

1 **Q. During the presentation on labour capitalization at the Technical Conference it was**
2 **stated that rate stability is an important criterion. Upon further clarification, it was**
3 **stated that the rate stability criterion relates only to general expenses capitalized**
4 **(GEC) and stems from Board Order No. P.U. 3(1995-96). Why is it important that**
5 **rate stability be a consideration in the GEC component but not other components of**
6 **the Newfoundland Power capital budget? Is it Newfoundland Power's**
7 **understanding that the Board's Order implies that rate stability is important only**
8 **as it relates to GEC?**
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10 **A.** The discussion that took place during the technical conference held on November 14,
11 2019 was neither recorded nor transcribed. Unless expressly indicated in the response to
12 this Request for Information, Newfoundland Power is not to be taken to have adopted the
13 wording of any statement attributed to it in the question.
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15 At the technical conference, Newfoundland Power did not state that the rate stability
16 criterion relates only to GEC. Newfoundland Power does not believe that rate stability is
17 a consideration in the GEC component and not other components of the Newfoundland
18 Power capital budget. It is not Newfoundland Power's understanding that the Board's
19 order implies that rate stability is important only as it relates to GEC.
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21 In its presentation on capitalization policy at the technical conference, Newfoundland
22 Power made reference to rate stability and predictability in the context of a discussion of
23 Order No. P.U. 3 (1995-96), which approved a change in the Company's methodology
24 for determining GEC. In that order, the Board specifically addressed rate stability and
25 predictability, noting that a phased-in implementation of the change in accounting
26 methodology would minimize the effect on rates.¹
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28 In its presentation, Newfoundland Power also observed that the consistent application of
29 the GEC methodology approved in Order No. P.U. 3 (1995-96) has resulted in stable
30 annual GEC amounts, and that this contributes to rate stability for customers.²

¹ See Order No. P.U. 3 (1995-1996), page 8.

² See Slide 10 of the Company's Capitalization Practices presentation which shows that, since the time the new GEC methodology was fully implemented in 1999, GEC (excluding pension costs) has averaged less than 4% of the Company's annual capital budget.