

July 29, 2011

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

Attention: Ms. Alanna Gillis, Acting Commission Secretary

Dear Ms. Gillis:

**Re: FortisBC Energy Inc. ("FEI") 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 June 30, 2011**

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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 FEI 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, FEI 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 FEI 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,

**FORTISBC ENERGY INC.**

***Original signed by:***

Diane Roy

Attachments



**FortisBC Energy Inc.**

**Customer Care Enhancement Project  
Quarterly Progress Report**

**For the Period April 1 to June 30, 2011**

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

**Submitted to the  
BRITISH COLUMBIA UTILITIES COMMISSION**

**July 29, 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 fifth Progress Report filed for the Project, and covers the quarter ending June 30, 2011.

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 FortisBC Energy Inc. (“FEI” or the “Company”) will go live with the new system continues to be January 1, 2012. No material scope changes were issued this quarter and no new risks have been identified.

Currently the Project team is engaged in the first cycle of Integration Testing<sup>1</sup> which commenced as scheduled on May 16, and this activity is progressing well. In the last quarterly report, there was mention of schedule slippage on the technical development primarily due to a loss of a few key resources. This schedule slippage resulted in the overlap of some non-critical technical development activities with the start of Integration Testing and therefore both activities are being managed concurrently with daily status updates to ensure sufficient daily progress is made. These activities have not affected the critical path schedule, particularly as Integration Testing is slightly ahead of schedule due to a lower defect rate than originally planned, which is also an indication of the quality of the system design and build. Additionally, the planning of cutover activities for the in-sourced transition has commenced with workshops being held with participation from the existing service provider.

Construction improvements and furniture installation at both the Prince George and Burnaby facilities are close to completion, with corrections to some minor deficiencies in progress. The recruitment team, currently at six members, will be relocating to the Burnaby contact centre facility from Surrey on July 4, in preparation for the mass hire recruiting exercise.

Recruiting plans are progressing according to schedule, with interviews and the selection process currently underway for the recruitment of team managers, senior analysts and work-leaders for both the contact centres and the billing operations groups. Additionally, the mass hire media materials are complete and ready for release in July. With substantial completion of the business process designs, a greater focus has been placed on the completion of the training materials and end-user documentation, as these will be utilized to train the new mass hires. While the majority of this work is on track, the development of the Billing Operations training material is taking longer than anticipated largely due to its greater complexity. As such, restructuring of the Training and Documentation team was initiated in June to facilitate faster knowledge transfer and a more effective decision-making and review process. Furthermore, additional resources were added to this group to assist with completion of this activity. FEI

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<sup>1</sup> Integration Testing is part of the Realization Phase of the Project and involves aggregating the individual system components and testing them as a group.

believes these remediation efforts will have a positive impact on the production of training materials and in bringing these activities back on track as per schedule.

In May, the FortisBC Energy Utilities (“FEU” or “the Companies”) filed their 2012–2013 Revenue Requirements and Rates Application (“the RRA Application”), which describes the forecasted staffing requirements and operating expenditures of the in-sourced operations. The RRA Application explains in detail the functional structure of the new Customer Service department along with the forecasted 2012 and 2013 operating costs, which are lower than the preliminary estimates supplied with the CCE Project Certificate of Public Convenience and Necessity (“CPCN”). The FEU believe the completion of this Project and the new ongoing in-sourced customer service framework will enable the FEU to better meet the current needs of their customers along with the ability to efficiently adapt as those needs change over time. For more information, please see Pages 190 to 206, Section 5: Cost of Service of the the RRA Application.

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 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 Quarterly Progress Report.

## **2 REPORTING DIRECTIVES**

This report is the Quarterly Progress Report for the CCE Project 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, FEI 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.”*

Furthermore, as per Order No. G-46-10, paragraph 2, FEI was directed to file the deferral account transactions as a confidential Appendix to the Quarterly Progress Reports.

This report serves to provide these particulars along with a comprehensive overview of the Project progress and accomplishments for the period ending June 30, 2011. The specific items identified above can be located in the following sections of this report:

**Table 2-1: Report Sections**

<b>Order No.</b>	<b>Item</b>	<b>Section Reference</b>
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

### **3 PROJECT BACKGROUND**

The Project involves the in-sourcing of key components of customer service activities and the implementation of a new Customer Information System (“CIS”) under FEI’s control. 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 strategic sourced Customer Service group to support the capability to deliver customer service excellence. SAP’s CIS, the Customer Relationship and Billing (“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 Outsourcing<sup>2</sup> model to a Strategic Sourcing model for customer service activities. These include:

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

The successful CCE implementation will enable FEI to fully own the direct customer experience and better position FEI 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 FEI 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 service representatives.

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<sup>2</sup> 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, FEI has partnered with HCL-Axon<sup>3</sup>.

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 entails the implementation of Interactive Intelligence's<sup>4</sup> all-in-one solution for managing multi-channel customer interactions, integrated with the SAP solution being implemented under the CRB Project. For the implementation of the CCT, FEI has partnered with Altivon<sup>5</sup>, 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 Service 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 establishment of the new Customer Service organization, including the documentation of the processes and controls required for service operations, together with the hiring, on-boarding and training of all of the new personnel. The ODS workstream is also responsible for the change management and communications activities for the entire CCE Project.

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<sup>3</sup> See Appendix 2 – List of Major Contractors - for background information on HCL-Axon

<sup>4</sup> See Appendix 2 – List of Major Contractors – for background information on Interactive Intelligence

<sup>5</sup> 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 June 30, together with a description of the Project plans for the next period, summarized by the three groups of activities described in Section 4.

