

IN THE MATTER OF the Public
Utilities Act, R.S.N., c. P-42 (the "*Act*")

AND

IN THE MATTER OF the accounting policy of
Newfoundland Power Inc. concerning revenue
recognition and matters related thereto:

AND

IN THE MATTER OF an application by
Newfoundland Power Inc. for an order pursuant
to Sections 67, 69, 78 and 80 of the Act:

- (a) approving changes in accounting policy
concerning revenue recognition to be
effective for 2006 and subsequent years;
- (b) approving the recognition of \$9,579,000 in
2005 Unbilled Revenue as revenue for
regulatory purposes for 2006
- (c) approving disposition of the balance of the
Unbilled Revenue Increase Reserve; and
- (d) approving revised values for the rate base and
invested capital for use in the automatic
adjustment formula for the calculation of
return on rate base for 2006 pursuant to Order
No. P.U. 19 (2003).
(the "*Application*")

Parties' Agreement on Certain Issues

The undersigned consenting Parties have reached agreement regarding the proposed
resolution of the following issues in this application.

There are a number of additional issues (listed in Section II, below) on which the Parties have not reached agreement.

This Agreement pertains to the Parties' recommendations in this proceeding and does not preclude Parties from advocating alternative positions on the same or similar issues in other proceedings as they may deem appropriate.

As a result of this Agreement, the Parties consent to the admission in the record of this case of all prefiled testimony and exhibits pertaining to the Application without the calling of witnesses for the purpose of cross-examination insofar as such testimony and exhibits relate to the issues resolved.

The consenting Parties recommend that the Board make its determination on these issues based on the Parties' prefiled testimony and exhibits and the Parties' agreed upon proposed resolution of these issues as stated in this Agreement.

I. Issues on Which All Parties Agree

1. Commencing in 2006, Newfoundland Power should adopt the Accrual Method of revenue recognition for regulatory purposes.
2. The \$24,262,000 accounting accrual forecast to arise from the change in Newfoundland Power's accounting policy to the Accrual Method should be dealt with over a transition period.

3. Newfoundland Power should apply the amount of \$295,000 of the 2005 Unbilled Revenue in 2006 so as to dispose of the current balance in the Unbilled Revenue Increase Reserve.
4. Commencing in 2006, Newfoundland Power should adopt the Asset Rate Base Model and use the same for the calculation of rates pursuant to its next GRA.

II. Issues on Which Parties Do Not Agree

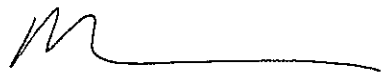
1. The parties do not agree on how much, if any, of the balance of 2005 Unbilled Revenue should be recognized as revenue in 2006.
2. The parties do not agree on the regulatory treatment of the approximately \$2,100,000 in interest income paid by CRA pursuant to the Tax Settlement.

Agreed to this 6th day of December, 2005.

For Newfoundland Power Inc.



Board Hearing Counsel



For the Consumer Advocate

