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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)

		Application (As-Filed)		Errata to the Application	
Line	Particular	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
Application:
• **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**
Appendices:
• **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

FORTISBC ENERGY INC. AND FORTISBC INC.

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

November 4, 2025

Errata dated February 24, 2026

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Index of Tables and Figures

1. INTRODUCTION AND EXECUTIVE SUMMARY

1.1 *INTRODUCTION AND EXECUTIVE SUMMARY*

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

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

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

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

1.1.1 FortisBC's Current ERP and CIS Environments Require Modernization

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

[1] Only FEI has SAP CRM.

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

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

1.1.2 Evaluation of Alternatives

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

The three ERP Modernization Project alternatives are:

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

The four CIS Replacement Project alternatives are:

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

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

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

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

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

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

Table 1-1: ERP Modernization Project Weighted Scoring

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

Errata dated February 24, 2026

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

Table 1-2: CIS Replacement Project Weighted Scoring

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

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

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

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

1.1.3 Implementation Approach and Project Description

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

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

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

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

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

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

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

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

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

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

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

1.1.4 Financial Summary and Rate Impact

The Combined Project cost is estimated at approximately $190.705 million (as-spent dollars). This includes: (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. Approximately $92.210 million (48 percent) of the Combined Project cost is allocated to FEI, while $98.495 million (52 percent) is allocated to FBC. The rationale for and details of the allocation approach are described in Section 6.2.1.

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.

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

1.2 *REGULATORY CONTEXT AND APPROVALS SOUGHT*

1.2.1 Section 44.2 Regulatory Context

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

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

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

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

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

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

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

1.2.2 Approvals Sought

1.2.2.1 FEI Approvals Sought

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

- Acceptance of the capital expenditure schedule for the Combined Project as detailed in Table 6-1 of the Application, including approval of the allocation of FEI's portion of the Combined Project capital expenditure schedule of approximately $92.210 million (48 percent), as described in Section 6.2.1 and Table 6-2 of the Application.
- Approval of a depreciation rate of 10 percent applicable to the SAP S/4HANA software and components related to the Combined Project.
- Approval to establish a non-rate base deferral account attracting a Weighted Average Cost of Capital (WACC) return, titled the ERP Project Implementation O&M deferral account, to record FEI's portion of the implementation O&M costs, as described in Section 6.4.3 of the Application. Additionally, approval 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 Project and to begin amortization over a 10-year period.
- Approval 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, as described in Section 6.4.4 of the Application. Additionally, approval 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.

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

1.2.2.2 FBC Approvals Sought

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

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

- Approval 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, as provided in Section 6.4.4 of the Application. Additionally, approval 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.

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

1.3 PROPOSED REGULATORY PROCESS

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

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

Table 1-3: Proposed Preliminary Regulatory Timetable

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

1.4 ORGANIZATION OF THE APPLICATION

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

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

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

2.1 *INTRODUCTION AND OVERVIEW*

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

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

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

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

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

2.2 FORTISBC'S ERP SYSTEM

2.2.1 ERP System Overview

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

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

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

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

ERP product and service offerings generally provide the following features:

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

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

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

2.2.2 History of ERP at FortisBC

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

2.2.2.1 History of ERP at FEI

FEI (then BC Gas Utility Co. Ltd.) first implemented SAP in 1998 as approved by Order C-8-98[2], consisting of the Finance, Materials Management, Project Systems, Sales and Distribution, and Human Resources business applications. From this initial implementation, FEI continued to evaluate and deploy modules and enhancements from SAP as necessary to keep the application operating effectively and efficiently. To support this ongoing work, multiple system environments were configured to support both production and testing purposes.

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

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

2.2.2.2 History of ERP at FBC

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

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

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

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

2.2.2.3 FortisBC SAP ERP Integration

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

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

Table 2-1: Project One Objectives and Benefits

Operational Cost Reductions	Process Efficiency Improvements	Enhanced User Experience and Productivity	Improved Audit and Compliance Efficiency	Future Scalability and Strategic Alignment
• Elimination of duplicate systems and associated software licenses. • Reduction in infrastructure maintenance costs for hardware, operating systems, and applications.	• Standardization of business processes. • Improved enterprise-wide reporting capabilities. • End-to-end payroll processing for FBC users, eliminating third-party costs. • Automation of intercompany cross-charging.	• Implementation of Single Sign-On (SSO) to reduce login times. • Introduction of a Paperless Expense Management system, streamlining credit card and employee expense processing.	• Reduction in the complexity of internal and external audits. • Implementation of Business Planning Consolidation (BPC) software, ensuring better data integrity and compliance with regulatory requirements.	• Warehouse barcoding for improved inventory management. • Integrated budgeting and forecasting solutions. • Replacement of manual spreadsheet-based processes.

