

1 **Section 2: Customer Operations/Operating Costs**

2
3 **Q. Volume 1, Section 2, page 2-30, and Additional Information, PUB Information**
4 **Request (ii), Schedule B, Attachment 1, page 3 of 4. General is forecast to increase**
5 **by \$6 million (22%) in 2025 Forecast as compared to the 2023 test year, and there is**
6 **a further increase of \$1.06 million between the 2025 Forecast and the 2026 Forecast.**

7 **a) Please provide a detailed explanation for the \$1.41 million (19%) increase in**
8 **Information Systems from the 2023 test year to the 2025 Forecast. Also provide**
9 **an explanation for the \$0.426 million increase between the 2025 Forecast and the**
10 **2026 Forecast.**

11 **b) Volume 1, Section 2. On page 2-33, footnote 59 of the Application,**
12 **Newfoundland Power provides detail for \$2.1 million of the increase in**
13 **Information Systems. Are all of the costs noted in this footnote annual costs? If**
14 **not please indicate which costs are not annual.**

15 **c) Please provide a detailed explanation for the \$1.08 million (54%) increase in**
16 **Financial Services from the 2023 test year to the 2025 Forecast. Also provide an**
17 **explanation for the \$0.414 million decrease between the 2025 Forecast and the**
18 **2026 Forecast.**

19 **d) Volume 1, Section 2. On page 2-33, footnote 60 of the Application,**
20 **Newfoundland Power notes that an assessment is required to determine the**
21 **financial reporting implications of the implementation of an anticipated IFRS**
22 **rate-regulated standard. Please provide the estimates included in “Financial**
23 **Services” for the 2024, 2025 and 2026 Forecasts.**

24 **e) Please provide detailed explanations for the \$3.07 million (19%) increase in**
25 **Corporate and Employee Services from the 2023 test year to the 2025 Forecast.**
26 **Also, please provide an explanation for the increase of \$893,000 in Corporate**
27 **and Employee Services between the 2025 Forecast and the 2026 Forecast.**

28
29 **A. a) See Attachment A for operating costs for Information Systems from 2022 to 2026**
30 **forecast, which includes a further breakdown of forecast computing equipment and**
31 **software costs.**

32
33 Information Systems operating costs for 2025 are forecast to increase by
34 approximately \$1.4 million from the 2023 test year. The increase is primarily due to
35 higher licensing and support costs for third-party hardware and software solutions,
36 including cybersecurity, and higher other company fees, partially offset by lower
37 labour costs. Forecast licensing and support cost increases for 2025 as compared to
38 the 2023 test year primarily relate to: (i) operations and engineering software,
39 including the Company’s workforce management system and geographic information
40 system; (ii) infrastructure and network management; and (iii) cybersecurity
41 management. Other company fees primarily relate to the *Customer Information*
42 *System* and security information and event management. The decrease in labour costs
43 is largely due to efficiencies associated with *Application Enhancements*, partially

1 offset by labour related to the Company's implementation of the *Customer*
 2 *Information System*.¹

3
 4 The increase in the 2026 forecast of approximately \$0.4 million reflects incremental
 5 computing equipment and software costs, primarily related to asset management, as
 6 well as inflationary increases on labour and other non-labour costs.

7
 8 The majority of licensing and support costs are annual operating costs. Increases in
 9 these annual costs are determined based on the individual vendor agreements, and are
 10 not forecast solely based on inflationary factors. The amounts referred to in
 11 footnote 59, as referenced in this Request for Information, are forecast increases in
 12 such costs for 2026 as compared to 2022.

13
 14 b) See part a) of this response.

15
 16 c) Financial Services operating costs for 2025 are forecast to increase by approximately
 17 \$1.1 million from the 2023 test year primarily related to the assessment required to
 18 address upcoming changes in accounting standards related to converting to
 19 International Financial Reporting Standards ("IFRS"). These costs are forecast to be
 20 approximately \$0.4 million lower in 2026.

21
 22 Table 1 provides a breakdown of forecast Financial Services costs associated with the
 23 Company's conversion to IFRS.²

Table 1:
Financial Services Costs - IFRS Conversion
2024F to 2026F
(\$000s)

2024F	2025F	2026F
1,175	995	495

24 Estimated costs of the IFRS conversion are related to other company fees for
 25 consultant costs. Cost estimates are based on the estimated costs of engaging
 26 consultants, such as for additional auditing services.³

27
 28 d) See part c) of this response.

¹ See the responses to Requests for Information PUB-NP-036 and PUB-NP-016 regarding *Application Enhancements* and the *Customer Information System*, respectively.

² A conversion to IFRS is anticipated to take 18-24 months. An effective date of January 1, 2027, with 2026 comparative figures reported under IFRS, would require conversion activities to commence in 2024.

³ For example, estimated audit fees were informed by discussions with the Company's external auditor. Other consultant costs relate to incremental work required to complete the conversion, such as engaging financial consultants with expertise in IFRS.

- 1 e) Corporate and Employee Services operating costs for 2025 are forecast to increase by
2 approximately \$3.1 million from the 2023 test year. The forecast increase primarily
3 reflects: (i) inflationary increases in labour and non-labour costs;⁴ (ii) higher
4 corporate costs including travel, training, annual assessment fees, and fringe labour
5 costs;⁵ (iii) higher other company fees for regulatory proceedings; and (iv) higher
6 costs for building maintenance and snow clearing services.⁶
7
8 The increase in the 2026 forecast of approximately \$0.9 million is due to inflationary
9 increases in labour and non-labour costs, and an increase in other company fees
10 associated with the Company’s next general rate application.

⁴ Fringe labour cost increases reflect higher payroll-related costs such as CPP and employee benefit costs.

⁵ The 2023 test year forecast for travel and training costs were lower than 2019 actual costs due to restrictions related to the COVID-19 pandemic. The 2023 test year forecast for annual assessment fees had been reduced due to approved reduction in public utilities assessments related to the 2019/2020 and 2020/2021 annual assessment invoices. Those reductions did not occur in 2023.

⁶ External contractor pricing for snow clearing services have increased by 21% since 2021.

**Information Systems Operating Costs
2022 to 2026 Forecast**

Operating Costs – Information Systems Costs¹
2022 to 2026 Forecast
(\$000s)

Category	2022TY	2023TY	2022A	2023F	2024F	2025F	2026F
Total Labour	2,805	2,983	2,656	2,457	2,474	2,573	2,685
Other Company Fees	232	310	419	594	936	951	967
Computing Equipment & Software							
Infrastructure and Network Management	388	430	448	685	777	846	857
Cybersecurity Management	358	506	325	444	665	704	704
Customer Service Software	642	970	845	958	841	927	982
Business Back Office Software	311	317	353	397	457	498	504
Operations and Engineering Software	1,071	1,135	823	1,164	1,445	1,638	1,855
	2,770	3,358	2,794	3,648	4,185	4,613	4,902
Other Non-Labour	600	660	561	565	577	587	596
Total Other	3,602	4,328	3,774	4,807	5,698	6,151	6,465
Total	6,407	7,311	6,430	7,264	8,172	8,724	9,150

¹ See the 2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Exhibit 1, page 1, line 18.