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January 31, 2012

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 December 31, 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 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 October 1 to December 31, 2011

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

Submitted to the
BRITISH COLUMBIA UTILITIES COMMISSION

January 31, 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 seventh Progress Report filed for the Project, and covers the quarter ending December 31, 2011. Additionally, this report provides an overview of the go-live activities in the transition of services from the outsourced provider to an in-house service model, as FEI believes the Commission staff would find this information useful in assessing progress of the Project and since such information is known at the time of writing this report.

The Project team achieved several key milestones this period which culminated in a successful go-live operation. The new customer service in-sourced system, technologies and operations were operational as per schedule and have been functioning well since such time. On Sunday January 1st, at precisely 12:01 am FEI customer service representatives commenced handling emergency calls. All system migration activities were executed according to plan and on Tuesday January 3rd, the new system was operational. At 6:30 am the phone lines were open for all customer service calls, in advance of the official opening time of 7 am, and the system was ready and staff were prepared at both of the new customer service centres to answer customer calls and respond to enquiries. Furthermore, all billing operations commenced as scheduled, wherein the meter to cash process was initiated with the first meter reading file successfully received and loaded into SAP, generating the first bill production run as planned on the evening of January 3rd. Additionally, payments from customers are being successfully processed through the system. Overall, a successful go-live.

From a budgetary perspective, there are early indications that the actual Project spend will be lower than the approved budget of $115.5 million. Total Project spend to the end of December 2011 was approximately $81 million including AFUDC. Although very early in the Stabilization Phase of the project, the Project team has not yet encountered any material issues that would indicate that all of the Project contingency funds will be required. The Project management team is still identifying all stabilization activities and associated expenditures, but again early indications are there is a strong possibility that the Project's actual spend will be approximately $110 million. The key indicators leading to the projection of the favourable variance are that there have been no significant setbacks in the execution of daily operations, no unplanned outages to date and the promising results of system functionality and performance in the first weeks of go-live. As indicated in the Company's Final Submission and Draft Order and Reply Submission in FortisBC Energy Utilities ("FEU") 2012-2013 Revenue Requirement Application ("RRA") proceeding, upon receipt of the Commission's RRA decision, the FEU proposed to file updated financial schedules with the 2012 opening balances of net plant-in-service and rate base deferral accounts. This will include updating the 2012 opening balance of the CCE Project; the FEU also proposed that this be extended to include an update of the projected 2012 final spending for the CCE Project. This treatment will ensure that customers will see the benefit of the anticipated lower Project costs for the test period.

This past quarter, the Project team has been engaged in rigorous testing of the system, defect identification and correction, final preparation for system cutover, along with the tremendous

effort of onboarding and training all the new customer service employees. Two dress rehearsals were completed during this quarter, one in November and the second in December, where a simulation of the conversion of customer data from the existing to the new system was performed. The dress rehearsals were extremely successful as they enabled the Project Team to effectively prepare for the real system conversion exercise. The dress rehearsals served to provide the Project team with an environment to perform all the activities associated with the actual transition of the data to the new system to ensure timelines and data quality could be maintained and to also identify any gaps in the process. These rehearsals played a significant role in contributing to the successful system conversion upon go-live. Two additional mock data conversions were also successfully completed during the fourth quarter, and enabled the Project team to ensure quality data upon conversion.

The new customer service mass hires joined the Company in steady waves throughout October and November and were engaged in onboarding and comprehensive training programs comprised of classroom delivery, "practice pod" sessions, along with a field operation orientation. All staff completed their training in advance of go-live.

The Project team will now continue to support stabilization of the new system and processes and will largely remain in place throughout this coming period to support ongoing operations, continue to fix reported defects based on their business impact and complete all documentation. There are early indications that the number of defects reported is stabilizing. Plans to begin the roll-off of the various stabilization support resources are being developed, balanced with the need to identify and resolve defects and support all customer service operations. These plans are taking into consideration key Project resources showing signs of fatigue and exhaustion due to the significant effort required and consistent long days worked in the months leading up to the system conversion. This coupled with the fact that some defects, although non catastrophic in nature, are taking longer to fix as they require minimal system design enhancements. As such, the Project management team believes that the three month stabilization period to end at the end of March may be aggressive and is therefore assessing this timeline based on the resources required and the associated timelines to bring the system and processes to a stable operating environment. The transfer of knowledge from the Project Team to the business groups who will be responsible for the ongoing sustainment and operations of the new system will continue to be a focus in anticipation of the roll-off of the Project resources. As agreed between FEI and its third party system integrator (HCL –Axon), stabilization support resources will be rolled-off the Project only once the comprehensive criteria outlined in the service agreement have been met.

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's 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 December 31, 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 Outsourcing[1] 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.

[1] See Appendix 3 – Glossary – for definition

4 PROJECT ACTIVITIES

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

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

The CRB workstream involves the implementation of the CRB for Utilities module of SAP and other related components of SAP. For delivery of the CRB system, FEI has partnered with HCL-Axon[2].

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[3] 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[4], 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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[2] See Appendix 2 – List of Major Contractors - for background information on HCL-Axon
[3] Ibid. – for background information on Interactive Intelligence
[4] 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 December 31, together with a description of the Project plans for the next period, summarized in the three groups of activities described in Section 4.

The Project team achieved several key milestones this period in preparation for go-live. These milestones included the completion of Integration Test Cycle 2, defect identification and correction, final preparation for system cutover, along with the tremendous effort of onboarding and training all the new Customer Service employees. Four of the five Project phases (described in Section 7.1 of this Report) have been successfully completed as of the end of December and as of January the Project team has been engaged in the Stabilization Phase of the Project.

5.1 Major Accomplishments, Work Completed and Issues Resolved (October to December 2011)

The Project team successfully completed the second cycle of Integration Testing as scheduled on October 31 and subsequently engaged in the final Preparation Phase of the Project in anticipation of go-live. Two successful dress rehearsals were completed this period, the first in November and the second in December, where a simulation of the conversion of customer data from the existing to the new system was performed. The new customer service mass hires joined the Company in steady waves throughout October and November and participated in orientation and comprehensive training programs comprised of classroom delivery and "practice pod" sessions. All staff completed their training in advance of go-live.

