

1 **Q: Reference Eric Coombs Evidence Appendix I, Table “Analysis of Electrification Costs**
2 **& Revenues,” line “Total electrification costs”.**

3 **Eric Coombs evidence, Page 2, last paragraph, indicates that the cost of the Natuashish**
4 **distribution and generation assets, totaling approximately \$14 million, was funded by the**
5 **Government of Canada through the Mushuau Relocation Agreement. If the assets were**
6 **contributed, what is the basis of the depreciation amount shown in Appendix I which has**
7 **averaged \$513,758 annually over the period 2010 to 2014?**

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10 A: The response of Mr Coombs is as follows:

11 The analysis presents the costs reflected in the Mushuau Innu First Nation’s (MIFN) financial
12 statements. The capital assets owned by the MIFN are accounted for in accordance with the
13 recommendations of the Public Sector Accounting Board (PSAB) which issues standards and
14 guidance with respect to matters of accounting in the public sector. These standards are
15 published in the CPA Canada Public Sector Accounting Handbook (the Handbook) PS 3150 -
16 Tangible Capital Assets deals with the accounting for capital assets.

17 Pursuant to these standards, capital assets that are held for use in the supply of goods and
18 services are to be measured at cost and amortized over their useful life in a rational and
19 systematic manner appropriate to its nature and use by the government.
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21 Cost is defined in the Handbook to be the gross amount of consideration given up to acquire,
22 construct, develop or better a tangible capital asset, and includes all costs directly attributable to
23 the acquisition, construction, development or betterment of the tangible capital asset, including
24 installing the asset at the location and in the condition necessary for its intended use. Capital
25 grants would not be netted against the cost of the related tangible capital asset.

26 PS 3150.25 states the following:

27 Amortisation expense is an important part of the cost associated with providing
28 government services, regardless of how the acquisition of tangible capital assets is
29 funded. Information about a program or activity’s total costs is relevant to any assessment
30 of the benefits the program or activity provides.

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2 The amortization included in MIFN financial statements has been calculated on a straight line
3 basis with the distribution assets being amortized on a straight line basis over a 40 year period
4 and the generation assets amortized on a straight line basis over a 20 year period.

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