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January 31, 2011

British Columbia Utilities Commission 6th Floor, 900 Howe Street Vancouver, BC V6Z 2N3

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

On February 26, 2010, the Commission issued Order No. C-1-10 granting a CPCN for the Project. Paragraph 3(i) of Order C-1-10 directed Terasen Gas to:

(i) file Quarterly Progress Reports on the Project with the Commission including planned versus actual schedule, planned versus actual costs, and identification of any variances or difficulties the Project may be encountering and any other items as determined necessary by Commission staff. The Quarterly Progress Reports are to be filed within 30 days of the end of each reporting period. A Final Report is to be filed within six months of completion of the Project;

Further on March 12, 2010, the Commission issued Order No. G-46-10 approving the establishment of a non-rate base deferral account for recording of currency exchange rate differences. Pursuant to Order No. G-46-10, paragraph 2, Terasen Gas has provided the deferral account transactions as CONFIDENTIAL Appendix 5 to the Quarterly Progress Report. Appendix 4 is also provided on a CONFIDENTIAL basis and Terasen Gas requests that the information be made accessible only to the Commission.

If you require further information or have any questions regarding this submission, please contact the undersigned.

Yours very truly,

TERASEN GAS INC.

Original signed:

Diane Roy

Attachments

Re: Terasen Gas Inc. ("Terasen Gas") Certificate of Public Convenience and Necessity ("CPCN") for the Customer Care Enhancement Project ("the Project") British Columbia Utilities Commission (the "Commission") Order No. C-1-10 dated February 26, 2010 – Compliance Filing Quarterly Progress Report for the period ending December 31, 2010



TERASEN GAS INC.

Customer Care Enhancement Project Quarterly Progress Report

For the Period October 1st to December 31st 2010

Compliance Filing in Accordance with Commission Order C-1-10

Submitted to the BRITISH COLUMBIA UTILITIES COMMISSION

January 31st , 2011

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1 EXECUTIVE SUMMARY

This Quarterly Progress Report (the "Progress Report") for the Customer Care Enhancement ("CCE") Project (the "Project") is the third Progress Report filed on the Project, and covers the fourth quarter ending December 31, 2010.

The current expected cost of the CCE Project including allowance for funds used during construction ("AFUDC") remains unchanged at \$115.5 million and the scheduled date that Terasen Gas Inc. ("Terasen Gas" or the "Company") will go live with the new system continues to be January 1, 2012.

The Project team completed the detailed design for the new Customer Relationship Billing ("CRB") SAP system at the end of October as planned, and subsequently smoothly transitioned to the next phase of the Project, the Realization Phase. This phase of the project encompasses activities such as configuration and development of reports and interfaces for the new system; unit testing and integration testing of the new system; together with the development of training plans and end user documentation and training materials. This phase of the Project extends through the spring and summer months with completion scheduled for October 31, 2011.

The project team reached a major milestone in December 2010, when it was successful in completing a full cycle billing test complete with sample customer bill prints and customer payment processing. This demonstrates the viability of the configured solution and is an encouraging attestation to the progress made by the project team, one year before go-live of the new system.

Both the Burnaby and Prince George facility preparations are on schedule for the January golive date. Building improvements to the Prince George facility are ongoing and are expected to be completed by the end of January, while the general contractor tender for improvements to the Burnaby facility was awarded in December with construction commencing in January.

A control budget has been finalized and the anticipated project spend remains at the approved level of \$115.5 million including AFUDC. The control budget serves to provide a more current allocation of costs compared to the estimate submitted with the CPCN application, and will be used for the purpose of managing costs throughout the remaining life of the project.

No significant scope changes have been issued to date and no new risks to the Project have been identified. All Project elements continue to proceed in accordance with the Project schedule and Terasen Gas expects the Realization Phase of the CIS implementation will be completed on time by October 31, 2011 with a system go-live date of January 1, 2012.



Five Point Partners, LCC ("Five Points"), a specialized provider of application management consulting services to organizations within the energy and utility industry, continues to evaluate the progress of the Customer Information System ("CIS") component of the Project on seven key dimensions: schedule, resources, ongoing activities, Project management, costs, scope and risks. Their independent review of the Project progress has been included as Confidential Appendix 4 of this Progress Report.

2 REPORTING DIRECTIVES

This report is the Quarterly Progress Report for the CCE Project Certificate of Public Convenience and Necessity ("CPCN"), granted by the British Columbia Utilities Commission (the "Commission") Order No. C-1-10. This Progress Report is submitted in compliance with the directives of Order No. C-1-10. Specifically, Terasen Gas was directed in paragraph 2(i) to:

"file Quarterly Progress Reports on the Project with the Commission including planned versus actual schedule, planned versus actual costs, and identification of any variances or difficulties the Project may be encountering and any other items as determined necessary by Commission staff. The Quarterly Progress Reports are to be filed within 30 days of the end of each reporting period. A Final Report is to be filed within six months of completion of the Project. "

Further, in Order No. G-46-10 under paragraph 2, Terasen Gas was directed to file the deferral account transactions as a confidential Appendix to the Quarterly Progress Reports.

This report serves to provide details and a comprehensive overview of the Project progress and accomplishments for the period ending December 31, 2010. The specific items outlined above can be found in the following sections of this report:

Order No.	Item	Section Reference
C -1-10	Planned versus Actual Schedule	Section 7.1: Milestone Summary
C-1-10	Planned versus Actual Costs	Section 8: Project Costs
C-1-10	Variances or Difficulties Encountered	Section 5: Detailed Project Status
G-46-10	Deferral Account Transactions	Appendix 5: Confidential

Table 2-1: Report Sections

3 PROJECT BACKGROUND

The Project involves in-sourcing key components of customer care services and the implementation of a new CIS under the control of Terasen Gas.