5.1.1 CUSTOMER RELATIONSHIP AND BILLING AND OPERATION PROCESS INTEGRATION

The activities this period included:

- Completed all Technical specifications and technical development
- Completed Integration Test Cycle 2
- Completed comparison testing and data quality conversion and errors identified were resolved or workarounds developed
- Completed the development and testing of batch processing routines
- Completed testing of bill print with external vendors and comparison tests
- Knowledge base (repository) was loaded with completed end-user documentation and training materials ready for staff to utilize
- All outstanding third party contracts were completed including the translation services contract with CanTalk

- Completed the design and development of end-user reporting
- Additional effort and resources were injected into the completion of the iEM (new Account online) system this quarter in order to address all outstanding issues to prepare this application for go-live.
- Completed all unit testing, user acceptance testing and comparison testing and either fixed all defects identified or developed workarounds
- Completed the development of training materials and end user documentation materials for the Operations department
- Completed detailed stabilization planning and commenced implementation of support processes and procedures for the Stabilization Phase of the Project

The second cycle of Integration Testing was successfully completed and comprised of approximately 170 test cases and almost 4,000 test steps. Compare testing, which was comprised of running the same meter read and payment files simultaneously in the new SAP system and a duplicate copy in the current Peace system to ensure that the same results would be achieved in both systems, was also successfully completed on time before go-live. Furthermore, system performance testing and user acceptance was successfully completed during this period.

Although customer bill print testing and the correction of defects activities were behind schedule in quarter three, quarter four saw a significant focus in this area. Additional resources were added to focus on the resolution of issues that primarily centred on the format and presentation of the bill. FEI wanted to ensure a consistent customer experience and ease of use for the customer in ensuring that the layout of the bill did not significantly change with the new system implementation. Furthermore, an additional layer of quality control was developed and implemented within the Billing Operations group, to ensure billing accuracy before submission of the data file to the third party print vendor for printing and then mailing to customers.

The two dress rehearsals performed this quarter were extremely successful, as they enabled the Project Team to effectively prepare for the real system conversion exercise. The dress rehearsals served to provide the Project team with an environment to perform all the activities associated with the actual transition of the data to the new system, to ensure timelines and data quality could be maintained and to also identify any gaps in the process that could be remedied before the real system conversion. Dress Rehearsal 1 took place on the weekend of November 5th, where the team conducted a complete test migration of the customer data from the current Peace legacy system to the new CIS, which was similar to the migration activities that would take place during the actual cutover during the New Year's Eve long weekend go-live transition. The migration activities were completed within the planned time frame. The second of the two dress rehearsals took place during the December 3rd weekend and was again a simulation of the data migration activities that would actually take place during the New Year's Eve long weekend go-live transition. The number of errors from the data loads were much lower with the second dress rehearsal and again tasks were completed within the scheduled timelines..The completion of the second

dress rehearsal enabled the "day-in-the-life" scenarios of billing execution and contact centre operations. The Billing Operations group was able to take the simulation environment data and run standard billing processes, which gave the team a great opportunity to practice their classroom training in a hands-on environment. Compare tests were also executed to facilitate the identification of any errors in the data migration and then to resolve these errors.

Significant effort has been invested this period, in planning and training for stabilization and sustainment of all systems and processes after go-live. The Project team set up a structure, processes and roles and responsibilities needed to support the Customer Service department through the initial days, weeks and months of its new operations and ultimately the transition of all operations from the Project team to the operational groups. This stabilization plan was put into place in early December and also provides for an effective and efficient process for the identification, prioritization and resolution of key system and process defects during the stabilization period. This process will continue to remain in effect throughout the Stabilization Phase of the Project.

In this period, there was also a focus on the review of all the internal controls required for the new system. The consulting firm MNP LLP was contracted to work with the Company's Internal Audit group to review all key controls for the new Meter to Cash process. The focus this quarter was to ensure the critical controls that needed to be in place prior to go-live were all addressed and this was affirmed. This coming period, MNP LLP will continue to work with the Internal Audit group during the stabilization period to complete all efforts associated with the identification, documentation and testing of the key meter to cash process controls.

5.1.2 CONTACT CENTRE TECHNOLOGIES AND CONTACT CENTRE FACILITIES

The activities completed this period included:

- Testing of "IVR" functionality
- Completion of "dialer" testing
- Testing of all installed desktops and phones
- Dress rehearsal for 1-800 number conversions
- Integration Testing completed for all contact centre technology applications

5.1.3 ORGANIZATIONAL DESIGN AND STAFFING

With the completion of the tremendous recruitment effort in quarter three, in quarter four the Project Team focused on the delivery of the comprehensive training programs to the new customer service staff. Training classes were completed in three waves for the Billing Operations group commencing on October 3rd and in two waves at each of Burnaby and Prince George for the Contact Centre staff commencing on October 24th. This staggered training schedule provided for smaller classroom sizes in an optimal learning environment and focused content delivery. All scheduled training was completed before go-live.

The training sessions also included ”practice pods” sessions to supplement all classroom training wherein the data migration simulations enabled the staff to practice the content covered in the classroom in a safe “hands-on” environment using actual customer data. The trainees were supported by both their supervisor and their peers who were available as floor support during these exercises. These sessions also enabled the trainers to evaluate and assess how the new staff were applying their newly learned skills and the effectiveness of the training sessions. By the end of December, the customer service staff were keen to take on their new roles and perform their newly learned skills in the actual live environment.

5.2 Major Accomplishments, Work Completed and Issues Resolved for Go-Live

FEI is pleased with the results of the first days of the transition to the new system and service operating model at both Burnaby and Prince George Contact Centres. The FEI believes, considering the size, scope and complexity of the project, early indications provide for a successful transition and go-live.

The following is an overview of the schedule of activities that took place in the execution of cutover over the New Year’s Eve long weekend from Friday December 30th to Tuesday January 3rd:

- Friday December 30th
  After working hours, the existing SAP system was made unavailable in order to prepare the system with the new configurations and programs. The contact centre at Accenture continued to operate as normal. From 4 pm onwards the contact centre at Accenture was closed as per the normal schedule for the holidays with the exception of emergency calls.

- Saturday December 31st

  Accenture’s year-end processing was completed by Saturday morning, where the extract files from the legacy system were delivered to the FEI system migration team. As each file was received, it was loaded into SAP at FEI. The loading of files lasted through the night and was completed the next day as scheduled.

- Sunday January 1st

  At 12:01 am, emergency phone lines were successfully transitioned from Accenture to FEI. Upon completion of the data loads into SAP, financial reconciliation of Peace and SAP was performed which was completed by late afternoon on Sunday. This was followed by a series of post-migration activities to complete the system configuration and update the various systems downstream of SAP. These activities were continued through the night until Monday.

- Monday January 2nd

  On Monday “smoke testing” was completed, where the various systems were tested before being turned on for go-live.

- Tuesday January 3rd

The final tests of the system were completed by 6:30 am before the 7 am official contact centre opening time. On Tuesday evening the first meter reading files were successfully received and loaded into SAP, generating the first billing run which was executed as scheduled on Tuesday evening.

The initial days and first weeks of go-live have been very promising, with the system and business processes functioning well, with no unplanned outages and no system capacity issues experienced to date. Although the first two days were more reactive in nature as FEI experienced significantly higher than normal call volumes (January 3rd was 40 percent higher and January 4th was 65 percent higher than normal), the customer service staff performed their duties well and since that time call volumes have largely normalized. FEI is seeking marked improvement from the first days of go-live to the third week of operations in the handling of customer enquiries and the navigation of the various screens in the new system by the customer service representatives. There will be a continued effort to support the new staff, through coaching and training, as they continue to become more confident and proficient in their new roles. As such, additional resources will continue to be scheduled throughout the stabilization period to support this endeavour.

