

Policy Shift - Customer Services

- ➔ Line Extensions
- ➔ Facility Modifications

June 9, 2008

Policy Shift – Drivers & Issues

- ⇒ Variance in billing of customer work
- ⇒ Audit findings
- ⇒ Work flow process inconsistencies
- ⇒ Changing customer expectations
- ⇒ Some policy & process inconsistencies
- ⇒ Inefficient skill set matching

Policy Shift - Objectives

- ➔ Billing improvements
 - Accuracy, timing, consistency of process
- ➔ Comply with audit findings
 - Consistency with policy and process
 - Establish new internal process controls
- ➔ Streamline work flow processes
 - Shift resources and match skill sets
 - Leverage technology and data

Policy Shift - Solutions

➔ Billing improvements

- Bill on estimates for LE's & FM's
- Establish "Unit Price" estimating i.e. price per/ft. < \$10K LE's
- Ongoing calibration for; reasonable, justifiable costs
- Establish engineering fees & upfront payment policy

➔ Expected benefits

- Consistency between policy and processes
- Reduction in detailed cost estimating
- Efficiency of staff with matched skill sets
- Clear and sustainable work flow process

Policy Shift - Risk

- ➔ Financial – delta in revenue versus expenses
 - LE = \$1.4M/yr. & FM = \$1.0M/yr.
 - Historical est. versus act = $\pm 3\%$
 - Financial exposure on \$2.5M $\approx \pm \$75\text{K/yr.}$
- Mitigation Plan – Adjust unit price as necessary

Policy Shift - Benefits

- ⇒ Improved efficiency
- ⇒ Improved customer satisfaction
- ⇒ Policy compliance
- ⇒ Focus on accountability

Line Extension Policy - Overview

Current Line Extension

**Adding new load,
extending new facilities**

**Cost estimate performed
at no cost \approx 35% “tire kickers”**

**Customer pays on estimate
with option of paying actuals
over 99% choose estimate**

Billed through CIS

Rock clause

Late comer fees

Proposed Line Extension

**Adding new load,
extending new facilities**

**Cost estimate performed
w/ streamline estimating
w/ engineering fees**

Customer pays on estimate up front

Billed through CIS

~~**Rock clause**~~

Automate late comer fees

Facility Modification Policy Change - Overview

<u>Current Facility Mods</u>	<u>Proposed Facility Mods</u>
No new load, modifying existing facilities	No new load, modifying existing facilities
Cost estimate performed at no cost	Cost estimate performed w/ Engineering fees
Customer pays on actual costs following comprehensive audit	Customer Pays on Actual Costs Customer pays on estimate up front
Billed through misc. accounts receivable	Billed through Misc. Accounts Receivable Billed through CIS
Rock clause	Rock clause

Policy Change – Next Steps

- ➔ Internal audit (Discovery Phase)
 - ➔ Strategic review (Executive View)
 - ➔ Policy & process review (Core Team)
 - ➔ Re-draft of policies (Core Team)
 - ➔ Policy executive review
 - ➔ **Informational presentation to the Board**
 - ➔ Final policy review by Legal Team
 - ➔ Resolution to the board
 - ➔ Policy & process execution
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Policy Change

Questions?

Process Flow Chart

Customer Line Extensions & Facility Modifications

● Identifies New Process Controls

Data Acquisition Stage

Design Stage

Planning

