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February 24, 2026

British Columbia Public Interest Advocacy Centre
Suite 803 - 470 Granville Street
Vancouver, B.C.V6C 1V5

Attention: Leigha Worth, Executive Director and General Counsel

Dear Leigha Worth:

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 (ERP) Modernization and Customer Information System (CIS) Replacement Projects (Application)

Response to the British Columbia Public Interest Advocacy Centre representing the Council of Senior Citizens' Organizations of BC, Active Support Against Poverty, Disability Alliance BC, Tenants Resource and Advisory Centre, and Together Against Poverty Society (COSCO) Information Request (IR) No. 1

On November 4, 2025, FortisBC filed the Application referenced above. In accordance with the regulatory timetable established in British Columbia Utilities Commission (BCUC) Order G-275-25 for the review of the Application, FortisBC respectfully submits the attached response to COSCO IR No. 1.¹

FortisBC has filed a portion of the response to COSCO IR1 4.1 on a confidential basis and has provided a redacted version for the public record of this proceeding. FortisBC requests that the information be held confidential by the BCUC in perpetuity, pursuant to section 23 of the BCUC's Rules of Practice and Procedure regarding confidential documents as set out in Order G-192-25,² as the information is commercially sensitive.

¹ For convenience and efficiency, if FortisBC has provided an internet address for referenced reports instead of attaching the documents to its IR responses, FortisBC intends for the referenced documents to form part of its IR responses and the evidentiary record in this proceeding.

² As amended by Order G-228-25.

If further information is required, please contact the undersigned.

Sincerely,

on behalf of FORTISBC

Original signed:

Sarah Walsh

Attachments

cc (email only): Registrar
Registered Interveners



FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 1

1 **1.0 Reference: Exhibit B-1, pages 2 and 22**

2 **Preamble:** “It is similarly no longer feasible for FBC to continue to extend the life of its
3 current customer information system – CIS Plus. CIS Plus was
4 implemented in 2000 on an Oracle database platform, with significant
5 modernization in 2010. Since 2006, vendor support and enhancements
6 have no longer been available, and FBC has been relying on internal
7 resources and contract specialists to extend the life of the system and keep
8 its interconnections functioning.” (page 2)

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

15 As part of its efforts to maintain CIS Plus and maximize the application’s
16 useful life, FBC undertook a significant modernization effort in 2010, during
17 which a graphical front-end was developed and deployed to enhance
18 usability and operational efficiency. Despite this enhancement, the core
19 CIS Plus application has remained separate and distinct with no functional
20 integration into the SAP ERP system used for corporate business functions
21 such as Finance, HR, and Supply Chain. Further, FBC no longer receives
22 vendor enhancements or feature upgrades to CIS Plus.” (page 22 –
23 emphasis added)

24 1.1 In what year did SPL adopt a regular support and release framework and
25 encourage its customers to migrate to the newly standardized version of its CIS
26 Plus software to receive ongoing enhancements and feature updates?

27 1.1.1 Is this why vendor support and enhancements are no longer available,
28 and why FBC has been relying on internal resources and contract
29 specialists to extend the life of the system and keep its interconnections
30 functioning since 2006?

31 **Response:**

32 The shift to a regular support and standardized release framework for CIS Plus occurred after
33 Oracle acquired SPL WorldGroup in November 2006, and, even then, it was not an immediate
34 transition. At that time, Oracle’s priority was to integrate SPL’s broader suite of applications into
35 the Oracle Utilities platform, rather than rebranding or advancing the CIS Plus application. As a
36 result, no formal migration roadmap was provided to customers to move from the heavily
37 customized CIS Plus solution onto the Oracle Utilities platform. Initiating another major migration
38



FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 2

1 project, only six years after the initial implementation, to move to Oracle Utilities would have been
2 costly and require significant resources and effort from FBC. For these reasons, FBC decided to
3 stay on its customized version of the CIS Plus application. FBC has been relying on internal
4 resources and contract specialists to make system updates and enhancements to extend the life
5 of the CIS Plus system since application support ended.

6
7

8

9 1.2 Please provide a detailed explanation why FBC undertook a significant
10 modernization effort for CIS Plus in 2010 as opposed to moving to an SAP-based
11 application?
12

13 **Response:**

14 FBC considered migrating to an SAP-based CIS in 2010; however, FBC decided to proceed with
15 the modernization of CIS Plus instead because migrating to an SAP-based application would
16 have required a full replacement of FBC's core customer, billing, and service order processes,
17 along with significant integration work. This would have resulted in a materially larger and more
18 disruptive transformation and would have been much more costly for FBC than the modernization
19 of CIS Plus. At the time of the modernization initiative in 2010, the CIS Plus system was not yet
20 at the end of its useful life; therefore, FBC was able to find a solution that would allow it to continue
21 to use CIS Plus.

22 The modernization of CIS Plus involved developing and deploying a graphical front end to improve
23 usability and operational efficiency while maintaining the core CIS Plus application. At that time,
24 although vendor enhancements to CIS Plus had ceased, FBC was able to sustain the system
25 through internal resources and contract specialists to ensure the platform continued to meet
26 operational requirements.

27

FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 3

1 **2.0 Reference: Exhibit B-1, page 3**

2 **Preamble:** “Based on internal discussions with subject matter experts, FortisBC
3 developed and applied evaluation criteria weighting and scoring that reflect
4 the unique nature of large-scale information system projects. The scoring
5 included the three main evaluation criteria above, two of which were then
6 further broken down into more granular sub-criteria. Each of the
7 alternatives for the ERP Modernization and CIS Replacement Projects
8 were scored against the above criteria using a scale from 1 to 3, as further
9 described in Sections 3.4.2 and 4.4.2.”

10 2.1 Did FortisBC secure a 3rd party review of the alternatives for either the ERP
11 Modernization Project or the CIS Replacement Project?

