Q. **a) Please provide Newfoundland Power's policy on capitalizing "unavoidable costs" that are directly attributable to construction activity (i.e., costs that would have been avoided if the asset had not been constructed; for example, mobile gas turbine costs that are capitalized in a capital job).**

b) Please provide a listing of "unavoidable costs" that are included in the 2020 capital budget and a five-year history of actual capitalized unavoidable costs (2014–2018), including a description of the unavoidable cost, the dollar amount of the unavoidable cost, and the corresponding capital project."

A. Newfoundland Power's capitalization practices conform to accounting principles generally accepted in the United States ("U.S. GAAP"), as well as industry best practices.[1] Costs which are permissible as a capital expenditure under U.S. GAAP are described in the response to Request for Information NLH-NP-021.

U.S. GAAP does not use the term "unavoidable costs." As such, the Company does not track costs by the term "unavoidable" and it is not possible to provide the requested detail.

[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.