This involves the implementation of technologies, including a new CIS technology platform, integrated with new contact centre technologies for managing customer interactions together with the creation of a new in-sourced Customer Service group to support the capability to deliver customer service excellence. SAP's CIS, CRB system is the technology platform that will be used to enable the business processes needed to deliver customer care services.

The Project represents a transition from the current Business Process Outsourcing¹ model to a Strategic Sourcing model for customer care services. These customer services include the following activities:

- Contact Centre
- Billing and Payments
- Collections
- Contract Management
- CIS Systems Support and Maintenance
- Meter Reading

The successful implementation of the CCE Project will enable Terasen Gas to fully own the direct customer experience and better position Terasen Gas to adapt to evolving customer needs. Customers will benefit from the expanded functional capabilities inherent in the SAP Utilities CRB module together with an internally managed Customer Service group based in British Columbia. The employee representatives of Terasen Gas will have improved knowledge of our broader environment and the impact of events in our marketplace in order to better understand and relate to customer experiences. Direct ownership and oversight of employee training will ensure that customers can access the information that they need from knowledgeable representatives.

¹ See Appendix 3 – Glossary – for definition

4 PROJECT ACTIVITIES

In order to manage the various Project activities the Project work has been divided into five workstreams and these workstreams have been categorized into the three groups described below. The detailed activities of the Project's progress are presented in this report based on these three groups of activities.

4.1 Customer Relationship Billing and Operation Process Integration ("OPI")

The CRB workstream involves the implementation of the CRB for Utilities module of SAP and other related components of SAP. For delivery of the CRB system, Terasen Gas has partnered with HCL-Axon².

The OPI workstream involves the reworking of various integrated processes and technology components that connect utility operations to the existing CIS (Peace 8).

4.2 Contact Centre Technologies ("CCT") and Contact Centre Facilities ("CCF")

The CCT workstream is responsible for the implementation of Interactive Intelligence's³ all-inone solution for managing multi-channel customer interactions, integrated with the SAP solution being implemented under the CRB Project. For the implementation of the CCT, Terasen Gas has partnered with Altivon⁴, who is the implementation partner of Interactive Intelligence.

The CCF workstream includes establishing two new contact centre facilities, one in the Lower Mainland and one in Prince George, to house the new Customer Care department being implemented through the Organizational Design and Staffing Program described below.

4.3 Organizational Design and Staffing ("ODS")

The ODS workstream involves the design and implementation of the new Customer Care department, including the processes and controls required to operate and manage it, together with the hiring, on-boarding and training of the personnel required to staff it.

The ODS workstream is also responsible for the change management and communications activities for the entire CCE Project.

² See Appendix 2 – List of Major Contractors - for background information on HCL-Axon

³ See Appendix 2 – List of Major Contractors – for background information on Interactive Intelligence

⁴ See Appendix 2 – List of Major Contractors – for background information on Altivon

5 DETAILED PROJECT STATUS

This section provides details of the Project team's major accomplishments, work completed and issues resolved for the period ending December 31, 2010, together with a description of the Project plans for the next period. These are described using the three groups of activities outlined in Section 4.

The Project continues to proceed in accordance with the Project schedule and Terasen Gas expects the current phase of the Project to be completed on time by October 31st, 2011, with a system go-live date of January 1, 2012. The first two phases of the Project have been completed, the Preparation and Business Blueprint phases, with the project team already transitioned to the third phase of the Project, the Realization Phase. The Business Blueprint phase was completed on schedule at the end of October 2010 where the Project team completed the documentation of the detailed design of the new CRB SAP system. Over the next ten-month period, the project team will be engaged in the Realization Phase of the project where they will complete the configuration and development of reports and interfaces together with development and testing of data conversion programs. In addition, integration testing will be completed where all developed and tested system components are brought together and are run in an end-to-end series, to validate the overall business outcomes. Full data conversion is tested during this phase of the project and the overall sytem cutover plans are detailed. Training material and system documentation is also developed torgether with detailed training plans.

5.1 Major Accomplishments, Work Completed and Issues Resolved

The focus for this quarterly period has been on completing the development and documentation of the detailed design of the CRB SAP system and subsequently commencing with the Realization Phase of the project.

5.1.1 CUSTOMER RELATIONSHIP AND BILLING AND OPERATION PROCESS INTEGRATION

The project team has completed the Business Blueprint phase and are currently engaged in the Realization Phase. In November, the team structure was realigned to optimize the skill sets required to support the specialized activities required during the next phase of the project. In addition, a combination of Axon functional analysts together with offshore developers were added to the Project team in December. The HCL-Axon analysts will be primarily responsible for writing functional specifications together with writing and executing test scripts while the offshore developers will serve to write SAP system program code.

The following is a list of activities that were either completed or were in progress during this quarterly period:

- Baseline system configuration is ongoing and ahead of schedule;
- The development of functional specifications has begun and is proceeding according to the schedule;
- An RFP for customer statement printing was issued and responses are currently being evaluated;
- The development of unit test scripts has begun;
- The technical specing and technical development has begun;
- Open text solution installed and integrated to Streamserve statement printing system;
- Data quality management solution has been installed;
- The development of integration test plans has begun:
- The detailed planning for iEM (customer self serve) solution has been completed.
- Agreements for meter reading services for 2012 have been reached (details have been provided below)

The Project team achieved a major milestone in December 2010, when the members were successful in executing a full cycle sample billing in the test environment of the newly configured system. The testing used samples of real customer data, meter readings and rates and produced accurate customer statements which was then offset with sample customer payments. This definitively validates the progress made so far by the project team, one year before go-live of the new system.

