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November 13, 2026

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

Attention: Mike McNiven
Senior Regulatory Advisor & Board Secretary

Re: Application for Approval of the Transfer of the Upgrade Collaboration Software[1] Project Costs to the Cloud Cost Deferral Account

Enclosed is Newfoundland and Labrador Hydro's ("Hydro") application for approval of the transfer of the implementation costs for the Upgrade Collaboration Software project to the Cloud Cost Deferral Account approved by the Board of Commissioners of Public Utilities ("Board") in Order No. P.U. 35(2025).

As detailed in Schedule 1 of Hydro's application, Hydro seeks approval to transfer the expenditures associated with the Upgrade Collaboration Software project to the Cloud Cost Deferral Account. The costs are currently estimated at approximately $1.4 million and arise from the upgrade to existing collaboration software to allow continued operational efficiency and to address cybersecurity risks, as the existing version no longer has system support.

The project costs are prudent and align with Hydro's commitment to maintaining reliable and secure systems for its regulated operations. Approval of this request will enable Hydro to recover these costs over a period that better reflects the benefits of the projects to customers.

Hydro has determined that limited portions of the evidence provided in support of the application should be treated as confidential, as public disclosure could reasonably be expected to create cybersecurity and critical infrastructure security risks. These redactions are limited in scope and have been applied only where necessary to protect sensitive information, such as information identifying specific software used by Hydro and information describing vulnerabilities, deficiencies, or operational concerns that necessitate replacement of that software.

Public disclosure of this information could provide insight into Hydro's technology environment and potential areas of system weakness, thereby increasing the risk of unauthorized access, exploitation, or disruption of critical utility infrastructure. Hydro therefore submits that the redacted information should be afforded confidential treatment, as the potential harm arising from disclosure outweighs any public interest in access to the specific information withheld.

Hydro has provided the Board with an unredacted version of the application. A version of the application with the necessary redactions is attached hereto. Hydro requests that the Board use the redacted version for posting to its website.

[1] Formally titled Collaborative Creation Systems Upgrades.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/kd

ecc:

Board of Commissioners of Public Utilities
Jacqui H. Glynn
Ryan Oake
Colleen Jones
Board General

Linde Canada Inc.
Sheryl E. Nisenbaum
David Sanchez

Teck Resources Limited
Darren Hennessey

Consumer Advocate
Adrienne H.Y. Ding, O'Dea Earle
Justin W. King, O'Dea Earle
Consumer Advocate General

Newfoundland Power Inc.
Dominic J. Foley
Douglas W. Wright
Regulatory Email

Island Industrial Customer Group
Dana Constantine, Stewart McKelvey
Denis J. Fleming, Cox & Palmer
Glen G. Seaborn, Poole Althouse

Labrador Interconnected Group
Senwung F. Luk, Olthuis Kleer Townshend LLP
Nicholas E. Kennedy, Olthuis Kleer Townshend LLP

Transfer of the Upgrade Collaboration Software Project Costs to the Cloud Cost Deferral Account

November 13, 2026

An application to the Board of Commissioners of Public Utilities



IN THE MATTER OF the *Electrical Power Control Act, 1994*, SNL 1994, Chapter E-5.1 ("*EPCA*") and the *Public Utilities Act*, RSNL 1990, Chapter P-47 ("*Act*"), and regulations thereunder; and

IN THE MATTER OF an application by Newfoundland and Labrador Hydro ("Hydro") for an Order pursuant to Section 80 of the *Act* approving the transfer to the Cloud Cost Deferral Account of the costs incurred for the implementation of the Upgrade Collaboration Software project.

To: The Board of Commissioners of Public Utilities ("Board")

THE APPLICATION OF HYDRO STATES THAT:

A. Background

1. Hydro, a corporation continued and existing under the *Hydro Corporation Act, 2024*, is a public utility within the meaning of the *Act* and is subject to the provisions of the *EPCA*.

2. The legal merger of Nalcor Energy ("Nalcor") and Hydro was effective January 1, 2025, pursuant to the *Hydro Corporation Act, 2024*. This amalgamation combined Nalcor's assets, liabilities, and subsidiaries into the single entity of Hydro.

3. Under the *Act*, the Board has the general supervision of public utilities and requires that a public utility submit for the approval of the Board the rates, tolls, and charges for the service provided by the public utility and the rules and regulations which relate to that service.

4. Section 80 of the *Act* requires that a public utility be entitled to earn annually a just and reasonable return as determined by the Board on the rate base as fixed and determined by the Board for each type or kind of service supplied by the public utility.

