

General

Q. Reference: "2024 Capital Budget Application," Newfoundland Power, June 22, 2023, sch. B and Newfoundland Power's response to NLH-NP-041 of this proceeding.

a) Please provide the anticipated software update schedule over the three-year period for each of the three years and by Microsoft product.

b) Please indicate if any of the updates or related fees included in the annual scope of \$296,000 are recurring annual charges or cloud-related technologies. For example, please list any charges (such as Microsoft Teams) that occur in each of the three years.

c) In the event there are any charges that occur annually, please indicate if it is consistent with Newfoundland Power's capitalization policy to only capitalize a cost if it provides a substantial benefit of greater than one year.

A. a) The Microsoft Enterprise Agreement (the "Agreement") allows Newfoundland Power to install Microsoft solutions, as needed, throughout the three-year contract period.¹ The Agreement also entitles the Company to continuous upgrades which extends the useful life of those solutions.

In 2024, 2025 and 2026, upgrades to the Microsoft Windows, Office suite of programs, Exchange, SQL Server and Teams solutions will occur. This includes patching and version updates to align with operational and cybersecurity requirements. Upgrades to the SharePoint solution may also occur, if required.

In accordance with the depreciation rates approved by the Board, supported by the Company's Depreciation Study filed as part of the *2022/2023 Newfoundland Power General Rate Application*, all software solutions are amortized over a 10-year period.²

Proposed expenditures for the Agreement total \$891,000, with \$297,000 in 2024, \$297,000 in 2025 and \$297,000 in 2026. The billing arrangement for the services described above is substantially the same as the Agreements previously approved by the Board as part of Newfoundland Power's capital budget applications over the last two decades. See Order Nos. P.U. 30 (2005), P.U. 27 (2008), P.U. 26 (2011), P.U. 40 (2014), P.U. 37 (2017) and P.U. 37 (2020).

¹ In the absence of this Agreement, the Company would be required to separately purchase all software and software upgrades.

² Newfoundland Power's Depreciation Study is completed by Gannett Fleming Valuation and Rate Consultants, LLC. Depreciation calculations are based, in part, by average service lives for each depreciable group of assets. Completing depreciation estimates by asset group, rather than by each individual component, is consistent with standard utility practice.

Requests for Information

- 1 b) See part a).
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- 3 c) See part a).