



2005 Revenue Requirements

10. Regulatory Policy

10.3 Transition Plan

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1. Introduction

On December 1, 2003, Fortis Pacific applied to the British Columbia Utilities Commission (the “Commission”) pursuant to Section 54 of the *Utilities Commission Act*, RSBC 1996, Chapter 473 for an order approving the acquisition of a reviewable interest in FortisBC (the “Company”) from Aquila Networks British Columbia Ltd. (the “Application”).

On April 30, 2004, the Commission granted Order G-39-04 (the “Order”) which approved the acquisition (the “Acquisition”) by Fortis Pacific of a reviewable interest in FortisBC and further ordered that Fortis Pacific, and as appropriate, FortisBC, was to file quarterly reports on its acquisition and transition activities as required in the reasons for the decision.

In its Application, Fortis Pacific used the criteria set out below to demonstrate that the Acquisition would not detrimentally affect the customers of FortisBC or the Company. Moreover, the Application stated that plans for the management and operation of FortisBC would have a beneficial impact on its customers, and the public interest. During the application process the Company provided among other things, evidence in support of the following:

1. The conduct of FortisBC’s business, including the level of service, either now or in the future, would be maintained or enhanced;
2. There would be no breach of existing covenants given by or in respect of FortisBC;
3. The structural integrity of the assets would be maintained in such a manner as to not impair utility service;
4. FortisBC’s current and future ability to raise equity and debt financing would not be reduced or impaired; and
5. The public interest would be preserved.

It was noted that the necessary services would be provided by Fortis Inc. or its affiliates, or FortisBC would develop the capacity to provide these services on a stand-alone basis in a manner that would ensure no adverse effect on customers.

1 In further support of the Application, the Company presented its intentions to:

- 2
- 3 1. unwind the integration of the British Columbia and Alberta companies and establish
- 4 and operate FortisBC on a stand-alone basis;
- 5 2. establish a FortisBC corporate head office in the British Columbia service area;
- 6 3. appoint a board of directors with local representation and senior officers who reside
- 7 within the service area;
- 8 4. financially structure the Company with an equity to total capitalization ratio of 40
- 9 percent; and
- 10 5. not attempt to recover in regulated electricity rates the premium that Fortis Pacific
- 11 paid to Aquila Networks British Columbia Ltd. over the book value of FortisBC's
- 12 shares.
- 13

14 In addition to the intentions stated in the Application, multiple stakeholder and public
15 consultations were conducted regarding the Acquisition and transition. During these
16 consultations, the Company also stated its intention to, within a reasonable transition period:

- 17
- 18 1. improve the overall quality of service to customers;
- 19 2. establish local customer call centre operations, line operations, engineering services,
- 20 finance and human resources administration capabilities;
- 21 3. run the utility on a stand-alone, economically efficient basis;
- 22 4. establish senior management in the local service area; and
- 23 5. increase local employment.
- 24

25 The Commission panel noted in its determination the stated intentions of Fortis Inc. to maintain a
26 high quality of customer service to ratepayers and to re-establish the British Columbia operations
27 as a stand-alone utility headquartered and managed within the service area.

28

29 Page 11 of Appendix A to the Order states:

30 *The Commission Panel expects that, in due course and in a timely manner, steps*
31 *will be taken to further consider and implement the plans and fulfill the*
32 *commitments made in the presentations to stakeholders, in the Fortis Application*

1 *and in the course of this public process. The Commission Panel agrees with*
2 *Fortis that the next rate application “will provide a basis for full public scrutiny*
3 *of a more detailed plan including a definitive timetable, a forecast of proposed*
4 *costs and an assessment of customer benefits”. In the meantime, the Commission*
5 *Panel considers that it would be helpful and appropriate for Fortis to advise and*
6 *keep the Commission informed of its plans related to the Utility.*

7

8 This Report provides FortisBC’s detailed plan to transition (the “Transition Plan” or the “Plan”)
9 the Company to be able to meet its service commitments to its customers.

