

1 **Q. On page 20 of the Financial Consultant's 2003 Report, at line 4, it is stated, "The**  
2 **company in its evidence describes two extraordinary events which affect the returns**  
3 **for 2000-2002: the treatment of GEC for income tax purposes and the purchase of a**  
4 **joint use support structure." Please provide details of the treatment of GEC for**  
5 **income tax purposes and please review Newfoundland Power's correspondence in**  
6 **reference to this matter and advise as to when Newfoundland Power commenced**  
7 **negotiations for a settlement of income tax issues. Generally, please review**  
8 **Newfoundland Power's correspondence re the purchase of support structures and**  
9 **advise at what point Newfoundland Power commenced negotiations for the**  
10 **purchase of these structures.**

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12 A. The reference to the treatment of general expenses capitalized (GEC) for income tax  
13 purposes specifically relates to the deductibility of these costs in determining taxable  
14 income and income taxes payable. With the successful resolution of this issue, the  
15 Company is now able to deduct these costs for income tax purposes while capitalizing  
16 them for accounting purposes. This treatment has the effect of reducing income tax  
17 expense on an annual basis.

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19 Unless otherwise directed by the Board, our normal review process does not include  
20 reviewing the Company's correspondence files. Accordingly, we have not reviewed  
21 Newfoundland Power's correspondence in reference to the settlement of income tax  
22 issues or with respect to the purchase of support structures.