

- 1 **Q. (Reference Application, EY Report, page 24) It is stated “To maintain vendor**
2 **software support and implement major software functionality enhancements, vendors**
3 **mandate software upgrades every 3-4 years. A minor upgrade in year four is estimated**
4 **at \$2.1M with a larger upgrade/hardware refresh in year eight estimated at \$4.0M.”**
5 **Would these costs be capitalized in future years? Does NP incur similar costs with**
6 **the existing CSS?**
7
- 8 A. Yes, the costs associated with upgrading the replacement Customer Information System
9 would be capitalized in future years. Completing these upgrades extends the useful
10 service life of the system, which provides an enduring benefit for customers. For this
11 reason, capitalization of the associated costs is appropriate.
12
- 13 Yes, Newfoundland Power incurs similar capital costs with the existing CSS. Capital
14 costs are incurred annually to enhance the existing system and every 4 to 5 years to
15 upgrade the underlying hardware and software components. Over the most recent 5-year
16 period, Newfoundland Power has incurred total capital costs of approximately \$2.5
17 million associated with the existing CSS.¹

¹ See response to Request for Information NLH-NP-014.