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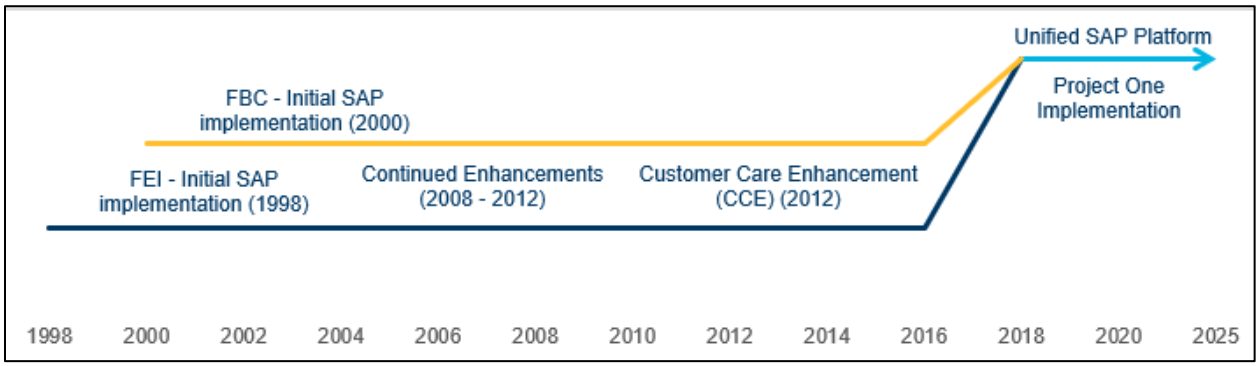
Operational Cost Reductions	Process Efficiency Improvements	Enhanced User Experience and Productivity	Improved Audit and Compliance Efficiency	Future Scalability and Strategic Alignment
• Lower integration and support costs.	• Alignment of key financial and operational processes.	• Providing employees with a unified experience and eliminating confusion.	• Mitigation of financial risks associated with outdated applications.	• Alignment with HR initiatives, such as talent management.

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

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

Figure 2-1: Implementation of SAP at FortisBC



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

2.2.3 SAP at FortisBC Today

Currently, SAP ECC[3] serves as the foundational application for managing FortisBC's enterprise-wide operations and business processes across both gas and electric utilities. It is the primary repository for current and historical operational and financial data, supporting core business

[3] Version 6, Enhancement Pack 8.

