



Docket UE20602
Order UE10-04

IN THE MATTER of

income tax recovery accounting treatment and
Energy Cost Adjustment Mechanism of Maritime
Electric Company, Limited.

BEFORE THE COMMISSION

on Thursday, the 23rd day of September, 2010.

Maurice Rodgerson, Chair
John Broderick, Commissioner
Anne Petley, Commissioner
Ernest Arsenault, Commissioner

Order

Compared and Certified a True Copy

(Sgd) *Mark Lanigan*

Technical and Regulatory Services

IN THE MATTER of

income tax recovery accounting treatment and
Energy Cost Adjustment Mechanism of Maritime
Electric Company, Limited.

Order

WHEREAS, Maritime Electric Company, Limited (the “Company”) has reached a negotiated settlement with Canada Revenue Agency related to the timing of income tax recognition of certain deferred accounts such as the Energy Cost Adjustment Mechanism (the “ECAM”) for 2001–2004, the customer rebate adjustments for 2001–2003 taxation years, and the 2001 NB Power Point Lepreau write-down settlement;

AND WHEREAS the Commission understands that Canada Revenue Agency issued tax reassessments in April 2006 which were appealed by the Company;

AND WHEREAS the Commission also understands that the Company was required to advance one half of the potential additional tax liability, approximately \$6.0 million, at the time of filing the Notice of Objection to Canada Revenue Agency and appeal to the Tax Court of Canada;

AND WHEREAS the Commission recognize that the Company made this deposit to Canada Revenue Agency and this payment was identified as an income tax issue in the Company’s annual audited financial statements;

AND WHEREAS the Commission also recognizes that a negotiated settlement between the parties has resulted in a return of the Company’s \$6.0 million;

AND WHEREAS the Company has requested that the refund be returned to customers through the ECAM account, which will reduce the 2011 annual customer billings by approximately 2.1%;

AND WHEREAS the Commission notes that a significant portion of the potential tax liability related to the income tax recognition of energy supply through ECAM;

AND WHEREAS the Commission recognize that electricity rates are impacted by the Company's income tax expense;

AND WHEREAS the Commission believes that customers should receive a reduction in rates due to this tax refund;

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

IT IS ORDERED THAT

1. the approximately \$6.0 million income tax refund payment to the Company from Canada Revenue Agency shall be returned to customers as a reduction in the ECAM account, effective November 1, 2010.

DATED at Charlottetown, Prince Edward Island, this 23rd day of September, 2010.

BY THE COMMISSION:

(Sgd) Maurice Rodgerson

Maurice Rodgerson, Chair

(Sgd) John Broderisk

John Broderick, Commissioner

(Sgd) Anne Petley

Anne Petley, Commissioner

(Sgd) Ernest Arsenault

Ernest Arsenault, 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), 13(2), 13(3), and 13(4) of the *Act* provide as follows:

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

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

(3) The Commission shall be deemed to be a party to the appeal.

(4) No costs shall be payable by any party to an appeal under this section unless the Court of Appeal, in its discretion, for special reasons, so orders.

IRAC140A(04/07)

NOTE: In accordance with IRAC's *Records Retention and Disposition Schedule*, the material contained in the official file regarding this matter will be retained by the Commission for a period of 5 years.