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November 4, 2025

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Dear Registrar:

Re: FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies)

Application for Approval of Capital Expenditures for the Enterprise Resource Planning Modernization and Customer Information System Replacement Projects

Pursuant to sections 44.2(1)(b) and 59 to 61 of the *Utilities Commission Act* (UCA), FortisBC applies to the British Columbia Utilities Commission (BCUC) for acceptance of the schedule of anticipated capital expenditures for the implementation of the Enterprise Resource Planning (ERP) Modernization Project (ERP Modernization Project) and Customer Information System (CIS) Replacement Project (CIS Replacement Project) (together, the Combined Project) and approval of various accounting-related requests.

Request for Confidential Treatment of Certain Information

Due to the confidential nature of some of the information in the Application, FortisBC is filing a portion of the Application and several appendices, listed below, on a confidential basis pursuant to Section 23 of the BCUC's Rules of Practice and Procedure regarding confidential documents, as set out in Order G-192-25.¹

- Application, Section 6.2, Table 6-1, Lines 1-5;
- Appendix A – Project Base Cost Estimate; and
- Appendix B – Financial Schedules.

¹ As amended by Order G-228-25.

FortisBC respectfully requests that the BCUC hold the above listed section of the Application and Appendices A and B confidential in perpetuity, and that such information should remain confidential after the regulatory process for this Application is completed.

Lines 1 to 5 of Table 6-1 of the Application discloses capital cost estimates, and Appendices A and B include financial analysis and schedules with sensitive information on the Combined Project capital cost estimates and related service components. They should be kept confidential on the basis that FortisBC may be going to the market to seek competitive bids for third-party vendors, labour, software licenses, and infrastructure costs for the Combined Project. If the estimated capital costs for the Combined Project are disclosed, FortisBC reasonably expects that its negotiating position may be prejudiced. For instance, the bidding parties with knowledge about the estimated costs may use the estimated costs as a reference for their bidding.

In addition, FortisBC requests that the live financial models provided in Appendices A and B be filed on a confidential basis and be held confidential by the BCUC in perpetuity. The financial models are the result of significant development effort by FortisBC on behalf of its customers and, therefore, the formulas and configuration of the model are commercially sensitive. FortisBC believes that there is more than adequate non-confidential information provided in the Application to permit a transparent review process.

Access to Confidential Information for Interveners

Should parties that choose to register in the review of this Application require access to some or all of the information filed confidentially, FortisBC has provided a proposed Undertaking of Confidentiality in Appendix D-4, to be executed before confidential information may be released to registered parties under the terms of the undertaking. FortisBC has no objection to providing confidential information to its customary and routine intervener groups representing customer interests. FortisBC requests that the BCUC provide it with the opportunity to file comments on any objections or concerns that it may have, should any other registered parties seek access to confidential information.

If further information is required, please contact the undersigned.

Sincerely,

on behalf of FORTISBC

Original signed:

Sarah Walsh

Attachments

cc (email only): Registered Interveners in the following proceedings:

- FEI Annual Review for 2025 and 2026 Delivery Rates; and
- FBC Annual Review for 2025 and 2026 Rates.



FORTISBC ENERGY INC. AND FORTISBC INC.

Application for Approval of Capital Expenditures for the Enterprise Resource Planning Modernization and Customer Information System Replacement Projects

November 4, 2025

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1. INTRODUCTION AND EXECUTIVE SUMMARY

1.1 INTRODUCTION AND EXECUTIVE SUMMARY

FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (together, FortisBC or the Companies) file this application (Application) to the British Columbia Utilities Commission (BCUC), pursuant to sections 44.2(1)(b) and 59 to 61 of the *Utilities Commission Act* (UCA), for acceptance of the schedule of anticipated capital expenditures for implementation of the Enterprise Resource Planning (ERP) Modernization Project (ERP Modernization Project) and Customer Information System (CIS) Replacement Project (CIS Replacement Project) (together, the Combined Project) and approval of various accounting-related requests.

The Combined Project will modernize FortisBC's core SAP enterprise applications and replace FBC's legacy CIS by upgrading to SAP's S/4HANA. FortisBC's core SAP applications are ERP Central Component (ECC), Customer Relationship Management (CRM)¹ and Business Warehouse (BW). These applications are used to manage and streamline the Companies' business processes and operations through a centralized platform. FBC utilizes a legacy CIS (CIS Plus) to manage its customer interactions, billing, and meter-to-cash workflows. All of these applications are critical to FortisBC's ongoing day-to-day business operations and are facing end of mainstream vendor support. The Combined Project will modernize or replace these information system (IS) applications with modern, secure, efficient and vendor supported applications, at a lower cost and implementation risk than the alternatives.

FortisBC submits that the ERP Modernization Project and CIS Replacement Project are in the public interest, and that the BCUC should accept in the public interest the schedule of anticipated capital expenditures for the Combined Project, at approximately \$190.779 million (in as-spent dollars), with approximately \$92.246 million (48 percent) allocated to FEI and \$98.533 million (52 percent) allocated to FBC.

Draft Final Orders for FEI and FBC are included in Appendices D-2 and D-3, respectively, to the Application.

1.1.1 FortisBC's Current ERP and CIS Environments Require Modernization

The ERP Modernization Project is needed to replace FortisBC's core SAP enterprise applications, which are critical to FortisBC's business operations and for which vendor support is ending. SAP serves as the foundational application for managing FortisBC's enterprise-wide operations and business processes across both gas and electric utilities. It is the primary repository for current and historical operational and financial data and supports core business functions. While SAP continues to provide limited enhancements to several core enterprise applications used by FortisBC (ECC, CRM and BW), these enhancements will cease after 2027 when mainstream support for these SAP applications ends. As FortisBC's core enterprise applications are critical to

¹ Only FEI has SAP CRM.

1 day-to-day business operations, operating an SAP enterprise application suite at end-of-life and
2 without vendor support is not an acceptable risk to FortisBC.

3 It is similarly no longer feasible for FBC to continue to extend the life of its current customer
4 information system – CIS Plus. CIS Plus was implemented in 2000 on an Oracle database
5 platform, with significant modernization in 2010. Since 2006, vendor support and enhancements
6 have no longer been available, and FBC has been relying on internal resources and contract
7 specialists to extend the life of the system and keep its interconnections functioning. While
8 Software AG continues to support the underlying software environment through standard support
9 agreements, it does not provide enhancement or bug fixes to the base software. As FBC's CIS is
10 critical to its customer service functions, continuing to operate CIS Plus in these conditions and
11 without full support poses an unacceptable risk to business operations.

12 **1.1.2 Evaluation of Alternatives**

13 FortisBC evaluated three alternatives for the ERP Modernization Project and four alternatives for
14 the CIS Replacement Project.

15 The three ERP Modernization Project alternatives are:

- 16 • **ERP Alternative 1:** Run the existing SAP applications (ECC, CRM and BW) without SAP
17 support until they are non-functional and then replace the applications;
- 18 • **ERP Alternative 2:** Replace the existing SAP applications (ECC, CRM and BW) with ERP
19 software from a non-SAP vendor; and
- 20 • **ERP Alternative 3:** Upgrade the existing SAP applications (ECC, CRM and BW) to a suite
21 of new SAP applications (SAP S/4HANA, SAP Service Cloud and SAP Datasphere) of
22 which the core foundation is the SAP S/4HANA application.

23 The four CIS Replacement Project alternatives are:

- 24 • **CIS Alternative 1:** Continue to operate CIS Plus with limited vendor support and a limited
25 pool of resources until it is non-functional and then replace CIS Plus;
- 26 • **CIS Alternative 2:** Replace CIS Plus with the current SAP platform;
- 27 • **CIS Alternative 3:** Replace CIS Plus with a non-SAP CIS application; and
- 28 • **CIS Alternative 4:** Replace CIS Plus with SAP S/4HANA.

29 FortisBC determined that ERP Alternative 1 and CIS Alternatives 1 and 2 were infeasible because
30 they do not meet the needs of either project to address the risk to FortisBC's business operations
31 associated with operating core information system applications without vendor support.

32 The remaining feasible alternatives for each of the ERP Modernization and CIS Replacement
33 Projects were evaluated against three criteria and sub-criteria as follows:

- 1 1. Ability to Support Current and Future Requirements
 - 2 a) Operations Analytics and Reporting
 - 3 b) Mobile Enablement
 - 4 c) Innovation
 - 5 d) Flexibility and Scalability
 - 6 e) Adaptability to Regulatory Changes
 - 7 f) Customer Experience (CIS Replacement Project alternatives only)
- 8 2. Project Implementation Risk
 - 9 a) Project Size and Complexity
 - 10 b) Resourcing
 - 11 c) Training
 - 12 d) Organizational Change
- 13 3. Financial – Impact on Customer Rates

14 Based on internal discussions with subject matter experts, FortisBC developed and applied
 15 evaluation criteria weighting and scoring that reflect the unique nature of large-scale information
 16 system projects. The scoring included the three main evaluation criteria above, two of which were
 17 then further broken down into more granular sub-criteria. Each of the alternatives for the ERP
 18 Modernization and CIS Replacement Projects were scored against the above criteria using a
 19 scale from 1 to 3, as further described in Sections 3.4.2 and 4.4.2.

20 The results of the structured evaluation process indicated that ERP Alternative 3 – Upgrade the
 21 core SAP applications with S/4HANA and CIS Alternative 4 – Replace CIS Plus with SAP
 22 S/4HANA are the preferred project alternatives. The scoring and overall results are provided in
 23 Tables 1-1 and 1-2 below. FortisBC notes that it is coincidental that the total weighted scores are
 24 the same for the two projects.

25 **Table 1-1: ERP Modernization Project Weighted Scoring**

Criteria	Sub-Criteria	Weighting of Criteria	Alt 2 (Non-SAP) Score	Alt 3 (SAP) Score
Ability to Support Current and Future Requirements (30%)	Operations Analytics and Reporting	30%	3	3
	Mobile Enablement	10%	3	3
	Innovation	10%	3	3
	Flexibility and Scalability	30%	3	3
	Adaptability to Regulatory Changes	20%	3	3

Criteria	Sub-Criteria	Weighting of Criteria	Alt 2 (Non-SAP) Score	Alt 3 (SAP) Score
Project Implementation Risk (35%)	Project Size and Complexity	25%	1	2
	Resourcing	25%	2	3
	Training	15%	1	2
	Organizational Change	35%	1	2
Financial Impact (35%)	Levelized Rate Impact (FEI & FBC)	100%	1	2
Total Weighted Score			1.69	2.39

1

2

Table 1-2: CIS Replacement Project Weighted Scoring

Criteria	Sub-Criteria	Weighting of Criteria	Alt 3 (Non-SAP) Score	Alt 4 (SAP) Score
Ability to Support Current and Future Requirements (30%)	Operations Analytics and Reporting	20%	3	3
	Mobile Enablement	5%	3	3
	Innovation	10%	3	3
	Flexibility and Scalability	20%	3	3
	Adaptability to Regulatory Changes	15%	3	3
	Customer Experience	30%	3	3
Project Implementation Risk (35%)	Project Size and Complexity	25%	2	2
	Resourcing	25%	1	3
	Training	15%	1	2
	Organizational Change	35%	1	2
Financial Impact (35%)	Levelized Rate Impact	100%	1	2
Total Weighted Score			1.69	2.39

3 ERP Alternative 3 allows FortisBC to retain existing system configurations and business
4 processes while modernizing its ERP platform to a vendor-supported solution. SAP S/4HANA
5 also offers enhanced system performance, modern user experience, improved cybersecurity, and
6 utility-specific capabilities, all within a familiar architecture. The upgrade provides a lower
7 implementation risk, reduced cost, and less business disruption compared to an ERP system
8 replacement.

9 Replacing FBC's CIS Plus with SAP S/4HANA enables the consolidation of gas and electric
10 customer service operations onto a single, modern platform, resulting in improved efficiency,

1 service consistency, and long-term sustainability. Further, CIS Alternative 4 will enable FBC to
2 leverage the widely used SAP environment already in place for both FEI and FBC, which will
3 mitigate training timelines, better leverage existing resources, simplify integration, and streamline
4 IT support.

5 **1.1.3 Implementation Approach and Project Description**

6 To achieve optimal benefits and savings, FortisBC will upgrade the existing core SAP applications
7 and replace FBC's CIS Plus as a single project (Combined Project). The Combined Project will
8 be implemented through a single combined design and build phase, followed by a deployment
9 phase with two separate production releases for the ERP Modernization and CIS Replacement
10 scopes. FortisBC determined that the Combined Project implementation approach was the most
11 reasonable and cost-effective path forward as it avoids duplicative effort and reduces integration
12 and change management risk.

13 The ERP Modernization scope includes migrating FortisBC's existing business processes,
14 system configurations, enhancements, and data from the existing on-premise SAP platform to a
15 cloud-based SAP platform. The main scope elements are summarized as follows:

- 16 • Upgrade the current SAP ECC application to SAP's S/4HANA cloud-based solution (RISE
17 with SAP).
- 18 • Replace the current SAP CRM CIS application with SAP Service Cloud.
- 19 • Upgrade the current SAP BW application to SAP Datasphere Cloud.
- 20 • Migrate from the current SAP Graphical User Interface to the new modern SAP Fiori User
21 Interface.

22 The CIS Replacement scope includes transitioning from FBC's legacy CIS Plus to a modern,
23 integrated solution built on SAP S/4HANA and SAP's CRM application Service Cloud. The
24 replacement scope is structured around three key functional areas:

- 25 • **Revenue Management, Billing and Customer Accounting:** Migrating the existing
26 Meter-to-Cash billing functionality from CIS Plus to SAP, including ensuring all existing
27 interfaces to other applications continue to function in the new SAP environment.
- 28 • **Customer Relationship Management:** Migrating the existing CIS Plus Customer Service
29 front-end functionality to SAP's Service Cloud application primarily used by customer
30 service staff to manage customer inquiries.
- 31 • **Work Management:** Integrating with several interfaces such as Mobile Workforce
32 Management (MWFM), Geographic Information System (GIS), Disconnection /
33 Reconnection service orders, device management and field service-related orders.

34 The Project is planned to be implemented over approximately 26 months, with phased design,
35 build, testing, deployment, and stabilization activities. Assuming BCUC approval of the Application

1 by July 2026 and a Combined Project start in November 2026, FortisBC expects the Combined
2 Project to be closed in December 2028.

3 FortisBC has undertaken a comprehensive and proactive approach to identify, assess, and
4 manage risks associated with the Combined Project. This includes conducting readiness
5 assessments, engaging experienced system integrators, aligning implementation timelines with
6 industry cycles, involving key business leaders in decision-making, and following a structured
7 governance framework. To reduce and manage implementation risk, key mitigations have been
8 identified, including:

- 9 • Fixed-price contracts with system integrators;
- 10 • Strong governance and decision-making frameworks;
- 11 • Multiple rounds of testing and training programs;
- 12 • Change management and training programs; and
- 13 • Engagement of independent quality assurance expertise.

14 Some of these mitigations have already been executed and others will be further developed and
15 executed during the Combined Project delivery.

16 The Combined Project will be governed through a robust and collaborative structure that ensures
17 clear accountability, timely decision-making, and alignment with strategic objectives across both
18 FEI and FBC. This governance model draws from industry best practices and is adapted to
19 FortisBC's operational needs and stakeholder environment. The Combined Project will operate
20 under a multi-tiered governance structure comprised of executive oversight, program-level
21 coordination, project-level delivery and support functions.

22 **1.1.4 Financial Summary and Rate Impact**

23 The Combined Project cost is estimated at approximately \$190.779 million (as-spent dollars). This
24 includes: (i) capital and O&M costs during implementation; (ii) pre-implementation development
25 costs; (iii) preliminary stage development and Application costs; (iv) contingency; and (v) financing
26 costs. Approximately \$92.246 million (48 percent) of the Combined Project cost is allocated to
27 FEI, while \$98.533 million (52 percent) is allocated to FBC. The rationale for and details of the
28 allocation approach are described in Section 6.2.1.

29 FortisBC estimates the PV of the incremental revenue requirement over the 13-year analysis
30 period of the Project to be approximately \$68.372 million for FEI and \$88.219 million for FBC. The
31 levelized rate impact for FEI and FBC over the same period is 0.62 percent and 1.97 percent,
32 respectively.

33 Please refer to Section 6 of the Application for details on the accounting-related items and
34 approvals related to the Combined Project.

1 **1.2 REGULATORY CONTEXT AND APPROVALS SOUGHT**

2 **1.2.1 Section 44.2 Regulatory Context**

3 This Application is filed pursuant to section 44.2 of the UCA, which states that a public utility may
4 file an expenditure schedule of capital expenditures that the public utility has made or anticipates
5 making. Section 44.2(3)(a) provides that the BCUC, after reviewing an expenditure schedule,
6 must accept the schedule if it considers that making the expenditures would be in the public
7 interest.

8 As set out in more detail in Section 1.2.2 below, FortisBC is requesting an Order or Orders from
9 the BCUC, pursuant to section 44.2(3)(a) of the UCA, accepting the schedule of anticipated
10 capital expenditures on the Combined Project as being in the public interest.

11 Section 44.2(5) states that, in considering whether to accept an expenditure schedule filed by a
12 public utility other than the authority, the commission must consider

- 13 (a) the applicable of British Columbia's energy objectives,
14 (b) the most recent long-term resource plan filed by the public utility under section
15 44.1, if any,
16 (c) the extent to which the schedule is consistent with the applicable requirements
17 under sections 6 and 19 of the Clean Energy Act,
18 (d) if the schedule includes expenditures on demand-side measures, whether the
19 demand-side measures are cost-effective within the meaning prescribed by
20 regulation, if any, and
21 (e) the interests of persons in British Columbia who receive or may receive service
22 from the public utility.

23 As it relates to information technology infrastructure, the Combined Project does not generally
24 engage British Columbia's energy objectives as defined in the *Clean Energy Act* or FEI's and
25 FBC's long-term resource plans. However, FortisBC will employ persons in British Columbia to
26 implement the Combined Project and operate FortisBC's SAP system. Therefore, the Combined
27 Project aligns with objective (k) to "encourage economic development and the creation and
28 retention of jobs." The Combined Project is also consistent with FBC's latest filed 2021 Long-
29 Term Electric Resource Plan and FEI's latest filed 2022 Long-Term Gas Resource Plan.

30 Items (c) and (d) of section 44.2(5) of the UCA are not applicable to the Combined Project.

31 Based on the material filed in this Application, FortisBC submits that the Combined Project is in
32 the interest of customers as it provides a cost-effective means for FortisBC to modernize and
33 replace its current core ERP applications and FBC's legacy CIS Plus, ensuring the continuity and
34 reliability of essential business operations by upgrading the applications to SAP S/4HANA.

1 **1.2.2 Approvals Sought**

2 **1.2.2.1 FEI Approvals Sought**

3 FEI respectfully seeks approval pursuant to sections 44.2 and 59 to 61 of the UCA of the following:

- 4 • Acceptance of the capital expenditure schedule for the Combined Project as detailed in
5 Table 6-1 of the Application, including approval of the allocation of FEI's portion of the
6 Combined Project capital expenditure schedule of approximately \$92.246 million (48
7 percent), as described in Section 6.2.1 and Table 6-2 of the Application.
- 8 • Approval of a depreciation rate of 10 percent applicable to the SAP S/4HANA software
9 and components related to the Combined Project.
- 10 • Approval to establish a non-rate base deferral account attracting a Weighted Average Cost
11 of Capital (WACC) return, titled the ERP Project Implementation O&M deferral account,
12 to record FEI's portion of the implementation O&M costs, as described in Section 6.4.3 of
13 the Application. Additionally, approval to transfer the balance in the ERP Project
14 Implementation O&M deferral account to rate base on January 1 of the year following the
15 completion of the Project and to begin amortization over a 10-year period.
- 16 • Approval to establish a non-rate base deferral account attracting a WACC return, titled the
17 Application and Preliminary Stage Development Costs deferral account, to record FEI's
18 portion of the Application and preliminary stage development costs, as described in
19 Section 6.4.4 of the Application. Additionally, approval to transfer the balance in the
20 Application and Preliminary Stage Development Costs deferral account to rate base on
21 January 1 of the year following the decision on this Application and to begin amortization
22 over a 4-year period.

23 A draft Final Order is included in Appendix D-2 to the Application.

24 **1.2.2.2 FBC Approvals Sought**

25 FBC respectfully seeks approval pursuant to sections 44.2 and 59 to 61 of the UCA of the
26 following:

- 27 • Acceptance of the capital expenditure schedule for the Combined Project as detailed in
28 Table 6-1 of the Application, including approval of the allocation of FBC's portion of the
29 Combined Project capital expenditure schedule of approximately \$98.533 million (52
30 percent), as described in Section 6.2.1 and Table 6-2 of the Application.
- 31 • Approval of a depreciation rate of 10 percent applicable to the SAP S/4HANA software
32 and components related to the Combined Project.
- 33 • Approval to establish a non-rate base deferral account attracting a WACC return, titled the
34 ERP/CIS Project Implementation O&M deferral account, to record FBC's portion of the
35 Project implementation O&M costs, as provided in Section 6.4.3 of the Application.
36 Additionally, approval to transfer the balance in the ERP/CIS Project Implementation O&M

1 deferral account to rate base on January 1 of the year following the completion of the
2 Combined Project and to begin amortization over a 10-year period.

- 3 • Approval to establish a non-rate base deferral account attracting a WACC return, titled the
4 Application and Preliminary Stage Development Costs deferral account, to record FBC's
5 portion of the Application and preliminary stage development costs, as provided in Section
6 6.4.4 of the Application. Additionally, approval to transfer the balance in the Application
7 and Preliminary Stage Development Costs deferral account to rate base on January 1 of
8 the year following the decision on this Application and to begin amortization over a 4-year
9 period.

10 A draft Final Order is included in Appendix D-3 to the Application.

11 **1.3 PROPOSED REGULATORY PROCESS**

12 FortisBC proposes that a written hearing process with one round of information requests (IRs)
13 from the BCUC and interveners, followed by written submissions, will provide for an appropriate
14 and efficient review of the Application.

15 FortisBC proposes the regulatory timetable set out in Table 1-3 below and considers that this
16 regulatory timetable will allow the Companies to complete implementation prior to the end of
17 vendor support. A draft procedural order is attached as Appendix D-1 to the Application.

18 **Table 1-3: Proposed Preliminary Regulatory Timetable**

ACTION	DATE (2025)
FortisBC provides notice of Application and procedural order	Wednesday, December 3
FortisBC provides confirmation of notice requirements	Friday, December 5
Intervener registration deadline	Thursday, December 18
ACTION	DATE (2026)
BCUC Information Request (IR) No. 1	Thursday, January 8
Intervener IR No. 1	Thursday, January 15
FortisBC responses to IR No. 1	Thursday, February 19
Letters of comment deadline	Thursday, February 26
FortisBC final argument	Thursday, February 26
Intervener final arguments	Thursday, March 12
FortisBC reply argument	Wednesday, April 1

19 **1.4 ORGANIZATION OF THE APPLICATION**

20 The Application provides detailed information in support of the Project. The remainder of the
21 Application is organized into the following sections:

- 1 • Section 2 describes the history and current state of FortisBC’s SAP enterprise systems
2 and FBC’s customer information system.
- 3 • Section 3 describes the need for the ERP Modernization Project and the assessment of
4 three potential alternatives for the ERP Modernization Project. The section evaluates the
5 two feasible alternatives based on weighted scoring criteria and identifies the preferred
6 alternative.
- 7 • Section 4 describes the need for the CIS Replacement Project and the assessment of four
8 potential alternatives for the CIS Replacement Project. The section evaluates the two
9 feasible alternatives based on weighted scoring criteria and identifies the preferred
10 alternative.
- 11 • Section 5 describes the Combined Project implementation approach, including the
12 benefits of a combined approach, the scope, timing and Combined Project base cost
13 estimate. The section also discusses the Combined Project risks and how FortisBC is
14 mitigating these risks, as well as the governance structure.
- 15 • Section 6 provides the cost estimate, the proposed cost allocation for the various
16 Combined Project components, the assumptions upon which the financial analysis is
17 based and the proposed regulatory accounting treatments, and the rate impact for each
18 of FEI and FBC.
- 19 • Section 7 concludes the Application.
- 20

2. FORTISBC'S CURRENT ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM AND CUSTOMER INFORMATION SYSTEM (CIS)

2.1 INTRODUCTION AND OVERVIEW

This section provides background and context for the proposed Project, including an introduction to ERP systems, the history of FortisBC's current ERP and CIS, and a discussion of how these systems are currently used in FortisBC's operations.

FortisBC relies on a robust, integrated technology environment that centers around its SAP ERP system and various applications. FEI and FBC have used SAP as their respective ERP system for decades, individually and then together as one combined system beginning in 2018. Currently, ERP Central Component (ECC) serves as the foundational application for managing FortisBC's enterprise-wide operations and business processes across both gas and electric utilities. It is the primary repository for current and historical operational and financial data, supporting core business functions such as device management, customer care (gas), work and maintenance planning, financial reporting, human resources, procurement, and inventory management.

FEI currently utilizes the IC-Web module of SAP's Customer Relationship Management (CRM) application for its CIS. Since implementation, the application has enhanced FEI's ability to manage customer interactions efficiently and has been consistently adapted to evolving customer and business needs. As an integrated component of the broader suite of SAP applications, SAP CRM works with other modules of the SAP ECC application, such as billing, finance, and work management, to streamline processes from meter reading and billing to customer inquiries and payment collection.

In contrast, FBC operates its customer information functions on the CIS Plus application, a legacy platform implemented in 1999. Built on an Oracle database, CIS Plus handles billing, service order management, and credit and collections for FBC's customers. Although it effectively supports various customer service functions, the platform requires manual integrations (e.g., with the Meter Data Management System) and additional tools and manual interventions to complete the meter-to-cash process. Since 2006, when vendor support and enhancements were no longer available, FBC has relied on specialized legacy application knowledge through internal resources and contract specialists to extend the life of the system and keep its interconnections with other FBC applications functioning.

Sections 2.2 and 2.3 below provide a more detailed discussion of the history and current status of FortisBC's ERP system and CIS, respectively.

1 2.2 FORTISBC'S ERP SYSTEM

2 2.2.1 ERP System Overview

3 An ERP system is a business management software solution that manages and streamlines an
4 organization's business processes and operations through a centralized platform. By centralizing
5 business processes, an ERP minimizes redundant tasks, reduces operational costs, and enables
6 real-time data sharing across the entire organization.

7 An ERP system is composed of two interrelated components: (1) applications and (2) modules.

- 8 • **Applications** are specialized solutions that address specific business needs and can be
9 deployed and function as complete and separate systems. They are often composed of
10 multiple modules. The SAP ECC, SAP CRM and SAP Business Warehouse (BW) are
11 examples of applications.
- 12 • **Modules** are independent components of an application that each support a discrete
13 functional area. Modules cannot function on their own and must reside with a larger
14 system. Within the SAP ECC application, Finance and Controlling (FI/CO), Human Capital
15 Management (HCM) and Supply Chain Management (SCM) are examples of modules.

16 The modular design of an ERP system allows organizations to tailor adoption to their unique
17 requirements, implementing the modules and applications that are relevant to their needs. While
18 the system offers maximum benefit when an application's modules are fully integrated,
19 organizations often choose a hybrid approach that combines an ERP system with other
20 applications. This is because cost considerations, implementation complexity, change
21 management concerns, or integration challenges can lead organizations to retain certain
22 standalone systems and interface them with the ERP system. This hybrid approach balances the
23 benefits of centralized data and process integration with the flexibility of retaining or adding
24 specialized solutions.

25 ERP product and service offerings generally provide the following features:

- 26 • Integration through shared data across applications and modules, often via a common
27 database. For example, when a customer record is added by a customer service
28 representative in the CRM application, it automatically appears in the billing and finance
29 modules, ensuring all departments work with the same data.
- 30 • Enhanced digital collaboration and information sharing among various departments. For
31 example, updates made by the Human Resources (HR) department are instantly available
32 to payroll and management teams, facilitating coordinated decision-making.
- 33 • Scalability to accommodate business growth and evolving needs. For example, as an
34 organization grows, additional modules can be more easily integrated into the system.
- 35 • Robust security features that protect sensitive information and are compliant with data
36 privacy regulations.

- 1 • Automation of routine tasks to reduce manual efforts and boost operational efficiency.
- 2 • Near real-time operations. For example, data entered by an operations field representative
- 3 is updated immediately in the system, enabling a customer service representative (CSR)
- 4 to better support customer inquiries.
- 5 • A consistent user interface across all applications and modules. For example, regardless
- 6 of whether a user is accessing inventory, finance, or customer service modules, the
- 7 uniform design simplifies training and supports productivity.

8 The leading ERP software vendors by market share are SAP, Microsoft, and Oracle. In Canada,
9 many utilities, including FortisBC, rely on SAP for their ERP needs, including New Brunswick
10 Power, Manitoba Hydro, Toronto Hydro, Hydro Quebec, HydroOne, SaskPower, FortisAlberta,
11 Algonquin Power & Utilities Corp., and BC Hydro.

12 **2.2.2 History of ERP at FortisBC**

13 Both FEI and FBC (and their predecessor companies) have used SAP as their respective ERP
14 system for decades, individually and then together as one combined system beginning in 2018.

15 **2.2.2.1 History of ERP at FEI**

16 FEI (then BC Gas Utility Co. Ltd.) first implemented SAP in 1998 as approved by Order C-8-98²,
17 consisting of the Finance, Materials Management, Project Systems, Sales and Distribution, and
18 Human Resources business applications. From this initial implementation, FEI continued to
19 evaluate and deploy modules and enhancements from SAP as necessary to keep the application
20 operating effectively and efficiently. To support this ongoing work, multiple system environments
21 were configured to support both production and testing purposes.

22 In 2009, FEI filed for a CPCN for the Customer Care Enhancement (CCE) Project, which was
23 approved by Order C-1-10 and completed in 2012. The CCE Project consisted of the
24 implementation of the SAP CRM application IC-Web, as well as bringing the customer service
25 and billing operations functions in-house.

26 FEI has continued to use SAP as an integrated enterprise-wide solution for its key business
27 processes since it was first implemented.

28 **2.2.2.2 History of ERP at FBC**

29 When SAP was first implemented in 2000 for the predecessor company of FBC (Utilicorp), the
30 BC operations were set up as separate companies within a shared system along with the
31 predecessor company to FortisAlberta (Utilicorp's Alberta operations). In 2006, when Fortis Inc.
32 bought both companies, FBC and FortisAlberta were separated into discrete instances of SAP,
33 and FBC has continued using the system since that time. As further discussed below, although
34 FBC's CIS was not included in the SAP installation, all other core modules that were implemented

² A CPCN for the Integrated Business Information Systems (IBIS) Project was filed on October 21, 1997.

1 for FEI in 1998 were also in place for FBC. Like FEI, FBC continued to evaluate and deploy
2 enhancements to SAP as necessary to keep the system operating effectively and efficiently.

3 FEI and FBC remained on two different versions of SAP until August 2018.

4 **2.2.2.3 FortisBC SAP ERP Integration**

5 Over time, FEI and FBC sought to increase operational efficiency by combining back-office
6 functions across the gas and electric utilities. However, until 2018, the two companies operated
7 separate SAP ERP systems on different enhancement pack versions, resulting in duplicated
8 licensing costs and misaligned business processes across critical functions such as Finance, HR,
9 Supply Chain, and Information Systems (IS). Additionally, FEI and FBC did not have access to a
10 common set of reports, which limited visibility across the Companies. As such, the Companies
11 determined that a unified reporting approach, consistent data definitions and consolidated
12 templates to streamline planning, budgeting and performance analysis would support enhanced
13 operational efficiency.

14 In 2017, FortisBC launched the SAP Integration Project (Project One), a corporate-wide initiative
15 to migrate FEI and FBC onto a single, unified SAP platform. The integration included the
16 consolidation of the HR, Finance, and Supply Chain modules, and delivered numerous benefits
17 such as a simplified support model, integrated payroll, streamlined reporting and business
18 processes (e.g., employee expense processing and single sign-on), and a reduction in annual
19 contractor support costs by enabling internal resources to manage the system more effectively.
20 Project One was completed in 2018, with the key benefits realized as outlined in Table 2-1 below.

21 **Table 2-1: Project One Objectives and Benefits**

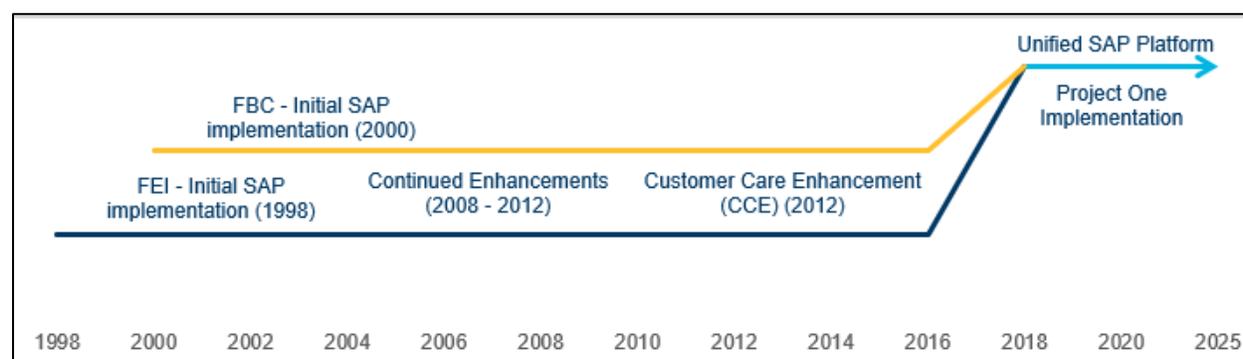
Operational Cost Reductions	Process Efficiency Improvements	Enhanced User Experience and Productivity	Improved Audit and Compliance Efficiency	Future Scalability and Strategic Alignment
<ul style="list-style-type: none"> • Elimination of duplicate systems and associated software licenses. • Reduction in infrastructure maintenance costs for hardware, operating systems, and applications. 	<ul style="list-style-type: none"> • Standardization of business processes. • Improved enterprise-wide reporting capabilities. • End-to-end payroll processing for FBC users, eliminating third-party costs. • Automation of intercompany cross-charging. 	<ul style="list-style-type: none"> • Implementation of Single Sign-On (SSO) to reduce login times. • Introduction of a Paperless Expense Management system, streamlining credit card and employee expense processing. 	<ul style="list-style-type: none"> • Reduction in the complexity of internal and external audits. • Implementation of Business Planning Consolidation (BPC) software, ensuring better data integrity and compliance with regulatory requirements. 	<ul style="list-style-type: none"> • Warehouse barcoding for improved inventory management. • Integrated budgeting and forecasting solutions. • Replacement of manual spreadsheet-based processes.

Operational Cost Reductions	Process Efficiency Improvements	Enhanced User Experience and Productivity	Improved Audit and Compliance Efficiency	Future Scalability and Strategic Alignment
<ul style="list-style-type: none"> Lower integration and support costs. 	<ul style="list-style-type: none"> Alignment of key financial and operational processes. 	<ul style="list-style-type: none"> Providing employees with a unified experience and eliminating confusion. 	<ul style="list-style-type: none"> Mitigation of financial risks associated with outdated applications. 	<ul style="list-style-type: none"> Alignment with HR initiatives, such as talent management.