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

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

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

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

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

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

Figure 2-2: SAP Environment at FortisBC

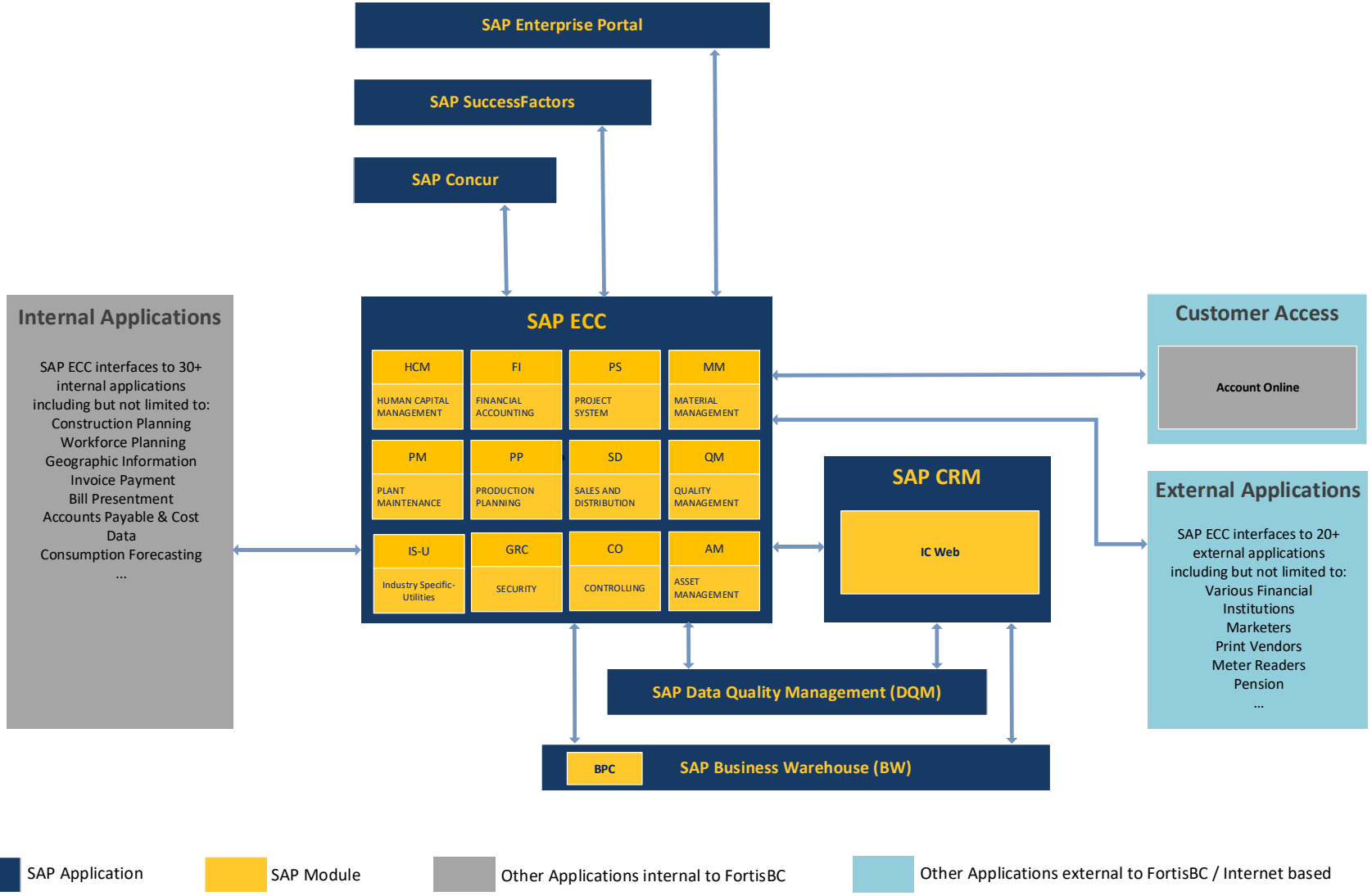


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Table 2-2 below outlines the SAP applications and modules currently in use at FortisBC and highlights that the majority are shared and in use by both FEI and FBC.

Table 2-2: SAP Components by Business Area

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

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

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

2.2.3.1 Operations

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

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

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

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

2.2.3.2 Finance and Human Resources

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

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

[5] Based on 2024 data.

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

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

2.2.3.3 Procurement

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

2.2.3.4 Customer Service (FEI only)

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

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

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

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

2.2.3.5 Summary of FortisBC's Current SAP System

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

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

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

2.3 *FORTISBC'S CIS*

2.3.1 CIS System Overview

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

2.3.2 History of CIS at FortisBC

2.3.2.1 History of CIS at FEI

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

2.3.2.2 History of CIS at FBC

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

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

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

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

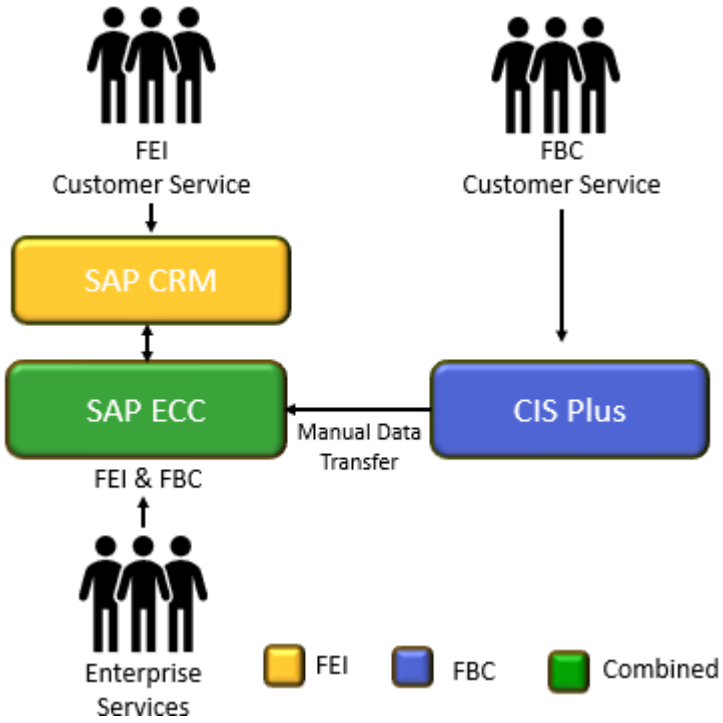
functionality internally. This includes improvements to both user interface and back-end functionality.

