

Capitalization Practices

2020 Newfoundland Power Capital Budget Application

Technical Conference – Public Utilities Board
November 14, 2019

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Capitalization Practices

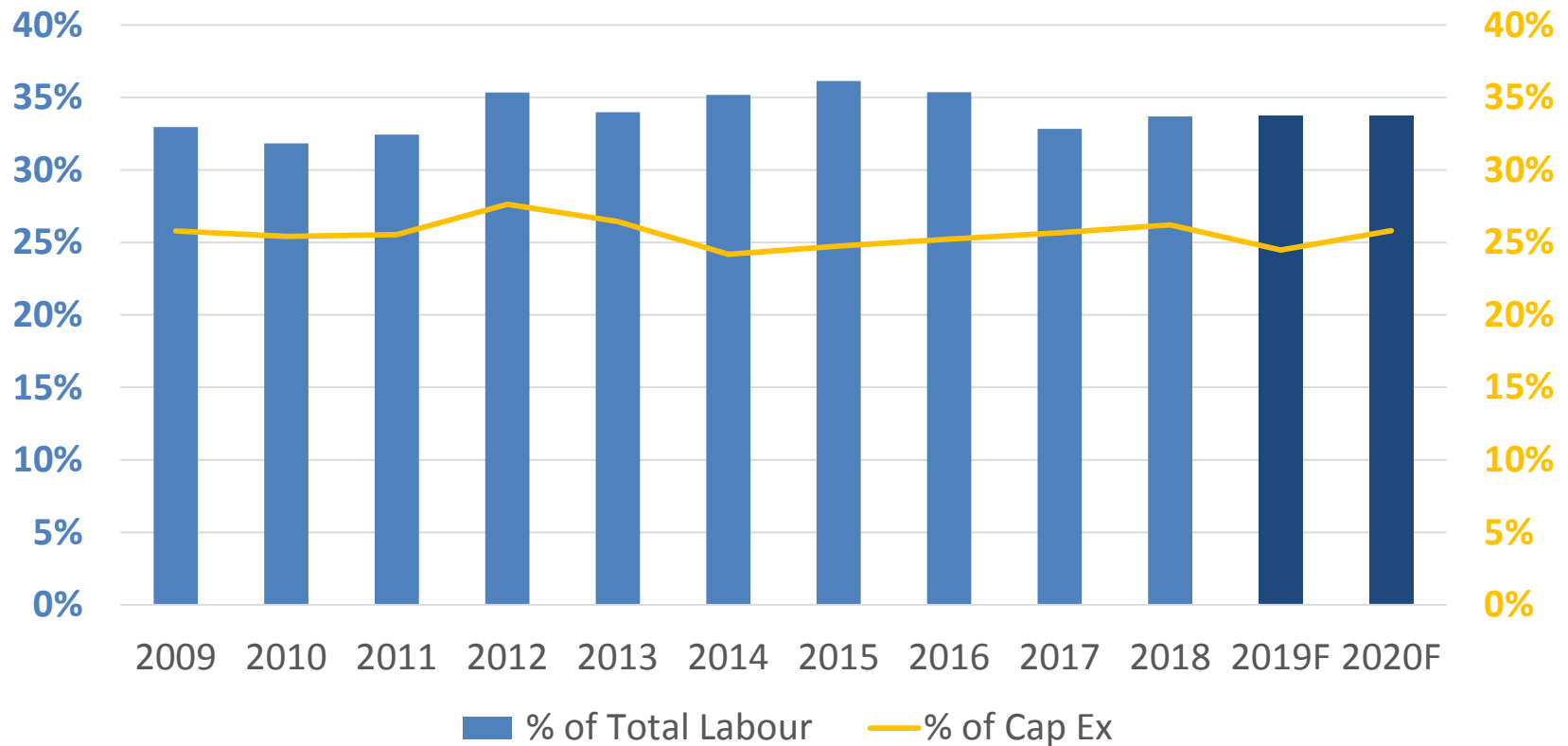
- U.S. GAAP & Sound Utility Practice
- Consistent Results
- Annual Compliance

U.S. GAAP¹

- Definition of capital costs
 - *“all costs necessary to bring it to the condition and location necessary for its intended use”*
- *Direct and Indirect Costs (NLH-NP-021)*
- *Allocation of Indirect Costs (NLH-NP-022)*

¹ ASC 360, Property Plant & Equipment; and ASC 970, Real Estate.