As is expected with any large scale IT system implementation, defects with the new system and processes are being identified. These have all been non catastrophic and the rate of increase was highest in the first week of operations and the subsequent week saw a decline in the rate of defects logged and as such, approaching the third week of operations the number of defects have largely stabilized.

Issues being identified have had either no or very limited impact to customers and have included such items as data processing issues with the Customer Choice information system interface, some navigational issues with the new account online (iEM) application, along with some system issues with the third party provider's credit card processing application interface. All defects logged are being reviewed, prioritized and addressed accordingly.

5.3 Plans for Next Period

The following period will focus on system stabilization activities, which will entail the resolution of system and process defects, ongoing coaching, training and support of the new staff along with updating of end-user documentation as processes are fine tuned.

Plans to ensure there is an effective transition of knowledge both to the business groups and the IT group, who will ultimately be responsible for the sustainment of the new system, are being developed. These plans will also play a large role in the determination of the roll-off of the various support resources over the coming months, and will be balanced with the need to support and resolve defects and support the operational groups to stabilize all systems and processes. Subsequent quarterly reports will continue to focus on an update of the stabilization period activities.

Additionally the next quarterly report to be filed at the end of April will have a greater focus on customer service operations and the reporting of customer service metrics. The customer service "Service Quality Indicators" for contact centre and billing operations that the FEU have historically reported on a quarterly basis will be discussed in the report along, with the first quarter's actual O&M expenditure against budget.

5.4 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 have been 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 the Five Points Project Status Report.

SAP Global Services continues to provide technical reviews of the system implementation. In quarter four, performance testing was conducted to ensure appropriate system performance from a timing perspective and in January, SAP is monitoring system performance and providing recommendations to the Project team for improvement in the areas of security and or system performance improvements.

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 fourth 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 was one such scope change issued and approved during this period which was the engagement of the consulting firm MNP LLP to work with FEI”s Internal Audit group to review all key controls in the new Meter to Cash process. The focus this quarter was to ensure the critical controls that needed to be in place prior to go-live were all addressed and this was affirmed. This coming period, MNP LLP will continue to work with the Internal Audit group during the stabilization period to complete all efforts associated with the identification, documentation and testing of the key meter to cash process controls as well as support the completion of all key process documentation. This request was for $300 thousand.

7 PROJECT SCHEDULE

The overall Project schedule's critical path has remained on track this quarter with the scheduled go live date of January 1 being achieved.

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 Project team continued to meet all scheduled milestones with the successful completion of Integration Test Cycle 2 on October 31st, and the completion of the Final Preparation phase of the Project from November through to the end of December. Currently the Project Team is assessing the expected completion of the stabilization period which is likely to conclude in quarter two rather than at the end of quarter one as had originally been identified. The Project team believes that sufficient time is required to ensure all stabilization activities are complete before the Project team is disbanded, including the resolution of defects. Albeit non-catastrophic in nature, some defects do require minor system design changes which take longer to develop, to thoroughly test and to then implement rather than straightforward fixes to the system. Furthermore, given the significant effort required and consistent long days worked by key Project resources in the months leading up to l the system conversion, , there are now concerns that these same Project resources who are also supporting stabilization efforts are showing signs of fatigue and exhaustion. As such, the Project management team believes that the three month stabilization period may be aggressive and is therefore assessing the resources required and the associated timelines to bring the system and processes to a stable operating environment.

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	Oct 31,2011
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	Oct 31,2011
4. Final Preparation	Nov 1,2011	Nov 1,2011	Nov 1,2011	Dec 31,2011	Dec 31,2011	Dec 31,2011
5. Stabilization	Jan 1,2012	Jan 1,2012	Jan 1,2012	Mar 31,2012	Q2 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

With the completion of go-live activities and the promising results of system functionality and performance which gave rise to no major setbacks in the execution of daily operations and no unplanned outages, there are promising indications that the actual Project spend will be lower than the approved budget of $115.5 million.

Given the tremendous effort the Project team undertook in quarter four to prepare the system and processes for go-live, one key area of consideration is being assessed. That is, Project resources are showing signs of exhaustion and fatigue and there is the concern of resource "burnout". The Project management team is taking this into account as they continue to evaluate and assess stabilization efforts. As such, updated stabilization efforts and plans are being reviewed in conjunction with all associated expenditures to arrive at a projected total project spend Total project spend through to the end of December, 2011 was approximately $81 million including AFUDC. Although very early in the Stabilization Phase of the project, the Project has not encountered any material issues that would indicate that all of the project contingency funds will be required and taking into consideration the extended stabilization period the projected Project spend is now estimated to be $110 million. The key indicators leading to the projection of the favourable variance are there have been no significant setbacks in the execution of daily operations, no unplanned outages to date, and promising results of system functionality and performance in the first weeks of go-live. Of the approximately $29 million forecasted to be spent in 2012, approximately $ 22.4 million has been committed as contractual payment milestones. The remaining amount is being validated and will be presented for approval to the Steering Committee at the next Steering Committee meeting scheduled for February 9th.
In its filing of the 2012-2013 RRA Reply Arguments submission on January 25, 2012, the FEU provided an update to the Commission in the treatment of Project costs (Paragraph 43, Page 25), which will enable customers to see the benefits of the updated, anticipated project costs savings.

> "*As indicated in its Final Submission and Draft Order, upon receipt of the Commission's decision in the RRA, the FEU propose to file updated financial schedules with the 2012 opening balances of FEU's net plant-in-service and rate base deferral accounts. This will include updating the 2012 opening balance of the CCE Project; the FEU propose that this be extended to include an update to the projected 2012 final spending for this Project. This treatment will ensure that customers will see the benefit of any lower Project costs for the test period."*

The table below outlines the actual expenditures through to December 31st, 2011. The Project management team is reviewing the nature of all variances to date to determine if they are timing or permanent in nature. As stated above, all detailed stabilization activities and resource requirements are still being confirmed. Once completed, the final project forecasted expenditures to the end of the project will be presented to the Steering Committee for approval.

Table 8.1: Cost Report Summary to December 31, 2011

Project Costs ($ 000's)	Actual Spend to Date
Capital	
Internal Labour	4,461
Consulting	27,573
Hardware	3,539
Software	6,622
Expenses	3,766
Facilities	13,888
Contingency[1]	-
	59,849
Deferred O&M	
Internal Labour	6,472
Consulting	6,168
Hardware	272
Software	604
Expenses	2,253
Facilities	946
Contingency[1]	-
	16,715
Net Total	**76,564**
AFUDC	4,325
Grand Total	**80,889**

[1] *Approved contingency spend for both capital and deferred O&M has been allocated to the appropriate cost categories and therefore this line time shows a zero spend.*

9 PROJECT RISKS

As has been highlighted in previous reports, the Project management team had identified two key areas of focus in order to manage Project risk, including the inflexibility of the go-live date and system performance. While there is a multitude of day to day issues that require attention by the Project management team, this period, a third risk of "project resource burnout" due to exhaustion and fatigue, has been identified.

