

Customer Care Enhancement (CCE) Project

CPCN Application Workshop

September 9, 2009

Agenda



- Introductions
- June to August Activities – Cost Update
- Project Overview
- Change Drivers
- Alternatives Analysis
- Project Costs
- Customer and Societal Benefits
- Summary
- Regulatory Process

June to August Activities

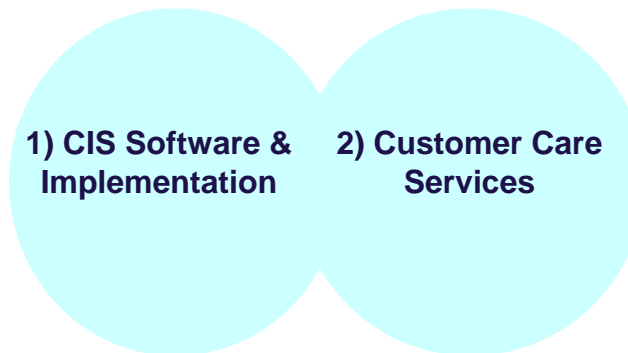
Since June, three key activities have taken place to reach updated costs:

Activity	Project Component Impacted	Comments
1. Workforce Agreement (COPE 378)	<ul style="list-style-type: none"> ▪ Insourced Call Centre ▪ Billing Operations 	<ul style="list-style-type: none"> ▪ Competitive labour agreement supports a cost effective in province solution
2. Facilities Analysis	<ul style="list-style-type: none"> ▪ Insourced Call Centre ▪ Billing Operations 	<ul style="list-style-type: none"> ▪ Location and facilities assessments – Western Canadian focus ▪ Requirement for two call centers – redundancy for emergency handling ▪ Focus on workforce sustainment
3. Call Centre Technologies	<ul style="list-style-type: none"> ▪ Insourced Call Centre 	<ul style="list-style-type: none"> ▪ RFQ Process for call centre technology suite completed ▪ Aspect Software Inc selected ▪ Supports multi-channel communications and the ability to migrate to more cost effective self serve options

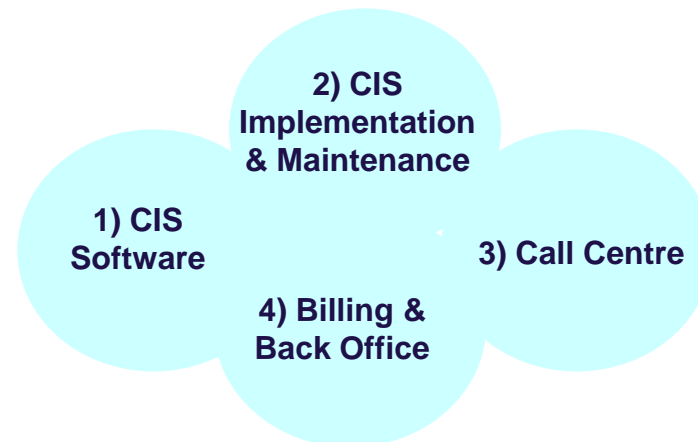
Completion of the above activities has enabled the refinement of project costs.
Updated Project costs – reduction of \$33 million to \$122 million.

Project Overview

A) Terasen Application



B) Commission Request



**Customer
Care
Enhancement
Project**

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Amended Application prepared to reflect Commission's request.

Change Drivers

The project was initiated in response to 3 external drivers:



- Terasen's new customer care model will provide:
 - Flexibility to enable faster, more efficient and effective response to customer needs and market place change
 - Direct control over critical customer touch points and information assets to allow enhanced quality of service

