

Exhibit No. ____ (DCG-15C)
Dockets UE-150204/UG-150205
Witness: David C. Gomez
REDACTED VERSION

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION dba AVISTA
UTILITIES,

Respondent.

DOCKETS UE-150204 and
UG-150205
(Consolidated)

EXHIBIT TO
TESTIMONY OF

DAVID C. GOMEZ

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

*Avista Response to Staff DR 140
(Attachments A-C provided on CD)*

July 27, 2015

CONFIDENTIAL PER PROTECTIVE ORDER
REDACTED VERSION

**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	WASHINGTON	DATE PREPARED:	05/10/2015
CASE NO.:	UE-150204 & UG-150205	WITNESS:	Don Kopczynski
REQUESTER:	UTC Staff – Gomez	RESPONDER:	Larry La Bolle
TYPE:	Data Request	DEPT:	State & Federal Regulation
REQUEST NO.:	Staff – 140C	TELEPHONE:	(509) 495-4710
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REQUEST:

In UE-140188, Kensok Exhibit No. __ (JMK-2), contains an “Overview of Avista’s Project Compass” dated August 2013. The following excerpt is from page 36 of the exhibit.

VI. Implementation of the Replacement Systems

Avista’s initial project research and its planning work with Five Point Partners, to assess its business process requirements and to evaluate a range of proposals, provided the base of knowledge and certainty needed by the Company to proceed with the replacement of its legacy System. Avista entered final negotiations with the selected vendors, described above, and executed purchase agreements in May 2011. The single largest contract was awarded to the firm EP2M for implementing the Oracle Customer Care & Billing application, and integration with the IBM Maximo application and the host of other applications and systems required to support Avista’s customer service and operations business. A copy of Avista’s Master Services Agreement and Statement of Work for its contract with EP2M, is provided in the confidential work papers accompanying this filing. Avista’s second-largest contract was signed with IBM for its Maximo software and the services of installing and integrating the application. Avista’s Master Services Agreement and Statement of Work for IBM is also provided as confidential work papers.

Figure 1; Excerpt, Page 36, Overview of Avista's Project Compass

- A. The second sentence states that Avista entered final negotiations and executed purchase agreements with the selected vendors; Oracle, IBM and EP2M, in May of 2011. This date is inconsistent with the timeline contained in Kensok Exhibit No. __ (JMK-2), Attachment 10, Project Compass Guidebook (Guidebook) dated January 2012. Explain this inconsistency.
- B. Provide copies of all contracts, master services agreements, statements of work, and any amendments, changes or addendums to contracts and service agreements with Five Point Partners LLC (Five Point), EP2M, Oracle, IBM (as referenced in the last sentence in Figure 1 above) and all other vendors involved with Project Compass.
- C. Provide all communication, correspondence and presentations by Avista’s Client Manager to the Executive Steering Committee, Executive Officer Sponsor, Executive Project Sponsors, and Compass Director’s Panel regarding contract and schedule performance (and non-performance) for all vendors involved in Project Compass. In particular, the delays associated with coding extensions and remediating defects in the code provided by vendors which resulted in longer than estimated delivery

times and costs for implementation and enforcement by Avista of the vendor performance terms of the contract with the vendor.¹

- D. Provide all communication, correspondence and presentations by Avista's Client Manager to the Executive Steering Committee, Executive Officer Sponsor, Executive Project Sponsors, and Compass Director's Panel regarding the decision in June 2014 to delay implementation of a portion of the Maximo application and the Customer Care & Billing system.²
- E. The Guidebook lists as Procurement Consultants for Project Compass the following personnel from Five Point: Gary Weseloh (left Five Point in April 2014), Greg Galluzzi (left Five Point in May 2014), Craig Mills (left Five Point in January 2012) and Brent Dreher (left Five Point in April of 2012). In January of 2013, Five Point acquired EP2M which happened to be selected in the procurement as the System Integrator (SI) for Project Compass. The Guidebook's Project Compass Procurement Calendar on Page 15 shows Five Point actively involved in contract negotiations and development of statements of work with SI vendors including EP2M which received the contract award.

