



**Cornerstone Phase 4  
CIS Replacement  
Stakeholder Session**

**Wednesday June 29, 2011  
1:30 – 4:00 p.m.  
Victoria Room  
Metropolitan Hotel  
108 Chestnut Street, Toronto**

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**The presentation materials used in this session and background materials can be found at this link:**  
[www.HydroOne.com/Regulatory Affairs](http://www.HydroOne.com/RegulatoryAffairs)

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## Participants

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### Stakeholders

David MacIntosh—Energy Probe  
Harold Thiessen—Ontario Energy Board  
Jack Hughes—Canadian Manufacturers and Exporters  
Jake Brooks—Association of Power Producers of Ontario  
Jay Shepherd—School Energy Coalition  
Judy Simon—Low Income Energy Network  
Julie Girvan—Consumers Council of Canada  
Kim McKenzie—Power Workers' Union  
Michelle Byck-Johnston – The Society of Energy Professionals  
Roger Higgin—Vulnerable Energy Consumers Coalition  
Shelly Grice—Association of Major Power Consumers of Ontario  
Steve Zebrowski—Veridian Connections

### Hydro One

Myles D'Arcey, Senior Vice President, Customer Operations—Hydro One  
Mike Winters, Senior Vice President & CIO—Hydro One  
Susan Frank, VP & Chief Regulatory Officer—Hydro One  
Allan Cowan, Director, Transmission Applications Regulatory Affairs—Hydro One  
Jeff Smith, Director, Project Management & Control—Hydro One  
Vicki Power, Advisor, Regulatory Affairs—Hydro One  
Alex Hamlyn, Assistant, Network Management Engineer—Hydro One

### OPTIMUS|SBR

Bob Betts—OPTIMUS|SBR  
Angela Boychuk—OPTIMUS|SBR  
Miles Smit—OPTIMUS|SBR

**START 1:35pm**

## **1.0 Welcome by Allan Cowan, Director, Major Applications**

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Allan Cowan welcomed all participants to the Stakeholder update meeting on the CIS Replacement — Phase 4 of the Cornerstone project. He indicated that Hydro One will be advancing this project to 2012, ahead of the previous target of 2016. The presenters will provide a background on the Cornerstone project in general and the Customer Information System (CIS) in more detail, and will be including the reasons for advancing the system in-service date.

OPTIMUS | SBR will be providing the note-taking and facilitation. Allan introduced Bob Betts as the facilitator and to start the meeting.

## **2.0 Opening Remarks by Bob Betts, Facilitator**

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**1:40pm**

Bob Betts welcomed all participants, advising he is facilitating together with OPTIMUS | SBR. Bob introduced the OPTIMUS | SBR team - Angela Boychuk and Miles Smit - as note-takers.

In his presentation, Bob went over housekeeping items - meeting facilities, refreshments, planned break around 2:45pm, and the emergency instructions pointing out the exits in case of need. Note-taking will be done by OPTIMUS | SBR. The session will be recorded and the recordings destroyed once the notes are approved. Any comments made by individuals are done on behalf of the party they represent. Participants were advised if they want comments to be off the record to advise beforehand.

Bob reviewed the agenda for the meeting, indicating the ground rules. Presentations and notes will be posted on Hydro One's website. All participants were asked to introduce themselves for the record.

## **3.0 CIS Replacement, Cornerstone Phase 4 Update**

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**1:50pm Cornerstone Update - Mike Winters, Senior Vice President, Information Technology**

As an introduction to the Cornerstone Project, Mike Winters began the presentation with a review and explanation of Hydro One's overall IT strategy to rationalize applications and transform business processes through the implementation of commercial off-the-shelf (COTS) applications.

This strategy aims at reducing system components, supporting productivity improvement via the business benefits of adopting standard industry processes and best practices, and mitigating the risks associated with unsupported custom solutions.

The current customer service system (CSS) is expensive and cumbersome to maintain and update, being built on an IT platform from the mid-1990's, using Cobol coding and mainframe technology, requiring programming resources and skills that are becoming more scarce worldwide.

