

1 Q. CA 5.0 NP

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3 Reference: 2006 Accounting Policy Application, para. 15 (iii)4
5 Preamble: NP proposes that “the disposition of the forecast remaining balance of
6 \$14,388,400 be determined by the Board in a future order.”
78 Is it the view of NP that it would be in the interest of ratepayers to avoid a rate
9 increase in 2007 and subsequent years by recognizing some or all of the forecast
10 remaining balance of the 2005 Unbilled Revenue (\$14,388,400) thereby increasing
11 NP’s rate of return on rate base as required to ensure it is within the approved rate
12 of return range each year until the 2005 Unbilled Revenue is fully depleted. Please
13 explain the Company’s position. If this is NP’s view, please explain the
14 circumstances, if any, under which NP would file a General Rate Application prior
15 to the remaining 2005 Unbilled Revenue balance declining to zero?
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17 A. Consideration of Regulatory Principles

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19 It is Newfoundland Power’s view that the 2005 Unbilled Revenue should be used to
20 offset future revenue that would otherwise be required to be collected from customers
21 through rates. It is also Newfoundland Power’s view, however, that the disposition of the
22 2005 Unbilled Revenue should be consistent with relevant regulatory principles.
2324 Section 4, **Unrecognized Unbilled Revenue** in the evidence of JT Browne Consulting,
25 addresses the regulatory principles the Board should consider in assessing proposals for
26 disposition of the 2005 Unbilled Revenue. The key regulatory principles relevant to the
27 issue are the cost of service standard, intergenerational equity, rate stability and
28 predictability, and financial integrity. The application of these key principles may limit the
29 amount of the 2005 Unbilled Revenue that should be used to avoid a rate increase in 2007.
3031 For example, because recognition of the 2005 Unbilled Revenue does not provide
32 additional cash, the amount that can be recognized in any single year is limited by the
33 need to maintain Newfoundland Power’s financial integrity or creditworthiness, as
34 required by Section 3(a)(iii) of the *Electrical Power Control Act, 1994*.¹
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36 Newfoundland Power’s Next GRA

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38 Newfoundland Power expects to file a GRA in 2006 for the purpose of setting rates for
39 2007. A proposal with respect to disposition of the remaining 2005 Unbilled Revenue
40 will be made at that time. The amount of the remaining 2005 Unbilled Revenue that will
41 be proposed for recognition in 2007 will depend on the circumstances at that time, having
42 regard to the relevant regulatory principles.

1 This is more fully addressed in the response to Request for Information CA 20.0 NP.

1 As with the proposals in the 2006 Accounting Policy Application, the Company's
2 proposal for recognition of some or all of the remaining 2005 Unbilled Revenue in 2007
3 will be based on:

- 4 • balancing the interests of customers with those of the utility;
- 5 • consideration of the key regulatory principles referred to above and in the
- 6 expert evidence of JT Browne Consulting; and
- 7 • ensuring that customers receive the full benefit associated with the 2005
- 8 Unbilled Revenue.