The overall critical path Project schedule continues to remain on track with a system go-live date of January 1, 2012. The first two phases of the Project, the Preparation and Business Blueprint phases, are complete and the team is currently engaged in the Realization Phase of the Project. The Realization Phase of the Project encompasses the building and testing of the developed CIS, along with the continuation of knowledge transfer, and the final months of this phase include two cycles of Integration Testing. Integration Testing involves aggregating the tailored system components and running them in an end-to-end series to validate the overall business outcomes. The first cycle of testing, which encompasses conversion of 10 percent of the legacy data to create an integration test environment, commenced on May 16, and is currently in progress. As such, the Project team is currently performing full functional tests of the build solution utilizing this converted data. The purpose of Integration Testing is to verify the function, performance and reliability requirements placed on the major system design. The current progress with Integration Testing is promising, with a lower defect rate experienced than initially anticipated.

### **5.1 Major Accomplishments, Work Completed and Issues Resolved**

This past quarter, the Project team has been focussing its efforts on the configuration and development of reports and interfaces, Integration Testing of the new system along with the documentation of the business process designs. Additionally, recruiting, training and end-user documentation activities are in progress. With the breadth of activities currently underway, Project resources are close to being fully staffed, with some additional members to support training and documentation and the mass hire recruiting activities to be added over the coming months.

#### **5.1.1 CUSTOMER RELATIONSHIP AND BILLING AND OPERATION PROCESS INTEGRATION**

- Final system configuration is complete;
- Execution of configuration unit testing is substantially complete;
- Functional specification development is approaching completion with 95% completion;
- Technical specing and technical development is ongoing with 85% completion;
- Completed development of Integration Test cases and test steps for the first cycle of testing;

- Commenced Integration Test cycle one phase and activities are progressing according to schedule;
- Initial test mock conversion of data completed for creation of an Integration Test environment;
- Completed plans and detailed schedule for the second cycle of Integration Testing;
- Commenced the development of the scripts for the second cycle of Integration Testing;
- Completed development and unit testing of iEM<sup>6</sup>;
- Development of user security roles has commenced and is on schedule with completion anticipated by the end of July;
- Continued development and commenced unit testing of user security roles;
- Commenced development of batch processing functional specifications;
- All Request for Proposals for customer statement printing vendor have been evaluated and a vendor has been selected;
- Contracted with Worksoft to provide performance testing services;
- Commenced testing of the CRB module with existing systems;
- Development of reporting is ongoing and slightly behind schedule, with no impact to the overall schedule. The tasks are being managed daily to bring the reporting activities back on track; and
- Commenced testing of Interactive Voice Response (“IVR” system).

In the First Quarter 2011 Quarterly Report, there was mention of the corrective action activities taken on the three weeks of schedule slippage (in late February and into early March) on the technical development schedule, due to staff shortages and some activities taking longer than anticipated. With swift remedial action, including the replacement of three key resources along with the daily management of the development activities, these activities are back on track with minimal impact to the overall schedule. As such, the first cycle of Integration Testing commenced on time, on May 16, with the overlap of only non-critical development activities continuing through this transition. For both these activities, resources are being managed carefully through this period of overlap, with direct and daily management oversight to ensure both activities continue as scheduled. The initial outcome of the first cycle of Integration Testing looks promising, with a lower defect rate than originally anticipated which suggests a high quality of the system and as such, the Project’s critical path schedule for this element continues to remain on track.

The plans for detailed cutover activities are currently being assessed and encompasses the development of a transition plan of services from the current outsourced provider. The

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<sup>6</sup> iEM is the “Account On-Line” application being developed by HCL-Axon

comprehensive plan is currently under development and is being prepared in collaboration with Accenture and outlines the schedule, roles and responsibilities of items such as pre-live and post-live cutover tasks, last activity business processing along with knowledge transfer. The plan, once complete, will ensure both parties recognize and are equipped to fulfil their respective roles, expectations and accountabilities during the transition phase throughout late December through to early January. Furthermore, a review of all existing third party contracts held by Accenture and CWLP has been completed, with identification of those that will be assigned to FEI and those that will require new contracts.

Throughout the life of the Project, the team has been evaluating the impacts of the implementation of the CIS and associated new processes on existing systems and processes in other departments in the organization. In the last few months, there has been a greater focus in this area, with the development of training material and a training schedule for existing users, particular in the Operations department, where the greatest impact will be experienced. Furthermore, a cutover process for integrated processes, such as open work-orders and meter exchange activity, is currently underway to ensure a smooth transition. The Project team has completed process walkthroughs of all impacted processes with the Operations department stakeholders, and are now ready to begin regression testing<sup>7</sup> of the existing processes.

### **5.1.2 CONTACT CENTRE TECHNOLOGIES AND CONTACT CENTRE FACILITIES**

The contact centre technology build and testing continues to remain on track, with the commencement of IVR testing along with the completion of the hardware installation at the Prince George facility.

- IVR “voice” selected and approved;
- IVR design script recordings have been completed;
- IVR test scripts have been completed;
- Functional specifications for Dialer interface (SAP to Interactive Intelligence) have been completed;
- Prince George hardware has been installed;
- The development and unit testing of integration work with SAP has been completed; and
- A training strategy plan has been completed which outlines Altivon’s scope of delivery to support end user training development and delivery.

Construction improvements and furniture installation at both the Burnaby and Prince George facilities are substantially complete (please see photographs of the facilities in Appendix 6), with corrections to some minor deficiencies in progress. The recruitment team, currently at six

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<sup>7</sup> Regression testing is software testing that seeks to uncover any errors, or regressions, in functionality after changes have been made to the system

members, will be moving into the Burnaby facility on July 4 in preparation for the mass hire recruiting exercise. An initial set of computers and telephones has been installed at the Burnaby facility with the remainder to be installed at both the Burnaby and Prince George facilities in the coming months.

