
Average	2.37	4.58	2.33	4.32	2.36	4.36

66. The Instant Energy Savings Program does not meet the standard for cost effectiveness. Although PEIEC recognizes that this is not ideal, it proposes to continue the Energy Savings Program over the term of the Plan as the portfolio results surpass the cost effectiveness testing in each year.

Cost Recovery

67. The total cost of the proposed Plan is \$24.52 million for the three year term. Of this amount, \$13.02 million is for EE&C programs that are specific to the residential sector, \$4.27 million is for EE&C programs that are specific to the commercial and industrial sector, \$5.38 million is for demand response initiatives, and \$1.85 million is for enabling strategies.
68. PEIEC is seeking approval to recover approximately 20 percent of the total budget from customers of MECL and SE. PEIEC also proposed a change to how MECL collects and remits its share of the Plan costs.
69. Prior to May 2023, MECL collected the Plan costs from ratepayers through a rate rider. As a result, the amount collected and remitted by MECL each month varied, and was not always consistent with the amount MECL was required to pay. To avoid this, PEIEC proposed that MECL remit a fixed amount on a monthly basis. PEIEC recommended that either MECL continue to collect the Plan costs through a rate rider but remitted a fixed monthly amount to PEIEC, or that the fixed amount be included in MECL's revenue requirement to be collected through basic rates.
70. MECL submitted written comments to the Commission regarding the proposed Plan. Although MECL supported the continued use of a rate rider to collect funding requirements, MECL requested that any adjustment occur as part of the company's General Rate Application to limit the number of customer rate adjustments.
71. In April 2023, the Commission issued its Order with respect to MECL's General Rate Application.²² In accordance with the Order, MECL is now required to remit its annual EE&C Plan costs to PEIEC in fixed monthly amounts. Although MECL continues to collect

²² Commission Order UE23-04

the EE&C costs through a per kilowatt hour rate rider, any amount over or under-collected remains held by MECL in a separate account, rather than paid to PEIEC.

72. As SE is not subject to Commission regulation, PEIEC intends to enter into a Service Delivery Agreement to formalize SE's participation and investment.

DECISION:

73. For the reasons that follow, the Commission approves the EE&C Plan as filed on December 22, 2021 and amended on April 4, 2022. For the reasons already stated, the Commission does not approve the proposed funding requirements or use of the over-collection as proposed in the Supplemental Filing.
74. In accordance with section 16.1 of the *Act*, the Commission has the discretion to approve an energy efficiency and demand-side resources plan if it is satisfied:
- a) that the term of the Plan is consistent with industry standards;
 - b) that the measures in the Plan are reasonably likely, on implementation, to achieve the forecast results;
 - c) that the Plan contains a reasonable estimate of the financial costs and the financial benefits for each public utility and its customers over the term of the Plan; and
 - d) that there is a plan to apportion the financial costs and benefits between the public utilities named in the Plan.²³
75. The EE&C Plan submitted by PEIEC satisfies each of these requirements.
76. The proposed EE&C Plan is for a three year term. This is the same term as the existing EE&C Plan approved by the Commission in May 2019. The Commission is satisfied that a multi-year Plan continues to be consistent with industry standards.
77. The EE&C Plan will therefore be in effect for a three year period, beginning March 1, 2023 and ending February 28, 2026. This is consistent with the term requested by PEIEC, and aligns with MECL's current rate setting period.²⁴
78. PEIEC is forecasting total net energy savings of 34.45 GWh and total net demand savings of 16.85 MW over the Plan's three year term. These targets are ambitious, particularly as PEIEC did not achieve its forecast savings under the existing EE&C Plan.
79. However, the Commission accepts PEIEC's rationale for increasing its savings targets based, in part, on forecast load growth and increased program uptake. It is logical to assume, as PEIEC has, that increased electrification is likely to lead to increased demand for electricity efficiency programming. The Commission also recognizes that PEIEC now has the benefit of PEI-specific data to assist with its forecasting and savings targets.