1 With the successful completion of Project One, FEI and FBC now operate on a single, unified
 2 SAP ERP platform. As a result, any updates or enhancements to the ERP system are applied
 3 concurrently across both utilities, ensuring consistency in business process execution, and
 4 eliminating the inefficiencies and discrepancies that previously arose from operating and
 5 maintaining separate ERP environments.

6 Figure 2-1 below shows the history of implementation of SAP at FortisBC.

7 **Figure 2-1: Implementation of SAP at FortisBC**



8
 9 Because the integrated system standardizes and streamlines processes, FEI and FBC share the
 10 same update cycle and system enhancements. This means that neither FEI nor FBC can adopt
 11 different functionalities or diverge in their approach for common modules without disrupting the
 12 uniformity of the enterprise-wide solution. This unified platform reinforces strategic alignment
 13 across the utilities, ensuring that all operational improvements, security updates, and process
 14 optimizations benefit both companies, ultimately enhancing customer-facing processes and
 15 overall operational efficiency.

16 **2.2.3 SAP at FortisBC Today**

17 Currently, SAP ECC³ serves as the foundational application for managing FortisBC’s enterprise-
 18 wide operations and business processes across both gas and electric utilities. It is the primary
 19 repository for current and historical operational and financial data, supporting core business

³ Version 6, Enhancement Pack 8.

1 functions such as device management, customer care (gas), work and maintenance planning,
2 financial reporting, human resources, procurement, and inventory management.

3 As shown in Figure 2-2 below, these modules include Financial Accounting (FI), Controlling (CO),
4 Materials Management (MM), Plant Maintenance (PM), Project System (PS), Human Capital
5 Management (HCM), and Customer Service (CS)⁴. Each module is tailored to meet specific
6 operational needs, but they operate cohesively to support cross-functional processes that span
7 departments and operational areas.

8 In addition to the core ECC modules, FortisBC uses several SAP-centric applications (highlighted
9 in dark blue in Figure 2-2) that extend SAP's functionality. These include Business Warehouse
10 (BW) for analytics and reporting, Customer Relationship Management (CRM), Enterprise Portal
11 (EP), and Governance, Risk, and Compliance (GRC), among others. These applications enhance
12 user access, compliance monitoring, and data-driven decision-making.

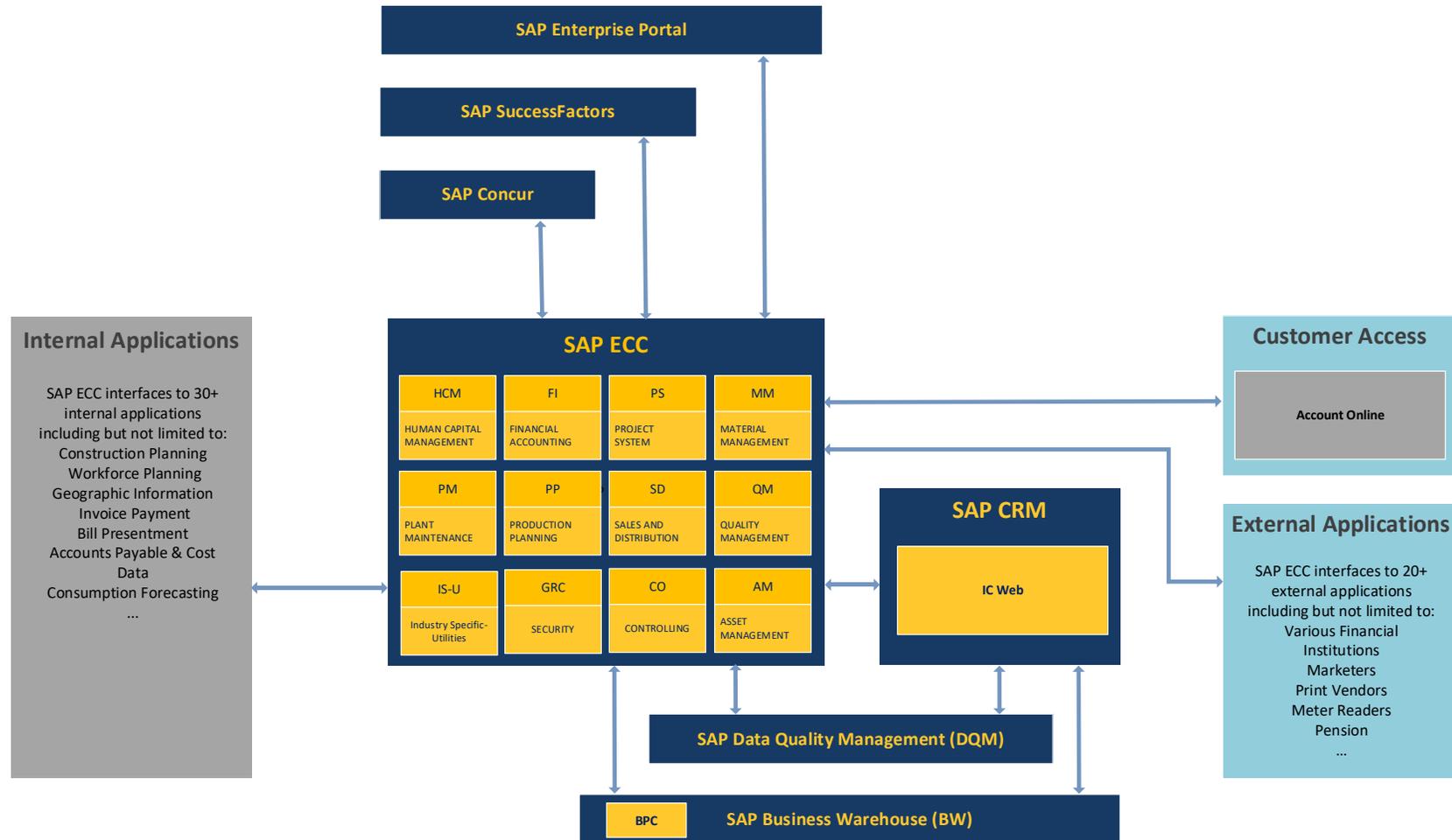
13 Surrounding the SAP suite of applications are over 30 internal and external applications, shown
14 in gray and light blue, which interface with SAP ECC to enable specific business capabilities.
15 These include applications for time management, asset and geospatial data tracking,
16 procurement portals, contractor management, and enterprise scheduling. These applications rely
17 on robust, real-time integration with SAP ECC to ensure consistent, timely, and accurate data
18 across the enterprise.

19 SAP ECC's embedded business rules and workflow automation enable data integrity, regulatory
20 compliance, operational safety, and service reliability. Supporting over 2,700 active users and
21 over 1,900 retirees with benefits requirements, SAP ECC supports a high-volume, high-visibility
22 operation that spans both gas and electric utilities.

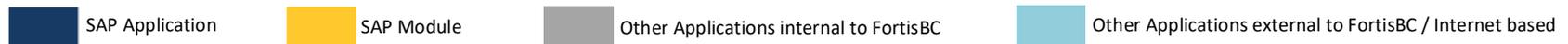
⁴ The SAP module supporting customer service and CRM application (IC-Web) are currently only being used by FEI.

1

Figure 2-2: SAP Environment at FortisBC



2



1 Table 2-2 below outlines the SAP applications and modules currently in use at FortisBC and
2 highlights that the majority are shared and in use by both FEI and FBC.

3 **Table 2-2: SAP Components by Business Area**

SAP Components	FEI	FBC
SAP ECC (Enterprise Core Components)	■ Yes	■ Yes
SAP FI (Financial Accounting)	■ Yes	■ Yes
SAP CO (Controlling)	■ Yes	■ Yes
SAP MM (Materials Management)	■ Yes	■ Yes
SAP HCM (Human Capital Management)	■ Yes	■ Yes
SAP PS (Project System)	■ Yes	■ Yes
SAP PM (Plant Maintenance)	■ Yes	■ Yes
SAP SD (Sales and Distribution)	■ Yes	■ Yes
SAP IS-U (Industry Specific for Utilities)	■ Yes	✗ No
SAP PP (Production Planning)	■ Yes	✗ No
SAP QM (Quality Management)	■ Yes	✗ No
SAP AM (Asset Management)	■ Yes	✗ No
SAP GRC (Security)	■ Yes	■ Yes
SAP CRM (Customer Relationship Management)	■ Yes	✗ No
IC-Web (Interaction Center)	■ Yes	✗ No
SAP BW (Business Warehouse)	■ Yes	■ Yes
SAP BPC (Business Planning and Consolidation)	■ Yes	■ Yes
SAP DQM (Data Quality Management)	■ Yes	✗ No
SAP Enterprise Portal (Self-Service)	■ Yes	■ Yes
SAP SuccessFactors (Learning Management)	■ Yes	■ Yes
SAP Concur (Travel and Expense)	■ Yes	■ Yes

4 FortisBC's SAP ERP plays a critical role in support of day-to-day business operations by
5 maintaining accurate and up-to-date enterprise data and providing real-time visibility and control
6 of data, updating information across all functional areas. This capability is crucial for managing
7 over 1.18 million premises and installed devices.

8 The following subsections provide examples of FortisBC business processes that currently benefit
9 from the SAP ERP system.

1 **2.2.3.1 Operations**

2 The current SAP ECC application supports critical operational processes across both FEI and
3 FBC by integrating functions such as inventory management, field services, asset maintenance,
4 and public safety. For example, when a meter requires replacement, SAP ECC enables
5 coordination between inventory and field service teams, ensuring accurate tracking and
6 deployment of the new device. Real-time inventory tracking across more than 150 locations and
7 123 material groups – including essential items such as gas meters and service tools – ensures
8 that field workers have timely access to the materials required for installations and emergency
9 repairs.

10 FortisBC uses SAP ECC to manage approximately 45,000 active maintenance plans across
11 89,000 functional locations and tracks maintenance schedules for more than 203,000 pieces of
12 equipment. For scheduled maintenance, such as on a gas line, SAP ECC automatically notifies
13 maintenance teams and provides task checklists, which helps FortisBC comply with safety
14 standards. In emergency situations, SAP ECC plays a vital role in public safety by automatically
15 generating and dispatching work orders to geographically appropriate crews and integrating with
16 FortisBC’s Geographic Information System (GIS) to identify affected customers and assets. For
17 example, during a gas leak event, SAP ECC assists FortisBC in coordinating an immediate shut-
18 off plan to protect public safety and infrastructure.

19 Additionally, operations and field services teams use SAP to manage safety-related cases and
20 recurring programs like meter exchange. In total, approximately 437,000 SAP cases are managed
21 annually,⁵ reinforcing the value of SAP as a centralized and effective tool for both exception
22 handling and ongoing operational support.

23 By facilitating predictive analytics for asset maintenance, streamlining inventory control and
24 enhancing emergency responsiveness, SAP ECC contributes directly to operational efficiency,
25 safety, and service reliability for both gas and electric utility operations.

26 **2.2.3.2 Finance and Human Resources**

27 FortisBC uses the SAP system to efficiently manage financial operations and workforce
28 administration across both utilities. The application processes payroll across four pay cycles and
29 multiple wage types, while accommodating the complexities of four collective agreements. By
30 streamlining manual HR activities and introducing automation across functions, such as
31 onboarding, payroll, benefits, and pensions, SAP contributes to significant time and cost savings.

32 On the financial side, SAP supports the end-to-end management of approximately 70,000 vendor
33 invoices annually across 40,000 vendors. It facilitates accurate and timely payments, ensures
34 appropriate approvals, and integrates with financial reporting processes to support regulatory and
35 audit compliance. Real-time data consolidation and transformation enhance visibility into financial

⁵ Based on 2024 data.

1 performance, while automated general ledger transfers eliminate legacy integration challenges
2 and reduce manual intervention.

3 Additionally, SAP simplifies financial reporting through integrated analytics, providing consistent
4 and reliable data across business areas. This supports internal audit functions and compliance
5 with Sarbanes-Oxley (SOX) requirements. For example, when FortisBC undertakes a gas pipeline
6 replacement project or an electric system upgrade, all related expenditures, such as engineering
7 design costs, construction materials, contractor services, and internal labour are captured in the
8 Project Systems module. These costs flow automatically into the Finance and Controlling
9 modules, where they are reconciled against approved capital budgets and tracked throughout the
10 lifecycle of the project. This integration ensures that financial statements accurately reflect project
11 spend, enables variance reporting for management oversight, and provides audit-ready records
12 for regulatory compliance.

13 **2.2.3.3 Procurement**

14 FortisBC's Procurement department relies on SAP ECC as a foundational application for
15 managing its day-to-day procurement activities. Through SAP ECC, the department supports end-
16 to-end procurement processes, including requisition creation, purchase order management,
17 vendor selection, contract management, goods receipt, and invoice processing. For example,
18 when a business unit requires materials or services, a requisition is created and routed for
19 approval using SAP's workflow engine. Upon delivery, goods are received and matched against
20 the purchase order in SAP, allowing for a seamless match that ensures accuracy before a
21 payment is processed. SAP ECC also enables FortisBC to track spending and ensure compliance
22 with corporate and regulatory policies. The application provides real-time reporting and analytics,
23 which assist in strategic sourcing and contract negotiations. Overall, SAP ECC underpins the
24 procurement function by improving operational efficiency, reducing manual errors, and ensuring
25 transparent, auditable processes across the organization.

26 **2.2.3.4 Customer Service (FEI only)**

27 The SAP ERP system stores detailed customer information for FEI's approximately 1.1 million
28 gas customer accounts, supporting essential services such as new installations, device
29 decommissioning, and regular maintenance inspections. For instance, when a customer requests
30 a meter upgrade, SAP not only tracks the device swap but also records the meter readings for
31 accurate billing and analytical reporting.

32 For FEI's customer accounts, SAP provides accurate billing by supporting 150 different rates
33 under five rate classes, validating data through 20 billing cycles per month, and managing over
34 50 types of SAP cases. In addition, the SAP CRM application, specifically the IC-Web module,
35 supports end-to-end management of customer interactions and timely responses to customer
36 inquiries. Using IC-Web, CSRs authenticate customers interacting with FEI using various
37 channels such as phone, online chat or email to view account and interaction histories, initiate
38 service requests when needed, and can create cases directly from the interaction, automatically
39 linking them to the customer and contract account. IC-Web provides real-time visibility into

1 interaction status and integrates with SAP's Business Process Exception Management (BPEM)
2 so any billing related exceptions identified during an interaction are tracked through to resolution.

3 FortisBC is seeing a growing shift toward digital channels, particularly among electric customers
4 where Advanced Metering Infrastructure (AMI) data is already integrated into online account
5 platforms. With FEI's AMI project underway, this trend is expected to expand across both FEI and
6 FBC as customers gain greater access to usage data, billing details, and self-service tools.
7 Advancing technologies and evolving customer engagement platforms such as a modern ERP
8 platform will accelerate this transition, enabling FortisBC to promote greater use of self-serve
9 options for routine inquiries, while continuing to support traditional channels, such as phone, for
10 more complex customer needs.

11 **2.2.3.5 Summary of FortisBC's Current SAP System**

12 The above-described capabilities make SAP a foundational system for FortisBC.

13 Since its initial adoption, SAP has been a cornerstone of FortisBC's enterprise operations,
14 supporting critical business functions. Over the past two decades, FortisBC has used SAP as its
15 ERP solution, evolving its capabilities to align with industry leading practices and emerging
16 technological advancements. The Companies have proactively undertaken strategic upgrades
17 and enhancements to keep the ERP system robust, secure, and capable of supporting FortisBC's
18 operational and regulatory requirements. With dedicated support from SAP, FortisBC has
19 successfully implemented updates and improvements to drive efficiency, enhance customer
20 service and improve business processes.

21 SAP will stop providing enhancements to certain key SAP applications, including ECC, BW and
22 CRM, and will end mainstream support after 2027. While SAP is offering extended maintenance
23 covering essential services such as regular updates, security patches, and technical support for
24 an additional fee until 2030, no further updates or support will be available beyond that date. As
25 a result, FortisBC's critical ERP software will no longer be supported after 2030, exposing the
26 Companies to increasing risks related to system performance, security, and continuity of business
27 operations.

28 **2.3 FORTISBC'S CIS**

29 **2.3.1 CIS System Overview**

30 A Customer Information System, or CIS, is used to manage customer interactions, billing, and
31 meter-to-cash workflows. Within the CIS, the customer billing system focuses on streamlining the
32 meter-to-cash process, automating customer communications, and generating accurate and
33 timely charges and invoices. Specifically for FEI and FBC, the customer billing system is integral
34 to the delivery of customer care and includes functionality that encompasses the entire meter to
35 cash cycle to support the accurate capture and delivery of meter reads, customer bills, account
36 information, customer inquiries and payments.

1 **2.3.2 History of CIS at FortisBC**

2 ***2.3.2.1 History of CIS at FEI***

3 As discussed above, FEI currently utilizes the IC-Web module of SAP's CRM application for its
4 CIS. Since implementation, the application has enhanced FEI's ability to manage customer
5 interactions efficiently and has been consistently adapted to evolving customer and business
6 needs. Its flexibility has allowed FEI to integrate new functionalities and accommodate regulatory
7 and operational changes over the years. As an integrated component of the broader suite of SAP
8 applications, SAP CRM works with other modules of the SAP ECC application, such as billing,
9 finance, and work management, to streamline processes from meter reading and billing to
10 customer inquiries and payment collection. This integration provides end-to-end visibility and real-
11 time data flow, enabling FEI to respond effectively to customer needs. For example, CSRs can
12 access account history, billing information, and service requests within a single interface, reducing
13 response times and improving resolution accuracy. The centralized platform also supports
14 automated workflows for move-in/move-out processes and service order tracking, providing better
15 visibility and minimizing delays. Overall, SAP CRM has enabled FEI to adapt quickly to changing
16 business requirements, consistently achieve high customer satisfaction results, and maintain
17 regulatory compliance.

18 ***2.3.2.2 History of CIS at FBC***

19 As part of Utilicorp, FBC implemented the CIS known as CIS Plus in 2000, developed by SPL
20 WorldGroup (SPL), to manage its customer accounts, billing, and service-related activities for
21 electric utility customers. CIS Plus was deployed on an Oracle database and uses the natural
22 programming language within the Software AG ecosystem, including tools such as Predict,
23 Adabas, Natural Security, and RPC Broker. These supporting software components continue to
24 be maintained under active annual support agreements with Software AG and Oracle.

25 A few years after the initial FBC implementation, SPL adopted a regular support and release
26 framework and encouraged its customers to migrate to a newly standardized version of its CIS
27 Plus software to receive ongoing enhancements and feature updates. At that time, FBC had just
28 completed a significant upgrade and therefore decided not to move to the new SPL release
29 version.

30 As part of its efforts to maintain CIS Plus and maximize the application's useful life, FBC undertook
31 a significant modernization effort in 2010, during which a graphical front-end was developed and
32 deployed to enhance usability and operational efficiency. Despite this enhancement, the core CIS
33 Plus application has remained separate and distinct with no functional integration into the SAP
34 ERP system used for corporate business functions such as Finance, HR, and Supply Chain.
35 Further, FBC no longer receives vendor enhancements or feature upgrades to CIS Plus.

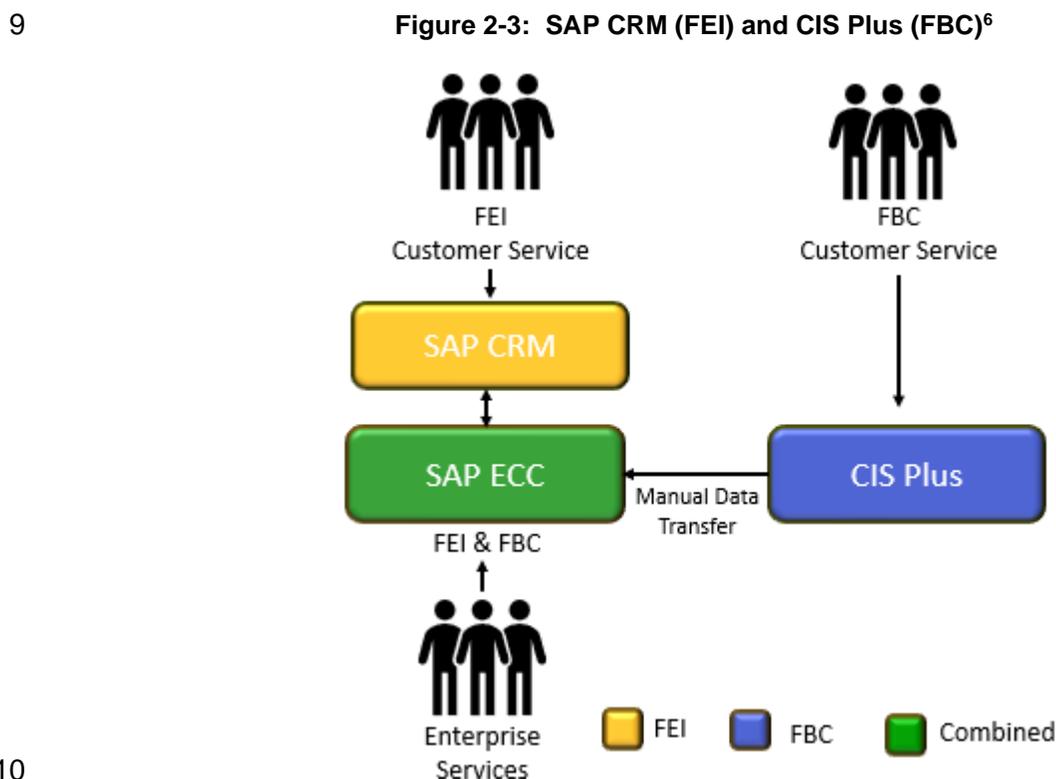
36 Accordingly, for more than two decades, FBC has maintained and evolved the CIS Plus
37 application in-house, building and deploying all new development, enhancements, and

1 functionality internally. This includes improvements to both user interface and back-end
2 functionality.

3 **2.3.2.3 Two Independent CIS Applications**

4 Due to the evolution of applications within FEI and FBC described above, FortisBC currently relies
5 on two separate applications (IC-Web module of SAP CRM for FEI and CIS Plus for FBC) to
6 deliver meter-to-cash services and customer care support for its gas and electric customers.

7 The following figure provides a simplified graphical representation of how FEI's SAP CRM and
8 FBC's CIS Plus applications currently work together.



10
11 The use of two different applications – with FBC's CIS Plus being a legacy platform – creates
12 operational complexities that impact service delivery, including FEI's and FBC's ability to provide
13 a consistent customer experience across the organization, as the Companies must navigate
14 inconsistencies in processes, data visibility, and system capabilities. For example, tasks such as
15 accessing billing history, processing payments, or handling service requests may differ
16 significantly between applications, requiring additional training, manual workarounds, and
17 increased effort from staff.

⁶ Enterprise services reflect the various departments and services throughout the organization, such as human resources, finance and information services. Further, this figure has been simplified to demonstrate that customer service is delivered with the use of two different systems, although there is a single customer service department and collective agreement.

1 Ultimately, the lack of CIS standardization limits FortisBC’s ability to harmonize processes,
2 provide consistent responses to customer inquiries and take full advantage of shared capabilities
3 with respect to customer experience delivery, all of which has an impact on customers’
4 satisfaction and operational efficiency.

5 **2.3.3 CIS Plus at FBC Today**

6 CIS Plus plays a critical role in FBC’s operations by supporting a wide range of customer and
7 service order management functions, independent of the ERP system. CIS Plus facilitates the
8 production of bills for all active customers for diverse services to residential, commercial, and
9 industrial customer accounts, including net metering, street lighting, and specialized services for
10 medically essential and priority customers.

11 CIS Plus is integrated with FBC’s Meter Data Management System (MDMS) to collect daily meter
12 readings and produce cycle billing through an in-house custom-built solution, due to the legacy
13 system not being able to fully integrate with newer applications. Additionally, CIS Plus handles
14 credit and collections tasks, including processing security deposits and managing overdue
15 accounts. If a customer fails to make a payment, CIS Plus identifies follow-up actions such as
16 payment reminders or escalation to the collections team; however, the process to complete these
17 activities remains highly manual.

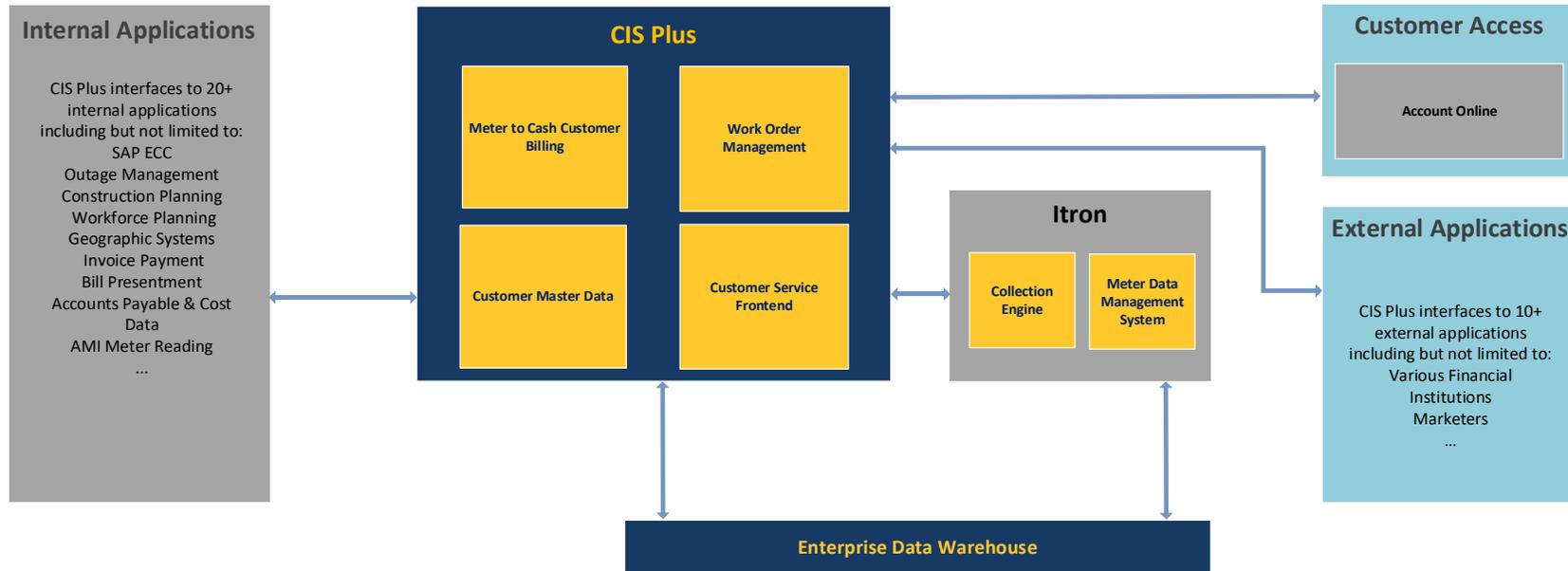
18 CIS Plus supports service order management by generating and routing service orders for new
19 developments, non-pre-serviced areas (i.e., areas without existing utility infrastructure), and
20 additional meter requests to the appropriate departments. The system also integrates with third-
21 party payment processors, facilitating customer payments and payment handling processes.

22 While Software AG continues to support the underlying software environment through standard
23 support agreements, it does not provide enhancement or bug fixes to the base software. Although
24 the platform has been stable and is well understood by FBC staff, its limited flexibility and heavy
25 reliance on custom workarounds have become constraints that increasingly challenge FBC’s
26 ability to adapt the system to evolving business needs. Since 2006, when vendor support and
27 enhancements were no longer available, FBC has relied on specialized legacy system knowledge
28 through internal resources and contract specialists to extend the life of the system and keep its
29 interconnections with other FBC applications functioning. As CIS Plus ages and technology,
30 including technology risks, advance around it, the complexity and risk associated with maintaining
31 the system and acquiring the niche knowledgeable resources has also increased.

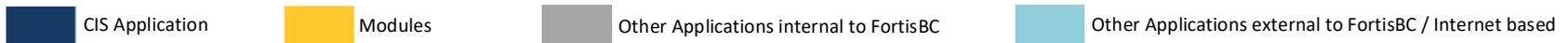
32 Because of the age and limitations of CIS Plus, additional systems and manual workarounds are
33 required to deliver key customer service functions and support the end-to-end meter-to-cash
34 process. The following figure provides an overview of the complex connection between CIS Plus
35 and various other information technologies and applications at FortisBC.

1

Figure 2-4: CIS Plus Requires Multiple Connections to Various Other Applications



2



1 CIS Plus has reliably supported FBC’s customer operations for multiple decades, but continued
2 reliance on this legacy platform presents a growing risk to FBC. The application is primarily
3 sustained through internal expertise, heavily customized code, and manual or fragmented
4 workarounds across multiple systems to meet evolving business needs. With limited vendor
5 support, no ongoing enhancements or bug fixes, and increasing difficulty in adapting to modern
6 utility business requirements, CIS Plus’s long-term viability is increasingly constrained.

7 While CIS Plus has served its purpose, continuing to operate on this outdated platform poses
8 material operational, technical, and strategic risks for FBC and its customers moving forward.
9 The platform can no longer be supported through incremental fixes or updates.

10 **2.4 CONCLUSION**

11 FortisBC’s current technology environment – anchored by its integrated SAP ERP system and
12 dual CIS applications, enables streamlined operations, data consistency, and efficient customer
13 service. However, with changes in ongoing SAP support for current core SAP applications
14 including ECC, CRM and BW, and FBC’s aging CIS Plus application operating with limited
15 support, FortisBC must evolve its applications to ensure that the Companies can continue to
16 operate effectively and meet customer needs and evolving expectations.

17

1 3. FORTISBC ERP MODERNIZATION PROJECT

2 3.1 INTRODUCTION

3 This section describes FortisBC's ERP Modernization Project, including the need for the ERP
4 Modernization Project and the analysis of alternatives to meet the identified need.

5 The ERP Modernization Project is needed to replace FortisBC's core SAP enterprise applications,
6 which are critical to FortisBC's operations and for which vendor support is ending.

7 SAP serves as the foundational application for managing FortisBC's enterprise-wide operations
8 and business processes across both gas and electric utilities. It is the primary repository for
9 current and historical operational and financial data and supports core business functions. While
10 SAP continues to provide limited enhancements to several core enterprise applications used by
11 FortisBC (SAP ECC, SAP CRM, SAP BW), these enhancements will cease after 2027 when
12 mainstream support for these SAP applications ends. As FortisBC's core enterprise applications
13 are critical to day-to-day business operations, operating an SAP enterprise application suite at
14 end-of-life and without vendor support is not an acceptable risk to FortisBC.

15 FortisBC identified three alternatives to meet the identified project need. The first alternative,
16 which is to run the existing system without support, is not feasible due to the escalating risks it
17 poses to business operations, security, and future adaptability. The two feasible alternatives to
18 address the end-of-vendor support for FortisBC's core SAP applications are: (1) replace the
19 current SAP applications with software from a different vendor (non-SAP system replacement);
20 and (2) upgrade the current SAP applications to a supported SAP enterprise application suite with
21 SAP S/4HANA as the core foundation.

22 Based on an evaluation of the two feasible alternatives against financial and non-financial criteria,
23 the preferred solution is to upgrade to a supported SAP enterprise application suite with SAP
24 S/4HANA as the core foundation. This alternative has a lower cost and lower implementation risk
25 than a non-SAP replacement. Upgrading to S/4HANA will ensure that FortisBC's enterprise SAP
26 applications can continue to perform their critical functions in the day-to-day operations of the
27 Companies while also ensuring that the applications can support future enhancements and
28 growth as technologies continue to evolve.

29 In the following sections, FortisBC discusses the ERP Modernization Project as follows:

- 30 • Section 3.2 explains how FortisBC's SAP enterprise application suite is critical to day-to-
31 day business operations, and that operating SAP applications at end-of-life and without
32 vendor support is not an acceptable risk.
- 33 • Section 3.3 describes the alternatives for the ERP Modernization Project, including how
34 continuing with the status quo is not feasible.
- 35 • Section 3.4 describes the evaluation criteria used to assess the two feasible alternatives
36 and demonstrates that, based on the scoring of the two feasible alternatives, ERP

1 Alternative 3 (a supported SAP enterprise application suite with SAP S/4HANA as the
2 foundation) is the preferred alternative.

- 3
- Section 3.5 concludes this section.

4 **3.2 ERP MODERNIZATION PROJECT IS NEEDED TO MAINTAIN THE CONTINUITY** 5 **OF FORTISBC'S BUSINESS OPERATIONS**

6 This section discusses how FortisBC's core SAP enterprise applications are critical to day-to-day
7 business operations, how SAP will stop providing its current level of support for these applications
8 at the end of 2027, and the risks associated with operating these applications at end-of-life and
9 without vendor support.

10 **3.2.1 FortisBC's SAP Application Suite is Critical to its Operations**

11 As discussed in Section 2.2, FortisBC relies heavily on several SAP applications, including the
12 following core enterprise applications:

- 13
- SAP ERP Central Component (ECC);
 - 14 • SAP Customer Relationship Management (CRM) for interactions with customers; and
 - 15 • SAP Business Warehouse (BW) for analytics and reporting.

16 The criticality of each of these SAP applications to FortisBC's business operations is described
17 below.

18 **3.2.1.1 SAP ERP Central Component (ECC)**

19 FortisBC's ERP system spans across the organization and is highly integrated, with over 30
20 interfaces connecting to SAP ECC.

21 Each module of SAP ECC is designed to support specific business areas such as billing,
22 procurement, project execution, or maintenance planning. These modules operate on a shared
23 database, such that changes in one area automatically update and inform related business
24 functions. For instance, FortisBC processes over 12 million gas bills annually using SAP ECC's
25 integrated billing and customer service modules, which play a central role in executing the full
26 meter-to-cash cycle, from meter reading and bill calculation to exception handling, payment
27 processing, and revenue recognition.

28 Operationally, SAP ECC underpins capital and maintenance activities throughout both FEI and
29 FBC, providing full financial tracking. This financial tracking includes work that is physically
30 managed outside the system. For example, FBC's Stations capital relies on a platform called
31 Cascade, while FBC's Network Operations uses a platform called MWFM.

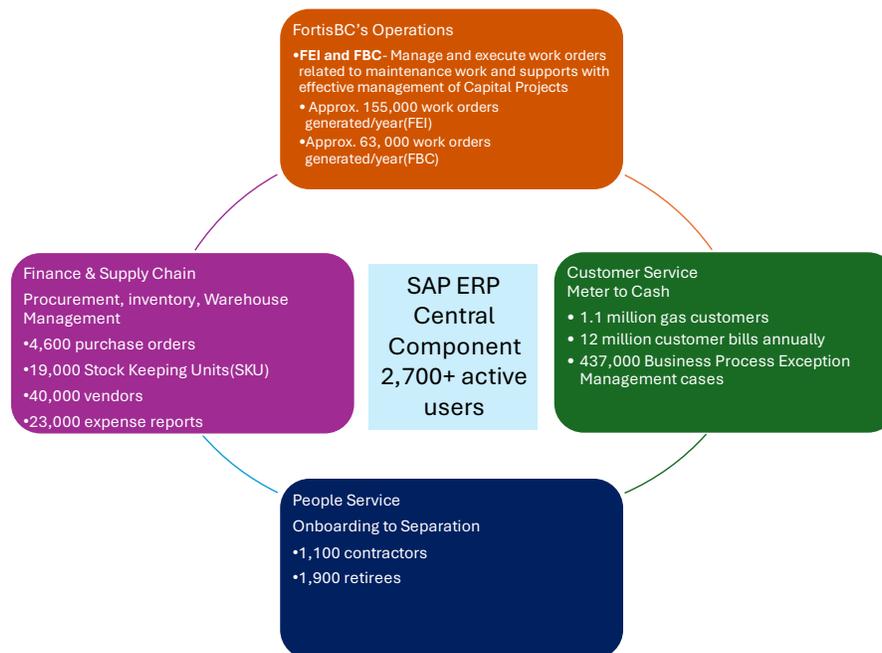
32 In Human Resources, integrated time and expense reporting means that employees are
33 scheduled and compensated accurately, while also aligning workforce availability with operational

1 needs. From a customer service standpoint, this translates to more efficient deployment of field
2 crews and quicker resolution of service requests.