### **5.1.3 ORGANIZATIONAL DESIGN AND STAFFING**

As of the end of June, there were a total of thirty-six FEI employees working on the Project, who will continue to support the new Customer Service department in their respective areas of expertise in customer service, information technology or human resource management, beyond January 1, 2012. The various customer service and billing managers and work leaders, hired throughout the last six months, have been working on the preparation of process designs, training materials, and documentation, and will subsequently play a key role in the training of the new customer service representatives and billing representatives to be hired later this year. Furthermore, recruiting efforts for an additional twenty-five positions, comprising team managers, work-leaders and senior analysts' roles are currently underway and FEI expects these positions to be filled between July and the end of August; and once on-board they will provide support in training and testing activities. The application response for the Burnaby location positions posted earlier this year was overwhelming, while the initial response for the recent Prince George location postings was not as high as anticipated. FEI believes that by providing for a greater awareness of the Company and its career opportunities in and around the Prince George area, the application response rate can be significantly increased. Furthermore, the mass hire recruiting preparations are well underway with the release of the job postings and media materials scheduled for July. FEI believes this campaign will facilitate a greater awareness of the Customer Service career opportunities available at FEI and increase applicant response rates.

The development of the business process design (BPath) documentation is close to completion after falling a little behind schedule in the earlier half of this quarterly period. These documents will serve as the primary inputs to develop the training and end-user documentation. The development of these training materials is currently underway and while most documentation is on track, increased attention has been directed to the Billing Operations training materials due to its greater complexity, and as such, additional resources have been added to complete this activity. Additionally, the Training and Documentation team was restructured in June in order to facilitate increased knowledge transfer between team members along with a more effective decision-making and review process. Detailed activities completed in this area this quarter include:

- The detailed learning objectives for the training curriculum are complete;
- Training templates are complete;
- Commenced development of the curriculum and lesson plans and architecture;
- The development of instructor materials is ongoing;

- Commenced preparation of logistics for the delivery of training;
- Completed the development of the end-user knowledge base repository.. User acceptance testing (UAT) of the tool will be completed in July and loading of materials to this repository will begin in August;

The training and end-user documentation will continue to be a key focus for Project management over the coming months due to its critical path connection to the on-boarding and training of the mass hires. FEI believes the recent restructuring of this group to maximize the transfer of business knowledge along with the addition of resources will have a positive impact on the timely production of the training materials and end-user documentation.

Forecasted operating expenditures for the in-sourced customer service activities for both 2012 and 2013 were filed with the BCUC in May as part of the RRA Application. Since the filing of the CCE Project CPCN Application in 2009, the operating expenditure estimates have been refined by drawing on the detailed functional design of the new CIS and other information from the CCE Project. As such, the revised estimates for both years are lower than those estimates originally filed with the CPCN Application. The O&M forecast for 2012 is lower by \$0.7 million and for 2013 by \$1.5 million. Due to the uncertainties, the FEU will be facing in the first years of operating under a new service model and technology platform, a deferral account is being sought to capture any differences between actual and forecasted 2012 and 2013 O&M expenditures for the in-sourced customer service activities. The implementation of the CCE Project will provide the FEU with better control over critical customer touch points and processes and enable the FEU to respond effectively to customers changing expectations. The 2012 and 2013 forecasted O&M levels along with the deferral account will enable the FEU to deliver these benefits through an in-sourced customer service operations framework at a lower operating cost than the current outsourced arrangement, where any further savings realized in 2012 and 2013 will accrue to customers by way of the proposed deferral account. For more information, please see Pages 190 to 206 , Section 5: Cost of Service of the RRA Application

## **5.2 Plans for Next Period (July to Sept 2011)**

Over the next three months, the Project team will complete the first cycle of Integration Testing and will begin the second cycle. Additionally, all technical development and functional specification development will be completed. Training and end-user documentation will be substantially complete and train-the-trainer activities will commence, wherein managers will be trained in the effective delivery of the training materials.

### **5.2.1 CUSTOMER RELATIONSHIP AND BILLING AND OPERATION PROCESS INTEGRATION**

The first cycle on Integration Testing will be completed at the end of July with the second cycle, utilizing a full set of converted data, to commence subsequently. Specific activities planned for the quarter include:

- Complete mock conversion 1.1;
- Complete mock conversion 2 with the creation of the environment for Integration Test Cycle 2;
- Complete Integration Test Cycle 1;
- Complete functional specification development;
- Continue development and unit testing of technical items; and
- The development of integrated process designs and detailed procedures for the Operations department will be ongoing along with the development of end-user training and documentation.

Planned activities for the next quarter will entail a “mock cutover” exercise wherein the team will simulate a conversion of the entire database from the Peace system to SAP along with testing using the full set of converted data. This quarter will also see the start of performance testing and comparison testing, which involves the loading of controlled meter read files into both the legacy Peace System and the new SAP system to compare and evaluate results. Furthermore, planning of detailed cutover activities will continue with the ongoing development, refinement and practicing of the cutover execution.

### **5.2.2 CONTACT CENTRE TECHNOLOGIES AND CONTACT CENTRE FACILITIES**

Activities for the upcoming quarter will include the continuation of testing activities of the new contact centre technology, including:

- Continue IVR testing and SAP integration testing;
- Complete pilot desktop implementation and soft phone testing;
- Complete Internet Protocol (“IP”) readiness testing for both the Burnaby and the Prince George sites; and
- Order and install the remaining desktops for both facilities.

Over the coming months, all minor construction deficiencies will be corrected at both the Burnaby and the Prince George facility. In July, the Customer Service team will begin their transition to the Burnaby facility, with the recruitment team scheduled to move first. Customer Service Contact Centre Managers and Billing Operations Managers will transition from mid-August through to September.



The recruiting team will facilitate all recruitment efforts at the new employees' place of work, at either the Burnaby or Prince George facility, together with on-boarding and training activities. Furthermore, the transition of the existing operational staff to the new facilities will enable staff to settle into the new "residence" for several months before go-live and test and train utilizing the new system in the environment in which it will be employed. Additionally, these moves will ease the challenges the Project team has been facing in recent weeks with workspace availability. The Project team currently is occupying the two largest adjoining meeting rooms on the first floor at the Surrey Operations Centre, along with three other regular meeting rooms in the building, which have been outfitted for Project team members.

### **5.2.3 ORGANIZATIONAL DESIGN AND STAFFING**

FEI will be conducting interviews and selecting approximately twenty-five candidates to fill manager, work-leader, and analyst roles for both the Billing Operations group, and the two Contact Centres. Furthermore, the media campaign for the mass hires will commence in July and subsequently the processing of applications will take place.

