

Reference: Evidence of GT on 2006 Accounting Policy Application, p. 5

Preamble: GT states: “The Board may want to consider whether the interest income arising from the Tax Settlement should be incorporated with the transitional issues noted in this Application. If so, the Board would need to make a decision on this issue before the Company is required to finalize its December 31, 2005 financial statements, otherwise the Company will have to record the interest income in 2005 to be in accordance with GAAP.”

Q. In light of GT’s response to CA 36.0 PUB, could “the interest arising from the Tax Settlement ... be incorporated with the transactional issues” by capturing the \$2.1 million in a deferral account for future disposition to ratepayers if the Board were to determine that ratepayers had borne the interest in relation to the deposit with CRA in the first instance and are entitled to the interest received from CRA”

A. If so ordered by the Board, the interest income arising from the Tax Settlement may be placed in a deferral account. The disposition of the balance of this deferral account could then be determined by the Board at a future hearing.

In our report we are making the point that should the Board decide to address the interest income in a manner which deviates from GAAP they would need to issue a specific order to that effect before the Company’s 2005 financial results are finalized. Otherwise the Company is required to comply with GAAP.