

1 **Volume 2, Tab 4 – A Report on Employee Future Benefits**
2

3 **Q. Please state all benefits that would enure to NP and its shareholder by its adoption**
4 **of the accrual method of accounting for OPEBs.**
5

6 A. Newfoundland Power and its shareholder would not receive any *benefits* from the
7 adoption of the Accrual Method of accounting for OPEBs.
8

9 OPEBs are a cost of providing service. Newfoundland Power currently recovers these
10 costs when they are paid. Under the Accrual Method, Newfoundland would recover
11 these costs when they are incurred. The earlier recovery of OPEBs costs under the
12 Accrual Method provides no financial benefit to Newfoundland Power because the
13 additional cash received has the effect of reducing rate base and, therefore, the allowed
14 return. It is through this reduction in rate base that the cash flow benefits of the Accrual
15 Method would be passed onto customers.¹

¹ See (i) Finance Evidence, page 80, lines 13 through 18, and (ii) pages 5, 6 and 7 of “A Report on Employee Future Benefits”, Volume 2, Supporting Materials, Tab 4.