Capitalized Labour Costs

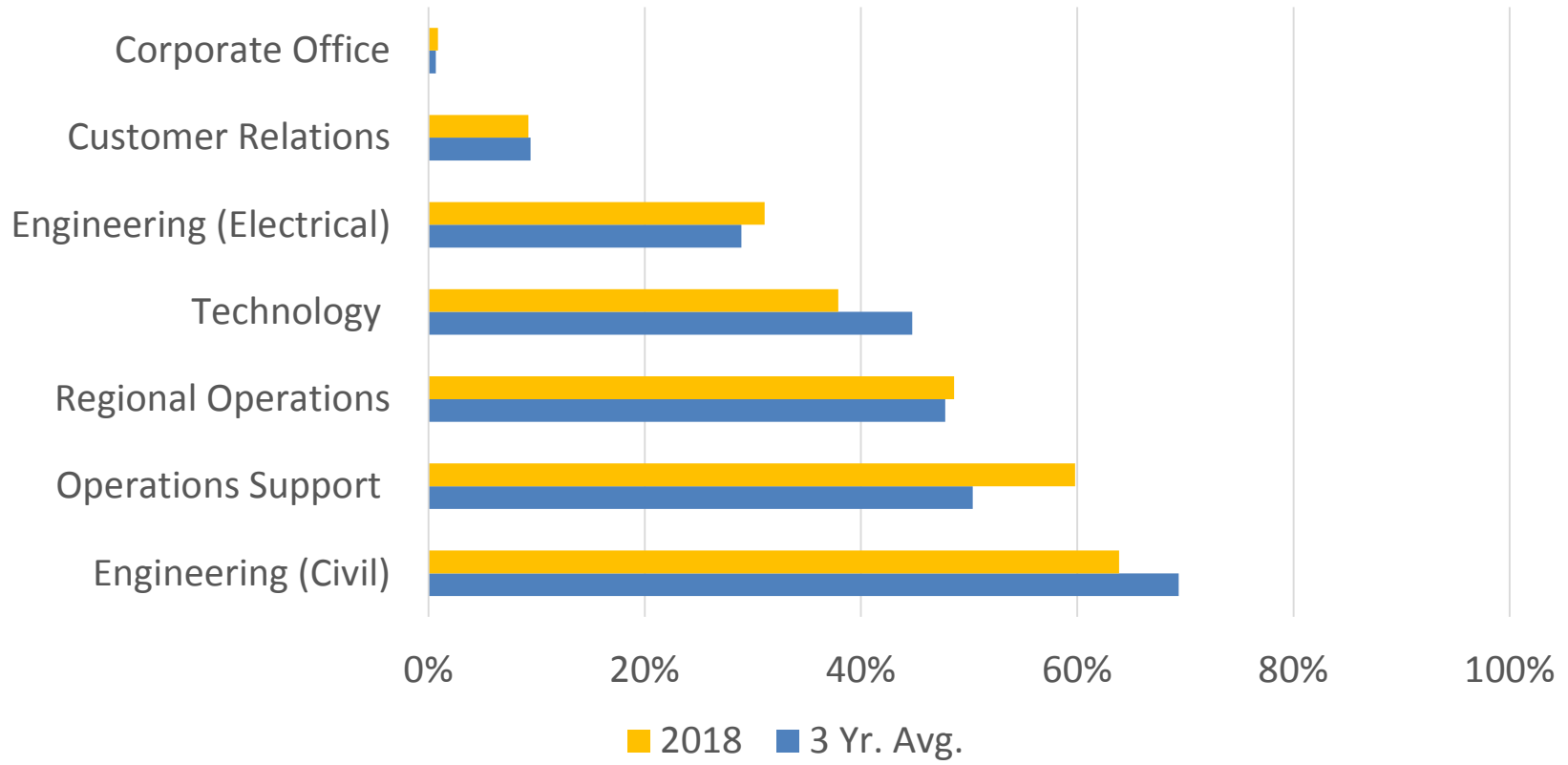


(Based on data provided in the response to NLH-NP-18 & 24.
2014 excludes capital expenditures associated with the Bell
Island Cable supplemental project).

