

1 **Q. Does NP consider it appropriate to adjust the Unamortized 2005 Unbilled Revenue**
2 **figure of \$17,536,000 as calculated in footnote 7 at page 6 of the NP 2007**
3 **Application so that customers recover the excess amortization that occurred in 2006**
4 **due to the variance in NP's Forecast 2005 Unbilled Revenue contained in its 2006**
5 **Application. If not, please explain the company's position.**
6

7 A. Newfoundland Power does not consider it appropriate to adjust the 2005 Unbilled
8 Revenue for the difference between the actual and forecast income taxes related to the
9 tax settlement. In Order No. P.U. 40 (2005), the Board approved the amortization of
10 \$3,086,000 of the forecast 2005 Unbilled Revenue to offset the forecast income tax
11 effects associated with the adoption of the accrual method of revenue recognition in
12 2006.
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14 Retroactive adjustments of prior Board Orders based on variances, either positive or
15 negative, between actual and forecast costs are not appropriate in the Company's view.
16 Such adjustments create financial uncertainty for a regulated utility. They also do not
17 promote efficiency and transparency in prospective regulation.
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19 It is appropriate regulatory practice for the Board to rely on forecasts as a basis for
20 regulatory decision making. It is not, in the Company's view, appropriate regulatory
21 practice to revisit such forecasts and make retroactive adjustments in the manner
22 suggested.