

October 31, 2011

British Columbia Utilities Commission
6th 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 September 30, 2011

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 and 7 are 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 July 1 to September 30, 2011

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

**Submitted to the
BRITISH COLUMBIA UTILITIES COMMISSION**

October 31, 2011

Table of Contents

1	Executive Summary	1
2	Reporting Directives	3
3	Project Background	4
4	Project ACTIVITIES.....	5
4.1	Customer Relationship Billing and Operation Process Integration (“OPI”).....	5
4.2	Contact Centre Technologies (“CCT”) and Contact Centre Facilities (“CCF”)	5
4.3	Organizational Design and Staffing (“ODS”)	5
5	Detailed Project Status	6
5.1	Major Accomplishments, Work Completed and Issues Resolved.....	6
5.1.1	<i>Customer Relationship and Billing and Operation Process Integration</i>	<i>6</i>
5.1.2	<i>Contact Centre Technologies and Contact Centre Facilities</i>	<i>8</i>
5.1.3	<i>Organizational design and Staffing.....</i>	<i>8</i>
5.2	Plans for Next Period (Oct to Dec 2011)	9
5.2.1	<i>Customer Relationship and Billing and Operation Process Integration</i>	<i>9</i>
5.2.2	<i>Contact Centre Technologies and Contact Centre Facilities</i>	<i>10</i>
5.2.3	<i>Organizational design and Staffing.....</i>	<i>10</i>
5.3	Quality Assurance Review	10
6	Project Scope.....	12
7	Project Schedule	13
7.1	Milestone Summary	13
7.2	Project Schedule	13
8	Project Costs	14
9	Project Risks.....	18

List of Appendices

Appendix 1 Project Schedule

Appendix 2 List of Major Contractors

Appendix 3 Glossary of Acronyms and Terms

Appendix 4 Five Point Partners Assurance Review - **CONFIDENTIAL**

Appendix 5 Currency Exchange Rate Deferral Transactions – **CONFIDENTIAL**

Appendix 6 Control Budget Schedule

Appendix 7 MNP Business Process Quality Assurance Review - **CONFIDENTIAL**

1 EXECUTIVE SUMMARY

This Quarterly Progress Report (the “Progress Report”) for the Customer Care Enhancement (“CCE”) Project (the “Project”) is the sixth Progress Report filed for the Project, and covers the quarter ending September 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 material risks have been identified.

The Project team has successfully completed the first cycle of Integration Testing¹ as per schedule on July 31 and commenced the second cycle of Integration Testing on August 1, 2011. The first cycle of Integration Testing saw a lower error rate than initially anticipated which gives an indication of the quality of the system design and build. The second cycle of Integration Testing is a more rigorous testing cycle and will be completed at the end of October. Software design and development activities have been materially completed with close monitoring of the completion rate and the remaining development tasks. Data conversion activities have been progressing well with two planned practice conversions completed this period which included a successful reconciliation of the financial data in the new CIS to that in the source system.

Recruitment of the mass hires was a significant focus this period with the processing of more than 13,000 applications for the 312 available positions, of which 282 (90.4 percent) were filled this quarter and the remaining will be filled in October. The production of training material and end-user documentation is progressing well after a realignment of the groups to improve knowledge transfer, streamlining of the decision-making and review processing, and with the addition of resources. The production of this documentation is materially complete in preparation for the training sessions. The first group of Billing Operations employees will begin their training on October 3 and the first group of Contact Centre employees will do so on October 24. Furniture installation was completed in the new Contact Centre facilities, along with the preparation of temporary training facilities. Over 84 team members are now based in the new Contact Centres.

MNP LLP (“MNP”), a management-consulting firm, was commissioned by FEI to provide an independent review of the completeness and quality of the developed and documented processes. Based on their review, MNP believes that FEI will be sufficiently prepared to assume control of the Customer Service functionality on January 1, 2012 assuming the Project continues to execute to its current plans. A copy of MNP’s independent Business Performance Quality Assurance Review has been included as Confidential Appendix 7 of this Quarterly Progress Report.

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

For the remainder of 2011, the Project team will continue to focus on preparations for go-live both from a system and staffing perspective. System testing activities will include integration testing, comparison testing, performance testing, and user acceptance testing. The Project will also complete a final practice data conversion and two full dress rehearsals of the cutover activities in final preparation for the execution of the full cutover at the end of December. The on boarding and training of the new Customer Service employees will begin in early October and all training will be completed by December 30th.

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 September 30, 2011. The specific items identified above can be located in the following sections of this report:

Table 2-1: Report Sections

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

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 Outsourcing² 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.

² 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-Axon³.

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's⁴ 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 Altivon⁵, 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.

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

⁴ Ibid. – for background information on Interactive Intelligence

⁵ Ibid. – 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 September 30, together with a description of the Project plans for the next period, summarized in the three groups of activities described in Section 4.

The last three months have seen high levels of various activities including ongoing development and testing of the new system, the development of training and end-user documentation along with a mass recruiting exercise. Good progress is being made in all areas and thereby the overall critical path Project schedule continues to remain on track with a system go-live date of January 1, 2012.

