



PAYMENTS2007

Knowledge » The Currency of Success

Enterprising Payments Why Payment Hubs Make Sense

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Agenda

- Introduction
- Payment Hubs
- PPL Case Study
- Q&A

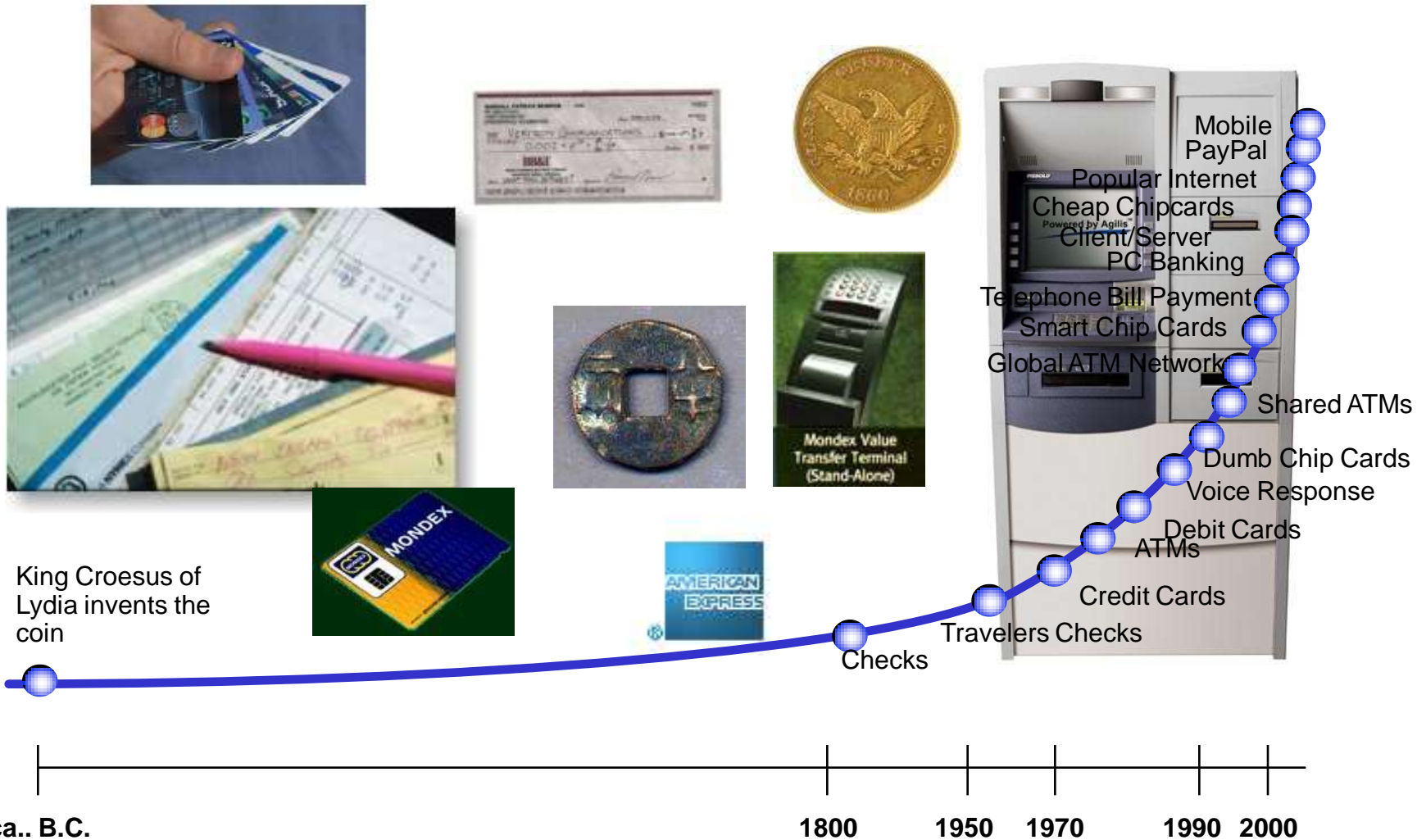
Introduction

Once upon a time, payments were easy...



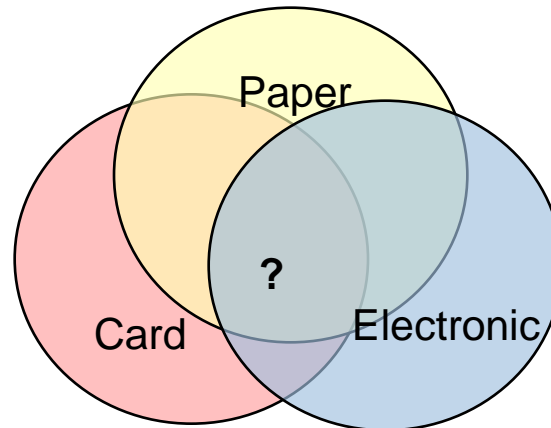
There was only one!

But we keep inventing new ones!