Under the termination of the Client Services Agreement (CSA) with CustomerWorks LP, Terasen Gas' current arrangement for meter reading services, which includes joint meter reading with British Columbia Hydro and Power Authority (BCH) and Accenture, will expire after December 31, 2011. Terasen Gas has explored options for services beyond this date and is pleased to have reached agreements directly with Accenture and BCH for 2012. This solution is in the best interests of customers and the most prudent course of action as it serves to mitigate any potential risk to the Project that could arise with a significant change in these services. Terasen expects to have signed contractual agreements with both parties by the end of February. The new agreements' scope of services is essentially identical to those meter reading services included in the current CSA with CustomerWorks LP, with the additional consideration of the changing environment with BCH embarking on its' Smart Metering initiative. The operating costs associated with this agreement will be captured in O&M expenditure and will be included as part of Terasen Gas' 2012-2013 Revenue Requirement Application to be filed in the



second quarter of 2011. Terasen Gas is currently investigating options for meter reading services beyond 2012 and expects to have a plan in place by the end of 2011..

5.1.2 CONTACT CENTRE TECHNOLOGIES AND CONTACT CENTRE FACILITIES

The functional requirements in support of a single technology solution, to be provided by Altivon and Interactive Intelligence, for a unified Customer Interaction Centre have been completed.

- General design sessions and overall system architecture design has been completed;
- The detailed project plan and associated timelines has been completed;
- The first draft of the general system design document has been completed;
- Server and configuration requirements for both the Prince George and Burnaby Contact Centre sites have been completed;
- TELUS has completed their scope of work document for providing technical infrastructure services, including server desktop, network implementation and support services;
- Desktop design and configuration has been completed; and
- Hardware requirements to meet call recording and retention rules have been completed.

Prince George Contact Centre Facility

Building improvement work to the Prince George contact centre facility is currently in progress and the timeline for improvements has been extended by one month in order to accommodate the additional structural improvements required this quarter. The supplementary work completed this quarter will have no impact to the Project's critical path schedule and the completion of the contact centre facility remains on track for the January go-live date. The remedial work was critical in maintaining the integrity of the building structure and ensuring the safety of all employees who would be working in the building.

During the process of performing building updates and demolition activities, a number of structural issues with the building were uncovered. Even though, prior to the purchase of the building a comprehensive assessment of the electrical, mechanical, and structural condition of the building was performed, the structural damage uncovered in recent months could not have been detected during the building inspection. The type of damage uncovered can only be done so by removing the outer layers of the building structure which is an activity not permissible during a visual building assessment.

The structural improvements performed to bring the building included:



- Steel plates and beams were added to support weakened concrete beam and column joints in five locations;
- New steel embeds were welded to roof and second floor deck to replace the cracked concrete beams in twelve locations;
- Steel reinforcements were installed in twenty places to reinforce the roof and second floor deck where the removal of various mechanical equipment and ducting shafts had left these areas less than structurally sound; and
- The first floor concrete columns supporting the second floor deck had cavities, which were filled with grout to ensure that the second floor deck was being appropriately supported.

The cost of the additional improvements was \$116,280. This amount has been reflected in the year to date actual spend and within the control budget supplied in Section 8 of this report. The additional expenditure has been managed within the overall approved budget spend of \$115.5M (including AFUDC). Terasen Gas is confident that these structural improvements were a prudent investment to preserve the structural integrity of the building and ensure the safety of all its employees.

Burnaby Contact Centre Facility

Preparation of the Burnaby facility is on track with the electrical, mechanical and structural system design development work completed. The tender for this work was awarded in December to Reotech Construction Ltd, and construction will begin in January.

The preparation work for the contact centre facilities remains on track for the Project's critical path schedule and Terasen Gas is confident that both the facilities will be ready for the January 1st, 2012 go-live date.

5.1.3 ORGANIZATIONAL DESIGN AND STAFFING

Detailed hiring, on boarding and training plans have been developed to manage the waves of new hires required for the contact centre, back office and billing operations. These plans encompass a solid approach and process to ensure there are sufficient numbers of trained staff ready for the January 1, 2012 go-live date and the ongoing operations beyond this date.

As it currently stands, the staffing levels anticipated for the two contact centres, back office and billing operations, have not substantially changed from those that were filed as part of the CPCN application. However, throughout the next few months as the Project team works through

identifying the detailed process design work, the staffing requirements will continue to be validated. Staffing plans and associated O&M budgets will be captured as part of the Terasen Gas 2012-2013 Revenue Requirement Application to be filed in the second quarter of 2011.

Comprehensive hiring and training plans for the new contact centres, back office and billing operations have been developed for both the Burnaby and Prince George locations. The plans will ensure that the recruitment selection process identifies the best potential candidates based on pre-defined job competencies. The hiring will be completed in waves in order to manage the complexity of hiring a high volume of individuals for the two separate geographical locations and for a completely new operation. The training curriculum will be developed based on a gap analysis of the expected competencies at the time of hiring and the competencies required in effectively performing the role. This will encompass both technical skills (SAP, telephony system etc.) together with soft skills (problem solving, customer service, etc.). The curriculum will be designed so that the new employees incrementally develop their knowledge and skills set and then have the opportunity to practice these learnings in a "realistic" test environment. The training materials will include user guides, policies and procedures, on-line help text, practice exercises, role play exercises and job aids; and wherever possible these materials will be written as permanent documents rather than transient training materials. The success of these plans will be measured throughout the process utilizing pre-defined metrics. This will enable the Project team to make the necessary adjustments to plans as required, and ensure sufficient numbers of trained staff are ready for both the January go-live date and the ongoing operations beyond this date.

5.2 Plans for Next Period (January to March 2011)

The Project team will continue with the Realization Phase activities of constructing the technology systems, designing the business processes and finalizing testing and training plans.