3 As illustrated in Figure 2-2 of Section 2.2.3, SAP ECC is also connected to dozens of internal and
4 external systems, including vendor portals, contractor management platforms and regulatory
5 reporting tools. This enables FortisBC to maintain regulatory compliance, simplify coordination
6 with vendors, and improve transparency and efficiency of all customer facing processes and
7 interactions. For example, a service request created in the contact centre can be automatically
8 routed to field crews with all the necessary account and asset details, while a billing exception
9 identified during an interaction is immediately linked to the relevant customer record for resolution.
10 This unified nature of the ERP system supports greater data integration, ensuring every team,
11 from procurement to call centres, operates using consistent, reliable and up-to-date information.
12 This level of integration benefits customers through more accurate billing, faster response times,
13 and higher quality service delivery.

14 Please refer to Figure 3-1 below highlighting the criticality of SAP ECC to FortisBC's operations.

15 **Figure 3-1: SAP ECC is at the Core of FortisBC's Operations**



16

17 **3.2.1.2 SAP Customer Relationship Management (CRM) Application**

18 The SAP CRM application, including its Interaction Center Web (IC-Web) module, is a critical
19 component of FEI's operational landscape. It serves as the primary platform used by CSRs to
20 manage customer related inquiries received through phone, email, or online channels. IC-Web
21 provides CSRs with a unified desktop that enables them to view complete customer account and

1 interaction histories, initiate and track service requests, and resolve billing or service related
2 issues efficiently.

3 In addition to front line customer service staff, several back-office and dispatch teams also use
4 IC-Web to manage service orders, coordinate field activities, and support meter related inquiries.
5 The application is tightly integrated with other SAP modules, including Billing, Device
6 Management, and Business Process Exception Management, ensuring that customer issues are
7 tracked and resolved end-to-end across business functions.

8 The SAP CRM application supports approximately 1.1 million gas customers across residential,
9 commercial, and industrial classes. Its stability and performance are essential to maintaining
10 reliable and responsive customer service operations. Any degradation in this application would
11 have a direct and immediate impact on FEI's ability to manage customer interactions, potentially
12 affecting service levels, customer satisfaction, and regulatory compliance.

13 **3.2.1.3 SAP Business Warehouse (BW)**

14 The SAP BW application is the centralized repository for the SAP ECC, CRM and other
15 applications to provide a single, reliable source of truth for reporting, analytics, and regulatory
16 compliance across the various business domains. BW is a key source system to FortisBC's
17 Enterprise Data Warehouse used for enterprise reporting. SAP BW provides the foundation for
18 analytics and reporting capabilities based on transactional data extracted from the SAP
19 framework. BW allows FortisBC to analyze historical data and make data-driven decisions that
20 can help streamline processes and optimize operations. It also enables predictive analytics which
21 helps FortisBC forecast future needs and challenges.

22 Given its central role in FortisBC's information ecosystem, continued support and modernization
23 of SAP BW are essential to maintaining the reliability, integrity, and data-driven decision-making
24 capabilities of FortisBC's operations.

25 **3.2.2 FortisBC's SAP Application Suite Will Soon Be Unsupported, Creating** 26 **Significant Risk to Operations**

27 SAP will end mainstream support for the ECC, CRM and BW applications at the end of 2027.
28 SAP will offer up to three additional years of extended support until the end of 2030, during which
29 time SAP will not provide any application enhancements, but for an additional premium cost will
30 continue to provide essential services such as regular updates, security patches and technical
31 support. No further updates or support will be available beyond 2030.

32 Therefore, FortisBC's critical SAP applications will no longer be supported after 2030, exposing
33 the Companies to increased risk related to maintaining system performance, security, and
34 business operations. In the absence of vendor support, the security and reliability of FortisBC's
35 core enterprise SAP applications will decline over time as continuous patching will no longer be
36 made available.

1 As an application reaches the end of its vendor-supported lifecycle, its overall reliability declines
2 materially over time. Without access to ongoing vendor support, the application no longer benefits
3 from updates that maintain performance stability, compatibility with operating systems, and
4 integration with other enterprise applications. This leads to an increased risk of application
5 outages, degradation in functionality, and disruptions to core operations. Over time, unresolved
6 software defects and growing incompatibility with evolving infrastructure can result in failures of
7 critical functions such as financial reporting, procurement, and work management. The billing
8 system will become increasingly vulnerable to performance issues, which can impair FortisBC's
9 ability to generate accurate and timely invoices, affecting revenue collection and customer trust.
10 These reliability challenges, if unaddressed, jeopardize FortisBC's ability to deliver essential
11 services efficiently and in compliance with regulatory obligations.

12 In addition to reliability concerns, operating unsupported SAP enterprise applications introduces
13 significant cybersecurity and data protection risks. Vendor support is essential to ensure the timely
14 application of security patches and to mitigate vulnerabilities that emerge in response to evolving
15 cyber threats. Without these protections, the SAP application environment becomes increasingly
16 exposed to malicious exploitation, including ransomware, data breaches, and unauthorized
17 access to sensitive operational, customer and employee data. FortisBC will be more exposed to
18 cybersecurity attacks and in turn, these could result in frequent and prolonged legacy system
19 issues disrupting FortisBC's business operations, including potentially widespread and extended
20 service delays. Potential failures will likely last longer due to the lack of experienced,
21 knowledgeable and available experts who can immediately assist with the legacy issues. The
22 increased likelihood and duration of application failures would also increase operating costs.

23 In the event of an abrupt catastrophic failure of its SAP enterprise applications, FortisBC will face
24 significant risk to the operation of its business, including its ability to support critical business
25 processes. For instance, if SAP system components were not functioning, FortisBC would need
26 to implement makeshift manual workarounds, which will increase the likelihood of errors and
27 service delays that lead to unsatisfactory customer experience, reputational damage and potential
28 impacts to the reliability of energy service.

29 Another significant risk associated with continued reliance on outdated SAP applications is the
30 diminishing availability of skilled resources to support both the existing platform and any future
31 transition. As the majority of organizations move to modern enterprise application solutions,
32 including SAP's next-generation platforms such as S/4HANA, the industry focus increasingly
33 shifts away from legacy systems. Vendors, consultants and internal IT professionals are
34 reorienting their skillsets and service offerings toward the newer technologies, resulting in a
35 shrinking pool of qualified personnel with the expertise to maintain or troubleshoot older systems.
36 Training programs and certification pathways are also being realigned to support the new
37 enterprise application landscape, leaving fewer opportunities for personnel to gain or retain
38 proficiency in legacy platforms. This industry-wide shift not only increases the cost and complexity
39 of maintaining the existing system, but also presents substantial implementation risk if FortisBC
40 delays modernization. A reduced supply of experienced professionals could impact the quality

1 and efficiency of future enterprise application upgrades or transitions, heightening the risk of
2 schedule delays, budget overruns, and operational disruptions.

3 Considering the time it will take companies to transition from SAP enterprise applications to any
4 new modern platform, SAP is providing optional extended maintenance to customers needing
5 support for their applications at a premium on the existing maintenance for all supported offerings,
6 available for three years from the beginning of 2028 until the end of 2030. The extended
7 maintenance is only a temporary offering for companies who need more time to complete an
8 upgrade.

9 **3.2.3 Summary of ERP Modernization Project Need**

10 FortisBC's critical SAP applications will no longer be supported after 2030, exposing the
11 Companies to increased risk to application performance, security, and business operations.
12 FortisBC relies on these core SAP enterprise applications to run the majority of its business
13 operations, making it a foundational suite of applications for both FEI and FBC. SAP will stop
14 providing enhancements to these applications and will be ending mainstream support after 2027
15 and ending extended maintenance covering essential services after 2030. Given the centrality of
16 these SAP applications to FortisBC's business operations, this risk must be addressed. FortisBC
17 must implement a solution that will ensure the Companies can continue their day-to-day functions
18 reliably and be in a position to adapt to future change. Core ERP application migrations require
19 early planning and implementation to meet the end of support timelines.

20 **3.3 FORTISBC CONSIDERED MULTIPLE ALTERNATIVES TO ADDRESS THE ERP** 21 **MODERNIZATION PROJECT NEED**

22 As part of its analysis of potential alternatives to meet the ERP Modernization Project need,
23 FortisBC initiated an investigation and discovery phase to develop the project requirements and
24 investigate the potential alternatives. This investigation phase included FortisBC hosting 25
25 workshops with 76 internal subject matter experts which resulted in the development of a set of
26 functional and technical requirements for the ERP Modernization Project. Following the
27 workshops and development of requirements, FortisBC undertook vendor demonstration
28 discovery sessions with four potential proponents.⁷

29 These activities helped to inform the content for a Request for Expressions of Interest (RFEOI) to
30 implementation partners to obtain market input on approach, timelines, complexity, and high-level
31 costs for each ERP option. The RFEOI was issued to eight integrators, two for each potential ERP
32 system. Three responses were received for the RFEOI evaluation: two for an SAP S/4HANA ERP
33 and one for a non-SAP ERP. The RFEOI helped FortisBC to understand the various service
34 providers and their capabilities, provided greater clarity of the requirements for the ERP
35 Modernization Project.

⁷ A fifth vendor declined to participate in the discovery sessions.

1 With the benefit of the investigation and discovery activities, FortisBC identified three alternatives
2 to address the ERP Modernization Project need:

- 3 1. **ERP Alternative 1: Run the existing SAP applications (ECC, CRM and BW) without**
4 **SAP support until they are non-functional and then replace the applications.** Under
5 this alternative, FortisBC will incur additional extended support costs from SAP from 2028
6 to 2030 for certain activities such as periodic updating of taxation rates, regular security
7 patches, and fixing of system defects. Beyond 2030, where extended support from SAP
8 is no longer available, FortisBC would use a combination of new internal resources as well
9 as contractors to maintain and support the existing applications until they are non-
10 functional (i.e., failure), at which point completely new core ERP applications would have
11 to be implemented.
- 12 2. **ERP Alternative 2: Replace the existing SAP applications (ECC, CRM and BW) with**
13 **ERP software from a non-SAP vendor.** Under this alternative, FortisBC would migrate
14 all data to the new non-SAP structures, implement the new non-SAP applications, modify
15 or develop new interfaces to replace all existing SAP interfaces to other systems, and
16 provide training to employees on the new applications.
- 17 3. **ERP Alternative 3: Upgrade the existing SAP applications (ECC, CRM and BW) to a**
18 **suite of new SAP applications (SAP S/4HANA, SAP Service Cloud, SAP Datasphere)**
19 **of which the core foundation is the S/4HANA application.** Under this alternative,
20 FortisBC would migrate all data to the new S/4HANA database using established and
21 proprietary data migration tools, implement the new SAP applications, modify existing SAP
22 interfaces to other systems, and provide training to employees on the new SAP
23 applications.

24 As discussed in Section 3.3.1 below, ERP Alternative 1 does not meet the ERP Modernization
25 Project need to address the risk to FortisBC's business operations associated with operating its
26 core ERP applications without vendor support and is therefore infeasible. The remaining two
27 feasible alternatives (ERP Alternatives 2 and 3) are further described in Section 3.3.2 and
28 evaluated in Section 3.4.

29 **3.3.1 ERP Alternative 1 Does Not Adequately Address the Risk to FortisBC's** 30 **Business Operations and is Therefore Infeasible**

31 As discussed in Section 3.2.2, operating FortisBC's ERP system without vendor support poses a
32 significant risk to FortisBC's business operations. Therefore, for an alternative to be deemed
33 feasible, it must address this risk. The elements of business risk are as follows:

- 34 a) **System Reliability and Performance:** Risks to system reliability and performance
35 include outages and degraded performance due to lack of regular updates, patches, and
36 hardware compatibility, which could disrupt critical business functions such as billing,
37 financial reporting, and supply chain management.

- 1 b) **Cybersecurity Vulnerabilities:** Access to vendor-issued security updates is required to
2 minimize exposure to evolving cyber threats, including ransomware and data breaches,
3 which could put both operational integrity and sensitive customer information at risk.
- 4 c) **Resource Availability:** The availability of internal and external professionals to maintain
5 the system. Vendor support provides access to expertise for problem resolution and
6 guidance on best practices. Without vendor support, FortisBC may struggle to address
7 complex issues efficiently, leading to extended downtime and operational disruptions.
- 8 d) **Compliance and Audit:** FortisBC must be able to meet compliance requirements,
9 including those related to Sarbanes-Oxley (SOX) legislation, in order to minimize the risk
10 of adverse audit findings and regulatory penalties.

11 Under ERP Alternative 1, FortisBC would incur additional extended support costs from SAP from
12 2028 to 2030 for certain activities such as periodic updating of taxation rates, regular security
13 patches, and fixing of system defects. Beyond 2030, where extended support from SAP is no
14 longer available, FortisBC would use a combination of new internal resources as well as
15 contractors to maintain and support the existing SAP applications until they are non-functional
16 (i.e., failure) at which point completely new ERP applications will have to be implemented.

17 This alternative poses a high risk to the continuity of FortisBC's business operations. The lack of
18 regular updates and patches would lead to increased susceptibility to outages and degraded
19 performance, which would disrupt critical business functions such as billing, financial reporting,
20 and supply chain management. Moreover, the impending end of mainstream vendor support in
21 2027, followed by the cessation of extended support in 2030, would increase FortisBC's
22 vulnerability to cybersecurity threats. Without access to vendor-issued security updates, the
23 Companies would be at greater risk of evolving cyber threats, including ransomware attacks and
24 data breaches, which could compromise both operational integrity and sensitive customer
25 information.

26 The absence of vendor support means that FortisBC would likely struggle to find qualified internal
27 and external professionals to maintain the legacy system. Even if FortisBC were to invest in
28 recruiting and contracting specialized legacy system expertise, industry trends show that such
29 resources will become progressively scarce. As more organizations migrate to modern platforms
30 like SAP S/4HANA, the difficulty of maintaining a skilled workforce on the outdated core SAP
31 applications would grow, leading to inefficiencies and delays in resolving issues. This shortage of
32 skilled professionals could lead to inefficient problem resolution, extended downtime, and
33 operational disruptions.

34 Lastly, unsupported software elevates the risk of non-compliance with SOX legislation and other
35 regulatory requirements. Without the assurance of vendor provided controls and documentation,
36 FortisBC would face increased potential for adverse audit findings and associated penalties.

37 Accordingly, FortisBC has determined that ERP Alternative 1 is infeasible and has not assessed
38 this alternative further.

1 **3.3.2 Feasible ERP Project Alternatives**

2 Both ERP Alternatives 2 and 3 are feasible as they contemplate moving to a fully vendor-
3 supported ERP platform. These alternatives are described below.

4 **3.3.2.1 ERP Alternative 2 – Replace SAP Applications with Non-SAP Applications**

5 **3.3.2.1.1 DESCRIPTION AND SCOPE**

6 Under ERP Alternative 2, FortisBC would replace the SAP applications (i.e., ECC, CRM and BW)
7 with new non-SAP applications. This would include the following actions:

- 8 • Migrate all data to the new non-SAP structures;
- 9 • Address the integrated nature of the SAP General Ledger (GL) structure (i.e., a real-time
10 financial record that automatically receives and consolidates postings from all operational
11 modules so transactional activity across the enterprise flows into finance without manual
12 re-entry);
- 13 • Develop new interfaces to replace all existing SAP interfaces to other systems;
- 14 • Provide for change management and training of employees; and
- 15 • Train or hire IS resources to support a new technology platform.

16 The migration process to the new non-SAP structures would involve an extensive and
17 comprehensive data mapping, review and validation process to ensure that all relevant data is
18 accurately transferred and formatted according to the new system's requirements.

19 The implementation of the new non-SAP ERP applications would also require a thorough review
20 with revisions to current FEI and FBC business processes to align them with the core functionality
21 of the new ERP applications. This would necessitate collaboration with various departments
22 across the Companies to ensure that the new applications meet their specific needs. Developing
23 new interfaces to replace all existing SAP interfaces would involve assessing the current
24 integration points and determining the best approach for connecting the new ERP applications
25 with other critical applications, such as supply chain management and financial systems.

26 Testing the system and training employees would be a crucial component of this transition, as
27 staff across FEI and FBC will need to become proficient in using the new applications. This would
28 involve documenting the changes in the business processes and introducing employees to the
29 new layouts and workflows, creating training materials, conducting workshops, and providing
30 ongoing support to ensure a smooth transition. Change management strategies and support
31 would be necessary and substantial considering the scope of change and volume of employees
32 impacted across the Companies.

33 **3.3.2.1.2 FINANCIAL ANALYSIS OF ERP ALTERNATIVE 2**

34 As discussed above, FortisBC issued an RFEOI to understand software options to replace the
35 existing SAP applications. Multiple responses were received for an SAP S/4HANA ERP and one

1 response was received for a non-SAP ERP. The RFEOI results indicated that the non-SAP option
2 would be more costly compared to upgrading to SAP S/4HANA (in addition to being more complex
3 to implement as further described in Section 3.4.4). In consideration of the limited responses from
4 non-SAP integrators and the results of the RFEOI, including the relative lack of cost information
5 for non-SAP alternatives, FortisBC determined that the most reasonable and cost-effective
6 approach was to further develop the cost estimate for the SAP S/4HANA alternative (ERP
7 Alternative 3) through the RFP process and use this detailed estimate as the basis to prepare a
8 cost estimate for the non-SAP replacement alternative (ERP Alternative 2).

9 Accordingly, FortisBC developed a cost estimate for ERP Alternative 2 to an AACE Class 5 level
10 of accuracy. In order to complete a fulsome and reasonable cost estimate for ERP Alternative 2,
11 FortisBC used the cost estimate for the SAP S/4HANA solution (i.e., ERP Alternative 3), which
12 was developed to an AACE Class 4 level of accuracy through the RFP process and selection of
13 a system integrator. FortisBC adjusted the Class 4 estimate to include internal estimates of
14 additional costs required to transition from an existing SAP platform to a non-SAP platform.

15 Although the classes of estimate used to compare ERP Alternatives 2 and 3 are different, using
16 a Class 5 cost estimate for ERP Alternative 2 is reasonable in this case. Advancing the cost
17 estimate for ERP Alternative 2 to a Class 4 level would require significant development costs but
18 would have little impact on the fundamental analysis of comparing the cost of replacing FortisBC's
19 existing SAP applications with a non-SAP solution versus upgrading to a modern SAP platform.
20 While advancing to a Class 4 estimate for ERP Alternative 2 could potentially better refine the
21 internal estimates of costs to transition from an SAP platform to a non-SAP platform, these
22 transition costs will always be incremental to the cost of ERP Alternative 3. This is because a
23 transition to an entirely new ERP system is not required for ERP Alternative 3 (i.e., transition costs
24 would be additional to the cost of ERP Alternative 3). Therefore, FortisBC determined that it was
25 more reasonable and cost-effective to proceed with a Class 5 cost estimate for ERP Alternative
26 2 given that the financial comparison between ERP Alternatives 2 and 3 would not be materially
27 different even if the cost estimate of ERP Alternative 2 was developed to a Class 4 level of
28 accuracy.

29 Table 3-1 below summarizes the estimated incremental capital and O&M costs under ERP
30 Alternative 2, as well as the resulting PV of incremental revenue requirement and levelized
31 delivery rate impact (FEI) and rate impact (FBC) over a 13-year analysis period. The financial
32 analysis is based on a 13-year period which covers a four-year implementation period (i.e., Years
33 1 to 4) and a nine-year post-implementation period (i.e., Years 5 to 13).⁸

⁸ As explained in Section 6.4.1, FortisBC is proposing a 10-year expected life for the new ERP software based on a recommendation from Concentric Advisors, ULC. For ERP Alternative 3, this results in an evaluation period of 13 years (10-year asset life plus 3 years of implementation). While ERP Alternative 2 requires an additional year of implementation (and therefore the total project lifecycle is 14 years), FortisBC has assumed a 13-year lifecycle in order to evaluate ERP Alternatives 2 and 3 over the same financial analysis period. There would be minimal impact to the financial analysis if ERP Alternative 2 was evaluated over 14 years.

1 **Table 3-1: Financial Summary of ERP Alternative 2 (Non-SAP Replacement)**

ERP Alternative 2	
Class Estimate	Class 5
Total PV of Incremental Capital (\$ millions)	124.001
Total PV of Incremental O&M (\$ millions)	19.482
FEI Total PV of Incremental Revenue Requirement over 13-years (\$ millions)	111.872
FEI Levelized Delivery Rate Impact over 13-years (%)	1.02%
FBC Total PV of Incremental Revenue Requirement over 13-years (\$ millions)	41.424
FBC Levelized Rate Impact over 13-years (%)	0.93%

2
3 The financial analysis for ERP Alternative 2 includes the following assumptions:

- 4 • **Non-SAP ERP Implementation Costs:** Estimated capital and O&M costs of
5 approximately \$147.6 million and \$16.6 million, respectively. The estimated capital cost is
6 at an AACE Class 5 level of accuracy and is based on the cost estimate for implementing
7 SAP S/4 HANA (i.e., ERP Alternative 3) that was developed to an AACE Class 4 level of
8 accuracy, plus the following adjustments for the additional costs to transition from an
9 existing SAP platform to a non-SAP platform:
 - 10 ○ System integrator and software license costs for a non-SAP system are based on
11 information received from the RFEOI;
 - 12 ○ Implementation costs are extended by one year to a four-year implementation
13 period based on a greater level of change and complexity required to move to a
14 non-SAP system;
 - 15 ○ The internal and third-party implementation labour costs are increased by 25
16 percent to account for the greater efforts and requirements needed for the interface
17 upgrades, as well as the process/configuration changes, to switch from an SAP
18 system to a non-SAP system;
 - 19 ○ Change management and training costs are increased by 25 percent to account
20 for the higher system and process changes for users when switching from the
21 existing SAP environment to a non-SAP environment; and
 - 22 ○ Contingency is increased to 25 percent (compared to 15 percent under ERP
23 Alternative 3) for the project implementation to account for the risks to convert the
24 existing data structure from an existing SAP system to a non-SAP system.
- 25 • **Incremental Support Costs:** The annual maintenance and support costs for the non-
26 SAP ERP applications are estimated based on the information received from the RFEOI.
27 In addition, FortisBC estimates its internal resources would increase by approximately
28 25 percent due to the significant workforce transition to a completely new ERP system
29 and technology. Over the post-implementation period, FortisBC estimates a resulting net

1 increase to the annual O&M costs by an average of approximately \$2.6 million, while the
2 annual capital costs would decrease by an average of approximately \$350 thousand.

- 3 • **Reduction in On-premise Infrastructure Costs:** FortisBC assumes that the new non-
4 SAP applications would be implemented as a cloud-based platform and therefore the
5 requirement for on-premise servers would be reduced. Consistent with the estimate used
6 for ERP Alternative 3, FortisBC estimates a decrease in annual capital and O&M costs of
7 approximately \$714 thousand and \$383 thousand, respectively, over the post-
8 implementation period.
- 9 • **Operational Efficiencies and Cost Savings:** FortisBC assumes that a new (more
10 modern) non-SAP system would enable operational efficiencies and cost savings.
11 However, as discussed in Section 3.4.4, the magnitude of organizational, process and
12 technological change would be much more significant under ERP Alternative 2. As such,
13 FortisBC estimated that the operational efficiencies and cost savings under ERP
14 Alternative 2 would commence two years later than ERP Alternative 3. Over the post-
15 implementation period, FortisBC estimates an average decrease in the annual capital and
16 O&M costs of approximately \$227 thousand and \$1.3 million, respectively.

17 **3.3.2.2 ERP Alternative 3 – Upgrade SAP Applications to SAP S/4HANA**

18 **3.3.2.2.1 DESCRIPTION AND SCOPE**

19 Under ERP Alternative 3, FortisBC would upgrade the existing core SAP applications (i.e., ECC,
20 CRM and BW) to a suite of new SAP applications (S/4HANA, Service Cloud, Datasphere) of which
21 the core foundation is the S/4HANA application. The upgrade process would include:

- 22 • Adjustment of the current FEI and FBC business processes and SAP application
23 workflows and configuration to align with the core functionality in the new suite of SAP
24 applications, with minor customizations where required;
- 25 • Modifications of interfaces with other systems to integrate with the upgraded SAP
26 applications;
- 27 • Data migration from SAP ECC, CRM and BW to SAP S/4HANA, Service Cloud and
28 Datasphere; and
- 29 • An employee change management and training plan.

30 The data migration process would require existing data to be reviewed, cleaned up and then
31 converted to the S/4HANA data model to load into the new system, ensuring data integrity and
32 compliance with regulatory standards.

33 Training employees would be a crucial component of the transition, as staff across FEI and FBC
34 will need to become proficient in using the upgraded system. This would involve creating training
35 materials, conducting workshops, and providing ongoing support to ensure a smooth transition.

1 Strong change management strategies will also be required to help users transition to the
 2 upgraded SAP system.

3 **3.3.2.2.2 FINANCIAL ANALYSIS OF ERP ALTERNATIVE 3**

4 Table 3-2 below summarizes the estimated incremental capital and O&M costs under ERP
 5 Alternative 3, as well as the resulting PV of incremental revenue requirement and levelized
 6 delivery rate impact (FEI) and rate impact (FBC) over a 13-year analysis period. The financial
 7 analysis is based on a 13-year period which covers a three-year implementation period (i.e.,
 8 Years 1 to 3) and a 10-year post-implementation period (i.e., Years 4 to 13).

9 **Table 3-2: Financial Summary of ERP Alternative 3 (Upgrade to SAP S/4HANA)**

ERP Alternative 3	
Class Estimate	Class 4
Total PV of Incremental Capital (\$ millions)	97.712
Total PV of Incremental O&M (\$ millions)	5.173
FEI Total PV of Incremental Revenue Requirement over 13-years (\$ millions)	87.559
FEI Levelized Delivery Rate Impact over 13-years (%)	0.80%
FBC Total PV of Incremental Revenue Requirement over 13-years (\$ millions)	35.455
FBC Levelized Rate Impact over 13-years (%)	0.79%

10

11 The financial analysis for ERP Alternative 3 includes the following assumptions:

- 12 • **SAP S/4HANA Implementation Costs:** FortisBC obtained a fixed price proposal and
 13 high-level project schedule from the system integrator (IBM) to upgrade the current SAP
 14 applications to S/4HANA. FortisBC developed a Class 4 estimate for the SAP S/4HANA
 15 upgrade by starting with the IBM S/4HANA upgrade cost and then adding additional costs,
 16 including labour costs, software license costs, facilities and infrastructure costs, among
 17 others. The estimated capital and O&M costs for the implementation are approximately
 18 \$118.6 million and \$14.5 million, respectively.
- 19 • **Incremental Support Costs:** The annual software license fees would increase as a result
 20 of the switch to the S/4HANA subscription, which includes managed services. However,
 21 the increase will be partially offset by a reduction in annual SAP support costs as well as
 22 a reduction in FortisBC labour support costs due to the shift to SAP managed services.
 23 Over the post-implementation period, FortisBC estimates that these changes would result
 24 in a net increase to the annual O&M costs by an average of approximately \$1.0 million,
 25 while the annual capital costs would decrease by an average of approximately
 26 \$541 thousand.
- 27 • **Reduction in On-premise Infrastructure Costs:** SAP S/4HANA would be implemented
 28 as a cloud-based platform; therefore, the requirements of on-premise servers would be
 29 reduced. FortisBC estimates a decrease in the annual capital and O&M costs of

1 approximately \$714 thousand and \$383 thousand, respectively, over the post-
2 implementation period.

- 3 • **Operational Efficiencies and Cost Savings:** FortisBC identified operational efficiencies
4 and cost savings that the new S/4HANA system would enable in areas such as warehouse
5 inventory, asset management or maintenance, and customer services starting from one
6 year after the completion of implementation. Over the post-implementation period,
7 FortisBC estimates an average decrease in the annual capital and O&M costs of
8 approximately \$213 thousand and \$1.4 million, respectively.

9 **3.3.2.3 Summary of Feasible Alternatives**

10 The following table summarizes the scope of the two feasible alternatives. In Section 3.4, FortisBC
11 evaluates each feasible alternative based on non-financial and financial criteria.

12 **Table 3-3: Summary of Feasible Alternatives**

	ERP Alternative 2	ERP Alternative 3
Description	Replace SAP applications (i.e., ECC, CRM and BW) with non-SAP applications: <ul style="list-style-type: none"> • Implement the non-SAP system • Migrate all data to the new non-SAP structures • Develop new interfaces to other systems • Train or hire resources to support a new technology platform Class 5 estimate based on adjusted ERP Alternative 3 costs, including: <ul style="list-style-type: none"> • RFEOI for non-SAP system • Extended implementation • Labour, change management, training, and contingency increases 	Upgrade SAP applications (i.e., ECC, CRM and BW) to SAP S/4HANA: <ul style="list-style-type: none"> • Align current business processes to S/4HANA • Redirect interfaces of other systems • Review and clean up data for migration • Train employees to become proficient in upgraded system Class 4 estimate based on S/4HANA upgrade plus additional costs, including: <ul style="list-style-type: none"> • Labour costs • Software license costs • Facilities and infrastructure costs
Total PV of Incremental Capital	\$124.001 million	\$97.712 million
Total PV of Incremental O&M	\$19.482 million	\$5.173 million
Total PV of Incremental Revenue Requirement	\$111.872 million (FEI) \$41.424 million (FBC)	\$87.559 million (FEI) \$35.455 million (FBC)
Levelized Rate Impact over 13 Years	1.02% (FEI) 0.93% (FBC)	0.80% (FEI) 0.79% (FBC)

1 3.4 EVALUATION OF FEASIBLE ALTERNATIVES

2 3.4.1 Description of Evaluation Criteria

3 FortisBC evaluated the feasible alternatives against three criteria:

- 4 1. Ability to Support Current and Future Requirements
- 5 2. Project Implementation Risk
- 6 3. Financial – Impact on Customer Rates

7 The components of the evaluation methodology are described below.

8 3.4.1.1 Criteria 1: Ability to Support Current and Future Requirements

9 FortisBC's business requirements will continue to evolve over time, as will the capabilities of
10 technology. Criteria No. 1 therefore evaluates each alternative's ability to accommodate
11 FortisBC's business requirements both now and as they continue to evolve and require new
12 processes and capabilities. The factors considered as part of this criterion include the following:

- 13 a) **Operations Analytics and Reporting:** Considers the alternative's ability to provide
14 advanced, real-time analytics to monitor operational performance, customer trends, and
15 financial outcomes. As FortisBC continues to expand its programs and services, there will
16 be an increasing need to derive meaningful insights from its data to make informed, timely,
17 and strategic business decisions.
- 18 b) **Mobile Enablement:** Considers the alternative's ability to support mobile computing
19 across a variety of business functions. FortisBC's field crews and operational teams
20 require mobile access to enterprise systems to perform real-time updates on work orders,
21 inspections, and asset management tasks.
- 22 c) **Innovation:** Considers the capacity to support automation and its compatibility with
23 emerging technologies, particularly artificial intelligence (AI). As FortisBC seeks to
24 enhance operational efficiency and optimize resource utilization, the chosen ERP system
25 must serve as a robust foundation for integrating automation and AI capabilities.
26 Leveraging AI creates opportunities to streamline various internal processes, such as
27 financial processing and supply chain optimization, while also enabling predictive
28 maintenance and improving customer engagement.
- 29 d) **Flexibility and Scalability:** Considers whether, or to what extent, the alternative supports
30 new programs without costly customizations, impeding FortisBC's ability to introduce new
31 customer offerings or scale its operations.
- 32 e) **Adaptability to Regulatory Changes:** Considers the alternative's ability to offer built-in
33 tools and flexibility to adapt quickly to regulatory changes, including those related to
34 energy reporting, financial controls, cybersecurity, and changes in the energy landscape,

1 as FortisBC operates in a highly regulated environment where compliance requirements
2 are continuously evolving.

3 **3.4.1.2 Criteria 2: Project Implementation Risk**

4 This criterion assesses the level of project risk and the degree of change management required
5 under each alternative, including the following:

- 6 a) **Project Size and Complexity:** Project risk is correlated with project size, as larger
7 projects, by their nature, are more complex and difficult to control. This criterion considers
8 the extent and complexity of coordination across functional and technical domains
9 required under each alternative.
- 10 b) **Resourcing:** The extent to which the alternative can retain and leverage existing
11 resources and effort required to obtain new internal and external resources for the life of
12 the project as well as the ability to resource and establish a support model for ongoing
13 support and maintenance.
- 14 c) **Training:** The extent, complexity and duration of the system training required to effectively
15 prepare and support both end users and technical teams in adopting, operating and
16 maintaining the application.
- 17 d) **Organizational Change:** The degree of change and adaptation required across the
18 organization to accommodate modifications to system functionality, business processes,
19 or user interfaces, including the resulting impacts on existing organizational structures,
20 workflows, technologies, and technical support teams.

21 **3.4.1.3 Criteria 3: Financial**

22 The Financial criterion considers the levelized rate impacts for FEI⁹ and FBC resulting from each
23 feasible ERP alternative over a 13-year analysis period. The alternative which minimizes FEI's
24 and FBC's rate impacts is considered more favourable from a financial perspective when
25 comparing between the feasible ERP alternatives.

26 **3.4.2 Evaluation Criteria Weighting and Scoring Definitions**

27 Based on internal discussions with subject matter experts, FortisBC developed and applied
28 evaluation criteria weighting and scoring that reflect the unique nature of large-scale information
29 system projects. The scoring included three main evaluation criteria, two of which were then
30 further broken down into more granular sub-criteria.

31 Unlike traditional infrastructure projects, larger-scale information system projects typically directly
32 impact core business processes, day-to-day operations, and a large proportion of employees
33 across the organization. For this reason, FortisBC assigned a high weighting to Criterion No. 2 –
34 Project Implementation Risk, recognizing that effective change management and minimizing

⁹ For FEI, the rate impact refers to the delivery rate impact.

1 operational disruption are critical to long-term project success. Criterion No. 3 – Financial – Impact
 2 on Customer Rates, was also given a high weighting, ensuring that affordability and customer
 3 impacts remain central to the evaluation of alternatives. Finally, while Criterion No. 1 – Ability to
 4 Support Current and Future Requirements, remains important to FortisBC’s current and long-term
 5 IS strategy, this criterion was weighted slightly lower relative to the others, as the project benefits
 6 will primarily be realized over time following successful implementation.

