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February 24, 2026

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

Dear Registrar:

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

Application for Approval of Capital Expenditures for the Enterprise Resource Planning (ERP) Modernization Project (ERP Modernization Project) and Customer Information System (CIS) Replacement Project (CIS Replacement Project) (together the Combined Project) (Application)

Errata to the Application, dated February 24, 2026

On November 4, 2025, FortisBC filed the above-noted Application. In the process of responding to Information Request (IR) No. 1, FortisBC identified minor corrections required to the Application. Accordingly, FortisBC submits this Errata filing reflecting the following minor corrections to the cost estimates and financial models:

1. A portion of the facilities costs to be re-categorized from O&M to capital;
2. Change management costs to be re-categorized from O&M to capital;
3. Re-classification of IS infrastructure capital assets as hardware instead of software;
and
4. Removal of escalation applied to IBM's fixed price proposal.

Tables 1 and 2 below summarize the changes to the cost estimate and the results of the financial analysis for the Combined Project when compared to the Application (as originally filed). FortisBC notes that the corrections only impact the total Combined Project cost estimate in as-spent dollars; there is no impact to the cost estimate in 2025 dollars, as shown in Table 1 below. This is because the corrections only change the portion of capital costs versus O&M costs, which changes the calculation of financing costs (i.e., AFUDC) and the tax offset for O&M expense. Further, correction #4 only changes the amount of escalation used to convert

the project cost estimate in 2025 dollars to as-spent dollars. Since the amount in 2025 dollars remains the same, the changes only impact the cost in as-spent dollars.

As a result of the changes, the total Combined Project cost estimate is revised to \$190.705 million in as-spent dollars, which is approximately \$74 thousand less than the total Combined Project cost estimate in the Application. The revised levelized rate impact over the 13-year analysis period for the Combined Project is approximately 0.60 percent for FEI and 1.94 percent for FBC.

Table 1: Summary of Changes to the Combined Project Cost Estimate (\$ millions)

Line	Particular	Application (As-Filed)		Errata to the Application	
		Total Project (2025 \$)	Total Project (As-Spent \$)	Total Project (2025 \$)	Total Project (As-Spent \$)
1	Subtotal of Implementation Capital Costs	\$ 130.790	\$ 136.512	\$ 136.391	\$ 139.436
2	Subtotal of Implementation O&M Costs	\$ 16.722	\$ 17.579	\$ 11.121	\$ 11.728
3	Contingency	22.127	23.114	22.127	23.114
4	Subtotal Implementation Capital and O&M, incl. Contingency	\$ 169.639	\$ 177.205	\$ 169.639	\$ 174.278
5	Pre-Implementation Development Costs	1.150	1.166	1.150	1.166
6	Preliminary Stage Development and Application Costs Deferral	6.219	6.223	6.219	6.223
7	Subtotal for Development and Deferral Costs	\$ 7.369	\$ 7.389	\$ 7.369	\$ 7.389
8	AFUDC		15.212		15.195
9	Tax Offset		(9.027)		(6.156)
10	Total Project Costs	\$ 177.008	\$ 190.779	\$ 177.008	\$ 190.705

Table 2: Summary of Changes to the Financial Analysis of the Combined Project

	Application (As-Filed)		Errata to the Application	
	FEI	FBC	FEI	FBC
Total Project Costs (As-Spent, \$ millions)	\$ 92.246	\$ 98.533	\$ 92.210	\$ 98.495
PV of Incremental Revenue Requirement over 13 years (\$ millions)	\$ 68.372	\$ 88.219	\$ 65.435	\$ 86.836
Delivery Rate (FEI) and Rate (FBC) Impacts in 2031 (%)	1.32%	3.76%	1.28%	3.74%
Levelized Delivery Rate (FEI) and Rate (FBC) Impact over 13 years (%)	0.62%	1.97%	0.60%	1.94%

A discussion of each correction is provided below.

1. Facilities costs re-categorized as capital instead of O&M

All facilities costs in the Combined Project cost estimates were inadvertently categorized as O&M. These costs, which include facilities build-out, furniture, and computer equipment, should be categorized as capital, with the exception of the space leasing costs which should remain in O&M. Correcting this error for the Combined Project results in approximately \$2.770 million (2025 dollars) of facilities costs, as well as related project contingency, being re-categorized as capital. The same corrections have been applied to the alternatives analysis for the ERP Modernization Project in Section 3.3.2 and the alternatives analysis for the CIS Replacement Project in Section 4.3.2.

2. Change management costs re-categorized as capital instead of O&M

The change management costs in the Combined Project cost estimate were inadvertently categorized as O&M in the financial analysis. Change management costs should be categorized as capital, with only training-related costs remaining as internal project labour O&M. Correcting this error for the Combined Project results in approximately \$2.832 million (2025 dollars) of change management costs, as well as related project contingency, being re-categorized as capital. The same corrections have been applied to the alternatives analysis for the ERP Modernization Project in Section 3.3.2 and the alternatives analysis for the CIS Replacement Project in Section 4.3.2.

3. Reclassification of IS infrastructure capital as hardware assets

The IS infrastructure capital was incorrectly classified as a software asset with a depreciation rate of 10 percent instead of being classified as a hardware asset with a depreciation rate of 25 percent (for both FEI and FBC). Correcting this error for the Combined Project results in approximately \$699 thousand (2025 dollars) of implementation costs, as well as related project contingency, being reclassified to the hardware asset class. The same corrections have been applied to the alternatives analysis for the ERP Modernization Project in Section 3.3.2 and the alternatives analysis for the CIS Replacement Project in Section 4.3.2.

4. Removal of escalation applied to IBM's fixed price proposal

As discussed in the response to RCIA IR1 8.1, FortisBC discovered that the total escalation of \$7.566 million used to convert the Combined Project implementation capital and O&M cost estimate and contingency from 2025 dollars to as-spent dollars incorrectly included escalation of IBM's fixed price proposal. Removing this escalation reduces the Combined Project cost by approximately \$2.927 million (as-spent dollars).

Summary of Changes to the Application and Appendices

Accordingly, FortisBC respectfully submits this Errata to the Application reflecting the required corrections. Based on the changes described above, the total Combined Project cost estimate is updated to \$190.705 million in as-spent dollars, with approximately \$92.210 million allocated to FEI (48 percent) and approximately \$98.495 million allocated to FBC (52 percent) following the proposed allocation approach discussed in Section 6.2.1. The revised levelized rate impact for FEI and FBC over the 13-year analysis period of the Combined Project is approximately 0.60 percent and 1.94 percent, respectively.

The Combined Project base cost estimate in Confidential Appendix A and the Financial Schedules in Confidential Appendix B-1 (FEI) and Confidential Appendix B-2 (FBC) have been updated to reflect the corrections identified above. The BCUC's Regulatory Account Filing Checklist in Appendix C has also been updated to reflect the changes in O&M. FortisBC has

also updated the draft final Orders in Appendix D-2 (FEI) and Appendix D-3 (FBC), incorporating the Errata changes in the revised approvals sought.

