

1 Q. Reference: NLH-NP-019

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3 Newfoundland Power’s response states:

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5 As indicated in the Review of General Expenses Capitalized (the “GEC
6 Review”), there would be lower work requirements performed by the
7 finance, human resources and information systems departments if there were
8 no capital program. Given the nature of these departments, Newfoundland
9 Power cannot provide a specific reduction in full-time equivalents for non-
10 construction activities if there were no capital program.

11
12 Consistent with the Board’s findings in Order No. P.U. 3 (1995-96) and the
13 results of the GEC Review, the use of a nominal rate of 10% is reasonable to
14 use in these circumstances and reflects the incremental cost method.

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16 Reference: “2022/2023 General Rate Application,” Newfoundland Power, May 27,
17 2021, Volume 1, Page 3-50, Table 3-17.

Table 3-17:
GEC Ratios: Existing vs. Revised

General Expense	Existing Ratios	Revised Ratios
<u>Construction Activities</u>		
Capital Planning	Direct	Direct
Operating Supervision	15%	15%
Tools, Equipment and Safety Clothing	48%	65%
System Operations	Direct	10%
<u>Non-Construction Activities</u>		
Finance	13%	10%
Human Resources	13%	10%
Information Systems	-	10%
Employee Welfare ¹³²	31%	-
Printing Services ¹³³	13%	-

18 a) Please explain what aspects of Order No. P.U. 3 (1995-96) Newfoundland
19 Power has relied upon to determine that a nominal rate of 10% is
20 appropriate for finance, human resources, and information systems.

21
22 b) Please explain in detail how the existing ratio of 13% for Finance and
23 Human Resources was calculated. In the response, please detail why this
24 calculation can no longer be completed as noted in the response to NLH-NP-
25 019.

26
27 A. a) Order No. P.U. 3 (1995-1996) recognized that some level of capital work would
28 be required for printing services if there were no capital program. The Board
29 accepted a nominal rate of 10% as a reasonable proxy to allocate a portion of

1 printing costs to GEC.¹ The concept of a nominal rate was then applied to
2 allocate a portion of finance and human resources costs to GEC.

3
4 Newfoundland Power phased in the use of the incremental cost method to allocate
5 general expenses to GEC from 1995 to 1999. In Order No. P.U. 36 (1998-99), the
6 Board stated:

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8 *“In P.U. 3 (1995-96), the Board recognized that the company would have*
9 *to determine how specific general expense cost ratios may have to be*
10 *adjusted over the period of the five year phase-in from a full cost basis to*
11 *an incremental cost basis and, thereafter, any adjustments to the ratios*
12 *was intended to be at the discretion of NP.”²*

13
14 The nominal rate of 13% for non-construction activities reflects the rate used by
15 Newfoundland Power at the end of the phase-in period in 1999.³

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17 See response to Request for Information PUB-NP-064 for further information on
18 the Company’s approach to determining a reasonable ratio for allocating general
19 expenses related to non-construction activities to GEC beginning in 2023.

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21 b) See part (a).

¹ See Order No. P.U. 3 (1995-1996), page 19.

² See Order No. P.U. 36 (1998-99), page 26.

³ As a proxy percentage was used, there is no calculation to provide.