

Shared Server Infrastructure

Q. The annual capital costs associated with NP's Shared Server Infrastructure have grown to exceed the costs of maintaining the Personal Computer Infrastructure. And while the costs for the Shared Server Infrastructure are forecast to grow, there is no corresponding decrease forecast in the costs for Personal Computer Infrastructure.

Provide a commentary in reply to the following note authored by NP's own IT consultant, Gartner:

Servers and Storage

The aggressive server pricing reductions of 2002 have set the stage for more-stable 2003 pricing. This will not stop enterprises from wringing more costs out. A growing number of IS organizations are broadening the use of Linux on Intel platforms as a means of cost reduction, which will increase pricing pressure on reduced instruction set computer (RISC) vendors. Storage area network adoption will accelerate as the incremental cost premium of shared storage technology declines.

Recommendation: In 2003, enterprises should look for opportunities to expand the use of Linux in the enterprise as a lower-cost alternative to RISC and Windows, and also as a pricing lever against incumbent RISC vendors. Be skeptical of vendor cost-saving claims with respect to large-scale server hardware consolidation technologies. Enterprises should carefully evaluate the effect of software vendor pricing policies, because those policies frequently counteract the savings that are accrued from shared hardware efficiencies. Consider the targeted deployment of emerging provisioning technologies to drive down short-term infrastructure deployment and management costs while positioning for future policy-based computing initiatives.

**"Predictions 2003: Gartner View for Buyers of IT and IT Services"
Strategy, Trends & Tactics
Gartner Research**

A. As outlined in its Information Technology Strategy 2004-2008 filed with the Board as part of its 2004 Capital Budget Application, the Company's overriding approach to its information technology investment is one of conservatism. Focusing on proven technology solutions that have been widely adopted and supported reduces the risks and costs often associated with leading edge technology.

The Gartner Group has stated that investment is necessary to implement Linux technology and companies must be cautious about this investment.

1 “Linux and open-source integration will demand new processes in the overall
2 development, deployment, maintenance and support of IT infrastructures. These
3 processes can have beneficial and negative consequences. Without a rigorous
4 best-practices approach, IT investment could escalate to higher, unanticipated
5 costs”.

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7 From: Gartner: *A Linux/Open-Source Best-Practices Guide: The OS*
8 G. Weiss, N. Drakos
9 19 February 2003

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11 Linux technology has not been widely adopted as a viable platform for business
12 applications in the electrical utility industry in Canada. As stated in its Information
13 Technology Strategy 2004-2008, Newfoundland Power will continue to monitor industry
14 developments with technologies such as Linux. The Company will seek the Board's
15 approval to make the necessary investments in these technologies when these
16 investments can be justified on the basis of improvements in customer service and
17 operating efficiencies.