Table 3 below lists the revised pages from the Application and the revised Appendices, and Table 4 provides a list of the related IR responses which were completed based on the corrected total Combined Project cost estimate and financial analysis contained in the Errata.

Table 3: Summary of Application and Appendices Changes

Description
<i>Application:</i>
• Section 1, revised pages 1, 6, 8
• Section 3, revised pages 37, 39, 40
• Section 4, revised pages 62, 64, 65
• Section 6, revised pages 102 to 105, 108 to 109, 112 to 114
• Section 7, revised pages 115-116
<i>Appendices:</i>
• Appendix A – Project Base Cost Estimate – Confidential (revised)
• Appendix B-1 – FEI Financial Schedules – Confidential (revised)
• Appendix B-2 – FBC Financial Schedules – Confidential (revised)
• Appendix C – Regulatory Account Filing Checklist (pages 1 and 2)
• Appendix D-2 – Draft Final Order – FEI (pages 1 and 2)
• Appendix D-3 – Draft Final Order – FBC (pages 1 and 2)

Table 4: List of IR Responses Related to the Errata

Exhibit B-1, Application	Reference	Related IRs
Section 3.3.2	Tables 3-1 and 3-2 Financial Analysis of ERP Modernization Project Alternatives	BCUC IR1 2.1, 2.2, 2.3, and CONFIDENTIAL Attachment 2.3
Section 4.3.2	Table 4-1 Financial Analysis of CIS Alternatives	BCUC IR1 5.1
	Table 4-1 Financial Analysis of CIS Replacement Project Alternatives – NPV	BCUC IR1 5.2
	Table 4-2 Financial Analysis of CIS Alternatives	BCUC IR1 5.3 CONFIDENTIAL Attachment 5.3
Section 6.2.1	Allocation of Combined Project Costs to FEI and FBC	BCUC IR1 11.2
Section 6.4.1, pp. 107-108	SAP Software Asset Depreciation	BCUC IR1 16.3
Section 1.1.4	Financial Summary and Rate Impact	CEC IR1 14.1, 14.1.3
Section 6.5	Table 6-7 Total Project Rate Impacts	COSCO IR1 15.1

Exhibit B-1, Application	Reference	Related IRs
Section 1.1	Cost per Customer/cost allocations	RCIA IR1 1.1
Section 6.2	Table 6-1 Combined Project Cost Estimate	RCIA IR1 7.2
	Summary of Combined Project Costs	RCIA IR1 8.1

For ease of reference to the proceeding record, FortisBC is filing four separate exhibits related to this Errata filing as follows:

1. **Exhibit B-1-2:** Provides a redacted public version of only the revised pages of the Application and Appendices (originally filed as Exhibit B-1) as listed in Table 3, showing blacklines. Confidential Appendices A and B are omitted from this filing.
2. **Exhibit B-1-2-1:** Provides a Confidential version of only the revised pages of the Confidential Application and Appendices (originally filed as Exhibit B-1-1) as listed in Table 3 showing blacklines, and including Confidential Appendices A and B which are revised rather than blacklined.
3. **Exhibit B-1-3:** Provides a clean redacted public version of the entire Application and Appendices (originally filed as Exhibit B-1) incorporating all revisions identified in this Errata which are listed in Table 3. This combined exhibit will facilitate parties in referencing the Application and Appendices as updated by this Errata for the remainder of the proceeding.
4. **Exhibit B-1-3-1:** Provides a clean Confidential version of the entire Application and Appendices (originally filed as Exhibit B-1-1) incorporating all revisions identified in this Errata which are listed in Table 3.

If further information is required, please contact the undersigned.

Sincerely,

on behalf of FORTISBC

Original signed:

Sarah Walsh

Attachments

cc (email only):

Registered Interveners

1 **1. INTRODUCTION AND EXECUTIVE SUMMARY**

2 **1.1 INTRODUCTION AND EXECUTIVE SUMMARY**

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

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

20 FortisBC submits that the ERP Modernization Project and CIS Replacement Project are in the
21 public interest, and that the BCUC should accept in the public interest the schedule of anticipated
22 capital expenditures for the Combined Project, at approximately \$~~190.705~~ million (in as-spent
23 dollars), with approximately \$~~92.210~~ million (48 percent) allocated to FEI and \$~~98.495~~ million (52
24 percent) allocated to FBC.

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

27 **1.1.1 FortisBC's Current ERP and CIS Environments Require Modernization**

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

¹ Only FEI has SAP CRM.

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

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

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

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

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

22 1.1.4 Financial Summary and Rate Impact

23 The Combined Project cost is estimated at approximately \$190.705 million (as-spent dollars). This
24 includes: (i) capital and O&M costs during implementation; (ii) pre-implementation development
25 costs; (iii) preliminary stage development and Application costs; (iv) contingency; and (v) financing
26 costs. Approximately \$92.210 million (48 percent) of the Combined Project cost is allocated to
27 FEI, while \$98.495 million (52 percent) is allocated to FBC. The rationale for and details of the
28 allocation approach are described in Section 6.2.1.

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29 FortisBC estimates the PV of the incremental revenue requirement over the 13-year analysis
30 period of the Project to be approximately \$65.435 million for FEI and \$86.836 million for FBC. The
31 levelized rate impact for FEI and FBC over the same period is 0.60 percent and 1.94 percent,
32 respectively.

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

1 **1.2.2 Approvals Sought**

2 **1.2.2.1 FEI Approvals Sought**

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

- 4 • Acceptance of the capital expenditure schedule for the Combined Project as detailed in
5 Table 6-1 of the Application, including approval of the allocation of FEI's portion of the
6 Combined Project capital expenditure schedule of approximately \$92.210 million (48
7 percent), as described in Section 6.2.1 and Table 6-2 of the Application.
- 8 • Approval of a depreciation rate of 10 percent applicable to the SAP S/4HANA software
9 and components related to the Combined Project.
- 10 • Approval to establish a non-rate base deferral account attracting a Weighted Average Cost
11 of Capital (WACC) return, titled the ERP Project Implementation O&M deferral account,
12 to record FEI's portion of the implementation O&M costs, as described in Section 6.4.3 of
13 the Application. Additionally, approval to transfer the balance in the ERP Project
14 Implementation O&M deferral account to rate base on January 1 of the year following the
15 completion of the Project and to begin amortization over a 10-year period.
- 16 • Approval to establish a non-rate base deferral account attracting a WACC return, titled the
17 Application and Preliminary Stage Development Costs deferral account, to record FEI's
18 portion of the Application and preliminary stage development costs, as described in
19 Section 6.4.4 of the Application. Additionally, approval to transfer the balance in the
20 Application and Preliminary Stage Development Costs deferral account to rate base on
21 January 1 of the year following the decision on this Application and to begin amortization
22 over a 4-year period.

