

1 **Q. On page 40 of the Finance and Accounting Evidence by Barry Perry it states that**
2 **finance charges are reduced by interest charged to construction. Does this interest**
3 **charged to construction form a part of rate base? If so, please give the amount**
4 **charged to construction for 1998 – forecasted 2004? How is this amount determined**
5 **and by whom?**

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7 A. Interest charged to construction (IDC) is included as a capital cost of electric plant in
8 service in accordance with generally accepted accounting principles (GAAP) and Section
9 2.01 (c) of the Company's approved System of Accounts. IDC is included in the
10 Company's rate base, in accordance with generally accepted sound public utility practice.

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12 IDC is calculated on a monthly basis in accordance with Order No. P.U. 37 (1981).
13 Please refer to Company's response to CA-41 (a) from the Newfoundland Power 2003
14 Capital Budget hearing for further information on the calculation of IDC. Please refer
15 also to the Company's response to Request for Information NLH-243 related to this
16 proceeding for detailed calculations of IDC by year from 1998 to 2001, and the process
17 for determining a forecast of IDC for 2002 to 2004.

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19 Table 1 below provides a summary of IDC for the years 1998 to forecast 2004.
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Table 1 Interest Charged to Construction 1998 – 2004F (\$000s)	
Year	IDC
1998	563
1999	409
2000	338
2001	347
2002F	300
2003F	216
2004F	191