

1 Q. **Reference: Response to CA-NLH-219, part a**

2 Further to the response to CA-NLH-219, part a (which is cross referenced to the response to
3 PUB-NLH-026), please explain

4 a) the reasons why Hydro's regulated administration fee recoveries from non-regulated
5 operations increase from \$2.306 million in the 2019 Test Year to \$5.517 million in the
6 2027 Test Year (an increase of approximately \$3.2 million); and

7 b) the reasons why non-regulated administration fees charged to Hydro's regulated
8 operations increase from \$5.093 million in the 2019 Test Year to \$10.222 million in the
9 2027 Test Year (an increase of approximately \$5.1 million).

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12 A. a) The increase of \$3.2 million relating to administrative fee recoveries from non-regulated
13 operations from the 2019 Test Year to the 2027 Test Year is primarily related to:

- 14 • The Board of Commissioners of Public Utilities ("Board") approved transfer of shared
15 information systems and business systems assets and projects from non-regulated to
16 regulated effective January 1, 2027, pursuant to Board Order No. P.U. 18(2026), resulted
17 in a net increase in recoveries¹ of \$1.4 million. Depreciation expense that was previously
18 recovered by Non-Regulated Newfoundland and Labrador Hydro ("Hydro") from
19 Regulated Hydro in the 2019 Test Year is recorded directly within Regulated Hydro in
20 the 2027 Test Year and recovered from Non-Regulated Hydro;
- 21 • The addition of new shared services groups under the revised Intercompany Transaction
22 Costing Guidelines resulted in \$1.5 million in recoveries charged to other entities; and
- 23 • Other changes to cost bases increased costs by \$0.3 million.

¹ The charge in of information system assets was partially offset by the deferral of costs in the Business Systems Transformation Program Deferral Account and the proposed amortization of the Business Systems Transformation Program Deferral Account. Please refer to "2026 General Rate Application," Newfoundland and Labrador Hydro, May 27, 2026, vol. I, ch. 5, sec. 5.6.1.

1 **b)** The increase of \$5.1 million relating to non-regulated administrative fees from the 2019 Test
2 Year to the 2027 Test Year is primarily related to:

- 3 • Changes to the Intercompany Transaction Costing Guidelines, including the inclusion of
4 additional shared services and revisions to certain allocators, increased costs by
5 \$2.1 million;
- 6 • Higher Information Systems costs available for allocation, including costs related to
7 Microsoft 365, higher or new subscriptions and licenses, enhanced cybersecurity, and
8 contract escalations, increased costs charged to Hydro by \$3.5 million; and
- 9 • Other immaterial variances in cost pools and allocators increased costs by \$0.4 million.

10 These increases were partially offset by the transfer of shared information systems and business
11 systems assets and projects from non-regulated to regulated effective January 1, 2027, pursuant
12 to Board Order No. P.U. 18(2026), reduced costs by \$0.8 million. In the 2019 Test Year,
13 administrative fees charged by non-regulated operations included the recovery of depreciation
14 expense on Information Systems assets from regulated operations. Following the asset transfer,
15 this recovery is no longer required in the 2027 Test Year.