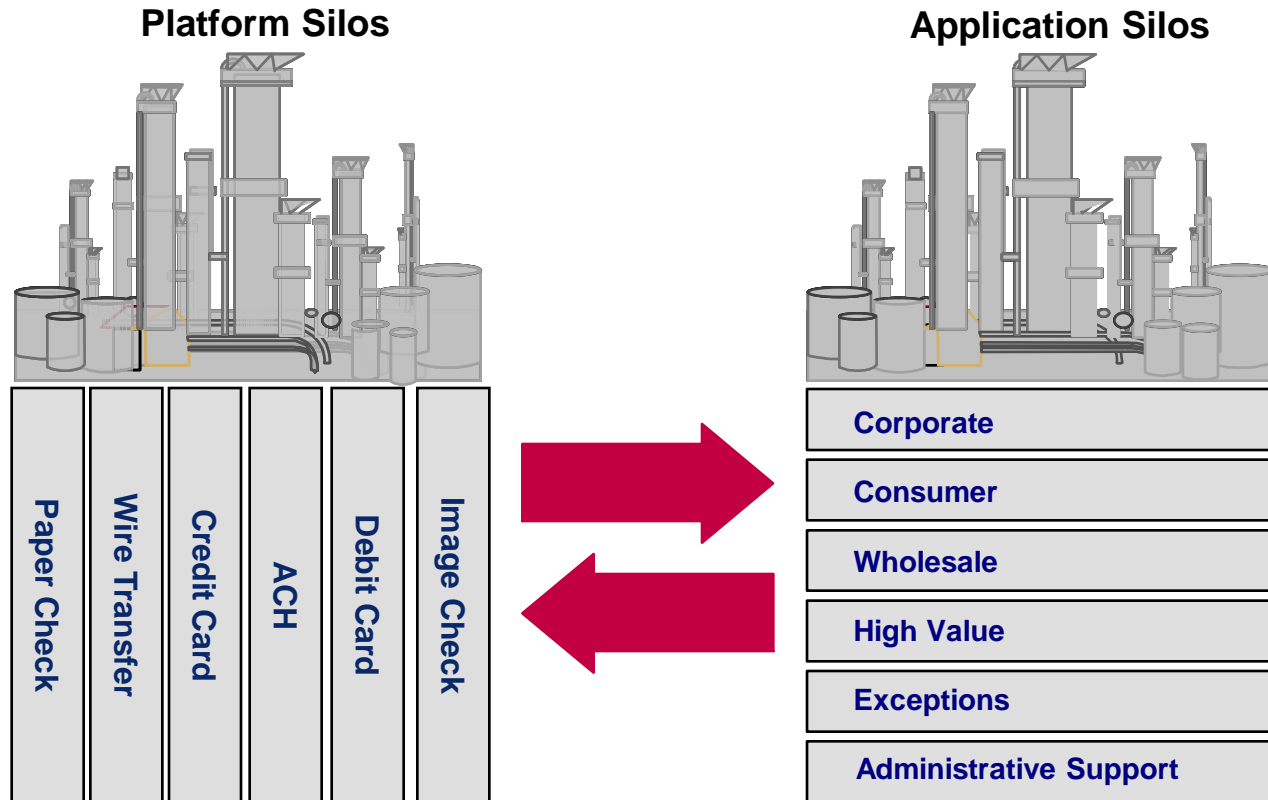
Convergence complicates life

Transactions intended for one payment method are converted to another...



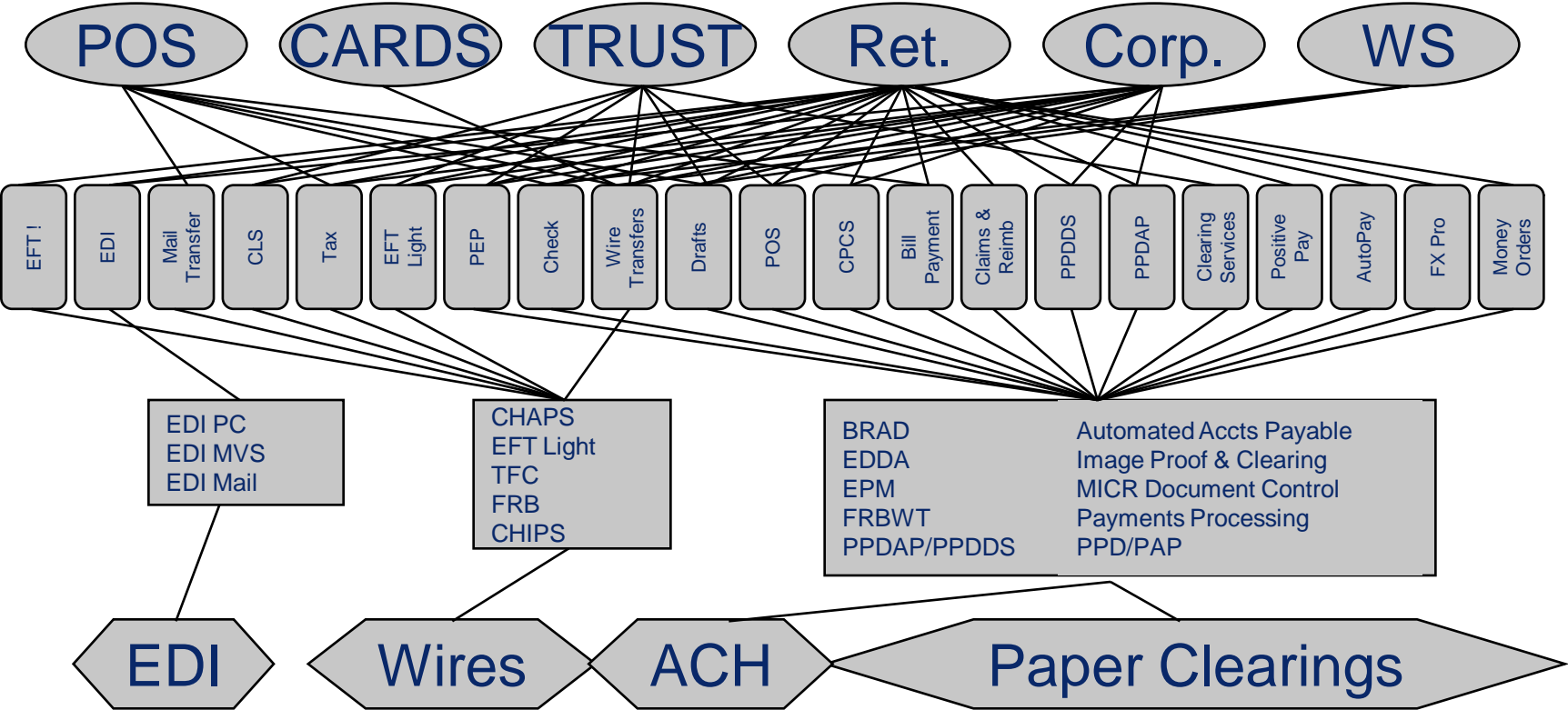
with increased risk and reporting problems!

