

1 **Q. INFORMATION SYSTEMS**

2
3 **PUB 22.0 (RE: p. 61 & 62 of 73) Application Enhancements (\$1,087,000)**

4
5 **PUB 22.7**

6 **Please provide details of the cost benefit analysis associated with improvements to**
7 **Customer Service Reporting to better routing and tracking of calls (\$143,000).**

- 8
9 A. The net present value analysis associated with improvements to Customer Service
10 Reporting is provided in Attachment A. The estimated labour cost savings, due to a
11 reduction in the number and length of calls answered by Customer Account
12 Representatives, is \$46,000 per year, based on 2004 labour costs. The net present value
13 analysis escalates the labour cost savings as noted therein.

NET PRESENT VALUE ANALYSIS

Customer Service Reporting

| | | <u>Capital Impacts</u> | | <u>Ongoing Operating Expenditures</u> | | | | | | |
|---|------|------------------------|-------------------------|---------------------------------------|----------------|----------------------|----------------|-----------------------------------|-------------------|----------------------------|
| <u>YEAR</u> | | <u>New Software</u> | <u>CCA Tax Software</u> | <u>Cost Increases</u> | | <u>Cost Benefits</u> | | <u>Net Operating Expenditures</u> | <u>Income Tax</u> | <u>After-Tax Cash Flow</u> |
| | | A | B | <u>Labour</u> | <u>Non-Lab</u> | <u>Labour</u> | <u>Non-Lab</u> | G | H | I |
| 0 | 2005 | (\$143,000) | \$71,500 | \$0 | \$0 | \$0 | \$0 | \$0 | \$25,826 | (\$117,174) |
| 1 | 2006 | \$0 | \$71,500 | \$0 | \$0 | \$47,380 | \$0 | \$47,380 | \$8,712 | \$56,092 |
| 2 | 2007 | \$0 | \$0 | \$0 | \$0 | \$48,801 | \$0 | \$48,801 | (\$17,627) | \$31,174 |
| 3 | 2008 | \$0 | \$0 | \$0 | \$0 | \$50,753 | \$0 | \$50,753 | (\$18,332) | \$32,421 |
| 4 | 2009 | \$0 | \$0 | \$0 | \$0 | \$52,276 | \$0 | \$52,276 | (\$18,882) | \$33,394 |
| 5 | 2010 | \$0 | \$0 | \$0 | \$0 | \$53,191 | \$0 | \$53,191 | (\$19,213) | \$33,978 |
| Present Value (2005-2010) (See Note J) | | | | Discount Rate: | | 7.03% | | | | \$38,532 |

NOTES:

A is the total capital cost.

B is the Capital Cost Allowance deduction. It was calculated using declining balance depreciation and the 50% rule for capitalizing additions.

C and D include any software maintenance fees and internal support costs associated with the project. The cost estimates are escalated to the current year using the GDP Deflator Index for non-labour and a general corporate cost escalator for labour.

E and F are the reduced operating costs. The cost estimate is escalated to current year using the GDP Deflator Index for non-labour and a general corporate cost escalator for labour.

G is the sum of columns C, D, E and F.

H is the impact on taxes from the CCA and operating cost deductions. It is equal to column B less column G times the tax rate.

I is the after tax revenue requirement, which is the sum of the capital expenditure (column A) plus operating expenditures (column Q) less the tax reduction (column G).

J is the present value of column I. Column I is discounted using Newfoundland Power's weighted after-tax cost of capital.