

1 **Q. Please describe Newfoundland Power’s policy for the application of overhead**
 2 **expenses to capital projects and capital labour charges. Please provide a detailed**
 3 **listing of actual capitalized overhead expenses for the past five years (2014–2018)**
 4 **including, but not limited to, employee benefits, generalized expenses capitalized,**
 5 **administrative costs, and any other capitalized overhead costs.**
 6

7 A. Newfoundland Power’s capital expenditures include overhead recoveries. Overhead
 8 recoveries relate to: (i) vehicle costs; and (ii) inventory costs.
 9

10 For vehicle costs, a portion of costs associated with operating and maintaining the
 11 Company’s fleet of vehicles is reallocated to capital projects based on when and where
 12 the related employee’s base labour cost is recorded.¹ This allocation is completed via a
 13 *loading rate*.² A loading rate of 23% is applied to base labour charged to capital projects
 14 in regional operations.
 15

16 For inventory costs, costs associated with purchasing, storing and handling inventory are
 17 reallocated to the cost of all items issued from inventory and direct purchases as received
 18 on purchase orders. This allocation is also completed via a loading rate. Each item in
 19 inventory is loaded at a rate of 15%, up to a maximum of \$1,000.
 20

21 Newfoundland Power’s capital expenditures also include an Allowance for Funds Used
 22 During Construction (“AFUDC”) and General Expenses Capitalized (“GEC”).
 23

24 Please see Attachment A to this response for a listing of vehicle and inventory overhead
 25 recoveries and AFUDC for the period 2014 to 2018. The attachment also provides a
 26 breakdown of these overhead recoveries by function.
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28 Please see the response to Request for Information NLH-NP-020 for a breakdown of
 29 GEC for the period 2014 to 2018.

¹ Approximately 66% of total vehicle costs are capitalized.

² A loading rate is applied to a base cost as a method of allocating certain costs to the same general ledger account as the base cost. Loading rates are assessed on an annual basis to ensure they are reasonably allocating the total overhead cost. Any over or under-recovery of allocated costs vs. the total cost is trued up at year end.

Capitalized Overhead Recoveries and AFUDC

Table 1
Capitalized Overhead Recoveries and AFUDC
(\$000s)

Year	Overhead Recoveries		AFUDC
	Vehicle Costs¹	Inventory²	
2014	2,335	1,697	1,435
2015	2,196	1,708	1,240
2016	2,156	1,467	1,304
2017	2,330	1,672	1,025
2018	2,679	1,507	951

¹ See Table 2 below for an estimate of overhead vehicle costs capitalized by function, based on where the related base labour was charged.

² See Table 3 below for an estimate of overhead inventory costs capitalized by function.

Table 2
Overhead Vehicle Costs Capitalized by Function
(\$000s)

	2014	2015	2016	2017	2018
Distribution	2,128	2,043	2,022	2,186	2,524
Substation	133	29	38	51	60
Transmission	56	79	75	77	85
Other	18	45	21	16	10
Total	2,335	2,196	2,156	2,330	2,679

Table 3
Overhead Inventory Costs Capitalized by Function
(\$000s)

	2014	2015	2016	2017	2018
Distribution	943	926	839	962	954
Substation	420	454	280	302	206
Transmission	132	158	149	223	214
Other	202	170	199	185	133
Total	1,697	1,708	1,467	1,672	1,507