2.3.2.3 Two Independent CIS Applications

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

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

Figure 2-3: SAP CRM (FEI) and CIS Plus (FBC)[6]



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

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

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

2.3.3 CIS Plus at FBC Today

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

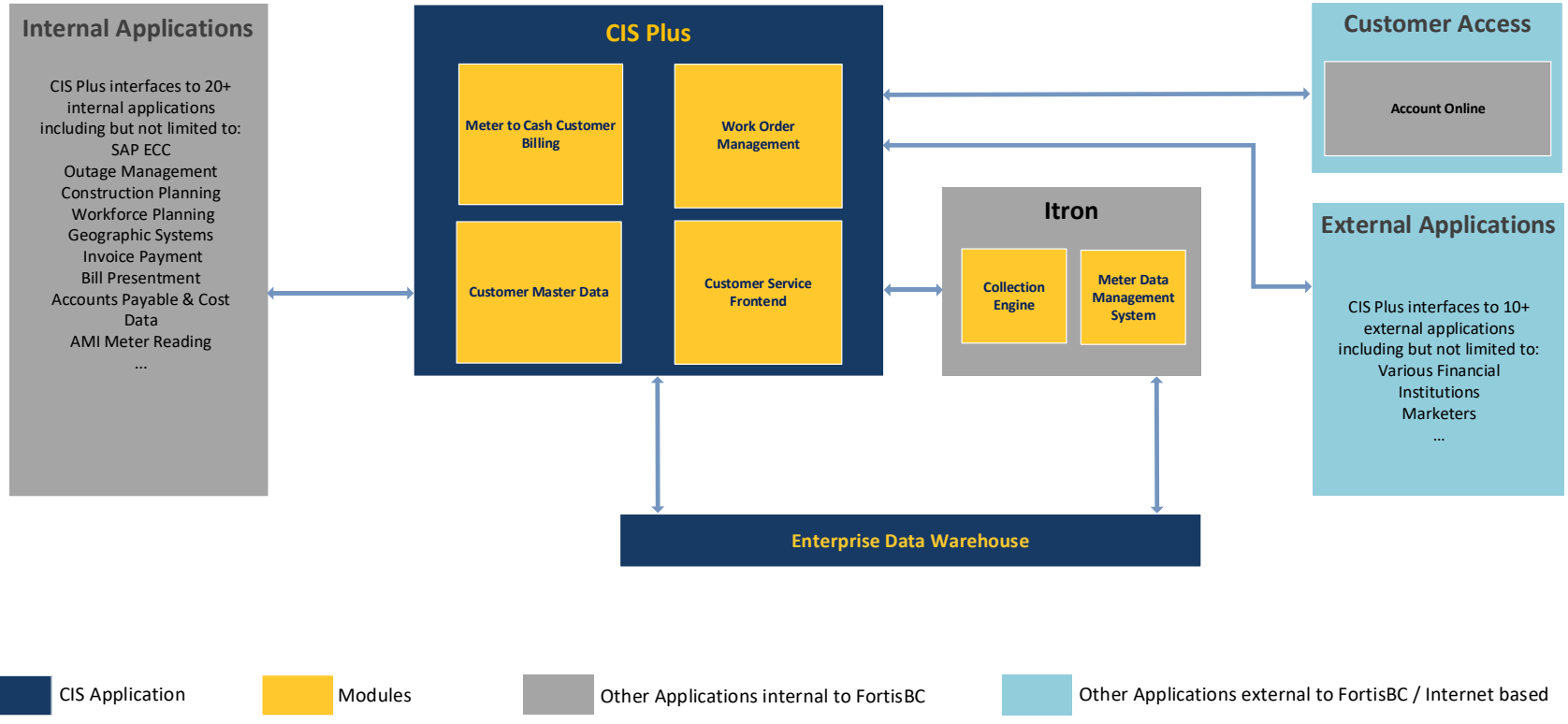
CIS Plus is integrated with FBC's Meter Data Management System (MDMS) to collect daily meter readings and produce cycle billing through an in-house custom-built solution, due to the legacy system not being able to fully integrate with newer applications. Additionally, CIS Plus handles credit and collections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

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

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

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

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



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

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

2.4 *CONCLUSION*

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

3. FORTISBC ERP MODERNIZATION PROJECT

3.1 *INTRODUCTION*

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

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

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

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

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

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

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

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

- Section 3.5 concludes this section.