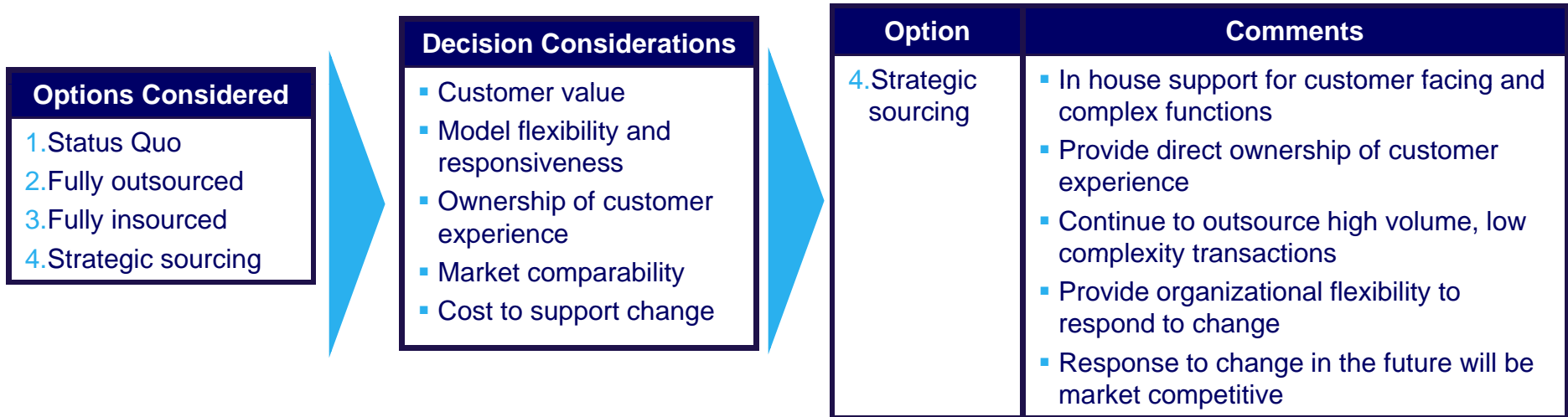
What Options Were Considered?

In assessing its customer care functions, Terasen Gas assessed 4 potential models: 1) Status Quo; 2) Full outsourced model; 3) Full insourced model; and, 4) Strategic sourcing model.

Step 1: Identified Options

Step 2: Decision Considerations

Step 3: Result



A strategic sourcing model was determined to be the best customer care model available to successfully address the implications of the evolving BC energy market, customer needs, and utility outsourcing industry.

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Alternatives Analysis – CIS Software

- Ownership
 - Direct ownership
 - Software provided as a service
- Software
 - Buy (Commercial off the Shelf)
 - Build
- Evaluation Process
 - Competitive Process
 - Facilitated by independent 3rd party (Micon Consulting)
- CIS Options
 - SAP
 - Oracle
 - Peace

Alternatives Analysis – CIS Implementation

- **CIS Implementation Strategy**
 - Phased Implementation
 - Full Implementation
- **Implementation Resourcing Strategy**
 - Engage experienced and qualified System Integrator
 - 3rd party expertise with specific skills to augment System Integrator skills
 - Terasen SMEs and technical support
- **System Integrator evaluation**
 - Competitive Process
 - Facilitated by independent 3rd party (Micon Consulting)
 - Each System Integrator was encouraged to provide proposal for both SAP & Oracle CIS
 - Preferred System Integrator – HCL Axon

Alternatives Analysis – CIS Maintenance

- CIS Maintenance Strategy
 - Maintain with Terasen Gas employees
 - Outsource maintenance
- Key consideration
 - Total cost of ownership was key to overall decision
 - All three components (software, implementation and ongoing maintenance) must be considered in unison to make final determination
- **An SAP CIS solution implemented by HCL Axon and maintained by Terasen Gas employees represents the lowest total cost of ownership for Terasen Gas and its customers.**

Key Components Of The Call Centre

The Insourced Call Centre analysis included 3 key components: 1) Staffing; 2) Facilities; 3) Technology.