The first two major 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. This 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 purpose of Integration Testing is to verify the function, performance and reliability requirements placed on the major system design.

5.1 Major Accomplishments, Work Completed and Issues Resolved

The Project team completed the first cycle of Integration Testing as scheduled on July 31, and subsequently began the second cycle. The build of the core systems has been completed and detailed preparation for cutover from the current to the new system is underway. To date, four of the seven planned practice system conversions have been completed. With the fourth conversion, the Project team was able to reconcile the financial data in the new CIS to the data in the legacy Peace application. Recruiting for the mass hires was also a significant focus this period with the release of recruitment media materials in early July to the subsequent processing of applications, interviewing and on boarding of the mass new hires. With the wide breadth of activities completed this quarter, the Project resources were at the highest with a total of 170 core team members and another almost 130 part time resources actively involved in the Project.

5.1.1 CUSTOMER RELATIONSHIP AND BILLING AND OPERATION PROCESS INTEGRATION

The activities this period included:

- The development of functional specification was completed
- Technical specing and technical development is 99% complete and ahead of baseline schedule development and will be completed by the end of October
- Integration Test cycle one completed on schedule

- Completed testing of the Interactive Voice Response (“IVR”) system
- Commenced Integration Test cycle two as per schedule and tasks are progressing as per plan.
- Completed development of the iEM (new Account online) system and migrated from the AXON development environment to FEI’s environment where unit testing was started. This activity is behind schedule but not impacting the critical path timeline.
- Completed the execution of second and third test data conversions (to test the full data load and mock 2.0 – to create the second test environment)
- Initiated comparison testing following mock 2.0 conversion
- Completed mock conversion 2.1 comparison testing and data quality conversion
- Completed planning for mock conversion 3.0
- The development of user security roles is complete and testing of user security roles is in progress
- The development and testing of batch processing routines is in progress
- Continued testing of bill print with external vendors and commenced comparison tests
- Completed SAP Max Attention process review
- Knowledge base (repository) fully completed as scheduled and began loading with completed end user documentation and training materials
- Commenced negotiations with CanTalk for translation services contract
- MNP performed process design review and risk analysis
- The design and development of end-user reporting is taking longer than initially anticipated and additional resources have been brought on-site to support this work. This work is not impacting the overall critical path schedule
- Unit testing is ongoing and slightly behind schedule, but with fewer test issues identified than were originally anticipated/ planned
- Completed the detailed planning and preparation for performance testing
- Completed train-the-trainer activities for the functional groups within the Operations department who will be impacted by the change to the new CIS
- Continued the development of training materials and end user documentation materials for the Operations department
- Completed review of all third party contracts for reassignment

The first cycle of Integration Testing, was successfully completed on time on July 31 and encompassed the conversion of 10 percent of the legacy data to create an Integration Test environment. This cycle of testing involved the testing of over 2,000 test scripts and yielded a lower error rate than had initially been estimated, which speaks to the quality of the

functional and technical specification, application development, unit testing and data migration activities. The second cycle of Integration Testing is currently underway, and is more vigorous as it utilizes the full set of converted data. The testing is progressing according to schedule and is expected to conclude as scheduled on October 31.

The plans for detailed cutover activities have been finalized. The comprehensive plan has been developed 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 cutover schedule comprises of a handover of live emergency call handling from Accenture to FEI on Sunday January 1, 2012 at 12:01am.

5.1.2 CONTACT CENTRE TECHNOLOGIES AND CONTACT CENTRE FACILITIES

The activities completed this period include:

- Continue to configure users for the contact centre technology / telephony system as new hires are brought on
- Executed train-the-trainer program for use of the CCT system
- Continue pilot desktop implementation and soft phone testing

All construction and renovation deficiencies to the Prince George and Burnaby Contact centres facilities have been addressed. In the last report there was mention of the recruitment team relocating to Burnaby from Surrey and since that time more employees have relocated to either the Burnaby or Prince George Contact Centre facilities, with a total of 73 employees working in Burnaby and 11 in Prince George.

All desktop and telephone installations have been completed along with preparation of training rooms in anticipation of the training sessions to begin in October.

5.1.3 ORGANIZATIONAL DESIGN AND STAFFING

The media campaign and job postings for the mass hires were released in July and the results were positive. FEI received an overwhelming 13,000+ applicants for 312 vacant positions (a mix of full time, part time and auxiliary roles). These applications were processed throughout July and August, and successful applicants were interviewed in August and September. The response rate for positions at the Prince George site was a significant improvement this period, and as of the end of September, 90.4 percent of the vacant positions for both Burnaby and Prince George were filled, with the remaining 10 percent to be filled in October.

The development of end-user training materials and documentation is substantially complete and all train-the-trainer activities, wherein managers were trained on the effective classroom delivery of the training materials, are complete. All detailed logistics planning for training delivery has been completed in preparation for training to begin in October.

Action taken to realign the Training and Documentation team in June, add additional resources to this group and provide for detailed tracking has yielded positive results. The end-user

materials for the Billing Operations group is materially complete with some elements to be completed in October, but this timeline is not affecting the critical path schedule of the Project.