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

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

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

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

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

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

3.2.1.1 SAP ERP Central Component (ECC)

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

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

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

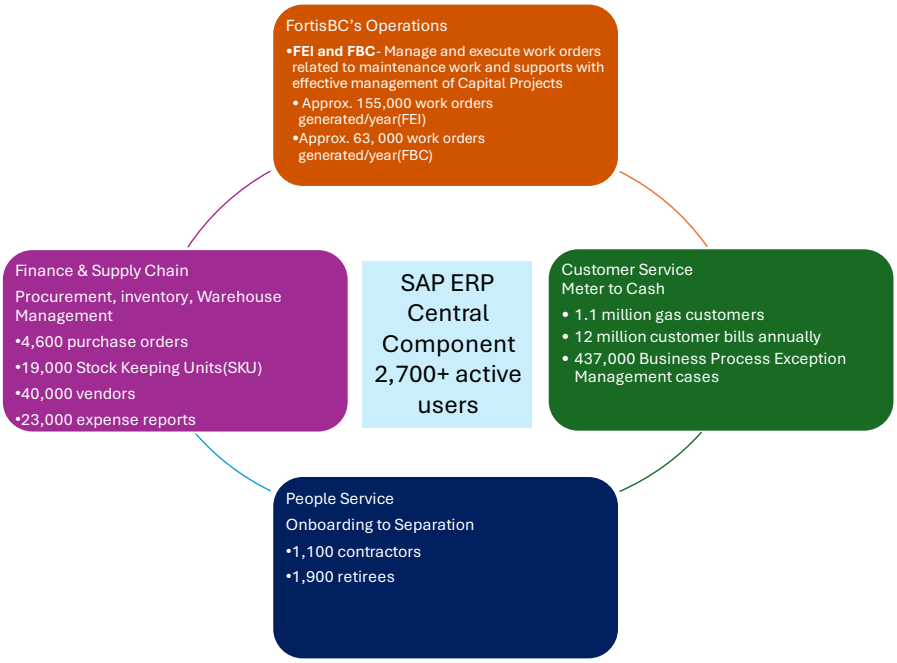
In Human Resources, integrated time and expense reporting means that employees are scheduled and compensated accurately, while also aligning workforce availability with operational

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

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

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

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



3.2.1.2 SAP Customer Relationship Management (CRM) Application

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

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

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

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

3.2.1.3 SAP Business Warehouse (BW)

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

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

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

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

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

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

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

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

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

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

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

3.2.3 Summary of ERP Modernization Project Need

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

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

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

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

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

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

1. **ERP Alternative 1: Run the existing SAP applications (ECC, CRM and BW) without SAP support until they are non-functional and then replace the applications.** Under this alternative, FortisBC will incur additional extended support costs from SAP from 2028 to 2030 for certain activities such as periodic updating of taxation rates, regular security patches, and fixing of system defects. Beyond 2030, where extended support from SAP is no longer available, FortisBC would use a combination of new internal resources as well as contractors to maintain and support the existing applications until they are non-functional (i.e., failure), at which point completely new core ERP applications would have to be implemented.

2. **ERP Alternative 2: Replace the existing SAP applications (ECC, CRM and BW) with ERP software from a non-SAP vendor.** Under this alternative, FortisBC would migrate all data to the new non-SAP structures, implement the new non-SAP applications, modify or develop new interfaces to replace all existing SAP interfaces to other systems, and provide training to employees on the new applications.

3. **ERP Alternative 3: Upgrade the existing SAP applications (ECC, CRM and BW) to a suite of new SAP applications (SAP S/4HANA, SAP Service Cloud, SAP Datasphere) of which the core foundation is the S/4HANA application.** Under this alternative, FortisBC would migrate all data to the new S/4HANA database using established and proprietary data migration tools, implement the new SAP applications, modify existing SAP interfaces to other systems, and provide training to employees on the new SAP applications.

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

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

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

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

b) **Cybersecurity Vulnerabilities:** Access to vendor-issued security updates is required to minimize exposure to evolving cyber threats, including ransomware and data breaches, which could put both operational integrity and sensitive customer information at risk.

c) **Resource Availability:** The availability of internal and external professionals to maintain the system. Vendor support provides access to expertise for problem resolution and guidance on best practices. Without vendor support, FortisBC may struggle to address complex issues efficiently, leading to extended downtime and operational disruptions.

d) **Compliance and Audit:** FortisBC must be able to meet compliance requirements, including those related to Sarbanes-Oxley (SOX) legislation, in order to minimize the risk of adverse audit findings and regulatory penalties.

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

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

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

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

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

3.3.2 Feasible ERP Project Alternatives

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

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

3.3.2.1.1 DESCRIPTION AND SCOPE

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

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

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

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

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

3.3.2.1.2 FINANCIAL ANALYSIS OF ERP ALTERNATIVE 2

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

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

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

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

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

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

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%

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

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

- **Reduction in On-premise Infrastructure Costs:** FortisBC assumes that the new non-SAP applications would be implemented as a cloud-based platform and therefore the requirement for on-premise servers would be reduced. Consistent with the estimate used for ERP Alternative 3, FortisBC estimates a decrease in annual capital and O&M costs of approximately $714 thousand and $383 thousand, respectively, over the post-implementation period.

- **Operational Efficiencies and Cost Savings:** FortisBC assumes that a new (more modern) non-SAP system would enable operational efficiencies and cost savings. However, as discussed in Section 3.4.4, the magnitude of organizational, process and technological change would be much more significant under ERP Alternative 2. As such, FortisBC estimated that the operational efficiencies and cost savings under ERP Alternative 2 would commence two years later than ERP Alternative 3. Over the post-implementation period, FortisBC estimates an average decrease in the annual capital and O&M costs of approximately $227 thousand and $1.3 million, respectively.

