

BUILDING A WORLD OF DIFFERENCE

THE POWER OF CRITICAL OBSERVATIONS...FROM THE FIELD TO THE BOARDROOM

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BLACK & VEATCH
Building a world of difference.®



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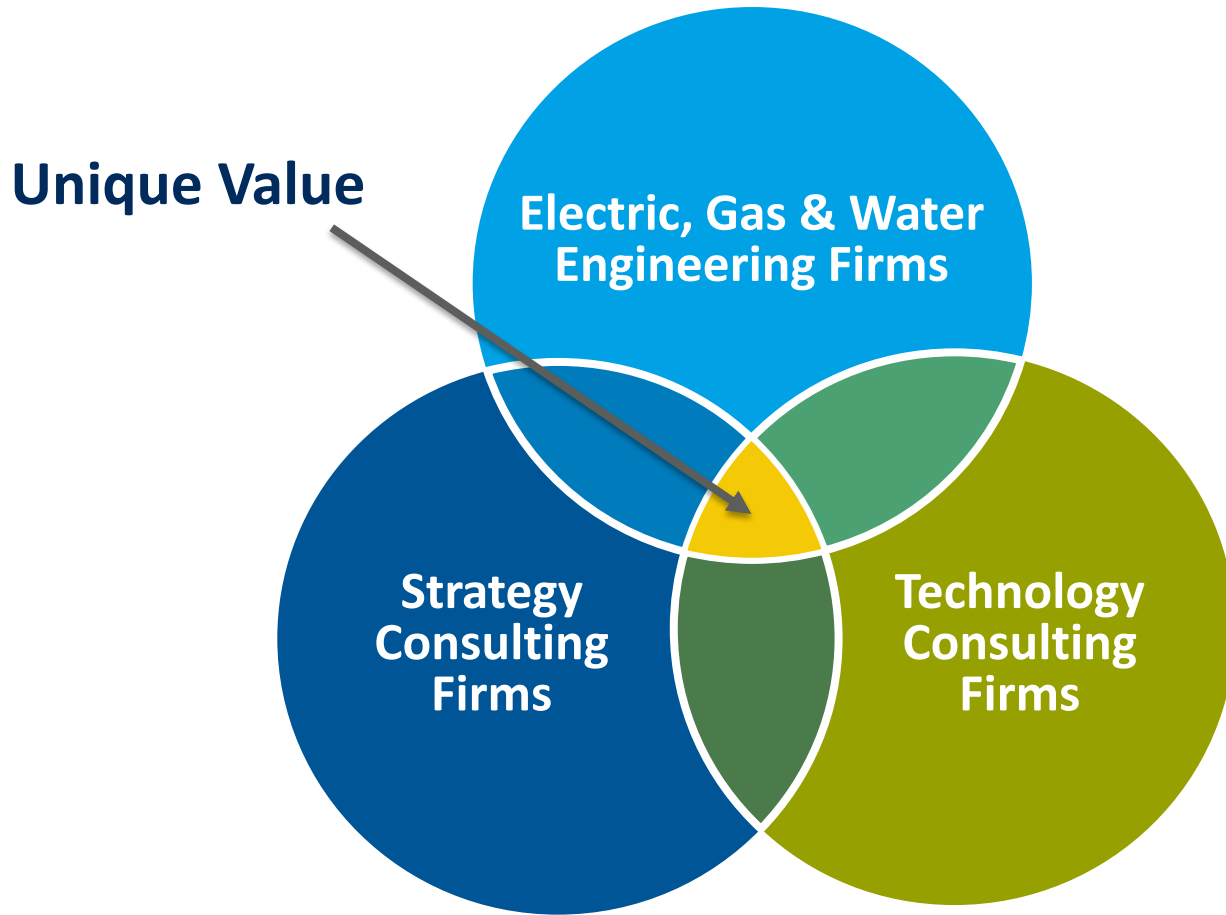
The Global leader in building Critical Human Infrastructure™

- **Founded in 1915**
- **Global workforce of more than 10,000**
- **Employee-owned**
- **\$3.6 billion in annual revenues (2013)**
- **More than 110 offices worldwide**
- **Three Infrastructure Groups**
 - Energy
 - Water
 - Telecom
- **One Management Consulting Group**
 - Finance & Markets
 - Technology

Completed projects in more than 100 countries on six continent...








