



PRINCE EDWARD ISLAND

Regulatory & Appeals Commission

Commission de réglementation et d'appels

ÎLE-DU-PRINCE-ÉDOUARD

Docket: UE21505
Order: UE25-08

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Cheryl Bradley,
Director of Finance & Regulatory Affairs
Island Regulatory & Appeals Commission

IN THE MATTER of an application by Maritime Electric Company, Limited for an order approving an adjustment to its rates, tolls and charges for electric service for the Recovery of Hurricane Fiona restoration costs and to complete an equity injection, pursuant to sections 20, 23(3)(a)(ii) and 24(1) of the *Electric Power Act*, RSPEI 1988, c. E-4;

Order

BEFORE THE COMMISSION ON Friday, the 5th day of December, 2025.

Pamela Williams, K.C., Chair

Kerri Carpenter, Vice-Chair

Introduction:

1. This is an Order that considers a request by Maritime Electric Company, Limited (“MECL”) for the Commission’s approval to proceed with an equity injection, to respond to a deterioration in its capital structure due, in part, to post-Fiona recovery efforts.

Background:

2. Hurricane Fiona made landfall in Prince Edward Island on September 23 and 24, 2022, causing extensive damage to MECL’s electric distribution system. The storm resulted in widespread outages, significant damage to poles, lines and other infrastructure, and required a large-scale restoration effort involving both internal and contracted resources.
3. The full background of MECL’s application to collect operating and capital costs related to Hurricane Fiona is detailed. As this Order only responds to MECL’s immediate request for approval of an equity injection, this background section will provide only a high-level overview of the application process to date.
4. Following the storm, MECL began tracking its restoration costs for purposes of potential regulatory review and recovery. On December 19, 2022, the Commission issued Order UE22-08 granting interim approval for MECL to defer restoration costs pending a full review.¹ On November 2, 2023, MECL filed its full Hurricane Fiona Cost Recovery and Equity Injection Application.² In the Application, MECL sought, among other things, approval to complete an equity injection from its shareholders to support MECL’s capital structure and financial position following the storm.
5. MECL’s Fiona Cost Recovery Application is thorough and multi-faceted and is still being processed by the Commission. However, on September 25, 2025, MECL filed a supplemental letter³ advising the Commission of further deterioration in its capital structure and requesting immediate approval of a revised equity injection. Details of that request will be further addressed below.
6. On October 8, 2025, the Commission issued written questions (interrogatories) to MECL regarding the supplemental letter.⁴ MECL provided its responses on October 28, 2025.⁵
7. For clarity, the Commission has determined that MECL’s Fiona Cost Recovery Application will be addressed in stages. Therefore, at this time, the Commission is only considering MECL’s request for approval to proceed with the proposed equity injection. The remaining elements of the Application relating to cost recovery and rate adjustments will be dealt with in a subsequent phase of this proceeding.

¹ Order UE22-08

² Exhibit M-6

³ Exhibit M-15

⁴ Exhibit C-8

⁵ Exhibit M-16

Commission's Authority Under the *Electric Power Act*:

8. The Commission is an independent, quasi-judicial tribunal. It exercises appellate, adjudicative, and regulatory authority under a number of provincial statutes, including the *Electric Power Act*. In doing so, the Commission is required to follow legislative requirements and administrative law principles.
9. It is well-settled that MECL is a public utility within the meaning of section 3(a) of the *Electric Power Act* and is, therefore, subject to the Commission's regulatory jurisdiction under the Act.
10. Although the Commission is not, at this stage, establishing rates, the capital structure of the utility, including proposed equity injections, is directly relevant to the Commission's jurisdiction as the regulator to oversee the financial integrity and prudence of the utility's operations. For example, section 12 of the Act provides the Commission must approve any issuance of shares by a public utility (that are payable in more than one year from the date thereof).
11. The Act authorizes the Commission to determine a utility's rate base, and in so doing, the Commission may include any fair and reasonable expenditure that is proper and basic to the utility's operation.⁶ Generally speaking, the Commission is to apply a "just and reasonable" standard.
12. All this to say, it is within the jurisdiction of the Commission to review, assess and determine whether MECL's proposed equity injection is prudent, in the public interest, and consistent with the *Electric Power Act*.
13. In carrying out its mandate, the Commission also must balance the interests of consumers and the utility. The Commission must ensure that rates are sufficient to permit the utility to recover its prudently incurred costs and earn a fair return on its investment, while protecting consumers from unjust or unreasonable charges.

Overview of the Equity Injection Request:

14. In simple terms, an "equity injection" is where MECL's existing shareholders contribute capital into the company. The purpose of the equity injection in MECL's case is to increase MECL's equity level to be within the range prescribed by the *Electric Power Act*. Specifically, section 12.1 of the Act requires that MECL's equity level be maintained within a specific range of not below 35 per cent and not above 40 per cent. This statutory range ensures the utility has enough equity to remain financially stable, while also protecting customers from the higher costs associated with too much equity.
15. In support of its request for approval of the equity injection, MECL submits that the scale of infrastructure restoration following Fiona significantly increased capital requirements in 2023-2025, resulting in a temporary deviation from its capital structure. In other words, the costs MECL incurred in those years required a significant capital spend. MECL states that

⁶ *Electric Power Act*, s. 21(3)(a)(ii).

the proposed equity injection is necessary to restore financial stability, support ongoing capital investment, and maintain the utility's debt-to-equity ratios within acceptable thresholds.