7 The table below shows the weightings assigned to each of the main criteria, as well as each of
 8 the sub-criteria.

9 **Table 3-4: Evaluation Criteria Weighting**

Evaluation Criteria Category	Evaluation Criteria Specific	Weight (Sub Criteria)	Weight (Overall)
Ability to Support Current and Future Requirements	Operations Analytics and Reporting	30%	30%
	Mobile Enablement	10%	
	Innovation	10%	
	Flexibility and Scalability	30%	
	Adaptability to Regulatory Changes	20%	
Project Implementation Risk	Project Size and Complexity	25%	35%
	Resourcing	25%	
	Training	15%	
	Organizational Change	35%	
Financial – Impact on Customer Rates	Levelized Rate Impact	100%	35%

10

11 FortisBC developed scoring definitions for each of the three criteria using a scale from 1 to 3, as
 12 shown in Table 3-5 below.

13 **Table 3-5: Alternative Evaluation Scoring Definitions**

Score	Ability to Support Current and Future Requirements	Project Implementation Risk	Financial
3	Demonstrated capability to meet current requirements and high degree of confidence that the alternative will be able to support future requirements.	Low level of complexity, change, and risk. Low likelihood of moderate or major risks occurring that cannot be fully mitigated. Required resourcing is available.	No rate impact.
2	Some gaps identified in ability to meet current requirements and medium degree of confidence that the alternative	Medium level of complexity, change, and risk.	Lowest rate impact.

Score	Ability to Support Current and Future Requirements	Project Implementation Risk	Financial
	will be able to support future requirements.	Medium likelihood of moderate or major risks occurring that cannot be fully mitigated. May be challenging to fill some resourcing needs.	
1	Significant gaps identified in ability to meet current requirements and low degree of confidence that the alternative will be able to support future requirements.	High level of complexity, change, and risk. High likelihood of moderate or major risks occurring that cannot be fully mitigated. May not be possible to fill some resourcing needs.	Highest rate impact.

- 1
- 2 The following sections provide the rationale for the scoring given to each feasible alternative for
- 3 each criterion.

4 **3.4.3 Criteria 1 Scoring and Rationale**

- 5 FortisBC’s evaluation of the two feasible alternatives under Criteria 1 is set out in the table below.

1 **Table 3-6: Evaluation of Criteria 1 – Ability to Support Current and Future Requirements**

Criteria	ERP Alt 2 Scoring	ERP Alt 2 SAP Replacement	ERP Alt 3 Scoring	ERP Alt 3 SAP Upgrade
Operations Analytics and Reporting	3	Leading ERP solutions have analytics capabilities built on scalable cloud-based data platforms that collect and integrate data from across enterprise business processes. These capabilities provide a strong foundation to support integrated analytics, actionable insights and customizable dashboard and reports.	3	The SAP S/4HANA solution includes real-time operational reporting and analytics that is embedded directly into the system and provides an integrated view of data across enterprise business processes. The analytics capabilities include dashboards, interactive reports, and KPIs that enable data-driven decision making.
Mobile Enablement	3	Leading ERP solutions include mobile applications that users can download to access ERP functions and data from their mobile devices (e.g., ERP mobile expense applications that provide mobile access to tasks like expense reporting or approving purchase orders).	3	The SAP S/4HANA solution provides tools (e.g., SAP Mobile Start and Mobile Add-On) to run mobile applications on mobile devices. These mobile applications provide a consistent and intuitive interface and are integrated across enterprise functions such as finance, supply chain, HR, and operations.
Innovation	3	Leading ERP solutions include key innovations such as embedded artificial intelligence and machine learning for task automation, predictive analytics and insights as well as AI powered digital assistants to streamline user interactions.	3	The SAP S/4HANA solution includes key innovations such as artificial intelligence and machine learning that enable predictive analytics, automated processes and intelligent co-pilots that allow users to interact with the system using natural language to access data and perform tasks efficiently.
Flexibility and Scalability	3	Leading ERP solutions are built with modular, cloud-based architectures that support configuration to fit unique workflows and can easily be scaled to support growth in user counts or transaction volumes.	3	The SAP S/4HANA solution is built using a modular, cloud-based architecture that enables adding new functionality and modules as needed. It includes a flexible workflow framework that can be configured to support different business needs. The cloud infrastructure supports rapid scaling of resources up or down to meets changes in user counts or transaction volumes.

Criteria	ERP Alt 2 Scoring	ERP Alt 2 SAP Replacement	ERP Alt 3 Scoring	ERP Alt 3 SAP Upgrade
Adaptability to Regulatory Changes	3	Leading ERP solutions receive automated updates that incorporate new regulatory requirements and have flexible architectures that incorporate changes to meet new regulatory requirements.	3	SAP continuously updates the compliance and regulatory tools that are part of the S/4HANA solution which is built on a flexible and modular architecture that enables quick adaptation.

1

1 As shown in the table above, both a new non-SAP ERP platform and an upgraded SAP platform
2 could be designed to support FortisBC's current and evolving business requirements and could
3 provide the necessary tools and capabilities to adapt to a changing environment. Further, both
4 alternatives could enable real-time analytics, streamlined business processes, and a simplified
5 data model. Finally, both alternatives could enable FortisBC to adapt to regulatory changes.

6 **3.4.4 Criteria 2 Scoring and Rationale**

7 FortisBC's evaluation of the two feasible alternatives under Criteria 2 is set out in the table below.

1 **Table 3-7: Evaluation of Criteria 2 – Project Implementation Risk**

Criteria	ERP Alt 2 Scoring	ERP Alt 2 SAP Replacement	ERP Alt 3 Scoring	ERP Alt 3 SAP Upgrade
Project Size and Complexity	1	<p>A large and highly complex project due to the following:</p> <ul style="list-style-type: none"> Requires a complete ERP system replacement (as opposed to a less complex upgrade to a new version of existing software); Requires migration of data to a very different data model; Requires a complete redesign and reimplementation of existing ERP interfaces to work with the replacement system; Significant redesign of business processes to align with replacement system functionality and workflow; and High degree of change management and training required to be planned and delivered so users can adopt new processes and system functionality. 	2	<p>A large project that has a medium level of complexity due to the following:</p> <ul style="list-style-type: none"> ERP system upgrade (as opposed to replacement) where proven SAP code migration tools can be used; Data will be migrated to a new version of the current data model where proven SAP data migration tools can be used; Partial redesign and reimplementation of existing ERP interfaces to work with the new version of SAP; Partial redesign of some business processes to align with upgraded SAP functionality and workflow; and Medium degree of change management and training required to be planned and delivered so users can adopt new processes and system functionality.
Resourcing	2	Requires recruiting non-SAP talent while sunsetting SAP expertise, creating risk and higher costs.	3	Builds on existing skillset of FortisBC SAP team and majority of resources can be retooled to support new SAP technologies. FortisBC resources have skillsets required to support project implementation.

Criteria	ERP Alt 2 Scoring	ERP Alt 2 SAP Replacement	ERP Alt 3 Scoring	ERP Alt 3 SAP Upgrade
Training	1	<p>Major redesign of current SAP-based processes and completely new application user interface will drive need for extensive retraining.</p> <p>Application technical support teams will require significant retraining as there will be no familiarity with new application.</p>	2	<p>Processes and SAP interface modernized but many existing workflows and user interface concepts preserved which will reduce amount of retraining required.</p> <p>Application technical teams will require some retraining but will have strong foundation of SAP knowledge to build on.</p>
Organizational Change	1	<p>Completely new application platform and database.</p> <p>New system is unfamiliar and steep learning curve for all staff to adopt new processes and learn new system functionality.</p> <p>Potential large turnover of technical support teams as SAP skilled employees may not want to stay to support non-SAP application.</p> <p>Time required for organization to fully adopt changes will be significant.</p>	2	<p>Continue with an SAP application platform and database.</p> <p>Migration from on-premise to cloud SAP environment and new SAP database technology drives some technology change.</p> <p>SAP environment is familiar and organization will be able to quickly adopt changes.</p>

1

1 As shown in the table above, ERP Alternative 2 has a high level of project implementation risk
2 due to the substantial changes involved in replacing the existing core SAP applications with a
3 different (non-SAP) ERP platform. Replacing SAP with an entirely new ERP system would be
4 highly complex and would require significant amounts of business process and technological
5 changes, which would in turn increase the resourcing requirements during and after
6 implementation. New technology requires upskilling or onboarding of new IS resources and risks
7 the loss of experienced SAP resources, which would likely result in longer implementation and
8 training timelines. ERP Alternative 2 would result in significant reworking of existing business
9 processes and the underlying data structures, and the adoption of an unfamiliar system would
10 require significant change management and training. The transition to entirely new ERP
11 applications is likely to be highly disruptive for FortisBC, requiring significant resources to
12 implement a detailed change management plan and support training employees on the new
13 workflows and layout of the new core applications.

14 In contrast, ERP Alternative 3 has a medium level of project risk and degree of change. Although
15 there will be significant user interface changes and some workflow changes that will require
16 change management and training, the overall process of upgrading to S/4HANA is less complex
17 than replacing the existing core SAP applications with entirely new ERP applications, and overall
18 there will be less change management and less change to business processes compared to ERP
19 Alternative 2. For instance, upgrading to S/4HANA would result in modernization of (as opposed
20 to full-scale changes to) current business processes and would be supported by business
21 familiarity of the SAP layout of data and SAP functions, reducing the overall complexity and risk.
22 Because IS resources are experienced with the SAP ECC environment, the project complexity
23 and risk of cost and schedule over-runs are lower compared to a full ERP replacement. The
24 degree of disruption for end-users is expected to be manageable as many functionalities will
25 remain consistent with their current experience, and users will be supported through a robust
26 change management and training plan. To fully utilize the new features and capabilities of SAP
27 S/4HANA, some adaptation will be necessary, resulting in a moderate level of change impact.

28 **3.4.5 Criteria 3 Scoring and Rationale**

29 FortisBC's evaluation of the two feasible alternatives under Criteria 3 is set out in the table below.

1

Table 3-8: Evaluation of Criteria 3 – Financial – Impact on Customer Rates

Criteria	ERP Alt 2 Scoring	ERP Alt 2 SAP Replacement	ERP Alt 3 Scoring	ERP Alt 3 SAP Upgrade
Levelized Rate Impact (FEI & FBC)	1	<p>Higher implementation costs as full ERP system replacement will be required rather than a more straightforward ERP system upgrade. There will be significant process redesign effort, data migration, interface replacement costs, and change management and training effort.</p> <p>Higher post implementation support costs as internal staffing effort will increase as a result of transitioning to a new, unfamiliar technology.</p>	2	<p>Lower implementation costs as an ERP system upgrade is more straightforward than an ERP system replacement. There will be minimal process redesign required, and SAP tools can be used to support data migration and code upgrades. Minimal changes required to many of the existing interfaces and change management and training will be lower effort than with a full system replacement.</p>

2

3.4.6 ERP Alternative 3 is the Preferred Alternative

Table 3-9 below provides the results of the weighted scoring and shows that ERP Alternative 3 is the preferred alternative, with the highest total weighted score of 2.39 out of 3 compared to a weighted score of 1.69 out of 3 for ERP Alternative 2.

Table 3-9: Weighted Scoring

Criteria	Sub-Criteria	Weighting of Criteria	Alt 2 (Non-SAP) Score	Alt 3 (SAP) Score
Ability to Support Current and Future Requirements (30%)	Operations Analytics and Reporting	30%	3	3
	Mobile Enablement	10%	3	3
	Innovation	10%	3	3
	Flexibility and Scalability	30%	3	3
	Adaptability to Regulatory Changes	20%	3	3
Project Implementation Risk (35%)	Project Size and Complexity	25%	1	2
	Resourcing	25%	2	3
	Training	15%	1	2
	Organizational Change	35%	1	2
Financial Impact (35%)	Levelized Rate Impact (FEI & FBC)	100%	1	2
Total Weighted Score			1.69	2.39

Note to Table:

Total Weighted Score for Each Alternative = Sum of all [(Sub-Criteria Score) * (Sub-Criteria Weighting %) * (Criteria Weighting %)]

Based on the evaluation of the feasible alternatives using both non-financial and financial criteria, ERP Alternative 3 – Upgrade SAP Applications to SAP S/4HANA – is the preferred option. ERP Alternative 3 allows FortisBC to retain existing system configurations and business processes while modernizing its ERP platform to a vendor-supported solution. SAP S/4HANA also offers enhanced system performance, modern user experience, improved cybersecurity, and utility-specific capabilities, all within a familiar architecture. The upgrade provides a lower implementation risk, reduced cost, and less business disruption compared to an ERP system replacement.

3.5 CONCLUSION

As discussed in this section, FortisBC must implement a solution to address the significant risk to its business due to SAP ending support for FortisBC’s core SAP enterprise applications. FortisBC

1 engaged in a discovery and investigation phase to gain information to assess the alternatives to
2 meet this need. While FortisBC investigated continuing with the existing applications without
3 vendor support, this option was determined to be infeasible given the critical nature of the
4 applications. FortisBC conducted a robust analysis of both an SAP and non-SAP alternative.
5 FortisBC's analysis has demonstrated that upgrading the existing SAP applications to SAP
6 S/4HANA is the most cost-effective alternative, as it will address FortisBC's business risk by
7 upgrading the core SAP applications to a fully vendor supported platform and will result in a lower
8 project implementation risk and lower cost than replacing the SAP applications with a non-SAP
9 solution. FortisBC describes the implementation approach for the preferred ERP Alternative 3 in
10 Section 5 of the Application.

11

1 4. FBC CIS REPLACEMENT PROJECT

2 4.1 INTRODUCTION

3 This section describes FBC's CIS Replacement Project, including the need for the CIS
4 Replacement Project and the analysis of alternatives to meet the identified need.

5 It is no longer feasible for FBC to continue to extend the life of its current customer information
6 system (CIS Plus). CIS Plus was implemented in 2000 on an Oracle database platform, with
7 significant modernization in 2010. Since 2006, vendor support and enhancements have no longer
8 been available, and FBC has been relying on internal resources and contract specialists to keep
9 the system and its interconnections functioning. While Software AG continues to support the
10 underlying software environment through standard support agreements, it does not provide
11 enhancements or bug fixes to the base software. As FBC's CIS is critical to its customer service
12 functions, continuing to operate CIS Plus in these conditions and without full support poses an
13 unacceptable risk to business operations.

14 FortisBC identified four alternatives to meet the identified project need. Two of the alternatives –
15 (1) continue to run the aging CIS Plus system and (2) replace CIS Plus with the current SAP
16 platform – were determined to be infeasible, as they both fail to address the risk to business
17 operations. The two feasible alternatives that address the CIS Replacement Project need are: (3)
18 replace CIS Plus with CIS software from a non-SAP vendor and (4) replace CIS Plus with SAP
19 S/4HANA as the foundation.

20 After evaluating the two feasible alternatives against financial and non-financial criteria, FortisBC
21 determined that the preferred solution is to replace CIS Plus with SAP S/4HANA as the
22 foundation. Replacing CIS Plus with SAP S/4HANA results in FBC's CIS moving to a fully vendor-
23 supported platform and supports evolving operational needs, at a lower implementation risk and
24 lower cost than a non-SAP alternative.

25 In the following sections, FortisBC discusses the CIS Replacement Project as follows:

- 26 • Section 4.2 explains how FBC's CIS is critical to its customer service functions, and that
27 operating a CIS without support is not an acceptable risk.
- 28 • Section 4.3 describes the two infeasible and two feasible alternatives for the CIS
29 Replacement Project.
- 30 • Section 4.4 describes the evaluation criteria used to assess the two feasible alternatives
31 and demonstrates that, based on the scoring of the two feasible alternatives, CIS
32 Alternative 4 (replace CIS Plus with SAP S/4HANA as the foundation) is the preferred
33 alternative.
- 34 • Section 4.5 concludes this section.

4.2 CIS REPLACEMENT PROJECT IS NEEDED TO MAINTAIN THE CONTINUITY OF FBC'S BUSINESS OPERATIONS

This section discusses how CIS Plus is critical to FBC's customer service functions, and how the continued use of this legacy system is imposing increasing risks to FBC's operations and placing limits on the functionality of customer service offerings, which must be addressed.

4.2.1 CIS Plus is Critical to FBC's Operations

As discussed in Section 2, FBC relies on CIS Plus to provide its customer service functions. CIS Plus is a critical component of FBC's operational landscape, supporting a broad array of customer management functions that are central to delivering timely and accurate utility services. Independent of FBC's ERP platform, CIS Plus maintains customer information for approximately 156,000 active accounts, serving over 197,000 direct and indirect customers. It underpins the delivery of billing and customer service across multiple customer classes, including residential, commercial, and industrial customers.

A central function of CIS Plus is to enable the meter-to-cash cycle. This includes semi-automated integration with FortisBC's Meter Data Management System (MDMS) to retrieve daily meter reads and produce cycle bills. The system is vital for issuing timely and accurate bills, which customers rely on to manage their energy usage, plan household budgets, and fulfill their payment obligations. Any degradation in this process poses immediate risks to customer satisfaction, revenue collection, and regulatory compliance.

4.2.2 CIS Plus Poses Increasing Risk to FBC's Operations

With limited vendor support, the security, stability, and overall reliability of the legacy CIS Plus platform has deteriorated significantly over time. This deterioration poses an increasing risk to FBC's operational resilience, particularly in terms of cybersecurity vulnerabilities and the potential for widespread and prolonged service interruptions that could directly impact customers and business operations.

CIS Plus is built on a legacy technology stack that includes Natural code programming, an obsolete language for which there is a rapidly diminishing supply of skilled resources. At present, FBC is supported by a very limited number of in-house personnel who possess the requisite knowledge to maintain this system. The ability to recruit or retain staff with these capabilities is extremely constrained and is expected to worsen as more organizations retire systems based on similar legacy languages.

To mitigate resourcing gaps, FBC has engaged third-party contractors over the years to enhance the base CIS Plus functionality to meet its business needs. This external support has become essential to ensure that the system continues to function. However, the cost of engaging vendors with legacy technology expertise is materially higher than that of supporting modern platforms. In many cases, hourly rates for such specialized external resources are more than double the rates for equivalent support roles associated with contemporary ERP systems, where the required skillsets are more common and widely available in the market.

1 Despite the use of external support, the underlying limitations of the CIS Plus platform result in
2 elevated risk exposure with the frequency and severity of system issues increasing, and the time
3 required to identify, triage, and resolve system incidents also rising. As the system ages further,
4 these risks are expected to accelerate, and the duration of potential outages could increase,
5 posing a significant risk to the reliability, security and continuity of FBC's business operations.

6 Recognizing the critical nature of CIS Plus and the risks associated with the aging infrastructure,
7 FBC retained Util-Assist, an industry expert in utility customer systems, to perform an independent
8 assessment in 2018. This assessment concluded that CIS Plus was approaching end-of-life and
9 would require replacement to ensure continuity of operations and customer service functions. The
10 assessment further found that inherent design constraints limit CIS Plus's performance and that
11 material functional gaps exist across several key areas, including lack of visibility into full customer
12 interaction history, inability to meet future requirements, and no customer preference centre.
13 Ultimately, Util-Assist recommended that FBC proceed with a comprehensive evaluation of an
14 alternate solution for CIS Plus.

15 An internal analysis conducted in conjunction with Illumina, an external research and innovation
16 firm, identified significant consequences if FBC's legacy CIS Plus experienced extended duration
17 outages. Specifically, the analysis modeled the operational impact of three outages, each
18 resulting in CIS Plus being unavailable for three working days. The findings revealed that such a
19 disruption would jeopardize FBC's ability to meet its regulated Service Quality Indicator (SQI) for
20 billing accuracy – the Billing Index. Using 2024 data, the model projected that the resulting Billing
21 Index would increase to 5.50, exceeding the SQI threshold of 5.0.¹⁰

22 In addition to regulatory risks, Illumina developed a simulator to estimate the financial impacts of
23 the increased workload caused by these outages. Assuming each outage would generate three
24 days of additional backlog, and applying 2024 volumes across phone calls, emails, chats, and
25 Interactive Voice Response (IVR), the analysis estimated a financial impact of approximately \$130
26 thousand in incremental O&M costs for the contact centre. Furthermore, the outages would
27 require intensified support from FBC's collections and billing teams, resulting in further resourcing
28 strains and incremental O&M costs for overtime. These findings underscore both the operational
29 fragility and the financial impacts of relying on aging, unsupported technology for critical customer
30 service and billing functions.

31 Given these compounding challenges, including an aging technical foundation, critical resourcing
32 constraints, escalating support costs and a growing risk to business operations, FBC must replace
33 CIS Plus.

34 **4.2.3 CIS Plus Cannot be Further Enhanced and Evolved to Suit FBC's** 35 **Business Needs**

36 Beyond being unsupported and at high risk of failure, CIS Plus no longer effectively delivers all
37 required customer service functionality today, and the system is unable to provide any future
38 enhancements.

¹⁰ FBC's current benchmark and threshold for the Billing Index SQI is 3.0 and 5.0, respectively, as approved in the FortisBC 2025-2027 Rate-Setting Framework Decision and Order G-70-25.

1 Manual processes are currently required because CIS Plus cannot be modified to complete the
2 billing of net metering customers, industrial and wholesale customers, or any new complex rate
3 designs in the future likely to arise, such as time-of-use billing options or changes to net metering.
4 For instance, there was a 30 percent increase in the number of net metering customers in 2024
5 compared to the previous year. Despite FBC's investments in Robotic Process Automation (RPA)
6 over the past few years to help manage the billing of net metering customers, these processes
7 still require some manual intervention, primarily due to the limitations of CIS Plus. Furthermore,
8 the process for complex billing for industrial and wholesale customers is entirely manual. FBC
9 estimates that the manual process for net metering and complex billing results in approximately
10 70 additional hours per month, which is expected to increase in the coming years due to customer
11 growth and the increasing trend of net metering customers. These manual workarounds increase
12 process length, reduce efficiency, and add complexity to daily operations.

13 Another limitation of CIS Plus is that the data is not centralized. It is therefore common for a
14 Customer Service Representative (CSR) to open as many as 20 tabs/files in the process of
15 responding to a customer call. Further, it is common that a CSR will need to restart CIS Plus
16 before taking on each new call as the system becomes nonresponsive. This hinders operational
17 efficiency and negatively impacts customer responsiveness.

18 **4.2.4 CIS Plus Must Be Replaced to Meet FBC Requirements**

19 The continued operation of CIS Plus poses significant risks to customer service operations due
20 to it being a legacy platform with very limited support, operational fragility and technical limitations.
21 As CIS Plus is a standalone system, it requires specialized support, making it difficult to maintain
22 and posing challenges for long-term sustainability and compliance with evolving regulatory
23 standards. FBC has continued to seek workarounds and extend the life of the legacy CIS Plus
24 platform for many years. However, this is no longer a sustainable approach and is impacting
25 FBC's ability to operate efficiently and respond to increasingly complex business and customer
26 needs.

27 Therefore, FBC needs to address the increasing risks that CIS Plus poses to its business
28 operations, cybersecurity and its ability to support necessary changes to adapt to the evolving
29 and increasingly complex external environment. Replacing CIS Plus with a new system will
30 address these risks and ensure access to ongoing vendor support and regular software updates,
31 as well as providing an opportunity for enhancements to the customer experience.

32 **4.3 DESCRIPTION OF ALTERNATIVES**

33 Building on the early investigative work discussed in Section 4.2.2 above, FBC initiated a formal
34 process and selected a third-party firm to assist in documenting its detailed CIS business
35 requirements and began assessing a short-list of potential CIS solutions to include in an RFP.
36 FBC also considered the ERP RFEOI results discussed in Section 3.3, including the complexity
37 of implementing non-SAP ERP options as compared to upgrading to SAP S/4HANA, and the
38 potential to align the implementation timelines of both the ERP Modernization Project and the CIS

1 Replacement Project to mitigate disruption to the Companies and reduce overall implementation
2 timelines and costs.

3 FBC identified four alternatives to address the CIS Replacement Project need:

- 4 1. **CIS Alternative 1: Continue to operate CIS Plus with limited vendor support and a**
5 **limited pool of resources until it is non-functional and then replace CIS Plus.** Under
6 this alternative, FBC would continue the operation of the existing CIS Plus platform with
7 limited vendor support. FBC would rely on a limited pool of internal resources that have
8 expertise in the legacy system, supplemented by a third-party vendor for bug or code error
9 fixes. There would be no further upgrades, vendor patches, or feature enhancements that
10 could be pursued. Given CIS Plus's current state, FBC will be increasingly relying on
11 manual workarounds for any new business requirements with increasing risks of
12 unplanned system failure until a new CIS would have to be implemented.
- 13 2. **CIS Alternative 2: Replace CIS Plus with the current SAP platform.** Under this
14 alternative, FBC would decommission CIS Plus and migrate all associated data into the
15 existing SAP ECC platform. This would require configuring and implementing FBC's CIS
16 functional requirements within the SAP ECC and SAP CRM (IC-Web) applications,
17 modifying existing integrations or developing new interfaces to replace those currently
18 connected to CIS Plus, and delivering comprehensive training to FBC employees on the
19 SAP ECC and CRM applications.
- 20 3. **CIS Alternative 3: Replace CIS Plus with CIS software from a non-SAP vendor (non-**
21 **SAP CIS replacement).** Under this alternative, FBC would replace CIS Plus with a new
22 non-SAP CIS, which includes migrating all data to the new non-SAP CIS, implementing
23 the FBC CIS requirements in the new non-SAP system, modifying or developing new
24 interfaces to replace all existing CIS Plus interfaces to other systems, and providing
25 training to FBC employees on the new system.
- 26 4. **CIS Alternative 4: Replace CIS Plus with SAP S/4HANA.** Under this alternative, FBC
27 would replace CIS Plus with a suite of new SAP applications (SAP S/4HANA, SAP Service
28 Cloud, SAP Datasphere) of which the core foundation is the SAP S/4HANA application.
29 This includes migrating all data to the SAP S/4HANA database, implementing the FBC
30 CIS requirements in the SAP S/4HANA and Service Cloud applications, modifying or
31 developing new interfaces to replace all existing CIS Plus interfaces to other systems, and
32 providing training to FBC employees on the new SAP applications.

33 FBC evaluated the four alternatives and concluded that CIS Alternatives 1 and 2 are infeasible,
34 as they do not address the CIS Replacement Project need of mitigating the growing risk to FBC's
35 business operations. The remaining two feasible alternatives (CIS Alternatives 3 and 4) were
36 further analyzed and evaluated, with CIS Alternative 4 – Replace CIS Plus with SAP S/4HANA
37 being selected as the preferred alternative.

1 **4.3.1 CIS Alternatives 1 and 2 Are Infeasible**

2 **4.3.1.1 CIS Alternative 1 Does Not Adequately Address the Risk to Business**
3 **Operations and is Therefore Infeasible**

4 As discussed in Section 4.2.2, continuing to operate FBC's CIS Plus with limited vendor support
5 poses a significant risk to business operations. For an alternative to be deemed feasible, it must
6 address this risk. The elements of business risk are as follows:

- 7 a) **System Reliability and Performance:** Risks to system reliability and performance
8 include outages and degraded performance due to lack of regular updates, patches, and
9 hardware compatibility, which could disrupt critical business functions such as billing and
10 financial reporting.
- 11 b) **Cybersecurity Vulnerabilities:** Access to vendor-issued security updates is required to
12 minimize exposure to evolving cyber threats, including ransomware and data breaches,
13 which could put both operational integrity and sensitive customer information at risk.
- 14 c) **Resource Availability:** The availability of internal and external professionals to maintain
15 the system. Vendor support provides access to expertise for problem resolution and
16 guidance on best practices. With limited vendor support, FBC may struggle to address
17 complex issues efficiently, leading to extended downtime and operational disruptions.
- 18 d) **Compliance and Audit:** FBC must be able to meet compliance requirements, including
19 those related to Sarbanes-Oxley (SOX), to minimize the risk of adverse audit findings and
20 regulatory penalties.

21 CIS Alternative 1 does not address any of the four elements of business risk. Under this
22 alternative, FBC will continue the operation of the existing CIS Plus platform with limited vendor
23 support, relying on manual workarounds for any new business requirements, with increased risks
24 of unplanned system failure. This would leave FBC exposed to unacceptable system
25 performance, reliability and cybersecurity risks. Under this alternative, FBC would be exposed to
26 unacceptable resource availability risks, as it would continue to rely on a limited pool of internal
27 resources that have expertise in the legacy system, supplemented by a third-party vendor for bug
28 or code error fixes. As there would be no further upgrades, vendor patches, or feature
29 enhancements that could be pursued, FBC would at risk of not being able to meet evolving
30 compliance requirements.

31 As described in Section 4.2.2, in 2018 FBC retained Util-Assist, an industry expert in utility
32 customer systems, to perform an independent assessment. This assessment concluded that CIS
33 Plus was approaching end-of-life and recommended that FBC proceed with a comprehensive
34 evaluation of an alternate solution. While Util-Assist's findings highlighted the need for
35 replacement, FBC was able to extend the life of CIS Plus for several additional years due to a
36 combination of mitigating factors. Targeted investments were made to stabilize the platform and
37 address critical defects, and certain functions were enhanced using manual workarounds. FBC
38 also relied on the expertise of internal staff familiar with the system's architecture and workflows,

1 combined with limited third-party vendor support for essential maintenance. However, these
2 measures are not sustainable as key internal staff near retirement and the ability to find and attract
3 resources with the skillset to support the legacy CIS Plus platform becomes increasingly more
4 challenging.

5 Given the significant limitations of CIS Plus with diminishing vendor support and the
6 recommendation by an industry expert that CIS Plus should be replaced with an alternate solution,
7 FBC determined that CIS Alternative 1 does not address the risk to business operations and is
8 infeasible. FBC has accordingly not assessed this alternative further.

9 **4.3.1.2 CIS Alternative 2 Does Not Adequately Address the Risk to Business** 10 **Operations and is Therefore Infeasible**

11 Under this alternative, FBC would decommission CIS Plus and migrate all associated data into
12 the existing SAP ECC platform. This would require configuring and implementing FBC's CIS
13 functional requirements within the SAP ECC and SAP CRM (IC-Web) applications, modifying
14 existing integrations or developing new interfaces to replace those currently connected to CIS
15 Plus and delivering comprehensive training to FBC employees on the SAP ECC and CRM
16 applications.

17 A project to replace the FBC CIS Plus platform with SAP ECC and CRM would take an estimated
18 15 months. Thus, assuming a project start date in the second half of 2026, the earliest that CIS
19 Plus could be replaced by SAP ECC and CRM would be 2028. As previously described in
20 Sections 2 and 3, support for the SAP ECC platform will end in 2030. Further, as detailed in
21 Section 3.3.1, FortisBC evaluated the option of operating SAP ECC beyond SAP's announced
22 end-of-support date and determined that this approach would present an unacceptable risk to
23 business operations and is therefore infeasible. Without ongoing vendor support, FBC would face
24 vulnerabilities related to security, compliance, and system reliability, as well as escalating costs
25 to maintain unsupported technology.

26 Implementing a CIS replacement on SAP ECC beginning in 2028 would transition FBC onto a
27 platform with a remaining supported life of only two to three years. This short horizon would
28 expose FBC to significant risk, as FBC would be required to plan and execute a second major
29 CIS replacement project almost immediately following completion of the first. Such an outcome
30 would not only undermine the value of the initial investment but also result in unnecessary cost,
31 operational disruption, and change-management burden for employees and customers.

32 For these reasons, FBC concluded that CIS Alternative 2 is infeasible.

33 **4.3.2 Feasible CIS Project Alternatives**

34 Both CIS Alternatives 3 and 4 are feasible as they contemplate moving to a fully vendor-supported
35 CIS platform. These alternatives are further described and evaluated below.

1 **4.3.2.1 CIS Alternative 3 – Replace CIS Plus with a Non-SAP Solution**

2 **4.3.2.1.1 DESCRIPTION AND SCOPE**

3 This alternative involves replacing CIS Plus with modern technology from a non-SAP vendor,
4 such as Microsoft or Oracle. Implementation of this option would include:

- 5 • A complete re-platforming of the CIS to the new non-SAP platform, which would require a
6 redesign of customer service operations to align with the new system and migration of
7 data to the new system; and
- 8 • Development of integrations to maintain interoperability with FBC’s SAP-based enterprise
9 systems.

10 The adoption of a non-SAP solution for FBC’s CIS would require FortisBC to continue maintaining
11 two distinct CIS technical environments: (1) the new non-SAP CIS platform for FBC only; and (2)
12 the SAP ERP platform.¹¹ FBC and FEI would continue to require independent governance and
13 lifecycle management for the two environments. Further, the customer service department would
14 continue to work in two separate customer information systems providing meter to cash functions
15 and frontline customer service support to electric and gas customers.

16 **4.3.2.1.2 FINANCIAL ANALYSIS OF CIS ALTERNATIVE 3**

17 FBC refined the cost estimate for the non-SAP replacement alternative using the data gathered
18 through the documentation process described in Section 4.3 above, including estimated system
19 interface remediation costs, project facility costs, and FBC resourcing costs.

20 Table 4-1 below summarizes the estimated incremental capital and O&M costs under CIS
21 Alternative 3, as well as the resulting PV of incremental revenue requirement and levelized rate
22 impact to FBC’s customers over a 13-year analysis period. The financial analysis is based on a
23 13-year period which covers a three-year implementation period (i.e., Years 1 to 3) and a 10-year
24 post-implementation period (i.e., Years 4 to 13).

25 As discussed below, CIS Alternative 3 was developed to an AACE Class 5 level of accuracy
26 (compared to the preferred alternative – CIS Alternative 4 which was developed to a Class 4 level
27 of accuracy). Although the classes of estimate used to compare CIS Alternatives 3 and 4 are
28 different, using a Class 5 cost estimate for CIS Alternative 3 is reasonable in this case. While
29 advancing the cost estimate for CIS Alternative 3 to a Class 4 level would better refine the costs,
30 it would require significant development costs and would have little impact on the fundamental
31 analysis of comparing the cost of replacing FBC’s existing CIS with a non-SAP CIS versus
32 replacing the existing CIS with SAP S/4HANA. As discussed in detail below, the PV of incremental
33 revenue requirement (and levelized rate impact) between CIS Alternatives 3 and 4 is very similar,
34 with the primary difference being that the incremental O&M for CIS Alternative 3 is higher due to

¹¹ As detailed in Section 3, FortisBC has identified ERP Alternative 3 – Upgrade SAP Applications to SAP S/4HANA – as the preferred solution. Therefore, if FBC were to replace CIS Plus with a non-SAP application, FBC’s customer information system would continue to be separate from FortisBC’s ERP system.

1 the additional cost required to onboard, train, build and operate a new, standalone FBC CIS
 2 application support team. These additional O&M costs will always be incremental to the level of
 3 O&M costs required for CIS Alternative 4, as CIS Alternative 4 will be able to take advantage of
 4 synergies created by moving FEI and FBC to a common CIS platform (i.e., SAP S/4HANA).
 5 Therefore, advancing the cost estimate to a Class 4 level for CIS Alternative 3 would not materially
 6 change the financial comparison of the feasible alternatives nor their overall evaluation.