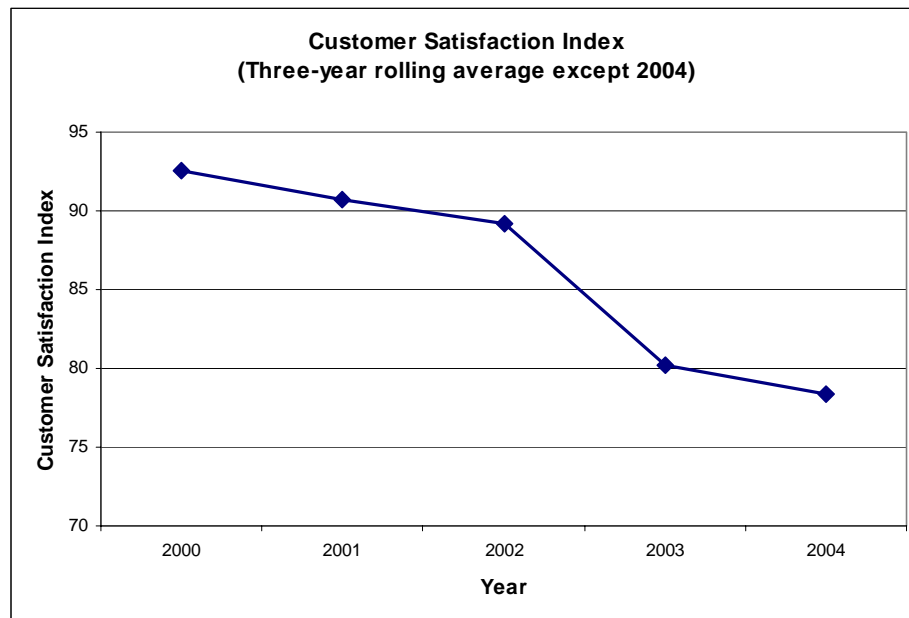
2. The FortisBC Transition Plan

2.1 Plan Overview

2.1.1 Customer Service

Figure 10.3.2.1.1 indicates FortisBC's overall customer satisfaction index for 2000 through 2004.

Figure 10.3.2.1.1



The downward trend in the customer satisfaction index since 2000 is of concern to FortisBC, and is evidence of the decline in customer service that has occurred in recent years. The Company believes that it can improve this measure by creating a stand-alone business in B.C. in conjunction with improvement initiatives targeted at the areas of greatest concern.

This Transition Plan addresses the need to improve overall customer service through more effective customer, billing and contact services. The principal component of this Plan is the establishment of a customer call centre in Trail. Another component is directed at improving billing accuracy. The third component of the Plan envisions improving service through the establishment of a more prominent customer service function within the service territory.

1 The establishment of a customer call centre in Trail requires that the Plan provide for
2 investment in a call centre facility, technology and employee training and development.
3 Also, the Plan provides for the transfer of services currently provided by FortisAlberta
4 Inc. in a manner which ensures that customer service levels are not detrimentally affected
5 and provides the basis upon which customer service will be enhanced in the future. The
6 transfer of these services will also be carried out in a manner which guards against the
7 duplication of costs.

8
9 The Plan will also improve customer bills by allocating resources to meter reading and
10 billing edits (data integrity).

11
12 The Plan provides for frontline staff who will be able to provide an appropriate level of
13 walk-in service to customers on a cost effective basis.

14 15 **2.1.2 Establishment of a stand-alone utility**

16 This part of the Transition Plan addresses the establishment of a stand-alone utility with
17 independent financing capacity in capital markets as well as independent executive
18 management and governance capabilities.

19
20 This element of the Transition Plan also includes the establishment of corporate services
21 and support that are necessary to operate the utility on a stand-alone basis.

22 23 **2.1.3 Field Services**

24 This part of the Plan addresses the need to be more responsive to customer field service
25 needs. The Company plans to deploy resources in a more effective manner to more
26 quickly respond to trouble calls. The Company also plans to allocate more resources and
27 streamline processes to ensure timely customer connections.

2.2 Implementation of the Plan

2.2.1 Detailed Plan and Timetable

Details of the significant elements of the FortisBC Transition Plan, including a cost and benefit impact as well as a definitive timetable, can be found in Appendix 1.

The following is a summary of the Transition Plan.

2.2.2 Customer Service

Call Centre

The Company will establish a customer call centre in Trail to provide its customers with a local point of contact for bill enquiries, service requests, trouble call responses, payment and other credit arrangements.

The customer call centre facility and associated technologies will be in place by the end of the first quarter of 2005. The Company is currently recruiting staff for this centre and will fully transition the service from Alberta by the end of the second quarter of 2005. FortisBC currently plans to staff the call center with approximately 15 agents working Monday to Friday from 7:30 am to 9:00 pm. FortisBC is assessing the most efficient manner of providing trouble-call service during times when it is uneconomical to provide call center staffing due to low call volumes.

During the transition from Alberta there will be some overlap of service associated with employee development and after hours coverage. The cost associated with the overlap is approximately \$0.3 million. The cost is included in Table 10.3.3.1 which shows the revenue requirements costs associated with the Plan.

Billing

In June 2004, the Company assessed the resources required for meter reading and allocated resources to reduce the number of meter reading estimates and decrease billing

1 errors. Customers are already benefiting from these initiatives through a reduction in
2 meter read estimates from 25 percent to less than 5 percent.

3
4 By the third quarter of 2006, FortisBC plans to have optimized its meter reading routes to
5 decrease meter reading costs and meter reading errors while at the same time maintaining
6 an annual actual average meter reading percentage of 95 percent or better.

7
8 To reduce billing errors unrelated to meter reading, a customer billing data integrity
9 function has been enhanced to provide quality assurance over all metering and other
10 customer and billing data.

11
12 FortisBC is reviewing the bill format to identify alternatives and provide clearer
13 information to customers. The Company will first consult with customers and based on
14 their feedback will introduce a new bill format in 2005.

