

1 **Q. In CA-NP-102 (p. 3 of 3), the Company indicates that 2008 Computer Equipment &**
2 **Software costs were \$301,000 lower than forecast as a result of changes in the**
3 **payment schedule for software maintenance expenses.**

4
5 **(a) Please fully explain.**

6
7 **(b) Please also explain whether the 2010 forecast for Computer Equipment &**
8 **Software may be similarly over-stated by reason of payment scheduling**
9 **considerations as it was in NP's last test year.**

10
11 **A. (a)** Annual software maintenance fees paid to vendors in advance provide twelve
12 months of service that can span two calendar years. Prior to 2008, these fees were
13 expensed when invoiced. In 2008, in order to properly reflect that Newfoundland
14 Power receives equal value in software support each month, a prepaid expense was
15 created to match the expense associated with software maintenance to the period in
16 which it occurs.

17
18 **(b)** This is a one-time change that will not recur in 2010.