Currently, Hydro One relies on outsourced IT management. We would like to rely less on specialized and customized skills and tools, thereby reducing costs on outsourced premium services. Customer service and IT account for about 75% of the total Inergi outsourcing contracted by Hydro One.

Mike Winters provided a summary of the 4-phased Cornerstone project, which started in 2006.

- Phase 1 covered SAP's Enterprise Asset Management including asset management, work management, investment management, supply chain and some reporting. Phase 1 went live in Q2 2008.
- Phase 2 included Finance, HR, payroll, time reporting and business intelligence reporting. Phase 2 went live in Q3 2009.
- Phase 3 comprises a number of smaller scale projects, building on Phases 1 and 2 and includes such projects as supply chain optimization, advanced asset analytics, engineering design transformation, and business planning consolidation all of which are at various stages of completion and implementation.
- Phase 4 involves a CIS to replace the customized, legacy CSS built on discontinued platforms, to simplify interactions for customers and to drive efficiency and effectiveness through innovation and service delivery transformation.

The current CSS application runs on a totally dedicated IBM mainframe for both primary and backup systems, costing approximately \$2-3million per year to maintain. By moving to a new SAP CIS, Hydro One can take out the mainframes and eliminate the associated upkeep costs.

Jay Shepherd asked when the predecessor system (CSS) was installed and went live. Mike indicated it was June 1998, using the Customer/1 platform. Andersen Consulting installed the system, but shortly got out of that line of business and re-aligned with the SAP customer care system.

Customer/1 was discontinued shortly after Hydro One went live unfortunately. So we were dependent upon the Customer/1 utility clients to make changes based on unique business needs. There was no standard installation or roadmap, so Hydro One could not ask for service or enhancement packs.

The new SAP system is widely used, and they have plans for service and enhancement service packs that Hydro One can readily install to improve business processes. The SAP system also allows easier integration with current systems (e.g., asset management, work management, supply chain, etc.), thereby reducing the linking software needed to tie systems together.

Mike reviewed a summary of the project process:

- 1) A Request for Information ("RFI") was issued with focus aimed at software vendors. Hydro One received responses from Oracle and SAP, the only vendors that could meet the requirements of a utility of Hydro One's size;
- 2) A Request for Proposals ("RFP") was issued for system integrators with 4 responses – 2 with Oracle and 2 with SAP;
- 3) A rigorous evaluation process resulted in a 3-month discovery phase with the lead integrator and to finalize scope, establish fixed price and benefits.

Jay Shepherd asked who the integration bidders were. Mike indicated that the bidders were HCL AXON (SAP), CGI (Oracle), Accenture (SAP) and PricewaterhouseCoopers (Oracle).

Roger Higgin asked what role “Inergi”, Hydro One’s current outsourced services provider, would play in the solution. Mike replied that Inergi has 2 roles:

- 1) Through Vertex (the call centre and customer care provider), Inergi will help define detailed requirements and functional design and assist with testing and implementation.
- 2) For application and infrastructure management, Inergi will ensure the platform stands up correctly, overseeing capability, load application, and testing.

Jay Shepherd asked if any of the system integrator bidders were related to Vertex or Inergi. Mike indicated that they were not related. Inergi is an affiliate of CapGemini and CapGemini chose not to bid.

HCL AXON was selected as system integrator and during the discovery phase Hydro One negotiated software costs for Itron and SAP. Hydro One used Gartner for third party expertise to discern the level of discount that could be expected from SAP. Hydro One was pleased to report that they were able to achieve an approximate 85% discount from SAP.

Roger Higgin asked if the discount was based on size. Mike answered that Gartner indicated a price band and based on various factors mainly size and current footprint of SAP. Roger opined that Hydro One’s other SAP applications likely played a part in choosing SAP and without those applications, Hydro One would not have achieved such a large discount. Mike agreed.

The Board of Directors’ approval was received in May 2011 with projected in-service date of late 2012.

The planning and the RFP process for the replacement of Outsourced Services will begin in earnest in Q3 or Q4 2012. The target issue date of the RFP is in early to mid 2013 to get to complete outsourced services switch out in early 2015.