We struggle to adapt



Creating siloed systems with repetitive infrastructure!

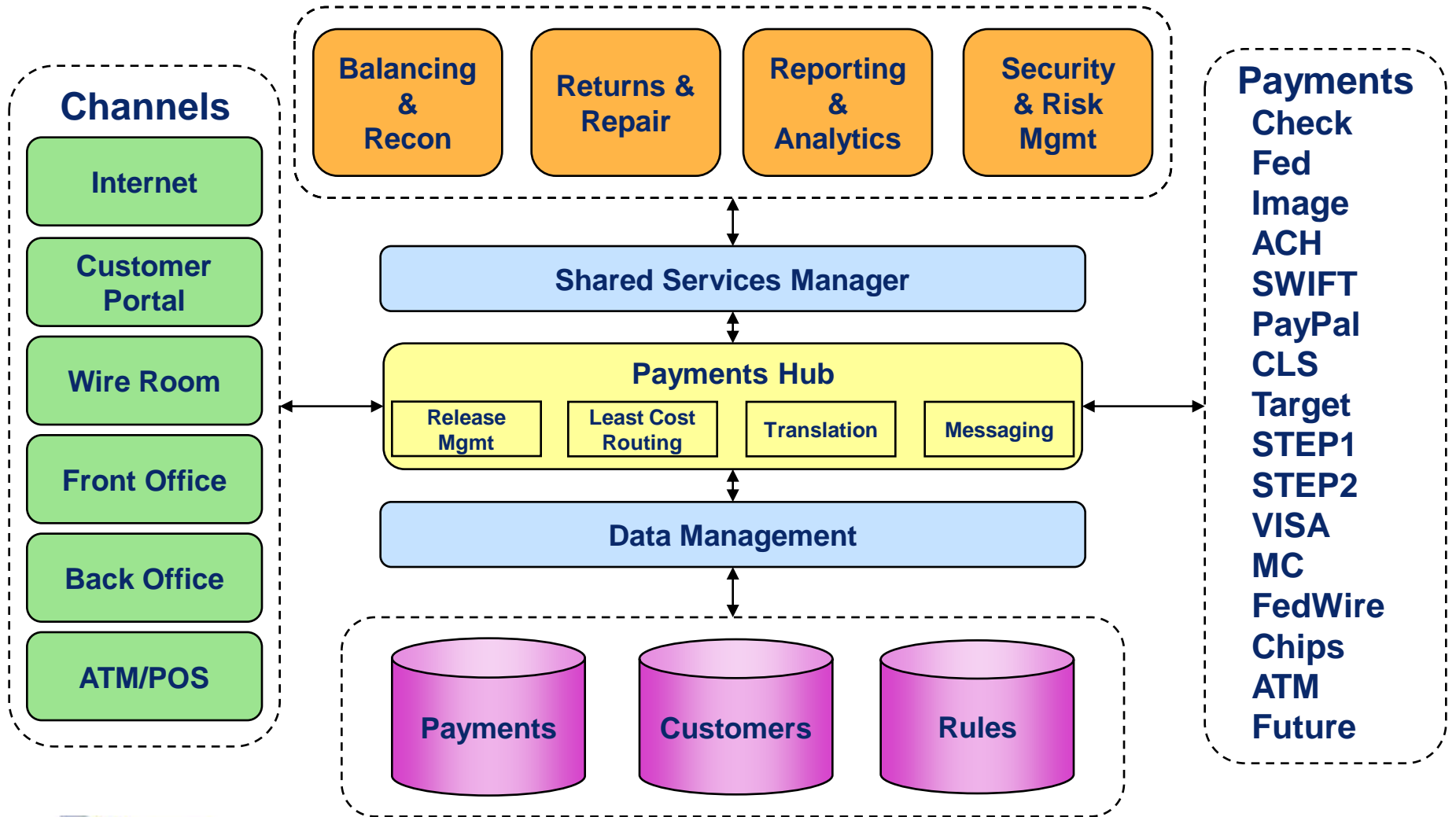
Spaghetti anyone?





