

Allowance for Funds Used During Construction (AFUDC)

AFUDC is computed monthly and applied to projects exceeding \$10,000 which are under construction more than thirty days with the exception of land and land rights, projects totally funded through customer advances, payments or CIACS, projects that can be utilized before completion of certain facilities (i.e. as sections of a gas main are completed, service to customers can be established, projects that are in the preliminary investigation or research and development states, fleet projects and retirement only projects. AFUDC is applied monthly and projects receive 1/2 of the charge in the first and last months of the construction period. Capitalization of AFUDC ceases when the project is placed in service, or once a project hasn't had charges for 90 days. The AFUDC rate is calculated in accordance with the formula prescribed by FERC.

Engineering and Supervision / Administrative and General Expense

Every three years the company conducts a time study to identify the portion of supervision, engineering, and administrative time that directly supports construction related activities, and should be capitalized as part of the cost of a project. To be capitalized, this time must have a direct relationship to the construction activity. This applies to all employees that do not charge their payroll directly to capital projects or orders. In addition to labor, a charge for Business Technology and benefits is also included.