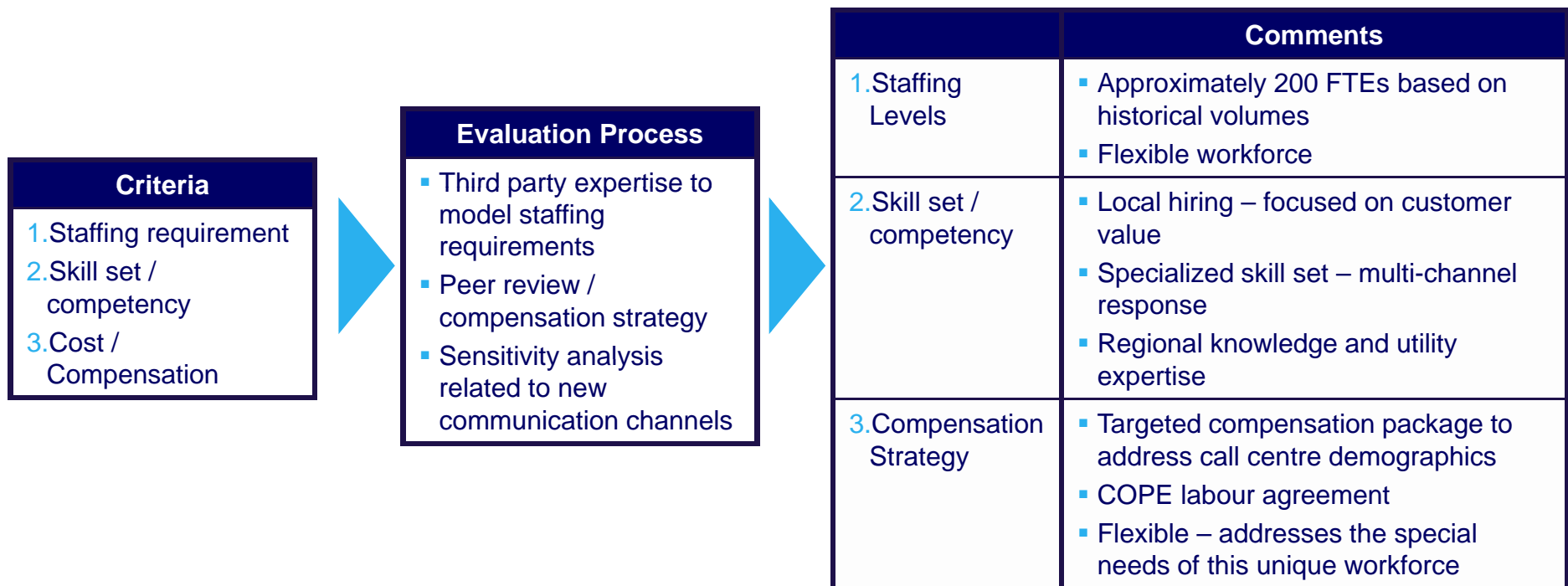
An Insourced Call Centre is the best model for delivering service that our customers require.

Call Centre Analysis - Staffing

Step 1: Establish criteria

Step 2: Evaluation Process

Step 3: Result



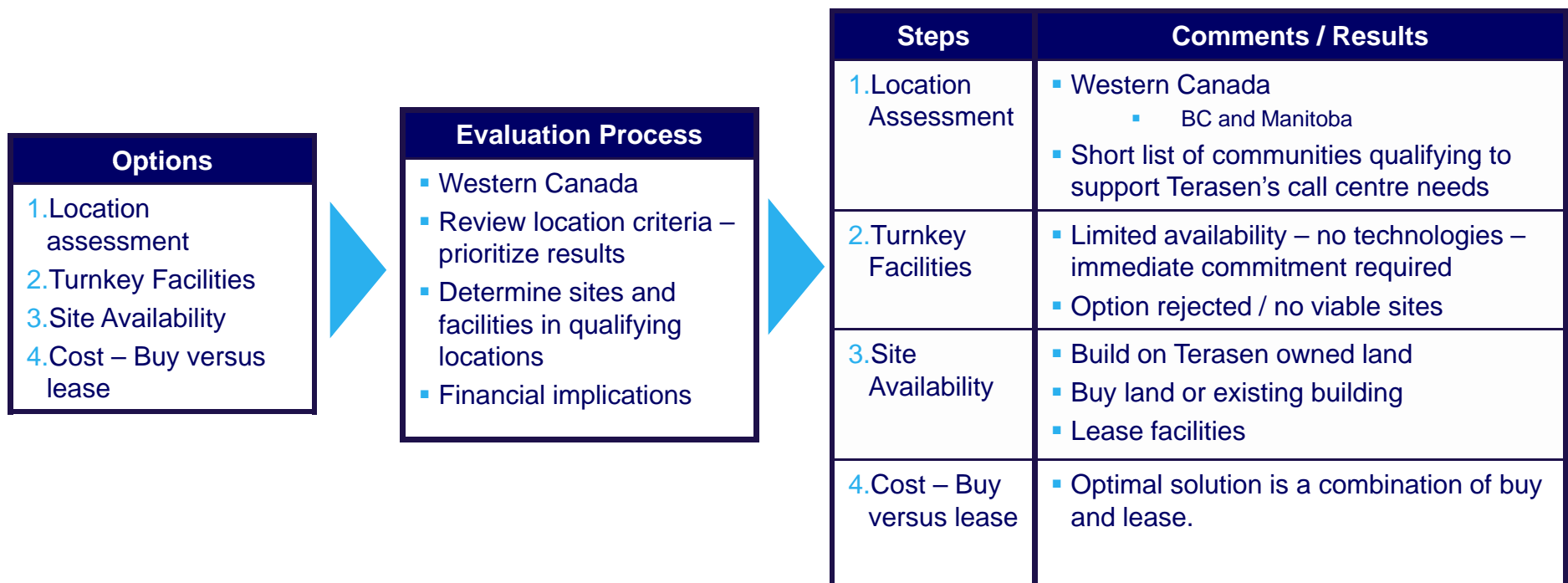
In partnership with COPE a market competitive agreement supporting work force flexibility has been negotiated.

