

General

Q. Ref: Project B-68 (Application Enhancements). Explain why, if as stated, this project expense is based on an assessment of historical expenditures, the 2004 proposed, and 2005 estimate, and annual average for 2006 to 2008 are, on average, in excess of 70% more then the previous five year average.

A. This project expense is based on an assessment of historical expenditures; however, this is not the only factor. As stated in the IT Strategy Report, page 2, during the period 1999-2002 the Company invested in several new software applications to address obsolescence and rapid technological change. The implementation of these software solutions were budgeted as major projects and not as Application Enhancements. Application Enhancements for this same period were lower, reflecting the Company's focus on investments in new applications.

Now that these software applications are installed, it is reasonable to expect that Application Enhancement expenditures would increase, reflecting the Company's focus on getting further value out of its existing technology investments, and that expenditures on the implementation of new applications would decrease from the levels of the past five years.