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	The project went live as planned and early indications are that the overall quality of the solution is promising and that the training program was successful. Stabilization plans and processes for the identification, prioritization and resolution of system and process defects are in place and early indications are that these are effective.
System Performance	The stabilization period may be longer than anticipated as a result of system performance issues	SAP's Active Global Services continues to monitor and support areas of the system but overall, system performance is as was expected. Early indications are that there is little risk that the stabilization period will need to be extended as a direct result of system performance issues.
Project Resource "Burnout"	Key resources could experience "burnout" impacting availability and quality of work during stabilization	The Project management team is reviewing individual workloads along with the need to address system and process defects and adjusting the stabilization plans accordingly.

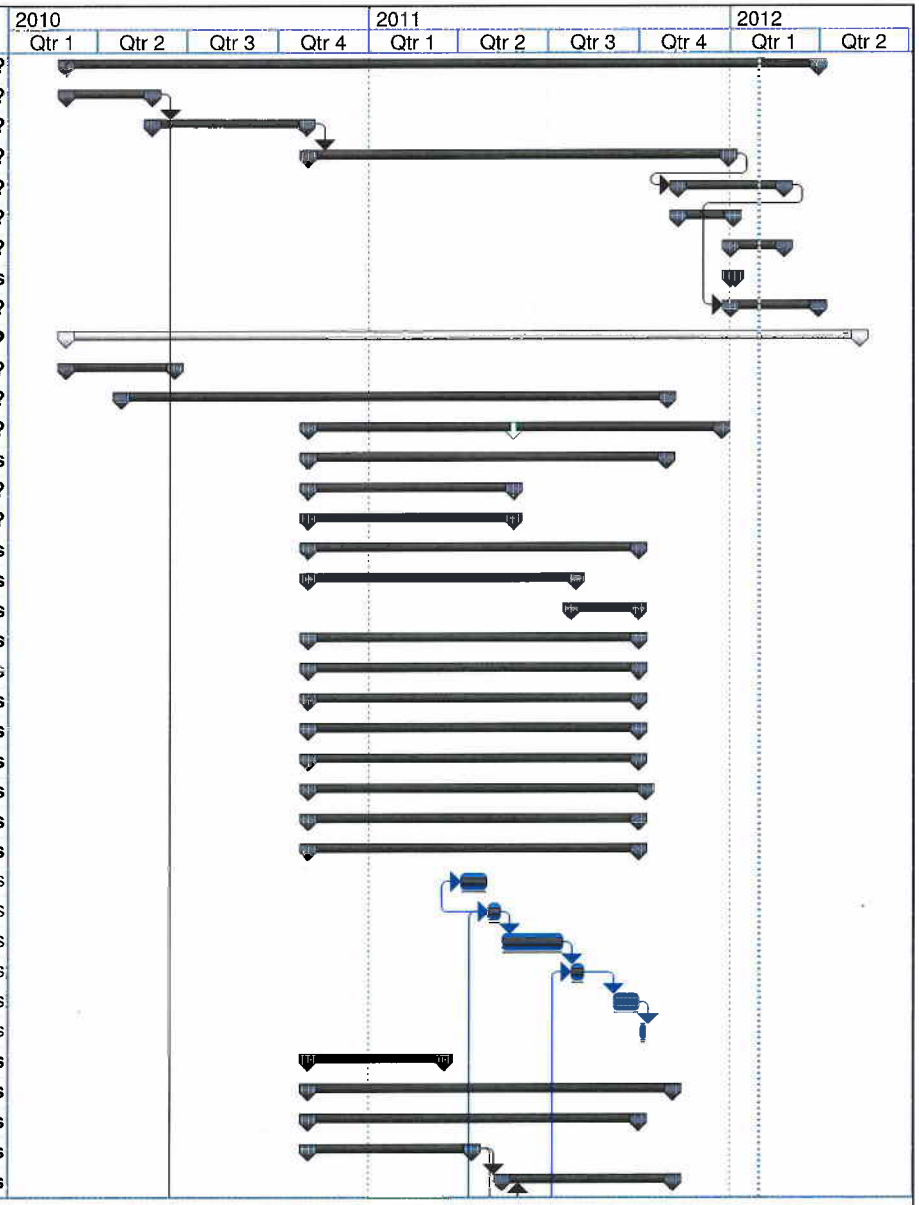
The significant effort required last quarter to complete all the necessary tasks in preparation for go-live has had an impact on the project resources who are showing signs of fatigue and exhaustion as they continue to support the stabilization effort. As such, Project management believes that the extended working hours cannot continue to be sustained in order to meet the aggressive stabilization plan. As such, Project management is reviewing the stabilization plan by completing an assessment of the project resources and effort required to bring the system and processes to a stable operating environment.

The project management and business groups continue to thoroughly monitor system performance and the efficiency of the end to end business processes. The first weeks of go-live have provided for a significant reassurance that system performance and business processes are functioning as intended. All defects logged have been non-catastrophic in nature and all defects identified to date have had a limited impact on the business operations. Furthermore,

no unplanned system outages have been incurred to date. Defects identified are being prioritized by the Project team and then fixes are being developed. Through the next few months, there will be a significant focus on monitoring system functionality and performance and the Project Team will continue to take remediation steps in addressing gaps identified.

Appendix 1
PROJECT SCHEDULE

ID	Task Name	Duration
1	**Customer Care Enhancment PM Tasks**	**545 days?**
2	**CCE Project Prep Phase**	**63 days?**
32	**CCE Business Blueprint Phase**	**112 days?**
100	**CCE Realization Phase**	**305 days?**
199	**CCE Final Prep Phase**	**77 days?**
200	**Performance Reporting**	**40 days?**
212	**Quality Management**	**40 days?**
216	**Updated Plans**	**5 days**
223	**CCE Go-live and Support**	**65 days?**
230	**TGI SAP CRB Implementation Plan**	**575 days?**
1	**Project Definition Phase**	**80 days?**
149	**Business Blueprint Phase**	**395 days?**
882	**Realization Phase**	**300 days?**
883	**Project Management Realization Activities**	**260 days**
887	**Configure SAP**	**150 days?**
888	**RE-05 System Configuration Complete**	**150 days?**
1130	**Develop Enhancements and Workflow**	**240 days**
1131	**RE-01 Functional & Technical Specifications Developed &**	**195 days**
1136	**RE-04 Enhancements Completed & Approved**	**50 days**
1138	**Develop Reports & Forms**	**240 days**
1139	**RE-06 Develop Forms**	**240 days**
1143	**RE-07 Develop Reports**	**240 days**
1147	**Develop Interfaces**	**240 days**
1148	**RE-13 Develop Interfaces**	**240 days**
1152	**Data Migration Activities**	**245 days**
1153	**RE-14 Provide Legacy System Data Extracts**	**240 days**
1156	**RE-12 Data Migration Load and Unit Testing**	**240 days**
1159	Perform Data Cleansing Activities	20 days
1160	Data Migration Mock # 1	10 days
1161	Resolve Data Migration Test Issues	45 days
1162	Data Migration Mock # 2	10 days
1163	Data Migration Mock #2.1	19 days
1164	Data Migration Mock #3.0	5 days
1165	**Security Activities**	**100 days**
1169	**Perform Testing Activities**	**265 days**
1170	**RE-08 Perform Unit Testing**	**240 days**
1174	**RE-11 Develop Integration Test Plan**	**120 days**
1178	**RE-16 Complete and Approve Integration Testing**	**125 days**