Call Centre Analysis - Facilities

Step 1: Establish options

Step 2: Evaluation Process

Step 3: Result



Two call centre locations are required:

Primary Site – Leased facility in the Lower Mainland

Secondary Site – Purchased building in the Interior

Call Centre Analysis - Technologies

Step 1: Establish Requirements

Requirements
1. Functional Requirements – Utility Best Practice
2. Direction of current Call Centre Technologies
3. Multi Channel
4. Integrated inbound / outbound

Step 2: Evaluation and Selection Process

Evaluation Process
<ul style="list-style-type: none"> Utility industry Best Practices RFQ issued to leading providers Selection criteria defined Integrated solution preferred

Step 3: Result

Option	Comments
1. Requirements	<ul style="list-style-type: none"> The base telephony providers all supported the full suite of functionality All in One Solution selected
2. Direction of Current Technologies	<ul style="list-style-type: none"> Industry trends in customer communications channels Multi Channel support
3. Cost	<ul style="list-style-type: none"> Lowest cost solution

Call centre technology selection is the Aspect Software Inc. Unified IP solution. This includes support for all of the applications including integrated email and chat capabilities.

Key Components Of Billing and Back Office



The Insourced Billing and Back Office analysis included 3 key components: 1) Staffing; 2) Facilities; 3) Technology.



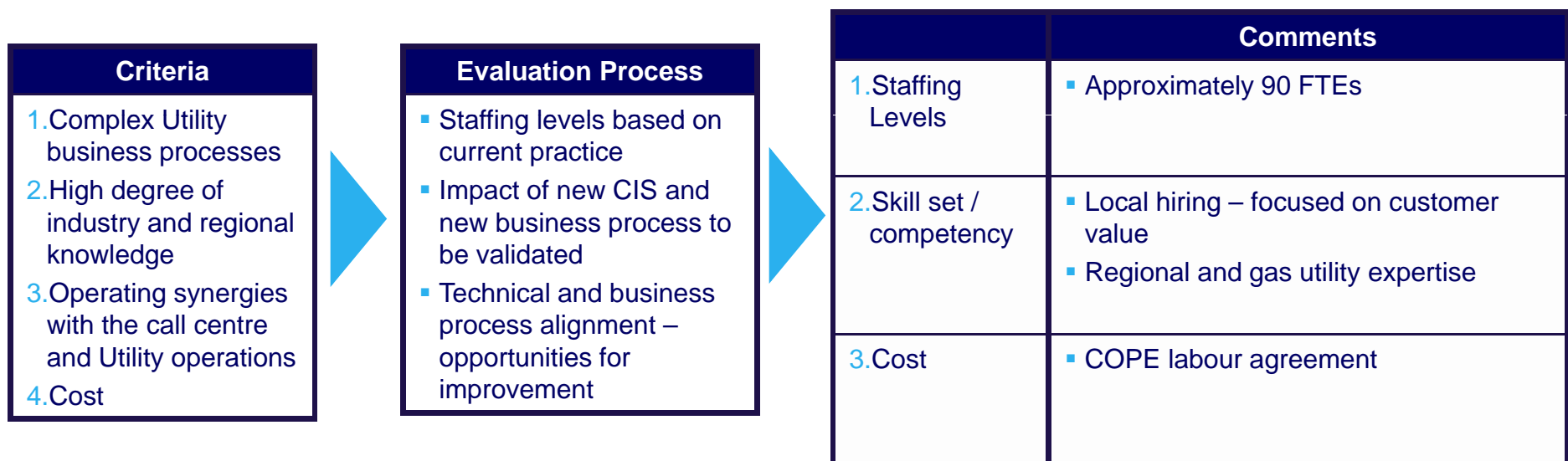
Insourced Billing and Back Office is the best model for delivering service that our customers require.

Billing and Back Office Analysis - Staffing

Step 1: Establish criteria

Step 2: Evaluation Process

Step 3: Result



In partnership with COPE a market competitive agreement supporting work force flexibility has been negotiated. The agreement covering both call centre and back office will provide opportunities for employees as well as supporting a shared focus on customer service quality. Terasen Gas. A Fortis company.

