

1 Q. **Reference: Capital Expenditures and Carryover Report for the Year Ended December 31, 2022**

2 Does carryover expenditure accrue AFUDC or is interest paid? If either applies then please
3 explain how Hydro's revenue requirement and balance sheet are affected.

4

5

6 A. Carryover expenditures that qualify to accrue interest during construction ("IDC")¹ until the
7 activities necessary to prepare the qualifying asset for its intended use are substantially
8 complete. The IDC remains part of the work-in-progress costs on the balance sheet and
9 continues to be recorded on a monthly basis as an interest credit on the income statement.
10 Upon completion of the project, the asset (net of interest) is added to rate base and used in the
11 computation of revenue requirement.

12 If the project does not qualify for IDC then there would be no accrual of IDC on the carryover.

¹ Under Canadian Generally Accepted Accounting Principles, Hydro recorded allowance for funds used during construction; whereas, under Internal Financial Reporting Standards, Hydro records IDC.