



AN OILDEX CASE STUDY

## AUTOMATING INVOICE PROCESSES - ENCANA

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04.18



## INTRODUCTION

### Duplicate Legacy processes

Encana Oil & Gas (USA) Inc. undertook a project to determine how new technology could be introduced to streamline workflow processes. Encana's operations had largely been formed through the acquisition of properties from two different operating companies. This resulted in duplicate legacy processes existing within Encana's organization. Rather than implement one of the two legacy workflow processes across the organization, Encana determined that the development of a completely new process might best serve the organization, provided there were sufficient identifiable benefits.

### Significant Savings Through Improved Processes

Invoice reconciliation was one area where significant potential savings could be achieved through improved processes. The company determined that automating these processes could increase efficiencies, reduce costs and better utilize staff time. Encana evaluated technology available on the market, and selected OpenInvoice® for invoice process automation.

## INSPIRATION FOR CHANGE

### Leading Oil & Gas Producer

Encana (USA) is a wholly owned, indirect subsidiary of Encana Corporation, headquartered in Calgary, Canada and a leading independent oil and natural gas producer. Encana's gas production operations were centered in Rifle, Colorado, supporting development of the Mamm Creek Field, and in the Jonah field, located in southwestern Wyoming.

### Two Different Financial Systems and Workflows

The Rifle assets were obtained with the acquisition of Ballard Petroleum. The Jonah assets were obtained with the acquisition of McMurray Oil. Two different financial systems with differing charts of accounts were in place and two different workflows for invoice reconciliation were being followed. Encana consolidated its financial systems on P2 Energy Systems' Excalibur Energy Management System.

Internet connectivity at field operations sites was limited. Jonah had wireless access to all drilling rig sites as well as the field office, while Rifle operations sites were limited to sporadic dial-up access.



Encana Oil & Gas (USA) Inc. is a division of Encana Corporation, one of the largest natural gas companies in North America. Encana USA understood that invoice reconciliation was one area where significant savings could be achieved through improved processes.



Encana had approximately 130 personnel working out of its Denver office. Twelve operations people were directly involved in the invoice approval process. In addition, the finance group had 12 people, three of whom were accounts payable clerks. The average volume of invoices was 4,000 per month.

An evaluation of Encana's current invoice reconciliation processes indicated a number of opportunities for improved efficiencies. As a result, Encana was missing out on many available early payment discounts. The manual process of routing and approval was taking up valuable staff time and it was becoming necessary to hire additional accounts payable clerks. Engineers and operations staff were also spending an inordinate amount of time dealing with invoice issues.

In addition to the labor-intensive processes, the current system was unable to provide the level of detail required to perform spend analysis. There was no mechanism in place to capture spend data in an easily usable format.

Encana determined that electronic invoicing could be utilized as a way to improve this process. The company identified the following requirements for a new invoice reconciliation process:

- Streamline the invoice receipt, coding, routing, adjudication and approval process
- Require no workload increase for field personnel
- Integrate fully with the financial system
- Dramatically improve invoice cycle time
- Provide a benefit for suppliers utilizing the technology

## THE OILDEX SOLUTION

### **OpenInvoice to Streamline Business Processes**

Encana recognized that the legacy processes could be optimized and began researching technology options for process automation to streamline its business processes. OpenInvoice was implemented in the Rifle operating area in the Rocky Mountains, as well as in the corporate headquarters in Denver.

OpenInvoice is an Internet-based software application that allows suppliers and buyers to collaboratively create and process invoices and delivery tickets. OpenInvoice automates paper driven processes between suppliers and buyers by automatically coding line items, tracking inquiries, resolving disputes and seamlessly linking spend information to corporate financial systems.



The first task at hand in implementing the new technology was to integrate with Encana's back office financial system, Excalibur. The purpose of the integration was to allow for an electronic transfer of approved invoices into the payables system (eliminating re-keying of vouchers), and to provide OpenInvoice with a nightly update of valid AFE's (Approvals for Expenditure) and cost centers. This in turn provided suppliers an up-to-date listing of these options from which to select when creating an invoice. The integration, involving personnel from Oildex, Encana and P2 Energy Systems took approximately six weeks to complete.

### **Introducing Digital Invoicing to Encana's Suppliers**

Encana's spend profile was analyzed and those suppliers accounting for a large volume of spend or a large volume of invoices were invited to open houses, where the concept of digital invoicing was introduced, the technology demonstrated, and an invitation for participation made. Suppliers sent a cross section of representatives, including business development managers, accounting personnel and e-business managers.

Following the open houses, 17 key suppliers agreed to take part in the pilot project. These key vendors accounted for more than 15% of Encana's spend in the Rifle operating region. They encompassed a wide range of goods and service providers, including tubulars, complex services, wireline providers, compression services, drilling contractors, water haulers, tanks and vessels providers, valves and fittings supply houses, mud and centrifuge rentals, SCADA and other technology providers.



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## IMPLEMENTATION

### Two Phases of Implementation

Implementation rolled out in two phases. Phase I involved vendors using the OpenInvoice browser to generate invoices, with those invoices being coded, routed, adjudicated and approved in a production environment. Phase II involved bringing on additional vendors, integrating OpenInvoice with suppliers' backoffice systems using PIDX (Petroleum Industry Data Exchange) standards, and incorporating software enhancements based on Phase I experience.

### Training for Suppliers and Personnel

System training for suppliers and Encana personnel was undertaken. The training sessions included an overview of the application, invoice creation/dispute resolution and messaging processes, followed by hands-on training. Each training session lasted approximately two hours. OpenInvoice "went live" with the first electronic invoice. As invoice volume increased, weekly spend and invoice volume totals were tracked. Issues raised by suppliers and Encana users were tracked and used as the basis of product enhancement. Follow-up training was provided over the phone as necessary.

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## PHASE I RESULTS

### Proven Success

Phase I was very successful. The OpenInvoice application proved to be robust and capable of handling invoice approval workflows in a production environment with minimal maintenance. After several months:

- 2,570 invoices had been processed; average weekly volume was 80 invoices
- \$21.2 million worth of spend had been captured; average weekly volume was \$410,000
- Overall auto-coding success during the pilot was more than 90%
- Average invoice approval time from submission to upload into the financial system was 7.9 calendar days



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## PHASE II RESULTS

### PIDX XML Invoices

During Phase II, PIDX XML invoices utilizing the RNIF 2.0 transfer protocol were successfully routed to the OpenInvoice system in a test environment.

### System Enhancements

System enhancements based on Phase I lessons learned were incorporated into a system upgrade. These included more robust support for internal buying company business rules and enabling of supplier generated credit memos. Upon the introduction of the new enhancements, additional suppliers were set up in the system and are undertaking transactions.

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## CONCLUSION

- Supplier open houses are an effective way of soliciting supplier participation.
- Vendor training at the supplier's site enabled the supplier users to learn the system in the environment they would ultimately use.
- Encana personnel at training sessions helped reinforce their commitment and answer any specific questions about Encana's business processes.
- Training environment should provide a realistic setting for both operators and suppliers.
- Identification of internal champions at all levels of the organization was critical to the success of OpenInvoice deployment.
- Adoption of new processes associated with invoice approval is not immediate and takes some time.