The development of end-user training materials and documentation will continue with substantial completion expected this quarter in preparation for train-the-trainer activities in September, when managers will be trained on the effective classroom delivery of the training materials.

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



## **6 PROJECT SCOPE**

All scope changes and requests for funding for specific items from the Project contingency budget are reviewed and approved by the CCE Project Steering Committee before implementation. While there were no material functional scope changes in the Second Quarter of 2011, specific requests for spend of the Project contingency budget follow the same process, and therefore, for the purpose of this report are characterized as “scope changes”. There were four such scope changes issued and approved during this period and are described below.

1) Extension of key HCL-Axon and SAP resources

As part of the continuous risk mitigation process, Project Management recommended that key HCL-AXON and SAP resources be extended beyond their original end date. This entails extending resources originally scheduled to be rolled off at the end of Integration Test Cycle 1 to remain on the Project and participate in Integration Test Cycle 2 along with providing ongoing Project support. It is anticipated that expenses associated with the extension of these resources will be managed within the existing expense budget. The total cost of this change request amounted to \$900 thousand.

2) Additional support for performance testing

The Project is utilizing some existing software to support the performance testing of the application. Project Management recommended that the vendor be engaged to support the creation and execution of test scripts to replicate expected production volumes and ensure appropriate system response performance. The total cost of this change request amounted to \$366 thousand.

3) Development of a Knowledge Base application

To support the ongoing operations in the Contact Centres and Billing Operations, the development of an application to maintain all ongoing training and documentation material was recommended. The total cost of this change request was \$330 thousand.

4) Additional resourcing requirements

Similar to the change item #1 listed above, it was necessary to extend some Project resources beyond the original planned roll-off date. It is anticipated that there will be minimal expenses associated with these resources and can be managed within the existing expense budget. Total cost of this change request was \$542 thousand.

The control budget filed as part of the First Quarter 2011 Progress Report outlined a total contingency budget of \$8.611 million. The total scope changes approved this reporting period amount to \$2.138 million and have been managed within the approved budget of \$115.5 million (including AFUDC), and within the +/- 10 percent band established, by drawing down on the contingency budget. Therefore, at the end of the second quarter of 2011, the Project has a remaining contingency budget of \$6.473 million.

## 7 PROJECT SCHEDULE

The overall Project schedule's critical path remains on track and the scheduled date FEI will go live with the new CIS 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 scheduled on October 29 2010, and the Project team is currently engaged in the Realization Phase. This phase of the Project includes two cycles of Integration Testing, and the entire Realization phase is expected to be completed on October 31, 2011. The Project team is currently engaged in the first cycle of Integration Testing, which commenced on schedule on May 16, 2011.

**Table 7-1: Milestone Schedule**

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

### 7.2 Project Schedule

The Project schedule is attached as Appendix 1 and is a reflection of the full scope of work to be completed for the Project.

## 8 PROJECT COSTS

The Project spend remains on track with no variance to the approved spend of \$115.5 million, or the +/- 10 percent band established, as shown in the resource view format below.

The table below shows the movement of the total approved contingency amounts for the Project through to the end of June and includes the reclass of the \$2.138 million approved contingency spend (described in Section 6), from Capital Contingency to Capital Consulting.

**Table 8.1: Contingency Allocation Report Summary to June 30, 2011**

<u>Project Costs (000's)</u>	<u>Project Total</u>		
		<u>Approved Expenditures</u>	
	<u>Control Budget</u>	<u>Against Contingency Budget</u>	<u>Revised Control Budget</u>
<b><u>Capital</u></b>			
Internal Labour	4,775	-	4,775
Consulting	30,827	3,494	34,321
Hardware	2,528	615	3,143
Software	6,600	122	6,722
Expenses	5,063	-	5,063
Facilities	14,502	-	14,502
Contingency	6,950	(4,231)	2,719
	<b>71,245</b>	<b>-</b>	<b>71,245</b>
<b><u>Deferred O&amp;M</u></b>			
Internal Labour	6,810	136	6,946
Consulting	25,003	-	25,003
Hardware	447	-	447
Software	600	-	600
Expenses	2,025	-	2,025
Facilities	1,380	-	1,380
Contingency	3,890	(136)	3,754
	<b>40,155</b>	<b>-</b>	<b>40,155</b>
<b>Net Total</b>	<b>111,400</b>	<b>-</b>	<b>111,400</b>
AFUDC	4,100	-	4,100
<b>Grand Total</b>	<b>115,500</b>	<b>-</b>	<b>115,500</b>

The following table shows the project spend to date against the revised control budget.

**Table 8.2: Cost Report Summary to June 30, 2011**

<u>Project Costs (000's)</u>	<u>Actual</u>	<u>Project Total</u>		
	<u>Spend to Date</u>	<u>Revised Control Budget</u>	<u>Project Forecast</u>	<u>Variance</u>
<b><u>Capital</u></b>				
Internal Labour	2,455	4,775	4,775	-
Consulting	19,485	34,321	34,321	-
Hardware	1,556	3,143	3,143	-
Software	5,598	6,722	6,722	-
Expenses	2,636	5,063	5,063	-
Facilities	11,198	14,502	14,502	-
Contingency	-	2,719	2,719	-
	<b>42,928</b>	<b>71,245</b>	<b>71,245</b>	<b>-</b>
<b><u>Deferred O&amp;M</u></b>				
Internal Labour	1,250	6,946	6,946	-
Consulting	3,709	25,003	25,003	-
Hardware	-	447	447	-
Software	-	600	600	-
Expenses	449	2,025	2,025	-
Facilities	120	1,380	1,380	-
Contingency	-	3,754	3,754	-
	<b>5,527</b>	<b>40,155</b>	<b>40,155</b>	<b>-</b>
<b>Net Total</b>	<b>48,455</b>	<b>111,400</b>	<b>111,400</b>	<b>-</b>
AFUDC	2,160	4,100	4,100	-
<b>Grand Total</b>	<b>50,615</b>	<b>115,500</b>	<b>115,500</b>	<b>-</b>

Although unforeseen opportunities still lie ahead as the Project team continues through a more complex phase of the Project, including building and testing the new system, along with a significant recruitment and training undertaking, the Project budget continues to track well against plan. At this time, the Company has not identified any significant changes in scope that could cause the Project spend to be greater than the +/- 10% band established as per Commission Order No. C-1-10.