DIFFERENTIATING VALUE PROPOSITION



Management consulting expertise backed by deep technical and engineering experience

B&V: MANAGEMENT CONSULTING

SOLUTION AREAS	 FINANCE AND MARKETS	 ASSET MANAGEMENT	 SECURITY AND COMPLIANCE	 OPERATIONAL TECHNOLOGIES	 CUSTOMER OPERATIONS
VISION/PURPOSE	CONNECTING CAPITAL TO PROJECTS TO HELP OUR CLIENTS ACHIEVE THEIR TARGET RETURN ON INVESTMENT	MAXIMIZING ASSET VALUE ACROSS THE FULL LIFE-CYCLE	HELPING CLIENTS UNDERSTAND INDUSTRY BEST PRACTICES AND COMPLIANCE TRENDS SUPPORTING REGULATIONS	USING TECHNOLOGY TO IMPROVE OPERATIONS FOR OUR CLIENTS' ASSETS AND WORKFORCE	IMPROVING OUR CLIENTS' INTERACTIONS WITH THEIR CUSTOMERS, HELPING THEM OPERATE MORE EFFECTIVELY
CORE SERVICES	<ul style="list-style-type: none"> • STRATEGIC CONSULTING SERVICES • INDEPENDENT ENGINEERING AND TRANSACTION ADVICE • WATER CONSULTING • GAS AND ELECTRIC RESOURCE PLANNING • ENERGY MARKET PERSPECTIVE (EMP) • RATES AND REGULATORY 	<ul style="list-style-type: none"> • OPERATIONAL EXCELLENCE • ASSESSMENT AND BEST PRACTICE IMPLEMENTATION • ROADMAP DEVELOPMENT AND GOVERNANCE • BUDGET OPTIMIZATION • SOLUTION DESIGN, ARCHITECTURE, IMPLEMENTATION AND OPERATION 	<ul style="list-style-type: none"> • INFORMATION AND OPERATIONAL SECURITY PROGRAM MANAGEMENT • OT / IT COMPLIANCE AND RISK MANAGEMENT • INFRASTRUCTURE, APPLICATION AND DATA PROTECTION • REGULATORY ADVISORY GUIDANCE AND SUPPORT 	<ul style="list-style-type: none"> • SOLUTION DESIGN AND ARCHITECTURE • TECHNOLOGY VENDOR SELECTION • PROGRAM MANAGEMENT • IMPLEMENTATION AND OPERATION • SYSTEM OPTIMIZATION AND UPGRADE 	<ul style="list-style-type: none"> • SYSTEMS DESIGN AND ARCHITECTURE • CUSTOMER OPERATIONS PROCESS DESIGN • SYSTEMS DESIGN AND IMPLEMENTATION • CUSTOMER SEGMENTATION PROGRAM DESIGN • DIGITAL STRATEGY FOR CUSTOMER ENGAGEMENT, RETENTION AND SERVICES

BROAD RANGE OF SERVICES....



BLACK & VEATCH'S 2014 STRATEGIC DIRECTIONS SURVEY RESULTS

TOP 10 INDUSTRY ISSUES BY SECTOR

ELECTRIC

1. Reliability
2. Environmental regulation
3. Economic regulation
4. Cybersecurity
5. Natural gas prices
6. Long-term investment
7. Aging infrastructure
8. Physical security
9. Gas supply reliability
10. Fuel policy

NATURAL GAS

1. Safety
2. Gas supply, reliability
3. Economic growth
4. Environmental regulation
5. Rate & regulatory certainty
6. Aging Infrastructure
7. Capital access and cost
8. Physical security
9. Gas price stability
10. Cybersecurity

WATER

1. Aging infrastructure
2. Availability of capital
3. Managing capital costs
4. Capital improvements vs. rate requirements
5. Managing operational costs
6. Increasing regulation
7. Aging workforce
8. Information technology
9. Treatment technology
10. Recruiting specialized workforce

What is the commonality?... CHANGE!