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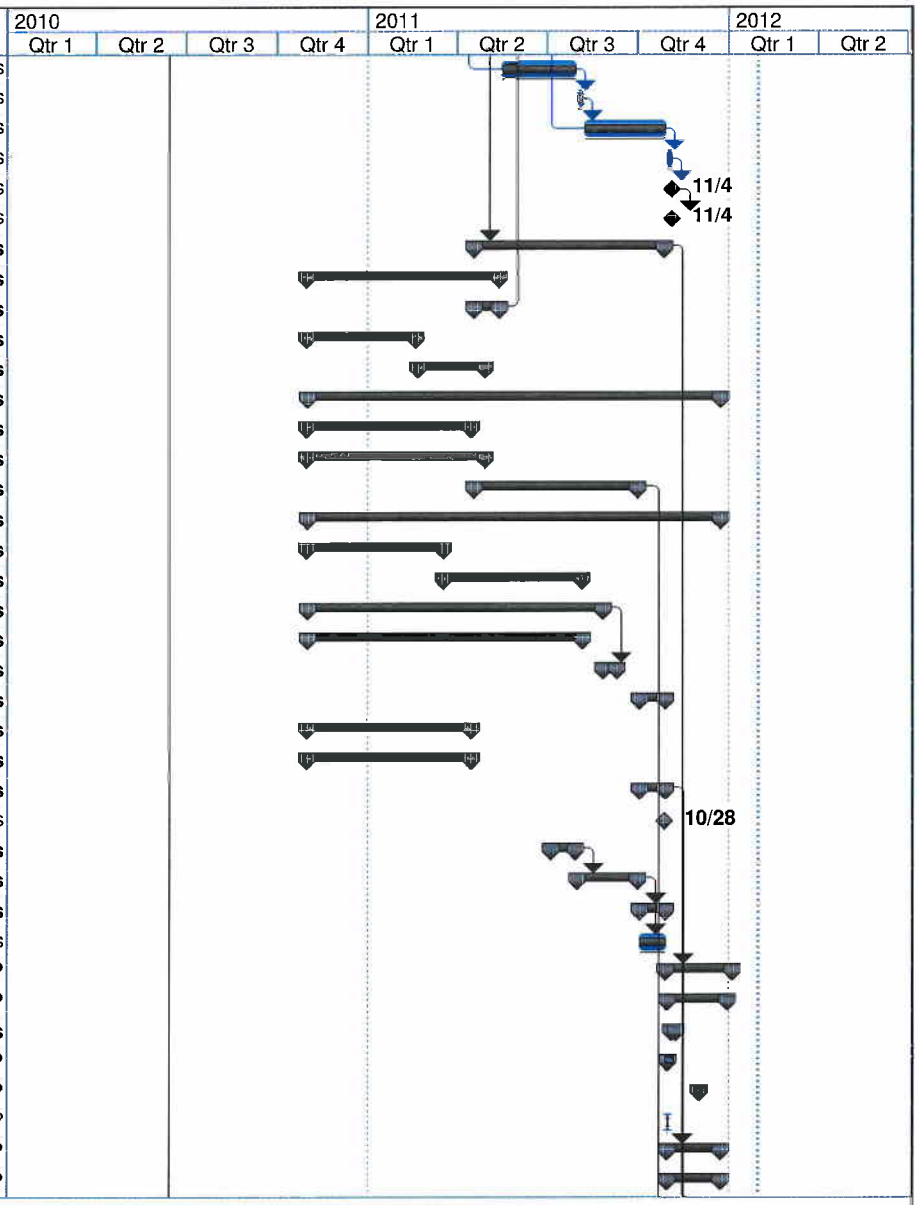
ID	Task Name	Duration
1179	Execute Integration Test Cycle 1	55 days
1180	Review Cycle 1 Results and Perform Re-test for Failed Sci	5 days
1181	Execute Integration Test Cycle 2	60 days
1182	Review Cycle 2 Results and Perform Re-test for Failed Sci	5 days
1183	Complete Integration Testing and Produce Tracking Repor	0 days
1184	Approve Integration Testing	0 days
1185	**RE-17 Document User Acceptance Test Plan**	**139 days**
1191	**Technical Activities**	**140 days**
1192	**RE-02 Install QA & Training Systems**	**20 days**
1204	**RE-09 Production Hardware Sizing Complete**	**80 days**
1206	**RE-10 Production / DR Hardware Procured**	**50 days**
1208	**Change Management & Training**	**300 days**
1209	**Execute Stakeholder Engagement According to Plan**	**120 days**
1213	**Deliver Communications According to Plan**	**130 days**
1221	**RE-19 Develop Role Transition Materials**	**120 days**
1230	**RE-20 Develop Detailed Transition Plans**	**300 days**
1237	**RE-21 Perform Training Needs Analysis**	**100 days**
1239	**RE-22 Detailed Training Plans Approved**	**100 days**
1247	**RE-23 Training Materials Developed & Approved**	**215 days**
1253	**FP-11 Establishment of Training Facilities**	**200 days**
1258	**FP-12 Train the Trainer Delivery**	**10 days**
1264	**RE-24 Manager Cascade**	**20 days**
1267	**RE-25 Design Support Organization**	**120 days**
1277	**Perform Detailed Change Impact Assessment**	**120 days**
1288	**Prepare for Final Preparation and Go-Live Phase**	**20 days**
1291	Realization Phase Planned Completion Date	0 days
1292	**Perform Mock 1**	**19 days**
1296	**Perform Mock 2**	**45 days**
1300	**Perform Mock 3**	**20 days**
1303	Prepare for Dress Rehearsal 1	20 days
1304	**Final Preparation and Go-live Phase**	**48 days?**
1305	**Project Management Final Prep Phase**	**45 days?**
1310	**Conduct Dress Rehearsal 1**	**3 days**
1312	**User Acceptance Testing**	**1 day?**
1314	**Dress Rehearsal 2**	**1 day?**
1316	FP01 UAT Test Cases	1 day?
1317	**User Acceptance Testing**	**40 days?**
1318	**FP01 Perform User Acceptance Test**	**40 days?**