15 16 **Frontline Customer Service**

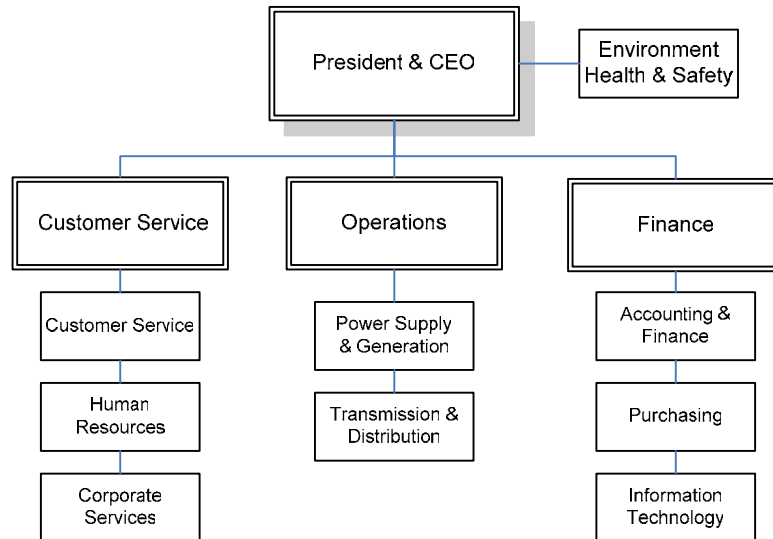
17 Frontline customer service persons will be located in both the Kelowna and Trail offices
18 to deal with in-person customer enquiries. The Company will also assess the use of
19 remote agent call centre technology that will allow for additional resources to be
20 deployed in providing in-person service to customers in other offices. Remote agent call
21 centre technology will allow the Company to route calls to other Company locations
22 where trained staff can handle peak volumes or other part-time needs while carrying out
23 other administrative or customer duties.

2.2.3 Establishment of a stand-alone utility

Corporate Structure

FortisBC's planned corporate structure is shown in Chart 10.3.2.2.3 A below.

Chart 10.3.2.2.3 A
FortisBC



FortisBC's executive management team is in place and is based in the service territory with the exception of the President and CEO who is based in Calgary. A new President and CEO who will also be based in the service territory is expected to be appointed in 2005. Any recruitment of staff will include a combination of internal reorganization, outside recruitment and transfers of skilled employees wishing to relocate. No associated relocation and severance costs associated with the transfer of positions from Alberta are included in 2005 Revenue Requirements.

A complete board of directors with members from the service territory, is expected to be in place by the end of 2005.

2.2.4 Field Services

In terms of influencing its overall levels of customer service through operations, FortisBC intends to pursue two separate initiatives, both aimed at improving its customer responsiveness.

The first initiative is directed at reducing FortisBC's service restoration times. To improve service restoration responsiveness, FortisBC is currently undertaking a comprehensive review of its existing human and physical resources with a view to establishing restoration targets applicable to all areas of its service territory. This review will be complete by the second quarter of 2005.

Following the completion of this review, FortisBC expects that human and physical resources will need to be redeployed within its service territory to ensure reasonable restoration targets can be met on a consistent basis.

The second initiative is aimed at improving FortisBC's responsiveness to routine customer wait times for services such as new connections. This will be partly achieved by redeployment of current resources, partly by internal process improvements in minor design work and warehousing practices, and partly by recruitment, where necessary. As in the case of restoration times, measurable targets will be established and regularly reviewed to ensure continued timely customer responsiveness on a consistent basis.

3. Costs and Benefits

3.1 Costs

The FortisBC 2005 Revenue Requirements include the cost of all the initiatives noted above, with the exception of one-time costs associated with the transfer of personnel from Alberta. Amongst those costs not included in the 2005 Revenue Requirements are relocation and severance costs associated with the transfer. As a matter of transparency for its customers, FortisBC has not included these costs in its 2005 Revenue Requirements.

A summary of the 2005 Revenue Requirement costs that were provided as shared services in 2004 are presented in Table 10.3.3.1. The table also includes costs associated with the call centre in Trail and the increased presence in Kelowna.

Table 10.3.3.1
2005 Revenue Requirements
For Functions Provided by FortisAlberta in 2004

Function	2005 Revenue Requirements (\$000s)¹
1 Customer Service	2,712
2 General and Administration	2,819
3 Facilities	368 ²
4	5,899
5 Offsetting Reductions	(4,721)
6 Net Cost of Stand Alone Model	1,178
7 1 Includes both the labour and any forecast shared services costs through transition in 2005	
8 2 Includes the revenue requirement of capital costs associated with the Call Centre and Kelowna office	

With the exception of some duplication of call centre cost to cover employee training and development time, the costs associated with customer service are not one-time and represent the annual costs associated with providing customer service and general and administrative services previously provided by FortisAlberta. As customer service improves, the Company will improve efficiency and increase productivity. The net increase in the cost of these shared services is \$1.2 million and is reasonable and prudent given the benefits of improved customer service, regulatory transparency, improved efficiency and future rate stability outlined in the following section.

3.2 Benefits

The principal benefits of FortisBC's transition to a stand-alone utility are associated with improved customer service, regulatory transparency and ultimately improved efficiency and rate stability. The resulting customer benefits from the creation of a locally based stand-alone utility with efforts focused solely on British Columbia are as follows.

