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MARITIME ELECTRIC
A FORTIS COMPANY

November 24, 2020

Island Regulatory & Appeals Commission
PO Box 577
Charlottetown PE C1A 7L1

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The Island Regulatory and Appeals Commission

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Dear Commissioners:

Application for an Order Approving Changes to the Schedule of Rates
Effective March 1, 2020 and March 1, 2021
Comments on Grant Thornton Report

Maritime Electric Company, Limited (the "Company") offers the following comments with respect to the October 14, 2020 report from Grant Thornton on the Application for an Order Approving Changes to the Schedules of Rates effective March 1, 2020 and March 1, 2021 as filed by the Company on January 31, 2020 ("January Filing").

In general, the Company is in agreement with Grant Thornton's conclusions and recommendations, with the exception of those noted below.

Section 5 - Charlottetown Thermal Generating Station ("CTGS")

Grant Thornton recommended that the Island Regulatory and Appeals Commission (the "Commission") deny the Company's request for the establishment of a regulatory deferral account, as of January 1, 2020, for the projected unrecovered depreciation and reserve variance amortization.

The Company believes that the creation of such a regulatory deferral account is an appropriate and necessary step in the decommissioning of the CTGS. In the January filing, the Company noted:

> *"The use of a regulatory deferral account for the CTGS accumulated reserve variance will provide flexibility to the Utility and the Commission in managing the impact on customer electricity costs by enabling the establishment of an appropriate amortization period and determination of the amounts to be recovered in each year."*

It was further noted that the *"final total amounts to be recovered for the CTGS facility will ultimately differ from current estimates"*. The Commission's approval of a regulatory deferral account does not preclude it from instructing the Company to adjust amounts recorded in the deferral account.

Therefore, the Company respectfully requests the Commission to fully consider the establishment of a regulatory deferral account at this time.

Section 8 - Provincial Costs Recoverable

The Company would like to point out that the table provided on line 19 of page 43 has an error in the column labelled "2019/2020". The total funding amount of $1,570,000 should be $970,000, and the Company's portion of $1,413,000 should be $873,000. The amount of $1,570,000 incorrectly double counts the $600,000 funding amount for the previous year.

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In addition, in Section 7.1.2.2., Grant Thornton has incorrectly documented that the Commission directed the Company to collect the Demand Side Management ("DSM") costs for the Prince Edward Island Energy Corporation's Electricity Efficiency and Conservation Plan ("PEIEC EEC&C Plan") via a rate rider.

In Order UE19-08 paragraph 143, Maritime Electric requested that the recovery of expenses related to Provincial Costs Recoverable for the closure of Dalhousie and the refurbishment at Point Lepreau be recovered through the Energy Cost Adjustment Mechanism ("ECAM"). Then in paragraph 149 the Commission ordered that *"the Provincial Costs Recoverable shall continue to be collected through a rate rider in basic rates."* Grant Thornton has incorrectly interpreted the Provincial Costs Recoverable as including the DSM costs when it only ever included the recovery of costs related to Dalhousie and Point Lepreau.

Regardless of the above noted errors, Grant Thornton did correctly document the Company's interpretation that a variance from the Company's recorded treatment would require an offsetting adjustment to the Rate of Return Adjustment ("RORA") account.

If the Commission were to decide that the Company did collect from customers, in base rates, DSM costs of $573,000, then the Company would be required to increase its 2019 costs by $415,802[1] to reflect the requirement to pay that amount to the PEIEC EEC&C Plan. Such an adjustment would change the calculation of the Company's earnings in excess of the approved return on average common equity, ultimately resulting in a decrease to the RORA account of $415,802. It should be noted that such a correcting adjustment could only be recorded in 2020 or a future period.

The Company still contends that it had properly recorded DSM costs for 2019. However, the Company respectfully requests that the Commission (i) confirm that it agrees with the Company's treatment or (ii) provide direction for the Company to record the additional DSM costs of $415,802 with a corresponding adjustment to the RORA account, and remit the funds to the PEIEC EE&C Plan.

<u>Section 10 - Weather Normalization Reserve ("WNR")</u>
Grant Thornton recommended that the balance in the WNR be considered during the Company's review of the ECAM. The Company disagrees with this recommendation as it will delay the refund to customers.

Rather, the Company recommends that the WNR balance be returned to customers in the manner proposed by the Company to reduce the 2020 revenue requirement, thereby, mitigating the required rate increase.

<u>Revenue Shortfall Period</u>
Grant Thornton's recommendations and conclusions were based on the expectation that the implementation of new customer rates would be deferred from March 1, 2020 to September 1, 2020. The most likely implementation date is now January 1, 2021. As such, the Commission's decision will need to allow the Company to update the necessary calculations to reflect the ultimate implementation date of new customer rates.

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1 $573,000 less DSM costs of $157,198 actually incurred by the Company.

In addition to the items noted above, the Company respectfully requests an opportunity to present further analysis should the Commission deviate from any of the remaining recommendations and/or conclusions presented by Grant Thornton.

Yours truly,

MARITIME ELECTRIC

Michelle Francis
Vice President, Finance and
Chief Financial Officer

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