

1 **Reference: Evidence of GT on 2006 Accounting Policy Application, p. 5**
2 **Evidence of JT Browne, page 9**
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4 **Preamble: GT states: “We have reviewed the response to PUB 10 NP and agree with the**
5 **Company that generally accepted accounting principles (GAAP) require that**
6 **this revenue be recognized as income in 2005.”**
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8 **Mr. Browne states: “Regardless of what the CICA decides, it will not**
9 **prevent regulators from deviating from GAAP for regulatory purposes.**
10 **Moreover, it is likely that regulators will continue to believe that just and**
11 **reasonable rates may require such deviations in certain specific cases.”**
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13 **Q. Does GT agree with Mr. Browne’s comment?**
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15 A. In his report Mr. Browne provides a good summary of the current status of the review of
16 accounting for the effects of rate regulation in Canada.
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18 Historically, regulators have issued decisions which have deviated from GAAP where,
19 based on regulatory principles, they decided that specific circumstances warranted such
20 deviation to set just and reasonable returns. Under current accounting standards this is
21 acceptable for rate regulated entities pursuant to Section 1100 of the CICA Handbook.
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23 Mr. Browne states that regardless of the changes in standards that might flow from the
24 current review, regulators will not be prevented from deviating from GAAP in the future
25 and they will likely continue to believe that deviations are required in certain
26 circumstances.
27

28 Whether deviations from GAAP will be warranted in the future will depend on the
29 circumstances at that time. The outcome of the CICA’s review of this topic may cause
30 uncertainty with regard to financial versus regulatory reporting which may impact the
31 risk profile of a utility and would therefore have implications for future decisions by
32 regulators.
33

34 This issue is somewhat complex and at this point the outcome of the CICA review is
35 uncertain.