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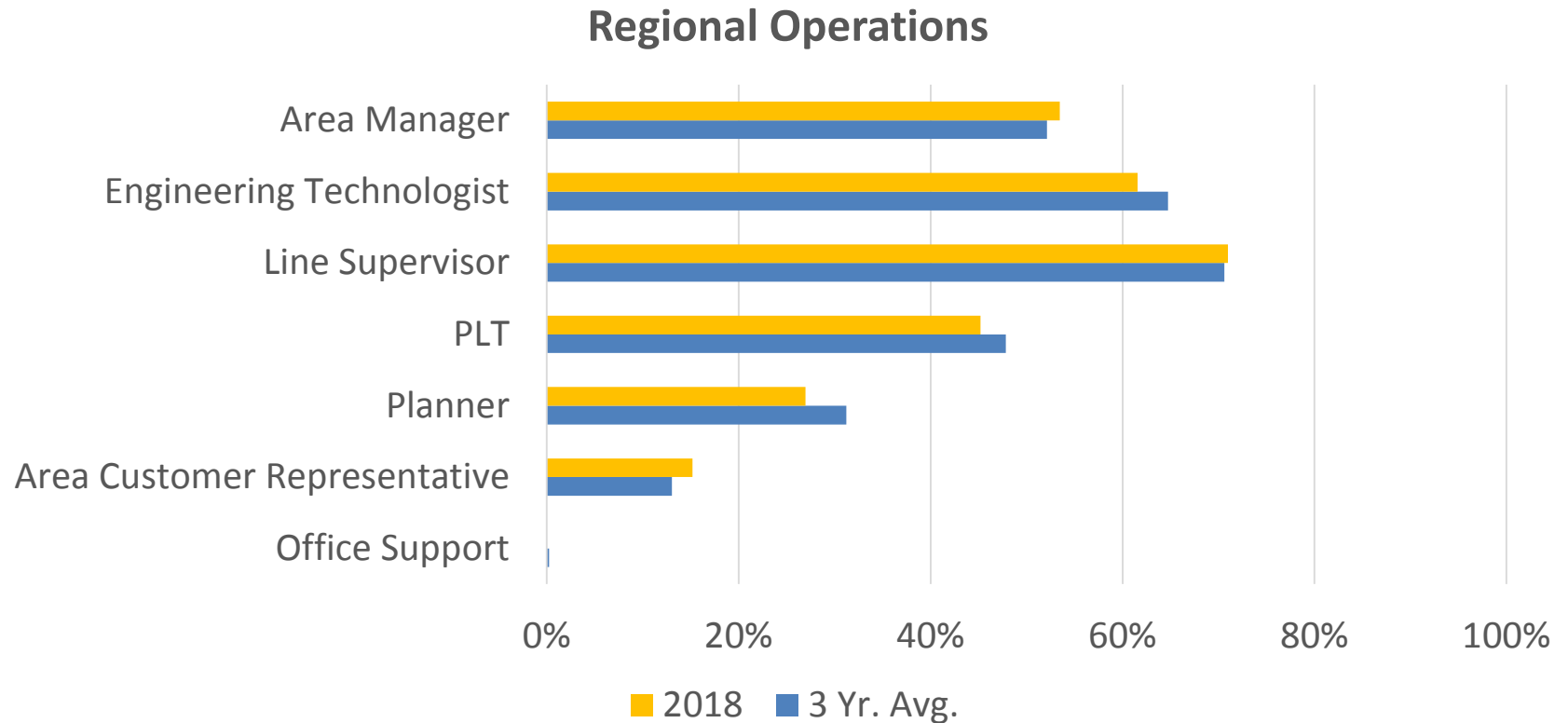
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Capitalized Labour Costs By Department¹



¹ Excludes Transportation (Vehicle Loading) and Stores (Inventory Loading). See the response to NLH-NP-022.