See the following link:

<http://www.quamnet.com/newscontent.action;jsessionid=0AD4916196E2FE9872EFA834DDAA592A.node2?articleId=2552243>

1. Explain any conflict of interest associated with having Five Point involved in the SI Procurement which eventually chose EP2M as the SI for Project Compass. In particular, explain the appropriateness of the involvement of personnel from Five Point in contract negotiations with EP2M given Five Point's planned acquisition of EP2M. Did Five Point disclose this to Avista? Please explain how Avista addressed any conflict of interest referred to above.
2. Given the departure of Mr. Dreher and Mr. Mills in the initial phase of the Procurement, who from Five Point replaced them? Who replaced Mr. Weseloh and Mr. Galluzzi upon their departure? How did Ernst and Young's acquisition of Five Point in June of 2014 affect Five Point's project staffing and deliverables with regard to Project Compass?

RESPONSE:

The information in the attachments is **Confidential per Protective Order in UTC Dockets UE-150204 and UG-150205.**

- A. The subject sentence in Exhibit No. (JMK-2) from UE-140188 and UG-140189 (Consolidated), found on page 36, second sentence in the paragraph titled "VI. Implementation of the Replacement Systems," should read "2012," instead of 2011. The referenced timeline found on page 11 of Attachment 10, Exhibit No. (JMK-2) from UE-140188 and UG-140189 (Consolidated), under the heading "Procurement: Timeline," depicts the phases of contractor procurement as encompassing Q1 and Q2 of 2012.
- B. Electronic copies of the vendor contracts developed in support of Project Compass, including those for Five Point Partners, EP2M, Oracle, and IBM, are provided as Staff_DR_140C Confidential

¹ In UE-140188, Kensok Exhibit No. __ (JMK-2), Confidential Attachment 11, Pages 55 and 56 contains Experience and Viability Scoring parameters for the list of vendors being evaluated as Project Compass System Integrators. The scoring worksheet shows that EP2M "agrees" to implement the solution based on defined and accepted milestone deliverables. It also agrees to a fixed price, not to exceed contract along with a 15 percent holdback for each milestone payment or for the total value of the implementation services.

² Kensok, Exhibit No. __ (JMK-1T), Page 19:20-22.

Attachment A. Due to the voluminous nature of the attachments, they are being provided in electronic format only. The contracts, listed by vendor name, include the primary contract documents (master service agreements, non-disclosure agreements, statements of work, etc.) and any amendments, authorizations, extensions, and addenda.

- C. The status of work on Project Compass, including the detail of the myriad tasks undertaken by Avista and its contractors, was documented in weekly Project status reports, prepared for the Project Executive Co-Sponsors, and in monthly Project status reports, prepared for the Executive Steering Committee. These weekly and monthly reports are provided for the calendar year 2014 as Staff_DR_140C Confidential Attachments B and C, respectively. The reports from this time period document the relevant project issues that individually and collectively resulted in the Company's decision to revise the Project timeline and budget as described in Exhibit No. JMK_2. The weekly status reports provide a brief Project summary for that week, as well as detailed reports for each of the primary work teams supporting the Project. For each work team, the reports include recent accomplishments, planned activities, and detail around the key tasks relevant to that week. This detail includes a color code of the task status (green/yellow/red), as well as a narrative that summarizes the risks, issues, and proposed solutions for each task discussed. The monthly status reports contain similar information for the Project, summarized at a higher level.

