

Re: Page B-185, Video Conferencing, \$139,900

Q. Please provide a cost benefit analysis to support the installation of video conferencing equipment at the three locations chosen for this project.

A. Operational excellence, including cost-effectiveness, is a top priority for Hydro. Video conferencing promotes this goal, providing the ability for Hydro employees to participate in face-to-face meetings while avoiding travel time and related expenses. Currently, Hydro is not positioned to fully enjoy these benefits due to the following:

- The current system only allows up to four locations to participate in a video conference call. Hydro has ten locations and hence the system cannot be used for system-wide meetings, resulting in increased travel costs.
- The current system does not support the ability to video-conference with external parties, including suppliers, customers, etc. Accordingly, required face-to-face meetings necessitate associated travel time and costs.

The cost of implementing the video conferencing system is \$139,900. The life expectancy of the equipment is five years. Using the five-year period, annual avoided costs must total approximately \$34,000 per annum to make the purchase cost-effective. Using an average current cost of \$900 per trip, this equates to 38 person trips avoided each year (or 3.1 person trips per month) to make the system cost-effective, assuming a conservative assumption of no cost escalation over the useful life of the equipment. With ten locations and employing the technology for use with external parties,

1 Hydro is confident the avoided-person trips can easily be achieved to justify
2 the project.

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4 In addition to the quantitative benefits, there are qualitative benefits to be
5 gained by Hydro in employing this technology beyond saving time and costs,
6 including accelerated decision making and collaboration, improved
7 information sharing, and increased quality of life for traveling employees.