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February 24, 2026

Residential Consumer Intervener Association  
1130 W Pender Street  
Vancouver, B.C.V6E 4A4

Attention: Michael Vaney, Director

Dear Michael Vaney:

**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 Residential Consumer Intervener Association (RCIA) Information Request (IR) No. 1<sup>1</sup>**

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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 RCIA IR No. 1.

FortisBC has filed a portion of the responses to RCIA IR1 4.2 and 7.2 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,<sup>2</sup> as the information is commercially sensitive.

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<sup>1</sup> 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.

<sup>2</sup> 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 RCIA Information Request (IR) No. 1	Page 1

1 **CHAPTER 1: INTRODUCTION AND EXECUTIVE SUMMARY**

2 **1.0 Reference Exhibit B-1, Page 1, 4-5**

3 **Section 1.1: Introduction and Executive Summary**

4 **On Page 1, FortisBC states:** *“FortisBC submits that the ERP Modernization Project and*  
 5 *CIS Replacement Project are in the public interest, and that the BCUC should accept in*  
 6 *the public interest the schedule of anticipated capital expenditures for the Combined*  
 7 *Project, at approximately \$190.779 million (in as-spent dollars), with approximately*  
 8 *\$92.246 million (48 percent) allocated to FEI and \$98.533 million (52 percent) allocated to*  
 9 *FBC.”*

10 **On Page 4-5, FortisBC states:** *“Replacing FBC’s CIS Plus with SAP S/4HANA enables*  
 11 *the consolidation of gas and electric customer service operations onto a single, modern*  
 12 *platform, resulting in improved efficiency, service consistency, and long-term*  
 13 *sustainability.”*

14 1.1. Please provide a per-customer cost comparison for the Combined Project for FEI  
 15 versus FBC.  
 16

17 **Response:**

18 Table 1 below provides the cost per customer over the expected service life of the assets as well  
 19 as the average annual cost per customer comparison for the Combined Project for FEI and FBC,  
 20 based on the 2026 Approved customer forecasts<sup>1</sup> and the cost allocations presented in the Errata  
 21 to the Application.<sup>2</sup>

22 **Table 1: FEI and FBC Cost per Customer for the Combined Project**

	FEI	FBC
Combined Project Cost Allocation (As-Spent, \$ millions)	\$ 92.210	\$ 98.495
Average Number of Customers (2026 Approved)	1,114,373	158,456
Cost per Customer over 10-year Expected Service Life (\$)	\$ 83	\$ 622
<b>Average Cost per Customer per year (\$/yr)</b>	<b>\$ 8</b>	<b>\$ 62</b>

24 The cost per customer is higher for FBC due to FBC’s smaller customer base and the CIS  
 25 Replacement Project scope being fully allocated to FBC. The CIS Replacement Project scope  
 26 costs are allocated 100 percent to FBC, as this component of the project only benefits FBC  
 27 customers and is driven by the need to replace CIS Plus, which is a system used solely by FBC

<sup>1</sup> Approved by Order G-287-25 (FEI) and Order G-293-25 (FBC).

<sup>2</sup> 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.



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 RCIA Information Request (IR) No. 1	Page 2

1 (please refer to the response to ICG IR1 4.1). The ERP Modernization Project costs are allocated  
2 based on the utilities' respective number of employees, as the use of the ERP system is driven  
3 by the number of employees of each utility (please refer to the response to BCUC IR1 11.2),  
4 resulting in FBC paying approximately 22 percent of the cost of the ERP Modernization Project.

5  
6

7

8 1.2. Please explain why FBC ratepayers are responsible for 100% of the CIS  
9 replacement costs when the new SAP Service Cloud platform is intended to  
10 harmonize processes across both utilities to achieve "service consistency" and  
11 "long-term sustainability" for the entire organization.

12

13 **Response:**

14 Please refer to the response to ICG IR1 4.1.

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 RCIA Information Request (IR) No. 1	Page 3

1 **CHAPTER 3: FORTISBC ERP MODERNIZATION PROJECT**

2 **2.0 Reference Exhibit B-1, Page 27,**  
 3 **Section 3.1: Introduction**

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

8 2.1. Please provide the remaining undepreciated book value (net book value), as of the  
 9 proposed in-service date of the Combined Project, for each of the legacy system  
 10 components to be replaced, including SAP ECC, SAP CRM, SAP BW, and CIS  
 11 Plus. For each asset, provide the following details in table format:  
 12

Legacy System Component	Original Capital Cost	In-Service Date	Amortization Schedule / Rate	Accumulated Depreciation (as of in-service date)	Net Book Value (as of in-service date)
SAP ECC					
SAP CRM					
SAP BW					
CIS Plus					

13  
 14 **Response:**

15 The FEI and FBC SAP applications and the FBC CIS Plus were implemented between 1998 and  
 16 2000, with subsequent enhancements and integration completed by 2018. All related capital costs  
 17 associated with the original assets are fully depreciated based on the approved 12.5 percent  
 18 depreciation rate (i.e., equivalent to an expected service life of 8 years) from FEI’s and FBC’s  
 19 most recently approved depreciation studies.

20 However, software systems are commonly used well beyond their original useful life through  
 21 capitalized patches and upgrades that keep them on a supported version. These costs are added  
 22 to the original cost of the asset and depreciated at the same approved rate (in accordance with  
 23 the approved depreciation studies over time).

24 Please refer to Table 1 below for the costs and remaining book values for any patches and  
 25 upgrades to the original system (SAP ECC, SAP CRM, SAP BW, and CIS Plus) that will *not* be  
 26 fully depreciated before January 1, 2029 (i.e., when the new ERP system and CIS is expected to  
 27 be included in FEI’s and FBC’s rate bases). FortisBC notes that consistent with past practice for  
 28 group asset accounting, the depreciation rates for these assets will be reassessed in future  
 29 depreciation studies, including the accounting of gains and losses resulting from retirements.



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 RCIA Information Request (IR) No. 1	Page 4

1 **Table 1: Remaining Book Value of SAP ERP System and CIS Plus as of January 1, 2029 (for**  
 2 **assets related to patches or updates not fully depreciated on January 1, 2029)**

	Capital Costs (for patches/updates not fully depreciated by January 1, 2029) <sup>2</sup> \$ millions	Approved Depreciation Rate <sup>3</sup>	Accumulated Depreciation (as of January 1, 2029) \$ millions	Net Book Value (as of January 1, 2029) \$ millions
FEI SAP <sup>1</sup>	\$ 9.91	12.50%	\$ (6.10)	\$ 3.81
FEI SAP BW	\$ 2.67	12.50%	\$ (1.48)	\$ 1.19
FBC CIS Plus	\$ 1.67	10.73%	\$ (1.15)	\$ 0.51
FBC SAP	\$ 2.24	10.73%	\$ (1.78)	\$ 0.46

3  
4 Notes to Table:

- 5 1) Includes both SAP ECC and SAP CRM. The SAP CRM application for FEI is part of the overall  
 6 SAP system. Patches or upgrades are often for the overall SAP system that impacts various  
 7 modules. As such, separate costs for these patches or upgrades between SAP ECC and SAP CRM  
 8 are not available.
- 9 2) Does not include any patches or upgrades that might be required between 2026 and 2029.
- 10 3) For FBC, the current approved depreciation rate of 10.73 percent includes the accounting of past  
 11 gains and losses.

12



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 RCIA Information Request (IR) No. 1	Page 5

1 **CHAPTER 5: PROJECT IMPLEMENTATION**

2 **3.0 Reference Exhibit B-1, Page 80,**

3 **Section 5.2: FortisBC will Implement the ERP Modernization and CIS**  
4 **Replacement Scopes as a Single Project;**

5 **Page 103,**

6 **Section 6.2.1: Allocation of Project Costs to FEI and FBC**

7 **On page 80, FortisBC states:** *“Integrated Change Management and Training:*  
8 *Consolidated testing, training, and user adoption programs reduce the burden on internal*  
9 *staff and support smoother transitions across departments. Communication, change*  
10 *management and training would be more complex to coordinate across multiple projects*  
11 *and would increase the risk of organizational change fatigue.”*

12 **On page 103, FortisBC states:** *“The ERP Modernization Project will benefit customers*  
13 *of both FEI and FBC, while the CIS Replacement Project will benefit FBC customers only.”*

14 3.1. Please explain how shared overhead associated with the Combined Project, such  
15 as governance, training and testing, are apportioned between FEI and FBC. In  
16 particular, clarify how these shared costs are allocated in light of the fact that the  
17 CIS Replacement scope is attributed solely to FBC.

18  
19 **Response:**

20 In the fixed price proposal that FortisBC received for the Combined Project, IBM provided  
21 separate implementation costs for the ERP Modernization and CIS Replacement scopes. IBM  
22 assessed that 62 percent of the implementation effort is related to the ERP Modernization scope  
23 and 38 percent is related to FBC’s CIS Replacement scope. This distribution was based on IBM’s  
24 analysis of factors such as user count, technical effort, functional scope for FEI and FBC, system  
25 size, governance requirements, and data migration effort. This distribution is reflected in Table 6-  
26 1 of the Application.

27 The Combined Project delivery model structure includes blended teams, comprised of IBM, FBC,  
28 and FEI resources across all aspects of project delivery (e.g., functional, technical, testing,  
29 change management, training, and project management). Therefore, it was reasonable for  
30 FortisBC to apply a similar distribution (62 percent to the ERP Modernization and 38 percent to  
31 FBC’s CIS Replacement) to the FortisBC implementation labour costs, including training and  
32 change management. The same 62 percent and 38 percent distribution was applied to shared  
33 overhead costs such as facilities, infrastructure, and overall project contingency. As such, Table  
34 6-1 of the Application also reflects this distribution.



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 RCIA Information Request (IR) No. 1	Page 6

1   **4.0   Reference   Exhibit B-1, Page 92,**

2                                   **Section 5.6.2 Implementation Risk Mitigation Measures**

3           **FortisBC states:** *“To reduce and manage implementation risk, key risks and their*  
4 *mitigations have been identified. Some of these mitigations have already been executed*  
5 *and others will be further developed and executed during the Combined Project delivery.”*

6           4.1.   What risks has FortisBC identified related to long-term dependence on SAP’s  
7               proprietary cloud (RISE) infrastructure?

8  
9   **Response:**

10   Please refer to the response to CEC IR1 5.1.

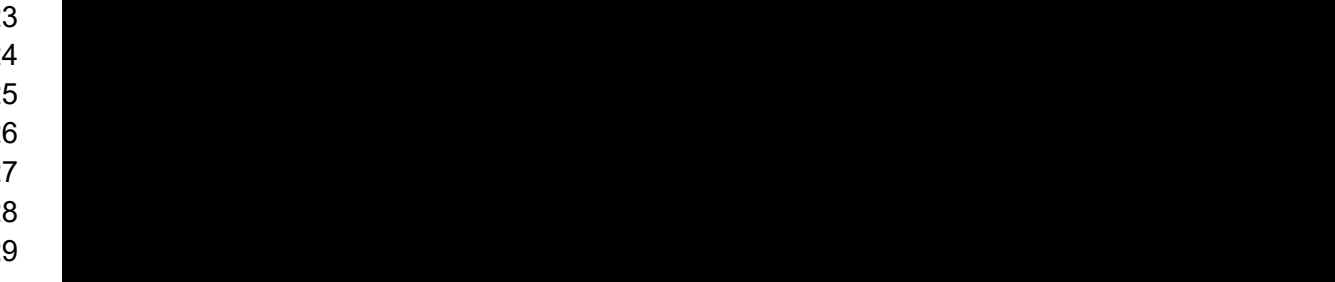
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13  
14           4.2.   Please confirm whether any exit plan has been modeled (e.g., migrating off RISE  
15               in 10+ years), and what cost implications exist if RISE prices escalate post-  
16               contract.

17  
18   **Response:**

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

21   While FortisBC has not yet formally modelled a full exit plan from the SAP RISE platform, FortisBC  
22   will mitigate long-term cost and dependency risks through contractual safeguards.



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32  
33           4.3.   Has FortisBC modeled a fallback scenario if SAP changes licensing or access  
34               rights?  
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 RCIA Information Request (IR) No. 1	Page 7

1 **Response:**

2 FortisBC has secured a five-year SAP licensing commitment, providing cost certainty and stability  
3 over the near to medium term.

4 With respect to longer term considerations, please refer to the response to RCIA IR1 4.2.

5





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 RCIA Information Request (IR) No. 1	Page 9

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5.2. Please identify any contractual, technical, or operational safeguards in place to mitigate the regulatory and security risks associated with storing customer data outside of Canada, and quantify any incremental costs associated with ensuring compliance in this non-Canadian hosting environment.

**Response:**

Please refer to the response to RCIA IR1 5.1 regarding contractual, technical and operational safeguards in place to mitigate regulatory security risks.

The key cost drivers for hosting customer or sensitive data outside of Canada in compliance with BCUC Order G-161-15 include:

- Legal and contractual costs to negotiate, maintain, and periodically review cross border contractual provisions including enhanced data processing and sub processing agreements, data transfer clauses, audit rights, and regulatory access provisions requiring specialized legal review and ongoing contract management to ensure compliance with BCUC Order G-161-15 and Canadian privacy legislative requirements.
- A more comprehensive Data Storage Assessment, including jurisdictional risk analysis, foreign legal exposure review, and documentation suitable for regulatory scrutiny.
- Additional technical controls required, such as encryption with Canadian-based key management, enhanced logging and monitoring, and stricter segregation of duties.
- Ongoing compliance requires increased internal oversight, including policy development, compliance monitoring, audit support, vendor assurance activities, and staff training specific to cross-border data handling requirements and oversight to ensure compliance.

While exact costs vary depending on scale and architecture, these costs are incremental to baseline hosting and security costs and arise specifically from the need to demonstrate and maintain compliance in a non-Canadian jurisdiction.



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 RCIA Information Request (IR) No. 1	Page 10

1   **CHAPTER 6: PROJECT COST ESTIMATE, FINANCIAL ANALYSIS, ACCOUNTING**  
2                   **TREATMENT AND RATE IMPACT**

3   **6.0   Reference   Exhibit B-1, Page 103**

4                   **Section 6.2.1: Allocation of Project Costs to FEI and FBC**

5                   **FortisBC states:** *“The implementation costs for the ERP Modernization Project, including*  
6                   *contingency, are allocated between FEI and FBC based on the ratio of employees*  
7                   *between the two utilities, which is approximately 78 percent FEI and 22 percent FBC.”*

8                   6.1.   Please provide evidence that this employee-ratio truly reflects the relative benefits  
9                   or usage of the ERP system by FEI vs. FBC. For instance, do the divisions have  
10                  similar transaction volumes, system usage hours, or other metrics?

11  
12   **Response:**

13   Please refer to the response to BCUC IR1 11.2 for a comparison of various allocation alternatives  
14   to FortisBC’s proposed allocation approach of number of employees.

15   Due to the integrated nature of the ERP environment and the way users access shared workflows,  
16   FortisBC is unable to measure or segregate all usages of the ERP system between FEI and FBC,  
17   and FortisBC does not routinely track ERP transaction volumes, system usage hours, or other  
18   detailed utilization measures by division or by module.

19   For example, FortisBC has 2,108 regular SAP ERP system users (1,844 for FEI and 264 for FBC),  
20   but many of these users access the system on behalf of both FEI and FBC, making it difficult to  
21   segregate use of the system between FEI and FBC on the basis of regular system users. Further,  
22   in 2025, there were approximately 975,000 financial transactions for FEI and 225,000 for FBC.  
23   While this represents approximately 81 percent for FEI and 19 percent for FBC, it does not  
24   represent all of the transactions performed using the ERP system. As a result, FortisBC did not  
25   consider these to be appropriate allocation alternatives.

26   Considering that the ERP system supports a range of common corporate functions performed  
27   across both utilities, including finance, procurement, payroll, customer service, and administrative  
28   activities, the number of employees represents a reasonably proxy for the use of the system and  
29   does not result in a significantly different result than the other allocation drivers considered.  
30   Further, the number of employees is consistent with the current allocation approach for similar  
31   shared IS projects of this nature. As such, FortisBC applied an allocation based on the ratio of  
32   employees between FEI and FBC for the ERP Modernization Project costs as a practical and  
33   administratively feasible method that reasonably reflects ERP system usage.

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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 RCIA Information Request (IR) No. 1	Page 12

1    **7.0 Reference Exhibit B-1, Page 103,**  
 2                    **Section 6.2: Summary of Combined Project Costs**  
 3                    **Page 95,**  
 4                    **Section 5.6.2 Implementation Risk Mitigation Measures**  
 5                    **Page 89,**  
 6                    **Section 5.5: Combined Project Base Cost Estimate**

7                    **On Page 103, FortisBC states:** *“A contingency of 15 percent on the Combined Project*  
 8 *implementation capital and O&M costs, which is equivalent to approximately \$22.127*  
 9 *million in 2025 dollars.”*

10                    **On Page 89, FortisBC states:** *“FortisBC secured additional IBM cost certainty by*  
 11 *obtaining a commitment from IBM that the fixed fee pricing will remain valid provided a*  
 12 *contract is entered into by December 31, 2026, and increase by not more than 2.5 percent*  
 13 *provided a contract is entered into by December 31, 2027.”*

14                    **On Page 95, FortisBC provides the following:**

Risk	Mitigation Plans	Mitigation Status	Likelihood and Severity	Risk Level
Cost overruns compared to plan due to higher than budgeted system integrator costs.	Planning phase completed to develop: <ul style="list-style-type: none"> <li>• detailed cost estimate</li> <li>• detailed scope and requirements</li> <li>• bottom-up resource plan</li> </ul>	Complete	Rare, Critical	Medium (5)
	Fixed fee proposal with firm pricing commitment from IBM provided contract signed before end of 2026, with maximum price increase of 2.5 percent if signed before end of 2027.	Complete		
	Strong Master Services Agreement (MSA) with system integrator in place with robust contract terms.	Complete		
	15 percent contingency included in Combined Project cost estimate.	Complete		
	Additional financial controls will be included in implementation schedule of work (e.g., FortisBC approvals required prior to revising established on-site resource plan and travel expenses) and robust governance around scope management will be implemented.	Planned		

15  
 16                    **On Page 103, FortisBC provides the following:**



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 RCIA Information Request (IR) No. 1	Page 13

**Table 6-1: Combined Project Cost Estimate (\$ millions)<sup>12</sup>**

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

7.1. Given the 2.5% price-protection commitment from IBM for a 2027 signing, why is a contingency greater than 2.5% necessary for the IBM-related portion of the budget

**Response:**

The 2.5 percent price-protection commitment from IBM only provides mitigation against inflationary cost increases during the proposal period before the implementation contract is signed. Once implementation begins, additional risks remain that can result in cost increases even under a fixed-price arrangement. While a fixed-price contract provides protection on IBM's cost for the defined scope, contingency is required to account for known implementation risks such as scope changes and dependencies, as further discussed below.

**Scope Changes**

Even with detailed scope and requirements defined during the planning phase that form the basis of the IBM fixed-price proposal, given the size and complexity of the project, there remains the possibility that additional or refined requirements will emerge during implementation. For example, items identified during design workshops could result in a scope change request with IBM.

**Dependencies**

The IBM fixed-price proposal and schedule are based on specific dependencies within the contract. Some of these dependencies relate to factors outside of IBM's control, including the following examples:

- **Third-party dependencies:** If a third-party vendor is late delivering an interface to IBM for testing or the quality is poor resulting in unplanned testing cycles, IBM will incur additional costs that result in a change request.



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 RCIA Information Request (IR) No. 1	Page 14

- 1 • **FortisBC delays:** Despite rigorous planning and project management, situations can  
2 arise that result in schedule delays outside of IBM's control. For example, during training  
3 it may become apparent that more time is needed for end users to become proficient with  
4 the new solution, resulting in FortisBC requesting an extension to the go-live date. As  
5 such, IBM may incur additional costs that result in a change request.

6 Accordingly, the 2.5 percent price-protection from IBM on the fixed-price proposal and the 15  
7 percent contingency included in the Combined Project cost estimate for implementation serve  
8 distinct but complementary purposes. Together, they mitigate cost risks occurring at different  
9 stages of the Combined Project, all of which are normal and expected for a project of this nature.

10  
11  
12  
13 7.2. Please provide a version of Table 6-1 that separates the Fixed-Price Contract  
14 costs from the Variable/Internal costs, and apply the 15% contingency only to the  
15 Variable/Internal costs

16  
17 **Response:**

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

20 Applying contingency on IBM's fixed-price contract cost appropriately reflects the necessary risk  
21 mitigation for a project of this scale and complexity. As discussed in the response to BCUC IR1  
22 14.1, a 15 percent contingency is necessary for the implementation capital and O&M costs based  
23 on the current level of project definition and risk assessment/mitigation activities. Further, as  
24 discussed in the response to RCIA IR1 7.1, contingency is required for the IBM fixed-price contract  
25 to account for known implementation risks such as scope changes and dependencies.

26 However, in order to be responsive, FortisBC provides Table 1 below which shows a revised  
27 version of Table 6-1 from the Errata to the Application<sup>3</sup> and removes the 15 percent contingency  
28 applied to the IBM fixed-price contract costs, which is approximately ██████████ in 2025  
29 dollars. FortisBC notes that not all of IBM's costs are part of the fixed-price contract. As such, only  
30 the contingency applied on the portion of IBM's costs under the fixed-price contract has been  
31 removed in Table 1 below. FortisBC also notes that the 15 percent contingency on IBM's fixed-  
32 price contract only has a small impact on the overall levelized rate impacts, reducing them from  
33 0.60 percent to 0.55 percent for FBC and from 1.94 percent to 1.83 percent for FBC.

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<sup>3</sup> 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.



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 RCIA Information Request (IR) No. 1	Page 15

1 **Table 1: Revised Table 6-1 from the Errata to the Application with No Contingency Applied to the**  
 2 **IBM Fixed-Price Contract Costs (\$ millions)**

Line	Particular	ERP (2025 \$)	CIS (2025 \$)	Total Project (2025 \$)	Total Project (As-Spent \$)	Reference
7	Subtotal of Implementation Capital Costs	\$ 84.563	\$ 51.829	\$ 136.391	\$ 139.436	Sum of Line 1 to 6
8	Training	5.701	2.420	8.121	8.564	Section 5.5
9	Facilities	1.860	1.140	3.000	3.164	Section 5.5
10	Subtotal of Implementation O&M Costs	\$ 7.561	\$ 3.560	\$ 11.121	\$ 11.728	Sum of Line 8 to 9
13	Pre-Implementation Development Costs	0.713	0.437	1.150	1.166	Section 6.2
14	Preliminary Stage Development and Application Costs Deferral	2.557	3.662	6.219	6.223	Section 6.4.4
15	Subtotal for Development and Deferral Costs	\$ 3.270	\$ 4.099	\$ 7.369	\$ 7.389	Sum of Line 13 to 14
16	AFUDC				15.195	
17	Tax Offset				(6.156)	

3  
 4  
 5  
 6  
 7 7.3. If IBM is contractually responsible for the delivery of its scope at a fixed price,  
 8 please explain why the risk of cost overruns for that scope is not already borne by  
 9 IBM.

10  
 11 **Response:**

12 Please refer to the response to RCIA IR1 7.1.

13



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 RCIA Information Request (IR) No. 1	Page 16

1 **8.0 Reference Exhibit B-1, Page 103,**

2 **Section 6.2: Summary of Combined Project Costs**

3 **FortisBC states:** *“A total escalation of \$7.566 million to convert the implementation capital*  
4 *and O&M cost estimate and contingency from 2025 dollars to as-spent dollars. The*  
5 *escalation uses an annual inflation of 2 percent, which is aligned with the Bank of Canada*  
6 *inflation projection.”*

7 8.1. Does the IBM "fixed price proposal" include its own internal inflation and escalation  
8 assumptions for the 2026-2028 period?

9 8.1.1. If yes, please explain why FortisBC is adding an additional \$7.566 million  
10 in escalation on top of a price that is already contractually set.

11  
12 **Response**

13 IBM has not disclosed whether its fixed price proposal includes internal inflation or escalation  
14 assumptions; however, FortisBC confirms that IBM has committed to the fixed price proposal for  
15 the duration of the project contract from 2026 to 2028.

16 While preparing the response to this IR, FortisBC discovered that the total escalation of \$7.566  
17 million incorrectly included escalation on IBM’s fixed price proposal. Removing escalation on  
18 IBM’s fixed price proposal reduces the Combined Project costs by approximately \$2.927 million  
19 in as-spent dollars, which reduces the levelized rate impacts slightly by approximately 0.01  
20 percent for FEI and by approximately 0.04 percent for FBC. This correction only relates to IBM’s  
21 fixed price proposal. Escalation on other components of the Combined Project such as third-party  
22 vendor costs, internal labour costs, and facilities-related costs continue to be required to convert  
23 from 2025 dollars to as-spent dollars. This small correction to the financial analysis has been  
24 reflected in the Errata filed concurrently with these IR responses.

25