

1 **Section 2: Customer Operations/Operating Costs**
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3 **Q. Reference: “2025/2026 General Rate Application,” Newfoundland Power Inc.,**
4 **December 12, 2023, vol. 1, Evidence, sec. 2.4.1, p. 2-33, f.n. 59.**

5 **a) Are the cost increases in footnote 59 a result of new or increased discretionary**
6 **purchases or are they the result of inflationary increases of existing software and**
7 **hardware requirements? Please provide a breakdown.**

8 **b) Please explain why the software and hardware costs referenced did not qualify**
9 **for capitalization.**

10
11 A. a) The cost increases referenced in this Request for Information reflect forecast
12 requirements in 2026, which include both new and existing software and hardware
13 since 2022.

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15 The forecast licensing and support costs are based upon a combination of vendor
16 agreements and estimated pricing for third-party hardware and software, or
17 inflationary increases based upon the GDP deflator.¹

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19 For a breakdown of the costs, see the response to Request for Information
20 PUB-NP-022, Attachment A.

21
22 b) The referenced costs are annual licensing and support costs for third-party software
23 that do not provide substantial benefits for a period of more than one year.
24 Accordingly, they are expensed as incurred.

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26 See the response to Request for Information PUB-NP-022, part a).

¹ See the response to Request for Information NLH-NP-018, Attachment A for details on actual Information Systems operating costs for 2022 and 2023 as compared to the 2022 and 2023 test years.