

Office of the Consumer Advocate

May 15, 2026

The Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL
A1A 5B2 Canada

Attention: Colleen Jones, Assistant Board Secretary

Dear Ms. Jones:

Re: NLH - Application for Recovery of Costs Associated with Information Systems Assets

On April 1, 2026 Newfoundland and Labrador Hydro (“Hydro”) submitted to the Public Utilities Board (the “Board”) an Application for Recovery of Costs Associated with Information Systems (“IS”) Assets (the “Application”). As noted in the Application (Application Clauses 3, 4 and 5):

“As a result of the proclamation of the Hydro Corporations Act, 2024, as of January 1, 2025, Nalcor and Hydro’s assets vest in Hydro, and Hydro is charged with all obligations and liabilities formerly held by Hydro and Nalcor. All Nalcor subsidiaries are Hydro subsidiaries.”

“Prior to amalgamation, IS assets were owned and administered by Nalcor, with costs recovered from Hydro and other entities through administration fees.”

“Following amalgamation, these are Hydro’s assets, and Hydro’s expenditures related to those assets are subject to the Act and Board oversight.”

Hydro is proposing (Application Clause 20) to transfer the Net Book Value of these IS assets “*that were in service as of January 1, 2025 to Hydro’s regulated business segment effective December 31, 2026, with inclusion of the assets in Hydro’s rate base as they are used and useful in the provision of Hydro’s regulated services. The rate base will be proposed for approval in Hydro’s next Capital Budget Application (“CBA”), as is the established regulatory process for approval of rate base. Hydro’s proposal for those projects that were not in service as of amalgamation is to transfer the assets and their related costs to the regulated business segment, effective December 31, 2026. Hydro will include the assets in Hydro’s rate base upon the in-service date of each of the assets, with the rate base then proposed for approval within the applicable CBA in accordance with past regulatory practice.*”

On April 24, 2026 the Board established the schedule for review of the Application which includes comments from the parties by May 15, 2026. This document conveys the comments of the Consumer Advocate.

The important consideration in this Application is that Hydro proposes to include these assets in rate base for recovery from customers. In order for project costs to be included in rate base, the assets must be used and useful in the provision of Hydro's regulated services. PUB-NLH-001 provides helpful information in this regard, requesting Hydro to *"provide the analysis that demonstrates how the benefits to customers outweigh the associated costs for each of the projects requested to be transferred to Hydro's Regulated business and to be included in rate base."*

Hydro provides a 7-page response addressing each of the 7 IS projects. On the basis of a qualitative assessment, Hydro states (page 7 of 7) that it ***"believes the benefits to customers outweigh the associated costs"*** (emphasis added). Hydro also notes (page 7 of 7) that *"some benefits are not readily **quantifiable**"* (emphasis added). As Hydro is unable to quantify the benefits, it is difficult to confirm that the benefits to customers outweigh the associated costs for each of the projects requested to be included in rate base.

In summary, while the Consumer Advocate believes that these projects are used and useful in the provision of regulated service, it is not clear that the projects provide benefits that exceed the costs. Consequently, the Consumer Advocate does not oppose the Application provided that the Board is satisfied that the projects are used and useful and pass the prudence test.

Please contact the undersigned if you have any questions relating to this submission.



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