Payment Hubs

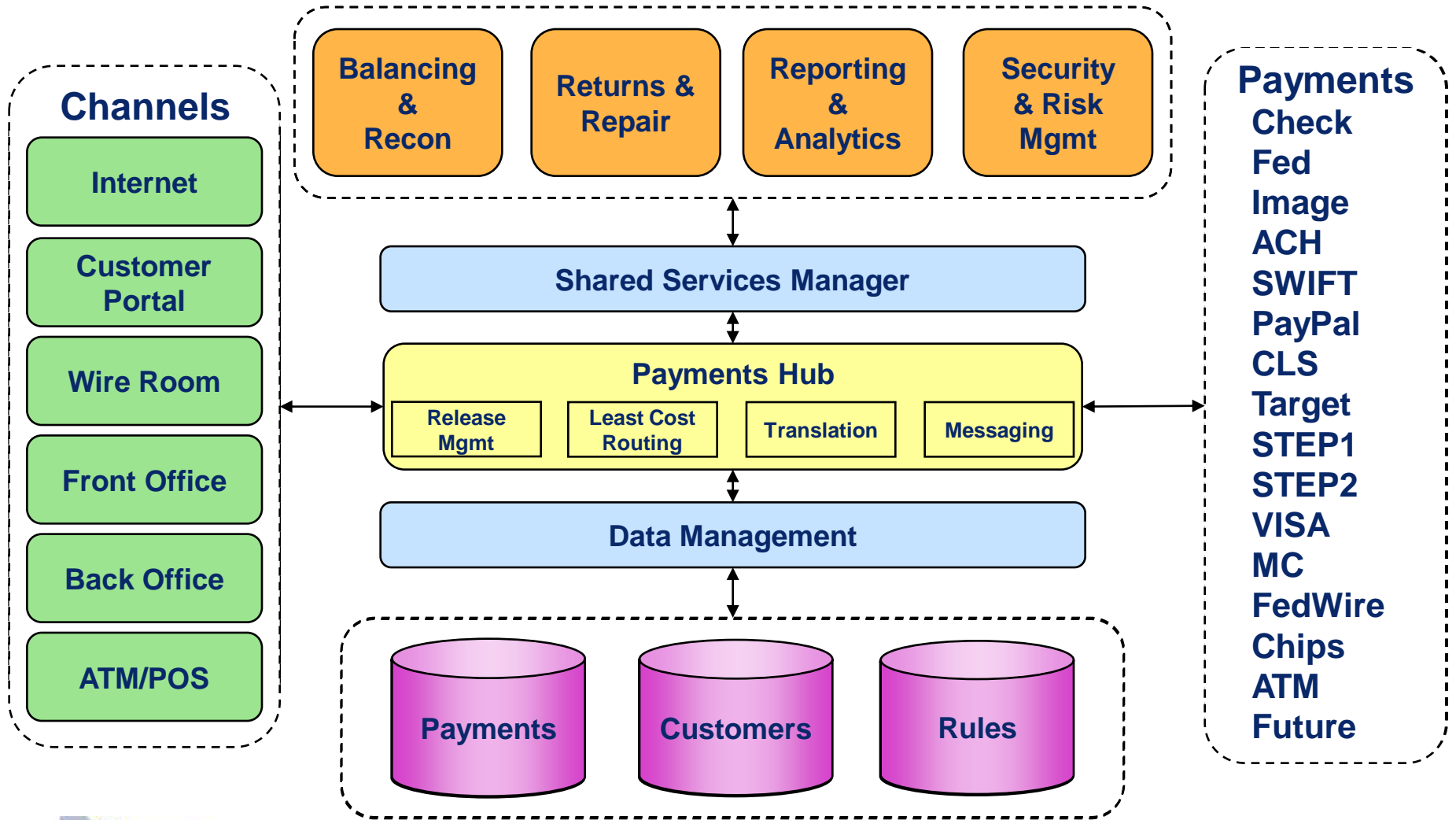
Enterprise Payment Hub



Why Payment Hubs

- Reduced cost
- Faster response time/Real time monitoring
- Open standards
- Fewer exceptions/Improved STP
- Improved compliance
- Network agnostic
- Available technology
- Flexible migration path

Enterprise Payment Hub



Why Corporate Payment Hubs

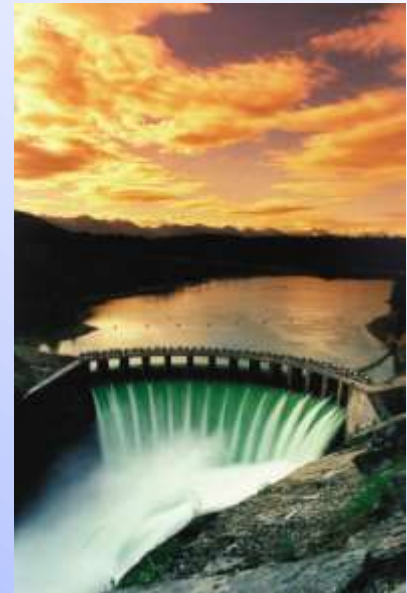
- Reduced cost
- Reduced float
- Improved information management
- Real time reporting and analytics
- Improved risk management
- Bank agnostic
- Increased control