Billing and Back Office Analysis - Facilities

Step 1: Establish options

Options
<ol style="list-style-type: none"> 1. Workforce availability – specialized skill set 2. Operating synergies with call centre and utility operations

Step 2: Evaluation Process

Evaluation Process
<ul style="list-style-type: none"> ▪ Available workforce ▪ Co-locate with the primary call centre – onsite support to escalate complex billing issues ▪ Access to call centre technologies – integrated outbound capabilities

Step 3: Result

	Comments
1. Workforce availability	<ul style="list-style-type: none"> ▪ In province, the Lower Mainland provides the greatest potential hiring base
2. Operating synergies	<ul style="list-style-type: none"> ▪ Access to Company and industry knowledge via proximity to the Surrey operations centre ▪ Co-location synergies with call centre operations <ul style="list-style-type: none"> ▪ Knowledge transfer between the two groups ▪ Direct support for escalation of complex issues ▪ Use of call centre technologies to support more automated outbound

The best location for billing and back office operations is in the lower mainland. Proximity to utility operations as well as co-location with the primary call centre enable business process synergies and access to specialized expertise.

Billing and Back Office Analysis - Technologies

Step 1: Establish Requirements

Requirements
1. Functional requirements were addressed through the CIS and Call Centre selection processes
2. Synergies related to the larger SAP integrated suite for all Utility business areas.

Step 2: Evaluation and Selection Process

Evaluation Process
<ul style="list-style-type: none"> Product selection was based on current business requirements Configurability and on site sustainment of key technologies will support the need for flexibility and control

Step 3: Result

	Comments
1. Functional Requirements	<ul style="list-style-type: none"> Based on industry best practices Support all current or “mandatory” requirements plus future functionality
2. Direction of Current Technologies	<ul style="list-style-type: none"> Market leaders in CIS and Call Centre Package solutions Highly configurable
3. Value of Integration	<ul style="list-style-type: none"> The expansion of the SAP footprint will support operational synergies across the Utility.
4. Specialist functions	<ul style="list-style-type: none"> Statement print and mail Remittance processing Translation services

The primary technology for billing and back office is CIS. In order to provide better customer service the back office will be integrated into the Call centre technology to provide support for complex inquiries as well as to facilitate integrated outbound calling.

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Updated Project Costs

– Summary (in \$000s)



<u>Capital</u>	<u>Total</u>	<u>CIS Software</u>	<u>CIS Impl.</u>	<u>Call Centre</u>	<u>Billing Ops</u>
Consulting	64,910	430	42,500	14,740	7,240
Software	7,020	5,650	180	1,190	-
Hardware	1,490	-	1,000	490	-
Facilities Improvements	17,950	-	-	15,010	2,940
Internal Labour	8,320	-	6,910	980	430
<u>Expenses</u>	<u>8,790</u>	<u>-</u>	<u>7,610</u>	<u>820</u>	<u>360</u>
Subtotal	108,480	6,080	58,200	33,230	10,970
<u>Deferred O&M</u>	<u>Total</u>	<u>CIS Software</u>	<u>CIS Impl.</u>	<u>Call Centre</u>	<u>Billing Ops</u>
Internal Labour	9,210	-	-	6,280	2,930
<u>Expenses</u>	<u>870</u>	<u>-</u>	<u>-</u>	<u>870</u>	<u>-</u>
Deferred O&M Total	10,080	-	-	7,150	2,930
AFUDC Total	3,540				
Grand Total	122,100	6,080	58,200	40,380	13,900

- Capital costs include software, hardware, consulting, labour, and materials to implement the project by 2012

- Deferred O&M costs include labour and materials to staff, train, and house new employees before 2012

