Q. In reference to the evidence of Barry Perry, page 6, line 20, on the interest on income tax refunds, please advise as to what years these income tax refunds applied and the amount that applied to each particular year.

A. The reference on page 6, line 20 of the *Finance & Accounting Evidence* is to income tax refunds received by the Company in 2000 and 2001.

In 2000, the Canada Customs and Revenue Agency (CCRA) repaid to the Company a portion of a deposit made in August 1995 representing 50% of the total tax in dispute as a result of CCRA's reassessment of the Company's income taxes for the taxation years 1989 to 1993. The *Income Tax Act* requires the payment of such a deposit in conjunction with the filing of a Notice of Objection to a tax reassessment. As a result of the Company's success in defending its position on its treatment of General Expenses Capitalized (GEC) for tax purposes, CCRA returned a portion of the deposit plus interest. The interest portion increased the Company's other revenue in 2000 by $6.8 million.

The second income tax refund from CCRA was received in 2001. As a result of the Company's success on the appeal related to its treatment of GEC for tax purposes, CCRA was asked to reassess the Company's income tax for the years 1994 to 1998. Table 1 below shows the amount of the 2001 tax refund attributable to each of the years 1994 to 1998. The reduction in tax expense arising from the refund was recorded in 2001. Interest paid by CCRA in respect of the refund increased the Company's other revenue in 2001 by $1.7 million.

Table 1
Impact of CCRA Tax Reassessments
1994-1998

Taxation Year	Additional Deduction Allowed by CCRA[1]	Tax Rate	Reduction in Tax Expense
1994	$2,893,832	44%	$1,273,286
1995	$2,064,214	42%	$866,970
1996	$1,859,115	42%	$780,828
1997	$1,690,394	42%	$709,965
1998	$1,510,286	42%	$634,320

[1] This amount represents additional GEC allowed by CCRA, less an adjustment to reflect reduced Capital Cost Allowance (CCA) created by the additional deduction for GEC.

The Company accounts for tax refunds in the year received in accordance with generally accepted accounting principles. Interest on income tax refunds is required to be recorded as other revenue in the year the refund is received in accordance with Section 5.00 of the Company's approved System of Accounts entitled *Miscellaneous Non Consumer Revenue*.