Q. **INFORMATION SYSTEMS**

APPLICATION ENHANCEMENTS (POOLED), p. 69 of 81, $1,589,000

PUB 29.0
Of the eleven items listed in this category, five, totaling $690,000, and a part of another, for an additional $58,310, are not accompanied by a Cost Benefit Analysis. How does the Company plan to objectively measure the effectiveness of these improvements and their overall benefit to ratepayers?

A. Investment in technology is critical to improving customer service, increasing system reliability and controlling costs. Application Enhancement projects are justified taking into account both quantitative and qualitative benefits. Where the primary justification is cost savings, a cost benefit analysis such as a Net Present Value analysis will be completed.

Where the primary justification is not cost savings, the Company monitors the impact of these projects through other measures such as the Customer Satisfaction Rating, Operating Costs per Customer, Outage Hours per Customer (SAIDI) and Outages per Customer (SAIFI).

The benefits of information technology investment for ratepayers can be seen in several areas:

i) *Meeting customer expectations* by supporting interactions with customers, enabling flexible services, and accommodating changing customer needs. One of the means the Company uses to gauge its level of effectiveness in meeting customer expectations is its Customer Satisfaction Index (CSI). Newfoundland Power's CSI has increased from 84% in 1998 to 89% in 2004, with an all time high of 91% achieved in 2002.

ii) *Enhancing communications* amongst employees and between the Company, its customers, and outside suppliers. The demand for enhanced communications is rising, especially through customers' use of the Internet and electronic mail. Since 1999, average monthly visits to the Company's Internet website have increased over 700%, from 2,076 in 1999 to 17,865 in 2004.

iii) *Achieving productivity improvements and cost savings* by automating manual processes, reducing transaction costs, and minimizing staff requirements. Productivity improvements have helped with reducing the number of Full-Time Equivalents (FTEs) in the Company. At year-end 2004, the Company was operating with a workforce of 660.8 FTEs, a reduction of 15% since 1998.

The Company also continues to realize reductions in its operating cost per customer served. The Company's operating cost per customer has decreased from $243 in 1998 to $220 in 2004.

As stated in the Company's Information Technology Strategy 2004 – 2008, filed with the Company's 2004 Capital Budget Application, the Company plans to continue investing in technology to maintain and improve customer service and help to provide customers with a low cost supply of electrical energy.