

Attachment 4

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-150204

DOCKET NO. UG-150205

EXHIBIT NO. _____ (JMK-7)

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REPRESENTING AVISTA CORPORATION



CIS Project Update

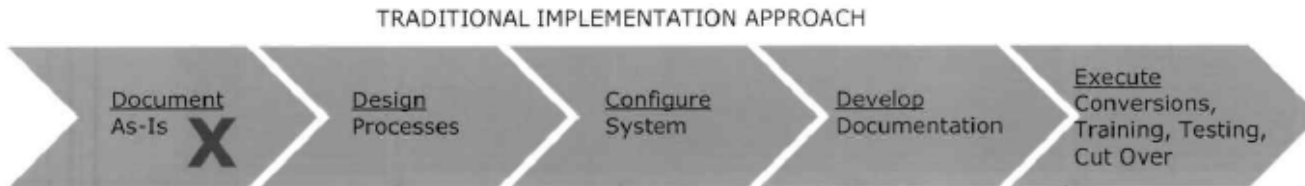
Executive Steering Committee

April 1, 2011

Why Replace CSS?

- Current support staff is tenured; limited resources in the market to support our custom legacy system
- System is 17 years old and is currently written in obsolete program languages (Smalltalk & COBOL)
- Legacy billing system can't accommodate new products, programs and services the utility will offer with Smart Grid
- Legacy billing system is highly customized. Hierarchy of payments is very costly to realign required commission rules and regulations. Contract billing does not exist.
- Lack of Customer segmentation, optional enrollment programs, limited ability to collect customer data and no customer relationship management.
- Legacy system is premise based which makes it difficult to follow the customer.
- Integration is limited and costly to our legacy system.