12 2.1.1 If yes, please provide the results.

13
14 **Response:**

15 No, the evaluation of alternatives was informed by a combination of internal analysis and external
16 input from third parties, including engagement with system implementers and software vendors
17 to validate technical feasibility, implementation considerations and cost drivers.

18 Please refer to the response to BCUC IR1 4.1 for further explanation of the structured evaluation
19 methodology that FortisBC applied to establish the evaluation criteria, associated sub-criteria,
20 and their respective weightings.

21 Further, as explained in the response to BCUC IR1 3.1, a portion of the cost estimates for the
22 ERP Modernization Project feasible alternatives and for CIS Alternative 4 (SAP CIS Alternative)
23 were developed using high-level implementation labour and software licensing costs received
24 through the RFEOI process from system integrators (i.e., received from third parties).

25



FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 4

1 **3.0 Reference: Exhibit B-1, pages 3-5, 41-52 and 66-78**

2 **Preamble:** “The results of the structured evaluation process indicated that ERP
3 Alternative 3 – Upgrade the core SAP applications with S/4HANA and CIS
4 Alternative 4 – Replace CIS Plus with SAP S/4HANA are the preferred
5 project alternatives. The scoring and overall results are provided in Tables
6 1-1 and 1-2 below.”

7 3.1 With respect to the ERP Modernization Project, please confirm that ERP
8 Alternative 3’s scores are equal to or higher than ERP Alternative 2’s under all sub-
9 criteria categories in Table 1-1 such that ERP-Alternative 3’s overall scoring would
10 always be higher regardless of the weightings used for each sub-criteria category
11 (assuming some weight is given to Project Implementation Risk and/or Financial
12 Risk).

13
14 **Response:**

15 Confirmed. Please refer to the responses to BCUC IR1 4.1, 4.2 and 4.3 for an explanation of how
16 the criteria, sub-criteria and weightings were selected, including how the criteria and sub-criteria
17 were selected to show trade-offs between the two feasible ERP Modernization Project and the
18 two feasible CIS Replacement Project alternatives.

19
20

21
22 3.2 With respect to the CIS Replacement Project, please confirm that CIS Alternative
23 4’s scores are equal to or higher than CIS Alternative 3’s under all sub-criteria
24 categories in Table 1-2 such that CIS-Alternative 4’s overall scoring would always
25 be higher regardless of the weightings used for each sub-criteria category
26 (assuming some weight is given to Project Implementation Risk and/or Financial
27 Risk).

28
29 **Response:**

30 Please refer to the response to COSCO IR1 3.1.

31



FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 5

1 **4.0 Reference: Exhibit B-1, pages 1, 5-6, 21, 30, and 32**

2 **Preamble:** “While SAP continues to provide limited enhancements to several core
3 enterprise applications used by FortisBC (ECC, CRM and BW), these
4 enhancements will cease after 2027 when mainstream support for these
5 SAP applications ends.” (page 1)

6 “The Project is planned to be implemented over approximately 26 months,
7 with phased design, build, testing, deployment, and stabilization activities.
8 Assuming BCUC approval of the Application by July 2026 and a Combined
9 Project start in November 2026, FortisBC expects the Combined 2 Project
10 to be closed in December 2028.” (pages 5-6)

11 “SAP will stop providing enhancements to certain key SAP applications,
12 including ECC, BW and CRM, and will end mainstream support after 2027.
13 While SAP is offering extended maintenance covering essential services
14 such as regular updates, security patches, and technical support for an
15 additional fee until 2030, no further updates or support will be available
16 beyond that date.” (page 21)

17 “Considering the time it will take companies to transition from SAP
18 enterprise applications to any new modern platform, SAP is providing
19 optional extended maintenance to customers needing support for their
20 applications at a premium on the existing maintenance for all supported
21 offerings, available for three years from the beginning of 2028 until the end
22 of 2030. The extended maintenance is only a temporary offering for
23 companies who need more time to complete an upgrade.” (page 32)

24 4.1 Will FortisBC need to contract with SAP for the premium price extended
25 maintenance coverage for ECC, BW and CRM for 2028 (i.e., until the Project is
26 completed at the end of 2028)?

27 4.1.1 If yes, what is the estimated “premium” that will be paid and the basis
28 upon which FortisBC has arrived at that estimated premium?

29 4.1.2 If yes, has the cost of this extended maintenance been included in the
30 Combined Project’s cost?

31 4.1.3 If yes, why wasn’t the planning of the overall Project initiated earlier so
32 as to avoid the need to contract for the more costly extended
33 maintenance in 2028?

34
35 **Response:**

36 FortisBC has redacted a portion of this response and filed the unredacted version on a confidential
37 basis as it contains commercially sensitive information.



FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 6

1 Based on the planned project schedule, FortisBC will need to contract with SAP for the premium
2 price extended coverage for ECC, BW and CRM for 2028. Based on information received from
3 SAP, FortisBC estimates that the cost of the premium will be [REDACTED].

4 The cost of the extended premium has not been included in the Combined Project's cost (i.e., the
5 cost provided in Table 6-1 of the Application), as it is not a cost specific to implementing the
6 project. FortisBC would incur this cost even if the project were not to proceed.

7 However, the cost of the premium was incorporated into the financial analysis of the two feasible
8 ERP Alternatives in Tables 3-1 and 3-2 as an adjustment to existing annual SAP software
9 maintenance costs. For ERP Alternative 2, the extended maintenance costs were included in
10 2028 and 2029, reflecting the additional year of implementation required under ERP Alternative
11 2. For ERP Alternative 3, the extended maintenance costs were included in 2028. This ensures
12 the extended maintenance requirements are appropriately included in the evaluation of both
13 feasible ERP alternatives.