5. In Order No. P.U. 35(2025), the Board approved the creation of a Cloud Cost Deferral Account effective January 1, 2025 ("Deferral Account").

6. The operating costs incurred in the implementation of cloud-based software solutions will be charged to the Deferral Account; specifically, the costs that would have been capitalized had the solution been on-premises.[1] The amount charged to this account will include up-front payments for implementation costs and other directly attributable costs for cloud-based solutions, and capitalized interest as calculated in accordance with Hydro's Capitalization Guidelines.

7. The Board's Order also approved the inclusion of the Deferral Account in Hydro's regulated rate base.

8. Certain information systems are common and will be used by all lines of business within the Hydro group of companies. For those systems, costs that are determined to be applicable to other lines of business will be recovered in accordance with Hydro's Intercompany Transactions Costing Guidelines. The cost recovery will include the implementation costs applicable to serving non-regulated lines of business, plus return on rate base earned on those costs, and will be included in Hydro's revenue requirement as a credit to ensure only the costs applicable to servicing Hydro's regulated business are recovered from customers.

9. Hydro uses its existing collaborative software for storing data, collaborating, and sharing information across the organization, making it a critical technology for day-to-day operations.

10. In 2024, Hydro identified the need for an upgrade to its collaboration software, as the current version was reaching end of life. In 2025, Hydro issued a Request for Proposals and engaged a vendor to undertake the work; the proposed solution will be cloud-based.

11. At that time, Hydro had planned to upgrade to another on-premises environment; however, this is no longer considered to be a long-term viable option. Since the last upgrade, the vendor has changed the operation and delivery of the collaboration software. The vendor has announced it will end support for its on-premises solution.

12. Continuing to use an unsupported solution presents significant risks to Hydro's security, stability, and operations. The vendor will discontinue security updates, bug fixes, or technical support, leaving any newly discovered vulnerabilities unpatched and exposing systems to cyber

[1] Under International Financial Reporting Standards, implementation costs of traditional on-premises applications are considered long-term assets and capitalized on a company's Statement of Financial Position, in accordance with International Accounting Standard 38 Intangible Assets.

threats. Additionally, Hydro will face compatibility issues with modern tools and services, leading to reduced functionality and potential disruptions to day-to-day operations.

13. Hydro proceeded with the implementation of the cloud solution in April 2026. The full implementation of the upgrade is expected to be completed in June 2027. Further details regarding the project and its justification, as well as the costs associated with the project, are included in Schedule 1 to this application.

B. Application

14. Hydro proposes the inclusion of the implementation operating costs incurred for the upgrade to a cloud-based solution, as described in Schedule 1 to this application, to the Deferral Account. Those costs are estimated to be approximately $1.4 million and will be amortized as set out in the Deferral Account definition.

15. As noted in Schedule 1 to this application, the upgrade to the cloud-based solution is necessary to address many critical issues for Hydro. The lack of future support for the system, which is growing in use in business-critical requirements throughout the organization, increases Hydro's operational and cybersecurity risks. The upgrade will support the mitigation of these risks for Hydro.

16. Approval of the inclusion of the operating costs for the implementation of the cloud-based solution in the Deferral Account would enable Hydro to capture the prudently incurred implementation costs associated with cloud-based computing arrangements and ensure recovery from customers over a period better representing the transfer of benefit.

C. Newfoundland and Labrador Hydro's Request

17. Hydro requests that the Board make an Order approving the transfer of the operating costs for the implementation of the upgrade to its collaboration software to the Deferral Account to be treated as defined in that account and included in the rate base.

D. Communications

18. Communications with respect to this application should be forwarded to Shirley A. Walsh, Senior Legal Counsel, Regulatory for Hydro.

DATED at St. John's in the province of Newfoundland and Labrador on this 13th day of November 2026.

NEWFOUNDLAND AND LABRADOR HYDRO



Shirley A. Walsh
Counsel for the Applicant
Newfoundland and Labrador Hydro
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Schedule 1

Upgrade Collaboration Software



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Upgrade Collaboration Software

Location: Various

Investment Classification: General Plant

Asset Category: Information Systems ("IS")

Estimated Cost: $1,401,700

1.0 Introduction

Newfoundland and Labrador Hydro ("Hydro") utilizes a variety of technology and applications to support its business needs. Software applications and functional requirements are diverse and quickly evolve, as do the technology platforms that the software applications use. [redacted] ("existing software") is a web-based platform that enables organizations to manage content, share information, and collaborate. It is used as a central location for storing documents, creating intranets, and managing business processes. The platform allows multiple users to access and work on the same files in real time, improving teamwork and communication across departments. When integrated with other applications, the existing software helps streamline daily operations, ensure information is organized and secure, and support efficient collaboration within an organization. The software is an integral part of the day-to-day administration of some of Hydro's business-critical processes, such as regulatory applications.