## 9 PROJECT RISKS

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

**Table 9-1: Project Risks**

<b>Risk Description</b>	<b>Potential Risk</b>	<b>Mitigation Strategy</b>
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.

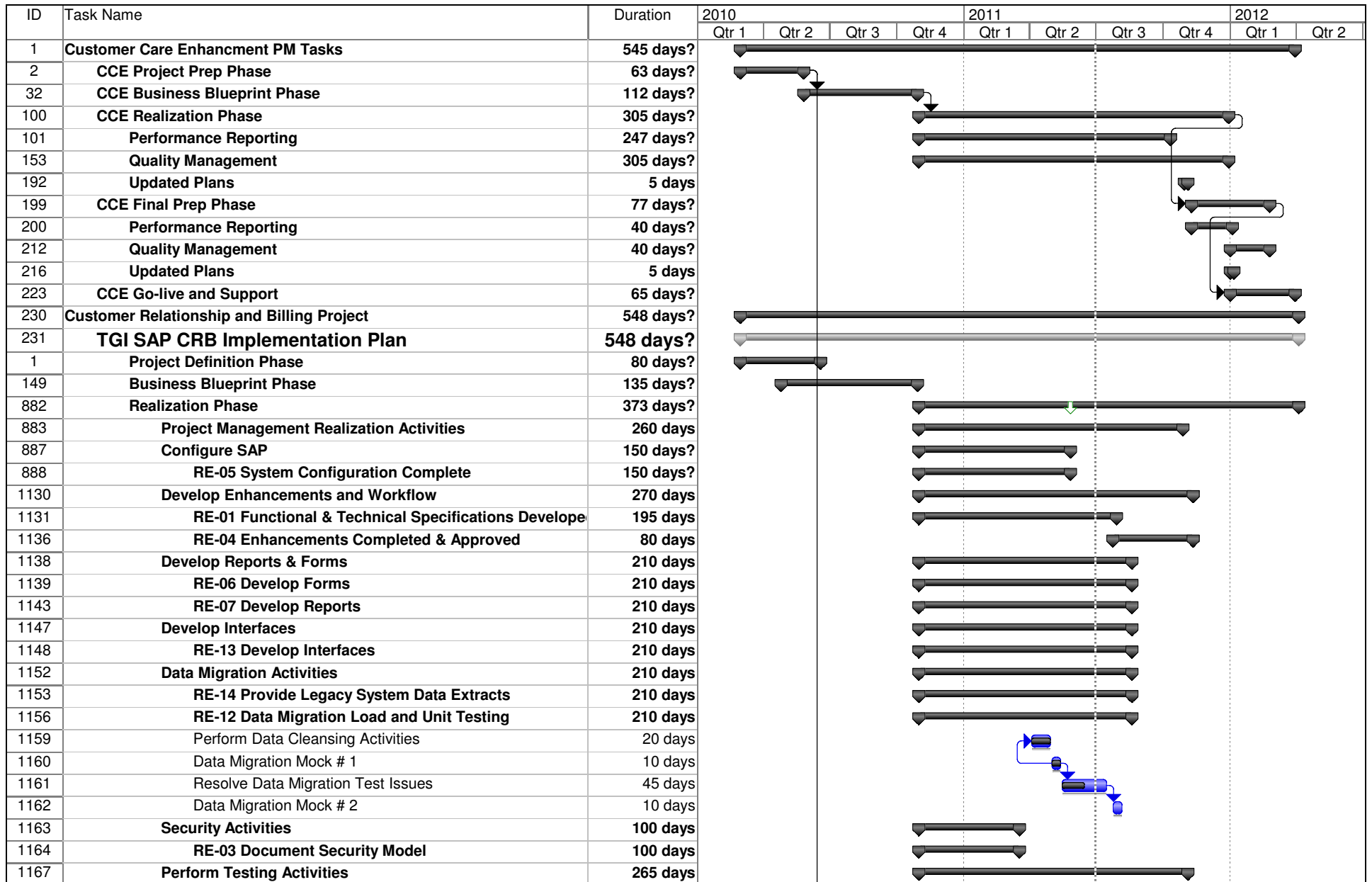
The Project team has started work this quarter on the preparation of cutover activities with the current outsourced provider to ensure a smooth transition in January 2012, and will continue with this work throughout the next quarter.

Various measures have been implemented in order to address uncertainties associated with employment application response rates and the quality of the applicants received for the mass hire recruiting exercise. A comprehensive recruiting plan is in place, utilizing a variety of media channels to communicate the Company's upcoming employment opportunities, including print, radio and social media along with a corporate campaign to encourage Company employees to spread the word. Furthermore, a potential second wave of media coverage has been prepared and can be deployed if initial response rates to the mass hire postings are lower than anticipated. FEI believes these measures will facilitate a greater awareness of the Customer Service career opportunities and increase applicant response rates.