16. As highlighted above, MECL submits that the equity injection is necessary to restore its capital structure in accordance with section 12.1(a) of the *Electric Power Act*. In particular, MECL states that the proposed equity injection is required to maintain compliance with the statutory minimum and to remain within a stable capital structure range.
17. In its initial Fiona Cost Recovery Application in November 2023, MECL requested approval to inject approximately \$14 million in equity to restore its capital structure to an acceptable level of common equity. In a supplemental letter dated September 25, 2025, MECL revised its request to immediate approval of a \$16 million equity contribution – MECL explains that its actual capital structure has continued to deteriorate since the filing of the initial Application. MECL reported that the equity component of its capital structure declined from 39.1% as of December 31, 2021, to 35.9% as of August 31, 2025, and further submitted that, without corrective action, there is a significant risk that the equity component will fall below the legislated 35% by December 2025.
18. MECL submits that the revised amount of \$16 million would increase the equity component of its capital structure to approximately 38%, placing it near the middle of the legislated 35%-40% equity range and mitigating the risk of the Company falling below the statutory minimum.

Decision:

19. The Commission has reviewed MECL's Application, the supplemental information filed on September 25, 2025, and the responses to interrogatories. The Commission has also considered MECL's financial information, including the Company's reported capital structure and projected equity position through the end of 2025.
20. The evidence establishes that MECL's equity component has materially declined since the period preceding Hurricane Fiona, falling from 39.1% as of December 31, 2021, to 35.9% as of August 31, 2025. MECL has further advised that, absent corrective action, it expects the equity component to fall below the legislated minimum threshold of 35% by December 2025. This projected non-compliance with the *Electric Power Act* is attributable to the extraordinary capital requirements associated with post-Fiona restoration and rebuild activities.
21. The Commission is satisfied that maintaining compliance with the statutory minimum, and remaining within a prudent capital structure range, is essential to supporting the financial integrity of the utility and protecting the long-term interests of customers.
22. MECL initially sought approval for a \$14 million equity contribution; however, based on updated information provided in its September 25, 2025, supplemental letter, the Company now requests approval to obtain a \$16 million equity contribution. The Commission accepts that the revised amount more accurately reflects the Company's

present financial position and the immediate mitigation required to avoid falling below the legislated minimum equity threshold.

23. Based on the evidence, the Commission is satisfied that the proposed \$16 million equity injection is prudent, reasonable, and in the public interest. The Commission finds that the equity contribution will stabilize the Company's capital structure, ensure continued compliance with statutory requirements, and support the ongoing provision of safe and reliable utility service, while having no bearing on future determinations regarding Hurricane Fiona cost recovery or related rate treatment.
24. In making this determination, the Commission emphasizes that this decision is limited to MECL's request for approval of the equity injection. The Commission makes no findings at this time with respect to the recovery of restoration costs, the cost-recovery mechanism, or any rate adjustments. Those matters remain under active review and will be determined in subsequent phases of this proceeding.
25. For clarity, the Commission's approval of MECL's requested equity injection does not authorize any changes to customer rates. Any increase in operating costs arising from MECL's higher equity level may not be recovered from rate payers at this time. The effect of MECL's revised capital structure on rates will be assessed as part of MECL's next General Rate Application.

Order:

The Commission Orders as follows:

1. The Commission approves Maritime Electric Company, Limited's request, as amended by its supplemental letter dated September 25, 2025, to obtain an equity contribution in the amount of \$16 million.
2. The approved equity contribution shall be used for the purpose of stabilizing the Company's capital structure and maintaining compliance with the statutory minimum common-equity requirement established under section 12.1(a) of the *Electric Power Act*.
3. This approval is limited solely to the equity contribution and does not constitute approval of any related recovery of restoration costs, the cost-recovery mechanism, or any rate adjustments.
4. Maritime Electric Company, Limited shall file, within 30 days of receiving the equity contribution, written confirmation of the amount received together with an updated capital structure statement reflecting the contribution.
5. All remaining components of the Application filed November 2, 2023 – including, but not limited to, Hurricane Fiona cost recovery methodology, and any associated rate adjustments – remain under review and will be determined in a subsequent phase of this proceeding.

6. For clarity, any impacts on customer rates arising from operating costs associated with the equity contribution may not be recovered from rate payers at this time. The effect of the equity contribution on rates will be determined by the Commission in MECL's next General Rate Application.

DATED at Charlottetown, Prince Edward Island, this 5th day of December, 2025.

BY THE COMMISSION:

(sgd) Pamela Williams

Pamela Williams, K.C., Chair

(sgd) Kerri Carpenter

Kerri Carpenter, Vice-Chair