

1 **Q. Please confirm that US GAAP would permit Newfoundland Power to charge the**
2 **capital costs associated with the Electric Vehicle Charging Network to a deferral**
3 **account if so directed by the Board of Commissioners of Public Utilities. If not,**
4 **please cite the specific provisions of the accounting standard which would prohibit**
5 **this approach.**

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7 A. Under U.S. GAAP, *Accounting Standards Codification 980 Regulated Operations*
8 (*“ASC 980”*) provides guidance on accounting and financial reporting for entities with
9 regulated operations. Regulators may approve allowable costs for rate-making purposes
10 in a different period than the costs would be charged to expense by an unregulated
11 entity.¹ ASC 980 permits the creation of assets and liabilities to reflect the economic
12 impact of these rate-regulated activities.²

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14 In Newfoundland Power’s assessment, it could apply ASC 980 to charge the capital costs
15 associated with the Electric Vehicle Charging Network project to the Electrification Cost
16 Deferral Account, if ordered by the Board.³

¹ For example, *Electric Plant Instruction 4. Overhead Construction Costs* of the Federal Energy Regulatory Commission Uniform System of Accounts provides for the capitalization of all overhead construction costs, such as engineering, supervision and general office salaries and expenses.

² See *ASC 980* paragraph 980-05-5.

³ Typically, ASC 980 is applied to capitalize and amortize a cost that would be charged to income by an unregulated entity as a result of an order by a regulatory authority. See, for example, ASC 980 paragraph 980-05-7. However, in Newfoundland Power’s view, there are no provisions in ASC 980 that would prohibit the Company from treating a capital cost differently than as prescribed in *ASC 360 Property, Plant, and Equipment* as a result of an order from the Board.