**Appendix 1**

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**PROJECT SCHEDULE**



Project: 2011 07 17 CCE Program  
Date: Sun 7/17/11

Task

Split

Progress

Milestone

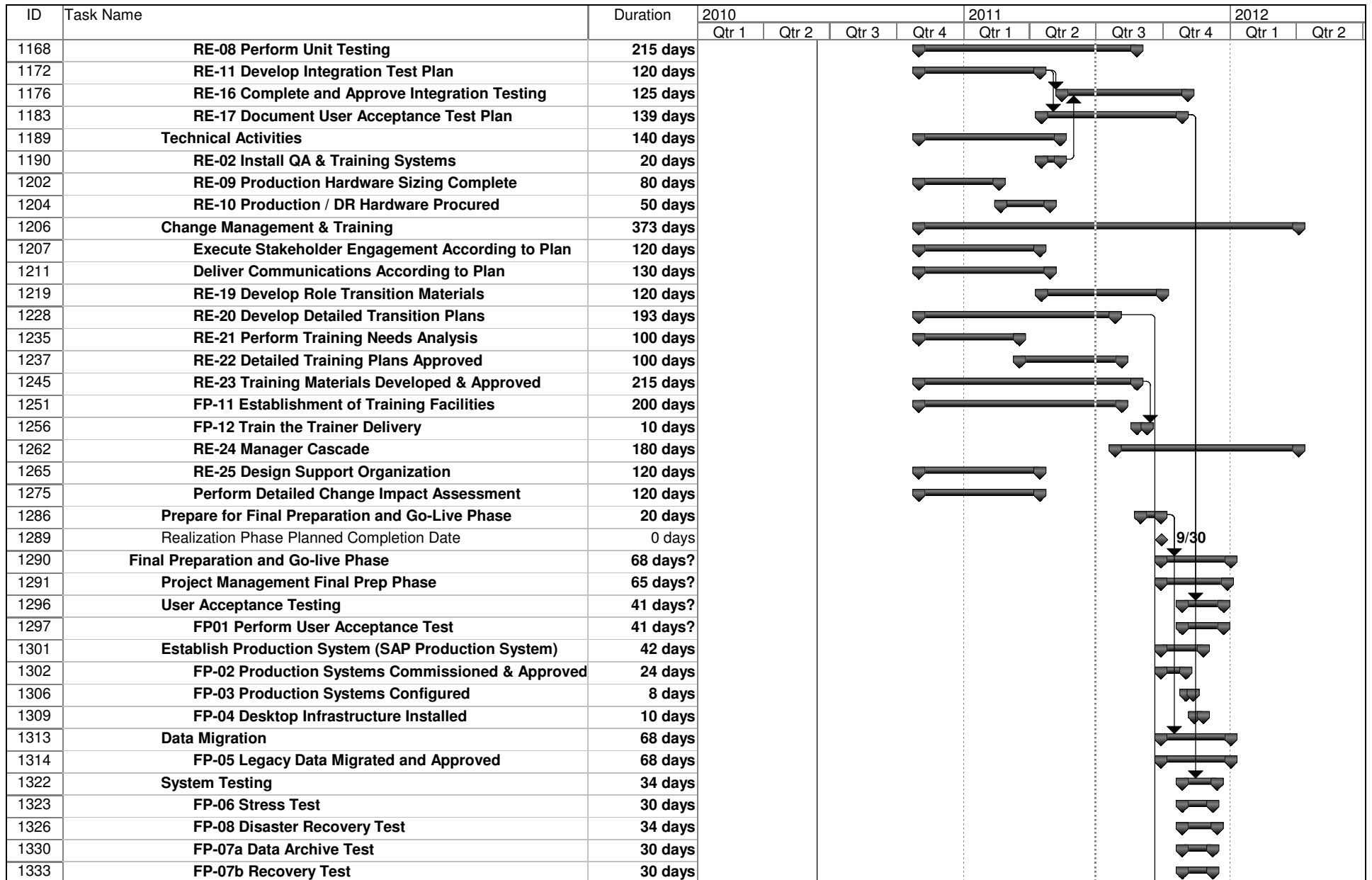
Summary

Project Summary

External Tasks

External Milestone

Deadline



Project: 2011 07 17 CCE Program  
Date: Sun 7/17/11

Task

Split

Progress

Milestone

Summary

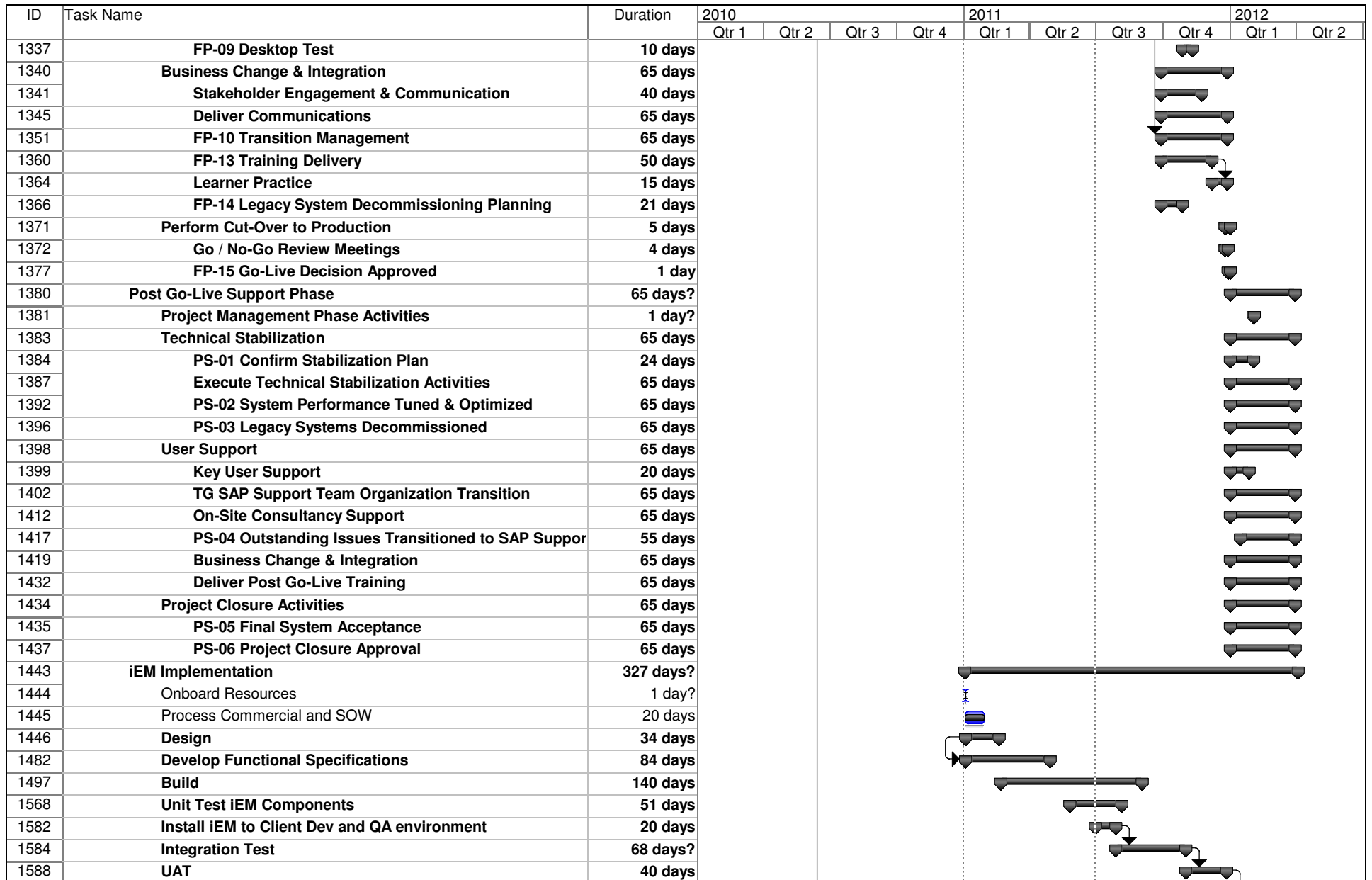
Project Summary

External Tasks




External Milestone

Deadline





Project: 2011 07 17 CCE Program  
Date: Sun 7/17/11

Task   
Split   
Progress 

Milestone   
Summary   
Project Summary 

External Tasks   
External Milestone   
Deadline 


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
1590	<b>Go-Live &amp; Support</b>	<b>70 days?</b>										
232	<b>Operations Process Integration Project</b>	<b>455 days</b>										
233	<b>OPI Project Prep Phase</b>	<b>20 days</b>										
234	<b>Process Scope</b>	<b>20 days</b>										
236	<b>OPI Business Blueprint Phase</b>	<b>89 days</b>										
237	<b>Process Designs</b>	<b>30 days</b>										
241	<b>Functional Approach Docs and Plans</b>	<b>15 days</b>										
246	<b>Functional Specs</b>	<b>45 days</b>										
251	<b>SoW's and Detailed Plans</b>	<b>15 days</b>										
256	<b>OPI Realization Phase</b>	<b>241 days</b>										
257	<b>Technical Specs</b>	<b>40 days</b>										
262	<b>Build and Unit Test</b>	<b>80 days</b>										