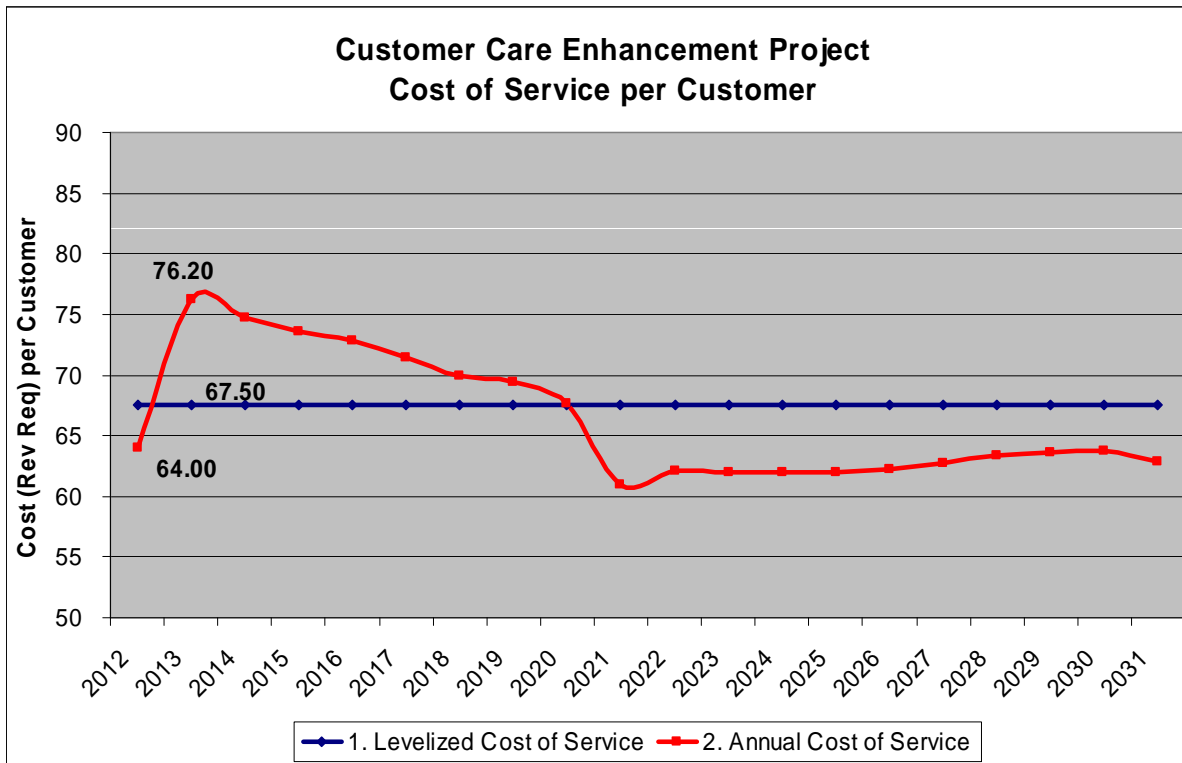
Updated Project Costs

– Cost Change Drivers



- June to August activities resulted in a reduction of project costs by \$33 million and future annual O&M costs by \$0.8 million
 - Replaced the construction of two new call centres with
 - Lease of building in the Lower Mainland
 - Purchase of building in the Interior
 - Refined labour assumptions following discussions with COPE
 - Refined call centre and billing operations set-up costs
 - Refined contingency assumptions

Updated Project Costs – Rate Impact



Cost of Service in 2013

- Annual cost of service \$76.20 /customer
- Represents an \$8.60 /customer increase
- 0.7% increase at the burner tip (residential customer, BC mainland)

Levelized cost over 20 years

- Annual cost of service \$67.50 /customer

Impact of IFRS

- Annual levelized cost of service would increase by \$2.70 /customer from \$67.50 to \$70.20
- Includes impact from IFRS and changes in overheads capitalized and depreciation

Updated Project Costs

– Cost of Service Breakout



	<u>2012</u>	<u>2013</u>	<u>Levelized</u>
CIS Software Acquisition	1.10	2.60	1.60
CIS Implementation & Maintenance	4.40	15.00	7.80
Call Centre Operations	24.80	24.70	23.70
<u>Billing & Back Office Operations</u>	<u>33.70</u>	<u>33.90</u>	<u>34.40</u>
Total	64.00	76.20	67.50

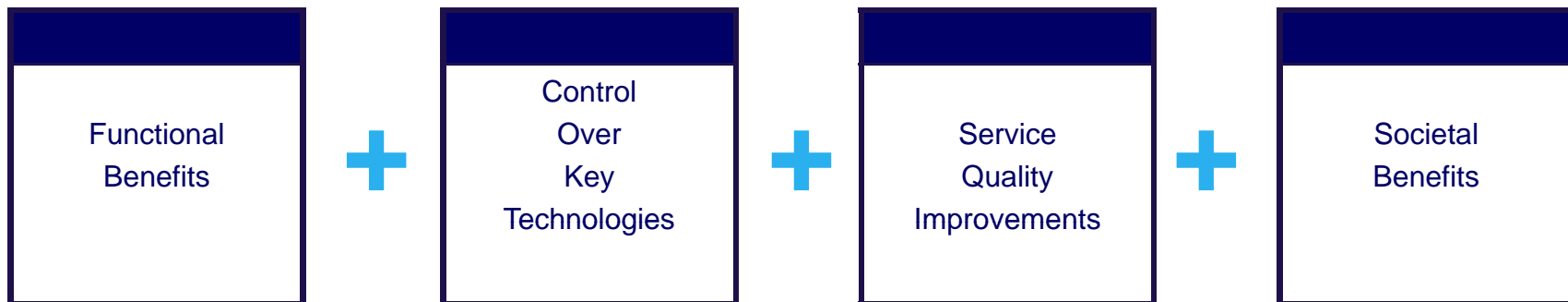
- This cost breakout assumes an implementation of the project as a whole and not by individual component.