As of the end of September, there were a sixty-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 nine 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 in Q4.

5.2 Plans for Next Period (Oct to Dec 2011)

The next three months will see the completion of many activities focussed on preparation for go-live. Following the completion of Integration Test cycle 2, the Final Preparation phase of the Project will begin with user acceptance testing beginning on Nov 1. Other concurrent testing activities will include performance testing of SAP and related technology, comparison testing between SAP and the legacy Peace system, iEM testing, testing of daily batch processes, data archive testing, desktop testing and recovery testing. There will also be two complete cutover dress rehearsals, one in November and the other in December. The final dress rehearsal will be followed by a production simulation during which actual meter read files will be loaded and processed in the system, allowing the newly trained staff to practice with production-like data. Execution of cutover tasks will begin with some preparatory items in mid-December, with the majority of tasks occurring on the weekend of December 30th to January 2nd.

5.2.1 CUSTOMER RELATIONSHIP AND BILLING AND OPERATION PROCESS INTEGRATION

This quarter activities will encompass the continuation 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.

The activities to be completed this quarter include:

- Complete mock conversion 3.0
- Complete Integration Test Cycle 2
- Complete programming and unit testing of all development items
- Complete execution of comparison testing with data from the mock conversion 3.0, dress rehearsal 1, and dress rehearsal 2
- Execute performance tests
- Complete Integration Testing and end-user training for the Operations Department

5.2.2 CONTACT CENTRE TECHNOLOGIES AND CONTACT CENTRE FACILITIES

The activities planned for next quarter include:

- Continue to test IVR functionality performance.
- Completion of “dialer” testing
- All installed desktops and phones will be tested
- Complete dress rehearsal for 1-800 number conversions

5.2.3 ORGANIZATIONAL DESIGN AND STAFFING

Training will be a significant focus for this coming quarter with training classes scheduled to begin on Oct 3 for the Billing Operations group and Oct 24 for the Contact Centre staff. The training will be completed in waves in order to ensure that the “classroom size” provides for an optimal learning environment and to allow for a focused content delivery, particularly for the three waves of the Billing Operations staff. All training is expected to be completed before go-live.

Table 5-1: Training Schedule

Date	Group	Location
October 3	Wave 1 – Billing Operations	Burnaby
October 24	Wave 1 – Contact Centre Staff	Burnaby and Prince George
October 31	Wave 2 – Billing Operations (Payment and Collections)	Burnaby
November 7	Wave 2 - Contact Centre Staff	Burnaby and Prince George
November 14	Wave 3 – Billing Operations (Billing Support)	Burnaby

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.

As the Project approaches the completion of the build and test phase, MNP LLP, a management-consulting firm, was commissioned by FEI to provide an independent review of the completeness and quality of the developed and documented processes. As part of the

portfolio of service offerings, MNP has an extensive background on process improvement and business transformation in the utility business environment. Based on their review, MNP believes that FEI will be sufficiently prepared to assume control of the Customer Service functionality on January 1, 2012, assuming the Project continues to execute to its current plans. Please see Confidential Appendix 7 for a summary of MNP's Business Performance Quality Assurance Review.

SAP Global Services continues to provide technical reviews of the system implementation. In Q4, performance testing will be conducted to ensure appropriate system performance from a timing perspective.

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 third 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 two such scope changes issued and approved during this period and these are described below.

1) Additional Hardware - \$280 thousand

To facilitate the number of concurrent training sessions required to meet the proposed training plans, additional training environments were required. Most of this hardware will be redeployed after the conclusion of the training sessions.

2) Extension of Project resources - \$ 314 thousand.

The Project requested additional resources to be extended beyond the initial planned roll-off dates to help mitigate stabilization risks.

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. The first cycle of Integration Testing was been completed this period as per schedule on July 31 and the second cycle commenced, as planned, on August 1. The entire Realization Phase is expected to be completed on October 31, 2011 and then for the remaining two months before go-live; the Final Preparation Phase will be completed.

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	July 31,2011
3b. Integration Test 2	Aug 1,2011	Aug 1,2011	Aug 1,2011	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.

Actual expenditure to date is slightly lower than budget, at a favourable spend variance of \$5.6 million as of the end of September, primarily due to timing of third party invoicing and timesheet submissions. The budget provides for a total of \$10.8 million contingency spend of which \$4.4 million has been approved for spend by the Project Steering Committee. At the September Steering Committee meeting, the Project Management team reported that the control budget had been revised to address any major assumption changes and variances not attributable to timing. The outcome of this revision was to re-allocate \$3.3 million back into the contingency category. As outlined in section 6 above, an additional \$594 thousand in scope changes has been approved by the CCE Steering Committee this quarter. This leaves the Project well positioned from a budgetary perspective with a total of \$9.1 million in contingency spend to draw upon for any future unforeseen circumstances, mostly associated with Project stabilization. Appendix 6 shows the Project control budget summary that was presented to the Project Steering Committee on October 13, 2011.

The following table provides an overview of the updated Project control budget as of August 31 compared to the June 30 control budget, and explanations of differences have been supplied in Appendix 6.

