

1 Q. [Account S05 - Software] - In CA-NLH-126, reference is made to various peer  
2 company life determinations for software corresponding to Hydro's Account S05 -  
3 Software. The references correspond to depreciation-related cases approximately  
4 10 years old. At this time, please provide all support and justification why Hydro  
5 cannot obtain 10-year life expectancy for its various software systems given the  
6 peer utility comparisons set forth on page III-8 of the 2009 Gannett Fleming  
7 depreciation study lists numerous 10-year values for software, enterprise software,  
8 and SAP software systems. The response should include all documentation in  
9 support of any position that Hydro's software cannot also obtain a 10-year service  
10 life. Also provide the current life values for the referenced peer companies.

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13 A. The response to CA-NLH-126 provides a complete overview of the manner in which  
14 large software systems are maintained through the release of new versions and  
15 updates that overwrite much of the originally installed systems. As such, while a  
16 system may have an overall life of more than seven years, the capital expended to  
17 install the system upgrades, new versions of the software and the new releases of  
18 current versions will cause much of the original investment to become obsolete  
19 within the first seven years. Additionally, the expenditures related to the new  
20 versions, releases and upgrades will have a life of significantly shorter than seven  
21 years.

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23 The average service life estimate related to software currently used by ENMAX  
24 Power Corporation is five years for software systems and 10 years for Enterprise  
25 software systems. TransCanada Pipelines is currently using a five year period for  
26 all software. ATCO Electric has recently changed its average service life parameters  
27 in its 2010 General Tariff Application to reflect the following:

- 1           • All systems over \$500,000 have a 10 year life expectancy;
- 2           • All enhancements to major systems have a five year life except for the CIS,
- 3           Oracle, Load Settlement Systems;
- 4           • Expenditures made in years immediately following the initial
- 5           implementation are life spanned to the end of the major installations; and
- 6           • All systems with an original cost of less than \$500,000 are considered to
- 7           have a five year life expectancy.

8           It is also noted that AltaLink still uses a five year life on all non SAP software, as  
9           approved by the Alberta Utilities Commission in Decision 2011 – 453.