Jay Shepherd asked about Vertex’ involvement and requested information on the contracted vendor, contract start date, term and additional costs for the extension, and furthermore whether the extension contract made unit costs steeper.

Mike answered that the main contract is with Inergi as prime with a sub-contract to Vertex for customer care services. The original contract started in 2002 for a 10-year term and with a 3-year extension clause exercised to take Hydro One through 2015. In the extension, Hydro One was actually able to negotiate a steeper decline in cost through the various towers, with improved service levels.

Mike added that the RFI and RFP were used to assess the market, confirm fixed costs and set timelines proceeding to a work-back schedule allowing CIS to go live before having to negotiate new outsourcer contracts. Mike indicated it is not desirable to have a major customer information system change ongoing in a window when the outsourced customer service provider was distracted by other issues, such as bidding and being evaluated on a new outsourcing contract. From a simplicity standpoint, this approach with fewer activities occurring simultaneously also makes for more favourable negotiations on new outsourced services contracts related to customer service and IT once the extension expires: the more commercial off-the-shelf (COTS) applications Hydro One uses, the lower our costs should be.

Roger Higgin asked if the IT service is for on-going customer care services or system integration of software systems. Mike replied that the outsourcing contract deals with both customer services, including customer care, and IT. Specifically to IT services, the IT component involves infrastructure

management for servers, data centre and end user computing devices, application management including making changes for regulatory purposes and end user support. For the customer care piece the expected benefits will be discussed later in the presentation.

Mike Winters reviewed the Cost-Benefit Summary for the Cornerstone Project and noted the net positive benefit associated with the project.

Roger Higgin requested clarification on the type of costs presented. Mike indicated that the costs broken out are the project implementation costs, primarily capital costs with some operations, maintenance and administrative costs. The benefits projected are over 7 years, including cost savings made possible by the system change.

Roger asked what presentation basis of cost and benefit numbers was used: are these capital costs, net present value of operating costs, or some other analysis? He emphasized that he would like to see the costs evaluated on a customer per customer basis in any future analysis.

Mike answered that the costs are project implementation costs for Phase 1 (mostly capital, and some operational and admin costs) and the benefits projected are gross over the 7 years, even though the benefits would run out to 10 or 15 years, if not more.

Roger indicated that he would want to see a “Benefit Realization Plan” including capitalized costs and benefits over reasonable system lifetime and also an understanding of costs on a per-customer or per-bill basis.

Jay Shepherd requested clarification on whether the benefits included tax benefits and the start point of the 7 year time span. Mike and Jeff replied that the projected benefits are gross and exclude tax benefits. The 7 year horizon starts from the implementation of each component.

Jay Shepherd asked why a 7 year horizon was used. Mike answered that it was chosen back in 2006 and asked the group their views on that since the operational life of the CIS would be much more than 7 years.

Julie Girvan suggested the benefits should be projected over the full expected life of system, but that going further out would be meaningless. The group generally agreed that the costs and benefits should be evaluated over a longer period, based on the life expectancy of the system. Mike Winters indicated that they certainly expect to use SAP for more than 7 years with major version upgrades to extend life of the various modules of SAP.

Judy Simon requested cost information on the upgrades. Mike replied that the costs were modelled into the cost structure for the CIS, but he would have to get the firm numbers for a follow-up discussion.

Jay Shepherd asked if the cost-benefit analysis presented for board of director approval is available for review.

Allan Cowan advised that it will be included in the filing.

Jay Shepherd then suggested leveraging the CIS template used by Enbridge, which facilitated cost review both by Enbridge and their ratepayers over the long term. Allan Cowan confirmed that Hydro One has

seen the template and will be looking at how best to present their information, which will be included in the next application.

Mike indicated Hydro One has a rigorous process for tracking and reporting on benefits realization and ensuring they are attained and put into future investment plans and regulatory filings.

Jay Shepherd commented that the impact on costs, relative to the benefits to the ratepayer should be analyzed explicitly, which is a more focused examination compared to the general corporate cost to benefits analysis.

Shelley Grice asked if the costs include software licences and the change-out of the mainframe in the Phase 4 costs. Mike advised that the licences are included in the cost. The decommissioning of the mainframe is part of project cost and the run costs of \$2-3M will be removed and reflected in future filings.

