

1     Q.     Reference: Specific Allocated Charge V-NLH-083 Rev 1.  
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3           In the response to V-NLH-083 Revision 1, Hydro recalculated specifically assigned  
4           charges using plant original costs in constant year dollars, thus recognizing the time  
5           value of money. The analysis in V-NLH-083 Revision 1 uses the Handy-Whitman and  
6           other indexes. Please confirm that the Board has approved the use of indexing in  
7           calculating contributions in aid of construction and provide other examples in which  
8           Hydro uses indexing in its calculations.  
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10    A.     The cost factors used in determining Contributions In Aid of Construction (CIAC) are  
11           submitted annually by Newfoundland Power for approval by the Board. The  
12           operating and maintenance costs reflected in the CIAC cost factors are calculated as  
13           a percentage of indexed asset costs. The indexed asset costs are calculated by  
14           applying the Handy-Whitman index to the original cost of the distribution assets.  
15           Hydro also uses the CIAC cost factors approved by the Board in its calculation of  
16           customer contributions.  
17  
18           Hydro also uses indexing in estimating replacement values for insurance purposes,  
19           (i.e., the FM Global Industrial Cost Trends index).