5.2.1 CUSTOMER RELATIONSHIP AND BILLING AND OPERATION PROCESS INTEGRATION

The following is a list of the activities planned for the next period:

- System configuration will be substantially completed;
- Development of functional and technical specifications will continue;
- Unit test scripts will continue to be developed and executed;
- Integration testing plans will continue to be detailed; and
- Work to develop all FRICE- W⁵ items will be ongoing.

5.2.2 CONTACT CENTRE TECHNOLOGIES AND CONTACT CENTRE FACILITIES

Over the next four months the development and production systems for the contact centre technology will be installed and configured. The development system will be installed at Surrey Operations and will enable all servicing and testing to be performed centrally while the production systems will be installed at each of the Prince George and Burnaby facilities.

The following is a list of the activities planned for the next period:

- The development system will be installed and configured at Surrey Operations;
- The production system will be installed and configured at the Prince George facility at the end of February;
- Scenario based validation of the scheduling and forecasting system will begin in February; and
- Initial unit testing and development of test plans will begin in February.

The building improvement work to the Prince George facility is expected to be completed by the end of January. Construction work on the Burnaby Facility will commence in January and is expected to be completed by the end of April.

⁵ See Appendix 3 – Glossary – for definition

5.2.3 ORGANIZATIONAL DESIGN AND STAFFING

In January 2011, seventeen new customer service leaders and analyst roles will be hired as additional resources for the Project team. These new employees will be responsible for refining business processes, policies and procedure documentation together with the development of training manuals and training delivery. The customer service leaders will also play a prominent role, later in the year, in managing and training the waves of new hires. We anticipate these project team members will continue their employment beyond the life of the project and join the new Customer Service operations in 2012 within either the Contact Centre or the Back Office and Billing function. Currently there are thirty Terasen Gas staff members assigned to the Project in varying capacities, and we look forward to the majority of these individuals either joining the new Customer Service group within their area of expertise or providing support in areas such as Information Technology or Human Resources next year.

5.3 Quality Assurance Review

Five Points has been engaged to provide assurance of on-time execution of the Project together with guidance on mitigation of risks. Five Points is a specialized provider of application management consulting services to organizations within the energy and utility industries. They bring expert knowledge and experience in managing the development of CIS and will be utilizing their experience with numerous similar projects throughout North America to evaluate the CRB SAP component of the Project on seven key dimensions: schedule, resources, ongoing activities, project management, costs, scope, and risks.

Please see Confidential Appendix 4 for Five Points' Project status report.

6 PROJECT SCOPE

There were two minor scope changes issued during this period. First, building improvements necessary to bring the Prince George facility to a safe and structurally stable state were not planned in the original statement of work. In addition, Altivon's statement of work was amended to provide additional system redundancy and "voice to text" capability. Both of these scope changes were managed within the approved budget of \$115.5 million (including AFUDC).

The Prince George building improvement work has been described in more detail in Section 5.1.2.

7 PROJECT SCHEDULE

The overall Project schedule's critical path remains on track and the scheduled date Terasen Gas will go live with the new system and the new Customer Service Care group continues to be January 1, 2012.

7.1 Milestone Summary

The targeted Project milestone dates for each of the Project phases are outlined below. The Project phases are described in more detail in Appendix 1.

The Business Blueprint phase of the Project was completed as per scheduled date of October 29 2010, and the Project team subsequently embarked on the Realization Phase of the Project on November 1, 2010 as per schedule. This phase of the project comprises of two stages of Integration Testing, and the entire Realization phase is forecasted to be completed by October 31, 2011. The date Terasen Gas will go live with the new system continues to be January 1, 2012.

Phase	Ν	lilestone Sta	rt	Milestone End					
	Plan	Actual	Forecast	Plan	Actual	Forecast			
1. Project Preparation	Mar 1,2010	Mar 1,2010	n/a	May 15,2010	Jun 30,2010	n/a			
2. Business Blueprint	May 3,2010	May 10,2010	n/a	Oct 29,2010	Oct 29,2010	Oct 29,2010			
3. Realization	Nov 1,2010	Nov 1 ,2010	Nov 1,2010	Oct 31,2011	n/a	Oct 31,2011			
3a. Integration Test 1	Jun 6,2011	n/a	May 16,2011	July 31,2011	n/a	July 31,2011			
3b. Integration Test 2	Aug 1,2011	n/a	Aug 1,2011	Oct 31,2011	n/a	Oct 31,2011			
4. Final Preparation	Nov 1,2011	n/a	Nov 1,2011	Dec 31,2010	n/a	Dec 31,2010			
5. Stabilization	Jan 1,2012	n/a	Jan 1,2012	Mar 31,2012	n/a	Mar 31,2012			

Table 7-1: Schedule



7.2 Project Schedule

The Project schedule is attached as Appendix 1 and reflects the full scope of work to be completed for the Project. The Project schedule detail for the first stage of the Integration Testing through to May 16, 2011 has now been updated.



8 PROJECT COSTS

The Project control budget has been completed and is shown in the schedule below along with the estimate submitted with the CPCN Application. The control budget is consistent with the approved level of \$115.5 million (including AFUDC). This budget was prepared by reviewing the project expenditure to date, contracts and agreements reached since filing of the CPCN Application along with scope issues identified during the detailed system design phase, and will serve to provide a more current allocation of costs.

The Project Control budget compared to the CPCN submitted estimate is as follows:

Project	Costs (000's)	F	Project Total	
		<u>Control</u> Budget	<u>CPCN</u> Estimate	Difference
Capital				
	Internal Labour	4,775	5,785	1,010
	Consulting	30,827	31,291	464
	Hardware	2,528	1,312	(1,216)
	Software	6,600	5,640	(960)
	Expenses	5,063	5,531	468
	Facilities	14,502	18,931	4,429
	Contingency	6,950	8,516	1,566
	Total Capital	71,245	77,006	5,761
Deferre	d O&M			
	Internal Labour	6,810	9,631	2,821
	Consulting	25,003	19,194	(5,809)
	Hardware	447		(447)
	Software	600	-	(600)
	Expenses	2,025	2,053	28
	Facilities	1,380	1,037	(343)
	Contingency	3,890	3,142	(748)
	Total Deferred O&M	40,155	35,057	(5,098)
Sub-To	tal	111,400	112,063	663
AFUDC		4,100	3,437	(663)
Grand 1	Fotal	115,500	115,500	<u> </u>

Table 8.1: Project Control Budget

Explanations of differences between the control budget and the estimate approved as part of the CPCN application process have been supplied in Appendix 6.