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

24 **1.2.2.2 FBC Approvals Sought**

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

- 27 • Acceptance of the capital expenditure schedule for the Combined Project as detailed in
28 Table 6-1 of the Application, including approval of the allocation of FBC's portion of the
29 Combined Project capital expenditure schedule of approximately \$98.495 million (52
30 percent), as described in Section 6.2.1 and Table 6-2 of the Application.
- 31 • Approval of a depreciation rate of 10 percent applicable to the SAP S/4HANA software
32 and components related to the Combined Project.
- 33 • Approval to establish a non-rate base deferral account attracting a WACC return, titled the
34 ERP/CIS Project Implementation O&M deferral account, to record FBC's portion of the
35 Project implementation O&M costs, as provided in Section 6.4.3 of the Application.
36 Additionally, approval to transfer the balance in the ERP/CIS Project Implementation O&M

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

	ERP Alternative 2
Class Estimate	Class 5
Total PV of Incremental Capital (\$ millions)	130.832
Total PV of Incremental O&M (\$ millions)	13.660
FEI Total PV of Incremental Revenue Requirement over 13-years (\$ millions)	111.808
FEI Levelized Delivery Rate Impact over 13-years (%)	1.02%
FBC Total PV of Incremental Revenue Requirement over 13-years (\$ millions)	41.862
FBC Levelized Rate Impact over 13-years (%)	0.94%

	ERP Alternative 2
Class Estimate	Class 5
Total PV of Incremental Capital (\$ millions)	130.832
Total PV of Incremental O&M (\$ millions)	13.660
FEI Total PV of Incremental Revenue Requirement over 13-years (\$ millions)	111.808
FEI Levelized Delivery Rate Impact over 13-years (%)	1.02%
FBC Total PV of Incremental Revenue Requirement over 13-years (\$ millions)	41.862
FBC Levelized Rate Impact over 13-years (%)	0.94%

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

- **Non-SAP ERP Implementation Costs:** Estimated capital and O&M costs of approximately \$155.2 million and \$10.1 million, respectively. The estimated capital cost is at an AACE Class 5 level of accuracy and is based on the cost estimate for implementing SAP S/4 HANA (i.e., ERP Alternative 3) that was developed to an AACE Class 4 level of accuracy, plus the following adjustments for the additional costs to transition from an existing SAP platform to a non-SAP platform:

 - System integrator and software license costs for a non-SAP system are based on information received from the RFEOI;
 - Implementation costs are extended by one year to a four-year implementation period based on a greater level of change and complexity required to move to a non-SAP system;
 - The internal and third-party implementation labour costs are increased by 25 percent to account for the greater efforts and requirements needed for the interface upgrades, as well as the process/configuration changes, to switch from an SAP system to a non-SAP system;
 - Change management and training costs are increased by 25 percent to account for the higher system and process changes for users when switching from the existing SAP environment to a non-SAP environment; and
 - Contingency is increased to 25 percent (compared to 15 percent under ERP Alternative 3) for the project implementation to account for the risks to convert the existing data structure from an existing SAP system to a non-SAP system.
- **Incremental Support Costs:** The annual maintenance and support costs for the non-SAP ERP applications are estimated based on the information received from the RFEOI. In addition, FortisBC estimates its internal resources would increase by approximately 25 percent due to the significant workforce transition to a completely new ERP system and technology. Over the post-implementation period, FortisBC estimates a resulting net

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

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

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

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

ERP Alternative 3	
Class Estimate	Class 4
Total PV of Incremental Capital (\$ millions)	102.694
Total PV of Incremental O&M (\$ millions)	0.191
FEI Total PV of Incremental Revenue Requirement over 13-years (\$ millions)	86.328
FEI Levelized Delivery Rate Impact over 13-years (%)	0.79%
FBC Total PV of Incremental Revenue Requirement over 13-years (\$ millions)	35.433
FBC Levelized Rate Impact over 13-years (%)	0.79%

ERP Alternative 3	
Class Estimate	Class 4
Total PV of Incremental Capital (\$ millions)	102.694
Total PV of Incremental O&M (\$ millions)	0.191
FEI Total PV of Incremental Revenue Requirement over 13-years (\$ millions)	86.328
FEI Levelized Delivery Rate Impact over 13-years (%)	0.79%
FBC Total PV of Incremental Revenue Requirement over 13-years (\$ millions)	35.433
FBC Levelized Rate Impact over 13-years (%)	0.79%

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

- 12 • **SAP S/4HANA Implementation Costs:** FortisBC obtained a fixed price proposal and
13 high-level project schedule from the system integrator (IBM) to upgrade the current SAP
14 applications to S/4HANA. FortisBC developed a Class 4 estimate for the SAP S/4HANA
15 upgrade by starting with the IBM S/4HANA upgrade cost and then adding additional costs,
16 including labour costs, software license costs, facilities and infrastructure costs, among
17 others. The estimated capital and O&M costs for the implementation are approximately
18 ~~\$124.1 million~~ and ~~\$9.1 million~~, respectively.
- 19 • **Incremental Support Costs:** The annual software license fees would increase as a result
20 of the switch to the S/4HANA subscription, which includes managed services. However,
21 the increase will be partially offset by a reduction in annual SAP support costs as well as
22 a reduction in FortisBC labour support costs due to the shift to SAP managed services.
23 Over the post-implementation period, FortisBC estimates that these changes would result
24 in a net increase to the annual O&M costs by an average of approximately \$1.0 million,
25 while the annual capital costs would decrease by an average of approximately
26 \$541 thousand.
- 27 • **Reduction in On-premise Infrastructure Costs:** SAP S/4HANA would be implemented
28 as a cloud-based platform; therefore, the requirements of on-premise servers would be
29 reduced. FortisBC estimates a decrease in the annual capital and O&M costs of

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

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

9 **3.3.2.3 Summary of Feasible Alternatives**

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

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

	ERP Alternative 2	ERP Alternative 3
Description	Replace SAP applications (i.e., ECC, CRM and BW) with non-SAP applications: <ul style="list-style-type: none"> • Implement the non-SAP system • Migrate all data to the new non-SAP structures • Develop new interfaces to other systems • Train or hire resources to support a new technology platform Class 5 estimate based on adjusted ERP Alternative 3 costs, including: <ul style="list-style-type: none"> • RFEOI for non-SAP system • Extended implementation • Labour, change management, training, and contingency increases 	Upgrade SAP applications (i.e., ECC, CRM and BW) to SAP S/4HANA: <ul style="list-style-type: none"> • Align current business processes to S/4HANA • Redirect interfaces of other systems • Review and clean up data for migration • Train employees to become proficient in upgraded system Class 4 estimate based on S/4HANA upgrade plus additional costs, including: <ul style="list-style-type: none"> • Labour costs • Software license costs • Facilities and infrastructure costs
Total PV of Incremental Capital	\$130.832 million	\$102.694 million
Total PV of Incremental O&M	\$13.660 million	\$0.191 million
Total PV of Incremental Revenue Requirement	\$111.808 million (FEI) \$41.862 million (FBC)	\$86.328 million (FEI) \$35.433 million (FBC)
Levelized Rate Impact over 13 Years	1.02% (FEI) 0.94 % (FBC)	0.79 % (FEI) 0.79% (FBC)

