

1 **Q. Reference: “2022/2023 General Rate Application,” Newfoundland Power, May 27,**
2 **2021, Volume 2, Report 6, Section 2.3, Page 4 of 13.**

3
4 **Newfoundland Power’s evidence states:**

5
6 **The average capitalization rate of surveyed utilities was 10%.**

7
8 **Newfoundland Power’s capitalization rate is comparable to that of other**
9 **utilities. Excluding pension costs, the Company’s overall capitalization rate**
10 **was 9% in 2019.**

11
12 **Please confirm that only one utility surveyed indicated that they used the ‘Burden**
13 **Rate’ method. Please also confirm that the utility that used the ‘Burden Rate’ had a**
14 **capitalization rate of 26% which was greater than twice the capitalization rate of**
15 **any of the other utilities surveyed.**

16
17 **A. Newfoundland Power can confirm that 1 utility surveyed indicated the use of a Burden**
18 **Rate methodology to capitalize overhead construction costs and indicated it had a**
19 **capitalization rate of 26%.¹**

20
21 **Newfoundland Power observes the median capitalization rate of surveyed utilities was**
22 **10%.²**

¹ See the *2022/2023 General Rate Application, Volume 2, Supporting Materials, Tab 6, Review of General Expenses Capitalized, Attachment 1, Appendix E*, page E-3, Questions 5, 6 and 7 for all responses related to capitalized overheads.

² The mode of the responses was also 10%. See the *2022/2023 General Rate Application, Volume 2, Supporting Materials, Tab 6, Review of General Expenses Capitalized, Attachment 1, Appendix E*, page E-3, Question 7.