

1 **Q. CA 35.0 NP**2
3 **Reference: PUB 8.0 NP, Attachment A**4
5 **Preamble: NP's response states that under the Full Recognition Scenario "the**
6 **entire forecast 2005 accrued revenue of \$24,262,000 would be**
7 **recognized for regulatory purposes in 2006." Of this amount**
8 **\$12,447,000 is treated as additional revenue for regulatory purposes**
9 **(2005 Unbilled Revenue Accrual on line 5) which would increase the**
10 **rate of return on rate base and the regulated return on book equity**
11 **(lines 31 and 32) to the maximum allowed. The remaining**
12 **\$11,815,000 appears as Excess Earnings (line 27).**13
14 **If under either scenario shown in this response (NP Proposal or the Full**
15 **Recognition Scenario) NP's actual return in 2006 were to exceed the allowed**
16 **maximum, would NP consider it appropriate for the excess earnings to be added to**
17 **the Excess Revenue Account for future disposition at some point in time after the**
18 **NP's actual return is known? If not, please explain.**19
20 **A. Yes.**21
22 Under the definition of the Excess Earnings Account, the Company would be *required* to
23 credit any earnings in excess of the upper limit of the allowed range of return on rate base
24 to the account.25
26 Under the Company Proposal, there is no forecast excess revenue, instead, a forecast
27 \$14,388,400¹ of the 2005 Unbilled Revenue remains subject to future Board order.28
29 Under the Full Recognition Scenario, excess revenue of \$11,815,000² is forecast for
30 2006. This would be credited to the Excess Earnings Account.³ The disposition of this
31 balance would also be subject to future Board order, following 2006.

¹ 2005 Unbilled Revenue - 2006 Depreciation Expense – The Unbilled Revenue Increase Reserve = \$24,262,400
- \$9,579,000 - \$295,000 = \$14,388,400.

² See PUB 8.0 NP, Attachment A, Line 27.

³ Under the Full Recognition Scenario the Unbilled Revenue Increase Reserve of \$295,000 is not disposed of.