

1 **Q. Does NP agree that the amount of the 2005 Unbilled Revenue that was recognized**  
2 **for regulatory purposes in 2006 exceeded the actual income tax effect of the tax**  
3 **settlement by \$207,000? If NP does not agree, please explain the company's position.**  
4

5 A. Yes, the amount of the forecast 2005 Unbilled Revenue included in the *2006 Accounting*  
6 *Policy Application* that was recognized for regulatory purposes in 2006 exceeded the  
7 actual income tax effect of the tax settlement in 2006 by \$207,000.  
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9 In Order No. P.U. 40 (2005), the Board approved the amortization of \$3,086,000 of the  
10 forecast 2005 Unbilled Revenue to offset the forecast income tax effects associated with  
11 the adoption of the accrual method of revenue recognition in 2006.  
12

13 In the *2007 Amortization and Cost Deferrals Application*, Newfoundland Power is  
14 requesting approval to amortize \$2,714,000 of the 2005 Unbilled Revenue for regulatory  
15 purposes to offset the income tax effects associated with the actual 2005 Unbilled  
16 Revenue amount of \$22,539,000.  
17

18 The \$207,000 reduction in forecast income taxes is the result of actual electricity  
19 deliveries in December 2005 that were billed in January 2006 being less than the forecast  
20 in the *2006 Accounting Policy Application*.  
21

22 In accordance with established regulatory practice, Newfoundland Power uses forecasts  
23 of revenues and costs in its applications to the Board. The Board's reliance on forecasts  
24 to assist it in determining reasonableness of proposals before it is common regulatory  
25 practice.  
26

27 Please to refer to the Response to Request for Information CA-5.0 NP for a reconciliation  
28 of the variance of \$207,000.