

**NEWFOUNDLAND AND LABRADOR  
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

**AN ORDER OF THE BOARD**

**NO. P.U.18(2026)**

1 **IN THE MATTER OF** the **Electrical Power**  
2 **Control Act, 1994**, SNL 1994, Chapter E-5.1  
3 (the “**EPCA**”) and the **Public Utilities Act**,  
4 RSNL 1990, Chapter P-47 (the “**Act**”), as  
5 amended, and regulations thereunder; and  
6

7 **IN THE MATTER OF** an application by  
8 Newfoundland and Labrador Hydro for  
9 an Order relating to the treatment and  
10 approval of the costs associated with  
11 various Information Systems assets,  
12 pursuant to the **Act**.  
13  
14

15 **DECISION SUMMARY**

16  
17 The Board approves the application filed by Newfoundland and Labrador Hydro to transfer certain  
18 Information Systems assets from its non-regulated to regulated business and for those assets to  
19 be included in rate base.  
20

21 The Board accepts that the Information Systems assets addressed in the Application provide  
22 benefits to customers in supporting critical business functions such as customer service, finance,  
23 human resources and system operations. The Board also accepts that sharing Information  
24 Systems assets to serve both regulated and non-regulated operations is consistent with the  
25 provision of least-cost service. The Board approves that the Intercompany Transaction Costing  
26 Guidelines continue to be applied for the allocation of costs of Information System assets  
27 between regulated and non-regulated business.  
28

29 The Board accepts that the balance in the Business Systems Transformation Deferral Account  
30 should be recovered in customer electricity rates to be established in Newfoundland and  
31 Labrador Hydro’s next general rate application.

## 1 BACKGROUND

2

3 Nalcor Energy (“Nalcor”) and Newfoundland and Labrador Hydro (“Hydro”) were amalgamated  
4 on January 1, 2025. Prior to amalgamation, Nalcor owned and managed the Information System  
5 (“IS”) assets and costs were recovered from Hydro through the charge of administration fees.

6

7 The IS assets transferred to Hydro upon amalgamation included JD Edwards EnterpriseOne (“JDE  
8 E1”), Cognos TM1 (“TM1”), and Information Management (“IM”) software. These assets comprise  
9 Nalcor’s Business System Transformation (“BST”) Program, launched in 2015 to address technical  
10 and functional concerns with existing assets.<sup>1</sup>

11

12 In Order No. P.U. 23(2019), the Board disallowed cost recovery for the BST Program but approved  
13 continued deferral of the costs and invited Hydro to file a further application setting out  
14 additional evidence justifying the recovery of the costs in the context of least-cost service.

15

16 In Order No. P.U. 27(2022), the Board determined that the shared-services approach and the cost  
17 allocation method were reasonable and consistent with the provision of least-cost service. The  
18 Board approved recovery of actual and forecast deferred costs associated with the JDE E1  
19 implementation and the IM software to the end of 2022 but ordered that Hydro continue to defer  
20 the remaining forecast costs to the end of 2028.<sup>2</sup>

21

22 Upon amalgamation, the following four IS projects approved by Nalcor were not yet completed:

23

- 24 a) Email Migration Project;<sup>3</sup>
- 25 b) Accounts Payable Automation;
- 26 c) Perform Software Upgrades and Minor Enhancements - Information Technology  
27 (2024-2026); and
- 28 d) Renew Microsoft Enterprise Agreement (2025-2028).

29

30 Hydro was bound by the contractual agreements for these projects and proceeded with the  
31 execution of the capital work.

32

33 Expenditures relating to IS assets are now subject to the **Act** and Board oversight. These assets  
34 will continue to be utilized by Hydro and its subsidiaries for both regulated and non-regulated  
35 activities and the allocation of the costs will be governed by Hydro’s Intercompany Transaction  
36 Costing Guidelines (“Intercompany Guidelines”).

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<sup>1</sup> The BST Program was discontinued in 2024. Any future in-scope projects would be approved as stand-alone projects pending a review of business priorities and project justification.

<sup>2</sup> Hydro did not request approval of cost recovery for the TM1 financial software.

<sup>3</sup> In Order No. P.U. 1(2026) the Board approved the inclusion of operating costs relating to the Email Migration Project in the Cloud Cost Deferral Account. This deferral account was previously approved to be included in rate base.

1 **APPLICATION**

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3 On April 1, 2026, Hydro filed an application (“Application”) requesting the Board approve:

4

5 a) The inclusion in Hydro’s regulated business segment of the in-service IS assets at net  
6 book value (“NBV”) as of December 31, 2026, more particularly:

7 i) JDE E1 with a forecast NBV as at December 31, 2026 of \$3.9 million;

8 ii) TM1 with a forecast NBV as at December 31, 2026 of \$0.7 million; and

9 iii) IM with a forecast NBV as at December 31, 2026 of \$0.4 million.