PPL Case Study

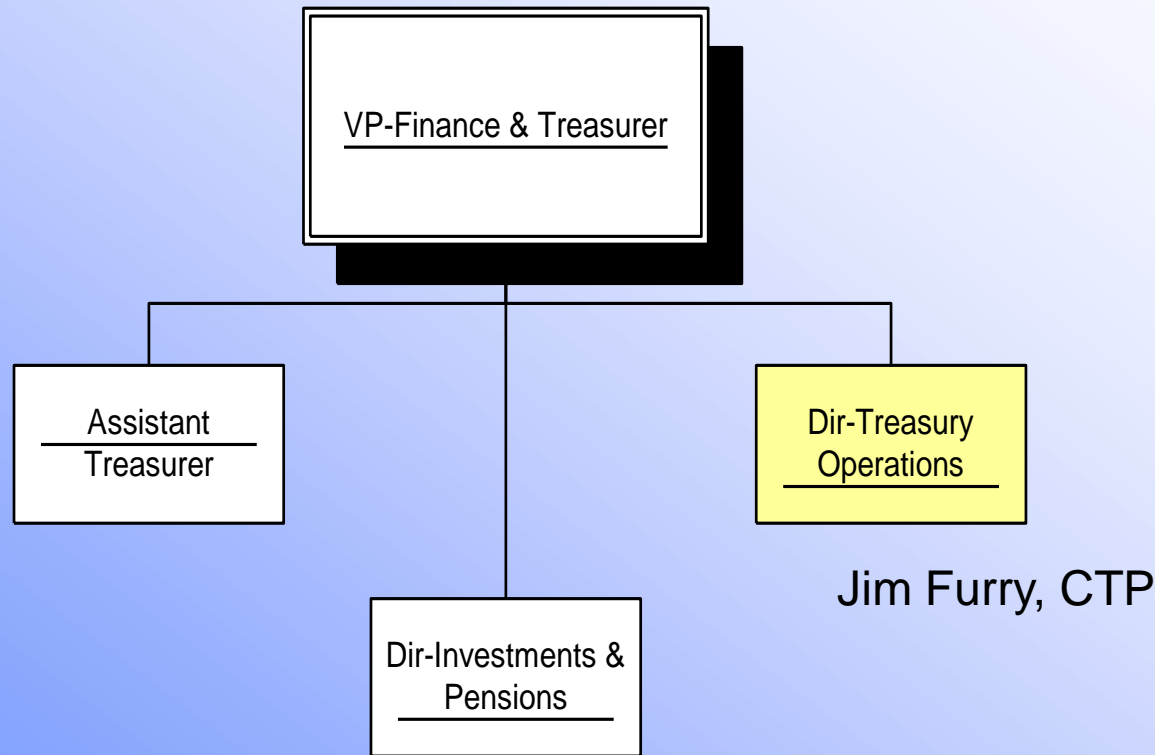
PPL Corporation



PPL Corporation, headquartered in Allentown, Pa., controls more than 11,000 megawatts of generating capacity in the United States, sells energy in key U.S. markets and delivers electricity to more than 5 million customers in Pennsylvania, the United Kingdom and Latin America. PPL is a \$6.9 billion corporation that ranked 350 on the Fortune 500® for 2006. PPL's four principal business subsidiaries are PPL Generation, PPL EnergyPlus, PPL Global and PPL Electric Utilities. PPL employs about 12,600 people on three continents.



