

1 **Q. CA 8.0 NP**

2
3 **Reference: 2006 Accounting Policy Application, para. 20**

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5 **Preamble: NP is not requesting a PUB determination that either the forecast**
6 **revenue requirement or the return on rate base is just and reasonable.**

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8 **Is NP asking the PUB to make a determination that there is a revenue deficiency for**
9 **2006 based on its 2006 Accounting Policy Application?**

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11 **A.** Yes. Newfoundland Power is asking the Board to allow an accrual of 2005 Unbilled
12 Revenue equal to the amount of forecast increased 2006 depreciation and income tax
13 costs which are not currently provided for in customer electricity rates. Implicitly, this
14 requires the Board to recognize a forecast 2006 revenue shortfall.

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16 The record before the Board transparently demonstrates a forecast revenue shortfall in
17 2006 due to the increased depreciation and income tax costs. This shortfall, or
18 deficiency, is apparent from a number of perspectives.

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20 One basis of such a determination is the increased 2006 forecast of depreciation expense
21 provided in the Company Evidence. This forecast of depreciation expense is fully
22 transparent as it is based upon depreciation rates and capital expenditures which have
23 been approved by the Board. The information provided in Exhibits NP-14 and NP-15
24 clearly indicates the existence of the 2006 revenue shortfall and the forecast effect of the
25 Company's proposals to address it.

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27 A second basis exists in the essential nature of the current cost of service regime under
28 which the Company operates. The depreciation true-up embedded in customers' current
29 electricity rates is a fully tested value which was recognized by the Board to result in
30 lower costs to be recovered from consumers (see Order No. P.U. 19 (2003) at p. 82). The
31 lower costs, or the reduction in revenue required from customer rates of approximately
32 \$9.0 million, are transparently ascertainable by reference to the 2004 test year which
33 forms the basis of customers' current rates.¹

¹ See Company Evidence, page 21, note 10.