

CASE STUDY

Sierra Pacific Power Saves with Electronic Check Deposits

Tangent Systems' Deposit21 Makes it a Sure Bet

Sierra Pacific Resources is the investor-owned holding company for Sierra Pacific Power Company and Nevada Power Company which combine to provide electricity to over 1 million customers throughout Nevada and northeastern California. Sierra Pacific Power, headquartered in Reno, is the electric and natural gas utility for most of northern Nevada and the Lake Tahoe area of California. Nevada Power supplies electricity to southern Nevada, including Las Vegas.

The combined service area spans more than 50,000 square miles, and includes a large number of highly power-intensive customers such as casinos and mining operations. The area is also one of the fastest growing regions in the United States. As one might expect, Sierra Pacific Resources' payment volumes have been growing as a result.

Needs Assessment

When Jerry Hubbard took responsibility for the Remittance Processing Department in April 2005, he soon identified an opportunity to make significant improvements.

"With growing payment volumes and our responsibility to make daily deposits, we saw the need to upgrade our existing hardware," said Hubbard.

At that time, ARC was available and Check 21 was clearly on the horizon. However, certain budget constraints and the company's philosophy of using proven technologies played a role in decision making.

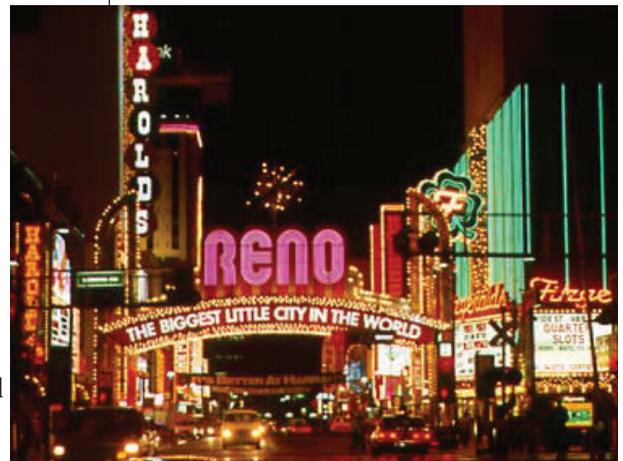
In 2006, budgetary constraints eased somewhat. And when Sierra Pacific Resources engaged in a detailed float analysis they began to realize the true cost of not moving forward with improvements. "We realized we could improve on the two-plus day float we were seeing on a significant number of items," said Hubbard.

Armed with that information, Hubbard went to work on his business case, and started to hammer out the key logistical and legal details. He and his team came up with a plan to handle document storage and destruction. They also developed a plan for proper legal notification for ARC, deciding to go beyond what the law required by providing a two-month advance notification on their statements.

With a powerful case in hand, Hubbard secured approval to begin the vendor selection process. Two vendors emerged. After considering the stiff competition, Sierra Pacific Resources eventually landed on a solution from Tangent Systems.

Process Improvement

Tangent Systems provided a new Unisys NDP 600 Quantum transport to address hardware reliability issues. To implement electronic check clearing, Tangent provided its Deposit21 product along with an enhanced remittance solution including multiple remittance applications.



Deposit21 digitally endorses the rear check images (as was requested by the bank), builds the formatted files (images and data), transmits, and confirms the deposits. Sierra Pacific Resources deposits to multiple accounts and separate files are created for each deposit. The file format was specified by the receiving bank.

Deposit21 also provides an internal web interface for operational

monitoring, control and research as well as financial reporting. Access to these functions is controlled according to the user's security role.

In Sierra Pacific Resources' implementation, ARC decisioning and opt-out is performed at the bank and a high percentage of items are cleared via ARC. The remaining items are cleared via "Check 21" as images or IRDs.

The focal point of the new remittance solution is a streamlined, one-pass workflow. In addition, Tangent implemented several key enhancements to improve efficiency by reducing transport stoppages, manual paper handling and data entry.

Imaging enhancements included front gray scale imaging and 240 DPI bitonal images. Inline recognition was also improved substantially, including the ability to read documents in any orientation, handwriting detection (for name and address changes), and non-MICR check identification.

The new solution utilized existing workstations and servers, along with additional server components. Sierra Pacific Resources' Systems Services Group provided the additional hardware and platform integration, including the server operating system and SQL server.

Final Outcome

Sierra Pacific Resources' team had the necessary infrastructure in place on schedule, and Tangent's team arrived on site. After a couple of weeks of testing, including transmissions to the bank, the new system was ready to be put into production.

"As we anticipated, the implementation went exactly according to plan and has been working ever since."

"As we anticipated, the implementation went exactly according to plan and has been working ever since," said Hubbard.

With the provided training, the operational staff adapted quickly to the new hardware and software. "My staff had very few issues. They did a great job," added Hubbard.

"We've really appreciated Tangent's expertise and are certainly glad we made the decision."

The hardware reliability problems that had affected the operation were gone, but the benefits hardly ended there. Sierra Pacific Resources is now clearing about 99.7% of its checks electronically. As a result, they were able to eliminate an armored courier pickup, saving nearly \$700 per month according to Hubbard.

Recent float analysis indicates that the anticipated savings are being achieved. "The workflow streamlining really helped us too," added Hubbard.

By eliminating the second pass, improving read rates and virtually eliminating manual "pulls" due to unreadable images, substantial labor saving were achieved. This allowed the company to significantly reduce overtime on peak days.

Hubbard indicated that Sierra Pacific Resources recently made its largest ever daily deposit, at over 200% of the average daily volume. "The new system handles these peak days just fine," he said.

According to Hubbard, there have been some other indirect benefits as well. "The reliable and timely processing has improved our ability to collect fees and revenue. In addition, Deposit21's web interface also makes deposit information available to management and treasury while making it possible for me to monitor what's going on, which I appreciate."

Hubbard concluded that the company's relationship with Tangent has been very successful. "We've really appreciated Tangent's expertise and are certainly glad we made the decision."



Tangent Systems, Inc.
2155 N. Stonington Ave, Suite 107
Hoffman Estates, IL 60169
www.tangent-systems.com
(847) 882-3833