PPL Treasury Organization

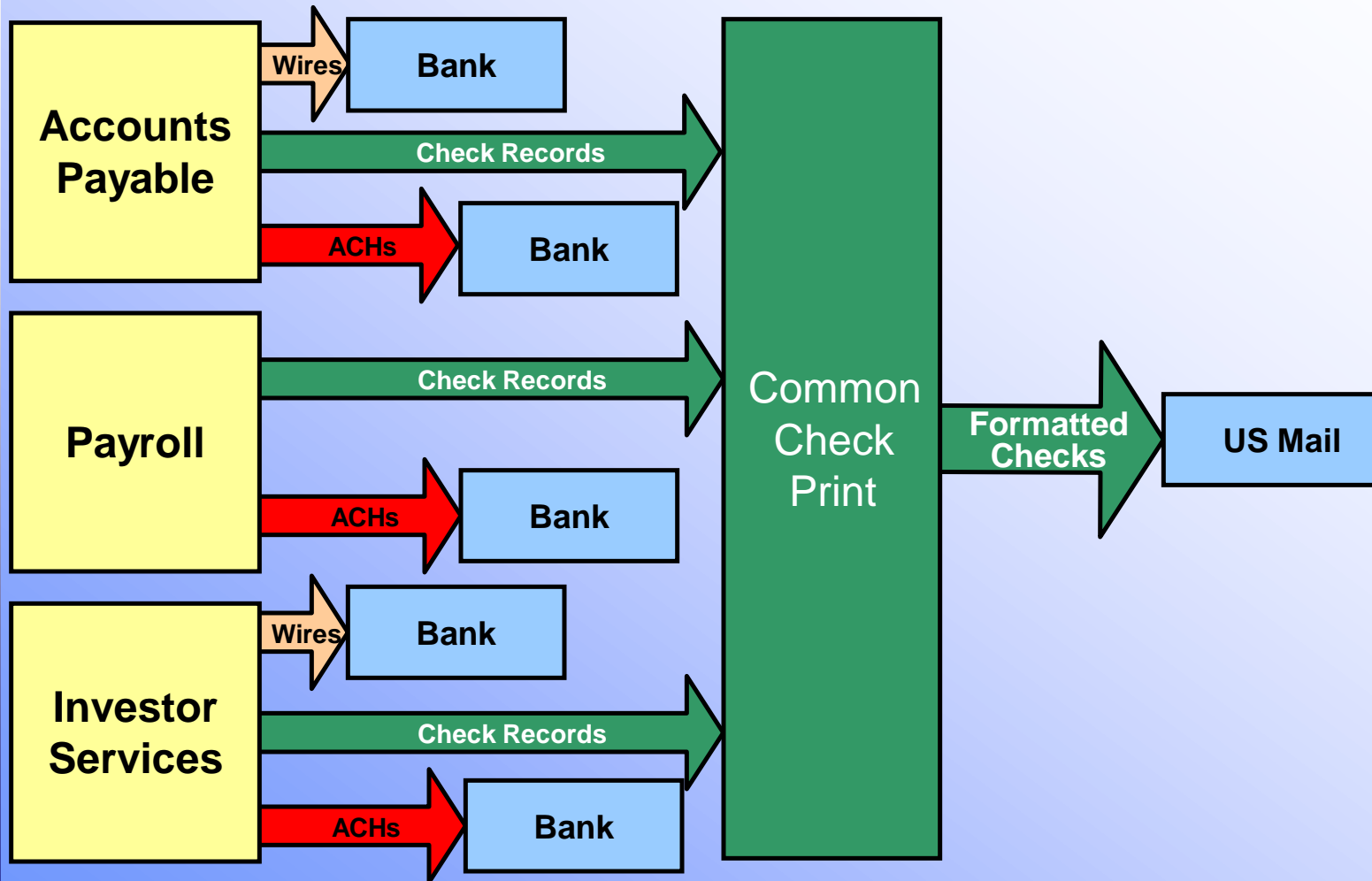


Agenda



- PPL Payment Architecture: Early 1990s
- PPL Desired Architecture: Mid-1990s
- PPL Actual Architecture: Mid-1990s to Today
- PPL Payment Architecture – Future (2008 and beyond)
- PPL Next Steps