Table 8.1: Updated Control Budget

<u>Project Costs (000's)</u>	<u>Project Total</u>		
	<u>Control Budget as of June 30, 2011</u>	<u>Control Budget as of Aug 31, 2011</u>	<u>Difference</u>
<u>Capital</u>			
Internal Labour	4,775	5,167	392
Consulting	34,321	33,379	(942)
Hardware	3,143	3,390	247
Software	6,722	6,990	268
Expenses	5,063	4,643	(420)
Facilities	14,502	14,339	(163)
Contingency	2,719	6,131	3,412
	71,245	74,039	2,794
<u>Deferred O&M</u>			
Internal Labour	6,946	6,459	(487)
Consulting	25,003	22,960	(2,043)
Hardware	447	485	38
Software	600	600	-
Expenses	2,025	1,727	(298)
Facilities	1,380	1,380	-
Contingency	3,754	3,750	(4)
	40,155	37,361	(2,794)
Net Total	111,400	111,400	-
AFUDC	4,100	4,100	-
Grand Total	115,500	115,500	-

The table below shows the movement of the total approved contingency amounts for the Project through to the end of September.

Table 8.2: Contingency Allocation Report Summary to September 30, 2011

<u>Project Costs (000's)</u>	<u>Project Total</u>		
	<u>Control</u> <u>Budget as of</u> <u>Aug 31, 2011</u>	<u>Q3 Approved</u> <u>Expenditures</u> <u>Against</u> <u>Contingency</u> <u>Budget</u>	<u>Q3</u> <u>Revised</u> <u>Control</u> <u>Budget</u>
<u>Capital</u>			
Internal Labour	5,167	-	5,167
Consulting	33,379	314	33,693
Hardware	3,390	280	3,670
Software	6,990	-	6,990
Expenses	4,643	-	4,643
Facilities	14,339	-	14,339
Contingency	6,131	(594)	5,537
	74,039	-	74,039
<u>Deferred O&M</u>			
Internal Labour	6,459	-	6,459
Consulting	22,960	-	22,960
Hardware	485	-	485
Software	600	-	600
Expenses	1,727	-	1,727
Facilities	1,380	-	1,380
Contingency	3,750	-	3,750
	37,361	-	37,361
Net Total	111,400	-	111,400
AFUDC	4,100	-	4,100
Grand Total	115,500	-	115,500

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

Table 8.3: Cost Report Summary to September 30, 2011

<u>Project Costs (000's)</u>	<u>Actual</u>	<u>Project Total</u>		
	<u>Spend to</u>	<u>Q3 Revised</u>	<u>Project</u>	
	<u>Date</u>	<u>Control</u>	<u>Forecast</u>	<u>Variance</u>
		<u>Budget</u>		
<u>Capital</u>				
Internal Labour	3,509	5,167	5,167	-
Consulting	22,369	33,693	33,693	-
Hardware	2,429	3,670	3,670	-
Software	5,695	6,990	6,990	-
Expenses	3,316	4,643	4,643	-
Facilities	13,362	14,339	14,339	-
Contingency	-	5,537	5,537	-
	50,680	74,039	74,039	-
<u>Deferred O&M</u>				
Internal Labour	2,675	6,459	6,459	-
Consulting	4,752	22,960	22,960	-
Hardware	244	485	485	-
Software	-	600	600	-
Expenses	677	1,727	1,727	-
Facilities	279	1,380	1,380	-
Contingency	-	3,750	3,750	-
	8,627	37,361	37,361	-
Net Total	59,307	111,400	111,400	-
AFUDC	3,133	4,100	4,100	-
Grand Total	62,440	115,500	115,500	-

9 PROJECT RISKS

As has been highlighted in previous reports, the Project management team had identified the following key areas of focus in order to manage Project risk. While there is still a multitude of day to day issues that require attention by the Project management team, no new material risks have been identified this period.

