1   **In reference to Schedule "B", page 65 of 82, Conservation and Environment (sic), project**
2   **cost $755,000:**
3

4   **Q.   Please provide studies and analysis to justify this project.**
5

6   A.   The Company did not prepare formal studies or analyses to justify the four components
7   of the Application Environment project detailed on page 68 – 69 of Schedule "B". These
8   projects are justified as follows:
9

10   *Microsoft Enterprise Agreement ($250,000)*
11   The Microsoft Enterprise Agreement provides Newfoundland Power with the software
12   and upgrades for Microsoft desktop products including Word, Excel, Access, and
13   PowerPoint, as well as other products such as database management software. The
14   Microsoft Enterprise Agreement also provides discounted pricing for server products and
15   additional desktop products.
16

17   Newfoundland Power evaluated three options with respect to the renewal of the
18   Microsoft Enterprise Agreement. The evaluation was based on the purchase of the
19   Microsoft Office desktop products only. The price of software purchases other than
20   Microsoft Office desktop products is discounted under the terms of the Microsoft
21   Enterprise Agreement.
22

23   The options were evaluated on the basis of total costs over three years. The evaluation
24   analysis is as follows:
25   (1)   *No agreement with Microsoft.* In the absence of an agreement, the Company
26   would be required to pay for new Microsoft Office software licenses when
27   upgrades are required. Assuming only one upgrade for each product over the 3-
28   year period, the estimated cost of this option was approximately $848,000.
29   (2)   *Purchase Software Assurance (SA) packages.* These packages provide eligibility
30   for the latest releases of Microsoft Office software for each individual product.
31   The estimated cost of this option over the 3-year period was approximately
32                 $647,000.
33   (3)   *Renew the Microsoft Enterprise Agreement.* The estimated cost of this option for
34   Microsoft Office products over the 3-year period was approximately $516,000.
35

36   The third option was the least expensive option, and has the added benefit of being the
37   most administratively efficient option. Under the third option, billing occurs annually as
38   opposed to on an individual purchase basis.
39

40   *Application Software Upgrades ($155,000)*
41   The proposed application software upgrades are necessary in order to ensure the stable
42   operation of the Company's application systems. Upgrades are necessary to software
43   products, including the Oracle database management software upon which the Customer
44   Service System (CSS) is dependent. Failure to proceed with the necessary upgrades
45   could affect the level of support available from software vendors. The ability of software

1   vendors to support older versions of their products declines as newer versions are
2   developed. When software is not upgraded to keep pace with the vendor's product
3   developments, operational issues arising from product failures may jeopardize such
4   critical applications as the CSS. If the CSS is unavailable, the level of service provided
5   to the Company's customers will be negatively affected.
6
7   The estimated cost of the application software upgrades project is based on a similar
8   software upgrade projects conducted with respect to the Oracle database management
9   software.
10
11 *Environment Management ($145,000)*
12 This project involves the necessary upgrading of technology products and related
13 processes required to support the implementation, upgrading and enhancement of
14 application systems. Environment Management is an application development platform
15 that allows the Company to test new or upgraded versions of software in isolation from
16 the production environment to ensure they are functioning properly before they are
17 placed in service. Such testing reduces the likelihood of application failures that could
18 disrupt customer service or utility operations.
19
20 The estimated cost for the Environment Management project is based on labour and
21 external services costs incurred on similar projects.   The project cost also includes the
22 cost of acquiring new software development technology, estimated at $25,000. The new
23 development technology is required to enable the Company to develop small custom
24 applications. Although the Company will generally purchase major software instead of
25 developing custom applications, there are circumstances where less complex business
26 requirements can be most cost-effectively addressed by avoiding the purchase of
27 expensive commercial products.
28
29 *Microsoft Great Plains eEnterprise Upgrade ($205,000)*
30 The Microsoft Great Plains *e*Enterprise upgrade project involves the implementation of a
31 major release of the Microsoft Great Plains software application currently used to support
32 the financial, materials management and human resources aspects of the Company. This
33 upgrade is necessary to protect the operational integrity of the software and to ensure that
34 support from the vendor is maintained.
35
36 The costs for this project were derived from information supplied by the vendor, as well
37 as through discussions with independent industry experts.