

1 **Reference: Schedule B, Page 33: Allowance for Funds Used During Construction**
 2 **(\$247,000)**
 3

4 **Q. Newfoundland Power states that the Allowance for Funds Used During**
 5 **Construction is calculated in a manner consistent with Order No. P.U.**
 6 **32(2007), which is a standard practice for regulated Canadian utilities. Please**
 7 **advise when Newfoundland Power most recently reviewed the practices of**
 8 **other Canadian utilities and provide details of the review.**
 9

10 A. In 2022, Newfoundland Power completed a scan of investor-owned Canadian utilities
 11 that follow United States generally accepted accounting principles ("U.S. GAAP") to
 12 determine if they have an Allowance for Funds Used During Construction ("AFUDC")
 13 accounting policy.¹ Under an AFUDC policy, financing costs associated with assets under
 14 construction are capitalized.
 15

16 Table 1 provides the results of that scan.²

Utility	AFUDC Policy?
Enbridge and related utilities ³	Yes
Energir Inc. ⁴	Yes
FortisAlberta Inc.	Yes
FortisBC Inc.	Yes
Hydro One Networks Inc.	No ⁵
Nova Scotia Power Inc.	Yes
TriSummit Utilities Inc. and related utilities ⁶	Yes

¹ Some utilities refer to AFUDC as Interest Capitalized During Construction ("IDC").

² The utilities reviewed were based on the utilities outlined in *Appendix A: Summary of Accounting Standards for Utilities* to Newfoundland Power's August 14, 2020 report, *Review of Capitalization Policies and Guidelines, Newfoundland Power Policies and Practices*. The accounting policies were identified through a review of utility financial statements, as filed on SEDAR, or by accessing publicly available information through the respective utilities' websites.

³ Includes Enbridge Gas Inc. and Gazifère Inc. Further, Union Gas Limited amalgamated with Enbridge in 2019.

⁴ Formerly Gaz Métro Limited.

⁵ Hydro One Networks Inc. does capitalize financing costs associated with assets under construction, but uses its weighted average cost of debt to determine the capitalized portion.

⁶ Formerly AltaGas Canada Inc. Includes Heritage Gas Limited and Pacific Northern Gas Ltd.

1 Six of the seven investor-owned utilities whose accounting practices were reviewed have
2 an AFUDC policy as authorized by their respective regulators. Four of the six utilities
3 disclosed the basis of the rate used for purposes of their AFUDC calculation and,
4 specifically, that AFUDC included both a debt and equity component. Further, two of
5 these utilities detailed that they use their weighted average cost of capital (or similarly,
6 rate of return on rate base) to calculate the AFUDC costs to be capitalized. This is
7 consistent with Newfoundland Power's AFUDC guidelines, which use the Company's rate
8 of return on average rate base in its AFUDC calculation.⁷

⁷ For Newfoundland Power's AFUDC guidelines, see the Company's August 14, 2020 report, *Review of Capitalization Policies and Guidelines, Newfoundland Power Policies and Practices, Appendix C: AFUDC Guidelines*.