The inherent complexity of Project Compass, as briefly described in Exhibit No. JMK_2, required that the initial Project plan and budget, as completed in 2012, be revised to more accurately reflect the actual volume of work (and time and cost) required to complete the Project. This revision is consistent with the discussion of the uncertainty associated with estimating software project costs, presented on pages 37 – 39 of Exhibit No. (JMK-2) in UE-140188 and UG-140189 (Consolidated). The actual volume and complexity of the work (compared with earlier estimates) ultimately lengthened the time required for completion of many of the key project deliverables, as demonstrated in the weekly reports described above, which were the responsibilities of both Avista and its various contractors. Because the impact of the actual workload affected the timing of deliverables of both Avista and its many contractors, it was prudent for the Company to revise vendor contracts, where appropriate, to better reflect the actual effort required to successfully complete the Project, rather than to attempt to enforce any individual contract provisions.

- D. Please see the Project Compass status reports, provided above as Staff_DR_140C Confidential Attachments B and C.
- E. 1. Avista retained Five Point Partners, through a competitive bidding process, to provide support for the Company in its effort to select enterprise software solutions and other vendors needed to replace its legacy customer information and work management system. The selection of Five Point and the description of its role in support of the Project is described and documented on pages 27 – 29 of Exhibit No. (JMK-2) in UE-140188 and UG-140189 (Consolidated). The Company avoided any potential conflict of interest between Five Point and any of the vendors selected to support the Project, including EP2M, by establishing a comprehensive and quantitative evaluation and scoring methodology to assess the capabilities of the various competitive bidders. This process is described and documented on pages 29 – 34 of Exhibit No. (JMK-2) in UE-140188 and UG-140189 (Consolidated). Avista's Project team (and not Five Point) used the results of this process to make its final vendor selections, as described and documented on pages 35 and 36 of Exhibit No. (JMK-2) in UE-140188 and UG-140189 (Consolidated).

One of the roles Avista established for the support vendors it evaluated, before ultimately selecting Five Point, was to support the Company in the process of negotiating a final contract and purchase

agreement with the vendors the Company had selected. Through this process, Mr. Galluzzi and Mr. Weseloh of Five Point provided technical support to Avista's negotiators, as needed. The actual negotiations between the Company and the vendors, including EP2M, of the contract and purchase agreements, including the contract price, were conducted by Avista's executive co-sponsors, supported by Avista and contract legal staff. Knowledge of the purchase price of the vendor contracts, including EP2M, was not shared with Mr. Galluzzi or Mr. Weseloh, either during the negotiations or after the purchase price was finalized. Five Point, obviously, did gain subsequent knowledge of the purchase price of the Company's contract with EP2M through its acquisition of the latter.

Avista was made aware of Five Point's acquisition of EP2M in January of 2013. Avista has no knowledge of the dates that Five Point and EP2M commenced purchase and sale discussions, or when an agreement between them was finalized. The Company believes the interests of its customers were insulated from any potential conflict of interest by the rigorous and objective processes it established for developing vendor proposals, evaluating and scoring proposals, making final vendor selections, and in negotiating the final contracts, purchase agreements, and purchase prices. As noted above, these processes are well described and comprehensively documented in Exhibit No. (JMK-2) in UE-140188 and UG-140189 (Consolidated).

2. Mr. Mills served as an advisor to Avista supporting development of the "organizational change management" portion of the Project. His work was completed in early 2012, and as a result, Mr. Mills' role was no longer required. Mr. Dreher provided support to Avista, principally during the launch of the procurement phase in June 2011, and also in support of Mr. Mills and Mr. Galluzzi as needed. Mr. Dreher's work in support of the Project concluded in about March of 2012, and as a result, his role was no longer required.

The acquisition of Five Point by the firm of Ernst and Young was a positive development for Avista's Project Compass. Naturally, the Project experienced a short-term decrease in productivity associated with the transition, but Ernst and Young and Avista worked quickly to ensure that the Five Point staffing level was maintained in the short term, and subsequently agreed to add incremental resources to support the Project. The addition of resources coincided with the completion of an agreement between Avista and Ernst and Young, in October 2014. The acquisition of Five Point played no part in the Company's decision to extend the Project timeline, was not a factor in its selection of the final Go Live date, and did not negatively impact the timeliness of any deliverables required to successfully implement the Project.

Attachments are redacted in their entirety.