Customer service

Improved call centre: A locally-based customer call centre staffed with knowledgeable Company employees who are intimately familiar with the service territory and customer needs will result in a higher level of service to customers during their day-to-day interactions with the Company. Ultimately, call centre staff will be capable of carrying out other duties, such as customer billing and credit functions, thereby reducing costs and contributing to rate stability for our customers.

Meter Reading: Increased meter reading and the associated reduction of estimates will improve the timeliness and accuracy of customer bills, thereby reducing customer inquiries and complaints.

Improved Bill Accuracy: Increased editing and analysis of billing data will reduce billing errors which will in turn reduce customer bill complaints and result in more efficient operation.

Clarity of Bill: FortisBC will improve the bill format based on consultation with customers. Improved bill clarity will provide more useful information to customers and reduce enquiries.

Customer Contact: Locating customer service staff in offices to serve customers who may wish to make enquiries or make service requests in person improves customer service and ultimately reduces enquiries.

1 **Responsiveness:** Timely response to customer service requests such as new connections
2 through streamlined processes, improved resource deployment and higher standards will
3 improve customer satisfaction.

4
5 **Service Restoration:** Faster service restoration through improved trouble call handling
6 with knowledgeable employees and better deployment of resources will minimize outage
7 duration.

8 9 **Regulatory Transparency**

10
11 **Decreased Reliance on Affiliates:** Local management, direction and expertise ensures
12 that resources are effectively deployed to meet the requirements of local customers and
13 are not encumbered by the needs or priorities of affiliates. Also, the cost to the customer
14 for the service provided is more transparent and is more easily understood within the
15 regulatory compact.

16
17 **Stand Alone Creditworthiness:** Building and maintaining an electrical system requires
18 continuous access to capital on reasonable terms. FortisBC's stand-alone credit status as
19 a public debt issuer provides the Company access to capital markets, unencumbered by
20 the risks of its parent or affiliates. On November 30, 2004 the Company will issue \$140
21 million in long-term debt at the lowest cost of any existing issue in its portfolio. The issue
22 will serve to reduce the overall average cost of debt for FortisBC by as much as 100 basis
23 points and will contribute to rate stability for our customers in future years.

24
25 **Improved Efficiency:** Local management focused on efficiency will over time improve
26 rate stability for customers. For example, the Company's decision to purchase vehicles
27 that have termed-out leases decreases revenue requirements by \$0.8 million. The
28 Company's ability to decrease overall costs such as insurance by way of its participation
29 in a larger group program is reducing revenue requirement in 2005 by approximately \$1.1
30 million.

1 **Customer Expectations:** FortisBC will return to more traditional hours of operations for
2 the call centre, while finding more effective solutions for handling calls after hours. This
3 change is consistent with customer expectations as measured by call volumes at this time
4 of day and will result in reduced workforce requirements for the call centre.
5

6 **3.3 Measuring Benefits**

7

8 As part of its plans to improve customer service, FortisBC will implement benchmarks for
9 measuring its performance. In 2005, FortisBC plans to develop targets in the following areas:

- 10 • Billing Accuracy
- 11 • Emergency Response Times
- 12 • First Call Resolution
- 13 • Completion of New Service Requests
- 14 • Meter Reading Accuracy and Reduction in Estimates
- 15 • Field Service Complaints
- 16 • Commitment to Follow-Up

17
18 FortisBC also plans to redesign its customer satisfaction survey. The existing survey is designed
19 to measure the customers' rating of FortisBC's performance in terms of visibility, reputation and
20 customer satisfaction. While this has provided a good starting point, FortisBC has identified
21 areas for improvement, especially when measuring the overall customer experience. The
22 Company intends to use the customer satisfaction survey more effectively to measure the quality
23 and convenience of the customer's day-to-day interactions with the Company. This will be
24 accomplished by revising the existing questionnaire, designing questions to measure the
25 customer's most recent customer service experience and by measuring other meaningful
26 attributes. This process is described in more detail in the Performance Standards section of Tab
27 10.

28
29 The cost associated with establishing and monitoring these benchmarks will be less than
30 \$50,000.
31

4. Conclusion

FortisBC is implementing its plans to establish itself as a stand-alone utility which involves transferring its customer service functions from its affiliate FortisAlberta. The Company is also developing independent financing capacity in the capital markets as well as establishing independent executive management and governance capabilities within its service area. FortisBC has publicly issued \$140 million of long-term debt on a stand-alone basis that will benefit customers through lower interest costs in its 2005 revenue requirements and that will contribute to rate stability in the future.

FortisBC plans to establish its own customer service functionality and is focused on strategies to improve service. These improvements include a more effective call centre, increased meter reading and billing accuracy, enhanced bill format and provision for in-person service. Also, improvements in field service delivery through more effective work processes and resource deployment will decrease wait times for services such as new connections and trouble call response. The Company intends to establish benchmarks to monitor its progress.