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

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

CIS Alternative 3	
Class Estimate	Class 5
Total PV of Incremental Capital (\$ millions)	76.374
Total PV of Incremental O&M (\$ millions)	22.128
FBC Total PV of Incremental Revenue Requirement over 13-years (\$ millions)	107.509
FBC Levelized Rate Impact over 13-years (%)	2.41%

CIS Alternative 3	
Class Estimate	Class 5
Total PV of Incremental Capital (\$ millions)	76.374
Total PV of Incremental O&M (\$ millions)	22.128
FBC Total PV of Incremental Revenue Requirement over 13-years (\$ millions)	107.509
FBC Levelized Rate Impact over 13-years (%)	2.41%

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

- 10 • **Non-SAP CIS Implementation Costs:** FBC estimates the capital and O&M costs to
 11 implement a non-SAP CIS to be approximately the same as to implement an SAP system,
 12 at \$83.2 million and \$5.3 million, respectively. The estimated capital cost is at an AACE
 13 Class 5 level of accuracy which is based on the Class 4 estimate from CIS Alternative 4
 14 with the following assumptions:
 - 15 ○ Replacing CIS Plus with either SAP or another non-SAP CIS platform will be a
 16 complex change, and both alternatives will require a similar level of process
 17 redesign, system configuration, data migration, and testing;
 - 18 ○ Change management and training requirements for a new CIS would be consistent
 19 between a non-SAP and an SAP solution; and
 - 20 ○ The same level of contingency would be required for project implementation,
 21 regardless of whether the new system is a non-SAP or an SAP CIS solution.

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

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

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

Class Estimate	CIS Alternative 4	
	Class 4	
Total PV of Incremental Capital (\$ millions)	75.919	
Total PV of Incremental O&M (\$ millions)	19.826	
FBC Total PV of Incremental Revenue Requirement over 13-years (\$ millions)	104.723	
FBC Levelized Rate Impact over 13-years (%)	2.34%	

Class Estimate	CIS Alternative 4	
	Class 4	
Total PV of Incremental Capital (\$ millions)	75.919	
Total PV of Incremental O&M (\$ millions)	19.826	
FBC Total PV of Incremental Revenue Requirement over 13-years (\$ millions)	104.723	
FBC Levelized Rate Impact over 13-years (%)	2.34%	

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

- CIS Plus to SAP S/4HANA Implementation Costs:** FBC obtained a fixed price proposal and high-level project schedule from the system integrator (IBM) to replace CIS Plus with SAP S/4HANA. FBC developed a Class 4 estimate by using the IBM fixed price proposal and then adding additional costs, including labour costs, software license costs, facilities and infrastructure costs, among others. The estimated capital and O&M costs for the implementation is approximately ~~\$82.7~~ million and ~~\$5.3~~ million, respectively.
- Incremental Support Costs:** FBC estimates additional annual subscription costs, which include a managed service fee for the new SAP CIS. However, these costs would be offset by the elimination of the annual fees required to operate the existing CIS Plus. FBC assumes a single SAP support team would provide support for both the S/4HANA ERP system and the new FBC S/4HANA CIS, and that the size of the SAP support team would increase to accommodate the additional support requirements for the FBC S/4HANA CIS. Over the post-implementation period, FBC estimates that the annual O&M costs would increase by an average of approximately \$2.6 million.
- Reduction in On-premise Infrastructure Costs:** The new S/4HANA CIS would be implemented as a cloud-based platform and therefore the requirements for on-premise servers would be reduced. FBC estimates a decrease in the annual capital and O&M costs of approximately \$33 thousand and \$15 thousand, respectively, over the post-implementation period.
- Operational Efficiencies and Cost Savings:** FBC has identified increased customer service productivity and cost savings that the new S/4HANA CIS would enable. FBC estimates a decrease in annual O&M costs of approximately \$159 thousand over the post-implementation period.

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4.3.2.3 Summary of Feasible Alternatives

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

1

Table 4-3: Summary of Feasible Alternatives

	CIS Alternative 3	CIS Alternative 4
Description	<p>Replace CIS Plus with a Non-SAP CIS:</p> <ul style="list-style-type: none"> Re-platform CIS Plus to the new non-SAP platform Redesign customer service operations to align with new system Migrate data to the new system Develop integrations to operate new CIS with SAP ERP system Onboard, train and build a new FBC CIS application support team <p>Class 5 estimate based on CIS Alternative 4 costs, including:</p> <ul style="list-style-type: none"> Similar process redesign, system configuration, data migration, and testing Similar change management, training, and contingency Additional non-SAP to SAP interface development costs Additional onboarding, training and ongoing operational costs to support a new, standalone CIS 	<p>Replace CIS Plus with SAP S/4HANA:</p> <ul style="list-style-type: none"> Re-platform CIS Plus to the new SAP S/4HANA platform Redesign customer service operations to align with new SAP platform Migrate core processes and data to SAP S/4HANA Leverage SAP S/4HANA core functionality to remap existing integrations Train or hire resources to support a new technology platform <p>Class 4 estimate based on system integrator (IBM) fixed pricing proposal plus additional costs, including:</p> <ul style="list-style-type: none"> Labour costs Software license costs Facilities and infrastructure costs
Total PV of Incremental Capital	\$76.374 million	\$75.919 million
Total PV of Incremental O&M	\$22.128 million	\$19.826 million
Total PV of Incremental Revenue Requirement	\$107.509 million	\$104.723 million
Levelized Rate Impact Over 13 Years	2.41%	2.34%

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

6.1 INTRODUCTION

The total cost estimate for the Combined Project is \$190.705 million in as-spent dollars. This section provides a breakdown of the total Combined Project costs, including the allocation of costs between FEI and FBC, a summary of the financial analysis of the Combined Project, the accounting treatment of the capital and O&M costs, and the rate impacts for both FEI and FBC.

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6.2 SUMMARY OF COMBINED PROJECT COSTS

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

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

Particular	ERP (2025 \$)	CIS (2025 \$)	Total Project (2025 \$)	Total Project (As-Spent \$)	Reference
1					
2					
3					
4					
5					
6	1.717	1.052	2.770	2.891	Section 5.5
7	\$ 84.563	\$ 51.829	\$ 136.391	\$ 139.436	Sum of Line 1 to 6
8	5.701	2.420	8.121	8.564	Section 5.5
9	1.860	1.140	3.000	3.164	Section 5.5
10	\$ 7.561	\$ 3.560	\$ 11.121	\$ 11.728	Sum of Line 8 to 9
11	13.819	8.308	22.127	23.114	Section 5.5
12	\$ 105.942	\$ 63.697	\$ 169.639	\$ 174.278	Sum of Line 7, 10 & 11
13	0.713	0.437	1.150	1.166	Section 6.2
14	2.557	3.662	6.219	6.223	Section 6.4.4
15	\$ 3.270	\$ 4.099	\$ 7.369	\$ 7.389	Sum of Line 13 to 14
16				15.195	
17				(6.156)	
18	\$ 109.212	\$ 67.796	\$ 177.008	\$ 190.705	Sum of Line 12, 15 to 17

Line	Particular
1	
2	
3	
4	
5	
6	Subtotal of Implementation Capital Costs
7	Training and Change Management
8	Facilities
9	Subtotal of Implementation O&M Costs
10	Contingency
11	Subtotal Implementation Capital and O&M, incl. Co
12	Pre-Implementation Development Costs
13	Preliminary Stage Development and Application Co
14	Subtotal for Development and Deferral Costs
15	AFUDC
16	Tax Offset
17	Total Project Costs

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

- Total implementation capital and O&M cost estimate of \$136.391 million and \$11.121 million, respectively, in 2025 dollars. The cost estimate was developed using the fixed price obtained from IBM, along with additional costs required for the upgrade and deployment, which include third-party vendors, internal project labour, software licenses, infrastructure, training and change management, and facilities costs. As discussed in

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

1 Section 5.5, the Combined Project cost estimate was developed to an AACE Class 3 cost
2 estimate level with IBM.

3 • A contingency of 15 percent on the Combined Project implementation capital and O&M
4 costs, which is equivalent to approximately \$22.127 million in 2025 dollars as described
5 in Section 5.5.

6 • A total of \$1.150 million forecast pre-implementation development costs which FortisBC
7 expects to incur in 2025 and 2026 until the start of the Combined Project initiation based
8 on the estimated schedule discussed in Section 5.4. The Combined Project cost estimate
9 also includes \$6.219 million of deferred preliminary stage development and Application
10 costs, comprised of \$4.881 million of actual costs incurred from July 2022 to July 2025
11 and forecast costs of \$1.338 million from August 2025 to August 2026. Please refer to
12 Section 6.4.4 for further details on the deferred costs.

13 • A total escalation of \$4.639 million to convert the implementation capital and O&M cost
14 estimate and contingency from 2025 dollars to as-spent dollars (which excludes escalation
15 on the IBM fixed price proposal). The escalation uses an annual inflation of 2 percent,
16 which is aligned with the Bank of Canada inflation projection.¹³

17 • Financing costs based on Allowance for Funds Used During Construction (AFUDC) rates
18 of 6.21 percent for FEI and 5.93 percent for FBC,¹⁴ which is equal to the after-tax weighted
19 average cost of capital (WACC) for each utility.

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20 6.2.1 Allocation of Project Costs to FEI and FBC

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

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

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

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

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

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

11 Table 6-2 provides the allocation of the Combined Project costs between FEI and FBC for
12 implementation capital and O&M, pre-implementation development costs, preliminary stage
13 development and Application costs, as well as the associated AFUDC and income tax offset.
14 Based on the allocation methodology described above, approximately \$92.210 million (48
15 percent) of the Combined Project cost is allocated to FEI, while \$98.495 million (52 percent) of
16 the Combined Project cost is allocated to FBC.

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

Line	Particular	FEI Allocation As-Spent \$	FBC Allocation As-Spent \$	Total Project (As-Spent \$)	Reference
1	Implementation Capital Costs	\$ 67.922	\$ 71.514	\$ 139.436	Table 6-1, Line 7
2	Implementation O&M Costs	5.713	6.015	11.728	Table 6-1, Line 10
3	Contingency	11.259	11.855	23.114	Table 6-1, Line 11
4	Subtotal Implementation Capital and O&M, incl. Contingency	\$ 84.894	\$ 89.383	\$ 174.278	Sum of Line 1 to 3
5	Pre-Implementation Development Costs	0.564	0.602	1.166	Table 6-1, Line 13
6	Preliminary Stage Development and Application Costs Deferral	1.963	4.260	6.223	Table 6-1, Line 14
7	Subtotal with Development and Deferral Costs	\$ 87.421	\$ 94.245	\$ 181.667	Sum of Line 4 to 6
8	AFUDC	7.500	7.695	15.195	Table 6-1, Line 16
9	Tax Offset	(2.710)	(3.445)	(6.156)	Table 6-1, Line 17
10	Total Project Costs	\$ 92.210	\$ 98.495	\$ 190.705	Sum of Line 7 to 9

Line	Particular
1	Implementation Capital Costs
2	Implementation O&M Costs
3	Contingency
4	Subtotal Implementation Capital and O&M, inc
5	Pre-Implementation Development Costs
6	Preliminary Stage Development and Applicatio
7	Subtotal with Development and Deferral Costs
8	AFUDC
9	Tax Offset
10	Total Project Costs

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19 **6.3 FINANCIAL ANALYSIS**

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

26 Using the cost allocation approach described in Section 6.2 above, FortisBC estimates the PV of
27 the incremental revenue requirement due to the Combined Project over the 13-year analysis
28 period to be approximately \$65.435 million for FEI and \$86.836 million for FBC (as reflected on

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1 Line 8 of Table 6-3). The levelized rate impact for FEI and FBC over the same period is 0.60
 2 percent and 1.94 percent, respectively (as reflected on Line 11 of Table 6-3).

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

Line	Particular	FEI	FBC	Total	Reference ¹
1	Total Pre-Implementation and Implementation Capital Costs to Plant in Service, inc. AFUDC	\$85.922	\$ 90.130	\$176.052	Sch. 6, Line 36
2	Total Implementation O&M Costs to Deferral, Net of Tax, inc. AFUDC	4.619	4.853	9.472	Sch. 9, Sum of Line 24 (2026 to 2028)
3	Total Preliminary Stage Development and Application Costs to Deferral, Net of Tax inc. AFUDC	1.669	3.512	5.181	Sch. 9, Line 8 (2026)
4	Total Project Costs (\$ millions)	\$92.210	\$ 98.495	\$190.705	Sum of Line 1 to 3
5					
6	Incremental Rate Base in 2029 (\$ millions)	85.590	91.649	177.238	Sch. 5, Line 19 (2029)
7	Incremental Revenue Requirement in 2031 (\$ millions)	16.065	18.801	34.865	Sch. 1, Line 10 (2031)
8	PV of Incremental Revenue Requirement over 13 years	\$65.435	\$ 86.836	\$152.271	Sch. 10, Line 25
9					
10	Delivery Rate (FEI) and Rate (FBC) Impacts in 2031 (%)	1.28%	3.74%	-	Sch. 10, Line 28 (2031)
11	Levelized Delivery Rate (FEI) and Rate (FBC) Impact over 13 years (%)	0.60%	1.94%	-	Sch. 10, Line 32
12	Levelized Rate Impact in 13 years (FEI in \$/GJ, FBC in \$/MWh)	0.037	2.643	-	Sch. 10, Line 45