14 FortisBC began investigative work on the proposed project in 2021; however, in order to
15 thoroughly investigate alternatives, which included exploring all alternatives (non-feasible and
16 feasible), engaging a third-party vendor to assist in developing requirements, preparing and
17 issuing an RFEOI (Request for Expression of Interest), undergoing solution demos and
18 implementer engagement, undergoing a Request for Proposal (RFP) process, and evaluating and
19 selecting the most appropriate implementation approach, it would not have been reasonable for
20 FortisBC to undertake the proposed Combined Project earlier than what is contemplated in the
21 Application.

22 Ultimately, FortisBC considers the extended premium cost in 2028 to be a reasonable trade-off
23 for undertaking a thorough investigative and evaluation process to determine that the Combined
24 Project is the most appropriate solution for the Companies and customers.

25



FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 7

1 **5.0 References: Exhibit B-1, pages 11, 18 (Table 2-2), 20-23, 81, 103 and 104**

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

11 In contrast, FBC operates its customer information functions on the CIS
12 Plus application, a legacy platform implemented in 1999. Built on an Oracle
13 database, CIS Plus handles billing, service order management, and credit
14 and collections for FBC’s customers. Although it effectively supports
15 various customer service functions, the platform requires manual
16 integrations (e.g., with the Meter Data Management System) and additional
17 tools and manual interventions to complete the meter-to-cash process.”
18 (page 11)

19 “Due to the evolution of applications within FEI and FBC described above,
20 FortisBC currently relies on two separate applications (IC-Web module of
21 SAP CRM for FEI and CIS Plus for FBC) to deliver meter-to-cash services
22 and customer care support for its gas and electric customers.” (page 23)

23 “The ERP Modernization scope includes migrating FortisBC’s existing
24 business processes, system configurations, enhancements, and data from
25 the existing on-premise SAP platform to a cloud-based SAP platform. The
26 main scope elements are summarized as follows:

- 27 • Upgrade the current SAP ECC application to SAP’s S/4HANA cloud-
28 based solution (RISE with SAP). This includes ensuring all existing
29 interfaces to other applications and cloud based systems continue to
30 function in the new S/4HANA environment.
- 31 • Replace the current SAP CRM CIS application with SAP Service Cloud.
32 This is the SAP Software as a Service (SaaS) solution for customer
33 service employees to use as their new customer information system.
- 34 • Upgrade the current SAP BW application to SAP Datasphere Cloud.
35 This is FortisBC’s new analytics application.
- 36 • Migrate from the current SAP Graphical User Interface (GUI) to the new
37 modern SAP Fiori” (page 81)



FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 8

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

5 As such, FortisBC will replace FEI’s existing SAP CRM CIS with SAP
6 Service Cloud.” (page 82)

7 “The implementation costs for the ERP Modernization Project, including
8 contingency, are allocated between FEI and FBC based on the ratio of
9 employees between the two utilities, which is approximately 78 percent FEI
10 and 22 percent FBC. FortisBC considers an allocation based on the
11 number of employees to be reasonable, as the upgraded ERP system will
12 be used by both FEI and FBC employees, with similar user roles and
13 access.” (page 103)

14 “The implementation costs for the CIS Replacement Project, including
15 contingency, are allocated entirely to FBC.” (page 104)

- 16 5.1 Is the SAP CRM application currently used only by FEI?
- 17 5.1.1 If FBC currently uses the SAP CRM application, please describe the
18 functions it is used for that are not performed by CIS Plus (or other
19 applications employed by FBC).

21 **Response:**

22 FortisBC confirms that the SAP CRM application is currently only used by FEI.

- 23
- 24
- 25
- 26 5.2 If only FEI currently uses the SAP CRM application and the CIS Plus (or other
27 applications employed by FBC) provides the equivalent services to FBC, please
28 explain why is it appropriate to allocate to FBC a portion of the ERP Modernization
29 Project associated with replacing the current SAP CRM CIS application with SAP
30 Service Cloud as well as the full cost of the CIS Replacement Project?

32 **Response:**

33 As discussed on page 11 of the Application, since 2018, FEI and FBC have been utilizing SAP
34 as a combined, integrated ERP system across the two utilities. The ERP Modernization Project
35 will enable FEI and FBC to use and share all upgraded SAP applications and modules once
36 complete. Accordingly, it is appropriate to allocate the overall implementation costs of the ERP



FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 9

1 Modernization Project between FEI and FBC, as both utilities will benefit from the broad upgrade
2 of the ERP system going forward.

3 As discussed in the response to BCUC IR1 11.2, FortisBC’s proposed allocation of the ERP
4 Modernization costs (78 percent to FEI and 22 percent to FBC) is a reasonable approximation of
5 how the overall ERP system is being used by the two utilities, even though there are variations in
6 usage across specific functions (i.e., some functions will be used more evenly between the two
7 utilities while others will be used more heavily by FEI or FBC). Further, this approach is consistent
8 with comparable IS projects and the cost drivers used to allocate IS O&M costs under FortisBC’s
9 approved Shared Services Policy.

10 In contrast, FBC’s CIS Replacement Project involves the movement from CIS Plus to an entirely
11 new customer information system, which is a significant and distinct undertaking in comparison
12 to the upgrade of the SAP CRM used by FEI as part of the broader ERP upgrade.

13 As such, FortisBC has reasonably allocated the costs between FEI and FBC for the ERP
14 Modernization Project and has allocated 100 percent of the FBC CIS Replacement Project costs
15 to FBC.

16 Please also refer to the Updated Table 2-2 of the Application provided in response to COSCO IR1
17 7.1, which shows that all SAP applications and modules are included within the Project scope to
18 be shared and in use by both FEI and FBC post-implementation of the Combined Project.

