

1 Q. CA 3.0 NP

2
3 Reference: 2006 Accounting Policy Application, para. 15 (i)
4 Exhibit NP-15, NP Forecast 2006 Financial Results

5
6 Preamble: NP proposes that: “the amount of \$9,579,000 be recognized in 2006 to
7 satisfy the increased forecast 2006 depreciation expense described in
8 paragraph 13 together with appropriate tax effects”.

9
10 In the hypothetical situation described in CA 2.0 NP, would NP still consider it
11 appropriate to recognize \$9,579,000 of the 2005 Unbilled Revenue to offset the
12 increased forecast 2006 depreciation expense and the income tax expense resulting
13 from the tax settlement? If so, please provide a revised version of NP-15 for the
14 hypothesized scenario showing the rate of return on rate base both with and
15 without the 2005 Unbilled Revenue and explain the company’s rationale for
16 recognizing the 2005 Unbilled Revenue when it results in Excess Earnings.

17
18 A. No. The Company would not consider it appropriate to recognize \$9,579,000 of the 2005
19 Unbilled Revenue in 2006 under the hypothetical situation described in CA 2.0 NP as it
20 would result in a 2006 forecast return on rate base of 8.86%¹ and excess revenue of
21 approximately \$5.9 million.

¹ Newfoundland Power’s maximum allowed rate of return on rate base for 2006 based upon the current approved range of 8.50% - 8.86%.