

1 **Q. Reference: Response to CA-NLH-217**

2 CA-NLH-214(c) reports a 2024 O&M cost split of approximately 40% regulated and 60% non-
3 regulated, while CA-NLH-217 cites 2026 allocations of approximately 57%–58% regulated and
4 42%–43% non-regulated for three IT cost pools. Provide the corresponding 2027 Test Year
5 percentages by pool and explain why user-based allocation remains appropriate. Address the
6 potential for cross-subsidization where automated, asset-driven or system-to-system activities
7 consume IT resources independently of user numbers.

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10 **A.** Newfoundland and Labrador Hydro's ("Hydro") response to part c) of CA-NLH-214 of this
11 proceeding provides the component calculation of the hybrid allocator, while Hydro's response
12 to CA-NLH-217 of this proceeding refers to the average users allocator applied to three
13 Information Technology ("IT")-related cost pools: Information Systems, Network Services and
14 Business System Transformation. For the 2027 Test Year, the average users allocation for each
15 of these cost pools is approximately 57% regulated and 43% non-regulated.

16 As noted in Hydro's response to CA-NLH-217, the costs included in these pools relate to
17 enterprise-wide IT services that support all lines of business. The average users allocator is
18 considered an appropriate cost driver because the primary purpose of these services is to
19 provide and support access to information technology systems, infrastructure, applications and
20 related services for employees across the organization.

21 While certain automated, asset-driven or system-to-system activities may consume IT resources
22 independently of user counts, these activities are embedded within the overall enterprise IT
23 environment and are not maintained or tracked separately by business line. The costs
24 associated with supporting such activities are therefore included in the shared IT service cost
25 pools, which are used broadly across regulated and non-regulated operations. Accordingly,
26 Hydro considers the average users allocator to provide a reasonable and practical basis for

- 1 assigning these shared costs and does not believe it results in material cross-subsidization
- 2 between regulated and non-regulated activities.