7 **Table 4-1: Financial Summary of CIS Alternative 3 (Replace CIS Plus with Non-SAP Solution)**

CIS Alternative 3	
Class Estimate	Class 5
Total PV of Incremental Capital (\$ millions)	72.669
Total PV of Incremental O&M (\$ millions)	26.373
FBC Total PV of Incremental Revenue Requirement over 13-years (\$ millions)	105.864
FBC Levelized Rate Impact over 13-years (%)	2.37%

8
 9 The financial analysis for CIS Alternative 3 includes the following assumptions:

- 10 • **Non-SAP CIS Implementation Costs:** FBC estimates the capital and O&M costs to
 11 implement a non-SAP CIS to be approximately the same as to implement an SAP system,
 12 at \$79.2 million and \$9.9 million, respectively. The estimated capital cost is at an AACE
 13 Class 5 level of accuracy which is based on the Class 4 estimate from CIS Alternative 4
 14 with the following assumptions:
 - 15 ○ Replacing CIS Plus with either SAP or another non-SAP CIS platform will be a
 16 complex change, and both alternatives will require a similar level of process
 17 redesign, system configuration, data migration, and testing;
 - 18 ○ Change management and training requirements for a new CIS would be consistent
 19 between a non-SAP and an SAP solution; and
 - 20 ○ The same level of contingency would be required for project implementation,
 21 regardless of whether the new system is a non-SAP or an SAP CIS solution.

22 However, under CIS Alternative 3, a new interface between the non-SAP CIS and
 23 FortisBC’s SAP-based ERP system would be needed to support various business
 24 activities that require exchange of data between both systems, such as finance, customer
 25 service, and human resources. As such, FBC estimates CIS Alternative 3 would require
 26 an additional capital cost of approximately \$500 thousand to develop and implement the
 27 new interface.

- 28 • **Incremental Support Costs:** Annual subscription costs would increase with the transition
 29 to a managed service for the new non-SAP CIS. These costs are assumed to be the same
 30 as an SAP-based CIS. The increase would be partially offset by the elimination of annual
 31 software fees required to operate the existing CIS Plus. Additionally, because a modern
 32 CIS has more functionality and capabilities compared to the legacy CIS Plus system, a

1 larger team will be required for ongoing support and maintenance. As the new system
2 requires a non-SAP skillset, FBC would also need to establish a separate team from the
3 one currently supporting the FEI SAP CIS. Over the post-implementation period, FBC
4 estimates that the annual O&M costs would increase by an average of approximately
5 \$2.9 million.

- 6 • **Reduction in On-premise Infrastructure Costs:** FBC assumes that the modern non-
7 SAP CIS would be implemented as a cloud-based platform and therefore the requirement
8 for on-premise server hardware, including memory and storage, would be reduced.
9 Consistent with the estimate used for CIS Alternative 4, FBC estimates a decrease in the
10 annual capital and O&M costs of approximately \$33 thousand and \$15 thousand,
11 respectively, over the post-implementation period.
- 12 • **Operational Efficiencies and Cost Savings:** FBC assumes that a modern non-SAP CIS
13 would enable increased customer service productivity and cost savings. Consistent with
14 the estimate used for CIS Alternative 4, FBC estimates a decrease in annual O&M costs
15 of approximately \$159 thousand over the post-implementation period.

16 **4.3.2.2 CIS Alternative 4 – Replace CIS Plus with SAP S/4HANA**

17 **4.3.2.2.1 DESCRIPTION AND SCOPE**

18 This alternative involves replacing CIS Plus with SAP S/4HANA. Implementation of this option
19 would require:

- 20 • A complete re-platforming of CIS Plus to the SAP S/4HANA platform, which would require
21 a redesign of customer service operations to align with S/4HANA and migration of data to
22 S/4HANA; and
- 23 • Development of integrations to maintain interoperability with FBC's SAP-based enterprise
24 systems.

25 Training employees would be a crucial component of the transition, as FBC staff will need to
26 become proficient in using the new CIS. This would involve creating training materials, conducting
27 workshops, and providing ongoing support to ensure a smooth transition. Strong change
28 management strategies will also be required to help users transition to the new system.

29 **4.3.2.2.2 FINANCIAL ANALYSIS OF CIS ALTERNATIVE 4**

30 Table 4-2 below summarizes the estimated incremental capital and O&M costs under CIS
31 Alternative 4, as well as the resulting PV of incremental revenue requirement and levelized rate
32 impact to FBC's customers over a 13-year analysis period. The financial analysis is based on a
33 13-year period which covers a three-year implementation period (i.e., Years 1 to 3) and a 10-year
34 post-implementation period (i.e., Years 4 to 13).

1 **Table 4-2: Financial Summary of CIS Alternative 4 (Replace CIS Plus with SAP S/4HANA)**

		CIS Alternative 4
Class Estimate		Class 4
Total PV of Incremental Capital (\$ millions)		72.214
Total PV of Incremental O&M (\$ millions)		24.071
FBC Total PV of Incremental Revenue Requirement over 13-years (\$ millions)		103.281
FBC Levelized Rate Impact over 13-years (%)		2.31%

2
3 The financial analysis for CIS Alternative 4 includes the following assumptions:

- 4 • **CIS Plus to SAP S/4HANA Implementation Costs:** FBC obtained a fixed price proposal
5 and high-level project schedule from the system integrator (IBM) to replace CIS Plus with
6 SAP S/4HANA. FBC developed a Class 4 estimate by using the IBM fixed price proposal
7 and then adding additional costs, including labour costs, software license costs, facilities
8 and infrastructure costs, among others. The estimated capital and O&M costs for the
9 implementation is approximately \$78.7 million and \$9.9 million, respectively.
- 10 • **Incremental Support Costs:** FBC estimates additional annual subscription costs, which
11 include a managed service fee for the new SAP CIS. However, these costs would be offset
12 by the elimination of the annual fees required to operate the existing CIS Plus. FBC
13 assumes a single SAP support team would provide support for both the S/4HANA ERP
14 system and the new FBC S/4HANA CIS, and that the size of the SAP support team would
15 increase to accommodate the additional support requirements for the FBC S/4HANA CIS.
16 Over the post-implementation period, FBC estimates that the annual O&M costs would
17 increase by an average of approximately \$2.6 million.
- 18 • **Reduction in On-premise Infrastructure Costs:** The new S/4HANA CIS would be
19 implemented as a cloud-based platform and therefore the requirements for on-premise
20 servers would be reduced. FBC estimates a decrease in the annual capital and O&M costs
21 of approximately \$33 thousand and \$15 thousand, respectively, over the post-
22 implementation period.
- 23 • **Operational Efficiencies and Cost Savings:** FBC has identified increased customer
24 service productivity and cost savings that the new S/4HANA CIS would enable. FBC
25 estimates a decrease in annual O&M costs of approximately \$159 thousand over the post-
26 implementation period.

27 **4.3.2.3 Summary of Feasible Alternatives**

28 The following table summarizes the scope of the two feasible alternatives. In Section 4.4, FBC
29 evaluates each feasible alternative based on non-financial and financial criteria.

1

Table 4-3: Summary of Feasible Alternatives

	CIS Alternative 3	CIS Alternative 4
Description	<p>Replace CIS Plus with a Non-SAP CIS:</p> <ul style="list-style-type: none"> • Re-platform CIS Plus to the new non-SAP platform • Redesign customer service operations to align with new system • Migrate data to the new system • Develop integrations to operate new CIS with SAP ERP system • Onboard, train and build a new FBC CIS application support team <p>Class 5 estimate based on CIS Alternative 4 costs, including:</p> <ul style="list-style-type: none"> • Similar process redesign, system configuration, data migration, and testing • Similar change management, training, and contingency • Additional non-SAP to SAP interface development costs • Additional onboarding, training and ongoing operational costs to support a new, standalone CIS 	<p>Replace CIS Plus with SAP S/4HANA:</p> <ul style="list-style-type: none"> • Re-platform CIS Plus to the new SAP S/4HANA platform • Redesign customer service operations to align with new SAP platform • Migrate core processes and data to SAP S/4HANA • Leverage SAP S/4HANA core functionality to remap existing integrations • Train or hire resources to support a new technology platform <p>Class 4 estimate based on system integrator (IBM) fixed pricing proposal plus additional costs, including:</p> <ul style="list-style-type: none"> • Labour costs • Software license costs • Facilities and infrastructure costs
Total PV of Incremental Capital	\$72.669 million	\$72.214 million
Total PV of Incremental O&M	\$26.373 million	\$24.071 million
Total PV of Incremental Revenue Requirement	\$105.864 million	\$103.281 million
Levelized Rate Impact Over 13 Years	2.37%	2.31%

1 4.4 EVALUATION OF FEASIBLE ALTERNATIVES

2 4.4.1 Description of Evaluation Criteria

3 FBC evaluated the feasible alternatives against three criteria:

- 4 1. Ability to Support Current and Future Requirements
- 5 2. Project Implementation Risk
- 6 3. Financial – Impact on Customer Rates

7 The components of the evaluation methodology are described below.

8 4.4.1.1 Criteria 1: Ability to Support Current and Future Requirements

9 FBC's business requirements will continue to evolve over time, as will the capabilities of
10 technology. Criteria No. 1 therefore evaluates each alternative's ability to accommodate FBC's
11 business requirements both now and as they continue to evolve and require new processes and
12 capabilities. The factors considered as part of this criterion include the following:

- 13 a) **Operations Analytics and Reporting:** Considers the alternative's ability to provide
14 advanced, real-time analytics to monitor operational performance, customer trends, and
15 financial outcomes. As FBC continues to expand its programs and services, there will be
16 an increasing need to derive meaningful insights from its data to make informed, timely,
17 and strategic business decisions.
- 18 b) **Mobile Enablement:** Considers the alternative's ability to support mobile computing by
19 allowing users to access customer service and billing functions from their mobile devices
20 via user friendly and intuitive mobile applications.
- 21 c) **Innovation:** Considers the capacity to support automation and its compatibility with
22 emerging technologies, particularly AI. As FBC seeks to enhance operational efficiency
23 and optimize resource utilization, the chosen CIS must serve as a robust foundation for
24 integrating automation and AI capabilities. Leveraging AI creates opportunities to
25 streamline various internal processes and improve customer engagement.
- 26 d) **Flexibility and Scalability:** Considers whether, or to what extent, the alternative supports
27 new programs without costly customizations, impeding FBC's ability to introduce new
28 customer offerings or scale its operations to support future growth.
- 29 e) **Adaptability to Regulatory Changes:** Considers the alternative's ability to offer built-in
30 tools and flexibility to adapt quickly to regulatory changes, including those related to
31 energy reporting, financial controls, cybersecurity, and changes in the energy landscape,
32 as FBC operates in a highly regulated environment where compliance requirements are
33 continuously evolving.

- 1 f) **Customer Experience:** Considers the extent to which each alternative enhances FBC's
2 customer service capabilities, such as expanded digital self-service, improved online and
3 mobile account management, and improved responses to customer inquiries.

4 **4.4.1.2 Criteria 2: Project Implementation Risk**

5 This criterion assesses the level of project risk and the degree of change management required
6 under each alternative, including the following:

- 7 a) **Project Size and Complexity:** Project risk is correlated with project size, as larger
8 projects, by their nature, are more complex and difficult to control. This criterion considers
9 the extent and complexity of coordination across functional and technical domains
10 required under each alternative.
- 11 b) **Resourcing:** The extent to which the alternative can retain and leverage existing
12 resources and effort required to obtain new internal and external resources for the life of
13 the project as well as the ability to resource and establish a support model for ongoing
14 support and maintenance.
- 15 c) **Training:** The extent, complexity and duration of the system training required to effectively
16 prepare and support both end users and technical teams in adopting, operating and
17 maintaining the application.
- 18 d) **Organizational Change:** The degree of change and adaptation required across the
19 organization to accommodate modifications to system functionality, business processes,
20 or user interfaces, including the resulting impacts on existing organizational structures,
21 workflows, technologies, and technical support teams.

22 **4.4.1.3 Criteria 3: Financial**

23 The Financial criterion considers the levelized rate impact to FBC's customers resulting from each
24 feasible CIS Project alternative over a 13-year analysis period. The alternative which minimizes
25 FBC's rate impact is considered more favourable from a financial perspective when comparing
26 the feasible CIS alternatives.

27 **4.4.2 Evaluation Criteria Weighting and Scoring**

28 Based on internal discussions with subject matter experts, FBC developed and applied evaluation
29 criteria weighting and scoring that reflect the unique nature of large-scale information system
30 projects. The scoring included three main evaluation criteria, two of which were then further
31 broken down into more granular sub-criteria.

32 Unlike traditional infrastructure projects, larger-scale information system projects typically directly
33 impact core business processes, day-to-day operations, and a large proportion of employees
34 across the organization. For this reason, FBC assigned a high weighting to Criterion No. 2 –
35 Project Implementation Risk, recognizing that effective change management and minimizing
36 operational disruption are critical to long-term project success. Criterion No. 3 – Financial – Impact

1 on Customer Rates, was also given a high weighting, ensuring that affordability and customer
 2 rate impacts remain central to the evaluation of alternatives. Finally, while Criterion No. 1 – Ability
 3 to Support Current and Future Requirements remains important to FBC’s current and long-term
 4 customer service strategy, this criterion was weighted slightly lower relative to the others, as its
 5 benefits will primarily be realized over time following successful implementation.

6 The table below shows the weightings assigned to each of the main criteria, as well as each of
 7 the sub-criteria.

8 **Table 4-4: Evaluation Criteria Weighting**

Evaluation Criteria Category	Evaluation Criteria Specific	Weight (Sub Criteria)	Weight (Overall)
Ability to Support Current and Future Requirements	Operations Analytics and Reporting	20%	30%
	Mobile Enablement	5%	
	Innovation	10%	
	Flexibility and Scalability	20%	
	Adaptability to Regulatory Changes	15%	
	Customer Experience	30%	
Project Implementation Risk	Project Size and Complexity	25%	35%
	Resourcing	25%	
	Training	15%	
	Organizational Change	35%	
Financial – Impact on Customer Rates	Levelized Rate Impact	100%	35%

9 FBC developed scoring definitions for each of the three criteria using a scale from 1 to 3, as shown
 10 in Table 4-5 below.

11 **Table 4-5: Alternative Evaluation Scoring Definitions**

Score	Ability to Support Current and Future Requirements	Project Implementation Risk	Financial
3	Demonstrated capability to meet current requirements and high degree of confidence will be able to support future requirements.	Low level of complexity, change, and risk. Low likelihood of moderate or major risks occurring that cannot be fully mitigated. Required resourcing is available.	No rate impact.

Score	Ability to Support Current and Future Requirements	Project Implementation Risk	Financial
2	Some gaps identified in ability to meet current requirements and medium degree of confidence will be able to support future requirements.	<p>Medium level of complexity, change, and risk.</p> <p>Medium likelihood of moderate or major risks occurring that cannot be fully mitigated.</p> <p>May be challenging to fill some resourcing needs.</p>	Lowest rate impact.
1	Significant gaps identified in ability to meet current requirements and low degree of confidence will be able to support future requirements.	<p>High level of complexity, change, and risk.</p> <p>High likelihood of major or critical risks occurring. Mitigation would be difficult or impossible.</p> <p>May not be possible to fill some resourcing needs.</p>	Highest rate impact.

- 1
- 2 The following sections provide the rationale for the scoring given to each feasible alternative for
- 3 each criterion.

4 **4.4.3 Criteria 1 Scoring and Rationale**

- 5 FBC's evaluation of the two feasible alternatives under Criteria 1 is set out in the table below.

1

Table 4-6: Evaluation of Criteria 1 – Ability to Support Current and Future Requirements

Criteria	CIS Alt 3 Scoring	CIS Alt 3 Non-SAP Replacement	CIS Alt 4 Scoring	CIS Alt 4 SAP S/4HANA Replacement
Operations Analytics and Reporting	3	Leading CIS solutions have analytics capabilities built on scalable cloud-based data platforms. These capabilities provide a strong foundation to support analytics, actionable insights and customizable dashboard and reports.	3	The SAP S/4HANA CIS solution has real-time operational reporting and analytics built on a scalable cloud-based data platform. The analytics capabilities include dashboards, interactive reports, and KPIs that enable data-driven decision making and provides for an integrated view of data.
Mobile Enablement	3	Leading CIS solutions include mobile applications that users can download to access CIS functions and data from their mobile devices.	3	The SAP S/4HANA CIS solution includes mobile applications to access CIS functions on mobile devices. These mobile applications utilize SAP tools to provide a consistent and intuitive interface.
Innovation	3	<p>Leading CIS solutions include key innovations such as embedded AI and machine learning for task automation, predictive analytics and insights as well as AI powered digital assistants to streamline user and customer interactions.</p> <p>Modern CIS solutions support integration with systems such as Advanced Metering Infrastructure (AMI) to create a more comprehensive view of customer interactions and data.</p>	3	<p>The SAP S/4HANA CIS solution includes embedded AI and machine learning that enable predictive analytics, automated processes and leveraging intelligent co-pilots.</p> <p>The SAP S/4HANA solution has a Meter Data Unification & Synchronization (MDUS) module that supports integration with AMI systems to create a more comprehensive view of customer interactions and data.</p>

Criteria	CIS Alt 3 Scoring	CIS Alt 3 Non-SAP Replacement	CIS Alt 4 Scoring	CIS Alt 4 SAP S/4HANA Replacement
Flexibility and Scalability	3	Leading CIS solutions are built with modular, cloud-based architectures that support configuration to fit unique CIS workflows and can easily be scaled to support growth in user counts or transaction volumes (e.g., customer meter reads and billing).	3	The SAP S/4HANA CIS solution is built using a modular, cloud-based architecture that enables adding new functionality and modules as needed. It includes a flexible workflow framework that can be configured to support different business needs. The cloud infrastructure supports rapid scaling of resources up or down to meets changes in user counts or transaction volumes (e.g., customer meter reads and billing).
Adaptability to Regulatory Changes	3	Leading CIS solutions receive automated updates and have flexible architectures that support incorporating changes to meet new regulatory requirements.	3	The SAP S/4HANA CIS solution continuously updates compliance and regulatory tools that are part of the S/4HANA solution. It is built on a flexible and modular architecture that enables quick adaptation.
Customer Experience	3	Leading CIS solutions provide a unified view of the customer by incorporating usage, account history, communication preferences and billing data into a single view. This allows the solution to support personalized customer experiences and data-driven customer insights that can streamline customer service and issue resolution.	3	The SAP S/4HANA CIS solution enhances customer engagement by combining front-office sales, marketing, service, and e-commerce capabilities with back-office ERP processes for real-time data and streamlined operations. This allows the solution to support personalized customer experiences and rapid issue resolution.

1

1 As shown in the table above, both a new non-SAP CIS platform and an SAP S/4HANA CIS
2 platform could be designed to support FBC's current and evolving business requirements and
3 provide the necessary tools and capabilities to thrive in a dynamic environment. Further, both
4 alternatives could enable real-time analytics, streamlined business processes, and a simplified
5 data model. Finally, both alternatives could enable FBC to adapt to regulatory changes and deliver
6 a positive customer experience by supporting modern customer service capabilities.

7 **4.4.4 Criteria 2 Scoring and Rationale**

8 FBC's evaluation of the two feasible alternatives under Criteria 2 is set out in the table below.

1 **Table 4-7: Evaluation of Criteria 2 – Project Implementation Risk**

Criteria	CIS Alt 3 Scoring	CIS Alt 3 Non-SAP Replacement	CIS Alt 4 Scoring	CIS Alt 4 CIS SAP S/4HANA Replacement
Project Size and Complexity	2	<p>Implementing a non-SAP CIS platform would require configuration of functionality and migration of data to a completely new platform.</p> <p>Existing interfaces with CIS Plus will require complete redesign and reimplementation, and additional integration to the separate ERP system.</p>	2	<p>Implementing the SAP S/4HANA CIS platform would require configuration of functionality and migration of data to S/4HANA.</p> <p>Existing interfaces with CIS Plus will require complete redesign and reimplementation but would not require additional integration with a separate ERP system.</p>
Resourcing	1	<p>Requires recruiting non-SAP talent.</p> <p>Onboarding, training and building a new FBC CIS application support team required.</p> <p>Separate CIS applications between FEI and FBC limits opportunity for resource sharing.</p> <p>FBC Customer Service resourcing will increase in the short term and then ramp down to current levels after post-implementation stabilization.</p>	3	<p>Leverages existing skillset of FortisBC SAP application support team.</p> <p>Allows for a single FortisBC CIS application support team that supports the CIS application for both FBC and FEI.</p> <p>FBC Customer Service resourcing will increase in the short term and then ramp down to current levels after post-implementation stabilization.</p>

Criteria	CIS Alt 3 Scoring	CIS Alt 3 Non-SAP Replacement	CIS Alt 4 Scoring	CIS Alt 4 CIS SAP S/4HANA Replacement
Training	1	<p>Medium redesign to FBC contact centre processes and major redesign to billing processes. Significant changes to system user interface. Process and user interface changes will require extensive retraining.</p> <p>Both FBC customer service team and FEI pool of customer service representatives who provide FBC overflow support will require extensive training on new non-SAP CIS.</p> <p>Application technical support teams will require significant retraining on the new application and new technical support resources will need to be recruited and trained to support the new non-SAP CIS.</p>	2	<p>Medium redesign to FBC contact centre processes and major redesign to billing processes. Significant changes to system user interface. Process and user interface changes will require extensive retraining.</p> <p>FBC customer service team will require extensive training on new SAP system, but FEI pool of customer service representatives who provide FBC overflow support will have strong foundation of SAP knowledge to build on that will make training less complex.</p> <p>Application technical teams will require some retraining but will have strong foundation of SAP knowledge to build on.</p>
Organizational Change	1	<p>Completely new application platform and database for FBC CIS.</p> <p>New application support team will be required to support the new CIS application and new resources recruited and onboarded to join this team.</p> <p>Steep learning curve for all staff to adopt new processes and learn new system functionality.</p> <p>Time required for organization to fully adopt changes will be significant.</p>	2	<p>Completely new application platform and database for FBC CIS.</p> <p>Current SAP application support team can be used to support common FEI and FBC SAP CIS application.</p> <p>Migrating the CIS function into SAP will allow for process alignment between FBC and FEI and mitigate learning curve.</p> <p>Time required for organization to fully adopt changes will be moderate.</p>

1

1 CIS Alternative 3 has a high level of process and technology change and would result in a very
2 high level of change within the organization. Implementing a non-SAP CIS platform would require
3 a complex data migration, extensive redesign and reimplementation of CIS interfaces and
4 significant re-engineering of business processes across multiple functional areas. It would also
5 result in FBC continuing to run a separate CIS from both FEI's CIS and the Companies' (i.e., FEI
6 and FBC) enterprise ERP platform. Keeping the FBC CIS on a separate platform increases
7 technology change and raises dependency risks between systems, making testing, cutover, and
8 long-term maintenance more challenging. It would also require the creation of a new application
9 support team, with existing support resources retrained and new resources recruited and
10 onboarded to join the team. Overall ongoing application support resource requirements would be
11 greater due to the need for specialized skills across the different technology stacks, increasing
12 both complexity and cost.

13 CIS Alternative 4 also has a high level of process and technology change but would result in only
14 a medium level of change within the organization. Similar to CIS Alternative 3, migrating CIS Plus
15 to the SAP S/4HANA CIS would require a complex data migration, extensive redesign and
16 reimplementation of CIS interfaces, and significant re-engineering of business processes across
17 multiple functional areas. However, unlike CIS Alternative 3, CIS Alternative 4 would provide FBC
18 with a single enterprise SAP platform that supports both CIS and ERP functions and enables
19 synergies and efficiencies for ongoing support, such as allowing for a single FEI and FBC CIS
20 application support team. Overall, given FortisBC's existing familiarity with SAP, less training will
21 be required than for a non-SAP system, and the organization will be able to fully adjust to the new
22 processes, technologies and resource changes within a moderate amount of time.

23 **4.4.5 Criteria 3 Scoring and Rationale**

24 FBC's evaluation of the two feasible alternatives under Criteria 3 is set out in the table below.

1 **Table 4-8: Evaluation of Criteria 3 – Financial – Impact on Customer Rates**

Criteria	CIS Alt 3 Scoring	CIS Alt 3 Non-SAP Replacement	CIS Alt 4 Scoring	CIS Alt 4 CIS SAP S/4HANA Replacement
Levelized Rate Impact (FBC)	1	Ongoing annual application support costs will be higher than for an S/4HANA replacement as a new separate non-SAP CIS support team will be required.	2	Ongoing annual application costs will be lower than for a non-SAP replacement as a single team will be able to provide support for both FBC and FEI SAP systems.

2

1 As discussed in Section 4.3.2, the levelized rate impact of CIS Alternatives 3 and 4 is very similar
 2 at 2.37 percent and 2.31 percent, respectively. As the rate impact for CIS Alternative 3 is slightly
 3 higher, FBC has assigned it a score of “1” (compared to CIS Alternative 4 which FBC assigned a
 4 score of “2”). FBC notes, however, that even if the two alternatives were scored the same, the
 5 overall score for CIS Alternative 4 would still be higher and it would still be the preferred
 6 alternative.

7 **4.4.6 CIS Alternative 4 is the Preferred Alternative**

8 Table 4-9 below includes the results of the weighted scoring and shows that CIS Alternative 4 is
 9 the preferred alternative, with the highest total weighted score of 1.69 out of 3 compared to a
 10 weighted score of 2.39 out of 3 for CIS Alternative 3.

11 **Table 4-9: Weighted Scoring**

Criteria	Sub-Criteria	Weighting of Criteria	Alt 3 (Non-SAP) Score	Alt 4 (SAP) Score
Ability to Support Current and Future Requirements (30%)	Operations Analytics and Reporting	20%	3	3
	Mobile Enablement	5%	3	3
	Innovation	10%	3	3
	Flexibility and Scalability	20%	3	3
	Adaptability to Regulatory Changes	15%	3	3
	Customer Experience	30%	3	3
Project Implementation Risk (35%)	Project Size and Complexity	25%	2	2
	Resourcing	25%	1	3
	Training	15%	1	2
	Organizational Change	35%	1	2
Financial Impact (35%)	Levelized Rate Impact	100%	1	2
Total Weighted Score			1.69	2.39

12 Note to Table:

13 Total Weighted Score for Each Alternative = Sum of all [(Sub-Criteria Score) x (Sub-Criteria Weighting %)
 14 x (Criteria Weighting %)].

15
 16 Based on the evaluation of the feasible alternatives using both non-financial and financial criteria,
 17 CIS Alternative 4 – Replace CIS Plus with S/4HANA – is the preferred option.

18 Replacing FBC’s CIS Plus with SAP S/4HANA enables the consolidation of gas and electric
 19 customer operations onto a single, modern platform, resulting in improved efficiency, service
 20 consistency, and long-term sustainability. Further, CIS Alternative 4 will enable FBC to leverage
 21 the widely used SAP environment already in place for both FEI and FBC, which will mitigate

1 training timelines, better leverage existing resources, simplify integration, and streamline IT
2 support.

3 **4.5 CONCLUSION**

4 As discussed in this section, FBC must implement a solution to address the significant risk to its
5 business operations due to its current customer information system (CIS Plus) being at end of life
6 without full vendor support. As FBC's CIS is critical to its customer service functions, continuing
7 to operate CIS Plus or replace CIS Plus with FortisBC's current SAP CIS application, which itself
8 is facing end of vendor support, is not feasible. FBC investigated two feasible alternatives to
9 address the CIS Replacement Project need – replace CIS Plus with either a non-SAP CIS or with
10 SAP S/4HANA's CIS. Based on a financial and non-financial analysis of the two feasible
11 alternatives, it is clear that replacing CIS Plus with SAP S/4HANA is the preferred alternative.
12 Replacing CIS Plus with SAP S4/HANA fully addresses FBC's business risks, supports current
13 and evolving operational needs, and has a lower project implementation risk than a non-SAP CIS
14 alternative. FortisBC describes the implementation approach for the preferred CIS Alternative 4
15 in Section 5 of the Application.

16

1 5. PROJECT IMPLEMENTATION

2 5.1 INTRODUCTION

3 As discussed in Sections 3 and 4, the preferred alternative to meet the needs of both the ERP
4 Modernization and CIS Replacement Projects is to adopt and implement a supported SAP
5 platform (i.e., S/4HANA). To achieve optimal benefits and savings, FortisBC will upgrade SAP
6 and replace CIS Plus as a single project (Combined Project), with a single combined design and
7 build phase followed by a deployment phase with two separate production releases for the ERP
8 Modernization and CIS Replacement scopes. FortisBC determined that the Combined Project
9 implementation approach was the most reasonable and cost-effective path forward as it avoids
10 duplicative effort and reduces integration and change management risk.

11 Assuming BCUC approval of the Application by July 2026 and a Combined Project start in
12 November 2026, FortisBC expects the Combined Project to be closed in December 2028. The
13 total estimated base Combined Project cost, which includes the system integrator's (IBM) fixed
14 price proposal and FortisBC's portion of the base estimate, is \$169.639 million in 2025 dollars.
15 FortisBC has undertaken a comprehensive and proactive approach to identify, assess, and
16 manage risks associated with the Combined Project, including adopting a robust and collaborative
17 governance structure.

18 In this section, FortisBC provides a detailed description of the Combined Project as follows:

- 19 • Section 5.2 explains the benefits and savings from a combined implementation approach
20 for the ERP Modernization and CIS Replacement Project scopes;
- 21 • Section 5.3 describes the Combined Project scope;
- 22 • Section 5.4 describes the Combined Project timing;
- 23 • Section 5.5 describes the Combined Project base cost estimate;
- 24 • Section 5.6 discusses the Combined Project risks and how FortisBC is mitigating these
25 risks, as well as the governance structure; and
- 26 • Section 5.7 concludes this section.

27 5.2 FORTISBC WILL IMPLEMENT THE ERP MODERNIZATION AND CIS 28 REPLACEMENT SCOPES AS A SINGLE PROJECT

29 FortisBC will implement the ERP Modernization and CIS Replacement Projects together as a
30 single project that includes a combined design and build phase (Combined Project). This
31 approach has advantages over splitting the scope into independent projects, including operational
32 benefits, implementation synergies and project cost savings, and risk mitigation and technology
33 sustainability. These three key advantages of a combined implementation approach are
34 discussed below.

1. Operational Benefits

A combined implementation provides the following operational efficiencies:

- **Customer Service and Billing Alignment:** A combined design phase ensures that customer service and billing processes and application configuration are aligned where possible for both FEI and FBC operations. This promotes a consistent customer experience, enhances internal process efficiency, and supports harmonization of back-office functions.
- **Reduced Technical Complexity:** Avoids the need to operate and support dual SAP platforms (ECC and S/4HANA), thereby reducing IT maintenance costs. If the projects were implemented as standalone projects and the CIS Replacement Project was completed in advance of the ERP Modernization Project, FortisBC would need to maintain, support and operate two distinct SAP platforms, ECC and S/4HANA, concurrently.

2. Implementation Synergies and Project Cost Savings

A combined implementation enables FortisBC to realize substantial delivery efficiencies, resulting in resource optimization and project cost savings:

- **Streamlined Procurement and Vendor Engagement:** Engaging a single system integrator reduces contracting overhead, improves delivery coordination, and enables end-to-end accountability under one Master Services Agreement (MSA) and a single Statement of Work (SOW).
- **Favourable Commercial Terms:** FortisBC is able to negotiate better pricing and resource commitments from vendors, resulting in lower total cost of ownership.
- **Accelerated Project Timeline:** A Combined Project implementation significantly shortens the overall schedule, reducing exposure to resource turnover and accelerating the realization of business benefits.
- **Reduced Delivery Effort and Overhead:**
 - Business process design activities are executed once for both systems, eliminating the need to revisit CIS-related functionality in a second project;
 - Regression testing cycles are minimized as previously validated functionality does not need to be re-executed in separate timelines; and
 - Reduction in delivery effort and overall schedule duration decreases overall project management and overhead costs such as leased facility space required for the on-site project team.
- **Integrated Change Management and Training:** Consolidated testing, training, and user adoption programs reduce the burden on internal staff and support smoother transitions across departments. Communication, change management and training would be more complex to coordinate across multiple projects and would increase the risk of organizational change fatigue.

1 3. Risk Mitigation and Technology Sustainability

2 A Combined Project reduces the implementation timeline, which in turn reduces the operational
3 risk exposure, as follows:

- 4 • **Consolidated Risk Planning and Governance:** A single governance framework allows
5 for clearer oversight, streamlined risk management, and coordinated decision-making
6 across both workstreams.
- 7 • **Accelerated Decommissioning of Legacy Systems:** Obsolete and unsupported
8 platforms, including CIS Plus, SAP ECC, SAP CRM and SAP BW, can be retired on an
9 expedited schedule, reducing the likelihood of system failures or non-compliance.
- 10 • **Improved Cybersecurity:** Transitioning to SAP S/4HANA's cloud-based infrastructure
11 strengthens FortisBC's cybersecurity posture through modern, vendor-managed security
12 controls and automated patch management.

13 The following section describes the Combined Project scope.

14 5.3 COMBINED PROJECT SCOPE

15 The Combined Project scope is comprised of two key components – the ERP Modernization
16 scope and the CIS Replacement scope. Each of these two components is described in detail
17 below.

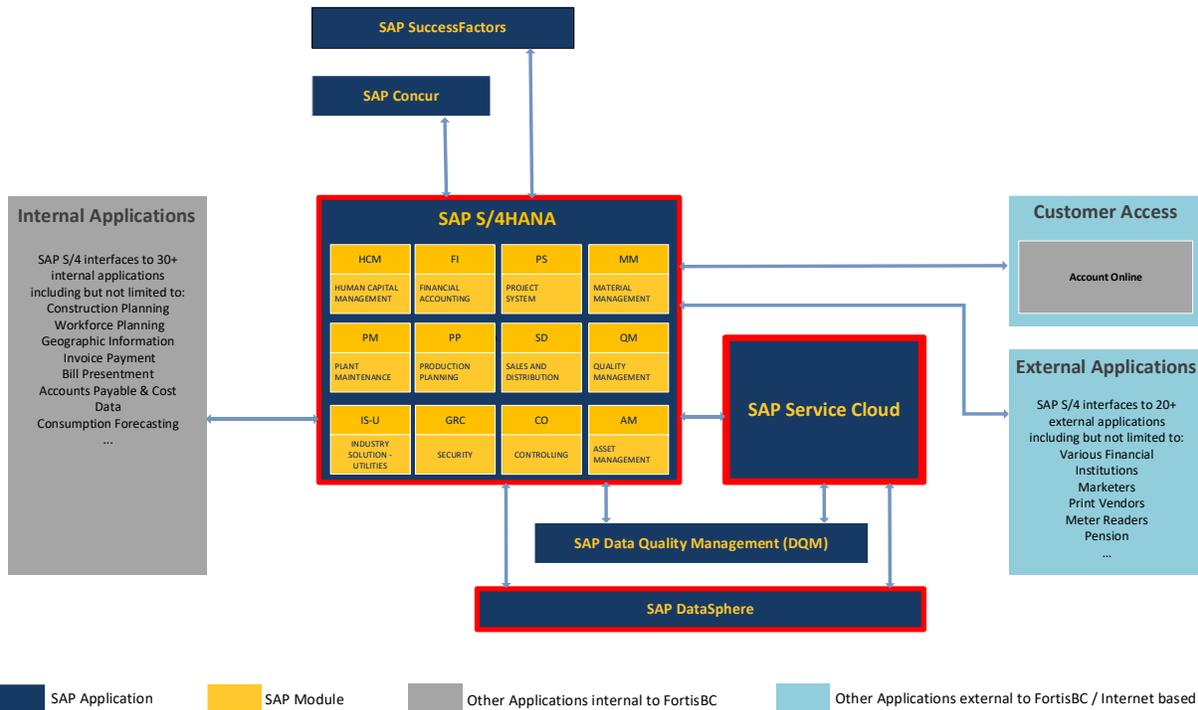
18 5.3.1 ERP Modernization Scope

19 The ERP Modernization scope includes migrating FortisBC's existing business processes,
20 system configurations, enhancements, and data from the existing on-premise SAP platform to a
21 cloud-based SAP platform. The main scope elements are summarized as follows:

- 22 • Upgrade the current SAP ECC application to SAP's S/4HANA cloud-based solution (RISE
23 with SAP). This includes ensuring all existing interfaces to other applications and cloud-
24 based systems continue to function in the new S/4HANA environment.
- 25 • Replace the current SAP CRM CIS application with SAP Service Cloud. This is the SAP
26 Software as a Service (SaaS) solution for customer service employees to use as their new
27 customer information system.
- 28 • Upgrade the current SAP BW application to SAP Datasphere Cloud. This is FortisBC's
29 new analytics application.
- 30 • Migrate from the current SAP Graphical User Interface (GUI) to the new modern SAP Fiori
31 User Interface.