19
20

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22 5.2.1 What would the allocation of the implementation costs be for the ERP
23 Modernization Project if the portion of the costs related to replacing the current
24 SAP CRM CIS application with SAP Service Cloud was allocated 100% to FEI?
25

26 **Response:**

27 FortisBC notes that due to the highly integrated nature of the SAP ERP system and the SAP CRM
28 application, vendor pricing is provided for the overall ERP Modernization Project rather than by
29 individual component. Implementation activities such as data conversion, interface development,
30 testing, security, environment setup, and change management span both FEI and FBC functions
31 and cannot be accurately separated by application.

32 However, to be responsive, FortisBC has relied on the high-level estimates provided by IBM
33 during early discussions of the Combined Project. These estimates assume two separate
34 releases between FBC and FEI, which is the closest available proxy for isolating FEI-only and
35 FBC-only costs, as IBM provided separate estimates for each utility under this scenario. This
36 approach would require FBC and FEI to operate on two different SAP platforms in parallel during
37 the period between the releases.



FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 10

1 This scenario includes the following assumptions:

- 2 • **Release 1:** This release is primarily associated with FBC functions (including migration of
3 all FBC functions and data from the current SAP ECC application to SAP S/4HANA and
4 replacing FBC's CIS Plus with SAP Service Cloud and SAP S/4HANA), representing
5 approximately 49 percent of total implementation costs.
- 6 • **Release 2:** This release is primarily associated with FEI functions (including migrating all
7 FEI functions and data from the current SAP ECC application to SAP S/4HANA and
8 upgrading the existing SAP CRM application with SAP Service Cloud), representing
9 approximately 51 percent of total implementation costs.

10 The two separate releases approach would have increased overall implementation costs by at
11 least \$50 million (due to increased implementation effort and risk, as well as operation workload
12 as employees will have to switch between two different sets of systems), while resulting in an
13 allocation that is only marginally different from the proposed 48 percent to FEI and 52 percent to
14 FBC under the proposed Combined Project structure.

15
16
17
18 5.3 Are SAP's BW application and Graphical User Interface all currently used by both
19 FEI and FBC?

20 5.3.1 If not: i) which of the applications are only used by either FBC or FEI; ii)
21 what application(s) does the other party use to perform the equivalent
22 functions; and iii) will that party be transitioning to the new applications
23 being adopted as part of the ERP Modernization Project?

24
25 **Response:**

26 FortisBC confirms that SAP's BW application and Graphical User Interface (GUI) are currently
27 used by both FEI and FBC.

28



FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 11

1 **6.0 Reference: Exhibit B-1, page 15**

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

11 6.1 Does the fact that neither FEI nor FBC can adopt different functionalities or diverge
12 in their approach for common modules without disrupting the uniformity of the
13 enterprise-wide solution create or contribute to any operational problems or lead
14 to any inefficiencies for either Company?

15 6.1.1 If so, please outline what they are and why the benefits of having a unified
16 platform outweighs these disadvantages.

17
18 **Response:**

19 FortisBC’s approach is to standardize processes wherever practical and applicable to maximize
20 efficiency, simplify system maintenance, and enable consistent adoption of enhancements and
21 security updates, with deviations introduced only where business or regulatory requirements
22 differ. As a result, both FEI and FBC realize the benefits of a unified platform. However, FortisBC’s
23 integrated system has sufficient configuration flexibility to support company-specific processes
24 and functionality where required. For example:

- 25 • The SAP Human Resources (HR) module is configured to support the distinct collective
26 agreement provisions for the FBC and FEI bargaining units for their specific contract
27 requirements; and
- 28 • Separate company codes, regulatory reporting structures and mappings are maintained
29 for FEI and FBC within the same SAP environment, ensuring utility specific financial
30 reporting and compliance obligations are met without duplicating systems.

31 Therefore, a unified SAP platform does not create operational issues or inefficiencies for either
32 FEI or FBC, and provides the benefit of a common enterprise system and update cycle.

1 **7.0 Reference: Exhibit B-1, page 18 (Table 2-2)**

2 7.1 Please provide an updated version of Table 2-2 SAP reflecting the applications
 3 and modules that will be shared and in use by both FEI and FBC after the
 4 completion of the Project.

5 7.1.1 For those applications and modules still not shared, please distinguish
 6 between those where: i) FBC uses an alternative application vs. ii) those
 7 where FBC does not require the use of a comparable application.

8
 9 **Response:**

10 Please refer to the updated Table 2-2 below which shows the SAP applications and modules
 11 included in the Project scope to be shared and in use by both FEI and FBC.

12 **Updated Table 2-2: SAP Components by Business Area Included in the Project Scope for Use by**
 13 **FBC and FEI**

SAP Components	FEI	FBC
SAP S/HANA	■ 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	■ Yes
SAP PP (Production Planning)	■ Yes	■ Yes
SAP QM (Quality Management)	■ Yes	■ Yes
SAP AM (Asset Management)	■ Yes	■ Yes
SAP GRC (Security)	■ Yes	■ Yes
SAP Service Cloud	■ Yes	■ Yes
SAP DataShere	■ Yes	■ Yes
SAP DQM (Data Quality Management)	■ Yes	■ Yes
SAP SuccessFactors	■ Yes	■ Yes
SAP Concur (Travel and Expense)	■ Yes	■ Yes



FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 13

1 **8.0 Reference: Exhibit B-1, page 23**

2 **Preamble:** “The use of two different applications – with FBC’s CIS Plus being a legacy
3 platform – creates operational complexities that impact service delivery,
4 including FEI’s and FBC’s ability to provide a consistent customer
5 experience across the organization, as the Companies must navigate
6 inconsistencies in processes, data visibility, and system capabilities.”

7 8.1 Are these operational complexities due to the fact there is a single customer
8 service department (per footnote 8) that serves both FEI and FBC customers? If
9 there are other factors that contribute to these operational complexities, please
10 explain.

