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HAND DELIVERED

January 21, 2019

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

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

Re: Newfoundland and Labrador Hydro – 2017 General Rate Application – Requests for Information

Please find enclosed the original and 13 copies of Newfoundland Power's Requests for Information NP-NLH-347 to NP-NLH-377 in relation to the above noted Application.

For convenience, the Requests for Information are provided on three-hole punched paper.

A copy of this letter, together with enclosures, has been forwarded directly to the parties listed below.

If you have any questions regarding the enclosed, please contact the undersigned at your convenience.

Yours very truly,

A handwritten signature in blue ink, appearing to read "Gerard Hayes".

Gerard Hayes
Senior Counsel

Enclosures

c. Geoffrey Young
Newfoundland and Labrador Hydro

Dennis Browne, QC
Browne Fitzgerald Morgan & Avis

Paul Coxworthy
Stewart McKelvey

Van Alexopoulos
Iron Ore Company of Canada

Senwung Luk
Olthuis, Kleer, Townshend LLP

Newfoundland Power Inc.

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IN THE MATTER OF the Electrical Power Control Act, 1994, SNL 1994, Chapter E-5.1 and the Public Utilities Act, RSN 1990, Chapter P-47 (the Act);

AND IN THE MATTER OF a General Rate Application (the Application) by Newfoundland and Labrador Hydro to establish customer electricity rates for 2018 and 2019.

**Requests for Information by
Newfoundland Power Inc.**

NP-NLH-347 to NP-NLH-377

January 21, 2019

Requests for Information

Corporate Business Systems Transformation Program Justification Report (“Justification Report”), June 22, 2018

Reference: **Justification Report, page 1, lines 4 - 7**

NP-NLH-347 Please provide a detailed timeline for the Corporate Business Systems Transformation Program (“BST Program”) from initial planning through to project close-out.

Reference: **Justification Report, page 1, line 26 to page 2, line 4**

NP-NLH-348 At page 6 of 18 of Hydro’s response to the Liberty Consulting Group (“Liberty”) Interim Report of April 24, 2014, Hydro stated that, during their independent review of Hydro’s asset management practices (as part of Hydro’s internal review of the January 2014 outages), AMEC Americas stated that “Hydro’s asset management strategy is comprehensive and consistent with industry best practice.” Please reconcile this statement with the referenced passage.

Reference: **Justification Report, page 4, lines 4 - 15**

NP-NLH-349 Hydro refers to its participation in the BST Program as “part of a shared services offering led by its parent company, Nalcor Energy (Nalcor).” Please provide a full justification for this approach to the acquisition of business systems, as compared to justifying the acquisition and implementation of business systems according to the requirements of the Board’s Capital Budget Application Guidelines. Include in the justification a detailed explanation of whether and how Hydro’s participation in the BST Program can be justified as the least-cost solution for Hydro’s customers according to the criteria of the Board’s normal capital budget review process.

NP-NLH-350 Has Hydro participated in other projects whose costs are borne, in whole or in part, by Hydro’s customers as part of a shared services offering led by Nalcor? Is so, please identify these projects.

NP-NLH-351 Does Hydro plan to participate in future projects whose costs may be borne, in whole or in part, by Hydro’s customers as part of a shared services offering led by Nalcor? Is so, please provide information on these planned projects.

NP-NLH-352 Please provide a copy of any document or summary presented to or considered by the BST Program Steering Committee that lists or summarizes the “technical and functional concerns with current processes and systems not meeting the evolving needs” of Hydro.

NP-NLH-353 Liberty’s *Final Report on Phase One of Muskrat Falls Project Potential Rate Mitigation Opportunities* dated December 31, 2018 states, at page 17:

“...it becomes useful to consider the fully vertically-integrated model [of a public utility] as a means for examining how the Province may succeed in reducing future Hydro revenue requirements as major new facilities approach completion under what at present is an artificially bifurcated construct.”

Please explain whether and how re-integration of the regulated and non-regulated Nalcor utility subsidiaries, as contemplated in Liberty’s statement, may impact the cost-effectiveness of implementing the BST Program as part of a shared services offering led by Nalcor.

Reference: **Justification Report, page 6, lines 18 – 22 and footnote 9**

NP-NLH-354 Hydro’s list of other utility and energy companies with which discussions were held “to understand their processes and systems and lessons learned from IT system implementations” does not include any reference to Newfoundland Power. Did Hydro consider holding such discussions with Newfoundland Power? If not, why not?

Reference: **Justification Report, page 8, lines 7 - 21**

NP-NLH-355 Was the recommendation from the Project Team to implement Cognos TM1 based on a determination that it was the least-cost solution for Hydro’s customers? If so, please provide the detailed determination. If not, why not?

NP-NLH-356 Was there an evaluation of alternatives completed for the budgeting and forecasting software similar to the ERP software evaluation (Appendix B)? If so, please provide the evaluation of alternatives. If not, why not?