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

3.3.2.2.1 DESCRIPTION AND SCOPE

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

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

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

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

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

3.3.2.2.2 FINANCIAL ANALYSIS OF ERP ALTERNATIVE 3

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

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%

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

- **SAP S/4HANA Implementation Costs:** FortisBC obtained a fixed price proposal and high-level project schedule from the system integrator (IBM) to upgrade the current SAP applications to S/4HANA. FortisBC developed a Class 4 estimate for the SAP S/4HANA upgrade by starting with the IBM S/4HANA upgrade cost 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 are approximately $124.1 million and $9.1 million, respectively.
- **Incremental Support Costs:** The annual software license fees would increase as a result of the switch to the S/4HANA subscription, which includes managed services. However, the increase will be partially offset by a reduction in annual SAP support costs as well as a reduction in FortisBC labour support costs due to the shift to SAP managed services. Over the post-implementation period, FortisBC estimates that these changes would result in a net increase to the annual O&M costs by an average of approximately $1.0 million, while the annual capital costs would decrease by an average of approximately $541 thousand.
- **Reduction in On-premise Infrastructure Costs:** SAP S/4HANA would be implemented as a cloud-based platform; therefore, the requirements of on-premise servers would be reduced. FortisBC estimates a decrease in the annual capital and O&M costs of

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

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

3.3.2.3 Summary of Feasible Alternatives

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

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: • 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: • 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: • 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: • 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)

3.4 EVALUATION OF FEASIBLE ALTERNATIVES

3.4.1 Description of Evaluation Criteria

FortisBC evaluated the feasible alternatives against three criteria:

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

The components of the evaluation methodology are described below.

3.4.1.1 Criteria 1: Ability to Support Current and Future Requirements

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

a) **Operations Analytics and Reporting**: Considers the alternative's ability to provide advanced, real-time analytics to monitor operational performance, customer trends, and financial outcomes. As FortisBC continues to expand its programs and services, there will be an increasing need to derive meaningful insights from its data to make informed, timely, and strategic business decisions.

b) **Mobile Enablement**: Considers the alternative's ability to support mobile computing across a variety of business functions. FortisBC's field crews and operational teams require mobile access to enterprise systems to perform real-time updates on work orders, inspections, and asset management tasks.

c) **Innovation:** Considers the capacity to support automation and its compatibility with emerging technologies, particularly artificial intelligence (AI). As FortisBC seeks to enhance operational efficiency and optimize resource utilization, the chosen ERP system must serve as a robust foundation for integrating automation and AI capabilities. Leveraging AI creates opportunities to streamline various internal processes, such as financial processing and supply chain optimization, while also enabling predictive maintenance and improving customer engagement.

d) **Flexibility and Scalability**: Considers whether, or to what extent, the alternative supports new programs without costly customizations, impeding FortisBC's ability to introduce new customer offerings or scale its operations.

e) **Adaptability to Regulatory Changes**: Considers the alternative's ability to offer built-in tools and flexibility to adapt quickly to regulatory changes, including those related to energy reporting, financial controls, cybersecurity, and changes in the energy landscape,

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

3.4.1.2 Criteria 2: Project Implementation Risk

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

a) **Project Size and Complexity:** Project risk is correlated with project size, as larger projects, by their nature, are more complex and difficult to control. This criterion considers the extent and complexity of coordination across functional and technical domains required under each alternative.

b) **Resourcing:** The extent to which the alternative can retain and leverage existing resources and effort required to obtain new internal and external resources for the life of the project as well as the ability to resource and establish a support model for ongoing support and maintenance.

c) **Training:** The extent, complexity and duration of the system training required to effectively prepare and support both end users and technical teams in adopting, operating and maintaining the application.

d) **Organizational Change:** The degree of change and adaptation required across the organization to accommodate modifications to system functionality, business processes, or user interfaces, including the resulting impacts on existing organizational structures, workflows, technologies, and technical support teams.

3.4.1.3 Criteria 3: Financial

The Financial criterion considers the levelized rate impacts for FEI[9] and FBC resulting from each feasible ERP alternative over a 13-year analysis period. The alternative which minimizes FEI's and FBC's rate impacts is considered more favourable from a financial perspective when comparing between the feasible ERP alternatives.

3.4.2 Evaluation Criteria Weighting and Scoring Definitions

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

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

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

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

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

Table 3-4: Evaluation Criteria Weighting

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

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

Table 3-5: Alternative Evaluation Scoring Definitions

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

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

The following sections provide the rationale for the scoring given to each feasible alternative for each criterion.