The vendor has changed the operation and delivery of existing software, [redacted] This move effectively requires organizations currently using the self-hosted software to migrate to the company's cloud-based subscription service.[1] The vendor has moved away from traditional on-premises offerings and has adopted a cloud-first strategy, pushing organizations to a cloud-based model.

2.0 Background

In June 2021, the Government of Newfoundland and Labrador made an announcement to move Nalcor Energy's ("Nalcor") operations under Hydro.[2] At that time, the changes were operational in nature, and

[1] [redacted]

[2] Please refer to "Premier Furey and Minister Parsons Announce Nalcor Operations Moving Under Newfoundland and Labrador Hydro," Government of Newfoundland and Labrador, June 23, 2021, https://www.gov.nl.ca/releases/2021/exec/0623n04/.

the companies began to operate as an integrated organization ("Organization").[3] In December 2024, the *Hydro Corporation Act, 2007* was repealed and replaced by the *Hydro Corporation Act, 2024*, which served to finalize the amalgamation of Nalcor and Hydro effective January 1, 2025. As a result, all Nalcor subsidiaries are now Hydro subsidiaries and are part of Hydro's non-regulated operations. The majority of the assets previously held by Nalcor, and related activities, continue to be exempt from the *Public Utilities Act* as a result of Orders made by the Lieutenant-Governor in Council, with the exception of assets and related activities associated with IS which remain subject to the *Public Utilities Act*. Any future capital expenditures related to Hydro's IS assets post-amalgamation are subject to review and approval by the Board of Commissioners of Public Utilities ("Board"). The recovery of related costs from customers also continues to be subject to regulatory approval.

In 2024, Hydro identified the need for an upgrade to its existing software, as the current version was reaching end of life in 2026. The upgrade of the platform was initially included under the Perform Software Upgrades and Minor Enhancements – Information Technology (2024–2026) Program with a budget of $400,000.[4] In 2025, Hydro issued a Request for Proposals ("RFP") and engaged a vendor to undertake the work. During the procurement process, it was determined that the solution would be cloud-based rather than an on-premises upgrade and, as a result, the project was removed from the program scope.[5] The RFP process also demonstrated that the cost of implementing the cloud-based solution would be approximately $1.4 million.[6]

At the time of the RFP, Hydro had planned to upgrade to another on-premises environment; however, an on-premises environment is no longer considered to be a long-term viable option as the vendor has announced it will no longer support on-premises solutions.

[3] For clarity, within this evidence, the use of Nalcor is in reference to the Nalcor legal entity.
[4] "Report on Amalgamation Activities," Newfoundland and Labrador Hydro, rev. April 17, 2025 (originally filed April 15, 2025).
[5] Interpretation of International Financial Reporting Standards in industry practice typically requires costs pertaining to cloud-based solutions be expensed in a company's operating costs as incurred, as the arrangement is viewed as a service contract.
[6] The estimated project cost has increased primarily because the project scope has evolved from upgrading an internally hosted system to migrating to a cloud-based platform. The original estimate assumed reuse of existing infrastructure with minimal application and process changes. The revised estimate includes content migration and validation, replacement of legacy customizations and workflows, implementation of cloud security and information management controls, and associated testing, training, and transition support. The increase reflects the broader scope required to deliver a sustainable document and collaboration platform, reduce reliance on internally hosted infrastructure, and improve integration with Hydro's enterprise technology environment.

The RFP process was completed in 2025, seeking proposals for design and implementation. Due to the approaching end-of-life date for Hydro's existing software and the critical business functionalities it supported, Hydro proceeded with the implementation of the cloud solution in April 2026, as an operating expenditure. Full implementation is expected to be completed in 2027. Hydro is now seeking approval from the Board to defer the eligible implementation costs, recorded as operating costs, within the approved Cloud Cost Deferral Account.[7]

3.0 Project Description and Justification

Hydro must keep technology current to ensure reliability, security, and continued vendor support. This project is required to replace technology that has reached the end of its useful life. [redacted][8] Unsupported systems expose Hydro to risks in data integrity, cybersecurity, and availability, while also limiting integration with modern platforms.