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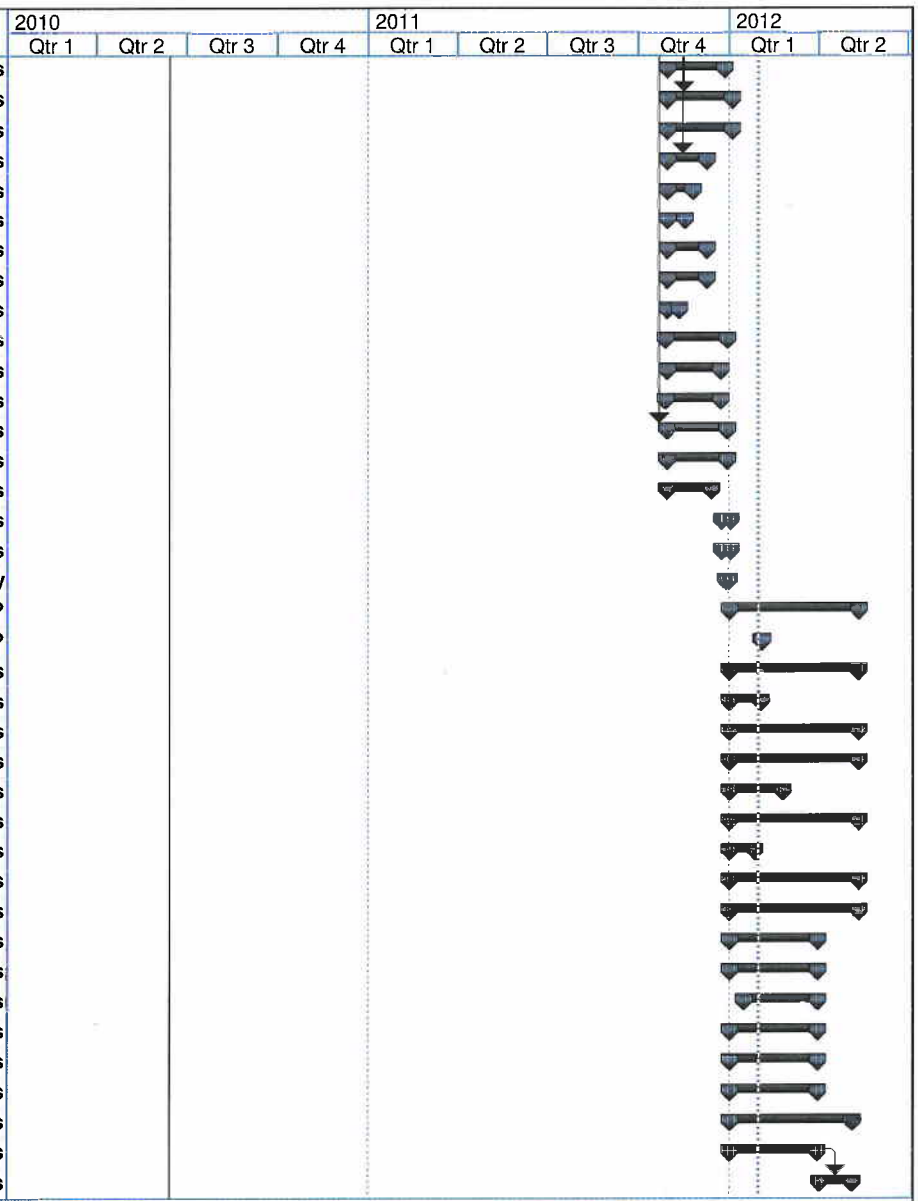
ID	Task Name	Duration
1322	**Establish Production System (SAP Production System)**	**42 days**
1334	**Data Migration**	**48 days**
1335	**FP-05 Legacy Data Migrated and Approved**	**48 days**
1343	**System Testing**	**30 days**
1344	**FP-06 Stress Test**	**20 days**
1347	**FP-08 Disaster Recovery Test**	**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**	**95 days?**
1400	**Project Management Phase Activities**	**1 day?**
1402	**Technical Stabilization**	**95 days**
1403	**PS-01 Confirm Stabilization Plan**	**24 days**
1406	**Execute Technical Stabilization Activities**	**95 days**
1411	**PS-02 System Performance Tuned & Optimized**	**95 days**
1415	**PS-03 Legacy Systems Decommissioned**	**40 days**
1417	**User Support**	**95 days**
1418	**Key User Support**	**20 days**
1421	**TG SAP Support Team Organization Transition**	**95 days**
1422	**Execute Support Processes**	**95 days**
1426	**Manage User Capability**	**65 days**
1431	**On-Site Consultancy Support**	**65 days**
1436	**PS-04 Outstanding Issues Transitioned to SAP Support Org**	**55 days**
1438	**Business Change & Integration**	**65 days**
1439	**Stakeholder Engagement & Communication**	**65 days**
1451	**Deliver Post Go-Live Training**	**65 days**
1453	**Project Closure Activities**	**90 days**
1454	**PS-05 Final System Acceptance**	**65 days**
1456	**PS-06 Project Closure Approval**	**25 days**



