

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

**AN ORDER OF THE BOARD
NO. P. U. 27(2011)**

1 **IN THE MATTER OF** the *Electrical Power*
2 *Control Act, 1994*, SNL 1994, Chapter E-5.1 (the
3 “*EPCA*”) and the *Public Utilities Act*, RSNL 1990,
4 Chapter P-47 (the “*Act*”) and regulations thereunder;

5
6 **AND**
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8 **IN THE MATTER OF** an application by
9 Newfoundland Power Inc. to adopt United States
10 generally accepted accounting principles for
11 regulatory purposes effective January 1, 2012
12 pursuant to Section 58 of the *Act*.

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15 **WHEREAS** Newfoundland Power Inc. (“Newfoundland Power”) is a corporation duly
16 organized and existing under the laws of the Province of Newfoundland and Labrador, is a public
17 utility within the meaning of the *Act*, and is also subject to the provisions of the *EPCA*; and

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19 **WHEREAS** on November 10, 2011 Newfoundland Power filed an application for approval to
20 adopt the United States generally accepted accounting principles (“U.S. GAAP”) for regulatory
21 purposes effective January 1, 2012, and for approval of such further or other matters as may
22 appear just and reasonable (the “Application”); and

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24 **WHEREAS** Newfoundland Power currently uses Canadian generally accepted accounting
25 principles (“Canadian GAAP”) for financial reporting purposes and regulatory purposes; and

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27 **WHEREAS** in 2006 the Canadian Accounting Standards Board (the “AcSB”) determined, in
28 effect, that all publicly accountable enterprises subject to Canadian GAAP would be required to
29 comply with International Financial Reporting Standards (“IFRS”), and Newfoundland Power is
30 a publicly accountable enterprise subject to Canadian GAAP; and

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32 **WHEREAS** by Order No. P. U. 43(2009) the Board ordered Newfoundland Power to file
33 monthly updates in relation to the transition to IFRS, beginning February 1, 2010 and continuing
34 until full implementation and Newfoundland Power has done so; and

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36 **WHEREAS** in 2010 the AcSB determined that entities with rate-regulated operations subject to
37 Canadian GAAP would be required to adopt IFRS no later than January 1, 2012, and
38 Newfoundland Power is an entity with rate-regulated operations; and

1 **WHEREAS** Newfoundland Power advises that the lack of recognition of regulatory assets and
2 liabilities in IFRS is a substantial obstacle to the adoption of IFRS for any rate regulated
3 enterprises; and

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5 **WHEREAS** U.S. GAAP permits the recognition of regulatory assets and liabilities on a basis
6 consistent with long-standing Canadian accounting practice; and

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8 **WHEREAS** Newfoundland Power advises that after considering and evaluating options with
9 regard to financial reporting and reviewing the decisions of other regulated Canadian entities, it
10 decided to adopt U.S. GAAP for financial reporting purposes effective January 1, 2012; and

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12 **WHEREAS** Newfoundland Power advises that the recognition of regulatory assets and
13 liabilities is the primary reason that Newfoundland Power chose to adopt U.S. GAAP; and

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15 **WHEREAS** Newfoundland Power advises that the adoption of U.S. GAAP for regulatory
16 purposes by Newfoundland Power affects the timing of cost recovery as opposed to the overall
17 costs to be recovered and therefore it should not have a material impact on rates; and

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19 **WHEREAS** Newfoundland Power advises that a survey of 26 Canadian regulated utilities
20 completed by Newfoundland Power demonstrates that a significant majority have adopted or
21 intend to adopt U.S. GAAP by 2012; and

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23 **WHEREAS** on November 16, 2011 the Board requested that the Consumer Advocate and
24 Newfoundland and Labrador Hydro (“Hydro”) provide any comments they wished to make on
25 the Application to the Board by November 28, 2011; and

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27 **WHEREAS** the Board requested that its financial consultants, Grant Thornton, review and
28 report to the Board on the Application; and

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30 **WHEREAS** on November 30, 2011 Grant Thornton presented the results of its review of the
31 Application to the Board (the “Grant Thornton Report”); and

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33 **WHEREAS** the Grant Thornton Report concluded that Newfoundland Power’s proposal to
34 adopt U.S. GAAP for regulatory purposes is appropriate in the circumstances; and

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36 **WHEREAS** on December 5, 2011 the Board requested that the Consumer Advocate and Hydro
37 provide any comments they wished to make on the Grant Thornton Report to the Board by
38 December 9, 2011; and

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40 **WHEREAS** on December 8, 2011 Hydro advised the Board that it had no comment on the
41 Application; and

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43 **WHEREAS** on December 9, 2011 the Consumer Advocate advised the Board that the Consumer
44 Advocate takes no issue with the findings of the Grant Thornton Report; and

1 **WHEREAS** the Board has reviewed the Application and is satisfied that the adoption of U.S.
2 GAAP by Newfoundland Power for regulatory purposes is consistent with sound Canadian
3 public utility practice and should be approved in the circumstances.

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5 **IT IS THEREFORE ORDERED THAT:**

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7 1. The adoption of United States generally accepted accounting principles (“U.S. GAAP”)
8 by Newfoundland Power for general regulatory purposes as proposed in the Application
9 is approved effective January 1, 2012.
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11 2. Newfoundland Power shall apply to the Board for approval of changes to existing
12 regulatory assets and liabilities and the creation of any new regulatory assets and
13 liabilities, along with appropriate definitions of the accounts related to these regulatory
14 assets and liabilities, that will be required to effect the adoption of U.S. GAAP.
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16 3. Newfoundland Power shall no longer file monthly updates on International Financial
17 Reporting Standards (“IFRS”) as ordered by Order No. P. U. 43(2009).
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19 4. Newfoundland Power shall pay all expenses of the Board arising from this Application.

Dated at St. John’s, Newfoundland and Labrador this 15th day of December, 2011.

Andy Wells
Chair and Chief Executive Officer

Darlene Whalen, P.Eng.
Vice-Chair

Dwanda Newman, LL.B.
Commissioner

G. Cheryl Blundon
Board Secretary