

**Information Systems (\$766,000)**

**Q. Provide a copy of the policy or guidelines used to determine which application enhancements are capitalized and which are treated as operating expenses.**

**A.** The guideline used to determine which application enhancements are capitalized and which are treated as an operating expense is as follows:

If the application enhancement provides for a substantial addition or betterment (the primary aim of which is to make the application more useful or efficient), or extends the application's useful life, the costs associated with the enhancement will be capitalized; otherwise, the costs shall be charged to the appropriate operating expense account.

This guideline is consistent with Newfoundland Power's System of Accounts which is approved by the Board.