Line	Particular
1	Total Pre-Implementation and Implementation Capital Costs to Plant in Service, inc. AFUDC
2	Total Implementation O&M Costs to Deferral, Net of Tax inc. AFUDC
3	Total Preliminary Stage Development and Application Costs to Deferral, Net of Tax inc. AFUDC
4	Total Project Costs (\$ millions)
5	
6	Incremental Rate Base in 2029 (\$ millions)
7	Incremental Revenue Requirement in 2031 (\$ millions)
8	PV of Incremental Revenue Requirement over 13 years
9	
10	Delivery Rate (FEI) and Rate (FBC) Impacts in 2031 (%)
11	Levelized Delivery Rate (FEI) and Rate (FBC) Impact over 13 years (%)
12	Levelized Rate Impact in 13 years (FEI in \$/GJ, FBC in \$/MWh)

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5 **Note to Table:**

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

8 The Combined Project financial analysis includes the following assumptions:

- 9 • **Pre-Implementation and Implementation Capital:** Total capital cost estimate of
 10 **\$85.922** million¹⁶ for FEI and **\$90.130** million¹⁷ for FBC, in as-spent dollars, which includes
 11 the capitalized pre-implementation development costs, the base implementation capital
 12 cost estimate, contingency, escalation and AFUDC (as discussed in Section 6.2).
- 13 • **Implementation O&M:** Total deferred implementation O&M cost estimate of
 14 **\$4.619** million for FEI and **\$4.853** million for FBC, net of tax and AFUDC, in as-spent
 15 dollars. Please refer to Section 6.4.3 below for a discussion of FortisBC's proposal to
 16 capture the implementation O&M costs in a deferral account, as well as Table 6-4 below
 17 for a breakdown of the deferred implementation O&M, net of tax and AFUDC.
- 18 • **Preliminary Stage Development and Application Costs:** Total deferred costs of
 19 \$1.669 million for FEI and \$3.512 million for FBC, net of tax and AFUDC, in as-spent
 20 dollars, which includes preliminary stage development costs and costs for preparation and
 21 regulatory review of the Application. Please refer to Section 6.4.4 for further details as well

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¹⁶ **\$67.922** million (implementation capital from Table 6-2, FEI, Line 1) plus **\$10.402** million (15 percent contingency)
 plus \$0.564 million (pre-implementation development costs from Table 6-2, FEI, Line 5) and **\$7.033** million (portion
 of AFUDC related to these costs from Schedule 6, Sum of Line 12).

¹⁷ **\$71.514** million (implementation capital from Table 6-2, FBC, Line 1) plus **\$10.952** million (15 percent contingency)
 plus \$0.602 million (pre-implementation development costs from Table 6-2, FBC, Line 5) and **\$7.062** million
 (portion of AFUDC related to these costs from Schedule 6, Sum of Line 12).

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

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

10 6.4.2 Treatment of Capital Costs

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

- 13 • As the pre-implementation and implementation capital costs of the Combined Project are
14 incurred, they will be recorded in construction work-in-progress, attracting AFUDC (i.e.,
15 \$85.922 million for FEI and \$90.130 million for FBC, as set out in Line 1 of Table 6-3
16 above).
- 17 • Once the assets are placed into service (estimated in 2028), the associated capital costs
18 will enter rate base as part of the opening balance in the appropriate asset accounts for
19 inclusion in FEI's and FBC's rate bases on January 1 of the following year (i.e., January
20 1, 2029). The amount and timing of the transfer to rate base on January 1, 2029 is shown
21 in the opening balance of FEI's and FBC's Gross Plant in Service in Schedule 7 of
22 Confidential Appendices B-1 and B-2, respectively.
- 23 • Depreciation of the assets will begin on January 1 of the year that they enter FEI's and
24 FBC's rate bases (i.e., January 1, 2029).

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25 6.4.3 Project Implementation O&M Deferral Costs

26 FEI and FBC are seeking BCUC approval pursuant to sections 59 to 61 of the UCA for deferral
27 treatment of the implementation O&M costs, estimated to be approximately \$13.487 million (i.e.,
28 \$11.728 million of implementation O&M as discussed in Section 6.2 plus contingency at
29 15 percent, in as-spent dollars). The Combined Project implementation O&M costs include
30 training costs for FortisBC staff as well as facility costs related to temporary rental office space
31 for the implementation team. Please refer to Section 5.5 for further detail.

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

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

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

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

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

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

Line		2026	2027	2028	Total
	FEI				
1	O&M Implementation Costs, incl. Contingency	\$ 0.253	\$ 1.549	\$ 4.767	\$ 6.570
2	Income Tax Recovery	(0.068)	(0.470)	(1.642)	(2.180)
3	Financing, WACC return	0.006	0.045	0.179	0.230
4	Total of Deferred Implementation O&M Costs for FEI	\$ 0.191	\$ 1.125	\$ 3.304	\$ 4.619
	FBC				
5	O&M Implementation Costs, incl. Contingency	\$ 0.267	\$ 1.631	\$ 5.019	\$ 6.917
6	Income Tax Recovery	(0.072)	(0.495)	(1.729)	(2.295)
7	Financing, WACC return	0.006	0.046	0.180	0.231
8	Total of Deferred Implementation O&M Costs for FBC	\$ 0.200	\$ 1.182	\$ 3.470	\$ 4.853

Line	
	FEI
1	O&M Implementation Costs, incl. Cc
2	Income Tax Recovery
3	Financing, WACC return
4	Total of Deferred Implementation O&M
	FBC
5	O&M Implementation Costs, incl. Cc
6	Income Tax Recovery
7	Financing, WACC return
8	Total of Deferred Implementation O&M

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²⁰ Approved by Order C-1-10.

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

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

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

3
4 In addition to considering the rate impacts created by the amortization of the Application and
5 Preliminary Stage Development Costs deferral accounts, FortisBC also considered the overall
6 rate impacts resulting from the Combined Project (i.e., the capital and O&M costs) and the
7 amortization of the deferral account over the time period when the Combined Project enters FEI's
8 and FBC's rate base (i.e., 2029). This is an important consideration due to the impact on rates of
9 the end of the CCA tax benefit (i.e., 2031) as discussed in Section 6.3 above. Table 6-7 below
10 provides the overall delivery rate (FEI) and rate (FBC) impacts of the Combined Project from 2027
11 to 2031 with the amortization period of the Application and Preliminary Stage Development Costs
12 deferral accounts ranging from three to seven years.

