

1 **Volume 3, Section 2 – Browne, Regulatory Accounting**

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3 **Q. Please explain the treatment of expenses related to pension benefits and OPEBs for**
4 **income tax purposes in terms of whether the cash or accrual basis is used to**
5 **recognize these expenses. As appropriate, identify different categories of OPEBS**
6 **that are treated differently for tax purposes.**

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8 A. I am not a tax expert, however, it is my understanding, confirmed by NP, that the accrual
9 method is not necessarily used for income tax purposes for either NP's pension plans or
10 OPEBs. In the case of its funded pension plans, the payments to fund the plans can be
11 deducted, whereas as amounts to fund its OPEB would not be deductible. The cost of
12 OPEBs is only deductible when the benefits are paid (or payable).