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Customer Value and Benefits



Terasen Gas customers will benefit as a result of CCE Project implementation.

Functional Benefits



Both CIS and the call centre technology suite provide benefits to customers.

Billing and Payments

- Electronic bill presentment and payment processing
- Group billing
- Data file billing
- Direct Electronic payments
- Improved billing of non-gas charges i.e. construction, program credits etc.
- Increased flexibility for bill messages and inserts



Special Interest

- Improved data capture of customer and premise information
 - Landlords
 - Property managers
 - Third party billing / notifications (At Risk Customers)
- Rate comparisons – best rate analysis
- Rate and tax configuration flexibility
- Support for mass rate refunds



Customer Self Serve

- Alternate channels, email and online chat
- Online transactional support
 - Online moves
 - Payment plan applications
 - Payment arrangements
 - High bill resolution tools
- Improved access to consumption and billing history
- Self serve analytics
- Enhanced IVR

Capabilities not available or not efficiently provided today.

Key Technologies



- The control of key technologies is essential in an environment characterized by change.
- Supports more timely problem resolution as well as speed to implement in the case of new opportunities.
- Highly configurable SAP solution supports on site control over most changes versus the need for custom development.
- Integration with other Utility systems and processes resulting from an enhanced SAP footprint will drive efficiencies.

Key Technologies



- Call centre suite – multi-channel
 - Email
 - Online chat
 - Enhanced IVR and online self serve
- Customers will benefit from increased automation or process efficiencies.

Service Quality Improvements



Customers will benefit from a new service quality model to be implemented in 2013.

- Service quality is not static – metrics should be reviewed periodically to reflect customer and business change
- Customer metrics are indicators of the quality of service provided directly to the customer
- Operating metrics are indicators of efficiency and cost effectiveness including employee productivity

New Customer Service Quality Metrics

Call Centre

Measure	Utility Best Practice Service Metrics
First Call Resolution	80%
Customer Satisfaction	> Average Energy Call Centre
Average Speed to Answer:	
Inquiries and Collections	80 % in 30 seconds
Emergencies	95 % in 30 seconds
Email response	Integrated into in bound call queue
Chat Response	90 % in 20 seconds
Internal Call Quality	85%

Back Office

Measure	Direct Customer Impact
Billing (Accuracy, Timeliness, Completeness)	Composite score
Adjustment processing	> 90% completed prior to next scheduled billing date
Reversals	< 5% reversed due to bad estimate of reading error
Meter reading (accuracy, completeness)	> 98% accurate < 2% missed reads due to non-access
On line availability for IVR and Web	> 99.7% full availability

As customer preferences change the focus on service quality related to self serve and electronic channels will be adjusted.

New Operating Metrics



Call Centre

Measure	Utility Best Practice Service Metrics
Abandonment rate	
Emergencies	< 1%
Non Emergency	< 4%
Average handle time	
Emergencies	TBD
Non Emergency	TBD

Back Office

Measure	Direct Customer Impact
Collections Timeliness	Composite score based on timely completion of stages in the collections process
Bad debt recoveries	
Vacant premise processing	< 5% reversed due to bad estimate of reading error
Meter reading (accuracy, completeness)	> 98% accurate < 2% missed reads due to non-access
CIS support – problem response	TBD

Billing and back office metrics will be developed as part of the CIS replacement project. These will be monitored in 2012 through the transition year and will become efficiency metrics in the future.

Societal Benefits

- BC economic benefit
 - Direct impacts – employment and value-added economic benefits associated with operations
 - Indirect impacts – employment and value-added associated with suppliers supporting operations
 - Induced impacts – employment and value-added impacts associated with re-spending of direct and indirect labour income

	Employment Created	Provincial GDP Impact
Project Implementation	650 jobs	\$40 million
Ongoing Operations	400 jobs	\$25 million (annually)