The resource view format of the control budget shown below, will be used throughout the remaining life of the project to manage the Project Costs.

The year-to-date cost report summary to December 31, 2010, is as follows:

<u>Project</u>	<u>Costs (000's)</u>	YTD		Project Total	
		<u>Spend to</u> <u>Date</u>	<u>Control</u> Budget	<u>Project</u> Forecast	<u>Variance</u>
Capital					
	Internal Labour	1,128	4,775	4,775	-
	Consulting	11,413	30,827	30,827	-
	Hardware	266	2,528	2,528	-
	Software	5,460	6,600	6,600	-
	Expenses	1,554	5,063	5,063	-
	Facilities	7,328	14,502	14,502	-
	Contingency	-	6,950	6,950	-
	Total Capital	27,149	71,245	71,245	-
Deferre	d O&M				
	Internal Labour	216	6,810	6,810	-
	Consulting	2,159	25,003	25,003	-
	Hardware	-	447	447	
	Software	-	600	600	-
	Expenses	156	2,025	2,025	-
	Facilities	3	1,380	1,380	-
	Contingency	-	3,890	3,890	-
	Total Deferred O&M	2,534	40,155	40,155	-
Sub-Tot	al	29,683	111,400	111,400	-
AFUDC		787	4,100	4,100	-
			445 500	445 500	

Table 8.2: Cost Report Summary to December 31, 2010

The current expected cost of the Project including AFUDC remains unchanged at the level of \$115.5 million as Approved by Order No. C-1-10. While no major scope changes were identified during the system design phase, which can typically draw upon contingency funds, the Project is still one year away from completion. Unforeseen opportunities still lie ahead as the Project



team embarks upon a more complicated phase of the Project, including building, testing, training and implementing together with a significant recruitment undertaking. The Project is well positioned from a budgetary perspective with approximately 10 per cent estimated in contingency funds for unexpected activities. At it currently stands, it is anticipated that the Project spend will remain on target with the \$115.5 million estimate set out in the CPCN. At this time, the Company has not identified any potential cost items that are currently anticipated to cause the costs to be greater than +/- 10% of the \$115.5 million.



9 PROJECT RISKS

The Project management team has identified the following areas of focus in order to manage Project risk.

Risk Description	Potential Risk	Mitigation Strategy
Inflexibility of the go-live date	Solution quality may be sacrificed in order to meet the required date	A knowledgeable and experienced design team is engaged in the system design and a strong emphasis will be placed on the quality of the design and the solution. HCL-AXON, SAP, and Five Points have all been engaged to provide additional quality assurance on the project
System Performance	The stabilization period may be longer than anticipated as a result of system performance issues	SAP's Active Global Services will be on site periodically to assist the project team with testing and risk mitigation of system performance issues. They have sufficient experience to identify performance risk areas and resolve the types of system issues that could be encountered when the system goes live. In January, SAP will be on-site to perform their initial risk assessment of the implementation.

Table 9-1: Project Risks

The Project management team has ensured appropriate risk mitigation efforts are in place and will continue to monitor and manage identified risks throughout the life of the Project.

Appendix 1 PROJECT SCHEDULE

ID	Task Name	Duration 2	2010 2011 2012					
1	Customer Care Enhancment PM Tasks	560 days?	<u>Qtr 1 Qtr 2 Qtr 3 Qtr 4 Qtr 1 Qtr 2 Qtr 3 Qtr 4 Qtr 1 Qtr 2 </u>					
2	CCE Project Pren Phase	63 days?						
32	CCE Business Blueprint Phase	112 days?						
100	CCE Bealization Phase	305 days?						
101	Performance Reporting	247 days?						
153	Quality Management	305 days?						
192		5 days						
199	CCF Final Pren Phase	117 days?						
200	Performance Benorting	40 days?						
212	Quality Management	40 days?						
216		5 days						
223	CCE Go-live and Support	65 days						
224	Milestone Go-live	1 day?	1/2					
225	Stabilization PM tasks	60 days						
226	Program Closure	20 days						
229	Milestone Completion	1 day?	3/30					
230	Customer Belationshin and Billing Project	545 days?						
231	TGI SAP CBB Implementation Plan	545 days?						
1	Project Definition Phase	80 days?						
149	Rusiness Rluenrint Phase	135 days?						
882	Bealization Phase	300 days?						
883	Project Management Realization Activities	260 days						
887		150 days						
888	BE-05 System Configuration Complete	150 days?						
1130	Develon Enhancements and Workflow	160 days						
1131	BE-01 Europianal & Technical Specifications Develope	120 days						
1136	RE-04 Enhancements Completed & Annroved	80 days						
1138	Develon Benorte & Forme	160 days						
1139	BE-06 Develop Forms	140 days						
1143	BE-07 Develop Reports	140 days						
1143	Develop Interfaces	160 days						
1148	BE-13 Develop Interfaces	160 days						
1152	Data Migration Activities	195 days						
1153	BE-14 Provide Legacy System Data Extracts	80 days						
1156	BE-12 Data Migration Load and Unit Testing	130 days						
1159	Perform Data Cleansing Activities	20 days						
1160	Data Migration Mock # 1	10 days						
1161	Besolve Data Migration Test Issues	45 days						
		10 00,0						
	Task	Milestone	External Tasks					
Project	: 2011 01 21 CCE Program	Summary	External Milestone					
Date: N	Non 1/24/11							
	Progress	Project Summa						
	Page 1							