²³ *Act*, sections 16.1(5.1), 16.1(6)

²⁴ Commission Order UE23-04

80. Based on the information provided by PEIEC, the Commission is satisfied that the EE&C Plan is reasonably likely to achieve the forecast results.
81. During the term of the Plan, PEIEC shall continue to evaluate the performance of its EE&C programs and the results achieved. In the event the evaluation identifies programs that are not performing as expected, either in terms of savings or participation, the Commission expects that PEIEC will seek to address the issues during the term of the EE&C Plan. This may include applying to the Commission to amend or modify the approved Plan to ensure that customers receive benefits commensurate with their contributions.
82. In Order UE19-03, the Commission approved the use of the PAC test at the portfolio level to determine the cost effectiveness of the existing EE&C Plan. As part of this application, PEIEC has provided the results of its cost effectiveness testing using both the PAC and TRC tests at the program and portfolio levels.
83. Based on PEIEC's testing, all of the proposed programs are cost effective, with the exception of the residential Instant Energy Savings Program. However, PEIEC proposes to continue the Instant Energy Savings Program as the results at the portfolio level surpass the cost effectiveness testing in each year of the Plan.
84. The Commission approves the continued use of the PAC test at the portfolio level for cost effectiveness testing over the term of the EE&C Plan. Based on the results of the PAC test, the EE&C Plan is cost effective at the portfolio level. Although the residential Instant Energy Savings Program may not be cost effective at the program level, the program is allowed to continue for the term of this Plan.
85. The total EE&C spending over the three year term is \$24.5 million. PEIEC is proposing to allocate spending for EE&C programming by funding source. Approximately 20 percent of EE&C spending will be paid by MECL and SE customers, and the remaining 80 percent will be paid by the federal and provincial governments. This allocation is consistent with the allocation of EE&C spending approved in the existing EE&C Plan. The Commission accepts the allocation as reasonable.
86. The 20 percent of the EE&C spending that is paid by MECL and SE customers is further allocated 90 percent to MECL and 10 percent to SE. This 90/10 split is based on the proportion of electricity sales in the Province, and is consistent with the allocation approved in the existing EE&C Plan. The Commission accepts the allocation as reasonable.
87. PEIEC seeks approval to apply the \$2.01 million over-collection to offset the costs recoverable from utility ratepayers for EE&C programs over the three year term.²⁵ The use of the over-collection reduces the amount recoverable from ratepayers from \$4.904 million to \$2.894 million.

²⁵ This request for approval was amended by PEIEC in its July 2023 Supplemental Filing [Exhibit E-14]. For the reasons already stated, the Commission does not accept the proposal – including the proposed use of the over-collection – put forth in the Supplemental Filing.

88. The Commission accepts that it is reasonable to use the amount of the over-collection – an amount that has already been paid by utility customers – to reduce the EE&C funding payable by customers over the next three years. As a result, the net EE&C funding payable by MECL customers shall be \$868,283 in 2023/2024, \$868,283 in 2024/2025 and \$868,282 in 2025/2026. The net funding payable by SE customers shall be \$96,476 in each year of the three year term.
89. The below table summarizes the amount of EE&C funding that shall be recoverable from MECL and SE ratepayers, after deduction for the \$2.01 million over-collection:

	APPROVED UTILITY CONTRIBUTIONS BY YEAR			
	2023-24	2024-25	2025-26	Total
Proposed Plan Budget				
Maritime Electric	\$ 1,360,203	\$ 1,321,690	\$ 1,732,045	\$ 4,413,939
Summerside Electric	\$ 151,134	\$ 146,854	\$ 192,449	\$ 490,438
Subtotal	\$ 1,511,337	\$ 1,468,545	\$ 1,924,495	\$ 4,904,377
Overcollection from Previous Plan	\$ (546,578)	\$ (503,786)	\$ (959,737)	\$ (2,010,101)
Annual Amount Payable per Utility				
Maritime Electric	\$ 868,283	\$ 868,283	\$ 868,282	\$ 2,604,848
Summerside Electric	\$ 96,476	\$ 96,476	\$ 96,476	\$ 289,428
Total	\$ 964,759	\$ 964,759	\$ 964,758	\$ 2,894,276

90. PEIEC acknowledges that federal funding has not been committed for the term of the EE&C Plan. Further, both federal and provincial funding is subject to appropriations in each fiscal year. In the event that federal or provincial government funding does not materialize, or is less than forecast, over the term of the Plan, PEIEC shall not be permitted to recover the funding shortfall from MECL or SE customers.
91. For all of these reasons, and based on evidence before it, the Commission approves the EE&C Plan as filed on December 22, 2021 and amended on April 4, 2022. The Commission thanks PEIEC for their cooperation and responsiveness throughout the course of this proceeding.

