Q. Table 4.3, page 12, Appendix A. According to the survey results, Enbridge Gas, the only utility from Ontario to provide a response to the survey, uses IDC to account for financing costs even though the utility operates under US GAAP.

a) Is Hydro aware of any other utilities in Ontario that use AFUDC?

b) Has the Ontario Energy Board approved the use of AFUDC?

A. **a)** No, Newfoundland and Labrador Hydro ("Hydro") is not aware of whether any other utilities in Ontario use Allowance for Funds Used During Construction ("AFUDC").

In the Ontario Energy Board's ("OEB") Generic Cost of Capital and Other Matters proceeding (2024–2025), Concentric Energy Advisors Inc., a consultant retained on behalf of Enbridge Gas Inc., and a group of OEB-regulated utilities recommended the adoption of a weighted average cost of capital/AFUDC approach for determining capital financing costs on construction work-in-progress. While the OEB requires an interest during construction approach for generic usage, there is a policy within the OEB's Infrastructure Investment Report whereby utilities can make applications to be able to apply for project-specific Return on Equity to be included in capital work-in-progress for significant infrastructure investments.

Hydro notes that the use of AFUDC is consistent with regulatory practice in most other Canadian jurisdictions, such as but not limited to Québec, New Brunswick, and Prince Edward Island, and is also used by certain utilities in Alberta, British Columbia and Newfoundland and Labrador.[1] Christensen Associates Energy Consulting, LLC also reviewed the principles of financial economics in arriving at their recommendation for capitalizing interest using AFUDC.

b) Please refer to Hydro's response to part a).

[1] "2022/2023 General Rate Application," Newfoundland Power Inc., May 27, 2021, vol. 2, rpt. 6, att. 1, app. C.