

Requests for Information

Q. Further to the reply to CA-NP-52, would the Company consider the tax reductions planned for 2010, 2011 and 2012 from 32% to 30.5% to 29% respectively to result in material tax savings to the Company?

A. Table 1 shows the pro-forma reduction in income taxes for Newfoundland Power resulting from reductions in the corporate income tax rates for 2011, 2012 and 2013.

Table 1
Pro-forma Reduction in Income Taxes
2011 – 2013
(\$000s)

2011	2012	2013
752	1,872	1,912

The effects of the reduction in the 2010 corporate income tax rate are reflected in the 2010 test year.

Newfoundland Power observes that costs beyond a test year will typically change.

Newfoundland Power filed a five-year forecast in response to Request for Information CA-NP-043 (1st Revision). The reductions in corporate tax rates for 2011 to 2013 have been reflected in these forecasts as are all other forecast changes in costs for those years. These forecasts indicate that Newfoundland Power will not recover its full costs of providing service for the period 2011 to 2013.

In the years 2011 through 2013, eroding financial results are forecast for each year (see line 43, p. 1 of 9 of Attachment A to response to Request for Information CA-NP-043 (1st Revision)).

Table 2 summarizes the revenue shortfalls forecast for the period 2011 to 2013.

Table 2
Pro-forma Revenue Shortfalls
2011 – 2013
(\$000s)

2011	2012	2013
3,940	3,580	5,242