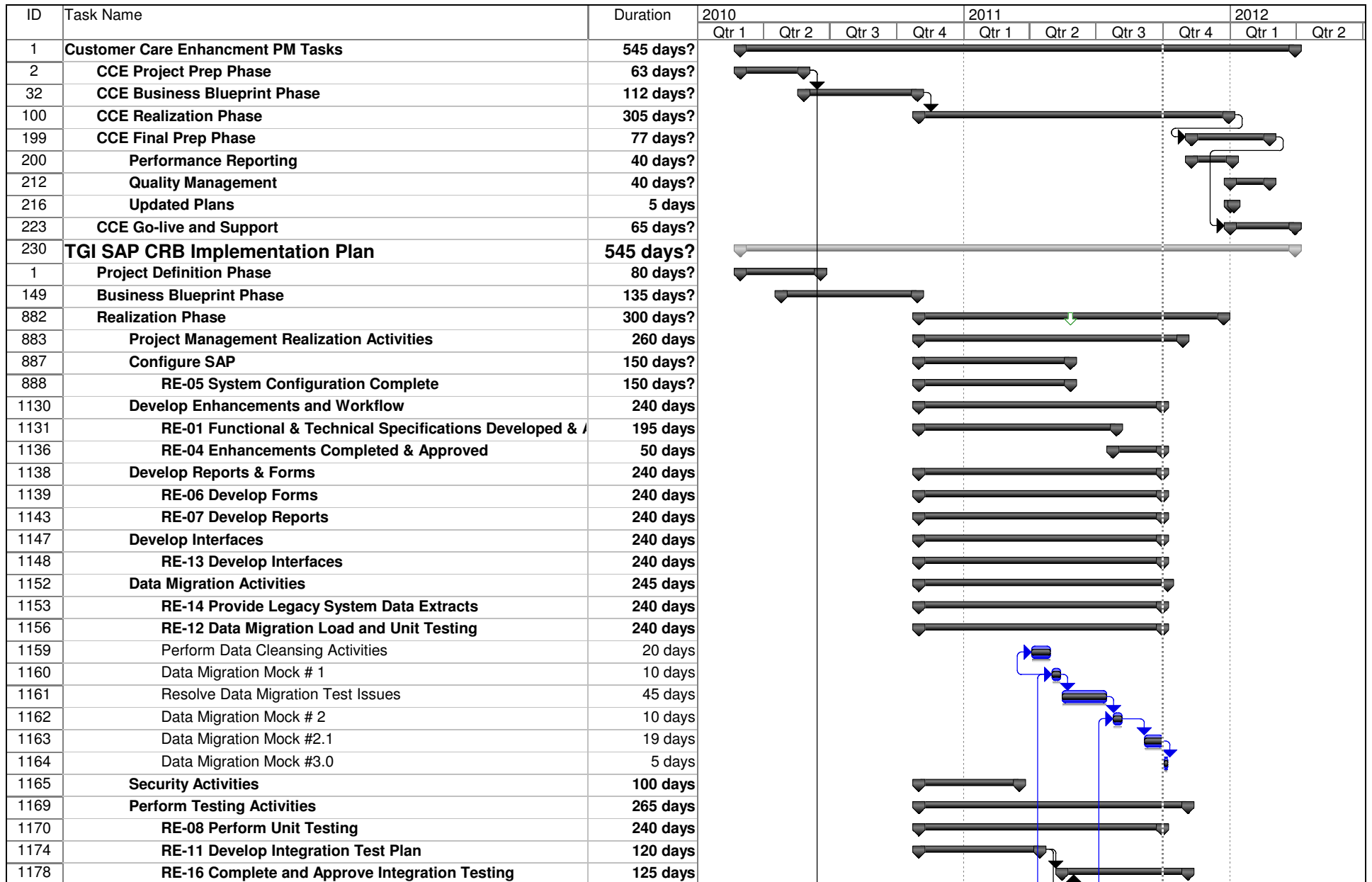
Table 9-1: Project Risks

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.

With data conversion and migration activities progressing well, in this coming period the Project team will continue their efforts on integration testing, performance testing and user acceptance testing of the new system. Furthermore, two full data migration dress rehearsals are scheduled, one in November and one in December in preparation for go-live.