CIS System Replacement Journey



Change Management is Key

Approximately 3000 common functional and technical requirements

Approximately 200 business processes to document

Gap Analysis performed to define future state

Configuration and Integration

Training and documentation

Conversion and cut over

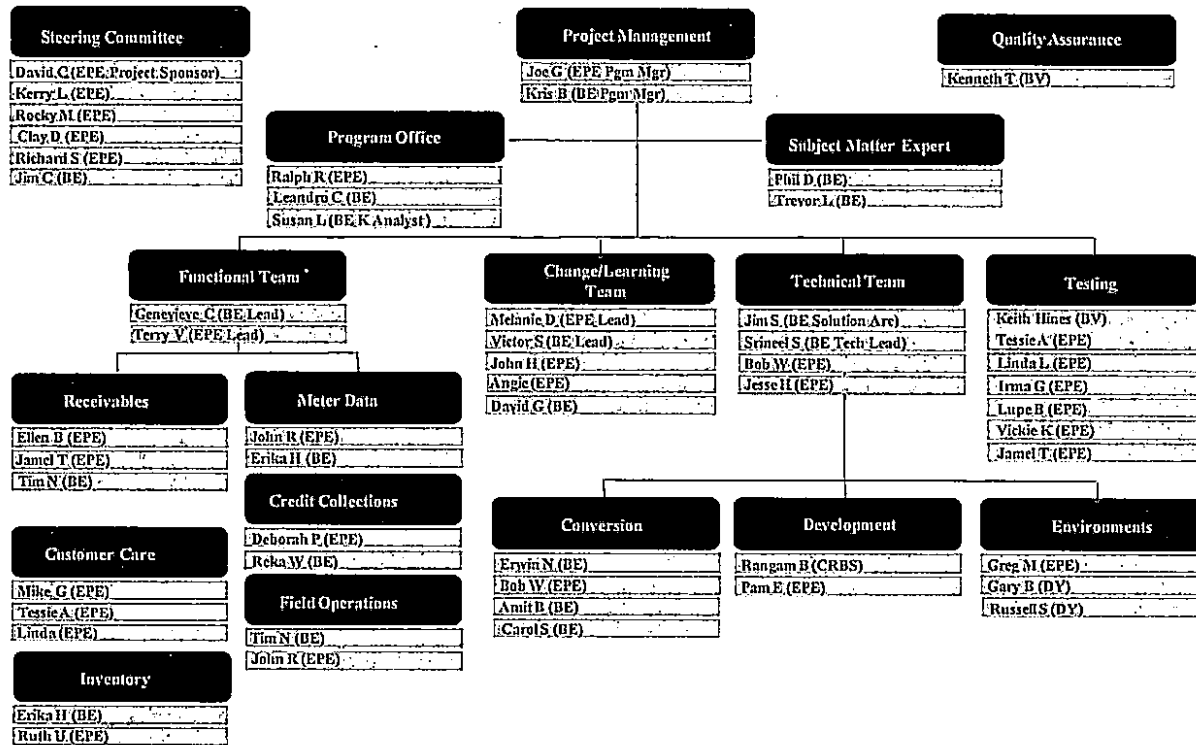
CIS Project Timeline

YEAR 1				YEAR 2				YEAR 3				YEAR 4				YEAR 5			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Plan		Select				Install				Stabilize									

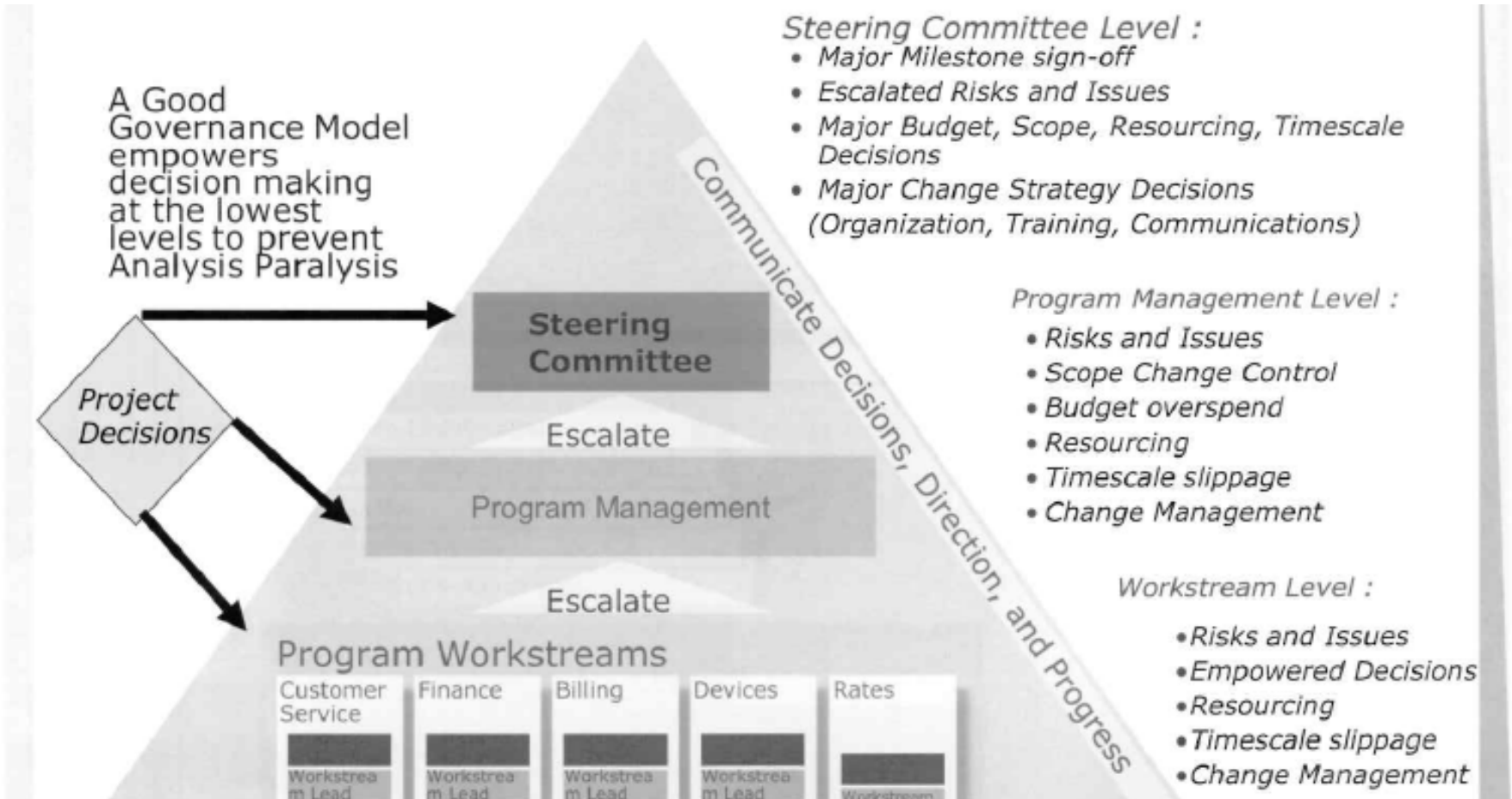
- CIS application plans are taking between 3 and 6 months to complete.
- CIS selections are taking between 7 and 9 months to complete.
- CIS installations are taking 16 to 24 months to complete.
- Once in production it is taking 6 to 12 months to stabilize the new CIS.