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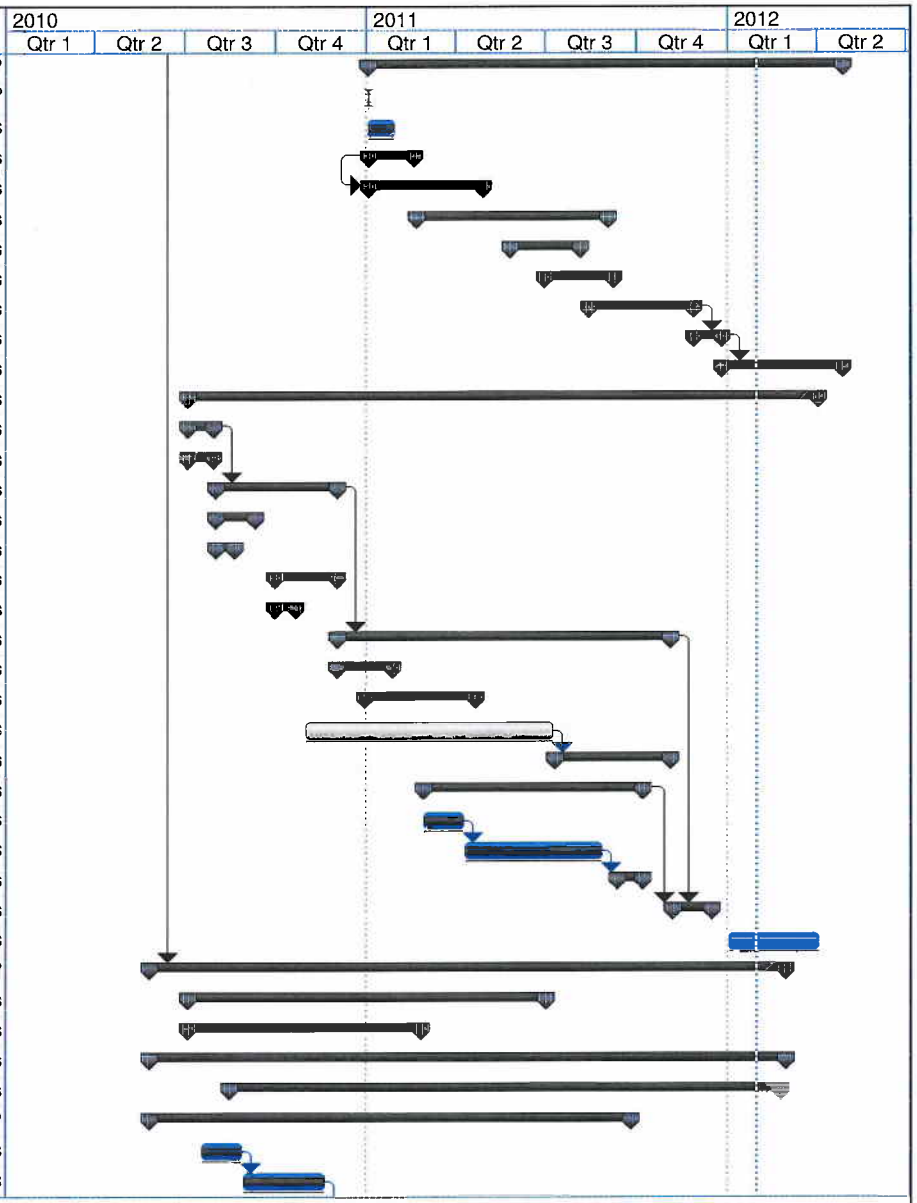
ID	Task Name	Duration
1462	**iEM Implementation**	**345 days?**
1463	Onboard Resources	1 day?
1464	Process Commercial and SOW	20 days
1465	**Design**	**34 days**
1501	**Develop Functional Specifications**	**84 days**
1516	**Build**	**140 days**
1587	**Unit Test iEM Components at Axon Labs**	**51 days**
1601	**Install iEM to Client Dev and QA environment**	**50 days**
1621	**Integration Testing**	**76 days**
1629	**UAT**	**20 days**
1631	**Go-Live & Support**	**89 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**
255	**OPI Realization Phase**	**241 days**
256	**Technical Specs**	**40 days**
261	**Build and Unit Test**	**80 days**
266	RE-08 Perform Unit Testing	180 days
267	**Integration testing**	**85 days**
271	**OPI Training and Documentation**	**160 days**
272	Prep and scoping	30 days
273	Material development	100 days
274	**Train the trainer**	**20 days**
278	**OPI Final Prep Phase**	**30 days**
280	OPI Go live & Support Phase	65 days
281	**Organizational Design and Staffing Project**	**460 days?**
282	**Process Designs**	**260 days**
287	**Organization Design**	**170 days**
297	**Communications**	**460 days**
313	**Change Management**	**400 days**
327	**Recruitment**	**347 days?**
328	Recruitment Strategy	30 days
329	Recruitment and Hiring Plan	60 days



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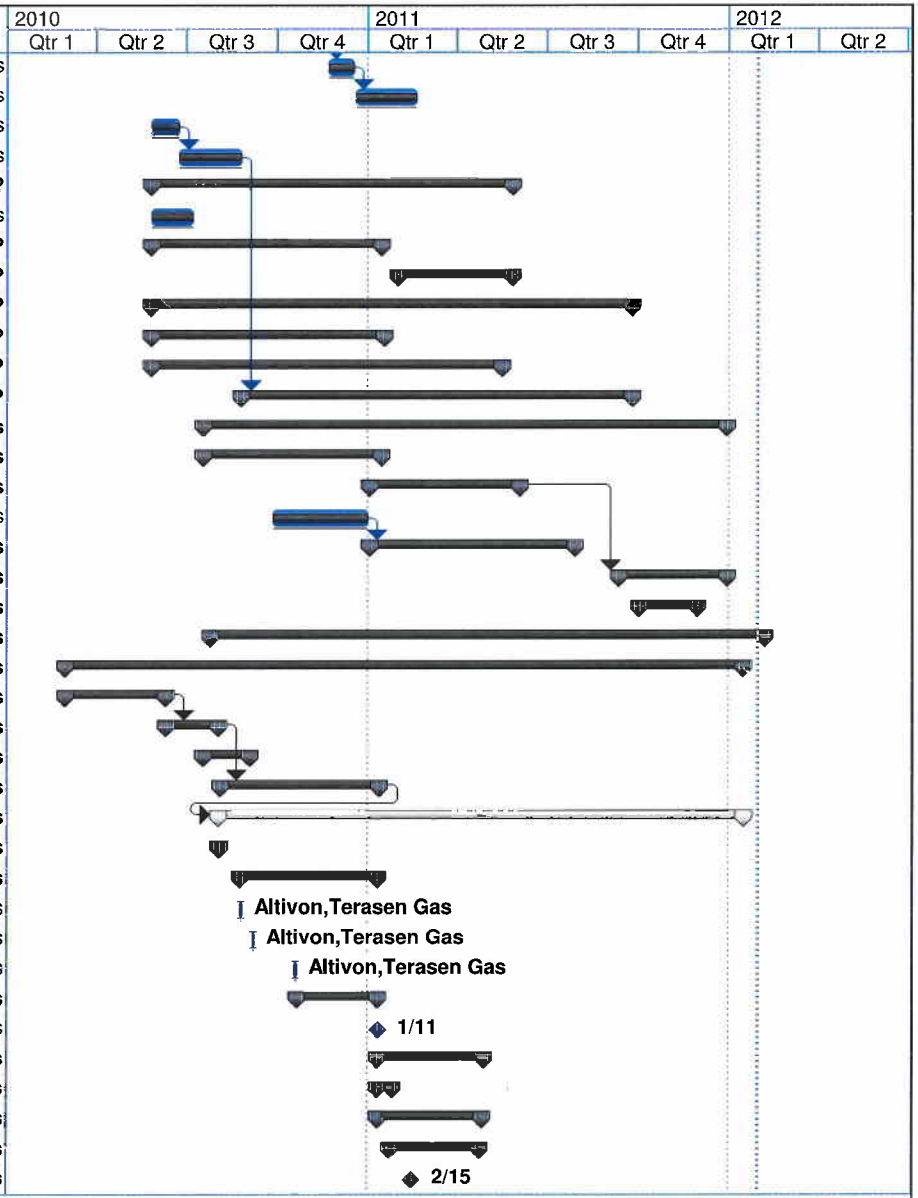
ID	Task Name	Duration
330	Recruitment Schedule M&E	20 days
331	Orientation Plan M&E	45 days
332	Recruitment Schedule COPE	20 days
333	Orientation Plan COPE	45 days
334	**Recruit M&E**	**262 days?**
335	Wave 1 (initial Managers)	30 days
336	**Wave 2 (January 2011) Hire**	**167 days?**
348	**Wave 3 (April - June 2011) Hire**	**84 days?**
362	**Recruit COPE**	**347 days?**
363	**Wave 2 (January 2011) Hire**	**168 days?**
375	**Wave 3 (April - June 2011) Hire**	**253 days?**
387	**Mass hire**	**282 days?**
400	**Learning and Documentation**	**380 days**
401	**Prep and planning**	**130 days**
408	**Training Programs**	**110 days**
411	User Documentation & Support Tools Outlines	70 days
412	**User Documentation & Support Tools**	**150 days**
414	**Training Roll-out New Organization**	**80 days**
424	**Training Roll-out Existing Users**	**43 days**
426	**Business Advisory Team**	**401 days**
431	**Contact Centre Technology Project**	**490.5 days**
432	**Solution and Provided selection**	**74 days**
437	**Contracts**	**37 days**
441	**Customer Experience Strategy**	**35 days**
445	**Design and Specification Stage**	**115 days**
451	**P_Terasen_Gas_CIC_11242010_v1**	**381.5 days**
1	**Planning Phase**	**2 days**
3	**Design Phase**	**99.5 days**
4	Design meetings - Part 1	3 days
5	Design meetings - Part 2	2 days
6	Design meetings - Part 3	3 days
7	**Deliverable--Design Document**	**57.5 days**
11	Design Accepted	0 days
12	**Preparation**	**77.63 days**
13	**Site Readiness**	**11 days**
17	**Equipment ordering**	**75.5 days**
25	**Customer Installation Preparation**	**65 days**
47	**Test Data Preparation**	**0 days**



