

6.2 Asset Management Technology Replacement**Q. What is the projected life of the proposed asset management system?**

A. In accordance with Newfoundland Power's depreciation methodology, the Company would amortize the costs of the asset management system over its estimated service life.

The Company currently amortizes software applications, other than the Customer Information System, over a 10-year amortization period. At this time, it is projected that the proposed asset management system will be amortized over the same period.

Accounting principles generally accepted in the United States outlines several factors to consider in making this determination. These factors include but are not limited to: (i) risk of obsolescence; (ii) changes in market conditions, such as the development of new technologies and software; (iii) competition; and (iv) other economic factors.¹

The Company's depreciation methodology, including estimated service lives, is subject to periodic review by the Company's external depreciation expert, Gannett Fleming.²

¹ See *Accounting Standards Codification 350-40 Internal-Use Software*, subparagraph 35-5.

² Depreciation studies are typically completed every five years. Newfoundland Power's next depreciation study is expected to be filed as part of the Company's next general rate application.