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Request IR-6:

In NS Power's response to Board IR-2 the Total Cost of Ownership analysis was submitted. This analysis showed that the operating costs associated with this investment are significantly higher in comparison to the Microsoft EA Renewal in matter M11166. Aside from the additional operating costs for Microsoft Unified Support, please provide support for these subscription costs and explain the significant increase this subscription relative to the amount cited in the Economic Analysis Model (EAM) for the Microsoft EA subscription in M11166.

Response IR-6:

The increase in the total cost of ownership (TCO) for the 2026 renewal as compared to 2023 is attributable to three factors.

1. Based on information provided by NS Power's licensing partner, the 2026 renewal TCO projected price increases due to Microsoft's removal of discount level pricing programs for their online services.

2. Growth in both employee and consultant headcount over the three-year term of the 2023 agreement increased overall licensing requirements, contributing to higher renewal costs. This growth, combined with Microsoft's expected price increases, represented the primary factors driving the costs provided in the TCO.

3. The addition of new subscriptions not included in the 2023 agreement also contributed to the increase in costs.

The TCO for the 2026 renewal was developed before negotiations with Microsoft were completed, and therefore reflected conservative assumptions based on the best information available at the time.

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Through multiple rounds of negotiations, NS Power was able to secure Microsoft 365 E5 pricing that was nearly identical to the 2023 agreement rates, despite anticipated market-wide increases. As the Microsoft 365 E5 subscription represents approximately 80% of the annual subscription licensing spend, maintaining near-flat pricing on this key product generated substantial savings and significantly reduced the overall cost of the renewal. This was partially offset by the addition of Microsoft Copilot licensing.

In addition, NS Power achieved a further reduction in costs for the Company's on-premises licenses as compared to the value presented in the TCO.

Ultimately, the total cost of the sustaining operating costs for the Microsoft EA, including all discounts and required subscriptions, is approximately $1 million lower than was shown in the TCO filed with the application and provided with IR-2 Attachment 1.