FortisBC has identified the forecast 2005 revenue requirement for the functions that are being transferred from FortisAlberta and the cost of other initiatives included in the Plan. These costs, when netted against the forecast reduction in shared services cost from FortisAlberta, results in a \$1.2 million increase in costs. The increased costs are offset by other financial benefits to the customer associated with the transfer of ownership of FortisBC and its transition to a stand-alone utility. Two specific examples, reduced debt and insurance costs are estimated to reduce 2005 revenue requirements by \$1.4 million and \$1.1 million respectively. Also, the 2005 revenue does not include the one-time costs of relocation and severance that are being borne by the shareholder. Most importantly, customers will benefit from the improved customer service and responsiveness outlined in this plan.

1 APPENDIX 1

2 1. Customer Service

3 4 1.1 Overview

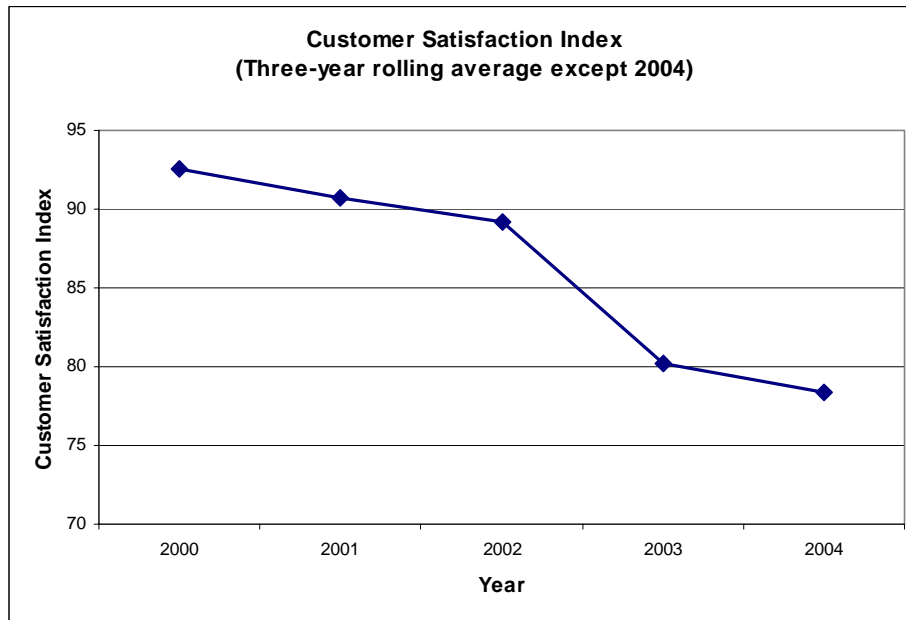
5
6 As of December 31, 2003, FortisBC served approximately 93,000 customers directly.
7 Another 48,000 customers are served by municipal utilities which are wholesale
8 customers of FortisBC.

9
10 FortisBC's customer base includes residential, commercial, industrial and wholesale
11 customers.

12
13 Many of the customers served by FortisBC are separated by significant distances and
14 challenging terrain. Geography varies from the arid areas of the Okanagan to the
15 mountainous Salmo-Creston corridor.

16 17 1.2 Metrics

18
19 FortisBC uses a variety of metrics to gauge customer satisfaction with the service it
20 provides. Historically, customer satisfaction has been measured through the use of
21 independent surveys, designed to measure FortisBC's performance as rated by its
22 customers. Figure 10.3.A.1.2 indicates FortisBC's overall customer satisfaction index for
23 2000 through 2004.

Figure 10.3.A.1.2

1 In assessing its overall customer satisfaction with its service, FortisBC has focused on three
2 specific customer service metrics. These include satisfaction with customer call center service,
3 satisfaction with billing accuracy and satisfaction with service restoration.

4 **2. Customer Call Centre Operations**

5 6 **2.1 Overview**

7

8 The downward trend in the Customer Satisfaction Index since 2000 is of concern to
9 FortisBC, and is evidence of the decline of customer service that has occurred in recent
10 years. The Company intends to improve this measure by creating a stand-alone business
11 in BC in conjunction with improvement initiatives targeted at the areas of greatest
12 concern.

