

1 **Q. Please provide NP's current estimate of the total accumulated value of the**
2 **depreciation true-up deferrals for 2006 and 2007 that will have to be recovered from**
3 **customers in 2008 and subsequent years.**
4

5 A. As shown in Response to Request for Information CA-9.0 NP, the cumulative value of
6 the 2006 and 2007 depreciation true-up deferrals is \$11,586,000.
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8 In Order No. P.U. 40 (2005) the Board ordered:
9

10 *The Board finds that it would be more appropriate to consider recovery of this*
11 *increased cost in conjunction with its review of the 2005 depreciation study and the*
12 *recommendations and impacts of this updated study. NP will be permitted to*
13 *defer recovery of this cost.*
14

15 *The Board will allow NP to recover in future rates by use of a deferral*
16 *account the increased depreciation expense of \$5,793,000 related to the*
17 *amortization of the depreciation true-up.*
18

19 If the Board determines that it is appropriate to recover the true-up deferrals from
20 customers, the total revenue required would be approximately \$17,689,000.¹ The
21 difference of \$6,103,000 would be required to recover additional income taxes.
22

23 However, if the Board determines that it is appropriate to offset the 2006 and proposed
24 2007 true-up deferrals using a portion of the 2005 Unbilled Revenue, then the
25 accumulated value of depreciation true-up deferrals for 2006 and 2007 would not "have
26 to be recovered" from customers in 2008 and subsequent years.
27

28 Recovery of the 2006 depreciation true-up deferral, as approved in Order No. P.U. 40
29 (2005), and the proposed 2007 depreciation true-up deferral will be determined by the
30 Board in a future Board Order.

¹ Equals $(\$11,586,000 / (1 - \text{tax rate}))$ or $(\$11,586,000 / (1 - 0.345))$.