



Dockets  
UE20000  
Order UE14-02

**IN THE MATTER** of an  
application by Maritime Electric Company,  
Limited for approval of accounting treatment of  
employee benefit costs.

**BEFORE THE  
COMMISSION**

on Thursday, the 20th day of March, 2014.

Maurice Rodgerson, Chair  
Michael Campbell, Commissioner

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# Order

Compared and Certified a True Copy

(Sgd) *Allison MacEwen*

Director, Regulatory Services

**IN THE MATTER** of an  
application by Maritime Electric Company,  
Limited for approval of accounting treatment of  
employee benefit costs.

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# Order

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**UPON** reviewing the application of Maritime Electric Company, Limited (the “Company”) for approval of accounting treatment for employee future benefit costs;

**AND UPON** reviewing the new accounting rules for Employee Benefits, Section 3462 of the Canadian Institute of Chartered Accountants (“CICA”) Accounting Handbook, as compared to the previous requirements, Section 3461 of CICA Accounting Handbook;

**AND UPON** noting the Company had been using CICA Section 3461 for accounting and disclosure guidance of the Company’s employee future benefit obligations;

**AND UPON** noting, as referenced in Section 3461, the Company had been using the “corridor approach” in the calculation of the annual employee future benefit expense for financial statement purposes;

**AND UPON** understanding the “corridor approach” allows for the deferral of actuarial and other re-measurement gains and losses to future periods through the amortization of these costs over the average remaining service period of current active employees;

**AND UPON** understanding the “corridor approach” results in predictable and stable changes to the Company’s annual revenue requirement;

**AND UPON** reviewing the accounting implications associated with CICA Section 3462 accounting rule changes to the Company's annual revenue requirements, as set out in a report prepared by Morneau Shepell, actuarial consultants;

**AND UPON** determining that potential volatility in yearly financial results, due to the adoption of CICA Section 3462, may cause significant fluctuations in the Company's annual revenue requirements and may cause significant and temporary rate implications which is not in the public interest;

**AND UPON** determining that the Company's annual revenue requirement incorporating a deferral account for employee benefit obligations would create a stable and predictable impact on the annual revenue requirement;

**NOW THEREFORE**, pursuant to the *Electric Power Act*,

## **IT IS ORDERED THAT**

1. The Company create a regulatory deferral account to record the 2013 transitional impact of adopting the new CICA Handbook Section 3462 - Employee Future Benefits;
2. The Company continue to use the corridor approach in calculating the annual employee future benefit expense and, the accrued benefit obligation and employee future benefits liability for 2014 and future years; and
3. The use of the regulatory deferral account is approved for 2014 and future years to account for the difference between the amounts calculated using the corridor approach and the new provisions of CICA Section 3462.

**DATED** at Charlottetown, Prince Edward Island, this 20th day of March, 2014.

## BY THE COMMISSION:

(Sgd) Maurice Rodgeron

Maurice Rodgeron, Chair

(Sgd) Michael Campbell

Michael Campbell, 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.