

1 **Q. Volume 2, Tab 3, page. 3: Please explain why the final tax payment increased from**
2 **\$1.9 million for the 2013/2014 test years to \$6.7 million for the 2016/2017 test years.**
3

4 A. The 2016 and 2017 Rate Base Allowances Report filed as part of Newfoundland Power's
5 *2016/2017 General Rate Application* is based on 2014 actual data. The 2013 and 2014
6 Rate Base Allowances Report filed as part of Newfoundland Power's *2013/2014 General*
7 *Rate Application* was based on 2011 actual data.
8

9 The increase in the final tax payment for the 2014 tax year of \$6.7 million versus \$1.9
10 million for the 2011 tax year primarily relates to timing of tax payments and refunds
11 associated with the allocation of Part VI.1 tax from Fortis for 2014.¹
12

13 The increase in the final tax payment for 2014 serves to increase the expense lag resulting
14 in a reduction in the cash working capital allowance included in average rate base for the
15 2016 and 2017 forecast years.²

¹ The final tax payment for the 2014 tax year was made in March, 2015. All tax payments related to Part VI.1 tax were fully refunded in May, 2015.

² An increase in the expense lag effectively means Newfoundland Power has use of those monies to finance its operations until final payment is required.