267	RE-08 Perform Unit Testing	180 days										
268	<b>Integration testing</b>	<b>85 days</b>										
272	OPI Final Prep Phase	40 days										
273	OPI Go live & Support Phase	65 days										
274	<b>Organizational Design and Staffing Project</b>	<b>460 days?</b>										
275	<b>Process Designs</b>	<b>260 days</b>										
280	<b>Organization Design</b>	<b>170 days</b>										
290	<b>Communications</b>	<b>460 days</b>										
306	<b>Change Management</b>	<b>400 days</b>										
320	<b>Recruitment</b>	<b>347 days?</b>										
321	Recruitment Strategy	30 days										
322	Recruitment and Hiring Plan	60 days										
323	Recruitment Schedule M&E	20 days										
324	Orientation Plan M&E	45 days										
325	Recruitment Schedule COPE	20 days										
326	Orientation Plan COPE	45 days										
327	<b>Recruit M&amp;E</b>	<b>262 days?</b>										
328	Wave 1 (initial Managers)	30 days										
329	<b>Wave 2 (January 2011) Hire</b>	<b>167 days?</b>										
341	<b>Wave 3 (April - June 2011) Hire</b>	<b>84 days?</b>										
355	<b>Recruit COPE</b>	<b>347 days?</b>										
356	<b>Wave 2 (January 2011) Hire</b>	<b>168 days?</b>										
368	<b>Wave 3 (April - June 2011) Hire</b>	<b>253 days?</b>										
380	<b>Mass hire</b>	<b>282 days?</b>										
393	<b>Learning and Documentation</b>	<b>380 days</b>										
394	<b>Prep and planning</b>	<b>130 days</b>										