11 **Response:**

12 The operational complexities discussed on page 23 of the Application (and referenced in the
13 preamble) arise from the use of two different customer information systems (FBC’s legacy CIS
14 Plus and FEI’s SAP CRM) as opposed to FEI and FBC utilizing a single customer service
15 department serving customers of both Companies. Operating a combined customer service
16 model results in some representatives needing to navigate two systems; however, the shared
17 service structure provides meaningful benefits to customers and the Companies, including the
18 flexibility to shift resources between FEI and FBC to respond to unexpected fluctuations in call
19 volumes, and to provide support during peak periods or service disruptions. Examples of this
20 model are currently in place where a specialized team of FEI staff supports FBC’s peak call
21 volume intervals and FEI’s after hours Gas emergency team supports after-hour Electric trouble
22 calls, which was previously outsourced to a third party.

23 A benefit of the Combined Project is that it seeks to eliminate the complexities associated with
24 operating across two systems with differing capabilities, including:

- 25 • Inconsistent business processes and workflows between systems, resulting in differences
26 in customer experience for customers in shared territories interacting with FEI and FBC;
- 27 • Differences in data structures and system functionality;
- 28 • System-specific limitations that constrain the ability to standardize customer interactions
29 and service approaches across FEI and FBC; and
- 30 • Increased reliance on manual workarounds and exception handling, particularly where
31 legacy CIS Plus functionality is constrained.
- 32

33 These factors require customer service employees to navigate different system rules, screens,
34 and processes depending on the customer being served, which adds complexity to service
35 delivery.



FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 14

1 **9.0 Reference: Exhibit B-1, pages 28-29**

2 **Preamble:** “Each module of SAP ECC is designed to support specific business areas
3 such as billing, procurement, project execution, or maintenance planning.
4 These modules operate on a shared database, such that changes in one
5 area automatically update and inform related business functions. For
6 instance, FortisBC processes over 12 million gas bills annually using SAP
7 ECC’s integrated billing and customer service modules, which play a
8 central role in executing the full meter-to-cash cycle, from meter reading
9 and bill calculation to exception handling, payment processing, and
10 revenue recognition.”

11 9.1 Do the various SAP ECC modules perform the same functions for both FEI and
12 FBC?

13 9.1.1 If not, what functions of the SAP ECC modules are used for only one of
14 the two companies? In each case, please indicate what the company not
15 using SAP ECC employs as an alternative.

17 **Response:**

18 Not all of the SAP ECC modules currently perform the same functions for both FEI and FBC.
19 Please refer to the response to ICG IR1 1.3 for further details.

20



FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 16

1 the total implementation costs (capital plus labour) for the ERP
2 Alternative 2 are less than or equal to those found in the Class 4 ERP
3 Alternative 3 estimate? If yes, what is that percentage?
4

5 **Response:**

6 FortisBC confirms that the system integrator and software license costs for a non-SAP system
7 (i.e., ERP Alternative 2) are higher than those for an SAP system (i.e., ERP Alternative 3). Please
8 also refer to the response to BCUC IR1 2.1 which compares the cost estimate for ERP Alternative
9 2 (at a Class 5 cost estimate level as filed) with a Class 5 cost estimate for ERP Alternative 3 as
10 well as the as-filed Class 4 cost estimate. In all scenarios, the system integrator and software
11 license costs for a non-SAP ERP system are higher.

12 For additional explanation of how system integrator and software license costs were determined
13 for ERP Alternative 2 (i.e., the non-SAP ERP Alternative), please refer to the response to BCUC
14 IR1 3.5.

15

FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 17

1 **11.0 Reference: Exhibit B-1, pages 37-39**

2 **Preamble:** “The annual maintenance and support costs for the non-SAP ERP
3 applications are estimated based on the information received from the
4 RFEOI. In addition, FortisBC estimates its internal resources would
5 increase by approximately 25 percent due to the significant workforce
6 transition to a completely new ERP system and technology. Over the post-
7 implementation period, FortisBC estimates a resulting net increase to the
8 annual O&M costs by an average of approximately \$2.6 million, while the
9 annual capital costs would decrease by an average of approximately \$350
10 thousand.” (pages 37-38)

11 “The annual software license fees would increase as a result of the switch
12 to the S/4HANA subscription, which includes managed services. However,
13 the increase will be partially offset by a reduction in annual SAP support
14 costs as well as a reduction in FortisBC labour support costs due to the
15 shift to SAP managed services. Over the post-implementation period,
16 FortisBC estimates that these changes would result in a net increase to the
17 annual O&M costs by an average of approximately \$1.0 million, while the
18 annual capital costs would decrease by an average of approximately \$541
19 thousand.” (page 39 – emphasis added)

20 11.1 Does the determination of the annual support cost for ERP Alternative 2 include
21 any allowance for a reduction in annual SAP support costs (both internal and
22 external)?

23
24 **Response:**

25 The determination of the annual support cost for ERP Alternative 2 includes a reduction in annual
26 SAP support costs (internal and external). As described in Section 3.3.2.1 of the Application, ERP
27 Alternative 2 involves replacing the existing SAP ERP ECC, CRM, and BW applications with a
28 non-SAP ERP platform. Under this alternative, FortisBC would eliminate SAP license and
29 maintenance fees associated with the SAP modules, such as SAP ECC, CRM, and BW.

30 However, these reductions are offset by new software license and vendor support costs
31 associated with the non-SAP platform. As a result, while SAP-specific support costs decrease,
32 total external software support costs increase on a net basis.

33 In addition, as stated on pages 37–39, FortisBC estimates its internal ERP support resources
34 would increase by approximately 25 percent. This increase would be required to manage the
35 complexity of transitioning to a new ERP system and to support a significant workforce transition,
36 as well as ongoing support requirements associated with operating a completely new ERP
37 system.

38 Accordingly, while SAP-specific support costs decrease, the overall annual ERP support costs
39 under ERP Alternative 2 are expected to increase.



FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 18

1 **12.0 Reference: Exhibit B-1, page 59 and 110**

2 **Preamble:** “This assessment concluded that CIS Plus was approaching end-of-life and
3 recommended that FBC proceed with a comprehensive evaluation of an
4 alternate solution. While Util-Assist’s findings highlighted the need for
5 replacement, FBC was able to extend the life of CIS Plus for several
6 additional years due to a combination of mitigating factors.” (page 59 -
7 emphasis added)

8 “FortisBC has incurred actual preliminary stage development costs of
9 \$4.881 million from July 2022 to July 2025 and forecasts further costs of
10 \$1.088 million (primarily for the data conversion activities for FBC’s CIS
11 Plus) to the end of 2025. Of the total preliminary stage development costs,
12 approximately \$1.836 million are allocated to FEI and \$4.133 million are
13 allocated to FBC, in as-spent dollars.” (page 110)

14 12.1 Please describe the mitigating factors referred to in the Application.

15
16 **Response:**

17 The mitigating factors referenced on page 59 of the Application (and in the preamble) were a
18 combination of targeted technical upgrades and small custom enhancements implemented by the
19 FBC internal support team with vendor support from Software AG.

20 The targeted technical upgrades were implemented to ensure that the Software AG components,
21 which are the foundation of the CIS Plus application, along with all related hardware and software
22 dependencies, remained aligned with Software AG’s support and upgrade paths.

23 In addition to the technical upgrades, the internal developers were able to work around core
24 product limitations and missing functionality in the legacy CIS Plus application through custom
25 enhancements to deliver the functionality required by Customer Service.

26 These enhancements were interim solutions to reduce manual effort by improving the overall
27 application usability; however, several key functional gaps continued to require manual work
28 outside of CIS Plus. For example, a custom batch program was developed to bulk-export and
29 load the Advanced Metering Infrastructure (AMI) meters selected for the meter compliance testing
30 program to significantly reduce the time needed for someone to manually update each meter.
31 While this reduced repetitive data entry, it did not eliminate the manual oversight and
32 reconciliation activities associated with the updates.

33 Similarly, to support net metering customers, existing screens and data fields in CIS Plus were
34 redesigned to capture the necessary usage information. This mitigated core product CIS
35 application limitations for complex billing calculations and allowed net metering calculations to be
36 manually performed outside of the system, with results subsequently entered or reconciled within
37 CIS Plus. This manual handling required use of spreadsheet-based calculations, validation steps,



FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 19

1 and reconciliation controls outside CIS Plus. Although this workaround enabled continued
2 customer visibility of their total kWh bank through the self-service Account On-line application, it
3 required ongoing manual effort and increased operational complexity.

4 While targeted investments have historically mitigated functional gaps, it is increasingly difficult
5 and costly to develop custom solutions to mitigate against core product limitations; accordingly,
6 continuing to rely on this legacy technology is no longer sustainable.

7

8

9

10 12.2 Did FortisBC/FBC first start looking for an alternative solution to CIS Plus in 2022
11 as suggested by the reference from page 110 of the Application?

12 12.2.1 If yes, please explain why FortisBC/FBC did not start sooner given Util-
13 Assist's findings?

14 12.2.2 If FortisBC/FBC started earlier, why are there only preliminary stage
15 development costs beginning in July of 2022?

16

17 **Response:**

18 FBC began actively evaluating alternatives to CIS Plus prior to 2022. As described in the
19 Application, FBC engaged Util-Assist in 2018 to assess the lifecycle status and sustainability of
20 CIS Plus. Util-Assist concluded that CIS Plus was approaching end-of-life and recommended that
21 FBC proceed with a comprehensive evaluation of an alternate solution. Following this
22 assessment, FBC engaged third-party firms to develop detailed requirements and FBC
23 considered potential replacement pathways, including the option of migrating the CIS Plus
24 functionality into SAP ECC and SAP CRM applications, as described in CIS Alternative 2. Please
25 refer to the response to BCUC IR1 1.1 for further details.

26 With respect to the statement on page 110 of the Application (as referenced in the preamble), the
27 timing of when FBC began incurring preliminary stage development costs (i.e., July 2022) was
28 referring to the date when the deferral account was first created internally for accounting
29 purposes. The actual preliminary stage development costs recorded in the internal deferral
30 account include the transfer of actual costs incurred by FBC prior to July 2022 for the preliminary
31 evaluation of CIS alternatives.

32

FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 20

1 **13.0 Reference: Exhibit B-1, page 84**

2 **Preamble:** “The CIS Replacement scope includes transitioning from FBC’s legacy CIS
3 Plus platform to a modern, integrated solution built on SAP S/4HANA and
4 SAP’s CRM application Service Cloud (described previously in Section
5 5.3.1.2). The replacement scope is structured around three key functional
6 areas:

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

19 13.1 In what SAP applications/modules are each of these functions currently performed
20 for FEI?

21 13.1.1 Are these areas part of the ERP Modernization Project?
22

23 **Response:**

24 The SAP applications and modules that each of these functions are currently performed in for FEI
25 are listed below:

- 26 • Revenue Management, Billing and Customer Accounting are performed in SAP ECC,
27 using SAP IS-U (Industry Specific for Utilities) and SAP FI (Financial Accounting) to
28 support billing related financial postings and settlements.
- 29 • Customer Relationship Management (CRM) is performed using SAP CRM using IC-Web
30 (Interaction Center).
- 31 • Work Management is performed in SAP ECC using SAP IS-U (Industry Specific for
32 Utilities), SAP FI (Financial Accounting), SAP PP (Production Planning), SAP QM (Quality
33 Management), and SAP AM (Asset Management).