Upgrading the existing software to a supported version is critical for maintaining the security, reliability, and efficiency of Hydro's collaboration platform. Vendor-supported technology receives regular security updates, bug fixes, and technical support, which helps protect business data from emerging cyber threats. In addition, newer versions of the existing software offer improved features, better integration with other [redacted] ("vendor tools"), and enhanced user experiences, enabling teams to work more productively and collaboratively. By upgrading to the cloud-based environment, Hydro reduces operational risk, reduces potential downtime, and ensures its technology environment remains aligned with current standards and best practices.

This project will implement a supported cloud version to replace Hydro's existing on-premises version that is reaching end-of-life. The project includes procurement of the new solution, configuration, testing, implementation and project closeout.

[7] Board Order No. P.U. 35(2025).
[8] [redacted]

4.0 Asset Overview

4.1 Asset Background

Hydro uses its existing software for storing data, collaborating, and sharing information across the Organization, making it a critical technology for day-to-day operations such as the management and review of regulatory applications and reporting, and engineering feasibility and design documentation.

Hydro has more than 300 collaboration sites and subsites on its current platform, and that number continues to grow as the use of the technology expands throughout the Organization.

4.2 Historical Reliability

Hydro began using the existing software more than 15 years ago, which has been upgraded multiple times since its initial implementation. The software has demonstrated strong reliability across its evolution, with each version improving stability, performance, and enterprise capabilities.

4.3 Asset Condition

[redacted] Continuing to use the solution after this date presents significant risks to Hydro's security, stability, and operations. As of October 2026, the vendor was continuing to provide critical patches; however, Hydro is uncertain of how long this practice will continue given communicated end-of-service dates.

Ultimately, while the existing software may continue to function, operating it beyond its supported lifecycle introduces growing risks that can impact security, reliability, and overall business continuity.

5.0 Analysis

5.1 Evaluation of Alternatives

Hydro evaluated the following alternatives:

- Deferral;
- Like-for-Like Replacement; and
- Upgrade Life Extension.

5.1.1 Deferral

Deferring the upgrade of the existing software is not a viable option, as it has reached the end of life. The vendor will discontinue providing security updates, bug fixes, or technical support, leaving any newly discovered vulnerabilities unpatched and exposing systems to cyber threats. Hydro must upgrade its existing version or face increasing security risks.

In addition to security concerns, Hydro may experience growing operational challenges. Unsupported versions can become incompatible with newer software, browsers, and vendor tools and services, leading to reduced functionality and disruptions to workflows. These issues also increase administrative and support activities, resulting in increased costs and impacts on day-to-day operations. The risks associated with staying on an unsupported platform are expected to increase over time.

5.1.2 Like-for-Like Replacement

A like-for-like replacement using an alternative vendor was not considered a viable option, as an alternative platform did not integrate with Hydro's core technologies. Hydro has an Enterprise Agreement[9] in place with the current vendor and is already using its vendor tools and email system.

5.1.3 Upgrade Life Extension

This project allows Hydro to replace its current environment with a supported technology. Upgrading to a supported version of the existing software will provide Hydro with a more secure, reliable, and efficient collaboration platform. Supported versions receive regular security updates, bug fixes, and technical support from the vendor, helping protect against emerging threats and ensuring the system remains stable and compliant with industry standards. In addition to improved security, organizations benefit from enhanced performance, better integration with modern vendor tools, and access to newer features such as improved workflows, automation, and user experiences. Upgrading ensures that Hydro's current environment aligns with technology standards and is vendor-supported.

[9] An Enterprise Agreement is a commitment-based licensing program for large organizations to license software and cloud services over a three-year period. It offers volume discounts, flexible payment options like annual payments, and benefits such as Software Assurance for new versions, deployment assistance, and training.

5.2 Least-Cost Evaluation

As outlined in Section 5.1, neither deferral nor like-for-like replacement were viable alternatives; the upgrade life extension to a cloud-based platform is the only option available to Hydro. A least-cost evaluation was therefore not applicable.

5.3 Chosen Alternative

As there were no viable alternatives, Hydro proceeded with the necessary operating expenditures to upgrade to the cloud-based platform. The software is functionally equivalent, commonly used, and addresses the risks of cybersecurity vulnerabilities, loss of functions, and compatibility with other software.