32 These scope elements are discussed in the following subsections and Figure 5-1 depicts the
33 FortisBC SAP environment after the ERP Modernization portion of the Combined Project
34 implementation is complete. The new applications are highlighted in red.

Figure 5-1: SAP at FortisBC After Implementation of ERP Modernization Project



5.3.1.1 Upgrade SAP ECC to S/4HANA

A foundational element of the ERP Modernization scope is the upgrade of the SAP ERP application from ECC to S/4HANA. This transition involves migrating core business processes, data, and system configurations to the cloud, using SAP’s RISE with SAP service hosted on a cloud hosting provider. Please see Section 5.3.1.5 for further details.

This upgrade will move FortisBC from a traditional on-premises infrastructure to a modern, cloud-based ERP environment. Following an RFP process that evaluated multiple leading firms, FortisBC selected IBM as its system integrator. SAP’s automated migration tools will be used to move critical functions such as finance, supply chain, asset management, and human resources to the new platform. Additionally, over 30 existing interfaces that connect SAP with both internal and external applications – including billing, procurement, payroll, and customer service – will be thoroughly tested and updated as necessary to ensure uninterrupted service delivery.

5.3.1.2 Replace SAP CRM CIS with SAP Service Cloud

At the end of 2027, SAP is also ending support for its CRM CIS application (IC-Web) currently being used by FEI. Over the years, this application has been heavily customized by FEI to support its evolving business needs and to provide a better customer experience.

As such, FortisBC will replace FEI’s existing SAP CRM CIS with SAP Service Cloud. SAP Service Cloud is a modern, cloud-based platform, designed to support high-volume, multi-channel

1 customer engagement with its core functionality meeting FortisBC’s requirements. Service Cloud
2 also supports future enhancement requirements for both FEI’s and FBC’s customer service
3 operations.

4 SAP Service Cloud will serve as the primary interface for both FEI’s and FBC’s CSRs, offering a
5 centralized system for managing customer accounts, tracking interactions, and resolving service
6 requests. The platform will be configured and integrated with S/4HANA in collaboration with IBM
7 and SAP, ensuring real-time access to billing, meter data, and service history during customer
8 interactions.

9 ***5.3.1.3 Upgrade from SAP Business Warehouse to SAP Datasphere Cloud***

10 At the end of 2027, SAP is also ending support for its Business Warehouse application. As part
11 of the ERP Modernization scope, SAP BW will be upgraded to Datasphere, SAP’s next-
12 generation, cloud-native data and analytics platform. Working with IBM, FortisBC will migrate and
13 redesign required reports and dashboards used by departments throughout FortisBC, such as
14 finance and operations. The focus will be on enabling predictive analytics, enhancing performance
15 metrics, and creating a more flexible self-service analytics environment.

16 ***5.3.1.4 Migrate to SAP Fiori User Interface***

17 The current SAP Graphical User Interface will be migrated to the SAP Fiori interface. SAP Fiori
18 is a user-centric, role-based interface that delivers a consistent and responsive experience across
19 desktops, tablets, and mobile devices. IBM and FortisBC will collaborate to redesign high-usage
20 processes in Fiori for business units such as Finance, Supply Chain, Field Operations, and
21 Human Resources.

22 ***5.3.1.5 Migrate to SAP Managed Cloud Platform***

23 FortisBC will be using RISE with SAP for infrastructure and service delivery of S/4HANA. RISE
24 with SAP is a subscription-based service offered directly by SAP that bundles the S/4HANA
25 software, infrastructure, database services, support, and ongoing technical enhancements into a
26 single, unified contract. With RISE with SAP, all S/4HANA application and S/4HANA database
27 servers will be hosted in a cloud environment and maintained by SAP. FortisBC will select a
28 preferred cloud hosting provider (hyperscaler), such as Microsoft Azure, Amazon Web Services,
29 or Google Cloud, but will contract solely with SAP for cloud hosting services where SAP is
30 responsible for managing the infrastructure that the software runs on. This single-vendor
31 accountability model reduces the complexity of managing multiple contracts and service providers
32 and supports simplified governance of the SAP ecosystem.

33 FortisBC will be using a private cloud version of RISE with SAP to meet FortisBC’s security,
34 reliability and audit requirements, rather than a public cloud version where FortisBC would share
35 a cloud environment and database with other third parties. The private cloud provides a dedicated
36 and isolated environment with controls aligned to international security standards, ensuring data
37 protection and compliance with financial reporting and regulatory obligations. It offers auditable

1 system controls, strong segregation of duties, and robust disaster recovery capabilities, while also
2 giving FortisBC greater control over system configuration, integration, and upgrade timing. This
3 model ensures operational continuity of critical utility functions and positions FortisBC to remain
4 compliant and secure as industry standards and cyber security challenges evolve.

5 **5.3.2 CIS Replacement Scope**

6 The CIS Replacement scope includes transitioning from FBC's legacy CIS Plus platform to a
7 modern, integrated solution built on SAP S/4HANA and SAP's CRM application Service Cloud
8 (described previously in Section 5.3.1.2). The replacement scope is structured around three key
9 functional areas:

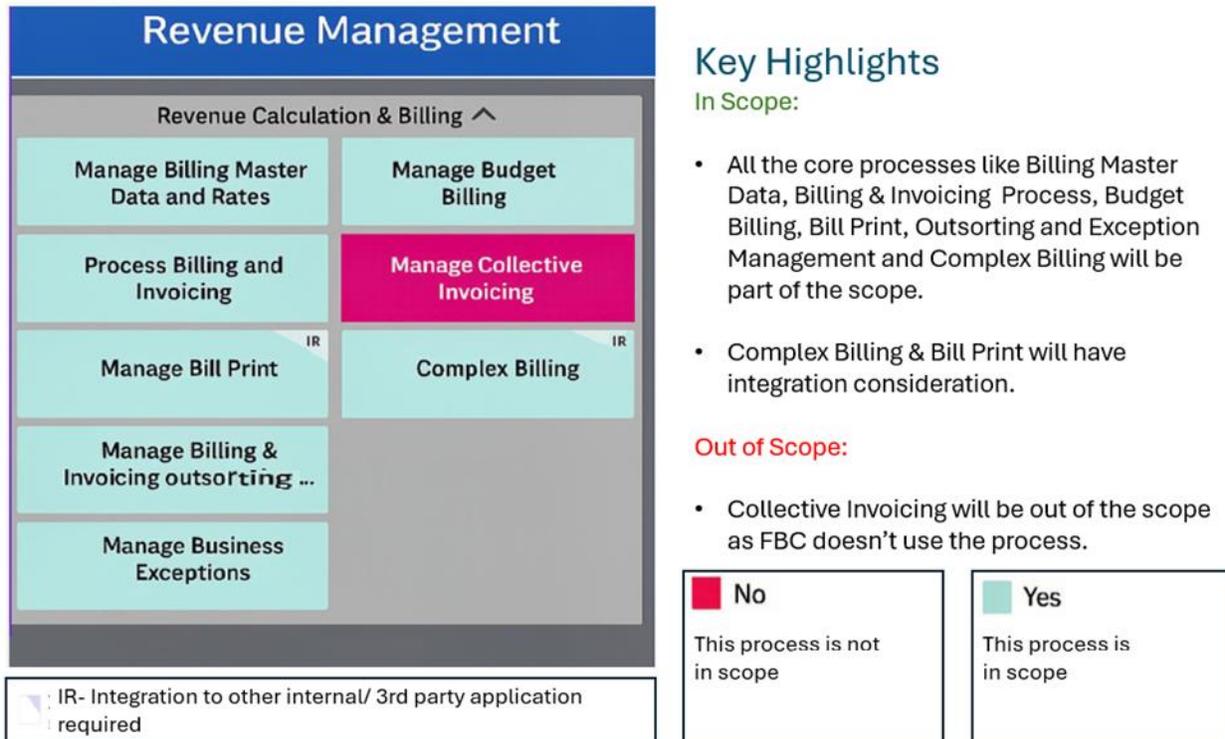
- 10 • **Revenue Management, Billing and Customer Accounting:** Migrating the existing
11 Meter-to-Cash billing functionality from CIS Plus to SAP, including ensuring all existing
12 interfaces to other applications continue to function in the new SAP environment.
- 13 • **Customer Relationship Management:** Migrating the existing CIS Plus Customer Service
14 front-end functionality to SAP's Service Cloud application primarily used by customer
15 service staff to manage customer inquiries.
- 16 • **Work Management:** Integrating with several interfaces such as Mobile Workforce
17 Management (MWFM), Geographic Information System (GIS), Disconnection /
18 Reconnection service orders, device management and field service-related orders.

19 Each of these areas address core functions that are currently fragmented, manually intensive, or
20 constrained by aging technology, and will be enhanced through the adoption of SAP's modern
21 utility-specific solutions.

22 **5.3.2.1 Revenue Management, Billing and Customer Accounting**

23 The first major scope element is Revenue Management, Billing, and Customer Accounting, which
24 involves the migration of FBC's existing meter-to-cash functionality from the CIS Plus platform to
25 SAP. This includes all activities related to meter read processing, billing calculation, invoice
26 generation, credit management, collections, and customer account reconciliation. Additionally,
27 FBC will ensure the continuity of existing interfaces between the CIS and other applications,
28 including third-party cloud-based systems and the Meter Data Management System (MDMS).
29 This enhanced platform will better support regulatory and market changes, such as the
30 implementation of new rate structures and time-of-use billing. Figures 5-2 and 5-3 below illustrate
31 the in-scope and out-of-scope elements of the Revenue Management, Billing and Customer
32 Accounting functions (collectively, these are referred to as the "Meter to Cash" functions).

1 **Figure 5-2: Meter to Cash: Revenue Management and Billing**



2
3 **Figure 5-3: Meter to Cash: Customer Accounting**



1 **5.3.2.2 Customer Relationship Management**

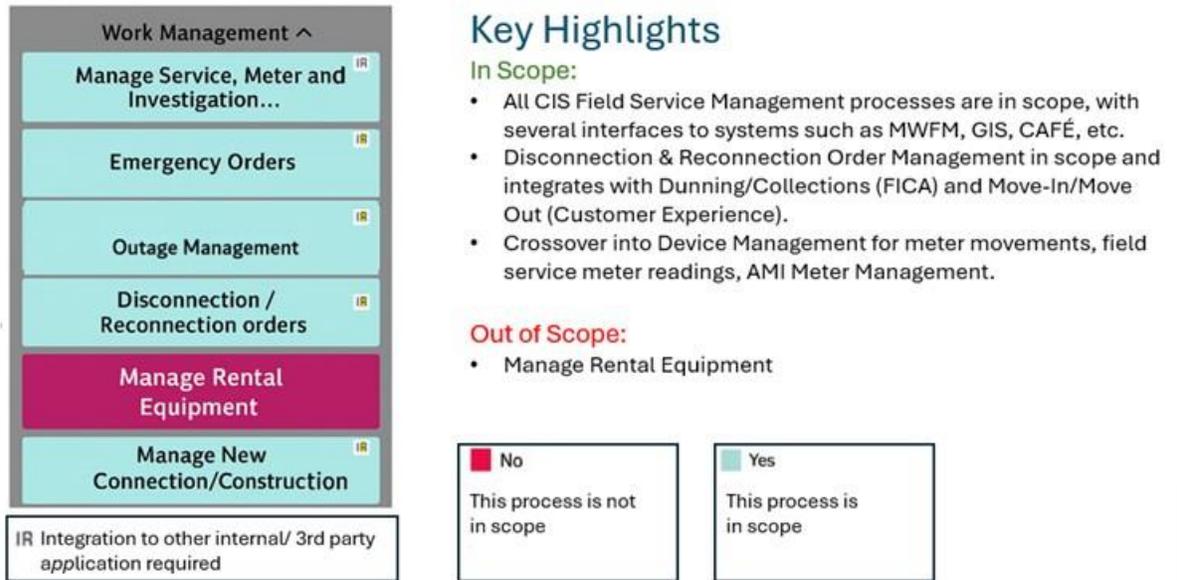
2 The second scope element is the introduction of a new CRM application, which will replace the
3 front-end customer service functionality currently provided through CIS Plus, with SAP's CRM
4 application, Service Cloud. SAP's Service Cloud application will serve as the centralized platform
5 for CSRs, supporting customer interaction channels such as phone, email and chat. The transition
6 to this CRM application will significantly improve usability and streamline access to key customer
7 data, including billing history, service orders, and case management activities.

8 **5.3.2.3 Work Management**

9 The third scope element addresses Work Management Integration, including the modernization
10 and integration of field service workflows currently interfacing with CIS Plus. Currently, these
11 processes, which include disconnection and reconnection service orders, new meter installations,
12 maintenance requests, and coordination with systems such as MWFM, GIS, and device
13 management tools, are supported through a combination of manual interventions and flat-file
14 transfers. Under SAP, the current interface will be replaced with a fully integrated solution that
15 enables real-time, bidirectional communication between customer service teams and field crews.
16 Service orders will be scheduled, dispatched, and updated with greater speed, accuracy, and
17 transparency. Integration with GIS and MWFM will provide end-to-end visibility of work order
18 progress, optimizing field resource utilization and reducing the likelihood of errors or delays.
19 These capabilities will improve the efficiency and responsiveness of FBC's field operations and
20 reduce the risk of service disruption for customers. Additionally, the new platform will provide the
21 technological foundation for future innovations such as predictive maintenance and automated
22 dispatching. The figure below illustrates the in-scope and out-of-scope elements of this function.

1

Figure 5-4: Work Management



2

3 **5.4 COMBINED PROJECT SCHEDULE**

4 Upon receiving BCUC approval, FortisBC will initiate final scope-of-work discussions with IBM, its
 5 selected system integrator, during a dedicated Project Initiation period. This window will allow
 6 FortisBC and IBM to finalize work plans and secure the necessary project resources. The targeted
 7 Q3 2028 go-live will be supported by the purchase of SAP extended support for 2028, ensuring
 8 continuity of vendor support until the migration is complete.

9 The Combined Project schedule is planned to span approximately 26 months and has been
 10 developed using a structured delivery framework. The schedule follows sequential phases of
 11 design, build, testing, deployment, and stabilization. There will be some overlap between the
 12 design and build phases, but the build phase will be fully complete before transitioning to the
 13 testing phase. Each phase will have a quality control gate with exit criteria that must be met before
 14 the phase will be accepted as complete.

15 Within this framework, the design and build activities will be undertaken once to cover the
 16 Combined Project.

17 The build phase will be followed by separate but overlapping test phases for the ERP
 18 Modernization and CIS Replacement scopes. Overlapping the two test phases will provide testing
 19 synergies where scope overlaps (e.g., FEI and FBC customer service functionality).

20 The deployment phase is split into two separate production releases. The first production release
 21 will modernize the existing ERP platform, followed by additional testing and a second production

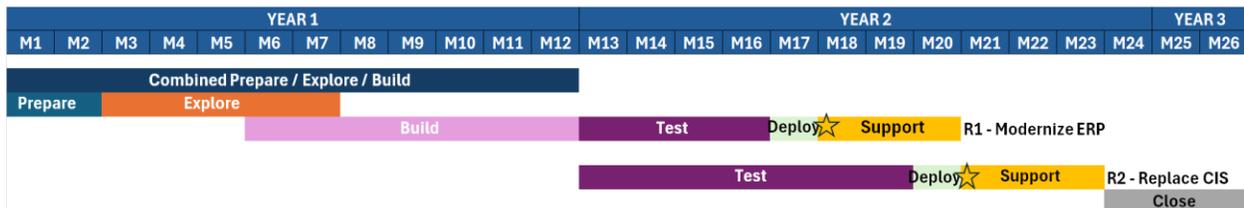
1 release that migrates the data from CIS Plus to the new modernized ERP platform so that CIS
2 Plus is fully replaced and can be decommissioned.

3 Splitting the deployment phase into separate production releases has several benefits:

- 4 • **Change Management:** Sequencing the production releases allows FortisBC to
5 concentrate training, stabilization, and support resources on one major system at a time.
6 The brief gap between releases will enable FortisBC to fully embed new processes,
7 address lessons learned and refine change management approaches before commencing
8 the second release.
- 9 • **Operational and Technical Risk Reduction:** Upgrading the SAP platform first allows
10 FortisBC to modernize its financial and operational backbone and ensure any user
11 adoption or technical issues are resolved before introducing the additional complexity of
12 the legacy CIS Plus replacement. Key project resources will remain consistent between
13 releases and will have the opportunity to apply lessons learned from the ERP
14 Modernization deployment to the CIS Replacement deployment.

15 The Combined Project schedule is shown in Figure 5-5 below.

16 **Figure 5-5: Combined Project Schedule**



17
18 Table 5-1 below shows the estimated Combined Project execution schedule. This preliminary
19 schedule is based on receiving BCUC approval of the Application by July 2026 and an assumed
20 Combined Project start in November 2026. Upon receiving BCUC approval, FortisBC will
21 immediately initiate final scope-of-work discussions with IBM. This initiation and “ramp-up” period
22 is planned for three months and will allow FortisBC and IBM to confirm detailed work plans, align
23 on deliverables, and secure the appropriate resources needed to ensure a timely and efficient
24 launch.

25 **Table 5-1: Combined Project Schedule**

Phase	Estimated Duration	Planned Start	Planned Finish
Combined - Prepare	2 Months	Nov 2026	Dec 2026
Combined - Explore	5 Months	Jan 2027	May 2027
Combined - Build	7 Months	Apr 2027	Oct 2027
ERP Modernization Release 1 - Test	4 Months	Nov 2027	Feb 2028
ERP Modernization Release 1 – Deploy	1 Month	Mar 2028	Apr 2028
ERP Modernization Release 1 – Support	3 Months	Apr 2028	Jun 2028

Electric CIS Release 2 - Test	7 Months	Nov 2027	May 2028
Electric CIS Release 2 – Deploy	1 Month	Jun 2028	Jul 2028
Electric CIS Release 2 - Support	3 Months	Jul 2028	Sep 2028
Project Closure	3 Months	Oct 2028	Dec 2028

1 The Combined Project is scheduled to be completed by the end of 2028 and the schedule takes
 2 into consideration FortisBC’s business planning cycles and the end of mainstream support for the
 3 SAP ECC, CRM and BW applications. Additional schedule considerations are business
 4 constraints around certain time periods during which the rollout of major system changes need to
 5 be avoided (e.g., financial reporting periods). Depending on the actual Combined Project start
 6 date, the overall execution schedule duration may be extended to align the system deployment
 7 dates with these windows.

8 **5.5 COMBINED PROJECT BASE COST ESTIMATE**

9 The AACE Class 3 estimate for the Combined Project includes a fixed price proposal and
 10 schedule provided by IBM, along with additional costs estimated by FortisBC to support delivery
 11 of the Combined Project, including third-party vendors, internal project labour, software licenses,
 12 infrastructure, and facilities costs.

13 The IBM proposal includes costs to:

- 14 • Upgrade the FortisBC SAP ECC application to S/4HANA, including all services to design,
 15 configure and install the S/4HANA software, and migrate data from SAP ECC;
- 16 • Replace SAP BW with SAP DataSphere, including data migration;
- 17 • Design, configure, and install SAP Service Cloud as the CRM application;
- 18 • Replace FBC’s CIS Plus with SAP S/4HANA, including all services to design, configure,
 19 and install the S/4HANA software, and migrate data from CIS Plus; and
- 20 • Assist FortisBC with testing, change management and training, and provide go-live and
 21 post go-live support.

22 FortisBC negotiated a pricing discount with IBM from the original fixed fee proposal and engaged
 23 an independent third-party to conduct a quality assurance review, including market comparisons.
 24 FortisBC secured additional IBM cost certainty by obtaining a commitment from IBM that the fixed
 25 fee pricing will remain valid provided a contract is entered into by December 31, 2026, and
 26 increase by not more than 2.5 percent provided a contract is entered into by December 31, 2027.

27 The FortisBC portion of the cost estimate includes:

- 28 • **Third-Party Vendor Costs**

- 1 ○ **Interface Modifications:** FortisBC identified existing interfaces between SAP
2 ECC or CIS Plus and other third-party applications that require modifications to
3 integrate with S/4HANA.
- 4 ○ **SAP Subject Matter Expertise:** In collaboration with IBM, FortisBC identified
5 areas where additional SAP subject matter expertise and services are required to
6 support the project activities. SAP was engaged to confirm the scope of services
7 and FortisBC obtained a corresponding proposal from SAP.
- 8 ○ **Performance Testing:** As performance testing is not included in IBM's current
9 scope of work, FortisBC obtained quotes from both IBM and SAP. A decision on
10 the service provider will be made prior to the start of the Combined Project.
- 11 ○ **External Audit:** FortisBC plans to engage an external firm that specializes in large
12 scale technology programs to provide quality assurance services, including gate
13 reviews, solution quality checks, and benefit realization audits. Costs for these
14 services are based on external market research.
- 15 ● **FortisBC Labour Costs**
- 16 ○ To support resourcing for the Combined Project, FortisBC developed a resource
17 plan based on IBM's project schedule and staffing recommendations for key areas
18 as well as inputs from FortisBC functional and technical leads. The plan primarily
19 includes FortisBC employees, supplemented by external contractors, across areas
20 such as project management, business and technical teams, change
21 management, and training.
- 22 ● **Software License Costs**
- 23 ○ **SAP:** In collaboration with IBM and SAP, FortisBC identified the SAP software
24 components and sizing based on the Combined Project scope and number of
25 users. A third-party firm was engaged to support the review and negotiation of SAP
26 license pricing, resulting in a discounted Bill of Materials (BOM) from SAP with
27 costs for the licenses.
- 28 ○ **Third Party Software:** In addition to the SAP licensing, third-party software
29 licensing is required for data migration and integration with third party applications.
30 FortisBC obtained quotes from IBM and other third-party vendors for these
31 licenses.
- 32 ● **Infrastructure Costs**
- 33 ○ FortisBC identified application test environments beyond SAP S/4HANA required
34 to support interface testing and estimated the costs of the supporting infrastructure
35 (e.g., virtual machines).
- 36 ● **Facilities Costs**
- 37 ○ To support collaboration between core project team members, FortisBC and IBM
38 have planned for an onsite resource strategy at a FortisBC facility in the Lower

1 Mainland. FortisBC conducted market research to determine the costs of
2 temporarily leasing and configuring additional office space for the Project team.

3 The total base cost estimate, which includes IBM's fixed price proposal and FortisBC's portion of
4 the base estimate, is \$169.639 million in 2025 dollars. A summary of the total Combined Project
5 cost estimate is provided in Table 6-1 of Section 6. Please also refer to Confidential Appendix A
6 for details of the base cost estimate. A contingency of 15 percent is applied to the base cost
7 estimate, consistent with the Combined Project risk mitigation measures described in Section 5.6.

8 **5.6 COMBINED PROJECT RISKS AND GOVERNANCE**

9 FortisBC has undertaken a comprehensive and proactive approach to identify, assess, and
10 manage risks associated with the Combined Project. This includes conducting readiness
11 assessments, engaging experienced system integrators, aligning implementation timelines with
12 industry cycles, involving key business leaders in decision-making, and following a structured
13 governance framework.

14 The following subsections describe FortisBC's approach to risk identification, the pre-
15 implementation and implementation risk mitigation measures that FortisBC will undertake or has
16 already undertaken, and the governance structure.

17 **5.6.1 Pre-Implementation Risk Mitigation Measures**

18 FortisBC undertook a series of risk mitigation activities to reduce technical, operational, and
19 resource related uncertainties, as described below:

- 20 • **System Readiness and Architecture Reviews:** FortisBC engaged internal technical
21 teams, SAP experts, and external advisors to conduct comprehensive assessments of the
22 current SAP and CIS Plus environments. These reviews evaluated infrastructure capacity,
23 system performance baselines, and architectural alignment with SAP S/4HANA. The
24 analysis confirmed that migration is feasible within the planned timeframe.
- 25 • **Custom Code and Interface Inventory:** FortisBC completed an end-to-end inventory
26 assessment and assessment of all custom developments, modifications, and system
27 interfaces within its SAP and CIS landscapes. This activity identified high priority items
28 that may not be compatible with S/4HANA and informed a remediation roadmap. By
29 eliminating obsolete customizations, consolidating duplicative interfaces, and adopting
30 SAP standard functionality where possible, it will improve system stability and
31 performance and enable faster implementation.
- 32 • **Joint Assessments with SAP and IBM:** FortisBC convened multiple collaborative
33 workshops with SAP product specialists and IBM (the selected system integrator) to
34 validate business process alignment and confirm that core requirements can be met
35 through SAP standard solutions. These assessments minimized reliance on non-standard

1 configurations, which will reduce long-term support risk and enhance alignment with SAP's
 2 future release roadmap.

- 3 • **Project Timing:** FortisBC is advancing the Combined Project ahead of SAP's announced
 4 2027 end of support for its ECC, CRM and BW applications, thereby avoiding the
 5 anticipated increase in global demand for skilled resources as that deadline approaches.
 6 This timing will secure access to experienced consultants, improve resource availability,
 7 and ensure that lessons learned from early adopters can be applied.
- 8 • **Program Governance Structure:** As described in Section 5.6.2 below, a comprehensive
 9 governance structure has been established to ensure executive sponsorship, business
 10 alignment, and timely decision making. This structure includes an Executive Advisory
 11 Committee, Project Steering Committee, and cross-functional design authority groups. By
 12 incorporating representation from various departments, risks and interdependencies can
 13 be surfaced and resolved quickly. This multi-tiered framework also strengthens
 14 accountability and enables the project team to manage scope, cost, and schedule with
 15 discipline.

16 **5.6.2 Implementation Risk Mitigation Measures**

17 To reduce and manage implementation risk, key risks and their mitigations have been identified.
 18 Some of these mitigations have already been executed and others will be further developed and
 19 executed during the Combined Project delivery. As described below, FortisBC has utilized a
 20 structured methodology to evaluate, score and assess risks for the Combined Project.

21 For each risk, a qualitative assessment was made based on the likelihood of the risk occurring
 22 and the impact to the Combined Project should it occur. Tables 5-2 and 5-3 below outline the
 23 scale used to assess the likelihood of a risk occurring and the scale used to assess the impact of
 24 a risk to the Combined Project should it occur.

25 **Table 5-2: Risk Likelihood**

Likelihood		
	Descriptor	Description
5	Almost certain	80-100% probability of occurring
4	Likely	60-80% probability of occurring
3	Possible	40-60% probability of occurring
2	Unlikely	20-40% probability of occurring
1	Rare	0-20% probability of occurring

1

Table 5-3: Risk Severity

Impact ¹				
	Descriptor	Budget	Progress	Quality
5	Critical	>10% increase in program / project budget	Major overall program slippage	Program / project deliverable unusable; major impact on expected benefits
4	Major	5-10% increase in program / project budget	Critical path is impacted	Quality reduction unacceptable to stakeholders; significant impact on expected benefits
3	Moderate	2-5% increase in program / project budget	Key milestones will slip	Quality reduction requires stakeholder approval; some impact to expected benefits
2	Minor	1-2% increase in program / project budget	Additional activities required, minimal milestone impact	Minor quality degradation; minor impact on expected benefits
1	Insignificant	<1% increase in program / project budget	Schedule slippage accommodated easily	Quality degradation barely noticeable; minimal impact on expected benefits

2 Note to Table:

3 ¹ Overall impact rating is the highest rating of Budget, Progress, and Quality.

4 The level of a risk's impact to the Combined Project or FortisBC is based on the Likelihood times
5 the Severity and rated on a scale of 1 to 25. Based on the level of each risk it is categorized as
6 Low, Medium, High or Critical.

7 • **Low (1 - 4):** Managed by routine project management and governance procedures.

8 • **Medium (5 - 9):** Managed by specific monitoring and response procedures.

9 • **High (10 - 15):** Management responsibility should be specified and appropriate action
10 taken.

11 • **Critical (16 – 25):** Immediate action required.

12 Table 5-4 below outlines how the overall level of risk is calculated and color coded based on the
13 combined risk likelihood and impact scores.

1

Table 5-4: Level of Risk Calculations

Level of Risk					
Likelihood	Impact				
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Critical (5)
Almost Certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Rare (1)	1	2	3	4	5

2

3 Using this approach, the key identified risks and associated mitigations are set out in Table 5-5
 4 below.

1

Table 5-5: Combined Project Risk Matrix

Risk	Mitigation Plans	Mitigation Status	Likelihood and Severity	Risk Level
Cost overruns compared to plan due to higher than budgeted system integrator costs.	Planning phase completed to develop: <ul style="list-style-type: none"> • detailed cost estimate • detailed scope and requirements • bottom-up resource plan 	Complete	Rare, Critical	Medium (5)
	Fixed fee proposal with firm pricing commitment from IBM provided contract signed before end of 2026, with maximum price increase of 2.5 percent if signed before end of 2027.	Complete		
	Strong Master Services Agreement (MSA) with system integrator in place with robust contract terms.	Complete		
	15 percent contingency included in Combined Project cost estimate.	Complete		
	Additional financial controls will be included in implementation schedule of work (e.g., FortisBC approvals required prior to revising established on-site resource plan and travel expenses) and robust governance around scope management will be implemented.	Planned		
Cost overruns and ongoing O&M costs due to higher than planned software costs.	Bill of Materials (BoM) confirmed with SAP for software licenses and pricing negotiated with SAP.	Complete	Possible, Minor	Medium (6)
	15 percent contingency included in the Combined Project cost estimate.	Complete		
	Forecast number of application users in 2028 when new software goes into use have been incorporated into software licensing costs and changes to these forecasts will be closely monitored and assessed prior to granting additional users access to the system.	Planned		

Risk	Mitigation Plans	Mitigation Status	Likelihood and Severity	Risk Level
Cost overruns due to higher than planned third party costs.	Planning phase completed to confirm third party vendor requirements (e.g., list of system interfaces requiring modifications, SAP support required, external audit requirements).	Complete	Possible, Moderate	Medium (9)
	Third parties engaged and quotes received for modifications to major system interfaces.	Complete		
	Support required from SAP confirmed during meetings between FortisBC, IBM and SAP.	Complete		
	Third parties will be engaged prior to Combined Project start to align schedules to mitigate risk of vendor rework that could drive up costs.	Planned		
	FortisBC Integration Manager is included in project resource plan and will be responsible for monitoring and managing third party vendors required to make interface modifications.	Planned		
Delay completing project deliverables causes schedule delays compared to plan.	Strong MSA with IBM in place with penalties to provide commercial discipline around delivery dates.	Complete	Unlikely, Major	Medium (8)
	Strong governance and decision-making framework in place to mitigate delays to critical path decisions.	In Progress		
	Key project roles have been identified and operational employees filling these roles will be backfilled to ensure their time is fully committed to the Combined Project.	Planned		
	Prior to start, statements of work with other third-party vendors will be finalized. Dependencies with system integrator deliverables will be identified and third-party vendor deliverable dates will be aligned with overall schedule. FortisBC Integration Project Manager will be assigned to track and manage system integration between third party vendors and the system integrator.	Planned		

Risk	Mitigation Plans	Mitigation Status	Likelihood and Severity	Risk Level
CIS Plus data quality issues impact quality or schedule.	Four mock data conversion loads have been included as part of the data conversion test plan. Confirmed with the system integrator that if required, additional mock conversion loads will be executed until data quality exit criteria are met.	Complete	Unlikely, Major	Medium (8)
	Pre-work to assess and cleanup CIS Plus data prior to start date.	In Progress		
Unplanned and unavoidable Project schedule overlap with other major initiatives or operational business constraints causes schedule delays.	Business areas have all provided their “black out” windows during which key business activities would prevent deployment of new system to production.	In Progress	Possible, Moderate	Medium (9)
	Check points with other business areas will be conducted regularly to align schedules and manage dependencies.	In Progress		
Unplanned mandatory and high impacting system changes may be required to be introduced during the Project timelines, resulting in schedule delays and/or increased cost.	Planning phase identified some possible upcoming technology changes and cost estimates were updated to account for what was known.	Complete	Likely, Minor	Medium (8)
	Where possible, required technology changes impacting this Project are being completed in advance or being delayed until after this Project completes.	In Progress		
SAP does not host the in-scope CRM solution (ServiceCloud Version 2) in a Canadian Data Centre.	Planning phase analysis with IBM validated that if ServiceCloud Version 2 is not a viable option, Service Cloud Version 1 can be used to meet FortisBC’s requirements at no additional cost. Service Cloud Version 1 is currently hosted in a Canadian Data Centre.	Complete	Possible, Minor	Medium (6)
	During software negotiations with SAP, FortisBC has requested that SAP host ServiceCloud Version 2 in a Canadian Data Centre and SAP has initiated a business case to explore this.	In Progress		

Risk	Mitigation Plans	Mitigation Status	Likelihood and Severity	Risk Level
Quality issues with the new system cause a negative customer experience (e.g., contact centre, billing).	Planning phase completed to confirm scope, application functionality and plan for key changes.	Complete	Unlikely, Major	Medium (8)
	Project scope has been split into two releases to reduce complexity and allow for an extended stabilization period post launch.	Complete		
	Multiple rounds of testing (including mock bill runs and system performance testing) included in Project plan with defined quality exit criteria before acceptance and sign-off with IBM.	Planned		
	Additional temporary customer service and billing staff will be onboarded several months prior to the new system being launched to augment those teams with additional capacity until users become fully proficient with the new system.	Planned		
	Third Party Quality Assurance firm will be engaged to conduct Project audits.	Planned		
Negative employee experience.	Planning phase completed to confirm scope, application functionality and plan for key changes.	Complete	Unlikely, Moderate	Medium (6)
	Initial Change Management Analysis (ICMA) has been completed that identified impacts to stakeholders and defined the high-level change management approach and change management and training team structure.	Complete		
	Integrated change management and training plan will be executed as per approach defined in the ICMA.	Planned		
	Ongoing change management and training support planned for an extended period after new system has been launched to reinforce training and support employees with any process challenges.	Planned		

Risk	Mitigation Plans	Mitigation Status	Likelihood and Severity	Risk Level
	Strong Project governance and approval structure in place to assess impact of Project changes on planned benefits.	In Progress		
	Third Party Quality Assurance firm will be engaged to conduct Project audits.	Planned		
	Checkpoints planned at end of each Project phase (e.g., design, build, test) to review and validate benefits.	Planned		

1

5.6.3 Combined Project Governance

FortisBC has a proven track record of successful execution of IT projects, including Project One (as discussed in Section 2) where it consolidated SAP systems for FEI and FBC. The Combined Project will be governed through a similar robust and collaborative structure that ensures clear accountability, timely decision-making, and alignment with strategic objectives across both FEI and FBC. This governance model draws from industry best practices and is adapted to FortisBC's operational needs and stakeholder environment.