Project: 2011 07 17 CCE Program  
Date: Sun 7/17/11

Task 

Split 

Progress 

Milestone 

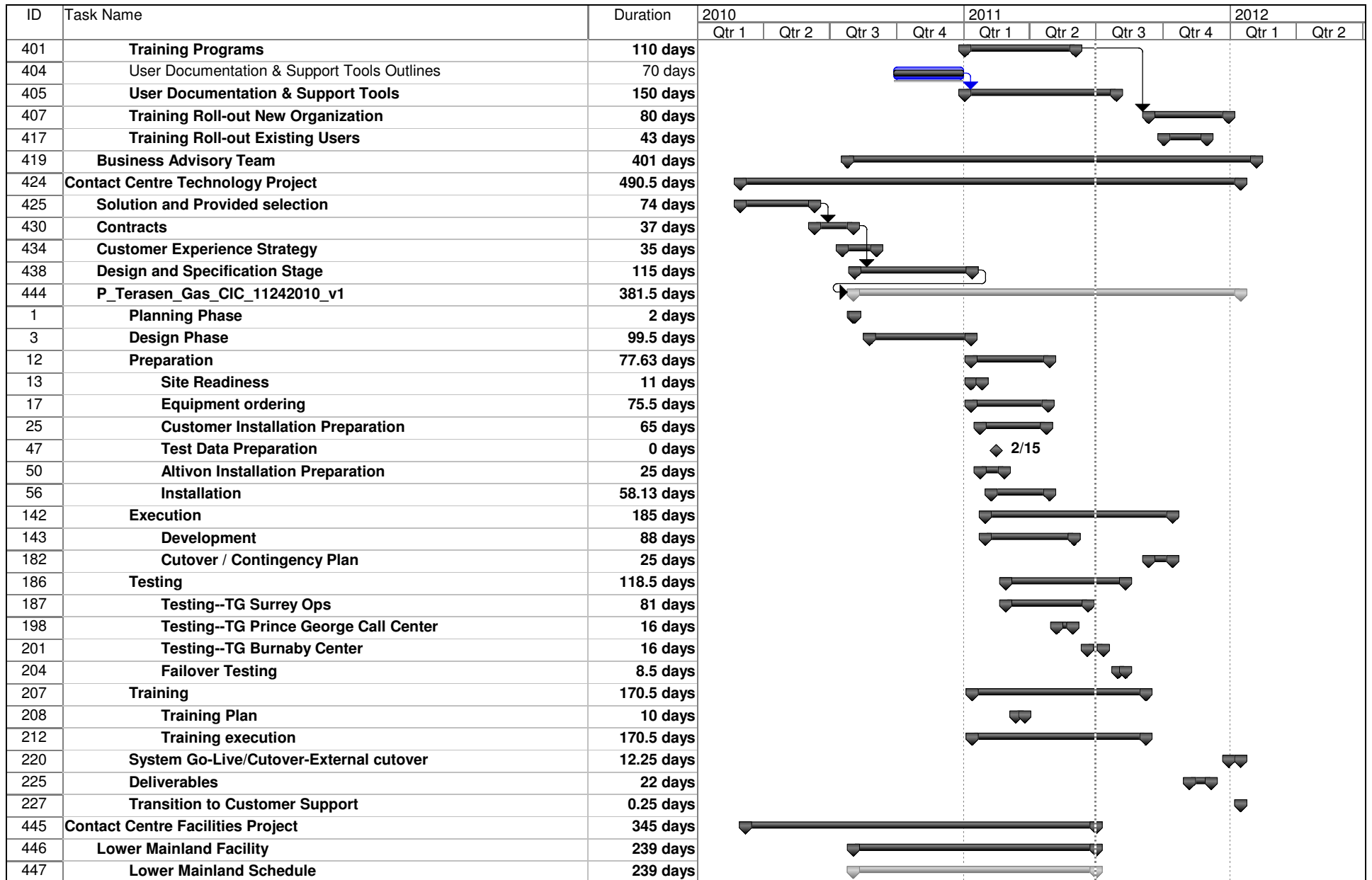
Summary 

Project Summary 

External Tasks 

External Milestone 

Deadline 



Project: 2011 07 17 CCE Program  
Date: Sun 7/17/11

Task

Split

Progress

Milestone

Summary

Project Summary

External Tasks

External Milestone

Deadline


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
1	Programming	16 days										
8	Space planning + Schematic Design	23 days										
19	Design development	21 days										
26	Consultant Documentation	52 days										
37	Tender	35 days										
42	Permits and Construction	125 days										
49	Furniture	134 days										
448	Prince George Facility	344 days										
449	Prince George Schedule	344 days										
1	Programming	10 days										
7	Schematic Design	27 days										
15	Design Development	19 days										
23	Contract documents	30 days										
39	Tender	25 days										
44	Permits and Construction	277 days										

Project: 2011 07 17 CCE Program  
Date: Sun 7/17/11

Task 

Split 

Progress 


Milestone 

Summary 

Project Summary 

External Tasks 

External Milestone 

Deadline 

**Appendix 2**

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**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, FEI has partnered with Altivon, who is the implementation partner of Interactive Intelligence.
Fujitsu	Fujitsu Consulting provides ongoing technical support for many of the existing systems utilized by FEI. Fujitsu will be providing technical support for changes required to the these systems as well as the interfaces to and from the new CIS.
Habanero	Habanero Consulting provides application support for the Café system. Habanero will provide technical support for the changes required to the Café system as well as provide Microsoft Sharepoint expertise in developing the Customer Service Knowledge base repository.
Hansen Technologies	Hansen Technologies is the product owner of the CIS system currently utilized by FEI. Hansen will provide data migration services from their existing system to the new SAP CIS with the focus on legacy data quality and extraction.

Contractor	Description of Engagement
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 FEI's 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.
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 FEU on many initiatives over the last few years, and has in-depth knowledge of SAP, FEI's operating model and provides Project Management Institute certified project management services.

Contractor	Description of Engagement
SAP Active Global Support	SAP's Active Global Services provide production support for all SAP customers. On this project, they will be assisting the project team by proactively reviewing key risk areas that have been experienced with other implementations and providing risk mitigation strategies of technical issues such as system performance. 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.
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.
Gateway Consulting Services	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.
Worksoft	Worksoft specializes in automated testing solutions. They will provide support in drafting testing scripts to validate the business process workflows along with conducting system performance / volume tests.



**Appendix 3**

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**GLOSSARY OF ACRONYMS AND TERMS**

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## Glossary

### Acronyms

**CCE** Customer Care Enhancement

**CIS** Customer Information System

**CRB** Customer Relationship and Billing

**OPI** Operation Process Integration

**CRM** Customer Relationship Management

**FRICE-W** Forms, Reports, Interfaces, data Conversion, Enhancements and Workflows

**IVR** Interactive Voice Response

### 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.

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**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

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**FIVE POINT PARTNERS ASSURANCE REVIEW**

**FILED CONFIDENTIALLY**

Appendix 5

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**CURRENCY EXCHANGE RATE DEFERRAL TRANSACTIONS**

**FILED CONFIDENTIALLY**

## **Appendix 6**

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# **PHOTOGRAPHS OF THE CONTACT CENTRE FACILITIES**

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## Photographs

### **Burnaby Willingdon Park Customer Service Centre**

The exterior of the Burnaby Willingdon Park Customer Service Centre:



The interior of the Burnaby Willingdon Park Customer Service Centre:





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## Prince George Customer Service Centre

The exterior of the Prince George Customer Service Centre:



The interior of the Prince George Customer Service Centre:



The interior of the Prince George Customer Service Centre:

