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February 24, 2026

Industrial Customers Group
c/o Robert Hobbs
2206 Happy Valley Road
PO Box 1552
Rossland, BC V0G 1Y0

Attention: Robert Hobbs

Dear Robert Hobbs:

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 Industrial Customers Group (ICG) Information Request (IR) No. 1[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 ICG IR No. 1.

FortisBC has filed a portion of the responses to ICG IR1 5.1, 6.1, and 8.2 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.

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[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

1 Reference: Exhibit B-1, p. 16, Table 2-2, p. 18

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

1.1 Please provide examples of SAP ECC's "embedded business rules" relevant to internal applications identified in Figure 2-2?

Response:

SAP ECC contains embedded business rules and configurable controls that are integral to the operation of FortisBC's internal enterprise applications. These rules are designed to enforce data integrity, process consistency, auditability, and regulatory compliance across the Finance, Human Resources, and Supply Chain functions.

Some examples relevant to the internal applications identified in Figure 2-2 include the following:

- **Data Validation and Field Controls:** SAP ECC enforces structured data governance through predefined field formats. Everything from telephone numbers, address information, and any other items that require a fixed format are automatically validated and flagged for correction by the user if incorrect. General ledger postings must reference valid company codes, cost centers, and account structures. These embedded controls reduce manual errors and support financial reporting accuracy and audit requirements.
- **Transaction Integrity:** SAP ECC has the concept of a logical business transaction, which means no data is transferred to the database until all required data has been collected from the user and verified based on rules configured during implementation. If any rule fails (e.g., missing approval, invalid account assignment) the entire transaction is rejected.
- **Regulatory and Tax Configuration Updates:** SAP periodically releases support packages during the year, which include business rules to automatically ensure that the SAP ECC application is validating transactions with the latest tax information and other required audit requirements.
- **Automated Financial and Payroll Calculations:** Financial transactions such as payroll, benefits accruals and tax calculations are executed based on configurable rule sets within SAP ECC. Users cannot directly override calculated results without initiating a separate controlled adjustment process, which is subject to approval workflow rules to the correct approvers to ensure segregation of duties and workflow-based approvals and statutory compliance rules.
- **Materials Requirements Planning (Supply Chain):** SAP ECC's Material Requirements Planning functionality applies embedded logic to monitor inventory levels, safety stock

thresholds, lead times, and forecast demand. This supports operational continuity and reduces manual intervention in inventory replenishment processes.

1.2 Please provide an example of how the SAP ECC provides retirees with benefits requirements?

Response:

The SAP ECC HR system supports retiree benefit administration by keeping all relevant retiree information in one place and using that data to manage their ongoing eligibility and entitlements.

SAP ECC maintains key personal details, contact information, benefit plan eligibility, and taxable benefit data, including in respect of the Employee Share Purchase Plan, to ensure retiree benefits are administered consistently throughout the year. Using this information, SAP ECC also manages the retiree payroll process, making sure payouts and related financial transactions are processed accurately and flow through to the correct financial systems. The system generates retiree pay statements and required year-end tax documents. SAP ECC also supports retiree rehire situations by relying on validated historical records to keep information consistent and facilitating the onboarding experience.

Overall, SAP ECC delivers the core capabilities needed to administer retiree benefits while supporting the broader HR, payroll, and financial processes related to retirees.

1.3 Please explain why the SAP Components listed in Table 2-2 as not being used by FBC are not used by FBC and explain what is being used by FBC for each component not used?

Response:

As illustrated in Table 2-2 on page 18 of the Application, the majority of the SAP ECC modules are used by both FEI and FBC and perform common enterprise functions such as finance, procurement, or human resources.

The following table shows the SAP ECC modules currently used exclusively by FEI, and the corresponding non-SAP applications currently used by FBC.

FEI SAP ECC Module	FBC Application
SAP IS U (Industry Solution Utilities)	CIS Plus
SAP PP (Production Planning)	Open Item Database (OID) for new construction planning; CIS Plus for Service Orders and Work Orders and other functions
SAP QM (Quality Management)	Cascade
SAP AM (Asset Management)	Cascade

In addition to the core SAP ECC modules, FEI also uses several other SAP applications. The following table shows the other SAP applications used exclusively by FEI, and the corresponding non-SAP applications currently used by FBC.

FEI SAP Application	FBC Application
SAP CRM (Customer Relationship Management)	CIS Plus
IC Web (Interaction Center)	CIS Plus
SAP DQM (Data Quality Management)	No equivalent application

1.4 Please identify the SAP components found in Table 2-2 that are not in use by FBC that will be used by FBC post-implementation? Please justify the use by FBC of each component identified in the previous question?

Response:

The following table shows the SAP modules not currently in use by FBC that have been included in the Project scope for use by FBC post-implementation of the Combined Project:

SAP Module not in use by FBC	Project Scope and Rationale
SAP IS U (Industry Specific for Utilities)	Replacement for CIS Plus billing and device management. Please refer to Section 4.2 of the Application regarding the need to replace CIS Plus.
SAP PP (Production Planning)	Replacement for CIS Plus service order and work order functionality. Please refer to Section 4.2 of the Application regarding the need to replace CIS Plus.
SAP QM (Quality Management)	Replacement for Cascade. Please refer to the response to ICG IR1 9.1 which discusses the benefits of moving to SAP QM and SAP AM.
SAP AM (Asset Management)	Replacement for Cascade. Please refer to the response to ICG IR1 9.1 which discusses the benefits of moving to SAP QM and SAP AM.

SAP Module not in use by FBC	Project Scope and Rationale
SAP DQM (Data Quality Management)	New for address validation. SAP DQM provides functionality to verify that mailing addresses are entered correctly into SAP ECC and SAP CRM. One benefit of the Combined Project is that FBC will have access to this functionality post-implementation.

The following table shows the SAP applications not currently in use by FBC that have been included in the Project scope for use by FBC post-implementation of the Combined Project:

SAP Application not in use by FBC	Project Scope and Rationale
SAP CRM (Customer Relationship Management)	Replacement of CIS Plus with SAP Service Cloud for CRM, enabling customer service and operations staff to manage customer, account, and premise information. Please refer to Section 4.2 of the Application regarding the need to replace CIS Plus.
IC-Web (Interaction Center)	Replacement for SAP CRM front end interface to SAP ECC with SAP Service Cloud for CRM. Please refer to Section 4.2 of the Application regarding the need to replace CIS Plus.

1.5 Does FBC propose that with the upgrade to the SAP ERP that the components not being used by FBC will be used by FBC? For example, does FortisBC propose that FBC use SAP AM post-implementation?

Response:

Please refer to the response to ICG IR1 1.4.

1.6 Given FBC does not use SAP AM, please explain the comment that SAP AM facilitates predictive analytics for asset maintenance for both gas and electric operations? (see Exhibit B-1, p. 19, line 23-25)

Response:

As shown in Table 2-2 of the Application, SAP AM is currently used by FEI only; FBC currently utilizes Cascade for asset management.

The statement in Section 2.2.3.1 of the Application referring to SAP ECC facilitating predictive analytics and other functionalities was intended to illustrate how FortisBC's broader SAP ECC

environment supports asset maintenance processes and related analytics across both utilities, rather than to indicate that both FEI and FBC currently use SAP AM. FEI and FBC benefit from enterprise level capabilities and an integrated architecture within SAP ECC through the use of shared modules such as Materials Management and Plant Maintenance, which can support better analytics and workflow automation within the applicable utility operations.

2 Reference: Exhibit B-1, Figure 2-2 (p. 17), Figure 2-3 (p. 23), and Figure 2-4 (p. 25)

2.1 Figure 2-2 does not show an interface between the FortisBC SAP system and the CIS Plus system, however Figure 2-4 does. Further, Figure 2-3 shows the interface between SAP ECC and CIS Plus is "manual data transfer". Please discuss the manual data transfer process in further detail, including whether the data is keyed in manually, or is a data file transfer, a combination of the two, or something else?

Response:

The data transfer process between CIS Plus and SAP ECC includes posting financial information from CIS Plus to SAP ECC daily. This process is now automated using Robotic Process Automation (RPA), which replaces tasks previously performed manually by users. The RPA involves running multiple CIS Plus reports, consolidating the results into a single journal entry, and posting the journal entry to SAP ECC. While the process mirrors the formal manual steps, automation ensures timely daily postings.

However, the RPA process does not constitute true system integration. It merely automates existing manual user actions by mimicking keystrokes and report execution. Although the process is non-manual, it still represents a form of manual data transfer in design, not a direct or supported system integration

FortisBC expects that by eliminating the data transfer process as a result of the Combined Project, the ongoing costs of maintaining RPA will be reduced.

3 Reference: Exhibit B-1, p. 19

"For scheduled maintenance, such as on a gas line, SAP ECC automatically notifies maintenance teams and provides task checklists, which helps FortisBC comply with safety standards."

3.1 How does the SAP ECC system receive status updates that scheduled maintenance tasks have been completed on time?

Response:

In the SAP Plant Maintenance (PM) module in SAP ECC, maintenance plans are established for specific locations and equipment to ensure periodic maintenance in accordance with FortisBC's Corporate Guidelines and Standards.

When a maintenance cycle is triggered, users generate work orders in SAP ECC PM, which are electronically transmitted to FortisBC's Mobile Workforce Management (MWFM) system for scheduling, dispatch, and field execution.

Upon completion of the assigned work in the field, MWFM returns the work order status and timestamps to SAP ECC, which records completion and automatically updates the associated maintenance plan.

3.2 Does SAP ECC produce a report of overdue maintenance tasks, and what percentage of scheduled maintenance tasks are currently overdue? How are overdue maintenance tasks prioritized?

Response:

SAP ECC provides standard reporting functionalities within the SAP ECC PM module to identify open and overdue maintenance work orders based on scheduled completion dates. Users can also generate reports showing all the scheduled maintenance orders outstanding and their completion data, which is exported from SAP ECC to SAP Business Warehouse (BW), and allows users to build order ageing reports. Personnel regularly review outstanding work orders to determine appropriate disposition, including completion, rescheduling, or cancellation where operationally justified. In 2025, SAP was used to manage over 25,000 Distribution Operations maintenance orders.

Prioritization of maintenance tasks is based on established business criteria, including safety risk, regulatory compliance requirements, asset criticality, and maintenance frequency. Safety maintenance activities are treated as the highest priority.

4 Reference: Exhibit B-1, p. 21

"FortisBC is seeing a growing shift toward digital channels, particularly among electric customers where Advanced Metering Infrastructure (AMI) data is already integrated into online account platforms. With FEI's AMI project underway, this trend is expected to expand across both FEI and FBC as customers gain greater access to usage data, billing details, and self-service tools."

4.1 Please identify and explain benefits to FEI customers that are the consequence of FBC implementing SAP CRM? If there are benefits, please explain why FortisBC proposes to recover the full cost of FBC implementing the SAP CRM from FBC ratepayers?

Response:

For clarity, the discussion quoted in the preamble around AMI data and the trend of customers gaining greater access to usage data, billing details, and self-service tools is context related to the ERP Modernization Project, not the CIS Replacement Project.

FEI's customers are not expected to materially benefit from FBC implementing SAP CRM, as FEI is already using SAP CRM. In contrast, converting from the legacy non-SAP CIS Plus, which has reached its end of life, to SAP CRM will improve efficiency, service consistency, and long-term sustainability for FBC's customers. Please refer to the response to ICG IR1 7.2 for an example of how the CIS Replacement Project can harmonize FBC processes with existing SAP processes to provide FBC's customers with improved service consistency. The costs associated with the CIS Replacement Project are therefore appropriately allocated 100 percent to FBC.

5 Reference: Exhibit B-1, p. 21

"SAP will stop providing enhancements to certain key SAP applications, including ECC, BW and CRM, and will end mainstream support after 2027. While SAP is offering extended maintenance covering essential services such as regular updates, security patches, and technical support for an additional fee until 2030, no further updates or support will be available beyond that date."

5.1 Please identify the current SAP maintenance costs, and separately the additional maintenance costs for support until 2030?

Response:

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

The annual SAP license maintenance cost in 2026 is [redacted].

An additional annual cost of approximately [redacted] for SAP extended maintenance support will begin in 2028.

5.2 Please identify what efforts FortisBC has made to engage third party SAP service provides such as Rimini Street, Support Revolution, Spinnaker Support and others. How long would such service providers be able to keep FortisBC's current SAP system able to support the needs of the business?

Response:

FortisBC engaged third-party SAP service providers about extending the current SAP ECC environment, but FortisBC identified several limitations and significant risks despite vendor claims of support through 2040.

A key risk of third-party SAP support is the lack of SAP-certified security patches. Third-party SAP support relies on compensating controls, virtual protection, configuration hardening, and accelerated threat updates which cannot fully address security vulnerabilities. Relying on compensating controls instead of SAP-certified patches increases the likelihood that security issues turn into operational incidents, business disruption, or compliance problems, making it a material operational risk rather than a purely technical one.

Furthermore, third-party SAP service providers do not deliver functional enhancements, which would progressively limit the system's ability to support evolving business requirements and limit FortisBC's ability to leverage innovations such as advancements in AI and analytics.

Lastly, as SAP transitions its customer base to S/4HANA, the availability of qualified resources to support legacy systems such as SAP ECC is expected to decline. Third-party providers face the same labour market dynamics, as skilled professionals increasingly focus on current, vendor-supported technologies. Training and certification programs similarly prioritize newer platforms, further reducing the long-term sustainability of legacy expertise.

Although a third-party service provider could initially maintain the current SAP system, the growing cybersecurity exposure, declining alignment with business needs and availability of skilled resources would progressively erode operational viability, making it an unsustainable long-term option for FortisBC.

5.3 Please discuss any analysis FortisBC has conducted to evaluate the impact of artificial intelligence enabled support and ERP systems to keep the current FortisBC SAP system capable of serving the needs of the business, and furthermore, supplant the need to migrate to SAP S/4HANA.

Response:

Artificial intelligence (AI) is not a substitute for the need to migrate off SAP ECC. Therefore, FortisBC has not undertaken any formal analysis to evaluate the impact of AI-enabled support to extend the viability of the existing SAP environment in a manner that would eliminate or materially defer the need to migrate to SAP S/4HANA.

Using custom AI to mitigate SAP ECC end-of-life or avoid moving to the more modern S/4HANA does not reduce risk. Instead, such an approach would transfer critical operational, security, and compliance risk entirely onto FortisBC, creating an unsupportable, high-risk operating model for core enterprise systems.

A primary driver for migrating from SAP ECC to SAP S/4HANA is to be on a vendor-supported platform to mitigate against the associated risks, such as being exposed to increased cyber security vulnerabilities. While AI tools may assist in improving monitoring, anomaly detection, or workflow optimization during the transition period, they do not eliminate or materially mitigate the core risks of SAP ECC being at end-of-life. AI would not eliminate support or compliance risk, nor could it replace SAP security patches or support future regulatory compliance requirements. AI is a risk-management tool that can support the transition to S/4HANA, but it is not a substitute for the need to migrate off SAP ECC.

6 Reference: Exhibit B-1, pp. 22-23

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

6.1 Please provide a comparison of the annual cost of CIS Plus as compared to the annual cost of SAP CRM?

Response:

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

The current 2026 annual software license cost for CIS Plus for FBC is approximately [redacted].[1]

It is not possible to directly compare the annual costs of the systems. This is because FEI does not currently use CIS Plus, FBC does not currently use the SAP CRM, and the systems are configured very differently. For example, CIS Plus currently provides more than just CRM functionality – it also includes functionality for meter-to-cash processing and customer billing, whereas similar functionality is provided by a combination of the SAP CRM and SAP ISU modules.

After the completion of the Combined Project, both FBC and FEI will be using the same components and the annual SAP license cost for these components will shift to the new SAP S/4HANA pricing. The table below shows the new annual cost for these components, allocated between FEI and FBC as proposed, which will be lower for FBC than its current annual software license cost for CIS Plus.

Table 1: Forecast SAP S/4HANA Annual Software Costs

SAP S/4HANA Component	FEI Cost - Forecast	FBC Cost - Forecast
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

[1] For the purposes of the financial analysis in the Application, FortisBC used the 2024 actual software license cost of [redacted] (as shown in the response to BCUC IR1 15.1), as this was the most recently available actual cost when the Combined Project cost estimate was being developed. FBC notes that the software license cost is typically renewed every three to five years depending on the negotiated term.

7 Reference: Exhibit B-1, p. 24

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

7.1 Please confirm that MDMS is replaced with SAP CRM?

Response:

Not confirmed. SAP CRM (IC-Web) will be retired and replaced with SAP Service Cloud. MDMS will continue to function as it does today, collecting FBC's AMI meter reads. As part of the Combined Project, FortisBC will integrate MDMS with SAP S/4HANA for billing purposes for FBC customers.

7.2 Please describe the highly manual process for processing overdue accounts in CIS Plus and contrast this against the processing of overdue accounts in both the current and future SAP systems.

Response:

CIS Plus supports credit and collections activities, including overdue account processing; however, the end-to-end process remains highly manual. In CIS Plus, overdue accounts are identified through periodic arrears reporting and require supervisory and staff review to determine which accounts require follow-up and what actions should be taken. Work is then assigned to collections staff through manual steps, and a number of downstream activities continue to rely on manual preparation and file handling (e.g., compiling contact lists for outbound calling and customer communications, and initiating notices associated with the collections and disconnection process).

In contrast, the existing SAP-based processes used in the current SAP environment support a more standardized, automated approach to overdue account processing. Overdue accounts can be identified based on configured business rules and timelines, and the system can generate consistent follow-up activities (e.g., reminder communications, notice generation, and work items/queues for staff) with reduced reliance on manual selection and manual distribution of work.

This shifts staff effort from manually sorting and allocating arrears accounts to managing exceptions, customer inquiries and completing higher value activities and reviews.

As part of the Combined Project, FBC will replace the manual, CIS Plus-dependent collections workflow with an automated approach enabled through the modernized SAP platform and SAP CRM for customer service. Overdue accounts will be identified based on configured collection rules and escalation timelines, and the system will create consistent worklists and communications steps to support timely and consistent follow-up. This will substantially reduce any manual handling, improve consistency in the application of collections steps for all of FBC's customers, and strengthen process visibility, compared to CIS Plus.

7.3 How many overdue accounts are processed by CIS Plus annually, and at what cost?

Response:

For the purpose of this response, "processing overdue accounts" in CIS Plus refers to FBC's formal credit and collections workflow supported by CIS Plus, including activities such as automated outbound call campaigns, reminder communications, issuance of notices associated with the collections and disconnection process, preparation of final letters, creation of 48-hour tag field orders, and completion of non-pay disconnections (remote or field-executed), as well as the manual analysis and list preparation required to initiate and progress these steps.

In 2025, 40.9 thousand automated call-outs were placed, 18.6 thousand notices of disconnection were sent, 3.2 thousand final letters were issued, 532 tag field orders were created, and 2,621 non-pay disconnections were completed based on information from CIS Plus periodic arrears reports.

The cost of processing overdue accounts in CIS Plus is primarily driven by the internal collections function responsible for managing and executing the formal workflow described above. FBC's collections team comprises approximately 5 staff (4 Collection Reps and 1 Collections Lead), with an estimated annual labour cost of approximately $420 thousand associated with these overdue account processing activities.

As discussed in the response to ICG IR1 7.2, a modern CIS platform will improve workflow automation, shifting staff effort from manually sorting and allocating arrears accounts to managing exceptions, customer inquiries and completing higher value activities and reviews. A modern CIS platform will also provide enhanced analytics and earlier identification of customers at risk of arrears, which will provide FortisBC with additional opportunities to engage and support customers experiencing financial difficulties in a more timely and structured manner.

8 Reference: Exhibit B-1, pp. 24-25

"As CIS Plus ages and technology, including technology risks, advance around it, the complexity and risk associated with maintaining the system and acquiring the niche knowledgeable resources has also increased."

"Because of the age and limitations of CIS Plus, additional systems and manual workarounds are required to deliver key customer service functions and support the end-to-end meter-to-cash process."

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

8.1 Please describe which specific key customer service functions require manual workarounds in CIS Plus?

Response:

The specific customer service functions requiring manual workarounds in CIS Plus include the following:

- Billing for net metering customers requires manual intervention as CIS Plus does not fully support the automated calculation, application, and reconciliation of generation credits, requiring manual review and adjustments to ensure accurate billing.
- Billing for large power customers with complex rate structures, billing adjustments, and exception handling requires manual processing as CIS Plus lacks the flexibility to fully manage these scenarios within standard automated billing workflows.
- CIS Plus does not include an automated end-to-end refund workflow, resulting in manual steps to initiate, issue, track, and reconcile customer refund payments resulting from overpayment, payments made in error, misapplied payments, etc.
- Collection activities rely on reports, manual tracking and follow-up due to the absence of an integrated automated collections management capability, as further discussed in the response to ICG IR1 7.2.
- CIS Plus does not support work assignment functions comparable to modern case management systems such as SAP. As a result, customer service and billing activities require manual coordination and the use of external tools, such as email queues and spreadsheets, to manage work across the meter-to-cash process.

Collectively, these manual workarounds increase operational complexity, introduce additional handling risk, reduce efficiency, and impact FBC's ability to deliver consistent customer service.

8.2 Please identify the third parties providing support for CIS Plus, and the amount spent on each in the previous two years. Does FBC have any documentation or communication with these third parties regarding their inability to support CIS Plus in the future?

Response:

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

Software AG is the only provider currently supporting CIS Plus. FBC pays Software AG approximately [redacted] annually in license fees, as discussed in the response to ICG IR1 6.1. There have been no additional support costs paid to third parties in the past two years. FortisBC also notes that day-to-day support and minor functional enhancements for CIS Plus have been managed internally, with no third-party consulting support required since 2021.

In 2022, FBC consulted with Software AG, who confirmed that it could support CIS Plus custom enhancements, but not ongoing operations, leaving FBC dependent on a limited internal pool with specialized Natural programming language expertise.

FBC did not consult with any other third parties regarding support for CIS Plus. CIS Plus is built on 40-year-old technology with a shrinking global talent pool, with many senior developers now retiring.

8.3 Please identify any other third parties FBC has consulted regarding support for CIS Plus, and the results of those consultations?

Response:

Please refer to the response to ICG IR1 8.2.

9 Reference: Exhibit B-1, p. 28

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

9.1 Please comment on whether FBC will continue to rely on Cascade and MWFM post-implementation, or otherwise, how these functions will be migrated to the new SAP platform.

Response:

FBC plans to continue using MWFM post-implementation. MWFM will remain the field workforce management system used by FBC. As part of the scope of the CIS Replacement Project, a new interface will be implemented between MWFM and SAP S/4HANA to replace the existing interface between MWFM and CIS Plus. This interface will maintain current functionality and enable continued support of customer service, work execution, and operational processes.

The Cascade application is currently used by FBC as its asset management software to manage its stations and generation assets. It allows asset records to be created and maintained for various asset types and is used to create, schedule and manage work orders for corrective and preventative maintenance. Cascade also contains reporting capabilities that help forecast, plan and monitor work. However, Cascade is not integrated with the existing SAP ECC application and does not support integrated financial reporting, capital tracking, or asset lifecycle accounting within FBC's enterprise financial systems. As a result, financial information related to asset maintenance and capital work must be reconciled outside of Cascade, resulting in additional manual processes and reduced end-to-end visibility. The ERP Modernization Project scope includes migration from Cascade to the Asset Management and Quality Management modules of SAP S/4HANA.

9.2 Please explain Cascade's function in asset management??

Response:

Please refer to the response to ICG IR1 9.1.

10 Reference: Exhibit B-1, p. 41

"FortisBC evaluated the feasible alternatives against three criteria:

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

10.1 Please evaluate the feasible alternatives against the three criteria applied to FBC, not FBC and FEI combined, and prepare the same tables found in Section 3.4 for FBC as a stand-alone utility?

Response:

Since the implementation of Project One in 2018, FEI and FBC have operated on one unified SAP ERP platform, with most ERP modules, configurations, processes, and data structures shared across both utilities. As a result, the ERP Modernization Project is not utility-specific, and the components related to business requirements, implementation risks, and costs are interdependent and cannot be meaningfully separated at the utility level. Therefore, each feasible alternative has the same considerations and performance under the evaluation criteria for each utility. Examples of how the evaluation criteria similarly affect FBC compared to FEI are described below.

Ability to Support Current and Future Requirements

- **Operations, Analytics, and Reporting:** FBC would benefit from the same real-time operational reporting and analytics capabilities as FEI, which provide an integrated view of data across enterprise business processes, including dashboards and interactive reports.
- **Mobile Enablement:** FBC staff would rely on the same mobile applications used across both utilities to access ERP functions and data from mobile devices.
- **Innovation:** Enhancements such as embedded AI and machine learning would enable task automation and streamline user interactions across the shared platform, also supporting FBC business processes.
- **Flexibility and Scalability:** FBC would depend on the same modular, cloud-based architecture that can be configured to support different business needs and scaled to support changes in user counts or transaction volumes.
- **Adaptability to Regulatory Changes:** FBC would benefit from the same automated updates and regulatory tools that support changing regulatory requirements, using the shared compliance and reporting architecture.

Project Implementation Risk

- **Project Size and Complexity:** Technical activities (system replacement or upgrade, data migration, interface updates, business process redesign) and associated risks apply to both FEI and FBC because of the integrated nature of the shared system.
- **Resourcing:** Skilled resources would be required to support implementation, and the skillsets, training, and staffing risks are the same for both utilities.
- **Training:** FBC users would rely on the same business processes and user interfaces, so training requirements would apply equally.
- **Organizational Change:** Any change to system functionality, processes, or user interfaces required for the shared platform need to be adopted by FBC and FEI.

Financial – Impact on Customer Rates

- **Levelized Rate Impact:** A single project is more cost-effective than separate projects and avoids duplicating implementation costs by leveraging shared resources between the utilities, which is financially beneficial for FBC.

In summary, FBC is affected by the same business requirements and system capabilities, and the implementation risks impact both utilities. Further, a combined project is more cost-effective than separate projects. Therefore, the results of the alternatives evaluation would remain unchanged if only the FBC portion of the integrated system were presented, and no changes to the tables in Section 3.4 would be required.

11 Reference: Exhibit B-1, p. 50

"As shown in the table above, ERP Alternative 2 has a high level of project implementation risk due to the substantial changes involved in replacing the existing core SAP applications with a different (non-SAP) ERP platform."

11.1 Please compare the Alternative 2 project implementation risk of FEI with that of FBC?

Response:

FEI and FBC have the same level of project implementation risk associated with ERP Alternative 2 (replacement of SAP ECC with a non-SAP ERP platform).

Both FEI and FBC have been utilizing SAP as their ERP platform for decades, and since 2018, the two utilities have been integrated onto the combined SAP ERP platform. Migrating to a non-SAP solution requires migrating business functions to new business processes and models with similar complexity, training and organizational considerations for both FBC and FEI. The level of resource requirements to move to a non-SAP ERP would also be similar for both FEI and FBC, given the two utilities' current combined usage of the SAP ERP platform.

12 Reference: Exhibit B-1, p. 56

"An internal analysis conducted in conjunction with Illumina, an external research and innovation firm, identified significant consequences if FBC's legacy CIS Plus experienced extended duration outages. Specifically, the analysis modeled the operational impact of three outages, each resulting in CIS Plus being unavailable for three working days."

12.1 Please identify the three longest outages of CIS Plus, when they happened, and the consequences of each outage?

Response:

The three longest CIS Plus outages were driven by a combination of aging technology, infrastructure failures, and knowledge gaps. The duration and impact of each incident are described below:

1. **Trail Data Centre Outage:** Duration of the outage was approximately 4 days (occurred July 8-12, 2024). While CIS Plus remained operational, a prolonged Trail data centre outage disabled critical interfaces, including integration with MDMS and the Enterprise Data Warehouse. This resulted in delayed customer billing and limited self-service capabilities. Customer billing was delayed for multiple days until the meter readings were available for nightly processing.
2. **NetApp Storage Failure**: Duration of the outage was approximately 24 hours (occurred March 30–31, 2024). This incident was an unplanned outage caused by a NetApp storage failure which rendered the CIS Plus Web User Interface inaccessible for approximately 24 hours. Since the outage occurred over the weekend (Saturday evening through Sunday evening), the overall business impact was minimal; however, the outage affected the contact centre and system control teams responsible for after-hours customer support, including outage-related and account inquiries.
3. **ESX Host Failure:** Duration of the outage was approximately 8 hours (occurred on June 9, 2025). This incident was a failure of an ESX host (a high capacity physical server that hosts multiple virtual servers) during business hours which triggered cascading impacts, as virtual machines were redistributed, resulting in widespread application outages at the Trail Data Centre, including CIS Plus. This incident had significant operational and customer impacts, affecting the contact centre, billing, payment processing, and collections. Nightly background processes including meter read retrieval from AMI MDMS were also disrupted. Customers were unable to access their online accounts to view bills, submit move-in/move-out requests, or complete other self-service transactions during the outage.

In addition to these major outages, CIS Plus experiences unplanned outages two to three times per year, typically lasting 10–60 minutes, due to connectivity issues and issues with the underlying Software AG platform. During these events, the CIS Plus Web User Interface is unavailable,

limiting the Contact Centre's ability to support customers. While shorter in duration, these outages disrupt normal business operations and temporarily render the CIS Plus Web User Interface unavailable. During these periods, Contact Centre representatives are unable to access customer account information, process payments, initiate service orders, establish payment arrangements, or respond fully to customer inquiries. As a result, calls may need to be deferred or partially addressed, leading to call backlogs, increased average handle times once service is restored, and additional follow-up workload. The cumulative operational impact of these recurring outages represents a meaningful opportunity for improvement and allocation of resources to higher value customer tasks and support.

13 Reference: Exhibit B-1, p. 57

"Furthermore, the process for complex billing for industrial and wholesale customers is entirely manual. FBC estimates that the manual process for net metering and complex billing results in approximately 70 additional hours per month, which is expected to increase in the coming years due to customer growth and the increasing trend of net metering customers."

13.1 Please identify the number of FBC industrial, wholesale and net metering customers in each of the last three years, and comment on customer growth in each of these sectors?

Response:

Table 1 below provides FBC's industrial, wholesale, and net metering customer counts from 2023 to 2025. There has been no change in the number of industrial and wholesale customers over the last three years; however, the number of net metering customers has experienced significant growth, increasing by approximately 60 percent between 2023 and 2025. FortisBC notes that the majority of the manual and complex billings are due to net metering customers.

Table 1: FBC Industrial, Wholesale, and Net Metering Customer Counts

Customer Class	2023	2024	2025
Industrial	42	42	42
Wholesale	6	6	6
Net Metering	1,378	1,807	2,210

13.2 Please quantify the additional cost monthly and annually of the additional 70 hours per month required the manually process these bills, and describe the details of that manual intervention?

Response:

FBC estimates that the additional 70 hours per month required for the manual processes results in costs of approximately $3,570 per month, or $42,840 annually. These estimates reflect current conditions and do not account for expected future increases in the manual effort as the number of customers requiring complex billing continues to grow (please refer to the response to ICG IR1 13.1 for the growth in complex billing customers).

As discussed in the response to ICG IR1 2.1, FortisBC has implemented RPA to support certain aspects of billing for net metering customers; however, the process is not fully automated due to limitations of CIS Plus. As a result, billing for net metering customers still requires manual

intervention, including analyst oversight, validation of calculated results, and manual handling of billing adjustments that cannot be processed end-to-end within the system.

In addition, billing for industrial and wholesale customers is entirely manual, reflecting the complexity of rate structures and demand calculations that are not fully supported by CIS Plus. These activities require manual calculation and validation of demand charges, spreadsheet-based tracking, dual analyst review, and finalization of bills outside of the automated system workflows.

Collectively, while RPA has reduced some manual effort for net metering, the continued reliance on partial automation, manual controls, and system workarounds contributes to the ongoing incremental labour requirement identified in the Application and increases process length, reduces efficiency, and adds complexity to daily operations.

13.3 Please discuss whether any part of the billing process would require manual intervention for any of these customers under the proposed SAP system?

Response:

Under the proposed SAP system, the billing processes for net metering and customers subject to complex billing functionalities will be performed within SAP and supported through standard system functionality and largely automated. Any manual activity under the proposed SAP system would be limited to standard billing review or exception-handling processes, such as resolving data anomalies or responding to customer inquiries, and would not represent a recurring or structural manual billing process.

14 Reference: Exhibit B-1, p. 79, p. 84 and p. 87

"As discussed in Sections 3 and 4, the preferred alternative to meet the needs of both the ERP Modernization and CIS Replacement Projects is to adopt and implement a supported SAP platform (i.e., S/4HANA). To achieve optimal benefits and savings, FortisBC will upgrade SAP and replace CIS Plus as a single project (Combined Project), with a single combined design and build phase followed by a deployment phase with two separate production releases for the ERP Modernization and CIS Replacement scopes."

"The CIS Replacement scope includes transitioning from FBC's legacy CIS Plus platform to a modern, integrated solution built on SAP S/4HANA and SAP's CRM application Service Cloud (described previously in Section 5.3.1.2)."

"The Combined Project schedule is planned to span approximately 26 months and has been developed using a structured delivery framework. The schedule follows sequential phases of design, build, testing, deployment, and stabilization."

14.1 Given the significant scope differences needed to implement the Combined Project at FBC and FEI, please comment on the merits of implementing the Combined Project for FBC and FEI separately with different design, build, testing, deployment, and stabilization phases?

Response:

FortisBC considered the merits of implementing the ERP Modernization and CIS Replacement scopes separately as two fully separate projects for FEI and FBC, each with its distinct design, build, testing, deployment, and stabilization phases. As discussed in the response to COSCO IR1 5.2.1, such a staggered approach would effectively require structuring the implementation into separate releases with prolonged parallel operation of the SAP ECC and SAP S/4HANA environments. High-level scenario analysis conducted during planning indicated that this approach would increase overall implementation costs by at least $50 million due to duplication of core project activities (design, configuration, testing, data conversion, cutover planning, governance, and change management), extended timeline impacts, and the need to maintain two enterprise platforms during the interim period. While sequencing provides certain operational flexibilities, the additional costs and risks are material, and were a key consideration in selecting the Combined Project approach.

The limited potential benefit of a staggered implementation would include reduced initial change impact by piloting SAP S/4HANA within one utility prior to full enterprise deployment, the ability to sequence training and change management activities, the opportunity to apply lessons learned from the first release to the second, and the phased temporary customer service staffing. However, these short-term operational flexibilities are outweighed by material risks and inefficiencies, including:

- **Increased operational complexity due to parallel platform risk:** Maintaining SAP ECC for one utility while deploying S/4HANA for the other would increase operational complexity, require separate support models, and heighten integration and data consistency risks.
- **Increased license costs:** Extended SAP ECC licensing, S/4HANA subscription overlap, and duplicated project activities would materially increase overall costs.
- **Operational divergence leading to inefficiencies:** Finance, HR, and Procurement functions currently operating on a unified enterprise platform would temporarily diverge, eroding the efficiencies gained from a common ERP system.
- **Extended timeline and resource risk:** There would be a longer transfer risk.

In summary, a staggered approach would provide only limited, short-term benefits, while increasing operational complexity and introducing significant additional cost and enterprise risk for both FEI and FBC. Implementing the Combined Project with a shared design and build phase, followed by coordinated releases, maximizes value by minimizing duplication, shortening the overall timeline, preserving enterprise alignment, and maintaining a unified ERP foundation for both utilities.

15 Reference: Exhibit B-1, p. 86

"The second scope element is the introduction of a new CRM application, which will replace the front-end customer service functionality currently provided through CIS Plus, with SAP's CRM application, Service Cloud. SAP's Service Cloud application will serve as the centralized platform for CSRs, supporting customer interaction channels such as phone, email and chat."

15.1 Please explain why a consistent customer experience for gas and electric customers is important to customers?

Response:

A consistent customer experience across the gas and electric utilities is important because customers see FortisBC as one company and expect FortisBC processes, terminology, and billing programs to work the same way, particularly in shared service territories where a customer may hold both a gas and an electric account.

Based on data up to the end of December 2024, 75,172 customers have both an electrical and gas service through FortisBC, indicating that approximately 49 percent of FBC customers also have a gas service and approximately 7 percent of FEI customers also receive electrical service from FBC.[2]

In situations where customers have both an electrical and gas service with FortisBC, customers typically interact with FortisBC through the same channels (e.g., phone, email, chat) and often for the same reasons (moving, starting/stopping service, payment arrangements, billing questions, outages or safety-related inquiries). Where similar programs or processes (e.g., Equal Payment Plan, payment extensions, deposits, account set-up steps, notification timing, or dispute resolution) operate differently between the gas and electric utilities, customers perceive the service as inconsistent, which may create confusion, increasing contact volume, repeat calls, and time to resolution. A consistent experience reduces customer effort and supports first-contact resolution.

15.2 Please identify the number of customers in common with both FEI and FBC, and express this number as a percentage of total customers of each.

Response:

Please refer to the response to ICG IR1 15.1.

[2] At the end of 2024, FBC had 154,271 customers and FEI had 1,098,909 customers.

16 Reference: Exhibit B-1, Table 5-5, p. 97

"SAP does not host the in-scope CRM solution (Service Cloud Version 2) in a Canadian Data Centre."

16.1 Does FortisBC plan to use Service Cloud Version 1 if Service Canada 2 is not hosted in a Canadian Data Centre? If so, please explain the advantages and disadvantages of using Service Cloud Version 1?

Response:

In the event that SAP does not host Service Cloud Version 2 in a Canadian-based data centre, FortisBC could transition to Service Cloud Version 1, which is already hosted in a Canadian data centre.

Service Cloud Versions 1 and 2 are both capable of meeting FEI's and FBC's current requirements. SAP has stated that Service Cloud Version 1 will continue to receive support and security updates, and no end-of-support date has been announced.

While Service Cloud Version 1 is a stable and mature platform capable of meeting both FEI's and FBC's current requirements, Service Cloud Version 2 delivers clear architectural and functional advantages. Service Cloud Version 2 is SAP's most current cloud service and is expected to provide faster performance and advanced automation compared to Version 1. Service Cloud Version 2 provides a modern, cloud-native architecture aligned with SAP's future roadmap, enabling stronger AI-driven capabilities, increased automation, and guided case handling to improve service efficiency and outcomes. The platform supports a faster innovation cycle and long-term scalability, ensuring it can adapt to evolving business needs.

16.2 Please identify a) all other FEI and FBC processes that use non-Canadian data centers and b) non-Canadian consultants and service providers that would store FEI or FBC data in non-Canadian data centers.

Response:

FortisBC does not store customer information outside of Canada. Please refer to the response to CEC IR1 11.1.2.

17 Reference: Exhibit B-1, p. 100

"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."

17.1 Please provide the following documentation for Project One: a) pre-implementation scoping document identifying project budget, b) final project cost, and c) post-implementation "lessons learned" assessment and report?

Response:

FortisBC described the SAP Integration Project (Project One) in Section 2.2.2.3 of the Application and provided the objectives and benefits of the project, which was completed in 2018, in Table 2-1.

The following information is a detailed summary of the pre-implementation project scope for Project One:

- Finance - Financial Accounting, Controlling, and Project Systems:
  - configuration of company codes, Sales and Distribution, all current assessments and internal allocations, ReadSoft, AP Express (portal) invoice processing;
  - implementation of an enterprise paperless expense management system;
  - integration of controlling areas and month end closing timelines;
  - implementation of Disclosure Management for Electric;
  - creation of cost centre/ profit centre/cost element and/or hierarchies and financial statement;
  - resource related billing;
  - implement vehicle costing and assessment;
  - create a single version of Budget Loader for the budget uploads;
  - adopt current financial reports where suitable;
  - conversion of cost element/GL balances by cost centre, by month for previous 2 years;
  - conversion of open items;
  - update CIS with any/all modifications to cost element/GL codes;
  - extending Treasury trade ticket functionality; and
  - SAP Business Planning and Consolidation (SAP BPC) implementation for Electric.
- Logistics - Material Management, Work Management and Plant Maintenance:

- material review, including possible alignment between Electric T&D and Generation;
- configure Plant Maintenance;
- configure and migrate pricing conditions; and
- adopt current reports where suitable.

- Human Resources - HR Management and Payroll:
  - merger of Enterprise structures;
  - integration of SAP Portal time entry systems onto Gas' instance;
  - bring Electric payroll process in-house from ADP;
  - new Electric payroll schema;
  - new Electric time schema;
  - updating the HRDE combined BW cube;
  - migration of current active employees; and
  - alignment of Gas and Electric pay schedules.

- Reporting:
  - migration of current Electric data into current structures for BW reporting; and
  - audit assessment.

- Change Management for Users in Affected Business Units
- Testing
- Technical:
  - implementation of Single Sign-On for SAP GUI, and consolidated enterprise portal.

The estimated cost of Project One provided as part of the pre-implementation scoping information was as follows:

Capital Cost	Total
FBC	$1,048,756
FEI	$3,146,270
Total	**$4,195,026**

The final total capital cost of Project One was as follows:

Capital Cost	Total
FBC	$894,333
FEI	$3,049,189
Total	**$3,943,522**

Please refer to Attachment 17.1 for the post-implementation lessons learned report.

18 Reference: Exhibit B-1, p. 106

"FortisBC estimates an annual average decrease in regular capital of $106 thousand for FEI and $106 thousand for FBC and an annual average decrease in O&M costs of $1.3 million for FEI and $284 thousand for FBC."

"FortisBC is not seeking approval of the post-implementation regular capital or post-implementation O&M as part of this Application."

18.1 Please explain why a forecast of the average annual decrease in regular capital and O&M costs should not be determined in this proceeding, and then used in a revenue requirements proceeding to reset the MRP formulas?

Response:

The 2025-2027 Rate Setting Framework (RSF) Decision and Orders G-69-25 and G-70-25 (RSF Decision) approved the continuation of the current process that was approved in the 2020-2024 MRP Decision[3] for reviewing Major Projects outside of the RSF and Annual Review process. This current process, as explained on page 132 of the 2020-2024 MRP Decision, is as follows:

> FortisBC states, as in the case of the Current PBR Plans, it will continue to seek approval of Major Projects by way of CPCN or an application under section 44.2 of the UCA. FortisBC is also proposing that the approved CPCN thresholds for FEI and FBC of $15 million and $20 million, respectively, continue for the proposed MRP term. FortisBC also submits it will bring forward any changes to O&M or Regular capital as a result of a Major Project in the appropriate rate-setting proceeding. [Emphasis added]

Recent examples of approved Major Projects that underwent this process include:

- In the Advanced Metering Infrastructure (AMI) Project CPCN application, FEI discussed and included post-project O&M costs/savings as part of the financial analysis over the expected life of the assets. These costs/savings were not part of the AMI Project and therefore were not part of the approvals sought in the CPCN application. As FEI began the deployment of the AMI meters, FEI sought and received approval as part of the RSF Decision to adjust FEI's formula O&M to remove certain costs that will be impacted by the AMI Project and reclassify those costs as flow-through O&M.[4] FEI provided updated annual forecasts of the re-classified AMI Project costs in the 2025-2026 Annual Review and will continue to do so for the duration of the RSF term.
- In the Inland Gas Upgrade (IGU) Project CPCN application, FEI discussed incremental O&M costs for inline inspection (ILI) activities and new pressure regulating stations resulting from the IGU Project. These costs were not part of the IGU Project and therefore

[3] Decision and Order G-165-20.

[4] Decision and Order G-69-25, p. 29.

were not part of the approvals sought in the CPCN application. When the IGU Project was nearing completion in 2022, FEI applied and received approval for the incremental O&M costs resulting from the IGU Project as flow-through O&M in the 2023 Annual Review.[5] Subsequently in the RSF application, FEI sought and received approval to re-classify these incremental O&M expenses as formula O&M.[6]

- In the Coastal Transmission System Transmission Integrity Management Capabilities (CTS-TIMC) Project CPCN application, FEI discussed incremental O&M resources primarily due to increases in ILI activities resulting from the CTS-TIMC Project. These costs were not part of the CTS-TIMC Project and therefore were not part of the approvals sought in the CPCN application. As the CTS-TIMC Project progressed in 2022, FEI applied and received approval for these incremental O&M costs resulting from the CTS-TIMC Project as flow-through O&M in the 2023 Annual Review. Subsequently in the RSF application, FEI sought and received approval to re-classify these incremental O&M expenses as formula O&M.[7]

The current process of seeking approval for changes to the utilities' O&M or regular capital resulting from a Major Project in a future rate-setting proceeding is the approved method of treating future O&M and sustaining capital expenditures associated with a Major Project. The purpose of providing future incremental O&M and capital costs/savings as part of a Major Project application is to provide a fulsome evaluation of the project (and project alternatives) over the expected life of the assets, not to provide forecasts for revenue requirement purposes. Further, as highlighted in the examples provided above, there is often a lengthy gap between when the Major Project application is filed and when the future changes in the utilities' O&M and/or regular capital occur. Therefore, seeking approval to adjust FEI's and FBC's O&M and/or regular capital in future rate-setting proceedings with updated estimates is more reasonable, as it provides greater accuracy and reduces the risk of variances. It also enables the BCUC to review and test the updated estimates as part of the future rate-setting processes.

It would not be fair or reasonable to require that variances in forecast incremental O&M or sustaining capital costs or savings be to the account of the shareholder. First, all of the costs provided in a Major Project application (including the capital costs of the Major Project itself), are subject to variances between forecast and actual. The proposed Major Project cost is provided at a Class 3 (or Class 4 in some cases) level of accuracy, which means that there will be variation (either positive or negative) in the actual capital cost of the project. Additionally, and as discussed above, the incremental future O&M and sustainment capital costs/savings are projected out over the life of the project. These forecasts, while useful to providing a fulsome picture of the financial impact of the proposed project (as well as providing a fulsome analysis of feasible alternatives), are directional and based on the best information available at the time that the Major Project application is filed. As these future costs or savings occur in the years following the

[5] Decision and Order G-352-22.

[6] Decision and Order G-69-25, p. 29.

[7] Decision Order G-69-25, p. 29.

implementation of a project, FortisBC appropriately seeks approval of the forecast costs/savings in future rate-setting processes. At that time, the BCUC and interveners can assess the reasonableness of the costs/savings based on the evidence provided and can compare the updated forecasts to what was provided in the Major Project application.

18.2 Does delaying the determination of the forecasts provide FortisBC with an opportunity to adjust the average annual decreases depending on FortisBC project performance?

Response:

Please refer to the response to ICG IR1 18.1.

18.3 Please explain why the risk of variances from the forecast capital expenditures and implementation O&M costs should not be borne by shareholders instead of ratepayers?

Response:

Please refer to the response to ICG IR1 18.1.

19 Reference: Exhibit B-1, p. 110

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

19.1 Please explain why a single deferral account is appropriate for both regulatory costs and pre-implementation costs? Does FortisBC object to a separate deferral account for regulatory costs and development costs?

Response:

FortisBC typically requests the approval of a single deferral account for regulatory application and pre-implementation development costs because both categories of costs share the same purpose and support the same stage of project development. Preliminary stage development costs are incurred to develop and assess the project alternatives, and the resulting information is then used to prepare the application to the BCUC. The regulatory-related costs are incurred to support the regulatory review of the same application. Maintaining a single consolidated deferral account is therefore efficient, as it avoids unnecessary segmentation of costs that are incurred to support the same regulatory proceeding. Please refer to the response to BCUC IR1 18.1 for examples of other recent projects where FortisBC requested and received approval of a single deferral account for the application and preliminary stage development costs.

Given that FortisBC would seek the same approvals regarding the length of amortization period and the financing for the deferral accounts regardless of whether the costs were separated between two different deferral accounts or combined into one deferral account as proposed, FortisBC sees no basis and no added benefits to departing from the accepted approach for treating these types of costs.

19.2 Please confirm that FortisBC is seeking approval to allocate actual project costs (not including regulatory and pre-implementation costs) and then recover such costs in separate FBC and FEI deferral accounts?

Response:

Not confirmed. As described in Section 6.4 of the Application and summarized below, there are three distinct cost categories and accounting treatments for the Combined Project: (1) capital costs; (2) implementation O&M costs; and (3) Application and preliminary stage development costs:

1. The treatment of the Combined Project capital costs is described in Section 6.4.2 of the Application. The treatment is consistent with FEI's and FBC's regular capital as well as all other Major Projects. As described in Section 6.2.1 of the Application, capital costs for the Combined Project are allocated based on employee ratio for the ERP Modernization scope (78 percent to FEI and 22 percent to FBC) and entirely to FBC for the CIS Replacement scope. Please refer to Line 1 of Table 6-3 in the Errata to the Application for the estimated capital costs allocated to FEI and FBC. The capital costs will be recovered through the normal depreciation of assets as part of FEI's and FBC's revenue requirements, and only actual capital expenditures related to the Combined Project will be recovered.

2. The proposed treatment of the O&M costs during the implementation stage of the Combined Project is described in Section 6.4.3 of the Application and only actual implementation O&M costs will be recorded in separate deferral accounts for FEI and FBC. The proposed treatment is consistent with the approved treatment for FEI's Customer Care Enhancement Project (approved by Order C-1-10). As described in Section 6.2.1 of the Application, O&M costs for the Combined Project are allocated using the same method as described above, with ERP Modernization costs allocated based on employee ratio between FEI and FBC, and CIS Replacement costs allocated to only FBC. Please refer to Table 6-4 in the Errata to the Application for the estimated implementation O&M costs for FEI and FBC that will be captured in the proposed Project Implementation O&M deferral accounts.

3. The proposed deferral treatment for the Application and preliminary stage development costs associated with the Combined Project includes only regulatory-related costs (expenses for external legal, BCUC costs, and BCUC-approved intervener costs) and pre-implementation project development costs (such as vendor engagement, alternatives assessment, and development of preferred solutions). Only actual costs related to these activities are recorded in the separate deferral accounts for FEI and FBC. As described in Section 6.2.1 of the Application, Application costs are allocated equally between FEI and FBC, while preliminary stage development costs for the Combined Project are allocated using the same method as described above, with ERP Modernization costs allocated based on employee ratio between FEI and FBC, and CIS Replacement costs allocated to only FBC. Please refer to Table 6-5 of the Application for the estimated regulatory-related costs as well as the estimated preliminary stage development costs allocated to FEI and FBC. Please also refer to the response to BCUC IR1 18.1 which includes examples of similar deferral accounts for application costs and preliminary stage development costs that were approved by the BCUC for past projects.

19.3 Please confirm that FBC did not obtain prior approval for the pre-implementation costs in Table 6-5 and is now seeking approval for recovery of costs that have been incurred?

Response:

Confirmed. Please refer to the response to BCUC IR1 18.1.

20 Reference: Exhibit B-1, Table 6-8, p. 114

20.1 Please revise Table 6-8 to provide a forecast rate increase that does not include the Combined Project rate increase, and then provide a forecast rate increase including the Combined Project rate increase?

Response:

The purpose of Table 6-8 is to show the incremental impact of the Combined Project on FEI's delivery margin and delivery rates, and the incremental impact on FBC's revenue requirement and rates, not to provide rate projections for the next five years. FortisBC respectfully declines to provide forecasts of FEI's and FBC's rate increases for the next five years as the information is not relevant to the determination of whether the Combined Project is necessary and in the public interest.

Attachment 17.1

Lessons Learned

Project team members provided inputs to the table below.

Theme	Contributing Factors to Success	Opportunities for Improvement
Scope Management		
Time Management		Scheduling of vacation time for key resources in IS and the business during critical phases (ex. during UAT phases, two-three weeks before and after the Go-live) was an obstacle to meeting project goals.
Cost Management		
Quality Management	Cut-over weekend was organized Validation data was provided in a timely manner by [redacted], pace of validation and time allocated was excellent.	Didn't execute data extraction and migration properly in the preparation phases. Just small subsets of data were used instead of data as close to what would be required at go live. This caused many problems later on and at go live. Issues that should have been dealt with prior were still being found.
Human Resource Management	One central room for testing was valuable as it made it easier to have discussions. Payroll was appreciative all the support from SAP Team HR through the transition [redacted]	Dedicate internal resources to the Project team, challenging to perform regular sustainment responsibilities and project deliveries concurrently. Allocating business resources from each area. Losing [redacted] (Payroll) on go-live weekend and expecting others who have not been involved in the project to make decisions when they are not up to speed on everything. In future, could have assigned 2 resources, technical and business knowledge reliant on a single person, additional person could have allocated more time to customer support and change management. Impact on existing staff for overtime.
Communication Management	Roadshows were valuable and successful as we were able to reach a large number of employees in a short period of time.	Further collaboration between functional/business teams to discuss key topics. Change Management / Communication – opportunities to improve for future projects.

Theme	Contributing Factors to Success	Opportunities for Improvement
		Road show and safety meetings were well attended. However, specific individuals had challenges based on change impacts. How to contact and contact the hard to reach business areas like the KOC control center. Hands on possibilities and options on how things would be done in the future, more business insight would have been done.
Risk & Issues Management		Losing [redacted] for Roadshows as she was required for testing. Pulling out the individual with experience and substituting with employees who didn't know everything going on with the project. Also, Roadshows may have been too high level. If we were already doing the roadshows we should have incorporated more information that was tailored to the group at hand.
Integration Management	Having the SharePoint with key documents right on the front page were a real time-saver and win. Having a staggered approach to the implementation of Finance and Security Roles was a real win. This helped isolate issues caused by the project/role changes versus new users being unfamiliar with the system and helped shake out issues prior to the new users coming online.	Clearer instructions on managing the CRs and transports process was also a challenge. The processes changed mid-way (months into the parallel landscape) and the coordination of this and where/how documentation should be stored in the Service Portal was not clear, leading to scrambling at the end to ensure audit requirements were recorded at a critical time when resources where needed elsewhere.
Procurement Management		
Vendor Management		
Training Management		To provide employees with proper training (within the department and to other areas), documentation, communication. Enough time wasn't spent on sharing vital changes for specific areas (example: control center).
Additional Lessons Learned	Support Role [redacted] to monitor and manage questions post go-live.	Expectations for internal staff unrealistic Travelling for some employees, being away from their home and families for weeks at a time (unexpected as well).

Theme	Contributing Factors to Success	Opportunities for Improvement
	Having a staggered approach to the implementation of Finance and Security Roles was a real win. This helped isolate issues caused by the project/role changes versus new users being unfamiliar with the system and helped shake out issues prior to the new users coming online.	