13

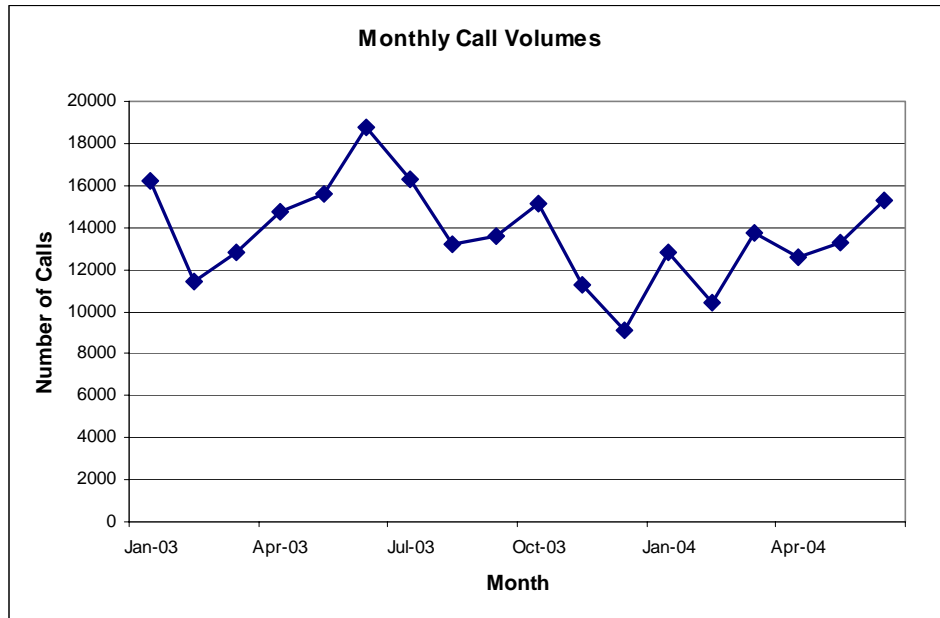
14 **2.2 Customer Service**

15

16 The Customer Service function is being carefully organized to meet the needs of
17 FortisBC's customers. Call center staffing levels and the hours of operation have been
18 designed to match the periods in which the highest volumes of customers call for services
19 not related to outages. This provides the highest level of service while minimizing costs.

1

Figure 10.3.A.2.2 A



2
3
4
5
6

FortisBC currently plans to staff the call center with approximately 15 agents working Monday to Friday from 7:30 am to 9:00 pm. FortisBC is assessing the most efficient manner of providing trouble-call service during times when it is uneconomical to provide call center staffing due to low call volumes.

7
8
9

Forecast customer service costs for 2004 and 2005 are shown below. The 2005 costs include two Customer Relationship Coordinators that will be providing walk-in service in Trail and Kelowna.

10
11
12
13

Table 10.3.A.2.2 B
Customer Service Costs
(\$000s)

	2004	2005
Alberta*	1,926	691
BC	3,176	4,608
One-time training costs		300
Total	5,102	5,599

* Note: 2004 Alberta costs include \$275,000 in telephony charges

1 The timeline to transition the Customer Service function to BC is summarized in the
 2 following chart.

Chart 10.3.A.2.2 C
Customer Service Transition Plan

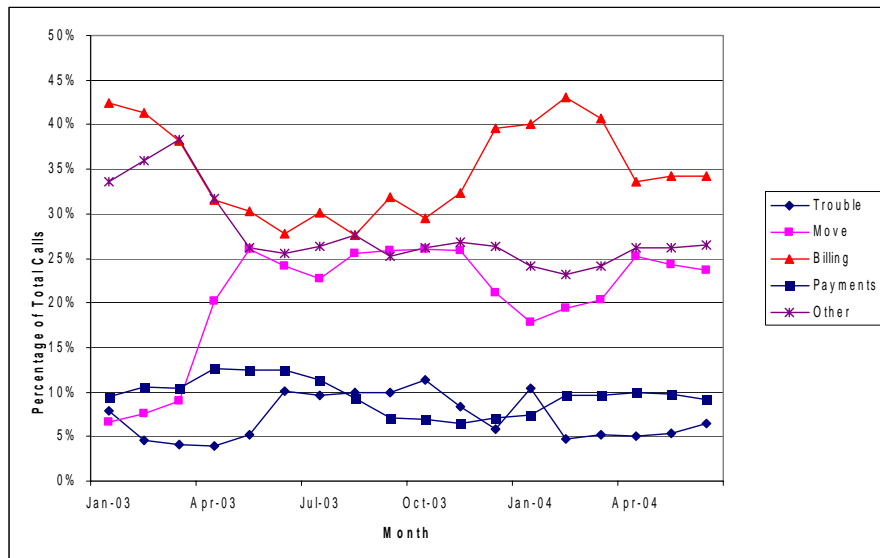
ID	Task Name	2004	2005				2006				
		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
1	Appoint Senior Manager	■									
2	Add Coordinators for walk-in traffic – Trail and Kelowna	■									
3	Trail Contact Center construction	■									
4	Install Contact Center technology	■									
5	Recruit and train for Contact Center		■								
6	Transition Services from Alberta		■								
7	Assess after-hour trouble-call support		■	■	■	■	■	■	■	■	■

3 **2.3 Customer Service Improvement Initiatives**

4
 5 **Billing**

6 The highest volume of calls to the call center relate to billing issues.

Graph 10.3.A.2.3
Why BC Customers Call



The call volume data is supported by the most recent customer survey, in which the four lowest rated components of Satisfaction with Electricity Service were as follows:

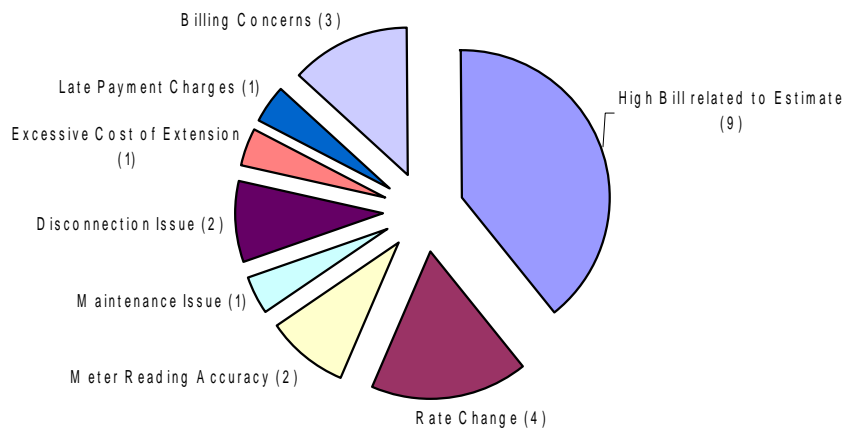
Table 10.3.A.2.3 A
Satisfaction with Electricity Service

Measure	Rating
The accuracy of meter reading	64%
The price you pay for electricity	70%
The information provided to help you conserve energy, reduce electricity bill	74%
The accuracy of your electricity bills	78%

All of the above issues will prompt customers to call regarding their bills.

The makeup of BCUC complaints also show a high degree of concern surrounding billing.

Graph 10.3.A.2.3 B
BCUC Complaints Year to Date 2004



Clearly, by reducing billing issues the Company will be able to reduce overall call volume. Since June 1, 2004 FortisBC has improved accuracy levels in meter reading by increasing the percentage of actual meter reads. Graph 10.3.A.2.3 C shows that the percentage of meter reads has increased from 78.1 percent in January 2004 to 99.7 percent in September 2004.

Graph 10.3.A.2.3 C

Actual Scheduled Meter Reads as Percentage of Total Scheduled Reads

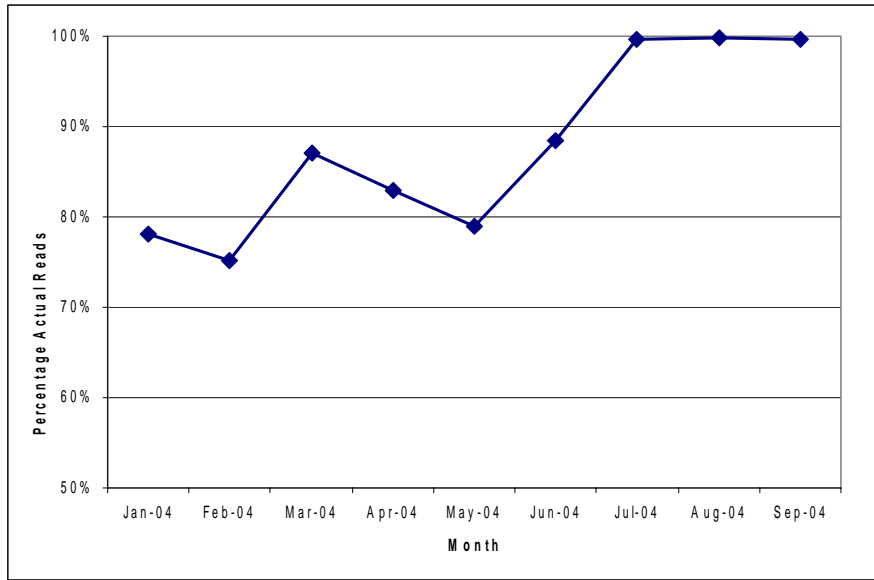


Chart 10.3.A.2.3 D shows the implementation plan for billing improvements.

**Chart 10.3.A.2.3 D
Billing Improvements**

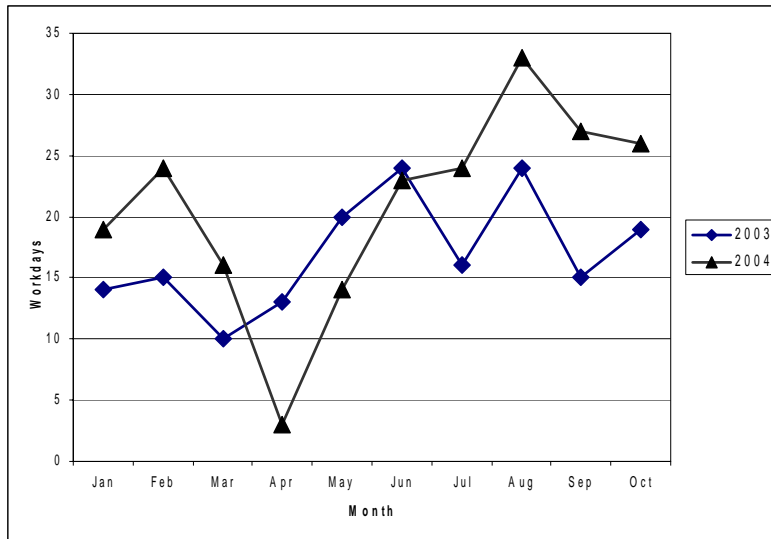
ID	Task Name	2004	2005				2006			
		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Reallocate meter reading resources	[Redacted]								
2	Optimize meter routes	[Redacted]								
3	Audit meter reading	[Redacted]								
4	Audit meter installations	[Redacted]								
5	Review and implement new bill format	[Redacted]								

FortisBC is committed to maintaining the level of actual scheduled reads at a minimum of 95 percent on an annual basis. An additional part-time meter reader (\$50,000) will be hired to help achieve this goal. FortisBC will also optimize meter read routes and related work processes to increase the number of meter reads and reduce the number of errors. A data integrity analyst will be recruited to review all other metering, billing and customer information to improve billing accuracy. Meter reading accuracy will also be monitored through internal audit programs.

