

1 Q. Schedule 1, page 11, Hydro states that the project costs will be split using Hydro's Intercompany  
2 Guidelines under the IS Administrative Fee and allocated based on users. Please explain how  
3 users that are responsible for regulated and non-regulated functions are treated for allocation  
4 purposes.

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7 A. As stated in the Intercompany Transactions Costing Guidelines ("Intercompany Guidelines"),  
8 Newfoundland and Labrador Hydro uses the "average users" allocator to share common service  
9 costs for Information Services ("IS") across lines of business. As outlined in the Intercompany  
10 Guidelines, average users is the average of the number of full-time equivalents and contractors,  
11 email accounts, number of computers, and JD Edwards users.

12 The use of the average user allocator is appropriate as benefits from IS services, including the  
13 distribution of software included in the Application, are shared across the lines of business and  
14 are correlated with the average users within a line of business.

15 Allocation of annual costs, including depreciation on capital projects, is based on the allocation  
16 of average IS users to a specific line of business, determined by the line of business to which the  
17 user's home business unit relates.