Jack Hughes asked if the \$172M benefits include the 20% contingency that was built into the \$180M cost for Phase 4. Mike confirmed that the 20% contingency is a project cost not reflected in the benefits value. If the project is completed without the 20% contingency the project benefits of \$172M will not be impacted, but the project cost of \$180M will.

Mike Winters then introduced Myles D'Arcey to present the vision and approach for the CIS build.

### **2:20 pm CIS Replacement Project – Myles D'Arcey, Senior Vice President, Customer Operations**

Myles reviewed three key benefits of system replacement based on the proposed timeline in terms of meeting current needs, realizing immediate value and enabling a future customer vision.

1. The change addresses current needs – the current system was deployed in 1998 and is a custom-code system. Hydro One has invested over \$200M in customized modifications since deployment and the CSS is now a stand-alone Hydro One system as a result of all of this customization. As an unsupported system, the risks attached are greater. The need to continue to customize the current system is driving ever increasing costs. There are costs and risks every time Hydro One “lifts the hood” or adds bolt-ons or required functionality to the system.

To this first point, Jay Shepherd asked what had changed in the plan to replace it for 2012 instead of the original date of 2016. Myles D'Arcey indicated generally that it relates to a “window of opportunity” that has opened and that this would be discussed in greater detail on Slide 16: Timeline for Replacement and Jay was satisfied to hear the full response at that time.

2. Customer value – the new system has greater capability and flexibility. SAP and Oracle have incorporated utility industry best practices. Additionally, Hydro One will be able to drive future enhancements to meet customer requirements. Hydro One looked at the costs of implementing the Ontario Clean Energy Benefit changes, and determined that a 70% cost savings would have been possible through SAP system. Thus, a lower total cost will be achieved, as code changes and revisions become easier.

To this second point, Jay Shepherd asked what the average spend is to make changes to the current system. Myles D'Arcey replied that in the last 12 months they have spent \$10 - 12M. Recent years have

averaged somewhere between \$5-10M in revisions. One reason is that a rate change requires a code change in the current system, whereas SAP is table-driven.

Jack Hughes asked if the study was internal or external and whether the information would be included in future filings. Myles confirmed it was an internal study and it would be included in future filings.

Myles briefly reviewed the Benefits Evaluation information, providing examples of some benefits that would be achieved by the new CIS, including total cost of ownership by eliminating the mainframe computers, plus benefits, including best practices such as improving customer information retention when customers change accounts within the Hydro One territory.

Judy Simon was interested in knowing the detailed implementation strategy from now to 2015, especially concerning the order of components to be implemented. For example, given possible regulatory changes, could one component be completed sooner than others, such as low income customer benefit improvement?

Myles suggested that with a live date of Oct 2012, Hydro One will have the flexibility to implement change at lower cost. Hydro One will review the regulatory timeframe to ensure the best possible alignment.

Susan Frank indicated that the key challenge here is assessing any regulatory changes that need to be applied before the October 2012 timeframe: either changes would have to be built into both platforms at a high cost, or parties will need to consider whether delaying some changes would be more cost-effective.

Myles reviewed the link between the new CIS capabilities and the corporate objectives such as predictive analytics relating to the iCare component (prompting the agent to address the likely issue behind a call), achieving 90% overall customer satisfaction, deploying enhanced tools to improve employee engagement, conservation demand management (CDM), and driving productivity.

Jay Shepherd asked whether such new CIS capabilities are part of the initial solution or if they are add-ons requiring more spend. Myles advised that the examples given are included as part of the initial \$180M solution.

Jay Shepherd asked if some proportion of cost is allocated to unregulated activities to cover the CDM component, given that regulated CDM programmes are largely OPA-mandated. Myles answered that there is no allocation for unregulated activities.

Myles summarized the point to say that CIS will provide a holistic view of a customer's bill, history, usage and conservation program enrolment. This will allow for meaningful discussions with the customer as they manage their bills, which is a need-to-have.