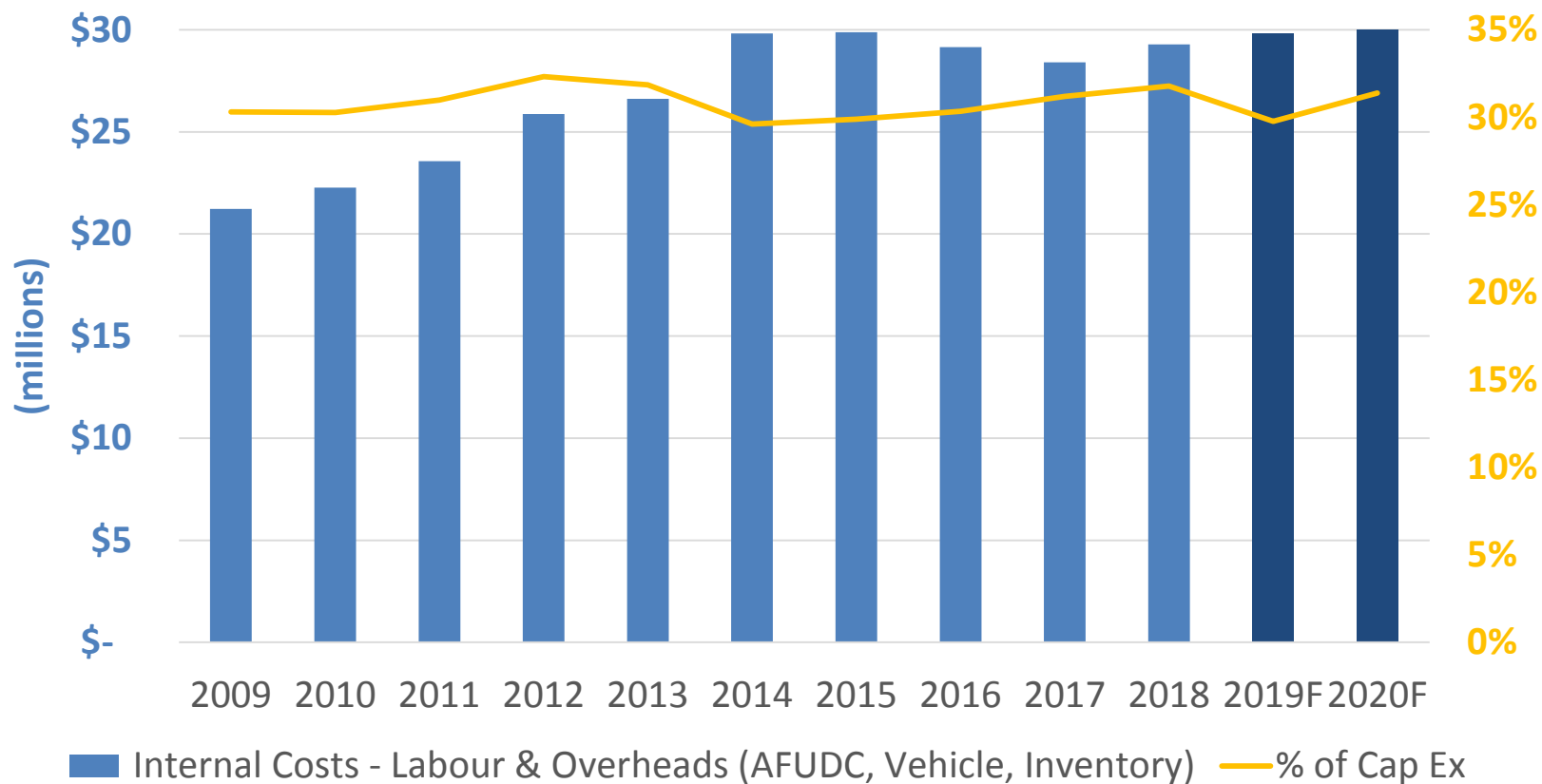
Capitalized Labour By Position



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Capitalized Internal Costs

