

November 5, 2007

Proposed 2008 Federal Corporate Tax Rate Reduction

- On October 30th, 2007 the Federal Government, in an economic statement, announced a proposed reduction in the general corporate tax rate of 1% in 2008 (the "Proposed 2008 Tax Reduction").
- Newfoundland Power's preliminary analysis indicates that the Proposed 2008 Tax Reduction would reduce Newfoundland Power's 2008 tax expense by approximately \$500,000.
- The Proposed 2008 Tax Reduction has not yet been reflected in any enabling legislation before the Federal House of Commons.
- There is political uncertainty surrounding whether the Proposed 2008 Tax Reduction will, in fact, be enacted as announced in the economic statement of the Federal Government.
- In these circumstances, an appropriate means for the Board to deal with the matter of the Proposed 2008 Tax Reduction is to order that:
 - upon the enactment of legislation enabling the Federal Government's economic statement, Newfoundland Power create a deferral account to true-up the income tax expense in the Company's 2008 test year to reflect 2008 corporate tax changes contained in the legislation; and
 - the disposition of any balance in the deferral account be subject to further Order of the Board.
- It is Newfoundland Power's intention to deal with the disposition of any amount promptly upon enactment of the legislation.