

BOMA INTERROGATORY #17

INTERROGATORY

Ref: Exhibit B, Tab 4, Schedule 1, p3 of 7

- (a) Please explain the details of line 13, "Site Rest Costs adjustment".
- (b) Please list the items (and amounts) included in line 8, "Items capitalized for regulatory purposes".
- (c) Please explain the origin and rationale of the different treatment of these amounts for regulatory and income tax purposes.

RESPONSE

- (a) The "Site Rest Costs adjustment" line reflects the tax deduction taken in relation to the approved annual site restoration cost refund amount, as ordered by the Board in EB-2012-0459. The response to BOMA interrogatory #8, found at Exhibit I.B.EGDI.BOMA.8, provides further details regarding the refund of site restoration costs.
- (b) The tax deduction for "Items capitalized for regulatory purposes" includes, \$40.0 million in cost of retirements/site restoration costs, and \$31.9 million in capitalized overhead.
- (c) Cost of retirements (or site restoration costs) are debited to accumulated depreciation (capitalized) when incurred for regulatory purposes, as opposed to being expensed, in order to offset amounts previously expensed through depreciation, as approved depreciation rates include a site restoration cost / net salvage component where applicable. As depreciation expense is not tax deductible, but replaced by capital cost allowance which does not include a site restoration cost/net salvage component, costs to retire assets are deducted for tax purposes when incurred.

The tax deduction for capitalized overhead relates to the portion of capitalized administrative and general ("A&G") costs, which are capitalized in accordance with the Company's capitalization policy, but which are immediately deductible for tax purposes. The Canada Revenue Agency indicates that overhead capitalized that is

Witnesses: S. Riccio
R. Small

not determined by specific identification of costs or expenses, but by application of a formula, are deducted on a current basis for income tax purposes.

Witnesses: S. Riccio
R. Small