10

11 b) Inclusion of these in-service IS assets in Hydro’s rate base, with approval of the  
12 relevant rate base to be proposed in the applicable Capital Budget Application;

13

14 c) The inclusion in Hydro’s regulated business segment of the estimated capital costs as  
15 of December 31, 2026, for those IS assets not in-service as of amalgamation, more  
16 particularly:

17 i) AP Automation with a total estimated cost of \$1.4 million;

18 ii) Perform Software Upgrades and Minor Enhancements – Information

19 Technology (2024–2026) with a total estimated cost of \$1.1 million; and

20 iii) Renew Microsoft Enterprise Licenses (2025–2028) with a total estimated cost  
21 of \$1.3 million.

22

23 d) The inclusion of those IS assets not in-service prior to amalgamation in Hydro’s rate  
24 base as each asset is in-service, with approval of the relevant rate base to be proposed  
25 in the applicable Capital Budget Application;

26

27 e) Recovery of the actual and forecast costs in the BST Program Deferral Account of \$7.8  
28 million associated with JDE E1, TM1 Release 1.1 and 1.2, and IM implementation as at  
29 December 31, 2026, through customer rates to be established in Hydro’s next General  
30 Rate Application (“GRA”);

31

32 f) The discontinuance of transfers to the BST Program Deferral Account effective  
33 December 31, 2026; and

34

35 g) The application of the BST Fee methodology for the allocation of costs associated with  
36 TM1 and JDE E1 additional functionalities.

37

38 The Application stated that as of January 1, 2025 the BST Program assets became Hydro assets  
39 and that the assets are used and useful in the provision of Hydro’s regulated services and should  
40 therefore be included in Hydro’s regulated business segment and in regulated rate base for  
41 recovery as of December 31, 2026. For assets that were not in service as of January 1 2025, the  
42 Application also proposed to transfer the assets and their related costs to its regulated business  
43 segment effective December 31, 2026. The Application proposed that it include these assets in

1 its regulated rate base as each asset becomes in-service, with approval of the relevant rate base  
2 in the applicable capital budget application.

3  
4 The Application stated that the account balance in the BST Program Deferral Account is forecast  
5 to be \$14.5 million as of December 31, 2026. This included \$6.7 million previously approved by  
6 the Board for recovery in Hydro's next GRA<sup>4</sup> and \$7.8 million which has been allocated to Hydro's  
7 regulated business segment and not yet approved for recovery by the Board. With the conclusion  
8 of the BST Program, the Application proposed the approval and recovery of the remaining \$7.8  
9 million of BST Program costs through customer rates to be established in Hydro's next GRA.<sup>5</sup> The  
10 Application also proposes that the BST Program Deferral Account be discontinued effective  
11 December 31, 2026.

12  
13 The Application proposed that costs associated with the IS assets, including the costs requested  
14 to be transferred to regulated operations, continue to be allocated in accordance with the  
15 Intercompany Guidelines<sup>6</sup> and be recovered through the IS Administration Fee or BST  
16 Administration fee as per the Intercompany Guidelines.

## 17 18 **PROCESS**

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20 The Application was copied to: Newfoundland Power Inc. ("Newfoundland Power"), the  
21 Consumer Advocate, Adrienne Ding ("Consumer Advocate"), the Island Industrial Customer  
22 Group,<sup>7</sup> and the Labrador Interconnected Group.<sup>8</sup>

23  
24 The Board and Newfoundland Power issued requests for information on May 1, 2026 and May 4,  
25 2026, respectively, which were answered by Hydro on May 12, 2026.

26  
27 On May 15, 2026 Newfoundland Power and the Consumer Advocate filed comments. On May 21,  
28 2026 Hydro filed its reply.

## 29 30 **SUBMISSIONS**

31  
32 Newfoundland Power did not object to Hydro's Application. Newfoundland Power submitted that  
33 even though it did not have substantive comments regarding justification of the individual  
34 projects, it generally agreed with Hydro that technology modernization, upgrades and  
35 maintenance supports a utility's ability to provide least cost reliable service through: (i) meeting

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<sup>4</sup> Order No. P.U. 27(2022).

<sup>5</sup> Hydro's 2026 GRA was filed on May 27, 2026.

<sup>6</sup> The Application indicates that Hydro's regulated business segment would be responsible for approximately 57% of the total costs and the other non-regulated lines of business responsible would be responsible for the remainder.

<sup>7</sup> The members of the Island Industrial Customer Group are Corner Brook Pulp and Paper Limited, Braya Renewable Fuels (Newfoundland) GP Inc., and Vale Newfoundland and Labrador Limited.