Appendix 1

PROJECT SCHEDULE



Project: 2011 09 30 CCE Program BC
Date: Sat 10/22/11

Task

Split

Progress

Milestone

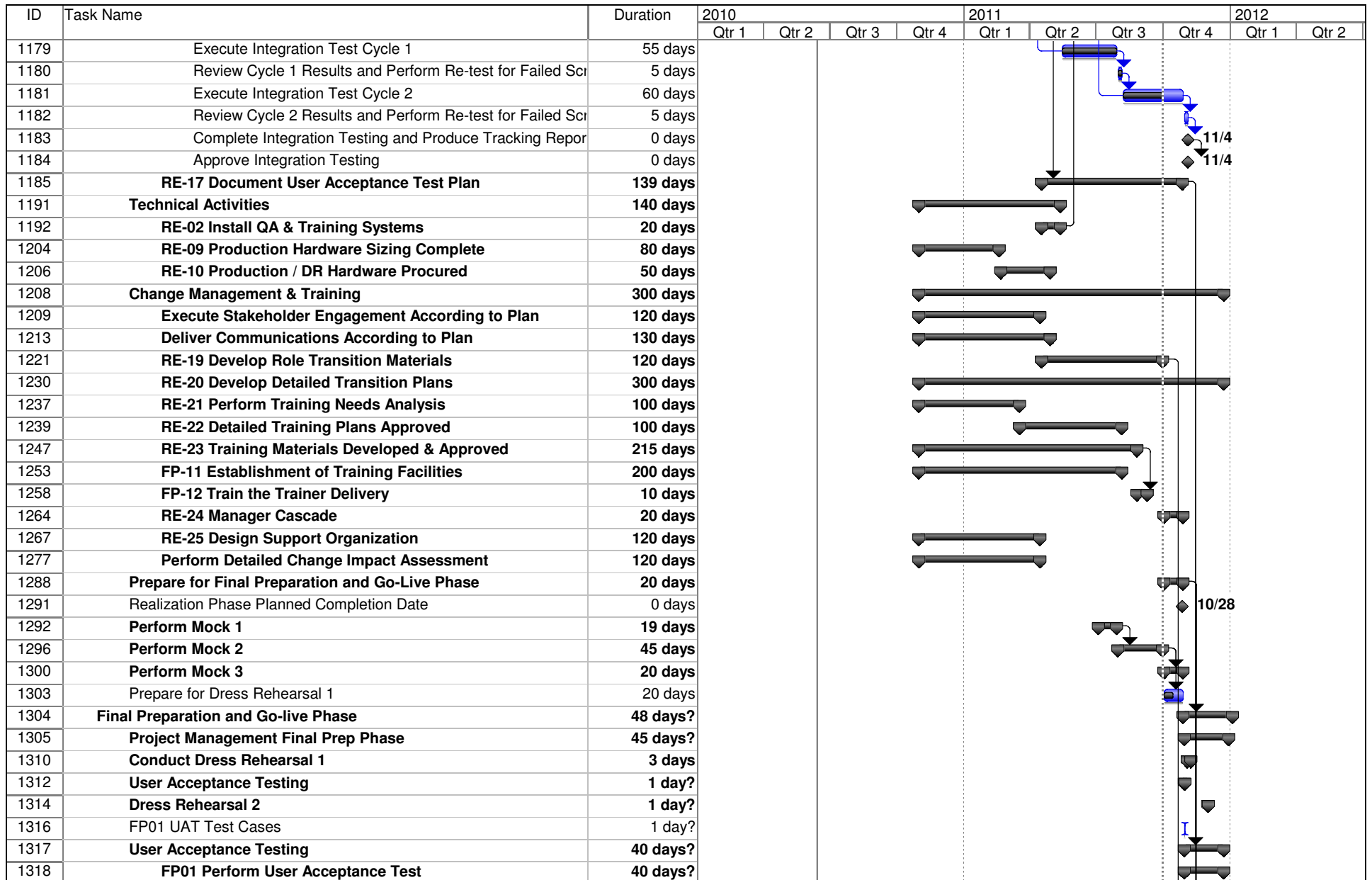
Summary

Project Summary

External Tasks

External Milestone

Deadline



Project: 2011 09 30 CCE Program BC
Date: Sat 10/22/11

Task

Split

Progress

Milestone

Summary

Project Summary




External Tasks

External Milestone

Deadline

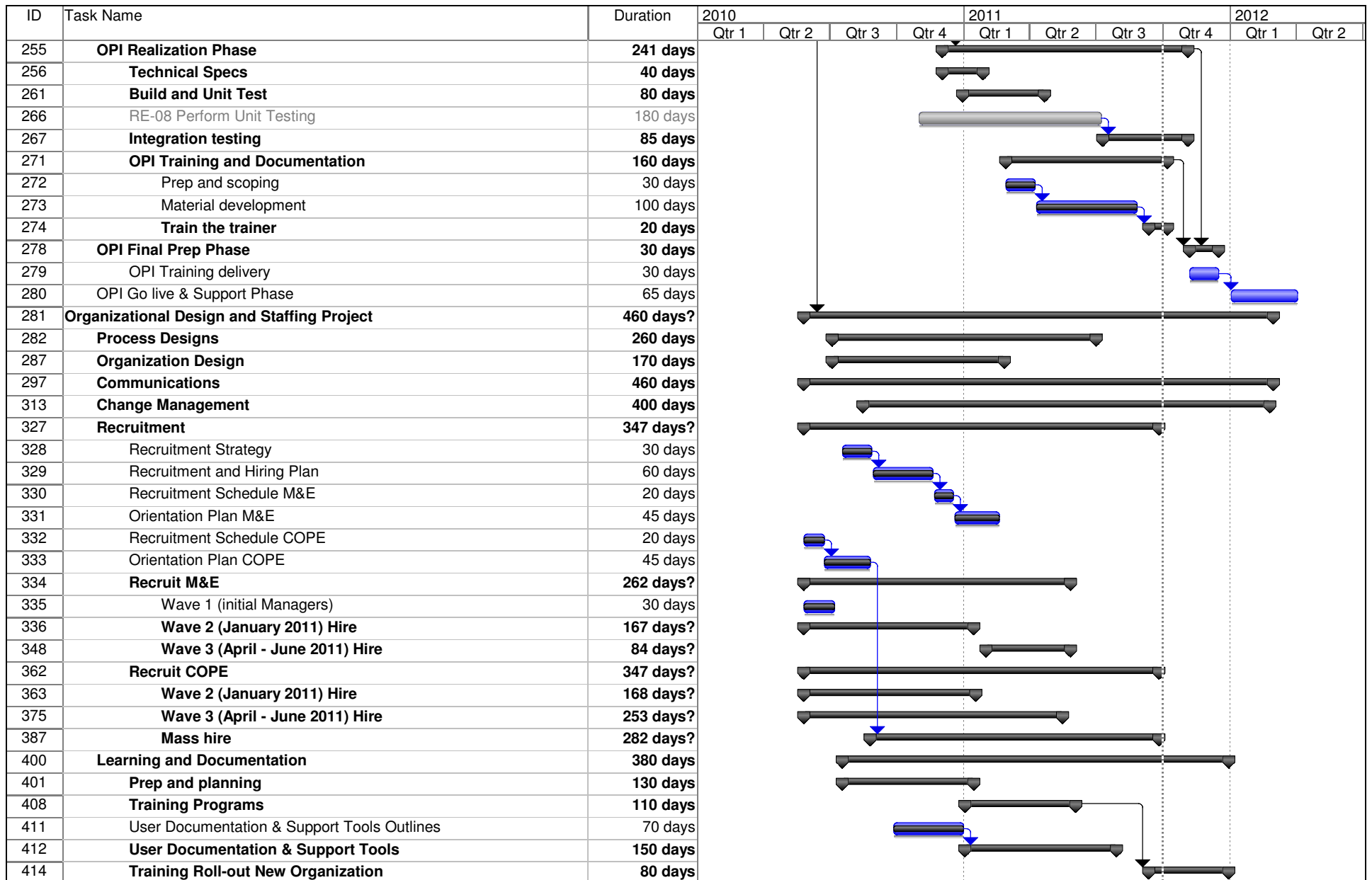
ID	Task Name	Duration	2010				2011				2012	
			Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2
1322	Establish Production System (SAP Production System)	42 days										
1334	Data Migration	48 days										
1335	FP-05 Legacy Data Migrated and Approved	48 days										
1343	System Testing	30 days										
1344	FP-06 Stress Test	20 days										
1347	FP-08 Disaster Recovery Test	14 days										
1351	FP-07a Data Archive Test	30 days										
1354	FP-07b Recovery Test	30 days										
1358	FP-09 Desktop Test	10 days										
1361	Business Change & Integration	45 days										
1362	Stakeholder Engagement & Communication	40 days										
1366	Deliver Communications	40 days										
1372	FP-10 Transition Management	45 days										
1381	FP-13 Training Delivery	45 days										
1385	FP-14 Legacy System Decommissioning Planning	33 days										
1390	Perform Cut-Over to Production	7 days										
1391	Go / No-Go Review Meetings	7 days										
1396	FP-15 Go-Live Decision Approved	1 day										
1399	Post Go-Live Support Phase	65 days?										
1462	iEM Implementation	325 days?										
1463	Onboard Resources	1 day?										
1464	Process Commercial and SOW	20 days										
1465	Design	34 days										
1501	Develop Functional Specifications	84 days										
1516	Build	140 days										
1587	Unit Test iEM Components at Axon Labs	51 days										
1601	Install iEM to Client Dev and QA environment	50 days										
1621	Integration Testing	76 days										
1629	UAT	20 days										
1631	Go-Live & Support	69 days										
231	Operations Process Integration Project	456 days										
232	OPI Project Prep Phase	20 days										
233	Process Scope	20 days										
235	OPI Business Blueprint Phase	89 days										
236	Process Designs	30 days										
240	Functional Approach Docs and Plans	15 days										
245	Functional Specs	45 days										
250	SoW's and Detailed Plans	15 days										

