

1 **Q. CA 30.0 NP**

2
3 **Reference:** Evidence of JT Browne, page 15.

4
5 **Preamble:** Mr Browne states “If NP were to seek the \$9.6 million through an
6 increase in rates, it would require an additional \$15 million in
7 revenues. The difference between the \$9.6 million and the \$15 million
8 (\$5.4 million) would represent the increase in taxes associated with the
9 revenues necessary to provide \$9.6 million. However, since the \$9.6
10 million will be covered by recognizing a portion of the UUR, there will
11 be no additional taxes. NP must pay the tax on the UUR at December
12 31, 2005 over three years, whether or not it recognizes any of the UUR
13 for rate setting purposes.”
14

15 **Please confirm that if the \$9.6 million in 2005 Unbilled Revenue is not utilized in**
16 **2006, the full \$24,262,400 of 2005 Unbilled Revenue will be available to be**
17 **recognized in future years in lieu of rate increases and that the tax gross-up on the**
18 **avoided rate increases will be avoided whenever the 2005 Unbilled Revenue is**
19 **recognized in lieu of rate increases.**
20

21 **A.** If the \$9.6 million is not utilized in 2006, the full amount of the net unbilled revenue at
22 the end of 2005 (i.e., the total estimated amount of unbilled revenue at December 31,
23 2005 of \$24.3 million, less an estimated amount of \$295,000 in the Unbilled Revenue
24 Increase Reserve) would be available to help meet NP’s future revenue requirements
25 beyond 2006. However, there may be an increase in NP’s revenue requirement beyond
26 2006, and the end result may be little or no impact on rates.

27
28 The tax on the unbilled revenue at the end of 2005 will be paid in three annual
29 installments beginning in 2006, regardless of when the related revenue is recognized for
30 rate setting purposes. As a result, there will be no need for a tax gross-up directly related
31 to the unbilled revenue when it is recognized.