<sup>8</sup> The members of the Labrador Interconnected Group are the communities of Sheshatshiu, Happy Valley-Goose Bay, Wabush, and Labrador City.

1 customer and business requirements; (ii) continual improvement of operational processes over  
2 time; and (iii) avoiding costs such as those related to cybersecurity events.

3

4 The Consumer Advocate submitted that these projects are used and useful in the provision of  
5 regulated service and that it is not clear that the projects provide benefits that exceed the costs.  
6 The Consumer Advocate did not oppose the Application provided that the Board is satisfied that  
7 the projects are used and useful and pass the prudency test.

8

9 Hydro agreed with Newfoundland Power's submission that the IS assets support critical business  
10 functions, including finance, customer service, human resources, and system operations, all of  
11 which are required to deliver regulated services. In response to the Consumer Advocate's concern  
12 regarding prudency, Hydro submitted that while certain benefits associated with the noted  
13 expenditures cannot readily be quantified, utilities must balance cost, reliability, operational  
14 integrity, and long-term system needs, noting that the absence of precise measurement of all  
15 project benefits does not, in itself, render an expenditure imprudent.

16

17 Hydro further submitted that the proposed transfer of assets to the regulated business segment  
18 ensures appropriate regulatory oversight of both the assets and the related sustaining capital,  
19 and that the Intercompany Guidelines ensure that only costs properly attributable to regulated  
20 service are recovered from customers. Hydro requested that the Application be approved as  
21 submitted, as it demonstrates the IS assets are prudent, used and useful in the provision of  
22 regulated service, and that the proposed cost recovery and allocation methodologies are  
23 consistent with established regulatory principles.

24

## 25 **BOARD DECISION**

26

27 The Board is satisfied that Hydro has demonstrated that the projects included in this Application  
28 are used and useful, as the IS assets support critical business functions, including finance,  
29 customer service, human resources, and system operations, which are required to deliver  
30 regulated services. The Board also agrees that ongoing technology modernization, upgrades, and  
31 maintenance enhance Hydro's ability to provide least-cost, reliable service.

32

33 The Board accepts that many of the benefits of the IS projects are not readily quantifiable.  
34 However, the Board is satisfied that these projects provide value to customers by avoiding costs,  
35 such as those associated with system failures or data loss, and by improving the accuracy and  
36 timeliness of responses to customer requests and inquiries.

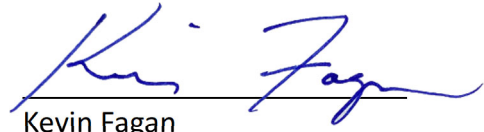
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38 The Board is also satisfied that the Intercompany Guidelines ensure that only costs attributable  
39 to Hydro's regulated business segment will be recovered from customers and provide for the  
40 proper allocation and recovery of costs from other business segments.

1 **IT IS THEREFORE ORDERED THAT:**

- 2
- 3 1. The Information System assets in service as of January 1, 2025 are approved:
- 4 (a) to be transferred from Hydro non-regulated to Hydro regulated at net book value as
- 5 of December 31, 2026; and
- 6 (b) to be included in Hydro's rate base with approval of the relevant rate base to be
- 7 proposed in the applicable Capital Budget Application.
- 8
- 9 2. The Information System assets not in-service as of January 1, 2025 are approved:
- 10 (a) to be transferred from Hydro non-regulated to Hydro regulated at the capital cost as
- 11 of December 31, 2026; and
- 12 (b) to be included in Hydro's rate base as each asset becomes in-service, with approval of
- 13 the relevant rate base to be proposed in the applicable Capital Budget Application.
- 14
- 15 3. Recovery of the costs in the Business System Transformation Program Deferral Account
- 16 through customer rates will be established in Hydro's 2026 General Rate Application.
- 17
- 18 4. The discontinuance of transfers to the Business System Transformation Program Deferral
- 19 Account effective December 31, 2026 is approved.
- 20
- 21 5. The continued application of the Intercompany Transaction Costing Guidelines for the
- 22 allocation of the costs associated with Information Systems is approved.
- 23
- 24 6. Hydro shall pay all expenses of the Board arising from this Application.

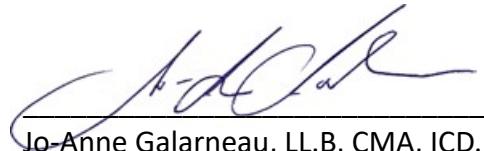
**DATED** at St. John's, Newfoundland and Labrador this 12<sup>th</sup> day of June 2026.



Kevin Fagan  
Chair and Chief Executive Officer



Christopher Pike, LL.B., FCIP  
Commissioner



Jo-Anne Galarneau, LL.B, CMA, ICD.D  
Commissioner



Mike McNiven  
Board Secretary