

Q. CA 21.0 NP

Reference: Exhibit NP-9, Table 1 (Reconciliation of Average Invested Capital and Average Rate Base, 2004 Test Year) and Table 4 (Pro Forma Reconciliation of Average Invested Capital and Average Rate Base, 2006-2009)
PUB 10.0 NP

Preamble: NP-9 Table 1 shows “Corporate Income Tax Deposit” in the amount of \$6,674,000 (sic) as one of the reconciling items. Table 4 shows that the deposit is reduced to zero.

Question PUB 10.0 states: “It was noted in NP’s Quarterly Report issued for the period ended June 30, 2005 Tab 1, page 7, that the increase in revenue is partially due to the \$2.1 million of interest revenue arising from the tax settlement.”

Please provide a table showing (i) the accrued amount of the corporate income tax deposit from the first year that it arose until 2005 and (ii) the disposition of the full amount of the 2004 corporate income tax deposit of \$6,674,000 (sic).

A. The amount of the corporate income tax deposit referred to in the question should read as \$6,949,000¹. Table 1 below shows the corporate income tax deposit history from the first year in which it arose (1995) to its full disposition in 2005.

Table 1
Corporate Income Tax Deposit History
(000s)

Year	Transaction	Amount Deposited (Returned)	Cumulative Balance
1995	Deposit made	\$15,595 ²	\$15,595
2000	Deposit returned	(1,959) ³	13,636
2001	Deposit returned	(6,687) ⁴	6,949
2005	Deposit returned	(6,949) ⁵	Nil

¹ As shown in Exhibit NP-9, Page 2 of 9, Table 1.

² Required deposit in 1995 representing 50% of amounts in dispute in respect of the Original Reassessments (as defined at Page 10 of the Company Evidence). This amount remained on deposit with CRA until 2000.

³ Represents the amount of the corporate income tax deposit (excluding interest) returned to Newfoundland Power in 2000 upon successfully settling the GEC issue for the 1988-1993 tax years.

In its calculation of the amount of the corporate income tax deposit returned to Newfoundland Power in 2000, the Canada Revenue Agency (the "CRA") withheld the full amount of disputed income tax and arrears interest related to the revised reassessments (as defined at Page 10 of the Company Evidence) concerning the unbilled revenue issue for 1988-1999. This amount totaled \$13,636,000.

⁴ The CRA was permitted to withhold only 50% of the total disputed amount related to the revised reassessments. Newfoundland Power therefore requested that the additional 50% withheld in 2000 be returned to the Company. The CRA complied with the Company's request in 2001, leaving a remaining deposit balance of \$6,949,000. That deposit balance in 2001 represented 50% of the total disputed income tax and arrears interest at that time. The \$6,949,000 remained on deposit with CRA until 2005.

⁵ Represents the amount of the corporate income tax deposit (excluding interest) returned to Newfoundland Power in 2005 upon successfully settling the revised reassessments.