

1 **Q. Please confirm that the basis of the Board’s acceptance of “NP’s proposal to**  
2 **recognize \$3,086,000 of the 2005 Unbilled Revenue in 2006 to offset the income tax**  
3 **effects associated with the tax settlement” (P.U. 40 (2005), 14:25-26) was that “The**  
4 **final 2006 income tax effects include i) \$2.921 million related to the recognition of**  
5 **the 2005 Unbilled Revenue for income tax purposes equally over 2006-2008, and ii)**  
6 **\$165,000 related to the adoption of the Accrual Method of revenue recognition for**  
7 **income tax purposes in 2006.” (P.U. 40 (2005), 13:28-31).**  
8

9 **A.** The forecast income tax effects associated with the tax settlement, as filed in Exhibit  
10 NP-2 of the *2006 Accounting Policy Application*, included income taxes of \$2,921,000  
11 related to the forecast 2005 Unbilled Revenue and \$165,000 related to the adoption of the  
12 Accrual Method of revenue recognition for income tax purposes in 2006.  
13

14 In making its determination in Order No. P.U. 40 (2005), the Board clearly recognized  
15 that the forecast amount of 2005 Unbilled Revenue of \$24.3 million was an  
16 approximation. In addition, in considering the specific recognition of the amount of  
17 \$3,086,000 in 2006, the Board referred to Grant Thornton’s opinion that the forecast  
18 calculations were appropriate and reasonable.  
19

20 Please refer to the Responses to Requests for Information CA-5.0 NP and CA-6.0 NP.