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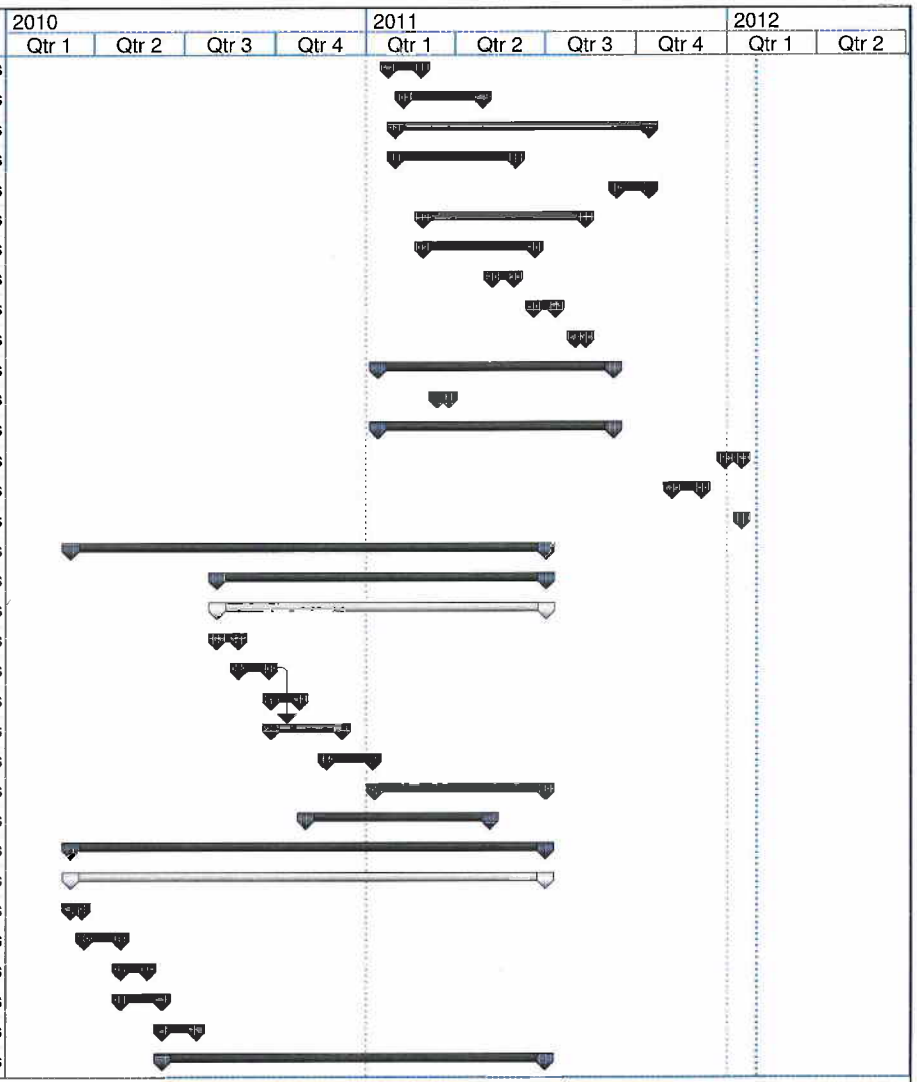
ID	Task Name	Duration
50	**Altivon Installation Preparation**	**25 days**
56	**Installation**	**58.13 days**
142	**Execution**	**185 days**
143	**Development**	**88 days**
182	**Cutover / Contingency Plan**	**25 days**
186	**Testing**	**118.5 days**
187	**Testing--TG Surrey Ops**	**81 days**
198	**Testing--TG Prince George Call Center**	**16 days**
201	**Testing--TG Burnaby Center**	**16 days**
204	**Failover Testing**	**8.5 days**
207	**Training**	**170.5 days**
208	**Training Plan**	**10 days**
212	**Training execution**	**170.5 days**
220	**System Go-Live/Cutover-External cutover**	**12.25 days**
225	**Deliverables**	**22 days**
227	**Transition to Customer Support**	**0.25 days**
452	**Contact Centre Facilities Project**	**345 days**
453	**Lower Mainland Facility**	**239 days**
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**



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Appendix 2
LIST OF MAJOR CONTRACTORS

List of Major Contractors

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

Contractor	Description of Engagement
Accenture	As the current support services provider, Accenture will be providing subject matter expertise in the areas of the existing call centre business processes, technical support specifically around the existing CIS technical environment as well as transition services during the cutover from the existing systems to the new environment.
Altivon and Interactive Intelligence	Interactive Intelligence will be providing the Contact Centre Technologies, an all in one solution integrated with the SAP for managing multi-channel customer interactions. For the implementation of the Contact Centre Technologies, 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. Fujistu 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

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