The Combined Project will operate under a multi-tiered governance structure comprised of executive oversight, program-level coordination, project-level delivery and support functions. The governance model integrates business and technical leadership, and includes the key bodies and roles set out in Table 5-6 below.

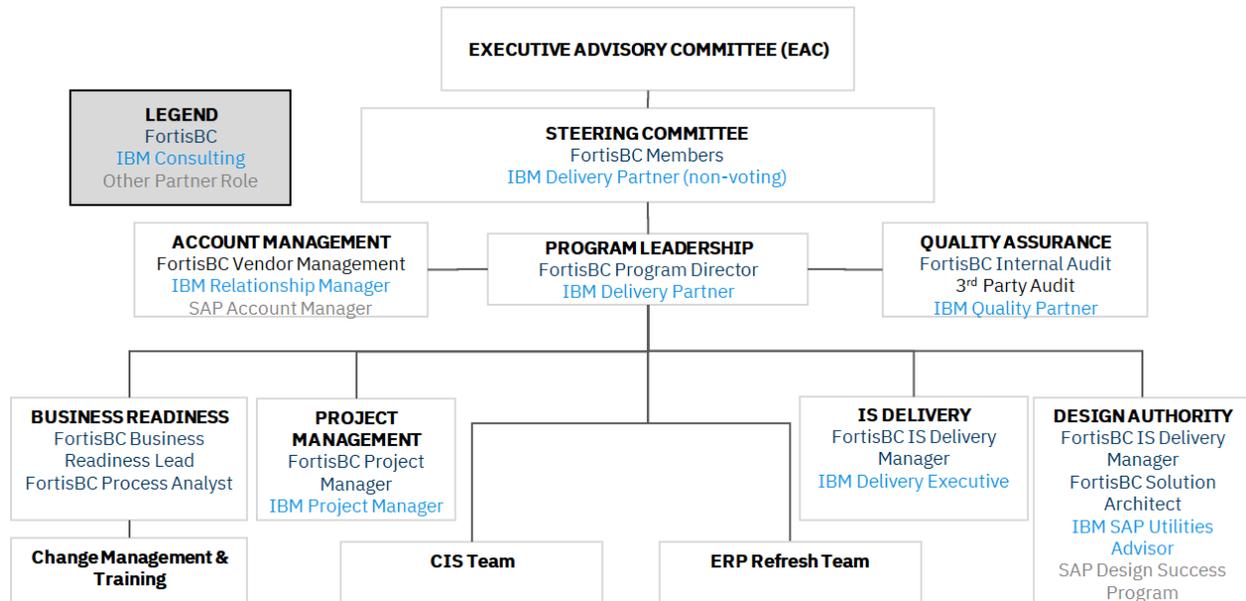
Table 5-6: Multi-Tier Governance Structure

Tier	Composition & Mandate	Key Safeguards
Executive Advisory Committee (EAC)	Senior FortisBC executives	Sets strategic direction; approves major scope, budget and schedule changes; monitors enterprise risks and benefit realization.
Project Steering Committee (PSC)	Business, IT and IBM leadership	Oversees day-to-day governance; resolves escalated issues; allocates resources; keeps the program aligned with the business case.
Program Leadership	Program Director, Project Manager, Solution Architect, Design Authority	Single point of accountability for scope, budget and schedule; chairs governance forums; enforces “adopt-before-adapt” design discipline.
Business & Technical Workstreams	Business Leads, project teams, IBM SI	Execute deliverables, surface risks, drive change adoption.
Independent Oversight	Internal Audit & Risk plus an external QA firm	Conduct gate reviews, security & quality audits, and benefit realization checks, reporting directly to the EAC and PSC.

Figure 5-6 below illustrates the governance structure of the Combined Project.

1

Figure 5-6: Governance Structure



2

3 **5.7 CONCLUSION**

4 FortisBC is proposing to implement the ERP Modernization and CIS Replacement Projects as a
 5 Combined Project deployed in two sequential releases. By designing, building, and testing both
 6 the SAP Modernization and CIS Replacement scopes in a single, coordinated effort, FortisBC
 7 reduces technical complexity, strengthens system integration, and accelerates benefit realization.
 8 This approach eliminates redundant work, shortens the overall implementation timeline, and
 9 optimizes the deployment of internal and external resources. The release sequencing after the
 10 combined design, build and testing phases allows FortisBC to focus training, stabilization, and
 11 change management resources on one major system at a time, while leveraging lessons learned
 12 from the ERP Modernization release to improve the CIS Replacement release. The combined
 13 implementation approach also minimizes the risk of dual platform operations, simplifies data
 14 migration, and reduces the likelihood of extended reliance on unsupported systems. To enable a
 15 successful Combined Project implementation, FortisBC has established a strong governance
 16 model and will implement and execute a proven and structured risk management methodology
 17 that includes both internal and external quality assurance reviews and checkpoints.

18 Assuming FortisBC receives BCUC approval by July 2026, the Combined Project is planned to
 19 be complete by December 2028 with a base cost estimate of \$169.639 million.

20

6. PROJECT COST ESTIMATE, FINANCIAL ANALYSIS, ACCOUNTING TREATMENT AND RATE IMPACT

6.1 INTRODUCTION

The total cost estimate for the Combined Project is \$190.779 million in as-spent dollars. This section provides a breakdown of the total Combined Project costs, including the allocation of costs between FEI and FBC, a summary of the financial analysis of the Combined Project, the accounting treatment of the capital and O&M costs, and the rate impacts for both FEI and FBC.

6.2 SUMMARY OF COMBINED PROJECT COSTS

Table 6-1 below summarizes the total estimated Combined Project costs in both 2025 and as-spent dollars, including: (i) capital and O&M costs during implementation; (ii) pre-implementation development costs; (iii) preliminary stage development and Application costs; (iv) contingency; and (v) financing costs.

Table 6-1: Combined Project Cost Estimate (\$ millions)¹²

Line	Particular	ERP (2025 \$)	CIS (2025 \$)	Total Project (2025 \$)	Total Project (As-Spent \$)	Reference
1						
2						
3						
4						
5						
6	Subtotal of Implementation Capital Costs	\$ 81.090	\$ 49.700	\$ 130.790	\$ 136.512	Sum of Line 1 to 5
7	Training and Change Management	7.457	3.496	10.953	11.514	Section 5.5
8	Facilities	3.577	2.192	5.770	6.065	Section 5.5
9	Subtotal of Implementation O&M Costs	\$ 11.034	\$ 5.688	\$ 16.722	\$ 17.579	Sum of Line 7 to 8
10	Contingency	13.819	8.308	22.127	23.114	Section 5.5
11	Subtotal Implementation Capital and O&M, incl. Contingency	\$ 105.942	\$ 63.697	\$ 169.639	\$ 177.205	Sum of Line 6, 9 & 10
12	Pre-Implementation Development Costs	0.437	0.713	1.150	1.166	Section 6.2
13	Preliminary Stage Development and Application Costs Deferral	3.818	2.401	6.219	6.223	Section 6.4.4
14	Subtotal for Development and Deferral Costs	\$ 4.255	\$ 3.114	\$ 7.369	\$ 7.389	Sum of Line 12 to 13
15	AFUDC				15.212	
16	Tax Offset				(9.027)	
17	Total Project Costs	\$ 110.197	\$ 66.811	\$ 177.008	\$ 190.779	Sum of Line 11, 14 to 16

The Combined Project cost estimate, reflected in the table above, is based on the following:

- Total implementation capital and O&M cost estimate of \$130.790 million and \$16.722 million, respectively, in 2025 dollars. The cost estimate was developed using the fixed price obtained from IBM, along with additional costs required for the upgrade and deployment, which include third-party vendors, internal project labour, software licenses, infrastructure, training and change management, and facilities costs. As discussed in

¹² The ERP column provides the costs associated with the ERP Modernization scope of the Combined Project, and the CIS column provides the costs associated with the CIS Replacement scope of the Combined Project.

- 1 Section 5.5, the Combined Project cost estimate was developed to an AACE Class 3 cost
2 estimate level with IBM.
- 3 • A contingency of 15 percent on the Combined Project implementation capital and O&M
4 costs, which is equivalent to approximately \$22.127 million in 2025 dollars as described
5 in Section 5.5.
 - 6 • A total of \$1.150 million forecast pre-implementation development costs which FortisBC
7 expects to incur in 2025 and 2026 until the start of the Combined Project initiation based
8 on the estimated schedule discussed in Section 5.4. The Combined Project cost estimate
9 also includes \$6.219 million of deferred preliminary stage development and Application
10 costs, comprised of \$4.881 million of actual costs incurred from July 2022 to July 2025
11 and forecast costs of \$1.338 million from August 2025 to August 2026. Please refer to
12 Section 6.4.4 for further details on the deferred costs.
 - 13 • A total escalation of \$7.566 million to convert the implementation capital and O&M cost
14 estimate and contingency from 2025 dollars to as-spent dollars. The escalation uses an
15 annual inflation of 2 percent, which is aligned with the Bank of Canada inflation
16 projection.¹³
 - 17 • Financing costs based on Allowance for Funds Used During Construction (AFUDC) rates
18 of 6.21 percent for FEI and 5.93 percent for FBC,¹⁴ which is equal to the after-tax weighted
19 average cost of capital (WACC) for each utility.

20 **6.2.1 Allocation of Project Costs to FEI and FBC**

21 As shown in Table 6-1 above, the Combined Project capital and O&M costs include both the ERP
22 Modernization Project (ERP) and the CIS Replacement Project (CIS). The ERP Modernization
23 Project will benefit customers of both FEI and FBC, while the CIS Replacement Project will benefit
24 FBC customers only. Project costs are allocated to FEI and FBC as follows:

- 25 • The implementation costs for the ERP Modernization Project, including contingency, are
26 allocated between FEI and FBC based on the ratio of employees between the two utilities,
27 which is approximately 78 percent FEI and 22 percent FBC.¹⁵ FortisBC considers an
28 allocation based on the number of employees to be reasonable, as the upgraded ERP
29 system will be used by both FEI and FBC employees, with similar user roles and access.
30 This allocation approach of using the number of employees between FEI and FBC is
31 straightforward, and is consistent with other similar IS projects, such as Project One, that
32 was completed in 2018 as discussed in Section 2 of the Application.

¹³ Annual inflation of 2 percent is in line with the Bank of Canada inflation target of 2 percent:
(<https://www.bankofcanada.ca/publications/mpr/mpr-2025-07-30/>)

¹⁴ As approved by Order G-313-24 (FEI) and Order G-314-24 (FBC). The actual AFUDC will be calculated based on the approved AFUDC rate at the time of implementation.

¹⁵ On December 31, 2024, FEI employed 2,102 employees ([FEI's Annual Information Form](#)) and FBC employed 583 employees ([FBC's Annual Information Form](#)).

- 1 • The implementation costs for the CIS Replacement Project, including contingency, are
2 allocated entirely to FBC.
- 3 • The pre-implementation development costs and the preliminary stage development costs
4 are allocated using the same method as described above, with the ERP Modernization
5 Project costs allocated based on the ratio of employees between FEI and FBC, and the
6 CIS Replacement Project costs allocated only to FBC.
- 7 • The Application costs, which include the preparation and regulatory proceeding costs, are
8 allocated equally, consistent with the allocation treatment approved for recent shared
9 regulatory proceedings, including the FortisBC 2025-2027 Rate Setting Framework and
10 the 2021 BCUC-initiated Generic Cost of Capital proceedings.

11 Table 6-2 provides the allocation of the Combined Project costs between FEI and FBC for
12 implementation capital and O&M, pre-implementation development costs, preliminary stage
13 development and Application costs, as well as the associated AFUDC and income tax offset.
14 Based on the allocation methodology described above, approximately \$92.246 million (48
15 percent) of the Combined Project cost is allocated to FEI, while \$98.533 million (52 percent) of
16 the Combined Project cost is allocated to FBC.

Table 6-2: FEI and FBC Project Cost Allocation (\$ millions)

Line	Particular	FEI Allocation As-Spent \$	FBC Allocation As-Spent \$	Total Project (As-Spent \$)	Reference
1	Implementation Capital Costs	\$ 66.498	\$ 70.014	\$ 136.512	Table 6-1, Line 6
2	Implementation O&M Costs	8.563	9.016	17.579	Table 6-1, Line 9
3	Contingency	11.259	11.855	23.114	Table 6-1, Line 10
4	Subtotal Implementation Capital and O&M, incl. Contingency	\$ 86.320	\$ 90.885	\$ 177.205	Sum of Line 1 to 3
5	Pre-Implementation Development Costs	0.564	0.602	1.166	Table 6-1, Line 12
6	Preliminary Stage Development and Application Costs Deferral	1.963	4.260	6.223	Table 6-1, Line 13
7	Subtotal with Development and Deferral Costs	\$ 88.847	\$ 95.747	\$ 184.594	Sum of Line 4 to 6
8	AFUDC	7.508	7.704	15.212	Table 6-1, Line 15
9	Tax Offset	(4.110)	(4.918)	(9.027)	Table 6-1, Line 16
10	Total Project Costs	\$ 92.246	\$ 98.533	\$ 190.779	Sum of Line 7 to 9

6.3 FINANCIAL ANALYSIS

19 Table 6-3 below summarizes the financial analysis that FortisBC completed to evaluate the
20 Combined Project, which is based on the PV of incremental revenue requirements and the
21 levelized rate impacts for FEI and FBC over a 13-year analysis period. This timeframe covers one
22 lifecycle of a software system with 10 years assumed to be the expected length as discussed in
23 Section 6.4.1, plus three years for implementation (i.e., Years 1 to 3 for implementation and Years
24 4 to 13 for one lifecycle post-implementation).
25

26 Using the cost allocation approach described in Section 6.2 above, FortisBC estimates the PV of
27 the incremental revenue requirement due to the Combined Project over the 13-year analysis
28 period to be approximately \$68.372 million for FEI and \$88.219 million for FBC (as reflected on

1 Line 8 of Table 6-3). The levelized rate impact for FEI and FBC over the same period is 0.62
2 percent and 1.97 percent, respectively (as reflected on Line 11 of Table 6-3).

3 **Table 6-3: Financial Analysis of the Combined Project**

Line	Particular	FEI	FBC	Total	Reference ¹
1	Total Pre-Implementation and Implementation Capital Costs to Plant in Service, inc. AFUDC	\$83.902	\$88.012	\$171.914	Sch. 6, Line 24
2	Total Implementation O&M Costs to Deferral, Net of Tax, inc. AFUDC	6.675	7.010	13.684	Sch. 9, Sum of Line 24 (2026 to 2028)
3	Total Preliminary Stage Development and Application Costs to Deferral, Net of Tax inc. AFUDC	1.669	3.512	5.181	Sch. 9, Line 8 (2026)
4	Total Project Costs (\$ millions)	\$92.246	\$98.533	\$190.779	Sum of Line 1 to 3
5					
6	Incremental Rate Base in 2029 (\$ millions)	85.582	91.758	177.341	Sch. 5, Line 19 (2029)
7	Incremental Revenue Requirement in 2031 (\$ millions)	16.580	18.913	35.493	Sch. 1, Line 10 (2031)
8	PV of Incremental Revenue Requirement over 13 years	\$68.372	\$88.219	\$156.591	Sch. 10, Line 25
9					
10	Delivery Rate (FEI) and Rate (FBC) Impacts in 2031 (%)	1.32%	3.76%	-	Sch. 10, Line 28 (2031)
11	Levelized Delivery Rate (FEI) and Rate (FBC) Impact over 13 years (%)	0.62%	1.97%	-	Sch. 10, Line 32
12	Levelized Rate Impact in 13 years (FEI in \$/GJ, FBC in \$/MWh)	0.038	2.685	-	Sch. 10, Line 45

4
5 Note to Table:

6 ¹ Confidential Appendix B-1, FEI Financial Schedules and Confidential Appendix B-2, FBC Financial
7 Schedules.

8 The Combined Project financial analysis includes the following assumptions:

- 9
- 10 • **Pre-Implementation and Implementation Capital:** Total capital cost estimate of
11 \$83.902 million¹⁶ for FEI and \$88.012 million¹⁷ for FBC, in as-spent dollars, which includes
12 the capitalized pre-implementation development costs, the base implementation capital
13 cost estimate, contingency, escalation and AFUDC (as discussed in Section 6.2).
 - 14 • **Implementation O&M:** Total deferred implementation O&M cost estimate of
15 \$6.675 million for FEI and \$7.010 million for FBC, net of tax and AFUDC, in as-spent
16 dollars. Please refer to Section 6.4.3 below for a discussion of FortisBC's proposal to
17 capture the implementation O&M costs in a deferral account, as well as Table 6-4 below
18 for a breakdown of the deferred implementation O&M, net of tax and AFUDC.
 - 19 • **Preliminary Stage Development and Application Costs:** Total deferred costs of
20 \$1.669 million for FEI and \$3.512 million for FBC, net of tax and AFUDC, in as-spent
21 dollars, which includes preliminary stage development costs and costs for preparation and
regulatory review of the Application. Please refer to Section 6.4.4 for further details as well

¹⁶ \$66.498 million (implementation capital from Table 6-2, FEI, Line 1) plus \$9.975 million (15 percent contingency) plus \$0.564 million (pre-implementation development costs from Table 6-2, FEI, Line 5) and \$6.865 million (portion of AFUDC related to these costs from Schedule 6, Sum of Line 12).

¹⁷ \$70.014 million (implementation capital from Table 6-2, FBC, Line 1) plus \$10.502 million (15 percent contingency) plus \$0.602 million (pre-implementation development costs from Table 6-2, FBC, Line 5) and \$6.894 million (portion of AFUDC related to these costs from Schedule 6, Sum of Line 12).

1 as Table 6-5 below summarizing the total deferred preliminary stage development and
2 Application costs.

- 3 • **Post-Implementation Capital and O&M:** The financial analysis over the 13-year period
4 includes estimated costs and savings in FEI's and FBC's regular capital as well as O&M
5 expenses. These costs and savings include software license fees, a reduction in internal
6 labour support costs, a reduction in on-premise infrastructure costs, and savings resulting
7 from enhanced operational efficiencies once the new system is implemented. Each of
8 these are described below:

- 9 ○ Incremental Support Costs: Annual software license fees are expected to rise with
10 the transition to the S/4HANA subscription, which includes managed services.
11 However, the increase will be partially offset by the reduction in annual SAP
12 support costs and the elimination of annual software fees required to operate the
13 existing CIS Plus. Further reductions in FortisBC labour support costs are
14 expected to phase-in over three years due to the shift to SAP managed services
15 and a single SAP support team that would provide support for both the upgraded
16 SAP S/4HANA ERP system and the new FBC SAP CIS. Over the post-
17 implementation period of the financial analysis, FortisBC estimates an annual
18 average decrease in regular capital of \$524 thousand for FEI and \$62 thousand
19 for FBC, while the annual average O&M costs are forecast to increase by \$505
20 thousand for FEI and \$717 thousand for FBC.

- 21 ○ Reduction in On-premise Infrastructure Costs: SAP S/4HANA and the new SAP
22 CIS will be implemented as a cloud-based platform; therefore, the requirements
23 for on-premise servers will decrease. Over the post-implementation period of the
24 financial analysis, FortisBC estimates an annual average decrease in regular
25 capital of \$535 thousand for FEI and \$212 thousand for FBC, and an annual
26 average decrease in O&M costs of \$288 thousand for FEI and \$110 thousand for
27 FBC.

- 28 ○ Operational Efficiencies and Cost Savings: FortisBC identified operational
29 efficiencies and cost savings that the new S/4HANA system would enable in areas
30 such as warehouse inventory, asset management or maintenance, and customer
31 service starting one year after implementation. There will also be increased
32 customer service productivity and cost savings enabled by the new SAP CIS. Over
33 the post-implementation period of the financial analysis, FortisBC estimates an
34 annual average decrease in regular capital of \$106 thousand for FEI and \$106
35 thousand for FBC and an annual average decrease in O&M costs of \$1.3 million
36 for FEI and \$284 thousand for FBC.

37 These post-implementation regular capital and O&M costs/savings are reflected in
38 Schedule 6 and Schedule 2, respectively, of Confidential Appendices B-1 for FEI and B-2
39 for FBC. FortisBC is not seeking approval of the post-implementation regular capital or
40 post-implementation O&M as part of this Application. These costs are included as proxies
41 to ensure a fulsome analysis of the financial impact of the Combined Project over the

1 analysis period. FEI and FBC will seek approval from the BCUC, as required, for these
2 incremental costs in future applications, such as FEI's and FBC's revenue requirement
3 applications.

- 4 • **Inflation:** From 2027 and onward, annual inflation of 2 percent is applied to the post-
5 implementation capital costs, which is in line with the Bank of Canada inflation target of 2
6 percent. Annual inflation of 2 percent is also applied to post-implementation O&M costs,
7 except for S/4HANA subscription costs which have a fixed fee for the contract term,
8 followed by negotiated increases.
- 9 • **Capital Cost Allowance (CCA):** For tax purposes, software qualifies for a 100 percent
10 CCA rate which allows FortisBC to fully deduct the capital costs related to the Combined
11 Project over two years (subject to the half-year rule). For the purposes of the financial
12 analysis, the Combined Project is expected to be included in FEI's and FBC's rate base
13 in 2029 based on the current Combined Project schedule in Table 5-1 of Section 5.4,
14 resulting in a large income tax benefit in 2029 and 2030. As such, the highest rate impact
15 due to the Combined Project will occur in 2031 as the CCA tax benefits end. Please refer
16 to Section 6.5 for further details.

17 **6.4 ACCOUNTING TREATMENT**

18 In the subsections below, FortisBC describes the proposed depreciation rate for the new SAP
19 S/4HANA software, the treatment of the Combined Project capital and O&M costs, the preliminary
20 stage development and Application costs, and the proposed deferral accounts.

21 **6.4.1 SAP Software Asset Depreciation**

22 Pursuant to sections 59 to 61 of the UCA, FEI and FBC are seeking approval of a depreciation
23 rate of 10 percent applicable to the SAP S/4HANA software and components related to the
24 Combined Project.

25 Based on the most recently approved depreciation studies for FEI and FBC completed by
26 Concentric Advisors, ULC (Concentric),¹⁸ the expected service life for the software asset class is
27 8 years, which is equivalent to a depreciation rate of 12.50 percent.¹⁹ However, in consideration
28 of the fact that SAP S/4HANA is a next-generation software suite that will allow the transition of
29 core business processes, data, and system configurations from a traditional on-premise
30 infrastructure to a modern, cloud-based ERP environment, Concentric is recommending an
31 expected lifecycle of 10 years for the new SAP S/4HANA assets.

32 Further, large software providers such as SAP have been shifting their approach of ongoing
33 support to more frequent releases of new modules and/or applications with enhanced system
34 functionality, resulting in the expected lifecycle of new software systems becoming more dynamic.

¹⁸ The FEI and FBC depreciation studies were filed as part of FortisBC's 2025-2027 Rate Setting Framework Application and approved by Orders G-69-25 and G-70-25.

¹⁹ For FBC, the current approved depreciation rate is 10.73 percent after accounting for past gains and losses.

1 Thus, a longer expected lifecycle is more reflective of the current generation of software systems.
2 Due to the differences in the generations of software applications and asset lifecycles, FortisBC
3 does not consider it appropriate to group the new S/4HANA software assets with the existing
4 software asset classes.

5 FortisBC therefore proposes to depreciate the new SAP S/4HANA software and related
6 components at a rate of 10 percent, which aligns with the expected lifecycle of the assets based
7 on information provided by Concentric. FortisBC notes that future depreciation studies will
8 continue to evaluate the appropriateness of the depreciation rates used for the software asset
9 class to determine if adjustments are required.

10 **6.4.2 Treatment of Capital Costs**

11 The proposed treatment of the Combined Project capital costs is consistent with FEI's and FBC's
12 treatment of major project costs, as follows:

- 13 • As the pre-implementation and implementation capital costs of the Combined Project are
14 incurred, they will be recorded in construction work-in-progress, attracting AFUDC (i.e.,
15 \$83.902 million for FEI and \$88.012 million for FBC, as set out in Line 1 of Table 6-3
16 above).
- 17 • Once the assets are placed into service (estimated in 2028), the associated capital costs
18 will enter rate base as part of the opening balance in the appropriate asset accounts for
19 inclusion in FEI's and FBC's rate bases on January 1 of the following year (i.e., January
20 1, 2029). The amount and timing of the transfer to rate base on January 1, 2029 is shown
21 in the opening balance of FEI's and FBC's Gross Plant in Service in Schedule 7 of
22 Confidential Appendices B-1 and B-2, respectively.
- 23 • Depreciation of the assets will begin on January 1 of the year that they enter FEI's and
24 FBC's rate bases (i.e., January 1, 2029).

25 **6.4.3 Project Implementation O&M Deferral Costs**

26 FEI and FBC are seeking BCUC approval pursuant to sections 59 to 61 of the UCA for deferral
27 treatment of the implementation O&M costs, estimated to be approximately \$20.216 million (i.e.,
28 \$17.579 million of implementation O&M as discussed in Section 6.2 plus contingency at
29 15 percent, in as-spent dollars). The Combined Project implementation O&M costs include
30 change management and training costs for FortisBC staff as well as facility costs related to
31 temporary rental office space for the implementation team. Please refer to Section 5.5 for further
32 detail.

33 FEI and FBC are each proposing to record the Combined Project implementation O&M costs in
34 a non-rate base deferral account, titled the ERP Project Implementation O&M deferral account
35 for FEI and the ERP/CIS Project Implementation O&M deferral account for FBC, both attracting
36 a WACC return. FEI and FBC are also proposing to transfer the balance in each of the deferral
37 accounts to rate base on January 1 of the year following the completion of the Combined Project

1 and begin amortization over a 10-year period. The 10-year amortization period aligns with the
2 expected lifecycle of the new SAP S/4HANA software, from which both FEI and FBC customers
3 will benefit.

4 In addition to matching the implementation O&M costs with the expected benefits of the Combined
5 Project, the proposed deferral treatment smooths the rate impact to FEI's and FBC's customers.
6 In lieu of deferral account treatment, FEI and FBC would treat the implementation costs as flow-
7 through O&M and would forecast these costs each year during the implementation period (i.e.,
8 2026 to 2028). The result would be incremental O&M costs included in the revenue requirement
9 (and rates) for the three-year implementation period.

10 FortisBC notes that the proposed deferral account approach is consistent with the treatment
11 approved as part of FEI's Customer Care Enhancement Project²⁰, which included the
12 implementation of FEI's existing SAP CRM application. FEI and FBC consider the proposed
13 approach to be the most appropriate and reasonable, as it aligns the recovery of the
14 implementation costs with the length of time FEI's and FBC's customers are expected to benefit
15 from the Combined Project, while also mitigating the immediate rate impacts. Please refer to
16 Appendix C addressing the considerations identified in the BCUC's Regulatory Account Filing
17 Checklist.

18 Table 6-4 below provides the estimated breakdown of the Combined Project O&M implementation
19 costs (in as-spent dollars), including contingency, income tax recovery and financing for FEI and
20 FBC which will be recorded in the proposed deferral accounts.²¹

21 **Table 6-4: Summary of Deferred Implementation O&M Costs (\$ millions)**

Line		2026	2027	2028	Total
	FEI				
1	O&M Implementation Costs, incl. Contingency	\$ 0.573	\$ 3.508	\$ 5.766	\$ 9.848
2	Income Tax Recovery	(0.155)	(1.064)	(2.361)	(3.580)
3	Financing, WACC return	0.013	0.103	0.291	0.406
4	Total of Deferred Implementation O&M Costs for FEI	\$ 0.431	\$ 2.547	\$ 3.696	\$ 6.675
	FBC				
5	O&M Implementation Costs, incl. Contingency	\$ 0.604	\$ 3.694	\$ 6.071	\$ 10.368
6	Income Tax Recovery	(0.163)	(1.120)	(2.485)	(3.767)
7	Financing, WACC return	0.013	0.103	0.292	0.408
8	Total of Deferred Implementation O&M Costs for FBC	\$ 0.454	\$ 2.677	\$ 3.879	\$ 7.010

²⁰ Approved by Order C-1-10.

²¹ WACC financing costs are based on AFUDC rates of 6.21 percent for FEI and 5.93 percent for FBC, as approved by Order G-313-24 (FEI) and Order G-314-24 (FBC). The actual WACC will be calculated based on the approved AFUDC rate at the time of Project implementation.

1 **6.4.4 Application and Preliminary Stage Development Deferral Costs**

2 FEI and FBC are also seeking BCUC approval pursuant to sections 59 to 61 of the UCA for
3 deferral treatment of the Application and preliminary stage development costs related to the
4 Combined Project as follows:

- 5 • Application costs are related to the expenses incurred for the regulatory process to review
6 this Application. The cost estimate is based on a written process with one round of IRs
7 and includes expenses for external legal, BCUC costs, and BCUC-approved intervener
8 costs. FortisBC forecasts a total of \$250 thousand in Application costs, in 2025 dollars,
9 which is allocated equally to FEI and FBC (as discussed in Section 6.2.1). As the
10 proceeding is expected to continue into 2026, the portion of the costs incurred in 2026 is
11 escalated by 2 percent, resulting in total estimated Application costs of \$127 thousand for
12 FEI and \$127 thousand for FBC, in as-spent dollars.
- 13 • Preliminary stage development costs include expenses incurred during the alternatives
14 assessment, vendor engagement through the RFP process, initial development of the
15 preferred solutions, and data conversion activities. FortisBC has incurred actual
16 preliminary stage development costs of \$4.881 million from July 2022 to July 2025 and
17 forecasts further costs of \$1.088 million (primarily for the data conversion activities for
18 FBC's CIS Plus) to the end of 2025. Of the total preliminary stage development costs,
19 approximately \$1.836 million are allocated to FEI and \$4.133 million are allocated to FBC,
20 in as-spent dollars.

21 Table 6-5 below provides the breakdown of the deferral costs for each of FEI and FBC, including
22 the Application costs and the preliminary stage development costs, as well as income tax recovery
23 and financing.²² Please also refer to Appendix C addressing the considerations identified in the
24 BCUC's Regulatory Account Filing Checklist.

²² WACC financing costs are based on AFUDC rates of 6.21 percent for FEI and 5.93 percent for FBC, as approved by Order G-313-24 (FEI) and Order G-314-24 (FBC). The actual WACC will be calculated based on the approved AFUDC rate at the time of Project implementation.

1 **Table 6-5: Summary of Application and Preliminary Stage Development Costs Deferral (\$ millions)**

Line		2022 to 2025 (Actuals to Jul 2025 and Forecast to Dec 2025)	2026 (Forecast to Dec 2026)	Total
	FEI			
1	Application, Pre-tax Costs	\$ 0.030	\$ 0.097	\$ 0.127
2	Preliminary Development, Pre-tax Costs	1.836	-	1.836
3	Total Pre-Tax Costs	\$ 1.866	\$ 0.097	\$ 1.963
4	Income Tax Recovery	(0.504)	(0.026)	(0.530)
5	Financing, WACC return	0.141	0.096	0.237
6	Total Deferral Costs for FEI	\$ 1.503	\$ 0.166	\$ 1.669
	FBC			
7	Application, Pre-tax Costs	\$ 0.030	\$ 0.097	\$ 0.127
8	Preliminary Development, Pre-tax Costs	4.133	-	4.133
9	Total Pre-Tax Costs	\$ 4.163	\$ 0.097	\$ 4.260
10	Income Tax Recovery	(1.124)	(0.026)	(1.150)
11	Financing, WACC return	0.207	0.195	0.402
12	Total Deferral Costs for FBC	\$ 3.246	\$ 0.265	\$ 3.512

3 As explained above, FEI and FBC each propose to record these costs in a new non-rate base
4 Application and Preliminary Stage Development Costs deferral account, attracting a WACC
5 return. FEI and FBC also propose to transfer the balances in the non-rate base deferral accounts
6 to rate base on January 1 of the year following the decision on this Application (estimated to be
7 approximately \$1.669 million for FEI and \$3.512 million for FBC, net of tax and including
8 financing), and begin amortization over a four-year period (i.e., if the BCUC decision is issued for
9 this Application in 2026, then the balance of the non-rate base deferral account will be transferred
10 to rate base and commence amortization on January 1, 2027).

11 FortisBC considered amortization periods ranging from one to seven years, but ultimately
12 determined that a four-year amortization period was appropriate for both FEI's and FBC's deferral
13 account based on considerations including annual rate impacts, volatility of rates, the nature of
14 the costs, and intergenerational inequity.

15 As shown in Table 6-6 below, the immediate delivery rate impact for FEI due to the amortization
16 of the Application and Preliminary Stage Development Costs deferral account ranges from 0.19
17 percent to 0.04 percent, whereas the immediate rate impact for FBC ranges from 0.99 percent to
18 0.19 percent. For FEI, the immediate delivery rate impact is minor regardless of the amortization
19 period, but in particular the delivery rate impact is minimized in scenarios where the amortization
20 period is three years or greater. For FBC, the rate impact is best mitigated by applying four-year
21 amortization periods and longer, and the benefits of further rate mitigation begin to tail off from
22 five years onward.

Table 6-6: Rate Impact Analysis for the Application and Preliminary Stage Development Costs Deferral Accounts over One- to Seven-Year Amortization Periods

Line		Amortization Period						
		1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years
	FEI							
1	Incremental Revenue Requirement in 2027 (\$ millions)	2.358	1.250	0.881	0.696	0.585	0.511	0.459
2	Delivery Rate Impact in 2027, Compared to 2025 (%)	0.19%	0.10%	0.07%	0.06%	0.05%	0.04%	0.04%
	FBC							
3	Incremental Revenue Requirement in 2027 (\$ millions)	4.953	2.619	1.841	1.452	1.219	1.063	0.952
4	Rate Impact in 2027, Compared to 2025 (%)	0.99%	0.52%	0.37%	0.29%	0.24%	0.21%	0.19%

In addition to considering the rate impacts created by the amortization of the Application and Preliminary Stage Development Costs deferral accounts, FortisBC also considered the overall rate impacts resulting from the Combined Project (i.e., the capital and O&M costs) and the amortization of the deferral account over the time period when the Combined Project enters FEI's and FBC's rate base (i.e., 2029). This is an important consideration due to the impact on rates of the end of the CCA tax benefit (i.e., 2031) as discussed in Section 6.3 above. Table 6-7 below provides the overall delivery rate (FEI) and rate (FBC) impacts of the Combined Project from 2027 to 2031 with the amortization period of the Application and Preliminary Stage Development Costs deferral accounts ranging from three to seven years.

