

1 Q. **Volume 1 (1st Revision), Chapter 3: Operations**

2 Please provide a detailed calculation of the Business System Fee for 2016 to 2019
3 test year. (Volume I (1st Revision), Chapter 3: Operations,
4 Page 3.38, Table 3-20)

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7 A. The Business System fee consists of program management costs as well as

8 depreciation and software maintenance associated with the Business

9 Transformation Program (please refer to Hydro's response to NP-NLH-036). A

10 portion of the costs are charged based on average users and the remainder are

11 shared on a fixed fee basis among the lines of business. Please refer to NP-NLH-

12 031, Attachment 1 for additional information.

Business System Fee

Cost Type Description	Actual 2016	Forecast 2017	Test Year 2018	Test Year 2019
Program Management Costs (\$000s)				
Salaries & Fringe Benefits	\$ 447	\$ 760	\$ 943	\$ -
System Equipment Maintenance	1	5	5	-
Office Supplies & Expenses	4	10	10	-
Professional Services	85	75	100	-
Equipment Rentals	-	1	1	-
Travel	-	-	10	-
Miscellaneous Expenses	22	58	58	-
A Total	\$ 559	\$ 909	\$ 1,127	\$ -
Project Costs				
Depreciation	\$ 74	\$ 822	\$ 2,841	\$ 3,210
Project cost amortization		\$ 20	\$ 210	\$ 318
Software Support & Maintenance	-	537	1,023	-
B Total	\$ 74	\$ 1,379	\$ 4,074	\$ 3,528
C Total Costs to be allocated	\$ 633	\$ 2,288	\$ 5,201	\$ 3,528
Cost Allocations				
Average User basis				
D Program Management costs (A X 50%)	\$ 280	\$ 454	\$ 564	\$ -
B Project Costs	74	1,379	4,074	3,528
E Total (D+B)	\$ 354	\$ 1,833	\$ 4,638	\$ 3,528
F Total average users	1,304.5	1,647.2	1,647.2	1,647.2
G Cost per average user (E /F)	\$ 271	\$ 1,113	\$ 2,815	\$ 2,142
H Hydro Regulated average users	837.0	837.5	837.5	837.5
I Other lines of business average users	467.5	809.7	809.7	809.7
F Total average users	1,304.5	1,647.2	1,647.2	1,647.2
J Hydro Regulated (G * H)	\$ 227	\$ 932	\$ 2,358	\$ 1,794
K Other lines of business (G * I)	127	901	2,280	1,734
Total	\$ 354	\$ 1,833	\$ 4,638	\$ 3,528
Fixed fee basis				
L Program Management costs (A X 50%)	\$ 280	\$ 454	\$ 564	\$ -
M Corporate allocation (inactive companies)	(50)	(50)	(50)	-
N Net costs to be allocated (L-M)	\$ 230	\$ 404	\$ 514	\$ -
O Number of companies sharing costs	9	10	10	-
P Fixed fee per company (N/O)	\$ 26	\$ 40	\$ 51	\$ -
Allocated Costs				
Hydro				
J Hydro - per Average User costs	\$ 227	\$ 932	\$ 2,358	\$ 1,794
P Fixed fee	26	40	51	-
Hydro Specific Charges				
Depreciation	-	25	100	100
Software Support & Maintenance	-	32	33	-
Q Total charges - Hydro	\$ 253	\$ 1,029	\$ 2,542	\$ 1,894
R Total Other Lines of Business (Average User Costs plus Fixed fee)	\$ 381	\$ 1,315	\$ 2,792	\$ 1,734
Total Business System Fees (Q + R)	\$ 634	\$ 2,344	\$ 5,334	\$ 3,628