

1 Q. At p. 1 of the Corporate Overview section of the 2006 GRA (lines 10-13) it
2 states:

3 **“The Company continues to maintain a strong concentration on**
4 **regulated activities while at the same time pursuing an expanded**
5 **mandate from its Shareholder. Non-regulated activities and costs are**
6 **separated from regulated to ensure that ratepayers are not paying for**
7 **non-regulated activities.”**

8 In light of Hydro’s expanded mandate, has Hydro sought a detailed audit
9 from its financial advisors to review Hydro’s current policy and procedures
10 with regard to the separation of regulated and non-regulated activities to
11 ensure that assets, liabilities, revenues and costs related to non-regulated
12 activities are excluded from the 2007 revenue requirement? Would Hydro
13 agree with having such a detailed audit undertaken by an independent and
14 qualified firm with relevant experience?

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17 A. The Board's financial advisors, Grant Thornton, a Chartered Accounting firm,
18 perform an independent review of each of Hydro's applications and pre-filed
19 evidence. Grant Thornton also perform an annual financial review of the
20 results of Hydro's operations - the scope of which includes, among other
21 things, a review of Hydro's non-regulated activity and assessment of the
22 reasonableness of adjustments in the calculation of regulated earnings. In its
23 2002 Annual Review, Grant Thornton reviewed Hydro's policies with respect
24 to non-regulated operations and concluded that Hydro has appropriately
25 identified and defined its various non-regulated operations and established
26 appropriate procedures for recording and reporting on these activities. Hydro
27 would agree to an additional audit if the Board felt that it was necessary.