Discussion continued with Susan Frank, Jay Shepherd, Julie Girvan and Myles D'Arcey exploring the CDM program example, its purpose and cost allocations. Myles confirmed that the purpose of the CDM component is data mining and to use when servicing a customer.

Susan suggested that the issue could be summed up by saying that the new CIS would be able to generate data for subsequent use in marketing, enrolment and other applied efforts, which belong under CDM costs.

Myles agreed and said that the costs for CDM programming (enrolment, delivery and reporting) are *not* part of the project costs and would be identified and allocated later as required. Julie suggested that the costs of unregulated components be separated from regulated ones in the next filing. Jay added that a fair practice for allocation be used for regulated versus non-regulated elements, to ensure that components or portions of components used to support non-regulated benefits are identified separately and not included in ratepayer costs.

3. Customer vision – ensuring that the system has capability and flexibility for future changes and needs. Future needs are not currently built-in, but Hydro One is looking forward to ensure the system has the flexibility to grow in the ever changing environment. Hydro One is looking to see how they can use the investments already made to provide more data, functionality and capability for the customer's benefit.

To this third point, Mike Winters added that under the current system, it is cost-prohibitive to integrate with core applications such as time tracking, GIS, etc., to improve corporate productivity. The new system will allow better responsiveness to the field. Some less important add-ons have not been included in the current plan to ensure that the approximate ±2800 critical business requirements currently in the CIS implementation plan are completed effectively and efficiently.

Roger Higgin asked which classes of customer should be able to access account information online. Myles D'Arcey replied that with the current CSS system, customers can log onto My Account and will be included in the new CIS. The challenge is to meet the incremental functionality the customer will want going forward. The new system flexibility will provide for that. Customer consumption history is an example of that.

### **2:50pm Session Break**

### **3:05pm**

Myles D'Arcey continued with some information particularly relevant to electricity generation customers at slide 13 of his presentation. Primarily the new CIS will provide greater visibility of data, provide more information, and provide increased opportunities on how to present billing data (e.g., multiple accounts on one bill).

Jake Brooks asked what level of detail is expected. Myles indicated that as an example, today for microFIT, settlements are very simple, with start and end readings and the rate. However; in an outage situation, customers may question discrepancies between projected and actual revenue. With the new CIS, Hydro One will be better-equipped to provide data and analysis to answer these and many other questions in the future.

Julie Girvan asked if there would be charges for this kind of service. Myles responded there will be no incremental costs, because the requisite data is already available.

Jay Shepherd asked whether different reports could be created for customer groups at a future time. Myles replied that like TOU, these reports would be enhancements to the system and they would need to review what will be beneficial for the whole group. Mike Winters commented that any requirements not in the initial scope of the CIS could be considered later.

Susan Frank commented that it would be good to know what kind of functionality Jay was requesting since it may in fact be contained in the original CIS scope. It would be valuable information for Hydro One to assist in planning and budgeting to address those requirements in the future. Myles confirmed that the data will be available, but they need evaluate and understand what functionalities would be required to process the data.

Jay Shepherd indicated that it is important to know what functionalities are built into the current scope so that the costs of any add-ons could be properly accounted for.

Similarly Jake Brooks indicated that it is important to know what is going to be collected as part of the data set regardless of what is currently anticipated to be used for reporting. Myles provided an example, saying that FIT generators receive the same data info as interval-metered customer. For microFIT, customers will see initial and final reads, and rates applied. Jake commented that more information should perhaps be obtained to determine what data is most useful to present. Myles gave a further example of generation information, which must go through the MDM/R and be calculated separately, and which is not currently accessible to the customer.

The data collection and reporting issue is complex enough that it was agreed that it should be discussed further in subsequent consultations.

As an example of pressing concerns relevant to CIS, Myles reviewed some of the new customer requirements for electric vehicle and charging requirements, generation by solar and wind turbine, load management, etc. Currently Hydro One has about 5000 microFIT generators connected, with  $\pm 1000$  in the hopper for rural Ontario, and another  $\pm 4000$  by year end, as rooftop or standalone units.

Roger Higgin commented that generation is 1% of the customer base and queried the functionality and cost to be invested on applications versus overall \$180M.