Reference: **Justification Report, Page 9, Lines 6-12**

NP-NLH-357 In Hydro’s response to Request for Information NP-NLH-185, Hydro’s share of the BST Program cost is indicated to be 45.6%. In the Justification Report, Hydro’s share of the BST Program cost is stated to be 52.6%. Please explain the difference.

Reference: **Justification Report, page 11, lines 21 - 25**

NP-NLH-362 The implementation of the customer service module, Utiligy360, as part of the Enterprise One project is for Hydro's use only and is therefore charged solely to Hydro. In this circumstance, what is the justification for the customer service module being part of a shared services offering led by Nalcor and not being implemented solely by Hydro as a normal capital project?

Reference: **Justification Report, page 13, line 20 to page 14, line 3**

NP-NLH-363 In the response to Request for Information NP-NLH-037, Hydro did not specify any potential cost savings associated with the Business Systems Transformation Program in the 2018 and 2019 test years. Were the annual efficiency gains of \$415,000 referred to in the Justification Report identified subsequent to the preparation of the response to Request for Information NP-NLH-037, or are those gains not expected to materialize prior to the end of 2019?

NP-NLH-364 Please explain where and how the identified "quantifiable annual efficiency gains" of \$415,000 are reflected in the cost-benefit analysis in Appendix E to the Justification Report.

Reference: **Justification Report, page 13, lines 20 - 26 and footnote 14**

NP-NLH-365 Please provide a copy of the Goss Gilroy Inc. report.

Reference: **Justification Report, page 14, lines 10 - 13**

NP-NLH-366 Please explain why Hydro chose to base its cost-benefit analysis of the Business Systems Transformation Program on only the two scenarios indicated.

NP-NLH-367 Did Hydro conduct a cost-benefit analysis of any other scenarios? For example, did Hydro conduct detailed analysis of the costs and benefits of the business systems offerings or solutions of the other vendors identified in the Justification Report? If so, please provide the analyses. If not, why not?

Reference: **Justification Report, page 14, line 24 to page 15, line 3**

NP-NLH-368 The Justification Report states that Hydro will not be responsible for the cost of return on rate base, up-front project assessment costs and interest

during construction. Will any of these costs be passed on to Hydro's customers through other charges, such as the recovery of O&M costs related to the Muskrat Falls project? If the answer is yes, please comment on the impact of including such costs in the economic evaluation of the alternatives. If not, why not?

Reference: **Justification Report, page 15, lines 5 - 12**

NP-NLH-369 Please explain, with reference to specific examples of anticipated efficiency gains and reduced compliance risks, the basis for Hydro's confidence that efficiency gains and reduced compliance risks resulting from the benefits outlined in Section 5.0 of the Justification Report will provide annual savings greater than \$565,000.

Reference: **Justification Report, page 16, line 8 to page 22, line 23**

NP-NLH-370 The ERP system as described in the Justification Report includes such disparate components as a project management component, a capital asset management component, a supply chain management component, a customer relationship management component, a human resources component, and a finance component. Did Hydro consider or conduct cost-benefit analyses of approaches to the ERP system other than the adoption of a single integrated solution? If so, please provide further details and any analyses completed. If not, why not?

NP-NLH-371 The BST Program as described in the Justification Report includes the ERP system, a planning, budgeting and forecasting system, and the information management program. Why are each of these functions combined and justified as a single program instead of being justified separately?

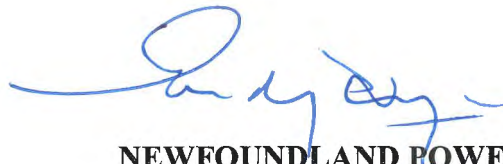
Reference: **Justification Report, page 19, line 8 to page 20, line 5**

NP-NLH-372 The Utiligy360 customer service information system is presented in the Justification Report as part of the Enterprise One ERP system. The Cognos TM1 planning, budgeting and forecasting system was evaluated and compared against two other software options (Justification Report, page 8, lines 7 – 12). Were customer service information systems other than the Utiligy360 customer service information system evaluated by Hydro or Nalcor? If so, please provide any report or analysis. If not, why not?

NP-NLH-373 What justifies a different approach to the Utiligy360 customer service information system decision than that used for the Cognos TM1 budgeting and forecasting system decision?

- NP-NLH-374 Was the decision to implement the Utiligy360 customer service information system based on a determination that it was the least-cost solution for Hydro's customers? If so, please provide the detailed determination. If not, why not?
- NP-NLH-375 Please provide a life cycle road map for the Utiligy360 customer service information system.
- NP-NLH-376 In a table, please identify other utility customers in North America that use the Utiligy360 customer service information system, and indicate the number of customers served by each of those utilities.
- NP-NLH-377 Hydro's 2015 Capital Budget included a proposed capital expenditure of approximately \$135,000 for the *Replace Customer Care System* project. Was this project completed, and at what total cost? Is the new Customer Care System compatible with the Utiligy360 customer service information system, and will it continue to be used once the Utiligy360 customer service information system has been implemented?

RESPECTFULLY SUBMITTED at St. John's, Newfoundland and Labrador, this 21st day of January, 2019.



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