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

Line		Total Project Rate Impact				
		2027	2028	2029	2030	2031
FEI						
1	3-Year Amortization Period (2027 to 2029)	0.05%	0.05%	0.40%	0.23%	1.28%
2	4-Year Amortization Period (2027 to 2030)	0.04%	0.04%	0.39%	0.28%	1.28%
3	5-Year Amortization Period (2027 to 2031)	0.03%	0.03%	0.38%	0.27%	1.32%
4	6-Year Amortization Period (2027 to 2032)	0.02%	0.03%	0.38%	0.27%	1.32%
5	7-Year Amortization Period (2027 to 2033)	0.02%	0.02%	0.37%	0.26%	1.31%
FBC						
7	3-Year Amortization Period (2027 to 2029)	0.37%	0.35%	1.45%	0.92%	3.74%
8	4-Year Amortization Period (2027 to 2030)	0.29%	0.28%	1.39%	1.16%	3.74%
9	5-Year Amortization Period (2027 to 2031)	0.24%	0.23%	1.35%	1.12%	3.94%
10	6-Year Amortization Period (2027 to 2032)	0.21%	0.20%	1.32%	1.10%	3.91%
11	7-Year Amortization Period (2027 to 2033)	0.19%	0.18%	1.30%	1.08%	3.90%

15
16 As noted in Section 6.3 above (and further discussed in Section 6.5 below), although the assets
17 related to the Combined Project are expected to be included in FEI's and FBC's rate bases in
18 2029, due to the 100 percent CCA rate for software assets, the highest rate impact due to the
19 Combined Project will actually occur in 2031. As such, and as shown in Table 6-7 above:

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

Line	
FEI	
1	3-Year Amortization Period (2027 to 2029)
2	4-Year Amortization Period (2027 to 2030)
3	5-Year Amortization Period (2027 to 2031)
4	6-Year Amortization Period (2027 to 2032)
5	7-Year Amortization Period (2027 to 2033)
FBC	
7	3-Year Amortization Period (2027 to 2029)
8	4-Year Amortization Period (2027 to 2030)
9	5-Year Amortization Period (2027 to 2031)
10	6-Year Amortization Period (2027 to 2032)
11	7-Year Amortization Period (2027 to 2033)

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

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

17 6.5 RATE IMPACT

18 The incremental delivery rate impact for FEI and incremental rate impact for FBC from 2027 to
19 2031 (when compared to the 2025 approved interim revenue requirements)²⁴ are summarized in
20 Table 6-8 below. As previously discussed, the highest impact to customers due to the Combined
21 Project will occur in 2031, when the Combined Project is estimated to have an incremental
22 revenue requirement impact of \$16.065 million and a delivery rate impact of approximately 1.28
23 percent for FEI, and an incremental revenue requirement impact of \$18.801 million and a rate
24 impact of approximately 3.74 percent for FBC.

25 FortisBC notes that the rate impacts in 2031 do not reflect the post-implementation capital and
26 O&M savings discussed in Section 6.3 above. When accounting for the post-implementation
27 capital and O&M savings resulting from the upgraded SAP ERP platform for both FEI and FBC
28 and the new CIS for FBC, the levelized delivery rate impact for FEI over the 13-year analysis
29 period is reduced to 0.60 percent and the levelized rate impact for FBC is reduced to 1.94 percent.

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

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

Line		2027	2028	2029	2030	2031
FEI						
1	Annual Delivery Margin, Non-Bypass, Compared to 2025 (\$ millions)	\$ 0.467	\$ 0.498	\$ 4.863	\$ 3.488	\$ 16.065
2	Increase to Delivery Margin, Non-Bypass, Compared to 2025 (%)	0.04%	0.04%	0.39%	0.28%	1.28%
3	Incremental Delivery Rate Impact (% Year-over-Year)	0.04%	0.00%	0.35%	-0.11%	1.00%
FBC						
4	Annual Revenue Requirement, Compared to 2025 (\$ millions)	\$ 1.452	\$ 1.386	\$ 6.967	\$ 5.842	\$ 18.801
5	Increase to Revenue Requirement, Compared to 2025 (%)	0.29%	0.28%	1.39%	1.16%	3.74%
6	Incremental Rate Impact (% Year-over-Year)	0.29%	-0.01%	1.11%	-0.22%	2.58%

Line	
FEI	
1	Annual Delivery Margin, Non-Bypass, Comp
2	Increase to Delivery Margin, Non-Bypass, Cc
3	Incremental Delivery Rate Impact (% Year-o
FBC	
4	Annual Revenue Requirement, Compared to
5	Increase to Revenue Requirement, Compar
6	Incremental Rate Impact (% Year-over-Year)

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

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

FEI's delivery rate impact in 2031 is equivalent to approximately \$0.117 per GJ when compared to the 2025 approved interim rates. For an average FEI residential customer consuming 90 GJ per year, this equates to a total annual bill impact of approximately \$10.49 in 2031.

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FBC's rate impact in 2031 is equivalent to approximately \$6.68 per MWh when compared to the 2025 approved interim rates. For an average FBC residential customer consuming 9,900 kWh per year, this equates to a total annual bill impact of approximately \$66.16 in 2031.

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6.6 CONCLUSION

The total Project cost is \$190.705 million, in as-spent dollars, with \$92.210 million allocated to FEI and \$98.495 million allocated to FBC. FortisBC estimates the PV of the incremental revenue requirement over the 13-year analysis period of the Project to be approximately \$65.435 million for FEI and \$86.836 million for FBC. The levelized rate impact for FEI and FBC over the same period is 0.60 percent and 1.94 percent, respectively.

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1 **7. CONCLUSION**

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

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

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

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

37 The total estimated cost of the Combined Project is ~~\$190.705~~ million (as-spent dollars). Of this
38 total, ~~\$92.210~~ million will be allocated to FEI and ~~\$98.495~~ million will be allocated to FBC. When
39 accounting for the post-implementation capital and O&M savings resulting from the upgraded
40 SAP ERP platform for both FEI and FBC and the new CIS for FBC, the levelized delivery rate

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1 impact for FEI over the 13-year analysis period is 0.60 percent and the levelized rate impact for
2 FBC is 1.94 percent.