Myles countered that only today's requirements are built-in the \$180M, and no incremental cost has been added for future functionality. For any additional functionality Hydro One would build a business case and request stakeholder input at that later time. This future information requirement was factored into the vision so that the system would have the future capability to provide those functionalities at reasonable cost. The information illustrated on slide 15 - The Customer of the Future, is not part of the current project.

Myles then reviewed the timeline for the project and addressed Jay Shepherd's earlier question about why the project timing was advanced. The CIS replacement process has a 3-year time frame. The outsourced call centre billing and IT support functions are essential to its successful implementation. Hydro One needs a window of stability with these outsourced functions to complete the CIS implementation in the outsourcing contract term ending 2015. When Hydro One had the opportunity to extend this outsourcing contract and create this period of stability, the window of opportunity opened.

Jay Shepherd asked when the outsourcing contract was extended. Myles replied it was as of May of 2010.

Roger Higgin asked if the advancement of phase 4 and the 3-year extension had been included in the prior regulatory filing. Myles indicated it was not in the filing. The extension was approved on its own merit.

Roger Higgin observed that Hydro One is going to pay an outsourced vendor \$20M for participation, and asked whether discounts were negotiated, if benchmarking was done and how costs of billing and customer care could be reduced for the period of the outsourcing contract during which the new CIS was available for use.

Myles first responded that price reductions were built into the contract renewal or extension.

He went on to say that Hydro One has a framework for further potential future benefits, however, savings in this outsourcing arrangements could not be negotiated until real and achievable benefits could be validated when the new system was in place. Within the \$172M in benefits, no billing or customer care cost reductions were built in within the 2 year window, as they still needed validation and contractual negotiations. Hydro One is in a strong position after validation to go back to the vendor for potential reductions.

Roger Higgin said that from a ratepayer perspective, he would like to see some benchmarking on customer care cost with other organizations using SAP. He suggested that it be included in Hydro One's regulatory agenda for the balance of the Inergi and Vertex contract.

Jay Shepherd commented that it should extend further, that if Hydro One is expecting future reductions in the next contract.

Myles invited Hydro One's Jeff Smith, Director, Project Management & Control, to present the slides summarizing the Project Cost.

Jeff indicated that about half of the project cost is the labour/implementation services, of which 2/3<sup>rd</sup>s is the integrator, HCL AXON. Jeff added that HCL AXON is number 1 in SAP integration in North America.

Through the discovery phase, Hydro One validated the integrator's assumptions, time and benefit. Mike Winters added that they tested the market by getting proposals from four bidders, and he added that HCL AXON was the lowest bidder.

Jeff went on to point out that HONI and Inergi make up another large portion of the labour cost. The business, IT and call centre services drive the project.

Jay Shepherd enquired about the resources and associated costs. Jeff confirmed that the project uses existing people seconded from other Hydro One roles which are back-filled with temporary staff. Jay asked to know the cost of back-fill staff. Hydro One indicated that they will need to review that and will provide the answer at the next session.

Susan Frank asked whether the concern was the possibility that the labour costs were in some way double-counted. She commented that those labour costs would remain where they are (e.g. ongoing

Settlements efforts), and the cost of moving their efforts into the CIS project would equal, or might exceed the current cost of their efforts.

Jay understood how these people would be used but just wanted to understand what the costs of the back-filling process would be. Jeff said he would determine that and report it at the next opportunity.

Jay Shepherd asked how the new capitalization rules under IFRS would change how interest and overhead are accounted. Susan Frank advised it is premature to be discussing this, but that the matter would be discussed at a later session.

Jeff continued the cost review to examine hardware costs. Hydro One already has existing infrastructure for SAP platforms that would be augmented. Software costs include SAP and Itron costs. Commissioning includes interface with third parties, (such as Symcor for printing bills).

Jay Shepherd asked whether the software costs were up front or an annual licence. Mike Winters responded that there is both an initial cost of \$13.4M for first year, plus an annual maintenance expense which is typically 17-22%.