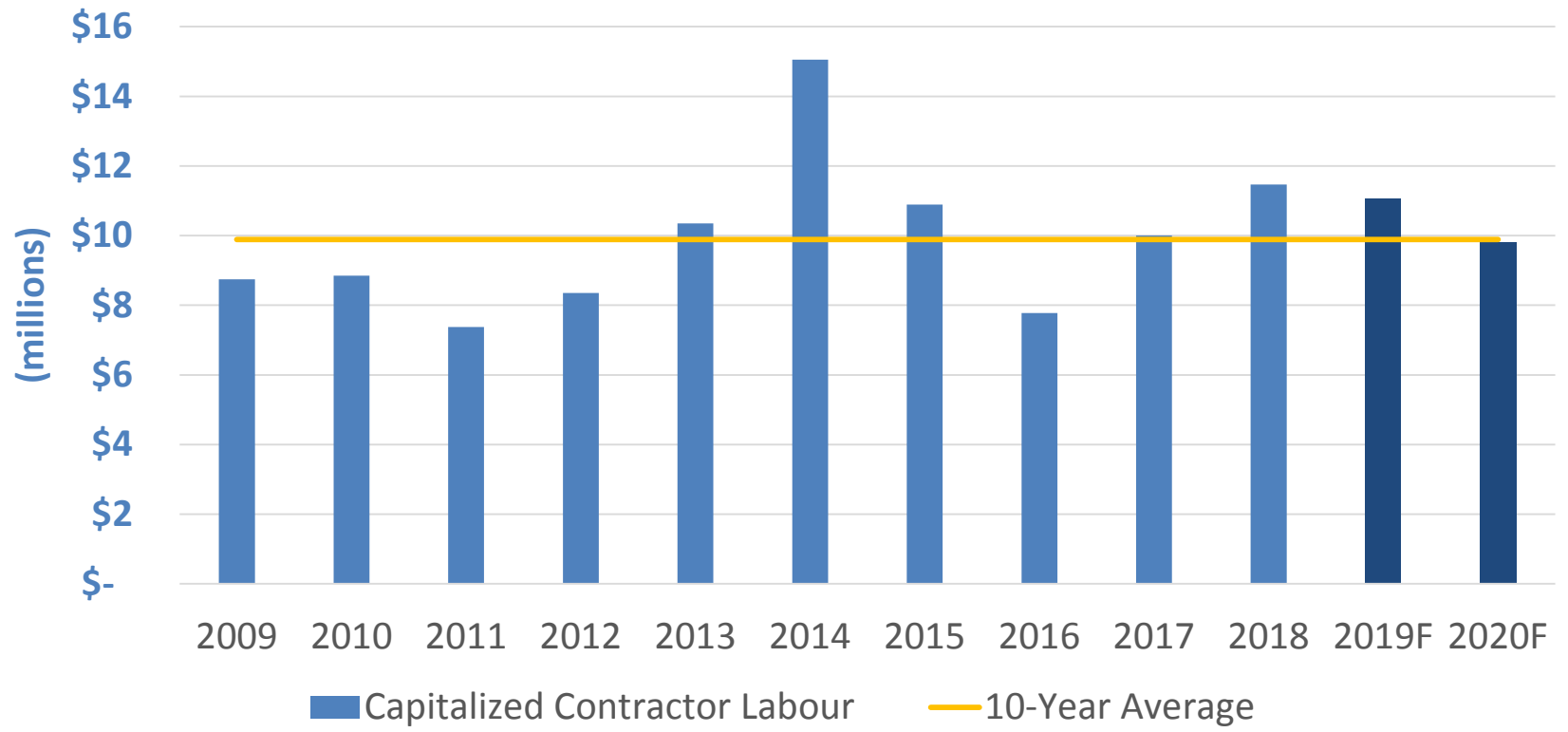


(Based on data provided in the response to NLH-NP-18 & 24. 2014 excludes capital expenditures associated with the Bell Island Cable supplemental project).