3.4.3 Criteria 1 Scoring and Rationale

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

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

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

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

1

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

3.4.4 Criteria 2 Scoring and Rationale

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

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

Criteria	ERP Alt 2 Scoring	ERP Alt 2 SAP Replacement	ERP Alt 3 Scoring	ERP Alt 3 SAP Upgrade
Project Size and Complexity	1	A large and highly complex project due to the following: • Requires a complete ERP system replacement (as opposed to a less complex upgrade to a new version of existing software); • Requires migration of data to a very different data model; • Requires a complete redesign and reimplementation of existing ERP interfaces to work with the replacement system; • Significant redesign of business processes to align with replacement system functionality and workflow; and • High degree of change management and training required to be planned and delivered so users can adopt new processes and system functionality.	2	A large project that has a medium level of complexity due to the following: • ERP system upgrade (as opposed to replacement) where proven SAP code migration tools can be used; • Data will be migrated to a new version of the current data model where proven SAP data migration tools can be used; • Partial redesign and reimplementation of existing ERP interfaces to work with the new version of SAP; • Partial redesign of some business processes to align with upgraded SAP functionality and workflow; and • Medium degree of change management and training required to be planned and delivered so users can adopt new processes and system functionality.
Resourcing	2	Requires recruiting non-SAP talent while sunsetting SAP expertise, creating risk and higher costs.	3	Builds on existing skillset of FortisBC SAP team and majority of resources can be retooled to support new SAP technologies. FortisBC resources have skillsets required to support project implementation.

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

1

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

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

3.4.5 Criteria 3 Scoring and Rationale

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

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

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

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3.4.6 ERP Alternative 3 is the Preferred Alternative

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

Table 3-9: Weighted Scoring

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

Note to Table:

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

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

3.5 *CONCLUSION*

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

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

4. FBC CIS REPLACEMENT PROJECT

4.1 *INTRODUCTION*

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

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

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

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

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

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

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

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

4.2.1 CIS Plus is Critical to FBC's Operations

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

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

4.2.2 CIS Plus Poses Increasing Risk to FBC's Operations

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

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

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

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

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

An internal analysis conducted in conjunction with Illumina, an external research and innovation firm, identified significant consequences if FBC's legacy CIS Plus experienced extended duration outages. Specifically, the analysis modeled the operational impact of three outages, each resulting in CIS Plus being unavailable for three working days. The findings revealed that such a disruption would jeopardize FBC's ability to meet its regulated Service Quality Indicator (SQI) for billing accuracy – the Billing Index. Using 2024 data, the model projected that the resulting Billing Index would increase to 5.50, exceeding the SQI threshold of 5.0.[10]

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

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

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

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

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

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

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

4.2.4 CIS Plus Must Be Replaced to Meet FBC Requirements

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

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

4.3 *DESCRIPTION OF ALTERNATIVES*

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

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

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

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

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

4.3.1 CIS Alternatives 1 and 2 Are Infeasible

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

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

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

b) **Cybersecurity Vulnerabilities**: Access to vendor-issued security updates is required to minimize exposure to evolving cyber threats, including ransomware and data breaches, which could put both operational integrity and sensitive customer information at risk.

c) **Resource Availability**: The availability of internal and external professionals to maintain the system. Vendor support provides access to expertise for problem resolution and guidance on best practices. With limited vendor support, FBC may struggle to address complex issues efficiently, leading to extended downtime and operational disruptions.

d) **Compliance and Audit**: FBC must be able to meet compliance requirements, including those related to Sarbanes-Oxley (SOX), to minimize the risk of adverse audit findings and regulatory penalties.

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

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

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

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

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

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

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

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

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

4.3.2 Feasible CIS Project Alternatives

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

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

4.3.2.1.1 DESCRIPTION AND SCOPE

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

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

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

4.3.2.1.2 FINANCIAL ANALYSIS OF CIS ALTERNATIVE 3

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

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

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

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

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

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%

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

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

  However, under CIS Alternative 3, a new interface between the non-SAP CIS and FortisBC's SAP-based ERP system would be needed to support various business activities that require exchange of data between both systems, such as finance, customer service, and human resources. As such, FBC estimates CIS Alternative 3 would require an additional capital cost of approximately $500 thousand to develop and implement the new interface.
- **Incremental Support Costs:** Annual subscription costs would increase with the transition to a managed service for the new non-SAP CIS. These costs are assumed to be the same as an SAP-based CIS. The increase would be partially offset by the elimination of annual software fees required to operate the existing CIS Plus. Additionally, because a modern CIS has more functionality and capabilities compared to the legacy CIS Plus system, a

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

- **Reduction in On-premise Infrastructure Costs:** FBC assumes that the modern non-SAP CIS would be implemented as a cloud-based platform and therefore the requirement for on-premise server hardware, including memory and storage, would be reduced. Consistent with the estimate used for CIS Alternative 4, 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 assumes that a modern non-SAP CIS would enable increased customer service productivity and cost savings. Consistent with the estimate used for CIS Alternative 4, FBC estimates a decrease in annual O&M costs of approximately $159 thousand over the post-implementation period.