Jay Shepherd questioned if the commissioning cost includes any of Hydro One's internal cost. Jeff Smith said that it does not: it is for interfacing with third parties. This involves a combination of people – Inergi, and HCL AXON as the integrator, although some HONI staff will also be involved.

Jay Shepherd asked for a rough breakdown of interest and overhead numbers. Jeff replied these would be approximately \$6M and \$12M, respectively.

Jack Hughes asked how Hydro One determined a contingency of 20%, and whether it is projected that the contingency will be required. Mike Winters advised 20% is typical of major IT projects and consistent with Phase 1 and 2. Some of the contingency was used for each of Phases 1 and 2. If it is needed for Phase 4, HONI will follow its governance model. Mike emphasized that the Hydro One Board of Directors approved the 20% contingency on the basis that it could not be used without explicit Board of Directors review and approval.

Jack asked about the amount of contingency used in Phase 1 and 2. Mike indicated that not all the contingency was used for Phase 1 and 2 and the final numbers will be provided.

Susan Frank asked whether the 20% contingency would be included in the amount requested in the application. Mike confirmed that the contingency will be part of the application.

Jeff asked is anyone could think of any additional information that Hydro One should be providing with its application and there were no further requests. Allan Cowan added that the Enbridge template includes much of the required information requested, and it will be reviewed by Hydro One and populated with its data.

Jeff concluded the presentation with a brief review of the Green Energy example to illustrate the lower cost of the new system. The Green Energy Benefit project required 6600 hours to implement the changes. With the new system, the same changes would have taken an estimated 1600-2200 hours, a reduction of about 70%. Thus, there is a significant cost reduction in ongoing efforts to be had by implementing this new system.

Jeff turned the meeting back to Bob Betts for the final question and answer section.

Shelley Grice asked what other utility companies are using a similar SAP CIS. Myles D'Arcey replied that these include Texas Utilities, London Hydro, Blue Water Hydro, SaskPower, BC Hydro and others.

Jake Brooks asked how the Smart Grid Technology will tie into the new CIS system. Myles answered that the CIS is specific to customer system requirements and functionality, but there is potential for other uses of the data that can be collected. Jake suggested that over time there should be a second look to examine co-ordinated evolution and adaption of Smart Grid and CIS applications.

Myles responded that as enterprise systems come online, with dated information, the potential exists for additional and enhanced functionality linking into other Smart Grid options and other platforms like mobile functionality, geo-spatial functionality, GIS, etc. When it comes time for these enhancements a plan will be developed and presented to the stakeholders for input.

Another issue Jake Brooks suggested for consideration is the question of which kind of investments are utility investments, and which should be privately owned. Myles agreed that these questions would need to be considered.

#### 4.0 Close

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##### **3:55pm**

Allan Cowan concluded the meeting, advising that given the number of relevant questions and issues raised, another stakeholder session would likely be held in September to provide updates on studies and analysis for filing in fall, including further discussion about CIS, the compensation study underway with Mercer, the Density Study, CDM and Load Forecasting and an update on accounting issues and what the filing may look like.

Allan concluded the session by thanking the participants for their questions and information.

##### **ADJOURN 4:00pm**

## APPENDICES

### A. Summary

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The CIS Replacement Project presentation was approached by way of an overview of Hydro One's governing IT strategy as well as the status of the 4-phase Cornerstone Initiative, of which the new Customer Information System (CIS) is the 4<sup>th</sup> phase.

Throughout the session, Stakeholders questioned Hydro One about issues of concern, including timing, costs, software and outsourcing options, benefits and functionalities that attach to CIS. Stakeholders also provided many valuable comments as input to the CIS implementation and regulatory presentation.

Detailed conversation focused on the due diligence conducted in Hydro One's decision-making process, particularly as it relates to:

- 1) The decision to advance the CIS implementation from 2016 to 2012;
- 2) The prices obtained from SAP, the integrator HCL AXON, and other contractors;
- 3) The pending expiry of the current outsourcing contract;
- 4) The co-ordination of CIS planning with other strategic initiatives;
- 5) Costs intended for inclusion in the next rate application.

Hydro One gave an account of the rationale, vision and approach for replacing the current, outmoded Customer Service System (CSS) with the more flexible SAP-based CIS, readily capable of handling foreseeable changes in accounting and reporting, as well as future customer and industry account management needs.