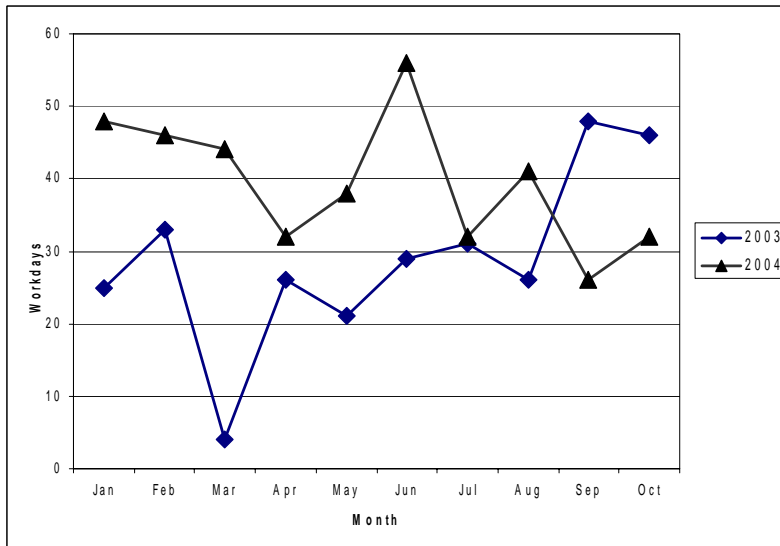
1 Customers are also dissatisfied with the accuracy of their electrical bills and the
 2 information provided on them. The meter reading initiative will serve to improve the
 3 accuracy concern. FortisBC also intends to develop a new bill format in 2005 that will
 4 provide clearer, more useful information to the customer.

5
 6 **Customer Responsiveness**

7
 8 **Graph 10.3.A.2.3 E**
 9 **Customer Contact to Customer Quoted - Residential Services**



10
 11 **Graph 10.3.A.2.3 F**
Customer Acceptance to Construction Complete - Residential Services



1 FortisBC is reorganizing its engineering and operations functions to better meet the
2 challenges associated with the System Development Plan and the 2005 Capital Plan, and
3 to improve the delivery of field service. Specific actions include the following:

- 4 • Additional design staff will be hired to reduce the wait time for customer driven
5 work such as new connections, subdivisions and general service work.
- 6 • Field personnel have been empowered to design and construct extensions of up to
7 two poles without detailed engineering input.
- 8 • The warehousing of certain construction materials has been decentralized in order to
9 decrease the time between job approval and completion.
- 10 • The South Okanagan region will be staffed with sufficient resources to respond to
11 the needs of customers in that area.
- 12 • The call center will have local employees, who are knowledgeable with the service
13 area, fielding service calls on a 24 hour basis.

14
15 The operating cost impact of the additional design staff is negligible since their costs are
16 charged to the customer extension project.

17
18 FortisBC intends to consult with its wholesale and other large customers to develop
19 additional features of customer service that better suit their particular needs. To this end
20 the Company intends to:

- 21 • Have senior management meet at regular intervals with these customers to
22 discuss performance and to listen to concerns.
- 23 • Improve day to day coordination with municipal authorities as well as local
24 builders and developers to accommodate economic growth.
- 25 • Coordinate and communicate with regions and municipalities to support long-
26 term planning for regional economic development and growth.

27 **Administrative Functions**

28
29 The administrative areas of our Company are also reorganizing into stand-alone entities.
30 In most of these areas, the transition is simply a matter of establishing functionality
31 previously provided by FortisAlberta in BC. Separating the Information Technology
32 function is a more complex matter, so the creation of a stand-alone function will take

1 more time. Table 10.3.A.2.3 G shows the change in costs resulting from the creating of
 2 stand-alone administrative functions.

3 **Table 10.3.A.2.3 G**
 4 **Administrative and General Costs**
 5 **(\$000s)**

	<u>2004</u>	<u>2005</u>	<u>Increase (decrease)</u>
Alberta	4,208	1,929	(2,279)
BC	8,373	11,866	3,493
Insurance Costs	1,870	1,661	(209)
Vehicle Costs	1,261	648	(613)
Total	15,712	16,104	392

6 Note: One time severance cost in 2004 not included in this table are borne by
 7 the shareholders.
 8
 9

10 Chart 10.3.A.2.3 H shows the implementation plan for transitions the administrative functions
 11 that still remain in Alberta to BC.

12 **Chart 10.3.A.2.3 H**
 13 **Administration Functions**

ID	Task Name	2004	2005				2006			
		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Create stand-alone Finance & Accting									
2	Create stand-alone IT function									
3	Obtain stand-alone credit rating									
4	Issue public unsecured debentures									