ID	Task Name		Duration	2010			2011			2012
				Qtr 1	Qtr 2	Qtr 3 Qtr 4	Qtr 1	Qtr 2	Qtr 3 Qtr 4	Qtr 1 Qtr 2
1162	Data Migration M	ock # 2	10 days					(
1163	Security Activities		100 days							
1164	RE-03 Documen	t Security Model	100 days							
1167	Perform Testing Acti	vities	260 days							
1168	RE-08 Perform l	Jnit Testing	160 days				:			
1172	RE-11 Develop I	ntegration Test Plan	140 days				:			
1176	RE-16 Complete	and Approve Integration Testing	120 days							
1183	RE-17 Documen	t User Acceptance Test Plan	99 days]	
1189	Technical Activities		130 days							
1190	RE-02 Install QA	& Training Systems	10 days				, t			
1202	RE-09 Productio	on Hardware Sizing Complete	80 days							
1203	Approve Pro	duction Sizing	80 days							
1204	RE-10 Productio	on / DR Hardware Procured	50 days							
1206	Change Managemen	t & Training	300 days?							4
1207	Execute Stakeho	older Engagement According to Plan	120 days				i l			
1211	Deliver Commu	nications According to Plan	130 days							
1219	RE-19 Develop F	Role Transition Materials	135 days				·			
1228	RE-20 Develop I	Detailed Transition Plans	120 days?							
1235	RE-21 Perform 1	Training Needs Analysis	100 days							
1237	RE-22 Detailed	Fraining Plans Approved	100 days						▼	
1245	RE-23 Training I	Materials Developed & Approved	215 days							
1251	FP-11 Establish	ment of Training Facilities	200 days				:		▼	
1256	FP-12 Train the	Trainer Delivery	20 days							
1262	RE-24 Manager	Cascade	180 days				, t	~		,
1265	RE-25 Design St	upport Organization	80 days							
1275	Perform Detaile	d Change Impact Assessment	140 days							
1286	Prepare for Final Pre	paration and Go-Live Phase	20 days							
1289	Realization Phase Pla	nned Completion Date	0 days						●_ 9/30	
1290	Final Preparation and Go	-live Phase	68 days?							
1291	Project Management	Final Prep Phase	65 days?							P
1296	User Acceptance Tes	sting	61 days?							į.
1297	FP01 Perform U	ser Acceptance Test	61 days?							
1301	Establish Production	n System (SAP Production System)	42 days							
1302	FP-02 Productio	n Systems Commissioned & Approved	24 days							
1306	FP-03 Productio	n Systems Configured	8 days							
1309	FP-04 Desktop I	nfrastructure Installed	10 days							
1313	Data Migration		68 days							÷.
1314	FP-05 Legacy Da	ata Migrated and Approved	68 days							₩
		Task	Milestone			External	Tasks			
Project	: 2011 01 21 CCE Program	Split	Summary			External	Milestone <	>		
Date: N	Non 1/24/11		Drain at Our	•				-		
		Progress	Project Summ	ary 🖵		Deadline	4	7		
	Page 2									

ID	Task Name	Duration	2010				2011		2012	
			Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1 Qtr 2	Qtr 3 Q	tr 4 Qtr 1	Qtr 2
1322	System Testing	45 days	-							
1323	FP-06 Stress Test	41 days	-						-	
1326	FP-08 Disaster Recovery Test	45 days								
1330	FP-07a Data Archive Test	30 days	i						7	
1333	FP-07b Recovery Test	30 days	i						▼	
1337	FP-09 Desktop Test	10 days								
1340	Business Change & Integration	65 days							—	
1341	Stakeholder Engagement & Communication	40 days							-	
1345	Deliver Communications	65 days								
1351	FP-10 Transition Management	65 days	-					—		
1360	FP-13 Training Delivery	50 days								
1364	Learner Practice	15 days							V	
1366	FP-14 Legacy System Decommissioning Planning	21 days	- i							
1371	Perform Cut-Over to Production	67 days	-						—	
1372	Go / No-Go Review Meetings	66 days							÷	
1377	FP-15 Go-Live Decision Approved	1 day							÷.	
1380	Post Go-Live Support Phase	65 days?							÷	
1381	Project Management Phase Activities	1 day?								
1383	Technical Stabilization	65 days	-							
1384	PS-01 Confirm Stabilization Plan	24 days	-						ý	
1387	Execute Technical Stabilization Activities	65 days							ý —	
1392	PS-02 System Performance Tuned & Optimized	65 days							- V	
1396	PS-03 Legacy Systems Decommissioned	65 days							Ý	
1398	User Support	65 days							ý —	
1399	Key User Support	20 days							φ - φ	
1402	TG SAP Support Team Organization Transition	65 days	i							
1412	On-Site Consultancy Support	65 days							÷—	
1417	PS-04 Outstanding Issues Transitioned to SAP Suppor	55 days							—	
1419	Business Change & Integration	65 days							÷——	-
1432	Deliver Post Go-Live Training	65 days							÷	
1434	Project Closure Activities	65 days							Ý	
1435	PS-05 Final System Acceptance	65 days	-						Ý	
1437	PS-06 Project Closure Approval	65 days	-						Ý	
1443	iEM Schedule (Web self-service)	140 days	-				Ý			
1444	Resource onboarding	5 days	-							
1445	Design	40 days	-							
1463	Development and Unit test	100 days					<u> </u>			
232	Operations Process Integration Project	455 days							:	
	Task	Milestone	•			External	Tasks			
Project	: 2011 01 21 CCE Program Split	Summary				External	Milestone 🔶			
Date. N	Progress	Project Summ	nary 🖵			Deadline	₽			
		Page	3							