ORDER:

The Commission Orders as follows:

1. The EE&C Plan as filed on December 22, 2021 and amended on April 4, 2022, is hereby approved effective as of March 1, 2023.
2. The EE&C Plan shall remain in effect for a three year term, from March 1, 2023 to February 28, 2026.

Annual Funding Requirements

3. The proposed funding requirements and use of the over-collection as proposed in the Supplemental Filing dated July 14, 2023 are not approved.
4. The amount over-collected under the previous EE&C Plan, being \$2.01 million, shall be used to offset the EE&C costs payable by MECL and SE customers during the three year term. The annual funding requirements for MECL and SE are as follows:

APPROVED UTILITY CONTRIBUTIONS BY YEAR				
	2023-24	2024-25	2025-26	Total
Proposed Plan Budget				
Maritime Electric	\$ 1,360,203	\$ 1,321,690	\$ 1,732,045	\$ 4,413,939
Summerside Electric	\$ 151,134	\$ 146,854	\$ 192,449	\$ 490,438
Subtotal	\$ 1,511,337	\$ 1,468,545	\$ 1,924,495	\$ 4,904,377
Overcollection from Previous Plan	\$ (546,578)	\$ (503,786)	\$ (959,737)	\$ (2,010,101)
Annual Amount Payable per Utility				
Maritime Electric	\$ 868,283	\$ 868,283	\$ 868,282	\$ 2,604,848
Summerside Electric	\$ 96,476	\$ 96,476	\$ 96,476	\$ 289,428
Total	\$ 964,759	\$ 964,759	\$ 964,758	\$ 2,894,276

5. The annual funding payable by MECL, SE and their customers shall not exceed the foregoing amounts.
6. In the event federal or provincial government funding does not materialize, or is less than forecast, PEIEC shall not be permitted to recover any funding shortfall from MECL, SE or their customers.
7. MECL shall collect its share of the EE&C Plan costs from its ratepayers as a per kilowatt hour rate rider.
8. 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.

Cost Effectiveness

9. The costs of the EE&C Plan shall be treated as an expense as incurred rather than amortized over the life of the EE&C measures.
10. PEIEC shall use the Program Administrator Cost test at the portfolio level to determine the cost effectiveness of the EE&C Plan.
11. PEIEC shall use the Government of Prince Edward Island's long term borrowing rate in the calculation of cost effectiveness testing.

Evaluation & Annual Reporting

12. PEIEC shall retain an independent evaluation consultant to evaluate the EE&C Plan on an ongoing basis over the three year term.
13. The independent evaluation consultant shall follow the comprehensive evaluation framework previously prepared by PEIEC and submitted to the Commission.
14. During the term of the EE&C Plan, PEIEC shall submit quarterly progress reports in a form consistent with previous quarterly reports submitted by PEIEC to the Commission.
15. In each calendar year during the term of the EE&C Plan, PEIEC shall prepare and submit a report to the Commission in a form consistent with previous annual reports submitted by PEIEC to the Commission.
16. The annual report shall be filed within three months after the end of PEIEC's fiscal year in each calendar year, or part of a calendar year, occurring during the term of the EE&C Plan.

Other Matters

17. The standardized filing framework proposed by PEIEC is approved and shall be used for future EE&C Plan applications.
18. PEIEC shall not make any material change to the EE&C Plan approved herein without the prior written approval of the Commission.

DATED at Charlottetown, Prince Edward Island, this 23rd day of April, 2024.

BY THE COMMISSION:

(sgd) J. Scott MacKenzie

J. Scott MacKenzie, K.C., Chair

(sgd) M. Douglas Clow

M. Douglas Clow, Vice-Chair

(sgd) Kerri A. Carpenter

Kerri A. Carpenter, Commissioner