

1 **Q. In recent research released by Gartner, it is stated that distribution utilities can**
2 **streamline processes and save on costs by addressing requirements with integrated**
3 **ERP “application”. Why has Newfoundland Power implemented a suite of**
4 **disparate applications to support its business functions and did Newfoundland**
5 **Power do a cost benefit analysis of the complete life cycle costs of its approach**
6 **versus an integrated approach?**
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8 A. The abbreviation “ERP” refers to enterprise resource planning software, and is typically
9 understood to refer to an integrated information system from a single vendor that serves
10 multiple information technology requirements of an organization. Typically, ERP
11 products have included software for manufacturing, order entry, accounts receivable and
12 payable, general ledger, purchasing, warehousing, transportation and human resources.
13 As software product development evolves, however, customer information systems and
14 electronic commerce software are beginning to be offered by some ERP vendors.
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16 Some of Newfoundland Power’s business computing requirements continue to be served
17 by custom-built applications or applications that have been provided by different vendors.
18 However, when it becomes necessary to replace applications for technical reasons, or
19 when opportunities are identified to avail of information technology to improve
20 operational efficiency or customer service, the Company will determine, through market
21 surveys and requests for proposals, what available information technology products are
22 most suited to its requirements.
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24 Once the effective alternatives have been identified, a detailed cost analysis is performed
25 to ensure the most cost-effective solution is chosen. Where the assessment involves
26 consideration of products from different vendors, the costs of integrating those products
27 with the Company’s existing information technology infrastructure form part of that
28 assessment.
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30 Newfoundland Power agrees that integrated ERP applications can offer opportunities to
31 streamline processes and reduce costs. Recently, the Company replaced 9 existing
32 enterprise applications supporting its finance, human resources, payroll, project
33 accounting, budgeting, purchasing and inventory functions with the integrated application
34 supplied by Microsoft Great Plains Software.
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36 In the process of selecting an enterprise application, Newfoundland Power examined the
37 products of many application vendors, including those that offered a complete suite of
38 business functionality in a single application. The Great Plains product was chosen
39 because it provided all of the elements Newfoundland Power required at the lowest cost.
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41 The Company considered the major enterprise application product offerings of other
42 information technology providers, but found them to not be suitable for Newfoundland
43 Power’s requirements. A number of the products reviewed had functional deficiencies,
44 and would not have met all of the Company’s enterprise computing requirements. Others
45 were too large for the Company’s purposes, and would have resulted in the Company

1 investing in underutilized capacity. In most instances, a review of vendor proposals, in
2 conjunction with advice from industry analysts including the Gartner Group, indicated
3 the total life cycle cost of these products, including initial purchase, software support,
4 support personnel requirements, and implementation costs, was prohibitive.
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6 The fact that the Great Plains software was based on Microsoft technology ensured that it
7 would integrate well with Newfoundland Power's existing technology environment and
8 that the user interface would be highly intuitive for staff that were already familiar with
9 the Microsoft environment.
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11 Newfoundland Power has not performed a detailed cost benefit analysis comparing the
12 single ERP product approach to a multiple vendor approach due to the fact that the
13 Company has not identified a single vendor with a complete suite of application products
14 that would address all of its current requirements at a reasonable cost.