Table 6-7: Total Project Rate Impacts with 3 to 7 Year Amortization Periods for the Application and Preliminary Stage Development Costs Deferral Accounts²³

Line		Total Project Rate Impact				
		2027	2028	2029	2030	2031
	FEI					
1	3-Year Amortization Period (2027 to 2029)	0.05%	0.05%	0.42%	0.27%	1.32%
2	4-Year Amortization Period (2027 to 2030)	0.04%	0.04%	0.41%	0.32%	1.32%
3	5-Year Amortization Period (2027 to 2031)	0.03%	0.03%	0.40%	0.31%	1.36%
4	6-Year Amortization Period (2027 to 2032)	0.02%	0.02%	0.40%	0.31%	1.36%
5	7-Year Amortization Period (2027 to 2033)	0.02%	0.02%	0.39%	0.31%	1.35%
	FBC					
7	3-Year Amortization Period (2027 to 2029)	0.37%	0.35%	1.44%	0.94%	3.76%
8	4-Year Amortization Period (2027 to 2030)	0.29%	0.28%	1.38%	1.19%	3.76%
9	5-Year Amortization Period (2027 to 2031)	0.24%	0.23%	1.34%	1.15%	3.96%
10	6-Year Amortization Period (2027 to 2032)	0.21%	0.20%	1.31%	1.13%	3.94%
11	7-Year Amortization Period (2027 to 2033)	0.19%	0.18%	1.29%	1.11%	3.92%

As noted in Section 6.3 above (and further discussed in Section 6.5 below), although the assets related to the Combined Project are expected to be included in FEI's and FBC's rate bases in 2029, due to the 100 percent CCA rate for software assets, the highest rate impact due to the Combined Project will actually occur in 2031. As such, and as shown in Table 6-7 above:

²³ As discussed in Section 6.5, the delivery rate impact for FEI and the rate impact for FBC are compared to the 2025 approved interim revenue requirements.

- 1 • If the Application and Preliminary Stage Development Costs deferral accounts are
2 amortized over three years, the deferral accounts will be fully amortized at the end of 2029.
3 This results in an overall rate decrease in 2030 due to the elimination of the deferral
4 account amortization but is followed by a large rate increase in 2031 when the CCA tax
5 benefits end, creating a higher degree of rate volatility for both FEI and FBC when
6 compared to longer amortization periods.
- 7 • If the Application and Preliminary Stage Development Costs deferral accounts are
8 amortized over five years or longer, the recovery of the deferral accounts would extend
9 into 2031 or beyond, thus overlapping with the end of CCA tax benefits in 2031. This would
10 result in a higher rate impact in 2031 for both FEI and FBC.

11 In contrast, a four-year amortization period aligns well with the timing of when the Combined
12 Project assets enter FEI's and FBC's rate bases (i.e., 2029) and the timing of the highest rate
13 impact due to the Combined Project (i.e., 2031). As shown in Table 6-7 above, a four-year
14 amortization period results in less rate volatility for both FEI and FBC from 2029 to 2031 when
15 compared to a shorter period as well as a lower rate impact in 2031 when compared to a longer
16 period.

17 **6.5 *RATE IMPACT***

18 The incremental delivery rate impact for FEI and incremental rate impact for FBC from 2027 to
19 2031 (when compared to the 2025 approved interim revenue requirements)²⁴ are summarized in
20 Table 6-8 below. As previously discussed, the highest impact to customers due to the Combined
21 Project will occur in 2031, when the Combined Project is estimated to have an incremental
22 revenue requirement impact of \$16.580 million and a delivery rate impact of approximately 1.32
23 percent for FEI, and an incremental revenue requirement impact of \$18.913 million and a rate
24 impact of approximately 3.76 percent for FBC.

25 FortisBC notes that the rate impacts in 2031 do not reflect the post-implementation capital and
26 O&M savings discussed in Section 6.3 above. When accounting for the post-implementation
27 capital and O&M savings resulting from the upgraded SAP ERP platform for both FEI and FBC
28 and the new CIS for FBC, the levelized delivery rate impact for FEI over the 13-year analysis
29 period is reduced to 0.62 percent and the levelized rate impact for FBC is reduced to 1.97 percent.

²⁴ Order G-313-24 (FEI) and Order G-314-24 (FBC).

1 **Table 6-8: Summary of FEI Delivery Rate Impact and FBC Rate Impact for the Project**

Line		2027	2028	2029	2030	2031
	FEI					
1	Annual Delivery Margin, Non-Bypass, Compared to 2025 (\$ millions)	\$ 0.451	\$ 0.482	\$ 5.138	\$ 4.031	\$ 16.580
2	Increase to Delivery Margin, Non-Bypass, Compared to 2025 (%)	0.04%	0.04%	0.41%	0.32%	1.32%
3	Incremental Delivery Rate Impact (% Year-over-Year)	0.04%	0.00%	0.37%	-0.09%	1.00%
	FBC					
4	Annual Revenue Requirement, Compared to 2025 (\$ millions)	\$ 1.452	\$ 1.386	\$ 6.916	\$ 5.986	\$ 18.913
5	Increase to Revenue Requirement, Compared to 2025 (%)	0.29%	0.28%	1.38%	1.19%	3.76%
6	Incremental Rate Impact (% Year-over-Year)	0.29%	-0.01%	1.10%	-0.18%	2.57%

2
3 The rate impacts from 2027 to 2031 are due to the following:

- 4
- 5 • Based on the expected completion of the Combined Project implementation and
6 deployment in 2028, the implementation capital will be added to FEI's and FBC's rate base
7 in 2029. However, as discussed in Section 6.3 above, the rate impact due to the Combined
8 Project in 2029 and 2030 will be mostly offset by the income tax benefit resulting from the
9 high CCA rate of 100 percent for software systems. As such, the largest rate impact due
10 to the capital cost of the Combined Project will occur in 2031;
 - 11 • Based on the expected completion of the Combined Project implementation and
12 deployment in 2028, the amortization of the proposed ERP/CIS Implementation O&M
13 deferral accounts will commence in 2029 over a 10-year period, as discussed in Section
14 6.4.3 above;
 - 15 • Post-implementation capital and O&M savings are expected to phase-in following
16 deployment, as discussed in Section 6.3, as such the anticipated increase in savings
17 offsets some rate impacts in 2030; and
 - 18 • The amortization of the proposed Application and Preliminary Development Costs deferral
19 accounts from 2027 to 2030 as discussed in Section 6.4.4 above.

20 FEI's delivery rate impact in 2031 is equivalent to approximately \$0.120 per GJ when compared
21 to the 2025 approved interim rates. For an average FEI residential customer consuming 90 GJ
22 per year, this equates to a total annual bill impact of approximately \$10.83 in 2031.

23 FBC's rate impact in 2031 is equivalent to approximately \$6.72 per MWh when compared to the
24 2025 approved interim rates. For an average FBC residential customer consuming 9,900 kWh
per year, this equates to a total annual bill impact of approximately \$66.56 in 2031.

25 **6.6 CONCLUSION**

26 The total Project cost is \$190.779 million, in as-spent dollars, with \$92.246 million allocated to
27 FEI and \$98.533 million allocated to FBC. FortisBC estimates the PV of the incremental revenue
28 requirement over the 13-year analysis period of the Project to be approximately \$68.372 million
29 for FEI and \$88.219 million for FBC. The levelized rate impact for FEI and FBC over the same
30 period is 0.62 percent and 1.97 percent, respectively.

1 **7. CONCLUSION**

2 The Combined Project will modernize FortisBC's enterprise applications and replace FBC's
3 legacy CIS by upgrading to SAP's S/4HANA. These applications are critical to FortisBC's ongoing
4 day-to-day business operations and are facing end of vendor support. The Combined Project will
5 upgrade and replace the existing IS applications with secure, efficient and vendor supported
6 applications, at a lower cost and implementation risk than the alternatives.

7 FortisBC conducted a detailed evaluation of the alternatives for the ERP Modernization Project.
8 ERP Alternative 1, run the existing SAP applications without SAP support until they are non-
9 functional and then replace the applications, is infeasible given the critical nature of the
10 applications and the risk to business operations. Based on an analysis of financial and non-
11 financial criteria, FortisBC determined that ERP Alternative 3, upgrade the existing SAP
12 applications to a suite of new SAP applications with SAP S/4HANA as the foundation, was the
13 preferred ERP alternative. This alternative addresses FortisBC's business risk by upgrading to a
14 fully supported platform and will result in a lower project implementation risk and lower cost than
15 replacing the SAP applications with a non-SAP solution (ERP Alternative 2).

16 FBC also conducted a detailed evaluation of the alternatives for the CIS Replacement Project.
17 CIS Alternative 1 – continue to operate CIS Plus with limited vendor support and a limited pool of
18 resources until it is non-functional and then replace CIS Plus, and CIS Alternative 2 – replace CIS
19 Plus with the current SAP platform, are infeasible as they do not address the risk to FBC's
20 business operations. Based on an analysis of financial and non-financial criteria, FBC determined
21 that CIS Alternative 4, replace CIS Plus with SAP S/4HANA's CIS application, is the preferred
22 alternative. This alternative fully addresses FBC's business risks, supports current and evolving
23 operational needs, and has a lower project implementation risk than replacing CIS Plus with a
24 non-SAP CIS application (CIS Alternative 3).

25 To achieve optimal benefits and savings, the Companies propose to upgrade the existing core
26 SAP applications and replace FBC's CIS Plus as a Combined Project. The Combined Project will
27 be implemented through a single combined design and build phase, followed by a deployment
28 phase with two separate production releases for the ERP Modernization and CIS Replacement
29 scopes. The ERP Modernization scope includes migrating FortisBC's existing business
30 processes, system configurations, enhancements, and data from the existing on-premise SAP
31 platform to a cloud-based SAP platform. The CIS Replacement scope includes transitioning from
32 FBC's legacy CIS Plus platform to a modern, integrated solution built on SAP S/4HANA and SAP's
33 CRM application Service Cloud. The Combined Project is planned to be implemented over
34 approximately 26 months. Assuming BCUC approval of the Application by July 2026 and a
35 Combined Project start in November 2026, FortisBC expects the Combined Project to be closed
36 in December 2028.

37 The total estimated cost of the Combined Project is \$190.779 million (as-spent dollars). Of this
38 total, \$92.246 million will be allocated to FEI and \$98.533 million will be allocated to FBC. When
39 accounting for the post-implementation capital and O&M savings resulting from the upgraded
40 SAP ERP platform for both FEI and FBC and the new CIS for FBC, the levelized delivery rate

- 1 impact for FEI over the 13-year analysis period is 0.62 percent and the levelized rate impact for
- 2 FBC is 1.97 percent.

- 3 Accordingly, the Companies respectfully request that the BCUC accept the capital expenditures
- 4 for the Combined Project and approve the accounting-related matters as set out in Section 1.2 of
- 5 the Application.

- 6

Appendix A

PROJECT BASE COST ESTIMATE

REFER TO LIVE SPREADSHEET MODEL

Provided in electronic format only

FILED CONFIDENTIALLY

(accessible by opening the Attachments Tab in Adobe)

Appendix B

FINANCIAL SCHEDULES

FILED CONFIDENTIALLY

Appendix B-1

FEI FINANCIAL SCHEDULES

REFER TO LIVE SPREADSHEET MODELS

Provided in electronic format only

FILED CONFIDENTIALLY

(accessible by opening the Attachments Tab in Adobe)

Appendix B-2

FBC FINANCIAL SCHEDULES

REFER TO LIVE SPREADSHEET MODELS

Provided in electronic format only

FILED CONFIDENTIALLY

(accessible by opening the Attachments Tab in Adobe)

Appendix C

REGULATORY ACCOUNT FILING CHECKLIST

1 **Table 1: ERP/CIS Project Implementation O&M Deferral Accounts (FEI and FBC)**

Item	Consideration	FEI ERP and FBC ERP/CIS Project Implementation O&M Deferral Accounts
I.	Indicate if the request is: (a) for a modification or a change in scope to an existing Commission approved regulatory account; or (b) to establish a new regulatory account.	FEI and FBC each request the establishment of one new deferral account to capture the actual implementation O&M costs related to the Combined Project.
a)	If the request is for a modification or change in scope to an existing regulatory account, explain why the existing regulatory account is an appropriate account to use (specifically addressing the existing account's intended and approved purpose, mechanism for recovery, timeline for recovery and carrying costs).	N/A
b)	If the request is for approval of a new regulatory account, state the purpose of the regulatory account and explain its intended use.	The requested FEI and FBC accounts will capture implementation O&M costs, including change management and training costs for FortisBC staff as well as facility costs related to temporarily leasing and configuring additional office space for the Combined Project team. The proposed deferral accounts are consistent with the treatment of a similar project's implementation O&M costs, i.e., FEI's Customer Care Enhancement Project approved by Order C-1-10.
II.	Propose a term (i.e. length of time) that the regulatory account should be approved for and explain why that term is appropriate.	The terms of the accounts encompass the Combined Project implementation period from 2026 to 2028.
III.	Identify any alternate treatments that were considered, including an overview of what the accounting treatment would be in the absence of approval of the request to establish a regulatory account, and explain why these alternate treatments may not be appropriate.	In the absence of deferral accounts for the implementation O&M costs, FEI and FBC would have to forecast these costs as O&M expenses (outside of the index-based formula O&M) each year during the implementation period (i.e., 2026 to 2028). The actual costs would then be trued up annually and the variances recorded in FEI's and FBC's respective Flow-through deferral accounts. As such, the incremental forecast O&M related to the project implementation will be recovered immediately from 2026 to 2028, with the variances between forecast and actual amounts recovered in the following years (i.e., 2027 to 2029) via amortization of the Flow-through deferral account. In contrast, capturing these implementation O&M costs in a deferral account and amortizing the costs over the expected life of the new ERP/CIS system (i.e., 10 years) aligns the recovery with the length of the benefits related to the Combined Project that will be experienced by FEI's and FBC's customers, while also smoothing the rate impacts.

Item	Consideration	FEI ERP and FBC ERP/CIS Project Implementation O&M Deferral Accounts
IV	Address: a) whether, or to what extent, the item is outside of management's control;	The Combined Project implementation O&M costs are generally within FEI's and FBC's control; however, deferral treatment avoids the significant rate impact to FEI's and FBC's customers of recovering the O&M costs immediately in rates while allowing the recovery of the deferral costs to be matched with the expected 10-year lifecycle of the software, which also serves to smooth the rate impact to customers.
	b) the degree of forecast uncertainty associated with the item;	Refer to IV. a). During the Combined Project implementation, the costs are fairly certain as provided in Table 6-4 of the Application. FEI and FBC have forecast additions to the deferral accounts based on the best estimate of costs at this time. Actual costs are recorded in the account so that actual, not forecast, costs are recovered in rates.
	c) the materiality of the costs	The Combined Project O&M implementation costs are estimated to be \$9.848 million for FEI and \$10.368 million for FBC, in as-spent dollars. Please refer to Table 6-4 of the Application.
	d) any impact on intergenerational equity	FEI and FBC propose to recover the costs over the expected lifecycle of 10 years for a new software system, which serves to match the costs and benefits. There are no intergenerational inequities inherent in this practice.
V.	Classify the regulatory account as either: (a) forecast variance account; (b) rate smoothing account; (c) benefit matching account; (d) retroactive expense account; or (e) other.	FEI and FBC classify the Combined Project implementation O&M accounts as benefit matching accounts since the costs are recovered over the period of time the benefits are generally realized.
VI.	Identify if the regulatory account is a cash or non-cash account.	The Combined Project implementation O&M accounts are cash accounts.
VII.	Specify what additions to the regulatory account are being requested (i.e. type and amount of additions), including whether the account is intended to capture additions for a specific period of time or on an ongoing basis.	Eligible costs are described in Section 6.4.3. They include implementation O&M costs related to change management and training for FortisBC staff as well as facility costs related to temporarily leasing and configuring additional office space for the Combined Project team. Additions will be captured during the implementation phase of the Combined Project only. Regular labour and staff expenses are not included as part of this deferral account.
VIII.	Propose a mechanism for recovery (e.g. how the balance in the regulatory account will be recovered or refunded to ratepayers) and explain why it is appropriate.	Costs are recovered in revenue requirements by way of amortization expense.

Item	Consideration	FEI ERP and FBC ERP/CIS Project Implementation O&M Deferral Accounts
IX.	Propose a timeline for recovery (e.g. the period over which the regulatory account balance is either collected or refunded; also referred to as the amortization period) and explain why it is appropriate.	FEI and FBC propose to amortize the costs over a 10-year period, commencing on January 1 st of the year following the completion of the Combined Project (i.e., commencing on January 1, 2029 as the Combined Project is expected to complete in 2028 based on the current schedule). The proposed amortization period aligns with the expected lifecycle of the new software system, which serves to match the timing of benefits. Please refer to Section 6.4.4 of the Application.
X.	Propose a carrying cost for the balance in the regulatory account and explain why it is appropriate.	FEI and FBC are requesting carrying costs based on each utility's weighted average cost of capital (WACC). Non-rate base deferral accounts are generally financed using WACC.
XI.	Outline a recommended regulatory process for the Commission's review of the application.	The proposed deferral account can be reviewed as part of this Application.

1

2 **Table 2: Application and Preliminary Stage Development Costs Deferral Accounts (FEI and FBC)**

Item	Consideration	FEI and FBC Application and Preliminary Stage Development Costs Deferral Accounts
I.	Indicate if the request is: (a) for a modification or a change in scope to an existing Commission approved regulatory account; or (b) to establish a new regulatory account.	FEI and FBC each request the establishment of one new deferral account to capture the actual regulatory proceeding costs associated with the Application and the preliminary stage development costs related to the Combined Project.
a)	If the request is for a modification or change in scope to an existing regulatory account, explain why the existing regulatory account is an appropriate account to use (specifically addressing the existing account's intended and approved purpose, mechanism for recovery, timeline for recovery and carrying costs).	N/A
b)	If the request is for approval of a new regulatory account, state the purpose of the regulatory account and explain its intended use.	The requested FEI and FBC accounts, which have been routinely sought by both utilities, will capture external costs related to the preparation, filing and regulatory review of the application (including BCUC costs, participant funding costs, and external legal fees), as well as preliminary stage development costs (mainly related to the alternatives assessments, the RFP process, initial development of the preferred solutions, and data conversion activities).

Item	Consideration	FEI and FBC Application and Preliminary Stage Development Costs Deferral Accounts
II.	Propose a term (i.e. length of time) that the regulatory account should be approved for and explain why that term is appropriate.	The terms of the accounts encompass the preparation and filing of the regulatory Application and its review by the BCUC as well as the preliminary stage development of the Combined Project. It is anticipated that costs will be incurred from 2022 until the completion of the regulatory proceeding for this Application.
III.	Identify any alternate treatments that were considered, including an overview of what the accounting treatment would be in the absence of approval of the request to establish a regulatory account, and explain why these alternate treatments may not be appropriate.	In the absence of deferral accounts for the regulatory proceedings and preliminary stage development costs, the costs would have to be forecast as O&M expenses (outside of the RSF index-based formulas) and trued up annually by the way of the Flow-through deferral account. FEI and FBC consider this to be a more cumbersome and less efficient means of accounting for regulatory proceeding and development costs. FEI and FBC also note that it is accepted regulatory practice to defer the costs of regulatory application and preliminary development costs for recovery following the regulatory review and approval of the application itself. Review and recovery after the completion of the regulatory process allows for more transparency as the history of the costs is simpler to track and report.
IV a)	Address: whether, or to what extent, the item is outside of management's control;	Regulatory proceeding cost accounts are necessary because the number and type of regulatory proceedings can vary significantly by year. Further, once a regulatory proceeding is identified, the costs of that proceeding cannot be accurately forecast by the utility given that they can vary substantially, are not known at the time of making the regulatory account request, are unique to the circumstances for each application, may change as the regulatory review process unfolds, and are dependent on factors not within the utility's control. Factors not within the control of the utility include the regulatory process determined by the BCUC and the degree of involvement of interveners. In contrast, preliminary stage development costs are generally within the control of FEI and FBC; however, it is accepted regulatory practice to defer development costs and recover them in a future period. This allows the costs of the complete project to be matched against when the benefits are realized, as well as to smooth the rate impact to customers from the recovery of the deferred costs.
b)	the degree of forecast uncertainty associated with the item;	Refer to IV. a). FEI and FBC forecast additions to the deferral accounts based on the expected type of review process and degree of intervener involvement. For the preliminary stage development, the costs are fairly certain and additions to the deferral accounts are based on the best estimate of remaining costs at this time. Actual costs are recorded in the account so that actual, not forecast, costs are recovered in rates.

Item	Consideration	FEI and FBC Application and Preliminary Stage Development Costs Deferral Accounts
c)	the materiality of the costs	FEI and FBC estimate the total regulatory costs for this proceeding to be approximately \$127 thousand for each utility, in as-spent dollars. Of the total preliminary stage development costs, approximately \$1.836 million will be allocated to FEI and \$4.133 million to FBC, in as-spent dollars.
d)	any impact on intergenerational equity	Generally, FEI and FBC recover the costs of regulatory proceedings and preliminary stage development over the period of time related to the application and project development, which serves to match the costs and benefits. There are no intergenerational inequities inherent in this practice.
V.	Classify the regulatory account as either: (a) forecast variance account; (b) rate smoothing account; (c) benefit matching account; (d) retroactive expense account; or (e) other.	FEI and FBC generally classify regulatory proceeding and preliminary stage development accounts as benefit matching accounts since the costs are recovered over the period of time related to the application, which serves to match the costs and benefits of the application.
VI.	Identify if the regulatory account is a cash or non-cash account.	Regulatory proceeding and preliminary stage development cost accounts are cash accounts.
VII.	Specify what additions to the regulatory account are being requested (i.e. type and amount of additions), including whether the account is intended to capture additions for a specific period of time or on an ongoing basis.	<p>Eligible costs related to the regulatory proceeding include the BCUC's direct costs, notice publication costs, fees for consultants or experts, external legal fees, courier and miscellaneous administrative costs, and participant assistance cost awards incurred in the preparation, filing and regulatory review of the applications.</p> <p>Eligible costs related to preliminary stage development costs include expenses incurred during alternatives assessments, vendor engagement through the RFP process, initial development of the preferred solutions, and data conversion activities. Regular labour and staff expenses related to regulatory applications and preliminary stage development are included in FEI's and FBC's formula O&M expenses.</p>
VIII.	Propose a mechanism for recovery (e.g. how the balance in the regulatory account will be recovered or refunded to ratepayers) and explain why it is appropriate.	Costs are recovered in revenue requirements by way of amortization expense.
IX.	Propose a timeline for recovery (e.g. the period over which the regulatory account balance is either collected or refunded; also referred to as the amortization period) and explain why it is appropriate.	FEI and FBC are proposing to amortize the regulatory proceeding costs and the preliminary stage development costs over a four-year period, commencing on January 1 st of the year following the BCUC decision on the Application. Four years strikes the most reasonable balance between the rate impacts resulting from the amortization of the deferral account and matching the costs with the recovery from customers. Please refer to Section 6.4.4.

Item	Consideration	FEI and FBC Application and Preliminary Stage Development Costs Deferral Accounts
X.	Propose a carrying cost for the balance in the regulatory account and explain why it is appropriate.	FEI and FBC are requesting carrying costs based on each utility's WACC. Non-rate base deferral accounts are generally financed using WACC.
XI.	Outline a recommended regulatory process for the Commission's review of the application.	The proposed deferral account can be reviewed as part of this Application.

1

Appendix D

**DRAFT ORDERS AND CONFIDENTIALITY DECLARATION
AND UNDERTAKING FORM**

Appendix D-1

DRAFT PROCEDURAL ORDER



ORDER NUMBER

G-xx-xx

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc. and FortisBC Inc.

Application for Approval of Capital Expenditures for the Enterprise Resource Planning Modernization and Customer Information System Replacement Projects

BEFORE:

[Panel Chair]
Commissioner
Commissioner

on Date

ORDER

WHEREAS:

- A. On November 4, 2025, FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively, FortisBC) applied to the British Columbia Utilities Commission (BCUC), pursuant to section 44.2(1)(b) of the *Utilities Commission Act* (UCA), seeking acceptance of a schedule of capital expenditures that FortisBC anticipates making in respect of the FortisBC Enterprise Resource Planning (ERP) Modernization Project (ERP Modernization Project) and FBC Customer Information System (CIS) Replacement Project (CIS Replacement Project) (together, the Combined Project) and a determination pursuant to section 44.2(3) of the UCA that the expenditure schedule is in the public interest (Application);
- B. The ERP Modernization Project will upgrade FortisBC's existing core SAP applications to SAP S/4HANA, and the CIS Replacement Project will replace FBC's legacy customer information system (CIS Plus) with a suite of new SAP applications of which the core foundation is SAP S/4HANA;
- C. The forecast capital cost for the Combined Project (in as-spent dollars) is approximately \$190.779 million, with approximately \$92.246 million allocated to FEI and \$98.533 million allocated to FBC;
- D. FEI and FBC also each seek BCUC approval, pursuant to sections 59 to 61 of the UCA, of a depreciation rate of 10 percent to be applied to the new SAP S/4HANA software, and approval to establish two new deferral accounts;
- E. FortisBC requests that certain portions of the Application and Appendices A and B relating to cost estimates be treated as confidential due to their commercially sensitive nature; and
- F. The BCUC has commenced review of the Application and considers that establishing a regulatory timetable is warranted.

NOW THEREFORE the BCUC orders as follows:

1. A public hearing for the review of the Application is established, in accordance with the regulatory timetable as set out in Appendix A to this order.
2. On or before **Wednesday, December 3, 2025**, FortisBC is directed to:
 - a. Publish a copy of the Application and this order on its website at www.fortisbc.com;
 - b. Provide a copy of the Application and this order, electronically where possible, to the registered interveners in FEI's 2025 and 2026 Annual Review of Delivery Rates and FBC's 2025 and 2026 Annual Review of Rates proceedings; and
 - c. Provide notice of the Application and this order on its existing social media platforms. Weekly reminder posts must be posted on each platform until the conclusion of the intervener registration period on **Thursday, December 18, 2025**.
3. FortisBC is directed to provide written confirmation of compliance with the public notice requirements set out in Directive 2 by **Friday, December 5, 2025**.
4. Identified portions of the Application and Appendices A and B attached to the Application will be held confidential until determined otherwise by the BCUC.
5. In accordance with the BCUC's Rules of Practice and Procedure, parties who wish to actively participate in this proceeding must submit the Request to Intervene Form, available on the BCUC's website at <https://www.bcuc.com/GetInvolved/GetInvolvedProceeding>, by **Thursday, December 18, 2025**, as established in the regulatory timetable. Parties may also submit letters of comment by completing a Letter of Comment Form available on the BCUC's website at <https://www.bcuc.com/Forms/LetterOfComment>.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner

Attachment

FortisBC Energy Inc. and FortisBC Inc.
Application for Approval of Capital Expenditures for the Enterprise Resource Planning Modernization and
Customer Information System Replacement Projects

REGULATORY TIMETABLE

Action	Date (2025)
FortisBC provides notice of Application	Wednesday, December 3
FortisBC provides confirmation of compliance with public notice requirements	Friday, December 5
Intervener registration deadline	Thursday, December 18
Action	Date (2026)
BCUC Information Request (IR) No. 1	Thursday, January 8
Intervener IR No. 1	Thursday, January 15
FortisBC response to IR No. 1	Thursday, February 19
Letters of comment deadline	Thursday, February 26
FortisBC final argument	Thursday, February 26
Intervener final arguments	Thursday, March 12
FortisBC reply argument	Wednesday, April 1

Appendix D-2

DRAFT FINAL ORDER - FEI



ORDER NUMBER

G-xx-xx

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc. and FortisBC Inc.
Application for Approval of Capital Expenditures for the Enterprise Resource Planning Modernization and
Customer Information System Replacement Projects

BEFORE:

[X. X. Last Name, Panel Chair]
[X. X. Last Name, Commissioner]
[X. X. Last Name, Commissioner]

on [Month Day, Year]

ORDER

WHEREAS:

- A. On November 4, 2025, FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively, FortisBC) applied to the British Columbia Utilities Commission (BCUC), pursuant to section 44.2(1)(b) of the *Utilities Commission Act* (UCA), seeking acceptance of a schedule of capital expenditures that FortisBC anticipates making in respect of the FortisBC Enterprise Resource Planning (ERP) Modernization Project (ERP Modernization Project) and FBC Customer Information System (CIS) Replacement Project (CIS Replacement Project) (together, the Combined Project) and a determination pursuant to section 44.2(3) of the UCA that the expenditure schedule is in the public interest (Application);
- B. The ERP Modernization Project will upgrade FortisBC's existing core SAP applications to SAP S/4HANA, and the CIS Replacement Project will replace FBC's legacy customer information system (CIS Plus) with a suite of new SAP applications of which the core foundation is SAP S/4HANA;
- C. The forecast capital cost for the Combined Project (in as-spent dollars) is approximately \$190.779 million, with approximately \$92.246 million allocated to FEI and \$98.533 million allocated to FBC;
- D. FEI and FBC also each seek BCUC approval, pursuant to sections 59 to 61 of the UCA, of a depreciation rate of 10 percent to be applied to the new SAP S/4HANA software, and approval to establish two new deferral accounts;
- E. By Order G-###-##, the BCUC established the regulatory timetable for the review of the Application. The regulatory process included one round of written information requests (IRs), followed by written final and reply arguments; and

F. The BCUC has reviewed the Application and finds that the expenditure schedule filed in the Application is in the public interest and the following determinations are warranted.

NOW THEREFORE pursuant to sections 44.2(3) and 59 to 61 of the UCA, the BCUC orders as follows:

1. The BCUC accepts the capital expenditure schedule for FEI's portion of the Combined Project of approximately \$92.246 million.
2. FEI is approved to use a depreciation rate of 10 percent for the SAP S/4HANA software and components related to the Combined Project.
3. FEI is approved to establish a non-rate base deferral account attracting FEI's Weighted Average Cost of Capital (WACC), titled the ERP Project Implementation O&M deferral account, to record FEI's portion of the implementation O&M costs. FEI is also approved to transfer the balance in the ERP Project Implementation O&M deferral account to rate base on January 1 of the year following the completion of the Combined Project and to begin amortization over a 10-year period.
4. FEI is approved to establish a non-rate base deferral account attracting a WACC return, titled the Application and Preliminary Stage Development Costs deferral account, to record FEI's portion of the Application and preliminary stage development costs. FEI is also approved to transfer the balance in the Application and Preliminary Stage Development Costs deferral account to rate base on January 1 of the year following the Decision on this Application and to begin amortization over a 4-year period.
5. FEI is directed to comply with all directives outlined in the Decision issued concurrently with this Order, including the reporting specified in Appendix X to the Decision.

DATED at the City of Vancouver, in the Province of British Columbia, this [XXth] day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner

Appendix D-3

DRAFT FINAL ORDER - FBC



ORDER NUMBER

G-xx-xx

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc. and FortisBC Inc.
Application for Approval of Capital Expenditures for the Enterprise Resource Planning Modernization and
Customer Information System Replacement Projects

BEFORE:

[X. X. Last Name, Panel Chair]
[X. X. Last Name, Commissioner]
[X. X. Last Name, Commissioner]

on [Month Day, Year]

ORDER

WHEREAS:

- A. On November 4, 2025, FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively, FortisBC) applied to the British Columbia Utilities Commission (BCUC), pursuant to section 44.2(1)(b) of the *Utilities Commission Act* (UCA), seeking acceptance of a schedule of capital expenditures that FortisBC anticipates making in respect of the FortisBC Enterprise Resource Planning (ERP) Modernization Project (ERP Modernization Project) and FBC Customer Information System (CIS) Replacement Project (CIS Replacement Project) (together, the Combined Project) and a determination pursuant to section 44.2(3) of the UCA that the expenditure schedule is in the public interest (Application);
- B. The ERP Modernization Project will upgrade FortisBC's existing core SAP applications to SAP S/4HANA, and the CIS Replacement Project will replace FBC's legacy customer information system (CIS Plus) with a suite of new SAP applications of which the core foundation is SAP S/4HANA;
- C. The forecast capital cost for the Combined Project (in as-spent dollars) is approximately \$190.779 million, with approximately \$92.246 million allocated to FEI and \$98.533 million allocated to FBC;
- D. FEI and FBC also each seek BCUC approval, pursuant to sections 59 to 61 of the UCA, of a depreciation rate of 10 percent to be applied to the new SAP S/4HANA software, and approval to establish two new deferral accounts;
- E. By Order G-###-##, the BCUC established the regulatory timetable for the review of the Application. The regulatory process included one round of written information requests (IRs), followed by written final and reply arguments; and

F. The BCUC has reviewed the Application and finds that the expenditure schedule filed in the Application is in the public interest and the following determinations are warranted.

NOW THEREFORE pursuant to sections 44.2(3) and 59 to 61 of the UCA, the BCUC orders as follows:

1. The BCUC accepts the capital expenditure schedule for FBC's portion of the Combined Project of approximately \$98.533 million.
2. FBC is approved to use a depreciation rate of 10 percent for the SAP S/4HANA software and components related to the Combined Project.
3. FBC is approved to establish a non-rate base deferral account attracting FBC's Weighted Average Cost of Capital (WACC), titled the ERP/CIS Project Implementation O&M deferral account, to record FBC's portion of the implementation O&M costs. FBC is also approved to transfer the balance in the ERP/CIS Project Implementation O&M deferral account to rate base on January 1 of the year following the completion of the Combined Project and to begin amortization over a 10-year period.
4. FBC is approved to establish a non-rate base deferral account attracting a WACC return, titled the Application and Preliminary Stage Development Costs deferral account, to record FBC's portion of the Application and preliminary stage development costs. FBC is also approved to transfer the balance in the Application and Preliminary Stage Development Costs deferral account to rate base on January 1 of the year following the Decision on this Application and to begin amortization over a 4-year period.
5. FBC is directed to comply with all directives outlined in the Decision issued concurrently with this Order, including the reporting specified in Appendix X to the Decision.

DATED at the City of Vancouver, in the Province of British Columbia, this [XXth] day of (Month Year).

BY ORDER

(X. X. last name)
Commissioner

Appendix D-4

CONFIDENTIALITY DECLARATION AND UNDERTAKING FORM



Confidentiality Declaration and Undertaking Form

In accordance with the BCUC's Rules of Practice and Procedure, please provide a completed form to the party who filed the confidential document and provide a completed form via the BCUC e-filing system. If you are unable to e-file, please contact the BCUC at www.bcuc.com/AboutUs/ContactUs.

Undertaking

I, _____, am representing the party _____ in the matter of

In this capacity, I request access to the confidential information in the record of this proceeding. I understand that the execution of this undertaking is a condition of an Order of the BCUC, and the BCUC may enforce this Undertaking pursuant to the provisions of the *Administrative Tribunal Act*.

Description of document(s)	
Description of the relevance of document(s) to my participation in this matter and how the document(s) will be used	

I hereby undertake:

- (a) to use the information disclosed under the conditions of the Undertaking exclusively for duties performed in respect of this proceeding;
- (b) not to divulge information disclosed under the conditions of this Undertaking except to a person granted access to such information or to staff of the BCUC;
- (c) not to reproduce, in any manner, information disclosed under the conditions of this Undertaking except for purposes of the proceeding;
- (d) to keep confidential and to protect the information disclosed under the conditions of this Undertaking;
- (e) to return to the applicant, _____, all documents and materials containing information disclosed under the conditions of this Undertaking, including notes and memoranda based on such information, or to destroy such documents and materials within fourteen (14) days of the BCUC's final decision in the proceeding; and
- (f) to report promptly to the BCUC any violation of this Undertaking.

Signed at _____ this _____.

Signature: _____

Name (please print): _____ Email _____

Representing (if applicable): _____