

1 **Q. In addition to General Expenses Capital, does Newfoundland Power capitalize costs**
 2 **of employee salaries and benefits which indirectly arise from the construction or**
 3 **acquisition of the item of property, plant, and equipment? If so, please provide a**
 4 **summary of these actual capitalized costs in dollars for the past five years (2014–**
 5 **2018) by operations and maintenance cost type and major asset category (i.e.,**
 6 **generation, transmission, and distribution).**

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 8 A. Yes, in addition to GEC and directly charged costs, overhead recoveries include a portion
 9 of internal labour associated with inventory and vehicles. Please see the response to
 10 Request for Information NLH-NP-022 for a summary of actual capitalized costs for the
 11 past 5 years.

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 13 Newfoundland Power’s capitalization practices conform to accounting principles
 14 generally accepted in the United States (“U.S. GAAP”), as well as industry best
 15 practices.¹ Consistent with U.S. GAAP, Newfoundland Power’s capital expenditures are
 16 comprised of the following:

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 18 Direct Costs:

- 19 • Internal labour costs²
- 20 • Contract work
- 21 • Materials and supplies

22
 23 Other Costs:

- 24 • General Expenses Capitalized (“GEC”)
- 25 • Overhead recoveries
- 26 • Allowance for Funds Used During Construction (“AFUDC”)

¹ Additional guidance is provided in the Federal Energy Regulatory Commission (“FERC”) Uniform System of Accounts, which utilizes U.S. GAAP, but is specific to the utility industry and widely used throughout North America. This standard more clearly defines the direct and indirect overhead costs eligible for capitalization in electric plant accounts. Newfoundland Power’s annual financial statements prepared in accordance with U.S. GAAP are audited by the Company’s external auditors, Deloitte LLP.

² This includes employee benefit costs other than pension costs which are capitalized through indirect GEC.