CHANGE; THE STAKES

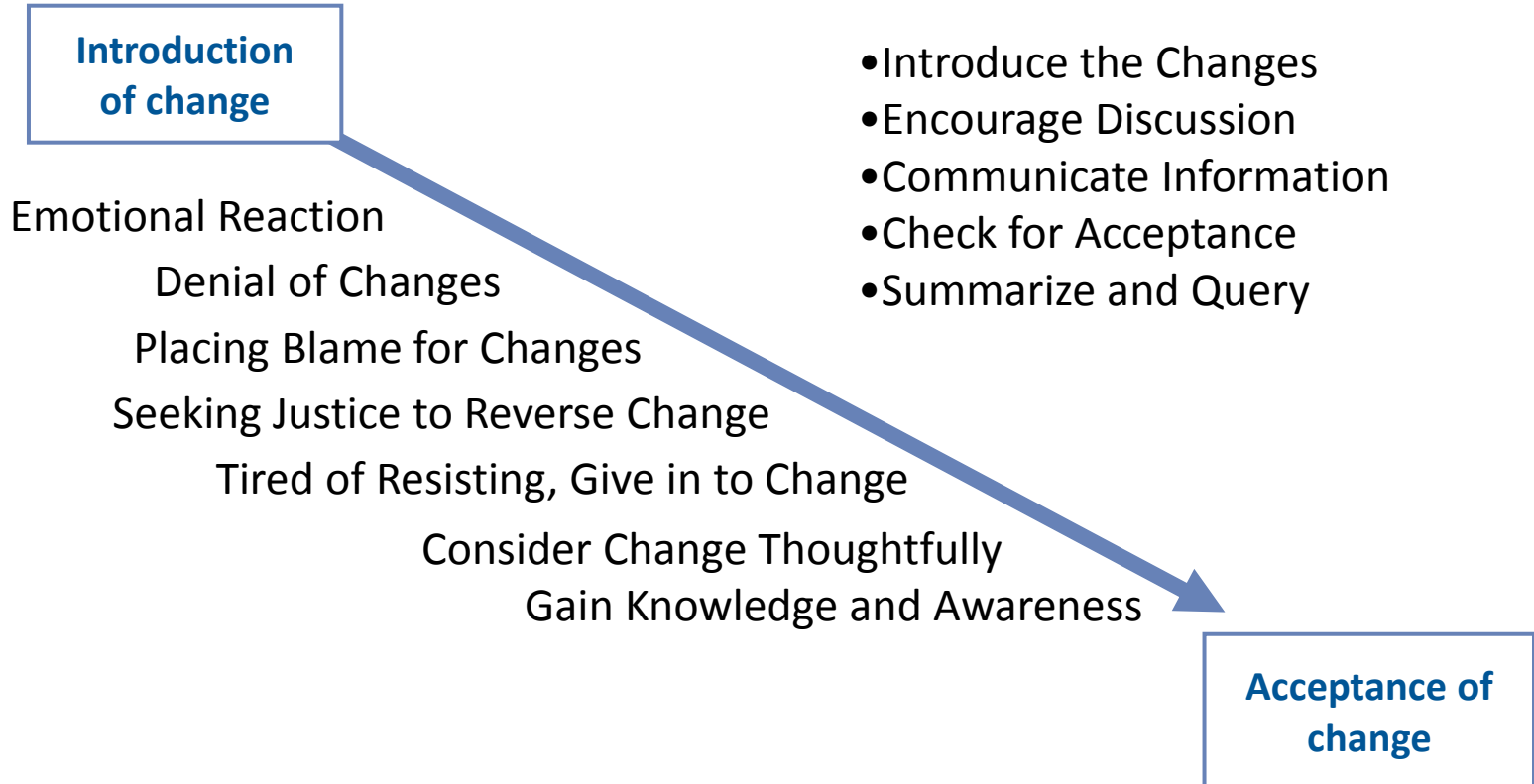
- Only 41% of all major change initiatives fully meet their objectives*
- Most fail for one of seven very predictable reasons:
 - People leading change think announcing change is the same as implementing it
 - Those asked to change are not involved in planning it
 - No urgent or compelling reason to change
 - Systems and other initiatives aren't aligned with the change
 - Progress is not measured
 - People are not held accountable for implementing the change
 - People leading the change fail to respect the power of culture to kill the change

*IBM Making Change Work, 2008

Engaged leadership is required ...



