NP-CA-96

Reference: Page 23, Lines 10-17

Q. Newfoundland Power has proposed to tax effect its employee future benefits. Under this proposal, the excess of OPEBs expense over OPEBs funding would effectively become tax deductible for ratemaking purposes.

In this context, how do the income tax rules in the Income Tax Act (Canada) support the retention of the cash method of accounting for OPEBs?

A. NP's proposal to tax effect its employee future benefits is not relevant to the section of my evidence cited in the question.

Tax effecting the OPEBs costs that would be recognized for rate-setting purposes under the company's proposal is an appropriate and consistent part of NP's OPEBs proposal.

Tax effecting would not be appropriate or consistent if the company continues to use the cash method for recognizing OPEBs for rate-setting purposes.