PPL Payment Architecture: Early 1990s

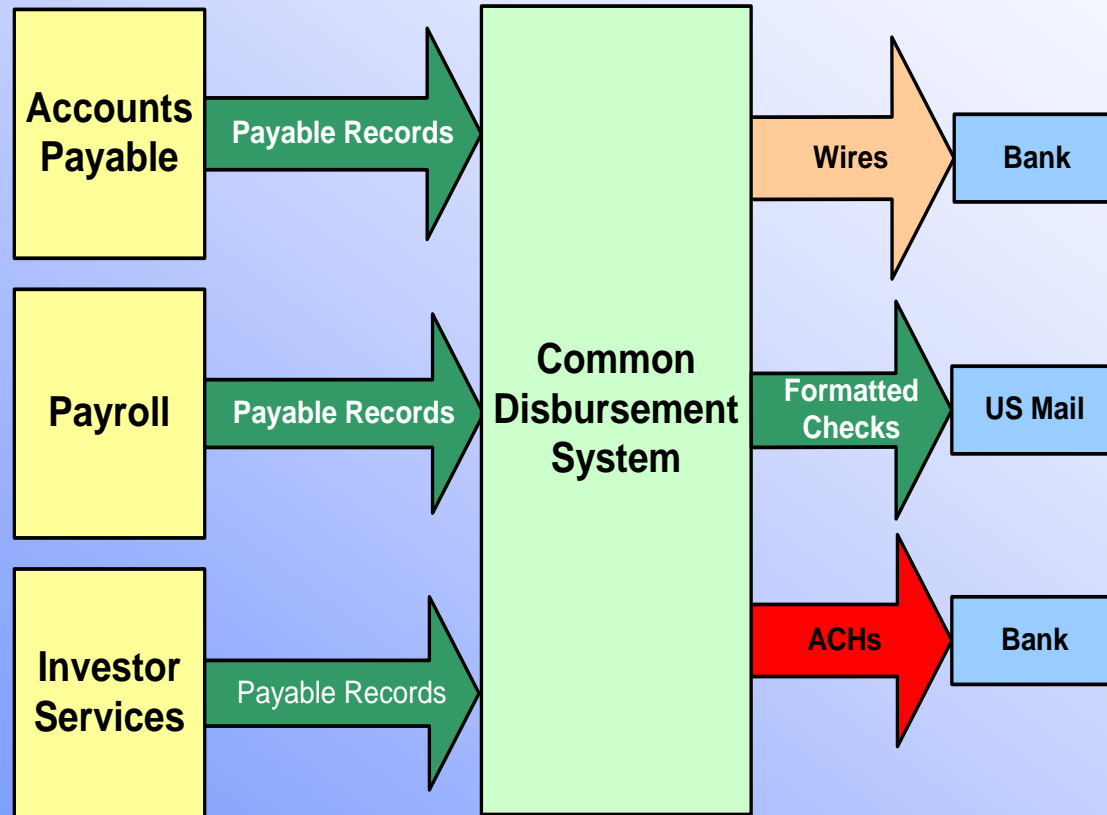


PPL Payment Architecture: Early 1990s

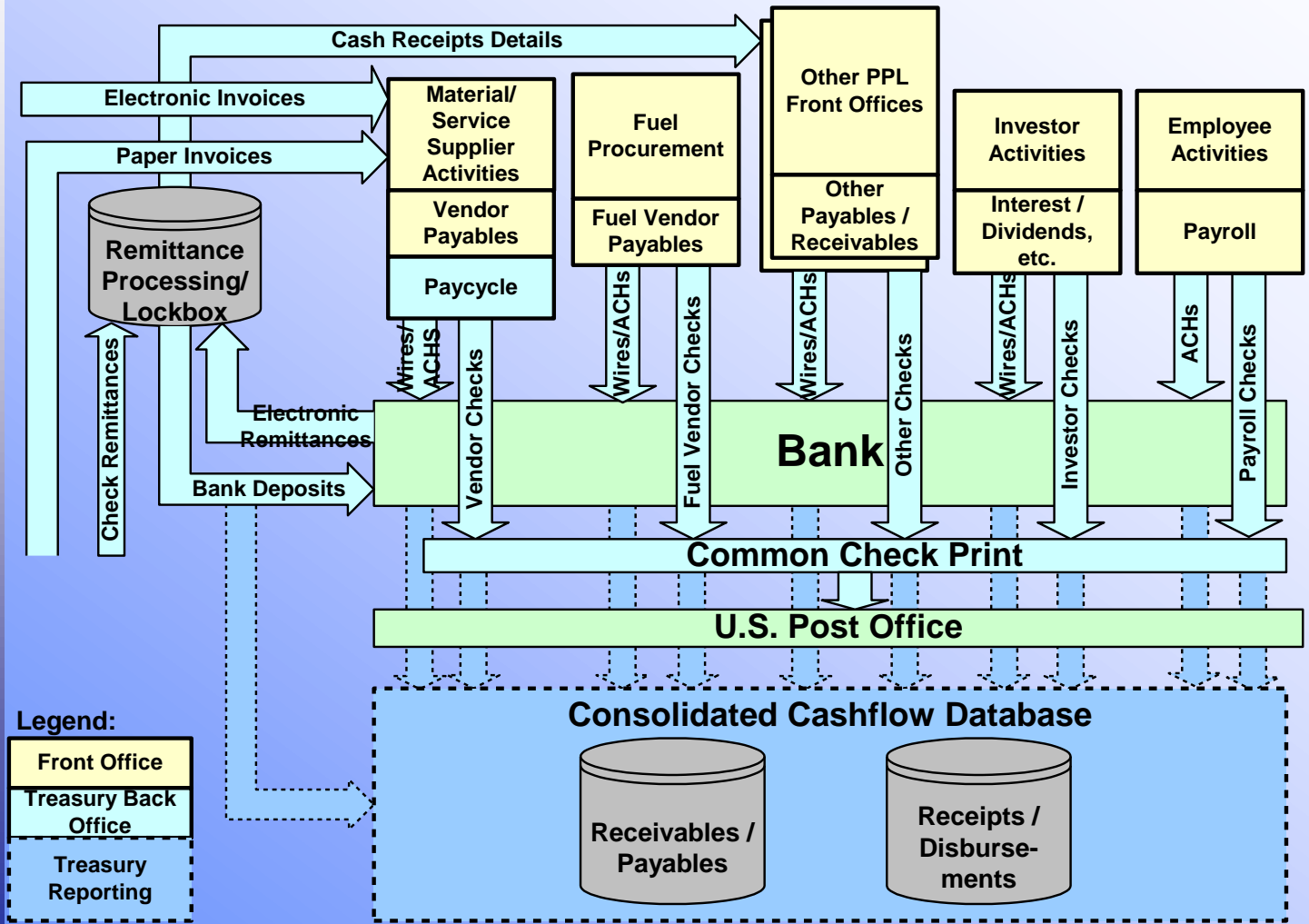


- Problems with this architecture...
 - Still largely siloed
 - Duplicate functionality
- PPL settlement strategy (at that time):
 - Implement single disbursement system that receives “requests for payment” from PPL payable sources:
 - Accounts Payable
 - Payroll
 - Investor Services

PPL Desired Architecture: Mid-1990s



PPL Actual Architecture: Mid 1990s to Today



PPL Payment Architecture: Mid 1990s to Today



Problems with this architecture...