34 All of these areas are part of the ERP Modernization Project.
35



FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 21

1 **14.0 Reference: Exhibit B-1, page 89**

2 **Preamble:** “FortisBC negotiated a pricing discount with IBM from the original fixed fee
3 proposal and engaged an independent third-party to conduct a quality
4 assurance review, including market comparisons.” (emphasis added)

5 14.1 Please outline the scope of the independent third-party quality assurance review.
6 As part of the response, please outline what the market price comparisons involved
7 (i.e., what was being “compared” and how it was carried out).

8
9 **Response:**

10 The independent third-party quality assurance (QA) review was commissioned to provide an
11 objective assessment of the scope definition, delivery approach, and pricing associated with IBM’s
12 fixed-fee proposal.

13 The scope of the QA included the following:

- 14 • Review and provide feedback on the completeness (i.e., quality) of the SAP S/4HANA
15 scope definition received from IBM including:
 - 16 ○ Functional Scope;
 - 17 ○ Proposed Architecture;
 - 18 ○ Data and Analytics Strategy;
 - 19 ○ Custom Code Analysis; and
 - 20 ○ Change Management Strategy.
- 21 • Review and provide feedback on the delivery approach, including the pricing, staffing, and
22 implementation strategy received from IBM.

23 The market price comparison was based on the third-party vendor’s professional experience and
24 implementation cost data from peer utilities, with the resulting rates reviewed for reasonableness.

25 In addition, a separate independent review was conducted of IBM’s proposed rate card, including
26 labour rates. This review compared the proposed rates to typical industry ranges and assessed
27 whether the overall resource mix and pricing were consistent with market norms.

28
29

30
31 14.2 Please provide a summary of the third-party quality assurance review’s findings.
32



FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 22

1 **Response:**

2 The third-party quality assurance review concluded that:

- 3 • the documentation provided by IBM was sound and of appropriate quality;
- 4 • the rate card information was reasonable and within expected ranges;
- 5 • the level of FortisBC resources was appropriate for a project of this scale; and
- 6 • the proposed release timeline, with the ERP Modernization as the first release and the
- 7 FBC CIS Replacement as the second release, was reasonable.

8 In addition, the third party provided guidance on topics for review during the design phase of the

9 implementation to help ensure the final design covers FortisBC's requirements.



FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 23

1 **15.0 Reference: Exhibit B-1, pages 111-113**

2 **Exhibit B-1, Appendix C, pages 4-6**

3 **Preamble:** “FortisBC considered amortization periods ranging from one to seven
4 years, but ultimately determined that a four-year amortization period was
5 appropriate for both FEI’s and FBC’s deferral account based on
6 considerations including annual rate impacts, volatility of rates, the nature
7 of the costs, and intergenerational inequity.” (page 111)

8 “In contrast, a four-year amortization period aligns well with the timing of
9 when the Combined Project assets enter FEI’s and FBC’s rate bases (i.e.,
10 2029) and the timing of the highest rate impact due to the Combined Project
11 (i.e., 2031). As shown in Table 6-7 above, a four-year amortization period
12 results in less rate volatility for both FEI and FBC from 2029 to 2031 when
13 compared to a shorter period as well as a lower rate impact in 2031 when
14 compared to a longer period.” (page 113)

15 “Generally, FEI and FBC recover the costs of regulatory proceedings and
16 preliminary stage development over the period of time related to the
17 application and project development, which serves to match the costs and
18 benefits. There are no intergenerational inequities inherent in this practice.”
19 (Appendix C, page 5)

20 “FEI and FBC generally classify regulatory proceeding and preliminary
21 stage development accounts as benefit matching accounts since the costs
22 are recovered over the period of time related to the application, which
23 serves to match the costs and benefits of the application.” (Appendix C,
24 page 5)

25 15.1 Please provide a revised version of Table 6-7 (page 112) that includes: i) additional
26 columns for each of the years from 2032 to 2036 and ii) lines/rows for a ten year
27 amortization period.

28
29 **Response:**

30 Table 1 below provides a revised version of Table 6-7 of the Application, which includes columns
31 for years 2032 to 2036, as well as rows reflecting the 10-year amortization periods for FEI and
32 FBC. FortisBC notes that the shaded columns in grey indicate the years in which the Application
33 and Preliminary Stage Development Costs deferral accounts have already been fully amortized
34 for each option.

35 As shown in Table 1, a four-year amortization period is preferable because:

- 36 • It will result in lower degree of rate volatility from 2029 to 2031 when compared to a three-
37 year amortization period;



- 1 • It will result in a lower rate impact in 2031, which is the year with the highest rate impact
- 2 due to the Combined Project for both FEI and FBC, when compared to a longer
- 3 amortization period, including the 10-year period; and
- 4 • It will have lower rate impacts in all years from 2032 to 2036 when compared to a 10-year
- 5 amortization period.