CHANGE MANAGEMENT



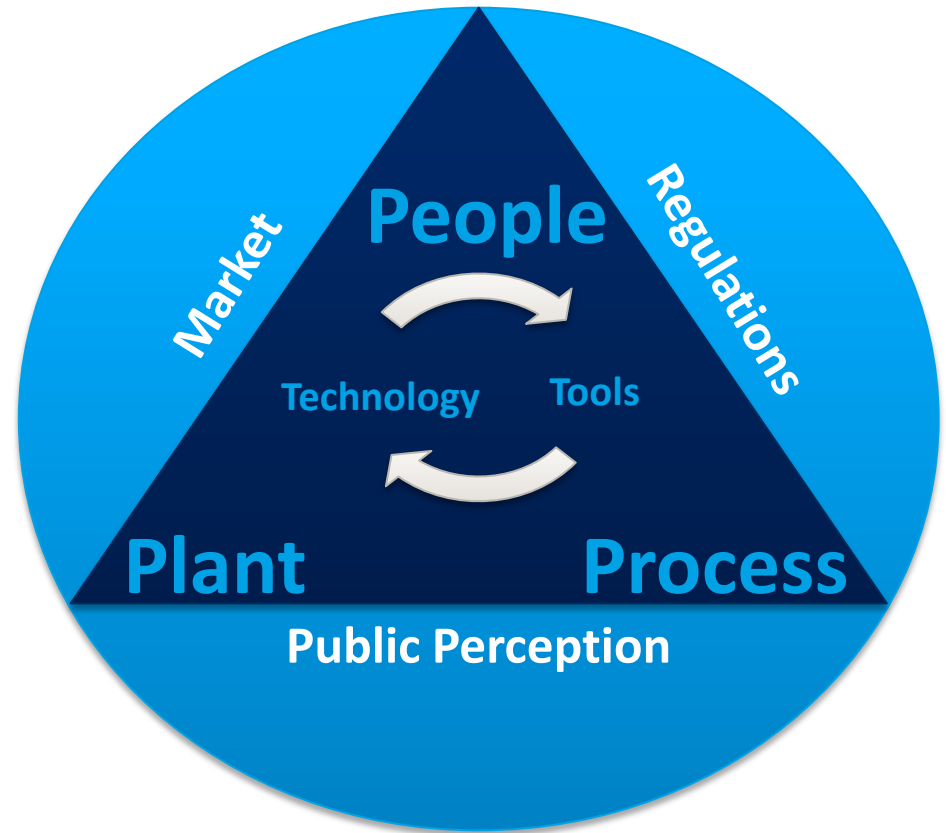
“People do not so much resist change as they resist being changed.” -Anonymous

“PEOPLE’S MINDS ARE CHANGED THROUGH OBSERVATION AND NOT THROUGH ARGUMENT”

– WILL ROGERS

Observe for:

- Engagement
- Alignment
- Obstacles
- Why? x5



Operational Excellence: Getting the most out of your existing assets...

OBSERVATIONS ALLOW YOU TO KNOW ...

- People are operating safely
- Standards are being followed
- Challenges affecting implementation
- How work really gets done
- Where the gaps are
- What is understood... or not
- What your people need
- What your people are thinking

**Questions your boss will ask quality
responses rooted in effective field observations**



EFFECTIVE OBSERVATION PROGRAM

- Database
- Measure and trend
 - Participation
 - Gaps
 - Criticality
- Analyze gaps; understand value
- Engage for solutions
- Implement corrective actions / Coach
- Observe again

However, don't fall in love with tools...

WHAT DOES IT LOOK LIKE?

- **Dedicated time in the field... contact sport**
 - Not like football... more like golf
 - Frequent, substantial
- **Training**
- **Prepared**
 - know the standard
 - know the “why”
- **Seek to understand**
- **Provide frank feedback; be positive, have fun**
- **Documentation**

Easy... right? More Specifics....

PHASE I: SET A NEW COURSE -TRAINING

- **Behavioral Change:**
 - Conducting and documenting observations
 - Transparency
- **Typical Comments**
 - “No time for this...” “I do this already...”
 - Rejection/resistance by many
- **Results**
 - Increase in observation numbers... just data
 - But, *effective* corrective actions limited

Still suffering consequences of failure ...



PHASE II – STAY THE COURSE ... COACHING

- **Behavioral Change:**
 - Increase criticality; action-impact statements
 - More near-miss/hit reporting
- **Typical Comments**
 - “I need to find something wrong”
 - “They are requiring me to mark you poorly”
- **Results**
 - Data turns into information... understanding what stands in the way.
 - Some *effective* corrective actions

Start seeing some improvement



PHASE III – SEE THE BENEFITS ... COACHING

- **Behavioral Change:**
 - Assumption of “Noble Intent”
 - Collaborative, engaging environment
- **Typical Comments**
 - “What are my gaps?”
 - “Thank you !”
- **Results**
 - Information turns into *wisdom*
 - *Effective corrective actions prior to event*

Avoiding consequence of failure....



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Together

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