

1 **Q. References: “2019/2020 General Rate Application,” Newfoundland Power,**
2 **June 1, 2018 and “2020 Capital Budget Application,” Newfoundland Power Inc.,**
3 **July 5, 2019, Newfoundland Power’s response to NLH-NP-018, Attachment A**
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5 Newfoundland Power’s 2019/2020 General Rate Application, page 3-40/7-9 states:
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7 *The company is proposing to revise the capitalization rate for pension expense to*
8 *reflect the proportion of labour costs that are related to capital work. The*
9 *capitalization rate is proposed to increase from 11% to 46% based on the overall*
10 *Company labour allocation for 2019 and 2020.*
11

12 **Please explain the difference between the 46% capital work ratio referenced above,**
13 **and the forecast of 34% as presented in Newfoundland Power’s response to**
14 **NLH-NP-018, Attachment A.**
15

16 **A.** The figures provided in the response to Request for Information NLH-NP-018 are based
17 on total salaries and benefits (including overtime) directly charged to capital projects.
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19 The calculation of the 46% ratio used to allocate current service pension costs is different
20 from the percentages included in the response to Request for Information NLH-NP-018
21 because:
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- 23 i. The ratio is derived from a review of base labour (i.e. excludes benefits and
24 overtime) rather than total salaries and benefits as specifically requested in
25 Request for Information NLH-NP-018; and
- 26 ii. In addition to labour charged to capital projects, it includes labour charged to
27 retirement projects and rechargeable accounts.¹

¹ The purpose of the calculation is to reasonably allocate current service pension costs between capital related work and operating work. Labour charged to retirement projects reflects the time associated with removal of plant from service. Rechargeable accounts include time charged to the inventory and vehicle overhead accounts which are primarily reallocated to capital projects. Please see the response to the Request for Information NLH-NP-022 for further information on the Company’s overhead accounts.