

1 **Q. Reference: section 3.1 OPEBs Costs Overview**

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3 **Please confirm that the Transitional Amount (Regulatory Asset) is equal to the**
4 **value of the reserve that would currently exist if the Accrual Method had been used**
5 **in the past. If this is not correct, please explain.**

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7 A. Newfoundland Power is unable to provide the confirmation requested.

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9 Adoption of the accrual method of accounting for OPEBs costs as proposed by
10 Newfoundland Power will not result in the creation of a *reserve* as indicated in the
11 question. Please refer to the Response to Request for Information CA-NP-3.

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13 As indicated at Section 2.1 *General*, page 2, in Newfoundland Power's evidence, the
14 transitional balance, or regulatory asset, reflects the differences between (i) OPEBs costs
15 calculated using the cash method for regulatory purposes and (ii) OPEBs costs calculated
16 using the accrual method for financial reporting purposes, since January 1, 2000.¹

¹ On January 1, 2000, accrual accounting for OPEBs costs for *financial reporting purposes* was adopted by the Canadian Institute of Chartered Accountants. Since then, differences between OPEBs costs calculated using the cash and the accrual methods have been reflected in Newfoundland Power's financial statements as a regulatory asset. This regulatory asset was referred to as the *transitional balance* at page 36 of the Reasons for Decision for Order No. P.U. 43 (2009).