

1 **Q. In the Customer Service Continuity Plan, Attachment C, Accounting Assessment,**
2 **Newfoundland Power is proposing to use the guidance in ASC 980 Regulated**
3 **Operations, paragraph 980-05-5, which says that regulators may approve allowable**
4 **costs for rate-making purposes in a different period than the costs would be charged**
5 **to expense by an unregulated entity. Newfoundland Power is proposing that with**
6 **Board approval, the general project costs of \$2.9 million would be capitalized with**
7 **the total project costs and recovered from customers over the life of the system**
8 **instead of being expensed as incurred. Newfoundland Power notes that this proposal**
9 **would be similar to the Company’s treatment of General Expense Capitalized**
10 **(“GEC”).**

11
12 **Please provide the estimated impact on revenue requirement if the general project**
13 **costs of \$2.9 million are:**

- 14 **i. expensed as incurred over the term of the project and;**
15 **ii. capitalized once the project is completed and included in rate base as**
16 **proposed.**

17
18 **A. Table 1 on the following page provides the *pro forma* annual revenue requirement**
19 **determinations for each requested scenario.¹**

¹ Revenue requirement is determined on an annual basis.

**Table 1:
Revenue Requirement Impacts
2021 to 2038 Pro Forma
(\$millions)**

<u>Year</u>	<u>Project Phase</u>	<u>Expensed²</u>	<u>Capitalized³</u>
2021	Implementation Period	0.9	-
2022		1.8	-
2023 ⁴		0.2	0.2
2024		-	0.4
2025	In Service Period	-	0.3
2026		-	0.3
2027		-	0.3
2028		-	0.3
2029		-	0.3
2030		-	0.3
2031		-	0.3
2032		-	0.3
2033		-	0.3
2034		-	0.3
2035		-	0.2
2036		-	0.2
2037		-	0.2
2038	-	0.1	

1 The general project costs of \$2.9 million are required to implement the proposed
2 Customer Information System (“CIS”).

3
4 Newfoundland Power observes that expensing the general project costs as incurred would
5 require current customers to assume the full burden of these costs, and would allow
6 future customers outside the project implementation period, who would also benefit from
7 the CIS, to avoid these costs.

8
9 The guidance in ASC 980 would allow all of the general project costs of \$2.9 million to
10 be recovered from customers over the life of the proposed CIS. In Newfoundland
11 Power’s view, this is consistent with the established regulatory principles of customer
12 rate stability and intergenerational equity.⁵

² Please see response to Request for Information PUB-NP-006 for a breakdown of the general project costs by year.

³ Incremental revenue requirement impacts include annual depreciation expense, return on rate base and associated income tax effects. For the purposes of this *pro forma* analysis, the depreciation period is estimated to be 15 years.

⁴ The proposed CIS is forecast to go into service in 2023.

⁵ See the 2021 Capital Budget Application, Volume 1, Customer Service Continuity Plan, Attachment C, page 3.