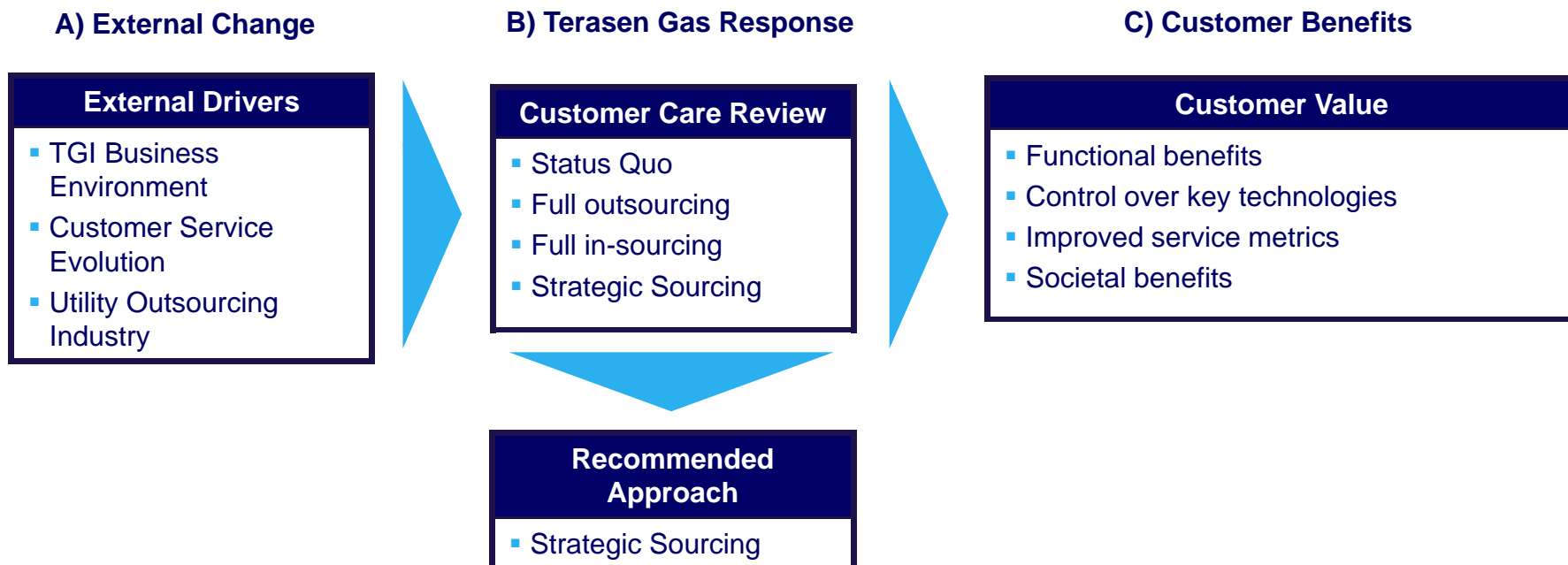
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In Summary

Following an extensive review of its customer care function, Terasen Gas has determined that the strategic sourcing model is the best model to meet evolving external requirements, delivering additional long term value to customers in a prudent and cost effective manner.



Customer Care is a critical function. The Customer Care Enhancement Project is designed to serve the needs of customers now and in the long term.

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CCE CPCN Regulatory Process



<u>Action</u>	<u>CCE CPCN</u>
Second Procedural Conference	Friday, September 11, 2009
BCUC IR No. 1	Wednesday, September 16, 2009
Intervenor IR No. 1	Monday, September 21, 2009
TGI Response to IRs No. 1	Friday, October 2, 2009
Intervenor Evidence (if required)	Monday, October 12, 2009
BCUC and Intervenor IR No. 2	Monday, October 19, 2009
TGI Response to IRs No. 2	Monday, November 9, 2009
IRs No. 1 to Intervenor on Evidence (if required)	Friday, October 23, 2009
Intervenor Response to IRs No. 1 on Evidence (if required)	Friday, November 6, 2009
Potential Oral Hearing or Negotiated Settlement Process Commencement	Monday, November 16, 2009
<u>For Oral or Written Hearing</u>	
TGI Final Argument Submissions	Monday, December 7, 2009
Intervenor Final Argument Submissions	Monday, December 21, 2009
TGI Reply Argument Submissions	Wednesday, January 6, 2010

CCE CPCN Proposed Regulatory Process Written Process and No Intervenor Evidence



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BCUC and Intervenor IR No. 2	Monday, October 19, 2009
TGI Response to IRs No. 2	Tuesday, November 10, 2009
TGI Final Argument Submissions	Monday, November 23, 2009
Intervenor Final Argument Submissions	Monday, November 30, 2009
TGI Reply Argument Submissions	Tuesday, December 8, 2009

Discussion