6 **Table 1: Total Project Rate Impacts with 3-Year to 7-Year, and 10-Year Amortization Periods for**
 7 **the Application and Preliminary Stage Development Costs Deferral Accounts (from 2027 to 2036)¹**

Line		Total Project Rate Impact									
		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	FEI										
1	3-Year Amortization Period (2027 to 2029)	0.05%	0.05%	0.40%	0.23%	1.28%	1.19%	1.08%	1.01%	0.95%	0.88%
2	4-Year Amortization Period (2027 to 2030) - Proposed	0.04%	0.04%	0.39%	0.28%	1.28%	1.19%	1.08%	1.01%	0.95%	0.88%
3	5-Year Amortization Period (2027 to 2031)	0.03%	0.03%	0.38%	0.27%	1.32%	1.19%	1.08%	1.01%	0.95%	0.88%
4	6-Year Amortization Period (2027 to 2032)	0.02%	0.03%	0.38%	0.27%	1.32%	1.22%	1.08%	1.01%	0.95%	0.88%
5	7-Year Amortization Period (2027 to 2033)	0.02%	0.02%	0.37%	0.26%	1.31%	1.22%	1.11%	1.01%	0.95%	0.88%
6	10-Year Amortization Period (2027 to 2036)	0.01%	0.01%	0.36%	0.26%	1.31%	1.21%	1.11%	1.04%	0.97%	0.90%
	FBC										
8	3-Year Amortization Period (2027 to 2029)	0.37%	0.35%	1.45%	0.92%	3.74%	3.55%	3.33%	3.18%	3.03%	2.87%
9	4-Year Amortization Period (2027 to 2030) - Proposed	0.29%	0.28%	1.39%	1.16%	3.74%	3.55%	3.33%	3.18%	3.03%	2.87%
10	5-Year Amortization Period (2027 to 2031)	0.24%	0.23%	1.35%	1.12%	3.94%	3.55%	3.33%	3.18%	3.03%	2.87%
11	6-Year Amortization Period (2027 to 2032)	0.21%	0.20%	1.32%	1.10%	3.91%	3.71%	3.33%	3.18%	3.03%	2.87%
12	7-Year Amortization Period (2027 to 2033)	0.19%	0.18%	1.30%	1.08%	3.90%	3.70%	3.47%	3.18%	3.03%	2.87%
13	10-Year Amortization Period (2027 to 2036)	0.15%	0.14%	1.26%	1.05%	3.87%	3.67%	3.45%	3.29%	3.13%	2.97%

9 Given a 10-year amortization period would result in greater rate impacts in 2031 (i.e., the year
 10 when the rate impacts will be the highest due to the Combined Project) for both FEI and FBC,
 11 and also greater rate impacts in all years from 2032 to 2036, there is no benefit to selecting a 10-
 12 year amortization period over the proposed four-year amortization period for the Application and
 13 Preliminary Stage Development Costs deferral account.

14
 15
 16
 17
 18
 19

15.2 Please explain how a four year amortization period is consistent with the consideration of inter-generational equity when the Project has a ten year life.

¹ As discussed in the response to BCUC IR1 2.1, while responding to the BCUC and Intervener IRs, FortisBC identified some minor errors in the financial models. FortisBC has filed an Errata concurrently with these IR responses reflecting the small changes to the financial analysis which have been summarized in the cover letter to the Errata. Table 1 reflects the corrected costs and financial analysis as presented in the Errata. As discussed in Section 6.5 of the Application, the delivery rate impact for FEI and the rate impact for FBC are compared to the 2025 Approved interim revenue requirements, thus Table 1 maintains this comparison.



FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 25

1 **Response:**

2 As explained in the Application and consistent with FortisBC’s approach to selecting amortization
3 periods for past application and preliminary stage development cost deferral accounts, FortisBC
4 considers the following factors: (i) alignment with the in-service date of the project; (ii) the size
5 and nature of the costs being deferred; (iii) the delivery rate/total bill impact and rate volatility; and
6 (iv) intergenerational equity. A four-year amortization period strikes the best balance of these
7 considerations.

8 When assessing intergenerational equity, FortisBC considered the alignment of the period over
9 which customers receive the benefit of the incurred costs, as well as the passage of time between
10 when the costs were first incurred and when the costs will be fully recovered. In the case of the
11 Combined Project, FortisBC has been incurring costs since early 2021 to develop the Combined
12 Project (as explained in the response to COSCO IR1 12.2). Therefore, if the deferral account is
13 amortized over a 10-year period starting in 2027, the costs will not be fully recovered until 2036,
14 which is 15 years since the costs began to be incurred.

15 In contrast, a four-year amortization period limits the passage of time from when the preliminary
16 stage development costs were first incurred to when the costs would be fully recovered. A four-
17 year amortization period also lessens the peak rate impact in 2031 when compared to a longer
18 amortization period and provides a higher degree of rate smoothing (i.e., minimizing the volatility
19 between 2029 and 2031) when compared to shorter amortization period, as discussed in the
20 response to COSCO IR1 15.1.

21 With regard to COSCO’s reference in the preamble to the statement on page 5 of Appendix C,
22 this statement was provided in response to the BCUC’s Regulatory Account Filing Guidelines,²
23 which requires utilities to classify regulatory accounts as either: (a) forecast variance accounts;
24 (b) rate smoothing accounts; (c) benefit matching accounts; (d) retroactive expense accounts; or
25 (e) other.

26 The BCUC’s Regulatory Account Filing Guidelines define a benefit matching account as follows:

27 A benefit matching account defers recovery of costs that under Generally Accepted
28 Accounting Principles (GAAP) would otherwise be required to be expensed in the
29 current accounting period to a future period (when the benefits of those costs are
30 realized) if they provide long-term benefits to current and future ratepayers.

31 The proposed Application and Preliminary Stage Development Costs deferral account meets the
32 definition of a benefit matching account since, in the absence of the deferral account, the
33 Application costs as well as the preliminary stage development costs would have been expensed
34 as O&M in the years of incurrence for both FEI and FBC.

² <https://docs.bcuc.com/documents/Guidelines/Regulatory-Account-Filing-Guidelines.pdf>.



FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively FortisBC or the Companies) Application for Approval of Capital Expenditures for the ERP Modernization and CIS Replacement Projects (Application)	Submission Date: February 24, 2026
Response to COSCO Information Request (IR) No. 1	Page 26

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15.3 Please explain how a four year amortization period is consistent with the consideration of benefit matching when the Project will provide benefits to customers for ten years.

Response:

Please refer to the response to COSCO IR1 15.2.