Project Staffing Critical to Success

- El Paso CIS Project Team
One Service, Two States, Delayed Collection



Project Management



Successful Steps to Implementation

- Industry tier one software solution (Oracle or SAP) on standard technology platform
- Package enabled re-engineering of business processes
- Limited customizations (vanilla)
- Clear business vision with organizational buy-in from top down around people, scope, budget and timeline.
- Staffed with best and brightest resources
- Strong project management support
- Early communication around change management, training and strategy starting on day 1
- Phased approach: 1-Design & software selection; 2-System integration and configurations; 3-Quality Assurance, test, assess and launch
- Become risk adverse by limiting all competing priorities. (CSS lock down on 9/1/2011)

Progress to Date

- Charter Approved
- Five Industry leading consultants responded to RFI, scoring completed
- Interviewing two additional consultants
- Visit to El Paso Electric to discuss CIS implementation of Oracle by PWC
- Attended Chartwell Webinar Best Practices in CIS Implementation
- Janna Leaf and DJ Kinservik currently documenting 200 business processes
- PAR for 10 CSR's in process (awaiting approval)

Next Steps

- Hire Project Manager
- Approval to invite El Paso Director of Customer Care and CFO Executive Sponsor to share their experience with the Officer team.
- Interview Five Point and Black and Veatch Consulting
- Select and engage consultant for design and software selection
- Build proposed project org chart with approval to commit our best and brightest employees
- Proposed and approved 3 year capital budget plan for \$40-\$60M inclusive of CIS/WMS/AM, space allocation, technology, Avista FTE backfill and consultant support, attorney (internal and external for contract support)...
- Request commitment to move forward

El Paso CIS trip Summary

- Very strong executive support (previously lost \$17.5 million and failed CIS project)
- 2 Dedicated El Paso PM's
- Customer communication around bill format was biggest challenge
- Training was company wide (many application and screen changes)
- Change Management from Day 1
- No parallel systems due to reconciliation complexity
- April to August – no customer collections. Wrote off \$3.9M. Focused on getting the bills out first.
- SLA's and metrics not captured in one repository to date
- Aging report not tied to GL
- Minimal involvement from finance caused major account issues.
- Short resources overall
- Contract was not clear around data conversion

El Paso CIS trip Summary...cont.

- Technology risk for installation of CC&B was minimal except for ESB
- Net metering billing failed. Still not billing 94 customers
- 116,000 project hours (they estimated Avista will be 225,000 project hours)
- Business analyst can configure the system without programming assistance.
- TIBCO Enterprise Service Bus was key to their success around integration
- Stopped all other projects and focused on CIS
- When System Integration started implementation, 90% of IS staff was consumed on project
- No staff reduction as a result of the project. To Do's
- 15 months in phase one, 17 months in implementation.
- Brought in outsourced call center due to extensive training (14 days of training for each rep)