ID	Task Name	Duration	2010 2011 2012
000		00.4	Qtr 1 Qtr 2 Qtr 3 Qtr 4 Qtr 1 Qtr 2 Qtr 3 Qtr 4 Qtr 1 Qtr 2
233	OPI Project Prep Phase	20 days	
234	Process Scope	20 days	
236	OPI Business Blueprint Phase	89 days	
237	Process Designs	30 days	
241	Functional Approach Docs and Plans	15 days	
246	Functional Specs	45 days	
251	SoW's and Detailed Plans	15 days	
256	OPI Realization Phase	241 days	
257	Technical Specs	40 days	
262	Build and Unit Test	80 days	
267	RE-08 Perform Unit Testing	180 days	
268	Integration testing	85 days	
272	OPI Final Prep Phase	40 days	
273	OPI Go live & Support Phase	65 days	
274	Organizational Design and Staffing Project	497 days?	
275	Process Designs	210 days	
280	Organization Design	255 days	
290	Communications	481 davs	
306	Change Management	440 davs	
320	Recruitment	333 davs?	
321	Recruitment Strategy	30 days	
322	Becruitment and Hiring Plan	60 days	
323	Becruitment Schedule M&F	20 days	
324	Orientation Plan M&F	45 days	
325	Becruitment Schedule COPE	20 days	
326		45 days	
320		40 days	
220		202 uays :	
320		30 uays	
329	Wave 2 (January 2011) Hire	167 days?	
341	wave 3 (April - June 2011) Hire	84 days?	
355		333 days?	
356	wave 2 (January 2011) Hire	168 days?	
368	Wave 3 (April - June 2011) Hire	253 days?	
380	Mass hire	268 days?	
393	Learning and Documentation	375 days	
394	Prep and planning	130 days	
401	Training Programs	110 days	
404	User Documentation & Support Tools Outlines	70 days	
	Task	Milestone	External Tasks
Project:	: 2011 01 21 CCE Program Split	Summary	External Milestone
Date: N		Project Summ	nary Deadline
		Page	9 4



			 -										
ID	Task Name		Duration	2010	Otr 0	Otr 0	Otr 4	2011	Otr 0	Otr 2	Otr 4	2012	Otr 0
440	Lower Mainland Facility		 239 davs	QIII				QUIT				QUII	QIIZ
441	Lower Mainland Sche	edule	239 days					:					
1	Programming		16 days			Ψ Ψ							
8	Space planning -	+ Schematic Design	23 days				h						
19	Design developn	ment	21 days										
26	Consultant Docu	umentation	52 days				×						
37	Tender		35 days					•					
42	Permits and Con	nstruction	125 days										
49	Furniture		134 days				- 	:					
442	Prince George Facility		344 days										
443	Prince George Sched	dule	344 days										
1	Programming		10 days		,								
7	Schematic Desig	yn	27 days										
15	Design Developr	ment	19 days										
23	Contract docume	ents	30 days										
39	Tender		25 days										
44	Permits and Con	nstruction	277 days							2			
Project Date: M	: 2011 01 21 CCE Program Ion 1/24/11	Task Split III	 Milestone Summary Project Summa	♦ ♥			External External Deadline	Tasks Milestone	 ↓ ↓ 				

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Appendix 2 LIST OF MAJOR CONTRACTORS



List of Major Contractors

Please see the list below of the major contractors employed on the project and a description of their engagement:

Contractor	Description of Engagement			
Accenture	As the current support services provider, Accenture will be providing subject matter expertise in the areas of the existing call centre business processes, technical support specifically around the existing CIS technical environment as well as transition services during the cutover from the existing systems to the new environment.			
Altivon and Interactive Intelligence	Interactive Intelligence will be providing the Contact Centre Technologies, an all in one solution integrated with the SAP for managing multi-channel customer interactions.			
	For the implementation of the Contact Centre Technologies, Terasen Gas has partnered with Altivon, who is the implementation partner of Interactive Intelligence.			
Hansen Technologies	Hansen Technologies is the product owner of the CIS system currently utilized by Terasen Gas. Hansen will provide data migration services from their existing system to the new SAP CIS with the focus on legacy data quality and extraction.			
HCL- Axon	HCL-Axon is an experienced SAP system integrator and specializes in the implementation of SAP computer systems. They also are experienced in the integration of complementary software packages (such as bill composition software from Streamserve) to form a complete solution. They will be taking a leadership role in all phases of the project and providing expertise on the overall design of the system solution to ensure it conforms to Terasen Gas' desired requirements. They will also provide guidance in the development of training and change management specific to the CIS implementation.			
Knowledgetech	Knowledgetech will supply personnel to the project team to provide expertise in change management activities including business process design, business impact analysis, communication, training and process documentation.			



Contractor	Description of Engagement			
Five Point Partners	Five Point Partners (Five Points) has been engaged to provide assurance of on time execution of the project together with guidance on mitigation of risks. Five Points is a specialized provider of application management consulting services to organizations within the energy and utility industries. Five Points consultants bring expert knowledge and experience in managing the development of Customer Information Systems. They will be utilizing their experience with numerous similar projects throughout North America to evaluate the project on seven key dimensions: schedule, resources, ongoing activities, project management, costs, scope, and risks.			
R-Tech Technologies	R-Tech will be providing day-to-day program management for the CCE program. They will be responsible for coordinating and providing overall management of the various program streams including the CIS implementation, the Contact Centre Technologies and facilities implementation as well as the other existing business processes that will be impacted by the CCE implementation. R-Tech has partnered with Terasen Gas on many initiatives over the last few years, and has in-depth knowledge of SAP, Terasen Gas' operating model and provides Project Management Institute certified project management services.			
SAP Active Global Support	SAP's Active Global Services provide production support for all SA customers. On this project, they will be assisting the project team proactively reviewing key risk areas that have been experienced w other implementations and providing risk mitigation strategies technical issues such as system performance. They have sufficient experience to identify performance risk areas and resolve the types system issues that could be encountered when the system goes live			
SAP Consulting Services	As the CIS product vendor, SAP brings in-depth product knowledge and design architecture oversight to the project. They will also provide a quality assurance role in design, and build reviews to ensure the implementation follows SAP best practices for implementation and maintainability.			