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

6

Appendix A

PROJECT BASE COST ESTIMATE

REFER TO LIVE SPREADSHEET MODEL

Provided in electronic format only

FILED CONFIDENTIALLY

Appendix B
FINANCIAL SCHEDULES

FILED CONFIDENTIALLY

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

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

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APPENDIX C

REGULATORY ACCOUNT FILING CHECKLIST



Item	Consideration	FEI ERP and FBC ERP/CIS Project Implementation O&M Deferral Accounts
IV	Address:	The Combined Project implementation O&M costs are generally within FEI's and FBC's control; however, deferral treatment avoids the significant rate impact to FEI's and FBC's customers of recovering the O&M costs immediately in rates while allowing the recovery of the deferral costs to be matched with the expected 10-year lifecycle of the software, which also serves to smooth the rate impact to customers.
a)	whether, or to what extent, the item is outside of management's control;	
b)	the degree of forecast uncertainty associated with the item;	Refer to IV. a). During the Combined Project implementation, the costs are fairly certain as provided in Table 6-4 of the Application. FEI and FBC have forecast additions to the deferral accounts based on the best estimate of costs at this time. Actual costs are recorded in the account so that actual, not forecast, costs are recovered in rates.
c)	the materiality of the costs	The Combined Project O&M implementation costs are estimated to be \$6.570 million for FEI and \$6.917 million for FBC, in as-spent dollars. Please refer to Table 6-4 of the Application.
d)	any impact on intergenerational equity	FEI and FBC propose to recover the costs over the expected lifecycle of 10 years for a new software system, which serves to match the costs and benefits. There are no intergenerational inequities inherent in this practice.
V.	Classify the regulatory account as either: (a) forecast variance account; (b) rate smoothing account; (c) benefit matching account; (d) retroactive expense account; or (e) other.	FEI and FBC classify the Combined Project implementation O&M accounts as benefit matching accounts since the costs are recovered over the period of time the benefits are generally realized.
VI.	Identify if the regulatory account is a cash or non-cash account.	The Combined Project implementation O&M accounts are cash accounts.
VII.	Specify what additions to the regulatory account are being requested (i.e. type and amount of additions), including whether the account is intended to capture additions for a specific period of time or on an ongoing basis.	Eligible costs are described in Section 6.4.3. They include implementation O&M costs related to training for FortisBC staff as well as facility costs related to temporarily leasing additional office space for the Combined Project team. Additions will be captured during the implementation phase of the Combined Project only. Regular labour and staff expenses are not included as part of this deferral account.
VIII.	Propose a mechanism for recovery (e.g. how the balance in the regulatory account will be recovered or refunded to ratepayers) and explain why it is appropriate.	Costs are recovered in revenue requirements by way of amortization expense.

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ORDER NUMBER

G-xx-xx

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

and

FortisBC Energy Inc. and FortisBC Inc.

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

BEFORE:

[X. X. Last Name, Panel Chair]

[X. X. Last Name, Commissioner]

[X. X. Last Name, Commissioner]

on [Month Day, Year]

ORDER

WHEREAS:

- A. On November 4, 2025, FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively, FortisBC) applied to the British Columbia Utilities Commission (BCUC), pursuant to section 44.2(1)(b) of the *Utilities Commission Act* (UCA), seeking acceptance of a schedule of capital expenditures that FortisBC anticipates making in respect of the FortisBC Enterprise Resource Planning (ERP) Modernization Project (ERP Modernization Project) and FBC Customer Information System (CIS) Replacement Project (CIS Replacement Project) (together, the Combined Project) and a determination pursuant to section 44.2(3) of the UCA that the expenditure schedule is in the public interest (Application);
- B. The ERP Modernization Project will upgrade FortisBC’s existing core SAP applications to SAP S/4HANA, and the CIS Replacement Project will replace FBC’s legacy customer information system (CIS Plus) with a suite of new SAP applications of which the core foundation is SAP S/4HANA;
- C. The forecast capital cost for the Combined Project (in as-spent dollars) is approximately \$190.705 million, with approximately \$92.210 million allocated to FEI and \$98.495 million allocated to FBC;
- D. FEI and FBC also each seek BCUC approval, pursuant to sections 59 to 61 of the UCA, of a depreciation rate of 10 percent to be applied to the new SAP S/4HANA software, and approval to establish two new deferral accounts;
- E. By Order G-###-###, the BCUC established the regulatory timetable for the review of the Application. The regulatory process included one round of written information requests (IRs), followed by written final and reply arguments; and

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

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

1. The BCUC accepts the capital expenditure schedule for FEI's portion of the Combined Project of approximately \$92.210 million.
2. FEI is approved to use a depreciation rate of 10 percent for the SAP S/4HANA software and components related to the Combined Project.
3. FEI is approved to establish a non-rate base deferral account attracting FEI's Weighted Average Cost of Capital (WACC), titled the ERP Project Implementation O&M deferral account, to record FEI's portion of the implementation O&M costs. FEI is also approved to transfer the balance in the ERP Project Implementation O&M deferral account to rate base on January 1 of the year following the completion of the Combined Project and to begin amortization over a 10-year period.
4. FEI is approved to establish a non-rate base deferral account attracting a WACC return, titled the Application and Preliminary Stage Development Costs deferral account, to record FEI's portion of the Application and preliminary stage development costs. FEI is also approved to transfer the balance in the Application and Preliminary Stage Development Costs deferral account to rate base on January 1 of the year following the Decision on this Application and to begin amortization over a 4-year period.
5. FEI is directed to comply with all directives outlined in the Decision issued concurrently with this Order, including the reporting specified in Appendix X to the Decision.

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

BY ORDER

(X. X. last name)
Commissioner



ORDER NUMBER

G-xx-xx

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

and

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

BEFORE:

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

on [Month Day, Year]

ORDER

WHEREAS:

- A. On November 4, 2025, FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively, FortisBC) applied to the British Columbia Utilities Commission (BCUC), pursuant to section 44.2(1)(b) of the *Utilities Commission Act* (UCA), seeking acceptance of a schedule of capital expenditures that FortisBC anticipates making in respect of the FortisBC Enterprise Resource Planning (ERP) Modernization Project (ERP Modernization Project) and FBC Customer Information System (CIS) Replacement Project (CIS Replacement Project) (together, the Combined Project) and a determination pursuant to section 44.2(3) of the UCA that the expenditure schedule is in the public interest (Application);
- B. The ERP Modernization Project will upgrade FortisBC’s existing core SAP applications to SAP S/4HANA, and the CIS Replacement Project will replace FBC’s legacy customer information system (CIS Plus) with a suite of new SAP applications of which the core foundation is SAP S/4HANA;
- C. The forecast capital cost for the Combined Project (in as-spent dollars) is approximately \$190.705 million, with approximately \$92.210 million allocated to FEI and \$98.495 million allocated to FBC;
- D. FEI and FBC also each seek BCUC approval, pursuant to sections 59 to 61 of the UCA, of a depreciation rate of 10 percent to be applied to the new SAP S/4HANA software, and approval to establish two new deferral accounts;
- E. By Order G-###-###, the BCUC established the regulatory timetable for the review of the Application. The regulatory process included one round of written information requests (IRs), followed by written final and reply arguments; and

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

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

1. The BCUC accepts the capital expenditure schedule for FBC's portion of the Combined Project of approximately \$98.495 million.
2. FBC is approved to use a depreciation rate of 10 percent for the SAP S/4HANA software and components related to the Combined Project.
3. FBC is approved to establish a non-rate base deferral account attracting FBC's Weighted Average Cost of Capital (WACC), titled the ERP/CIS Project Implementation O&M deferral account, to record FBC's portion of the implementation O&M costs. FBC is also approved to transfer the balance in the ERP/CIS Project Implementation O&M deferral account to rate base on January 1 of the year following the completion of the Combined Project and to begin amortization over a 10-year period.
4. FBC is approved to establish a non-rate base deferral account attracting a WACC return, titled the Application and Preliminary Stage Development Costs deferral account, to record FBC's portion of the Application and preliminary stage development costs. FBC is also approved to transfer the balance in the Application and Preliminary Stage Development Costs deferral account to rate base on January 1 of the year following the Decision on this Application and to begin amortization over a 4-year period.
5. FBC is directed to comply with all directives outlined in the Decision issued concurrently with this Order, including the reporting specified in Appendix X to the Decision.

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

BY ORDER

(X. X. last name)
Commissioner