- We didn't quite get to the complete spirit of the vision for disbursements:
 - With the PeopleSoft disbursement system, all transactions have to go through the A/P vouchering process to get to the disbursement system
 - So we did not implement payroll into PeopleSoft A/P, ...
 - And we did not implement investor payments into PeopleSoft A/P
 - Controls around disbursement issuance are centralized, but we still do not have a completely automated means to implement controls around disbursements
- Cash receipts are still processed and controlled in a separate system using totally different controls and procedures



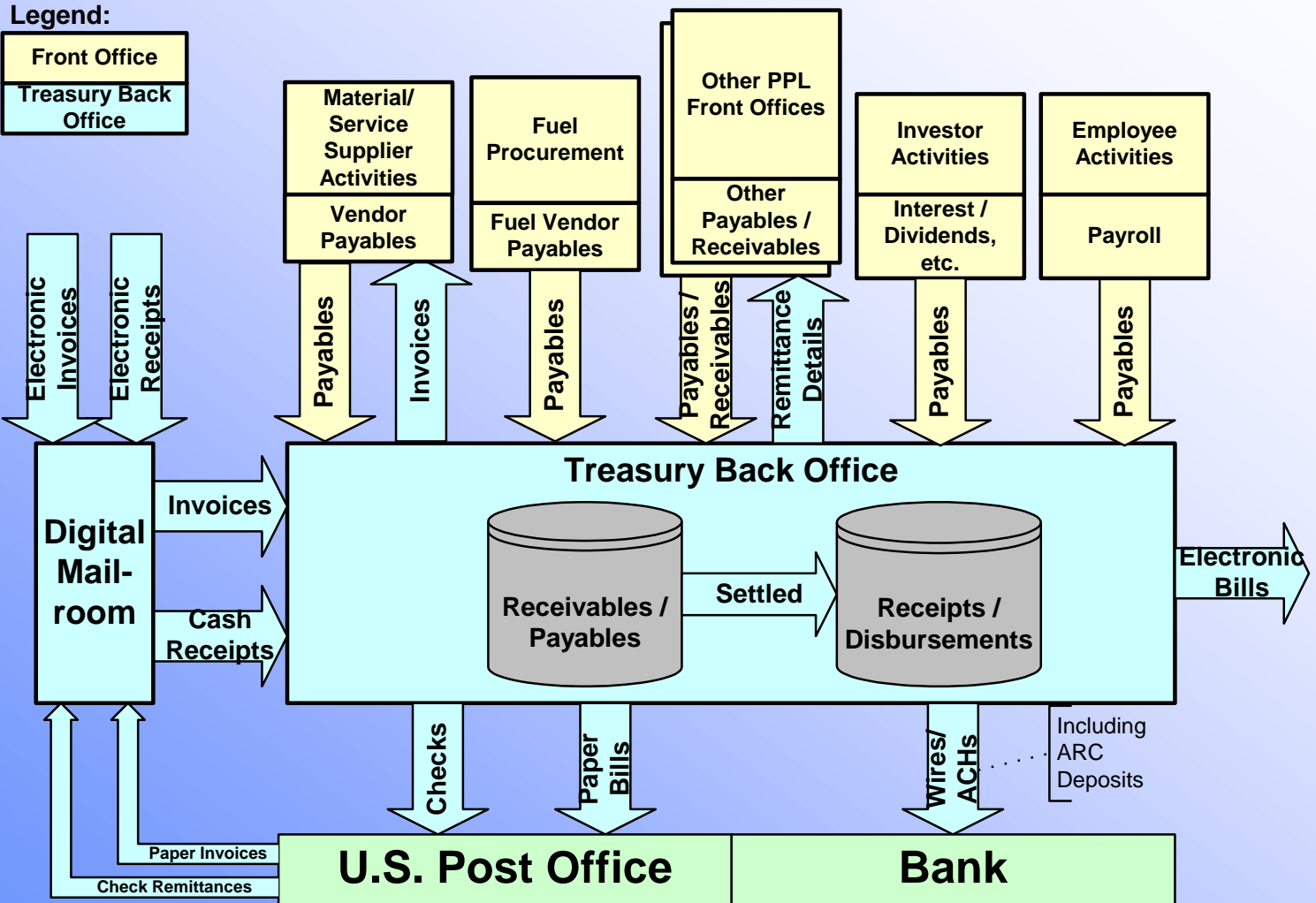
PPL Payment Architecture: Future



PPL settlement strategy:

- Implement integrated cash settlement system (ICS): integrated for cash disbursements and cash receipts
- Integrate Enporion's existing *physical* supply chain offerings with the new *financial* supply chain cash settlement system (ICS)
- Reap business case benefits of new approach:
 - Achieve reduced resources required to support settlement business functions
 - Enable greater staff flexibility resulting from common processes, technologies and controls across disbursements and receipts
 - Operate with fewer support resources resulting from fewer technologies supporting settlement

PPL Payment Architecture: Future



PPL Payment Architecture: Future



Advantages of this design:

- Supports settlement of payables and receivables in same system
- Provides for an exception based settlement model
 - Flexible verification rules implemented by business analysts
 - Flexible work queues with user-definable escalation parameters
- Enables consistent procedures and controls for disbursements and receipts
- Provides integrated cash information for near-term cash planning
- Provides full management visibility into cash operations:
 - Operational Work Management:
 - Current status of all exception queues
 - Ability to dynamically reallocate resources to queues requiring additional assistance, but still maintaining appropriate segregation of duties
 - Performance Metrics:
 - Measures against process SLA targets (including acceptable defect rate targets)
 - Drill-thru capabilities to root cause reasons for results

PPL Next Steps



- Implement Accounts Payable “OK to Pay” process on Passport A/P system
- Implement Digital Mailroom for efficient extract, image and data capture
- Implement Microsoft Dynamics GP for PPL’s “miscellaneous commerce”
- Work with Enporion to build Integrated Cash System (ICS)
- Integrate ICS with Enporion supply chain offerings – completing the integration of the physical and financial supply chains

Questions?



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