

1 Q. **Re: p. B-64 Replacement of AS-400 Computers (\$2,109,000)**

2

3 45.1 Provide an evaluation of the option currently being exercised, the  
4 decision to lease rather than buy the presently used AS-400  
5 computers? Include the cost of any upgrades that have been done,  
6 as well as any additional software and the possibility that the lease  
7 could be extended, the computers could be purchased at the end of  
8 the lease, or the termination of the lease in 2002.

9

10

11 A. 45.1 Attached is a table showing the evaluation of the decision Hydro made  
12 to lease, rather than to purchase, the AS-400 computer. It includes  
13 upgrades and additional software and incorporates the term-end  
14 purchase price provided to Hydro at the time it entered into the lease.  
15 It shows an overall benefit in leasing this equipment of \$171,298 over  
16 the lease period.

17

18 Once it had been decided to lease this computer equipment, it was  
19 prudent to lease, rather than purchase, any upgrades to be added.  
20 Each time Hydro entered into a lease for an upgrade, it arranged for  
21 the lease for the upgrade to expire on the termination date for the AS-  
22 400 lease, April 30,2002.

23

24 Please note that maintenance costs are added to the purchase costs,  
25 and not to the lease costs, because maintenance services are  
26 provided under the leases at no additional cost.

**NEWFOUNDLAND AND LABRADOR HYDRO  
LEASE VS PURCHASE ANALYSIS  
AS400 AND RELATED SOFTWARE  
DOLLARS**

System	Term Commence	Purchase	Monthly Maint	NPV of Monthly Maint	Lease Payment	Lease Buyout	Effective Annual Lease Rate	NLH Borrowing Rate w 1% Guan. Fee	Lease (L) or Purchase (P)	NPV Lease Savings (To Beginning of Lease)	NPV Lease Savings (To May 97)
Initial Hardware and Software	May-97	932,017	2,502	125,819	19,211	29,175	4.43%	7.42%	L	71394	71394
Hardware and Software Upgrade	Jul-98	73,660	198	8,002	1,921	1,932	5.25%	6.99%	L	2547	2341
Hardware Upgrade	Oct-98	661,524	1,776	68,106	16,003	21,036	-1.49%	6.57%	L	99197	89636
Hardware and Software Upgrade	Jul-99	96,697	260	8,009	2,701	13,528	0.38%	7.12%	L	10376	8913
Hardware and Software Upgrade	Jan-00	4,860	13	333	187	-	0.69%	7.85%	L	408	339
Hardware and Software Upgrade	Jan-00	41,854	112	2,866	1,757	1,256	10.45%	7.85%	P	-1294	-1075
Hardware Upgrade	Mar-01	62,198	167	2,252	4,267	7,775	7.03%	6.24%	P	-326	-250
					46,047	74,702					171298

Note: NPV savings were calculated by setting implicit lease rate equal to Hydro borrowing rate for each module.