



Docket UE20934
Order UE05-01

IN THE MATTER of an application by
Maritime Electric Company, Limited for approval
of proposed amendments to its rates, tolls and
charges and for certain approvals incidental to
the proposed amendments.

BEFORE THE COMMISSION

on Thursday, the 6th day of January, 2005.

Maurice Rodgerson, Chair
Weston Rose, Commissioner
James Carragher, Commissioner

Order

Compared and Certified a True Copy

(Sgd) *Donald G. Sutherland*

Technical and
Regulatory Services Division

IN THE MATTER of an application by Maritime Electric Company, Limited for approval of proposed amendments to its rates, tolls and charges and for certain approvals incidental to the proposed amendments.

Order

WHEREAS, prior to January 1, 2004, Maritime Electric Company, Limited (“the Company”) was regulated under the *Maritime Electric Company Limited Regulation Act* (the “former Act”);

AND WHEREAS, under the former Act, the Company’s rates were determined, in part, by application of the *Base Rate Adjustment Regulations* approved by the Lieutenant Governor in Council pursuant to the former Act;

AND WHEREAS, since January 1, 2004, the Company has been regulated by the Commission pursuant to the *Electric Power Act*,

AND WHEREAS section 47 of the *Electric Power Act* reads, in part, as follows:

47. (1) On and after January 1, 2004, Maritime Electric Company, Limited shall provide service in the province at the rates, tolls and charges, and on the terms and conditions of service, that were established and in effect under the former Act and the former regulations immediately before January 1, 2004 until such time as those rates, tolls and charges, and those terms and conditions of service, are altered or modified under this Act. 2003,c.3,s.23.

(2) Prior to March 1, 2004, Maritime Electric Company, Limited shall provide an annual report to the Commission for the calendar year beginning January 1, 2003 that complies with the requirements of section 15. 2003,c.3,s.23.

(3) Prior to May 1, 2004, Maritime Electric Company, Limited shall make a submission to the Commission under section 20 for the review and approval of its rates, tolls and charges. 2003,c.3,s.23.

(4) When approving or determining and fixing the rates, tolls and charges of Maritime Electric Company, Limited pursuant to a submission made under section 20 in accordance with subsection (3), or in accordance with any later application made in accordance with section 20, the Commission shall allow Maritime Electric Company, Limited

(a) to recover, over such period of time and on such terms and conditions as the Commission considers just and reasonable,

(i) the deferred costs that Maritime Electric Company, Limited would have been able to recover under the former Act and the former regulations,

(ii) the unamortized portion of any deferred cost incurred before January 1, 2004 by Maritime Electric Company, Limited in respect of any power purchase agreement, and

(iii) a reasonable return on the unrecovered deferred costs referred to in subclauses (i) and (ii); and

(b) to recover, as an annual expense, the amounts payable by Maritime Electric Company, Limited pursuant to any power purchase agreement Maritime Electric Company, Limited has entered into before January 1, 2004 that continues in force on and after that date. 2003,c.3,s.23.

AND WHEREAS, pursuant to subsection 47(3) the *Electric Power Act*, the Company filed an application with the Commission on April 30, 2004 for review and approval of its rates;

AND WHEREAS, in October, 2004, the Company filed supplementary and updated information on the application;

AND WHEREAS it appears to the Commission that the allowances or costs required for approval or determination by the Commission under subsection 47(4) of the *Electric Power Act* will necessitate measures to mitigate the impact on the consumer and allow for an orderly transition to the ongoing requirements of the *Electric Power Act*;

AND WHEREAS it further appears to the Commission that the implementation of an energy cost adjustment mechanism, the details of which will be dealt with by further order of the Commission, will further assist in mitigating the impact of rate changes on the consumer;

AND WHEREAS the Commission deems it expedient to deal now with certain portions of the application relating to the fiscal year of the Company ending December 31, 2004;

AND WHEREAS matters contained in the application not specifically dealt with herein will be subject to further review and a further Order of the Commission;

NOW THEREFORE, pursuant to the *Island Regulatory and Appeals Commission Act* and the *Electric Power Act*,

IT IS ORDERED THAT

1. the establishment of an energy cost adjustment mechanism in 2005 ("ECAM"), the details and effective date of which will be determined by further order of the Commission, is approved;
2. the ECAM shall have application to the Company's income statement commencing on January 1, 2004;
3. the amount to be deducted from the amount charged to operations during the period January 1, 2004 to December 31, 2004 and deferred for future recovery by application of an ECAM shall not exceed \$2,725,389;
4. the Company shall continue the annual amortization of the Point Lepreau deferred costs in 2004 and 2005 in the amount of \$560,000 each year with the balance to be recovered over such time and in such annual amounts as the Commission will further order; and
5. the Company shall commence the amortization of the December 31, 2003 deferred costs recoverable from customers, with \$1,500,000 to be recovered in 2004 and \$2,500,000 to be recovered in 2005 with the balance to be recovered over such time and in such annual amounts as the Commission will further order.

DATED at Charlottetown, Prince Edward Island, this 6th day of January, 2005.

BY THE COMMISSION:

(Sgd) *Maurice Rodgerson*

Maurice Rodgerson, Chair

(Sgd) *Weston Rose*

Weston Rose, Commissioner

(Sgd) *James Carragher*

James Carragher, Commissioner

NOTICE

Section 12 of the *Island Regulatory and Appeals Commission Act* reads as follows:

12. The Commission may, in its absolute discretion, review, rescind or vary any order or decision made by it or rehear any application before deciding it.

Parties to this proceeding seeking a review of the Commission's decision or order in this matter may do so by filing with the Commission, at the earliest date, a written Request for Review, which clearly states the reasons for the review and the nature of the relief sought.

Sections 13.(1) and 13(2) of the *Act* provide as follows:

13.(1) An appeal lies from a decision or order of the Commission to the Appeal Division of the Supreme Court upon a question of law or jurisdiction.

(2) The appeal shall be made by filing a notice of appeal in the Supreme Court within twenty days after the decision or order appealed from and the Civil Procedure Rules respecting appeals apply with the necessary changes.

IRAC140B(2005/1)