Q. (Reference 2025 Capital Expenditure Report, Page 14)

With regard to the Microsoft Enterprise Agreement:

a) How many consecutive years has the Agreement appeared in capital budget applications?

b) Does NP anticipate this item to recur beyond the 2026 Forecast?

c) Given that this $297,000 expenditure appears to recur annually, please explain why it is capitalized as a discrete asset acquisition rather than treated as an ongoing operating expense.

A. a) Newfoundland Power has included the Microsoft Enterprise Agreement in its annual capital budget applications for over 20 years.[1]

b) Newfoundland Power expects that the Microsoft Enterprise Agreement will be required beyond the 2026 forecast, as identified in the *2027-2031 Capital Plan*.[2]

c) Newfoundland Power capitalizes the Microsoft Enterprise Agreement as a discrete asset acquisition because it represents the acquisition of the right to use, upgrade, and is directly linked to the betterment of capital software assets, thereby extending its life.[3] The cost of day-to-day Microsoft software maintenance and support is treated as an operating expense.[4]

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1 The Microsoft Enterprise Agreement was first proposed in the *2005 Capital Budget Application*.

2 See the *2027 Capital Budget Application, 2027-2031 Capital Plan*, Appendix A, page A-6.

3 The capitalization of software is in accordance with Newfoundland Power's Capitalization Policy. The policy states "*Capital assets include but are not limited to land, buildings, property, equipment, machinery, poles, wires, fittings, underground cable, furniture and fixtures, tools and instruments, computers, software, motor vehicles, reservoirs, dams and waterways, water wheels and turbines*."

4 This cost is separate from the Microsoft Enterprise Agreement's price and is typically charged on a per-incident basis.