

2020 Capital Budget Application Technical Conference – Capitalization Process

Presentation to the Board of Commissioners of Public Utilities

November 20, 2019



Capitalization Practices

- IFRS compliant
- Compliant with Orders of the Board of Commissioners for Public Utilities (“Board”)

Capitalization Practices (continued)

- Direct billing
 - Time sheet driven based upon working directly on a capital project
 - Indirect capital labour such as finance capital team and supply chain are not capitalized
- Newfoundland and Labrador Hydro (“Hydro”) does not have General Expenses Capitalized
- Hydro does not have an inventory capital loader (eg. supply chain loader)

Capitalization Practices (continued)

- Direct billing includes a bill rate comprised of:
 - Fringe benefits
 - Insurances
 - Company cost (eg. employee future benefits)
 - Leave (eg. stat holiday, vacation)
- Direct billing rate in 2018 was 1.68
- Bill rate multiplier not charged for overtime hours

Capitalized Labour

Hydro's 5-year average capitalized labour percentages:

- 15% of total capital expenditures is comprised of internally capitalized labour
- 25% of total salary and benefits are capitalized

Capitalized Labour by Division

Hydro's 3 year average capitalized labour percentage of salary and benefits by division:

- Executive – 0%
- Finance – 3%
- Corp. Services & Reg. Affairs – 11%
- Production – 15%
- Transmission Operations – 28%
- Engineering Services – 72%

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