

General

Q. Reference: "2024 Capital Budget Application," Newfoundland Power, June 22, 2023.

a) Please indicate which projects contained cloud-computing alternatives and on which projects cloud-computing arrangements were pursued.

b) In the event that any of the projects are cloud computing arrangements, please provide:

i. Newfoundland Power's accounting policies on cloud-computing arrangements;

ii. Newfoundland Power's analysis and position on how these project costs are treated, i.e., capitalize or expense; and

iii. Newfoundland Power's analysis and position if the projects were deemed internal-use software or a service contract.

A. a) The Digital Forms Portfolio, Workforce Management System, Webchat and IT Service Management solutions are cloud-based.

b) i. Newfoundland Power's capitalization practices conform to accounting principles generally accepted in the United States ("U.S. GAAP"). The accounting guidance that specifically covers cloud-computing arrangements is Accounting Standards Codification ("ASC") 350-40 Internal-Use Software.

ii. Costs associated with cloud-computing arrangements are evaluated under ASC 350-40. This ASC provides the guidance to evaluate the treatment of an expenditure, i.e. if it is eligible for capitalization or if it is a current period expense. Under ASC 350-40, costs related to developing and implementing cloud-based solutions are capitalized.

iii. Regardless of whether the projects were deemed to be internal-use software or a service contract, Newfoundland Power would evaluate the expenditures under ASC 350-40 for accounting guidance on the treatment of the expenditures. Both internal-use software and service contracts have expenditures that are eligible for capitalization as well as those that are current period expenditures.