A number of direct questions helped identify issues which will require clarification or further research and analysis.

### B. Key Action and Notable Items

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- 1) Customer Care costs were requested to be reported also on the basis of cost per customer to facilitate comparisons with other SAP users.
- 2) Stakeholders indicated a desire to have a "Benefits Realization Plan" developed to track benefits included in the justification of this project.
- 3) Stakeholders generally agreed that benefits and costs should be analysed of the reasonable life of the CIS asset and not the 7 years currently used.
- 4) Stakeholders asked for more detail about the expected costs of future system upgrades.

- 5) Hydro One confirmed that they would file the report originally provided to their Board of Directors that outlined the cost/benefit analysis for the board's consideration of the CIS replacement project.
- 6) Hydro One has noted and will consult the template completed by Enbridge Gas Distribution as part of its CIS stakeholder consultation process.
- 7) Ratepayers requested that the cost/benefit analysis provide some focus on the impact to ratepayers, both in costs they will bear and benefits they will receive.
- 8) Hydro One will provide more detail about the 20% contingency included in the \$180M project cost, including:
  - a) Cornerstone Phase 1 and 2 contingency budget usage;
  - b) How the 20% contingency will be presented for regulatory consideration.
  - c) How the contingency will be managed if the project comes in below budget or above budget.
- 9) Stakeholders generally understood the drivers and the rationale for advancing the timing of the CIS Replacement Project
- 10) Stakeholders asked that Hydro One file the internal report that analyzed the costs of making changes to the existing CSS.
- 11) Stakeholders indicated an interest in seeing a detailed implementation plan. The specific interest here was to consider whether certain benefits (such as those to low income consumers) could be realized as early as possible.
- 12) Hydro One indicated a need to discuss the approach to requested changes to their systems during the transition to a new CIS, to understand and evaluate the costs/benefits of having to make changes twice versus only once.
- 13) There was general interest in ensuring that the costs of the CIS Replacement and any changes made to the current design are reasonably evaluated and allocated to customer class to ensure that cross subsidization is kept to a minimum.
- 14) Parties were generally interested in gaining a better understanding of the functionalities that will be built into the new CIS
- 15) Similar to the previous item, there was interest in further information about the kind of data that will be collected by the new system, so that stakeholders could consider future uses of that data.
- 16) Stakeholders were interested in learning more about the customer care arrangements with Inergi/Vertex and how they compare to other utilities cost/benefits in delivering the same services. The interest relates both to the recent extension arrangements and the understanding that all will want to consider new arrangements when the current contracts expire.

- 17) Hydro One agreed to provide more details about the estimated costs for the use of Hydro One personnel in the project, with specific interest in the costs of back-filling for seconded staff.
- 18) A follow-up CIS Replacement project stakeholder session will be planned for the fall.

### C. Meeting Agenda

## Stakeholder Consultation



### Cornerstone Phase 4 CIS Replacement Stakeholder Session in Support of Hydro One Rate Applications

**AGENDA**  
**June 29, 2011**  
**Metropolitan Hotel**  
**108 Chestnut Street, Toronto**  
**Upper Level**  
**Victoria Room**  
**1:30 p.m. – 4:00 p.m.**

1:30 p.m.	Welcome	Allan Cowan, Director, Major Applications, Hydro One Networks
1:40 p.m.	Introductions	Bob Betts, Facilitator, OPTIMUS   SBR
1:50 p.m.	Overview of Cornerstone Project	Mike Winters, Senior Vice President, Information Technology, Hydro One
2:00 p.m.	Overview of Cornerstone Phase 4 CIS Replacement	Myles D'Arcey, Senior Vice President, Customer Operations, Hydro One
<b>2:45 p.m.</b>	<b>BREAK</b>	
3:00 p.m.	Q&A	Mike Winters, Myles D'Arcey and Bob Betts
3:45 p.m.	Nest Steps and Closing Remarks	Bob Betts / Allan Cowan
<b>4:00 p.m.</b>	<b>Adjourn</b>	