5.3.1 Risk of Asset Stranding

Given the large number of sites and workflows in the existing software, as well as its increasing usage across the Organization, the risk of asset stranding is considered to be low.

5.3.2 Risk Mitigation

Hydro has assessed the pre- and post-implementation risk of this project in accordance with Hydro's risk assessment process, applying the methodology outlined in Section 7.0 of the Capital Budget Overview of the 2027 Capital Budget Application to enable consistency with capital-related projects. The outcome of this assessment is provided in Table 1.

Table 1: Risk Scoring Pre- and Post-Implementation

	Impact	Likelihood	Score
Pre-Implementation	3	4	**12**
Post-Implementation	3	1	**4**
		Risk Mitigated	**8**
		Risk Mitigated per $1 Million	**6.5**

6.0 Scope of Work

The project is to upgrade Hydro's existing software, including the existing functionalities and capabilities, and move the existing sites, subsites and electronic workflows to the new platform. The project includes procurement, implementation, testing and documentation of the cloud-based technology.

6.1 Project Budget

The budget of the project is provided in Table 2.

Table 2: Overall Project Estimate ($000)[10,11]

	2025[12]	2026	2027	Total
Material Supply	0.0	0.0	0.0	**0.0**
Labour	0.0	47.7	33.8	**81.5**
Consultant	0.0	574.3	387.0	**961.3**
Contract Work	13.5	109.5	61.9	**184.9**
Other Direct Costs	0.0	0.0	0.0	**0.0**
Contingency	0.0	128.0	45.9	**173.9**
Total	**13.5**	**859.6**	**528.6**	**1,401.7**

The project cost will be allocated using Hydro's Intercompany Transactions Guidelines under the IS Administrative Fee based on average users. Hydro's regulated business segment will be responsible for approximately 57% of the total cost, and the remaining lines of business will accrue the remainder.

6.2 Project Schedule

The schedule for this project is shown in Table 3. The project is being executed through a phased implementation, which has been prioritized based on risk and business criticality for the upgrade to the new environment.

[10] Expenditures related to cloud-based solutions are considered operating costs and subject to Board approval, applicable implementation costs will be deferred within the approved Cloud Cost Deferral Account.
[11] Numbers may not add due to rounding.
[12] 2025 represents actual expenditures; therefore, there is no contingency included for that year.

Table 3: Project Schedule[13]

Activity	Start Date	End Date
Procurement:		
Issue and award RFP.	August 2025	March 2026
Planning and Design:		
Confirm scope requirements, schedule, and plan.	April 2026	June 2026
Build and Testing:		
Configure software solution.	July 2026	June 2027
Testing and training.	July 2026	June 2027
Implementation:		
Go live with solution.	August 2026	June 2027
Closeout:		
Complete closeout documentation.	June 2027	June 2027

7.0 Conclusion

Hydro's existing on-premises software has reached the end of its useful life and requires replacement. Hydro is proceeding with an upgrade life extension to the cloud-based version, which features the functionality and support necessary to meet the needs of the Organization and provide reliable operation and sustainability. Hydro is seeking approval from the Board to defer the eligible implementation costs recorded as operating costs within the approved Cloud Cost Deferral Account.

[13] Project schedule represents the planned schedule at the time of project approval; however, actual execution may differ.

Affidavit





IN THE MATTER OF the *Electrical Power Control Act, 1994,* SNL 1994, Chapter E-5.1 ("*EPCA*") and the *Public Utilities Act*, RSNL 1990, Chapter P-47 ("*Act*"), and regulations thereunder; and

IN THE MATTER OF an application by Newfoundland and Labrador Hydro ("Hydro") for an Order pursuant to Section 80 of the *Act* approving the transfer to the Cloud Cost Deferral Account of the costs incurred for the implementation of the Upgrade Collaboration Software project.

AFFIDAVIT

I, Mary-Ann Snelgrove, of St. John's in the province of Newfoundland and Labrador, make oath and say as follows:

1) I am Director, Regulatory Affairs for Newfoundland and Labrador Hydro, the applicant named in the attached application.

2) I have read and understand the foregoing application.

3) To the best of my knowledge, information, and belief, all of the matters, facts, and things set out in this application are true.

SWORN at St. John's in the province of Newfoundland and Labrador this 13th day of November 2026, before me:

Barrister, Newfoundland and Labrador

Mary-Ann Snelgrove, CPA (CA), MBA

Witnessed through the use of audio-visual technology in accordance with the *Commissioners for Oaths Act* and *Commissioners for Oaths Regulations*