Project: 2011 09 30 CCE Program BC
Date: Sat 10/22/11




Task 
Split 
Progress 

Milestone 
Summary 
Project Summary 

External Tasks 
External Milestone 
Deadline 

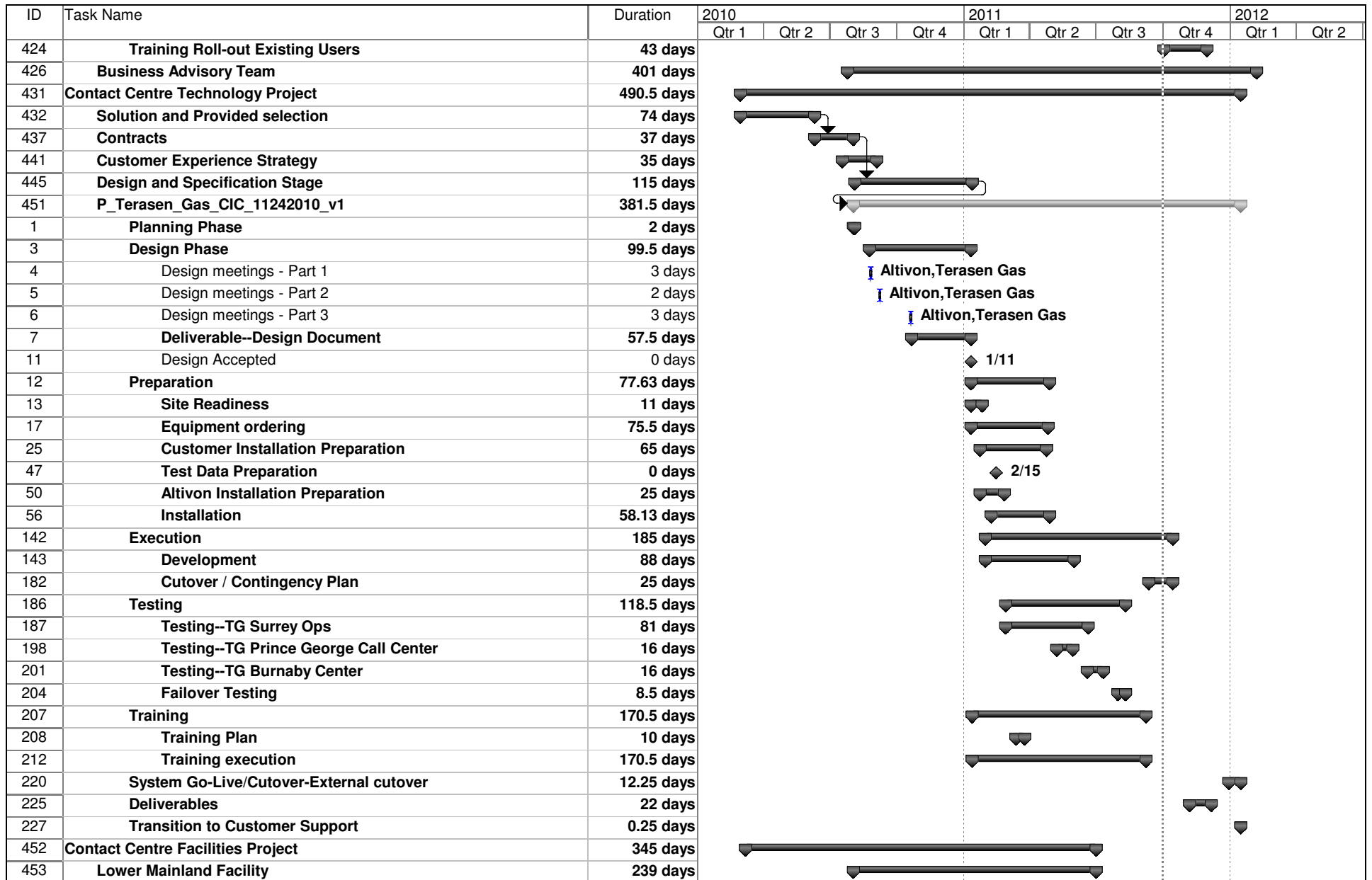


Project: 2011 09 30 CCE Program BC
Date: Sat 10/22/11




Task 
Split 
Progress 

Milestone 
Summary 
Project Summary 

External Tasks 
External Milestone 
Deadline 



Project: 2011 09 30 CCE Program BC
Date: Sat 10/22/11

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
454	Lower Mainland Schedule	239 days										
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										
455	Prince George Facility	344 days										
456	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 09 30 CCE Program BC
Date: Sat 10/22/11

Task 

Split 

Progress 


Milestone 

Summary 

Project Summary 

External Tasks 

External Milestone 

Deadline 

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, 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.
MNP LLP	MNP LLP has been engaged to provide Business Process Quality Assurance for the CCE Project. The objective of this review is to provide an independent assessment of the performance and outcomes of the developed business processes when they are performed in conjunction with the technical system.
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

GLOSSARY OF ACRONYMS AND TERMS

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.

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

Appendix 6

Control Budget Schedule

Explanations of differences between the control budget as at August 31 and the control budget as at June 30, have been provided below:

<u>Project Costs (000's)</u>	<u>Project Total</u>			
	<u>Control Budget</u>			
	<u>As of June</u> <u>30, 2011</u>	<u>As of Aug</u> <u>31, 2011</u>	<u>Differences</u>	<u>Explanation</u>
<u>Capital</u>				
Internal Labour	4,775	5,167	392	Increased use of internal resources / overtime
Consulting	34,321	33,379	(942)	Decreased use of third party consultants / favourable variance against budgeted rates
Hardware	3,143	3,390	247	Increase in hardware requirements for multiple training environments
Software	6,722	6,990	268	Increase in licensing requirements
Expenses	5,063	4,643	(420)	Expenditure rate lower than budgeted
Facilities	14,502	14,339	(163)	
Contingency	2,719	6,131	3,412	Increase from O&M consulting as capital now the higher potential risk area - stabilization costs
	<u>71,245</u>	<u>74,039</u>	<u>2,794</u>	
<u>Deferred O&M</u>				
Internal Labour	6,946	6,459	(487)	Timing in hiring
Consulting	25,003	22,960	(2,043)	Less dependency on 3rd parties / favourable variance against budgeted rates
Hardware	447	485	38	Reflects higher hardware costs
Software	600	600	-	
Expenses	2,025	1,727	(298)	Expenditure rate lower than budgeted
Facilities	1,380	1,380	-	
Contingency	3,754	3,750	(4)	
	<u>40,155</u>	<u>37,361</u>	<u>(2,794)</u>	
<u>Net Total</u>	<u>111,400</u>	<u>111,400</u>	<u>-</u>	
AFUDC	4,100	4,100	-	
<u>Grand Total</u>	<u>115,500</u>	<u>115,500</u>	<u>-</u>	

Appendix 7

**MNP BUSINESS PERFORMANCE QUALITY ASSURANCE
REVIEW**

FILED CONFIDENTIALLY