

1 Q. **Reference: Response to CA-NLH-213, part a**

2 Further to CA-NLH-213(a) and (b), please explain how the Board can assess the prudence of
3 shared-service expenditures initially recorded in non-regulated operations but subsequently
4 charged or allocated to regulated operations. Identify the evidence filed in this GRA supporting
5 the underlying expenditures, distinct from the allocation methodology, and explain whether any
6 material cost pool lacks that supporting evidence.

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9 A. The Board of Commissioners of Public Utilities ('Board') can review, test and assess the
10 prudence of the costs charged to Newfoundland and Labrador Hydro's ('Hydro') regulated
11 business segment through the regulatory proceeding for the 2026 General Rate Application
12 ('GRA'). As noted in Hydro's response to CA-NLH-213 of this proceeding, Hydro's
13 shared/common service costs were reviewed and approved by the Board for prudence within
14 Hydro's 2017 GRA. In that proceeding, the Board reviewed Hydro's revenue requirement,
15 including the underlying costs that formed part of Hydro's shared/common service charges. The
16 Board's review can utilize a number of tools, including the request for information process, the
17 independent review of Hydro's 2026 GRA by the Board's auditor, and any further examination of
18 Hydro's costs within a proceeding.

19 For example, the Business Systems Transformation program was executed as a non-regulated
20 capital project. Hydro's regulated business segment was apportioned a share of the costs of this
21 program via an administration fee and sought to recover these costs from ratepayers as
22 operational costs. In Board Order No. P.U. 23(2019), the Board stated:

23 The Board accepts that it is within the prerogative of management to make
24 decisions related to Hydro's business and information management systems.
25 Nevertheless, it remains incumbent on Hydro to demonstrate that the costs
26 proposed to be recovered from customers in relation to these systems are
27 reasonable and necessary in the circumstances, particularly given that the costs
28 are being charged to Hydro by a non-regulated affiliate company. The Board is
29 satisfied that the costs can be fully reviewed and tested in this process as
30 proposed by Hydro.