

February 28, 2003

## **BC Hydro and Accenture Agreement**

### **Background**

- BC Hydro initiated Request for Expressions of Interest (RFEI) process in Fall of 2001
- Responses received from 19 private sector companies
- Two finalists selected in early 2002
- Accenture selected as successful proponent Spring 2002
- BC Hydro and Accenture enter into a Memorandum of Understanding in July, 2002
- Due diligence begins, BC Hydro and Accenture work to structure an agreement.
- BC Hydro and Accenture sign agreement on February 28, 2003
- Accenture agrees to form new BC-based company, Accenture Business Services of British Columbia Limited Partnership to provide BC Hydro:
  - Customers Services
  - Westech IT Services
  - Network Computer Services
  - Human Resources
  - Financial Systems
  - Purchasing
  - Building and Office Services
- Accenture Business Services of BC to begin operations April 1, 2003

### **Business Structure**

- BC Hydro and Accenture involved in Accenture Business Services of BC
- Business structure is Limited Liability Partnership
- Board of Directors of Accenture Business Services of BC to be announced March 2003
- Ten year contractual commitment by BC Hydro
  - Subject to early termination by BC Hydro or 5 year extension
  - Termination can be based on non-performance

### **Service Levels**

- Accenture contractually obligated to maintain current service levels, then improve them
- Accenture must move service levels to 1<sup>st</sup> quartile by end of third year
- Service level quartile measured by:
  - Customer Satisfaction surveys
  - Benchmarking
  - Service level metrics system
- Performance penalties may be assessed if service levels not achieved, potentially leading to termination. BC Hydro can audit Accenture's performance.

### **Cost Savings**

- BC Hydro will pay \$1.45 billion for services that would have cost \$1.74 billion over ten years
- Cost savings of \$250 million over life of 10-year contract
- BC Hydro may realize up to an additional \$180 million over the life of the contract

### **Staff**

- Transfer 1540 staff with current annual cost to BC Hydro of \$155 million
- All staff were offered opportunity to transfer (more than 90% of employees elected to move)
- All employees transitioned to Accenture Business Services of BC at their current level of remuneration
- Employee Transition Plan (ETP) agreement in place
- Collective agreements travel with staff to new company

### **Assets**

- Assets will be owned by BC Hydro
- “Refreshed” hardware/assets to be acquired by Accenture Business Services of BC
- Accenture Business Services of BC manages all assets
- All initiatives regarding assets will be done at same or declining unit costs

### **Confidentiality and Disclosure**

- Information regarding RFEI process and Accenture initiative disclosed on BC Hydro website
- All but competitive, commercial and personal information in final deal materials will also be disclosed
- Only 42 out of more than 1,200 pages, or less than 4%, of the deal materials have been severed for commercial confidentiality reasons
- Deal materials will be available at [www.bchydro.com](http://www.bchydro.com)

### **Agreement Documents Available on the BC Hydro website**

- Master Services Agreement (Accenture Business Services of BC to BC Hydro Services)
- Master Transfer Agreement (Transfer of people)
- Asset Conveyance Agreement (Transfer of assets )
- Marketing Alliance Agreement (Go-to-market arrangement)
- Limited Partnership Agreement (Partnership arrangement)
- Customer Information Service (CIS) Agreement (Major Customer Service System development project)