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Contractor Labour



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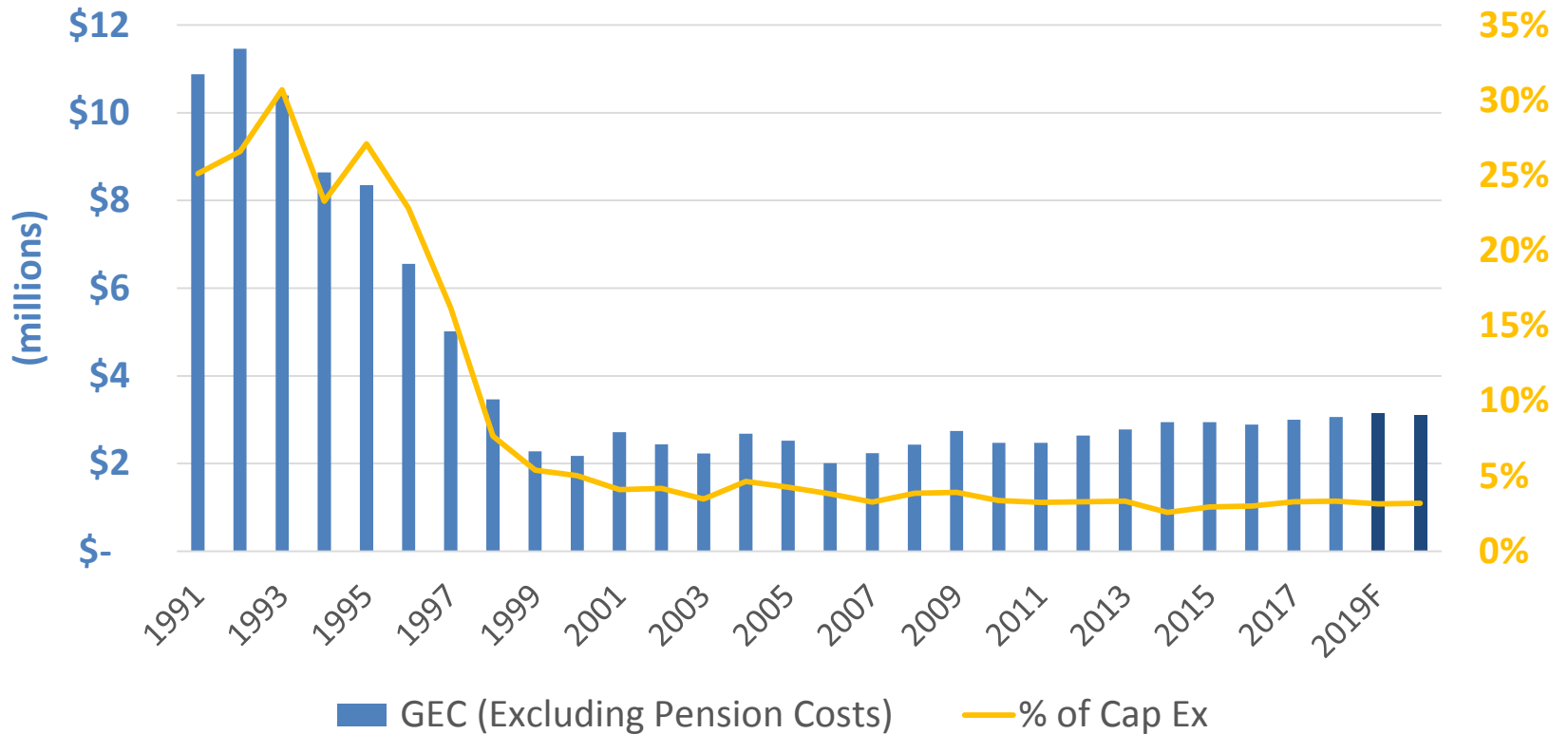


U.S. GAAP¹

- Capitalization of general expenses
- 1995 GEC Review
- Regulatory principles

¹ ASC 980, Regulated Operations.

GEC



(GEC information can be found in the responses to NLH-NP-19, 20 & 24).

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Sound Utility Practice

“All overhead construction costs, such as engineering, supervision, general office salaries and expenses....shall be charged to particular jobs or units on the basis of the amounts of such overheads reasonably applicable thereto, to the end that each job or unit shall bear its equitable proportion of such costs...”

[emphasis added]

- FERC Uniform System of Accounts

Annual Compliance

- Capital Budget Applications & Reporting
- PUB Reviews
- External Audit

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