Reference: Volume 2, Review of General Expenses Capitalized

Q. Volume 2, Review of General Expenses Capitalized. Is Newfoundland Power able to provide what the labour loader for pension costs would have been for 2019 and 2020 if the capitalization of pension costs was not included in the GEC for those years? How does the amount of pension costs capitalized as GEC compare to what would have been capitalized if a labour loader was used?

A. Newfoundland Power estimates that the labour loader related to pension costs would have been 14% in 2019 and 15% in 2020.[1]

The total amount allocated to capital-related work using a labour loader would not be materially different when compared to the allocation of pension expenses to capital projects through GEC.[2] However, the labour loader method would enable pension costs to be allocated to all project types, such as retirement and rechargeable projects.

See response to Request for Information PUB-NP-059 for the benefits of allocating pension costs by way of a labour loader.

[1] The labour loader was estimated by dividing total current service pension expense by total base labour for each year. Base labour is equal to salary costs of internal employees only.

[2] For example, $3.2 million in pension costs was allocated to capital projects through GEC in 2020. If a labour loader was used, it is estimated that $3.3 million would have been allocated to capital related work (approximately $2.6 million to capital project accounts, $0.4 million to retirement projects accounts, $0.3 million to rechargeable accounts). Labour charged to retirement projects reflects the time associated with removing plant from service. Rechargeable accounts include time charged to the inventory and vehicle overhead accounts, which are primarily reallocated to capital projects.