APPENDIX 2



Contractor		Description of Engagement				
Gateway Services	Consulting	Gateway Consulting specializes in Strategic Training Management, Instructional Design, Communications, e-Learning, Cross Functional Process Development, Workforce Education, and Transition Management. On the project, Gateway Consulting will be providing program leadership in the area of Change Management, Recruiting, Training and Communications.				
TELUS		TELUS will be providing technical infrastructure services to the project. This includes all server, desktop and network implementation and support services.				

Appendix 3 GLOSSARY OF ACRONYMS AND TERMS



Glossary

Acronyms

CCE Customer Care Enhancement

- **CIS** Customer Information System
- **CRB** Customer Relationship Billing
- **OPI** Operation Process Integration
- **CRM** Customer Relationship Management
- FRICE-W Forms, Reports, Interfaces, data Conversion, Enhancements and Workflows

Terms

AFUDC – acronym for *Allowance for Funds Used During Construction*, which allows for the cost of borrowing funds until a project is placed into service to be included in rates; the requirement for AFUDC forms a separate line item of the overall Project cost.

Business Process Outsourcing – the contracting of a specific business task, including all responsibility for the management of the business processes and underlying information technology systems and applications required for the completion of an activity, such as call handling, to a third-party service provider.

Change Management Strategy – outlines the approach for managing the change impacts of the project.

Data Migration Strategy – defines the management, development and documentation for cleansing and transferring data to the new CIS.

Deferred Costs – operating and maintenance costs that are incurred but that will be expensed in the future.

Development System Infrastructure – the platform for where configuring and coding of the new system will take place.



In-source – a business practice in which work that would otherwise have been contracted out is performed by internal staff.

Interface Strategy – outlines the approach to manage the points of interaction with Terasen's existing systems and the new CIS.

Mobilization Team – This is the initial team required on site for project preparation.

Project Toolset – The project toolset is the AXON Project Support Environment ("APSE"). APSE is a structured project document management system used by the project team to manage the CRB project workflow and will serve as a repository for all CIS documentation throughout the life of the Project.

Appendix 4 FIVE POINT PARTNERS ASSURANCE REVIEW

FILED CONFIDENTIALLY

Appendix 5 CURRENCY EXCHANGE RATE DEFERRAL TRANSACTIONS

FILED CONFIDENTIALLY

Appendix 6 CONTROL BUDGET SCHEDULE



Appendix 6

Control Budget Schedule

Explanations of differences between the control budget and the estimate approved as part of the CPCN application process have been provided below:

Project Costs (000's)		Project Total		
	Control Budget	<u>CPCN</u> Estimate	Difference	Explanation of Difference
<u>Capital</u>				
Internal Labour	4,775	5,785	1,010	Lower spend on internal resources than originally planned, particularly through Preparation Phase
Consulting	30,827	31,291	464	-
Hardware	2,528	1,312	(1,216)	Contact Centre hardware was erroneously budgeted in Facilities; Additional software requirements resulting in increased hardware landscape (development, quality assurance, production, disaster recovery)
Software	6,600	5,640	(960)	Changes in chosen Contact Centre Technology solution plus addition of 3 year warranty; Additional software requirements identified during the design phase
Expenses	5,063	5,531	468	-
Facilities	14,502	18,931	4,429	Increased construction costs incurred at Prince George facility; Lower constructions costs for Burnaby facility; Lower furniture costs; Reclass of Hardware budget; Reclass of budget to Deferred O&M, erroneously budgeted here
Contingency	6,950	8,516	1,566	Reduction of contingency amounts associated with detailed design phase; Additional drivers for future contingency requirements are primarily related to include: third party interface costs; resources for integration testing, cutover activities and stabilization
Total Capital	71,245	77,006	5,761	



Project Costs (000's)		Project Total		
	<u>Control</u> Budget	<u>CPCN</u> Estimate	Difference	Explanation of Difference
Deferred O&M Internal Labour	6,810	9,631	2,821	Lower spend than originally planned on internal resources, particularly through Preparation Phase; Revised recruitment strategy includes adjustment of timing for the waves of new hires; Greater certainty around compensation of new staff;
Consulting	25,003	19,194	(5,809)	Significant increase in external expertise and support required for recruitment, training, documentation and change management activities
Hardware	447	-	(447)	Ongoing support for hardware - not budgeted in CPCN budgeted
Software	600	-	(600)	Annual SAP and related software licensing fees
Expenses	2,025	2,053	28	-
Facilities	1,380	1,037	(343)	Contact Centre Facility locations have been secured thereby budget estimates have been refined; Reclass of budget, erroneously budgeted in Capital
Contingency	3,890	3,142	(748)	A shift in contingency from capital to business implementation is consistent with this phase of the Project;
				Additional drivers for future contingency drawdown are primarily related to: resources for integration testing, cutover activities and stabilization; Increased AFUDC has been offset here
Total Deferred O&M	40,155	35,057	(5,098)	
Sub-Total	111,400	112,063	663	
AFUDC	4,100	3,437	(663)	Has been updated to reflect most current ROE decision as wa was received after CPCN application process; Deferred O&M Contingency has been adjusted to offset this increase
Grand Total	115,500	115,500	<u> </u>	