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

4.3.2.2.1 DESCRIPTION AND SCOPE

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

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

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

4.3.2.2.2 FINANCIAL ANALYSIS OF CIS ALTERNATIVE 4

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

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

	CIS Alternative 4
Class Estimate	Class 4
Total PV of Incremental Capital ($ millions)	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%

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.

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.

Table 4-3: Summary of Feasible Alternatives

	CIS Alternative 3	CIS Alternative 4
Description	Replace CIS Plus with a Non-SAP CIS: • 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 Class 5 estimate based on CIS Alternative 4 costs, including: • 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	Replace CIS Plus with SAP S/4HANA: • 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 Class 4 estimate based on system integrator (IBM) fixed pricing proposal plus additional costs, including: • 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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4.4 EVALUATION OF FEASIBLE ALTERNATIVES

4.4.1 Description of Evaluation Criteria

FBC evaluated the feasible alternatives against three criteria:

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

The components of the evaluation methodology are described below.

4.4.1.1 Criteria 1: Ability to Support Current and Future Requirements

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

a) **Operations Analytics and Reporting:** Considers the alternative's ability to provide advanced, real-time analytics to monitor operational performance, customer trends, and financial outcomes. As FBC continues to expand its programs and services, there will be an increasing need to derive meaningful insights from its data to make informed, timely, and strategic business decisions.

b) **Mobile Enablement:** Considers the alternative's ability to support mobile computing by allowing users to access customer service and billing functions from their mobile devices via user friendly and intuitive mobile applications.

c) **Innovation:** Considers the capacity to support automation and its compatibility with emerging technologies, particularly AI. As FBC seeks to enhance operational efficiency and optimize resource utilization, the chosen CIS must serve as a robust foundation for integrating automation and AI capabilities. Leveraging AI creates opportunities to streamline various internal processes and improve customer engagement.

d) **Flexibility and Scalability:** Considers whether, or to what extent, the alternative supports new programs without costly customizations, impeding FBC's ability to introduce new customer offerings or scale its operations to support future growth.

e) **Adaptability to Regulatory Changes:** Considers the alternative's ability to offer built-in tools and flexibility to adapt quickly to regulatory changes, including those related to energy reporting, financial controls, cybersecurity, and changes in the energy landscape, as FBC operates in a highly regulated environment where compliance requirements are continuously evolving.

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

4.4.1.2 Criteria 2: Project Implementation Risk

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

a) **Project Size and Complexity:** Project risk is correlated with project size, as larger projects, by their nature, are more complex and difficult to control. This criterion considers the extent and complexity of coordination across functional and technical domains required under each alternative.

b) **Resourcing:** The extent to which the alternative can retain and leverage existing resources and effort required to obtain new internal and external resources for the life of the project as well as the ability to resource and establish a support model for ongoing support and maintenance.

c) **Training:** The extent, complexity and duration of the system training required to effectively prepare and support both end users and technical teams in adopting, operating and maintaining the application.

d) **Organizational Change:** The degree of change and adaptation required across the organization to accommodate modifications to system functionality, business processes, or user interfaces, including the resulting impacts on existing organizational structures, workflows, technologies, and technical support teams.

4.4.1.3 Criteria 3: Financial

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

4.4.2 Evaluation Criteria Weighting and Scoring

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

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

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

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

Table 4-4: Evaluation Criteria Weighting

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

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

Table 4-5: Alternative Evaluation Scoring Definitions

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

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

The following sections provide the rationale for the scoring given to each feasible alternative for each criterion.

4.4.3 Criteria 1 Scoring and Rationale

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

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

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

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

1

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

4.4.4 Criteria 2 Scoring and Rationale

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

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

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

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

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

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

4.4.5 Criteria 3 Scoring and Rationale

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

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

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

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

4.4.6 CIS Alternative 4 is the Preferred Alternative

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

Table 4-9: Weighted Scoring

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

Note to Table:

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

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

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

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

4.5 *CONCLUSION*

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

5. PROJECT IMPLEMENTATION

5.1 *INTRODUCTION*

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

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

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

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

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

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

1. Operational Benefits

A combined implementation provides the following operational efficiencies:

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

2. Implementation Synergies and Project Cost Savings

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

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

3. Risk Mitigation and Technology Sustainability

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

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

The following section describes the Combined Project scope.

5.3 *COMBINED PROJECT SCOPE*

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

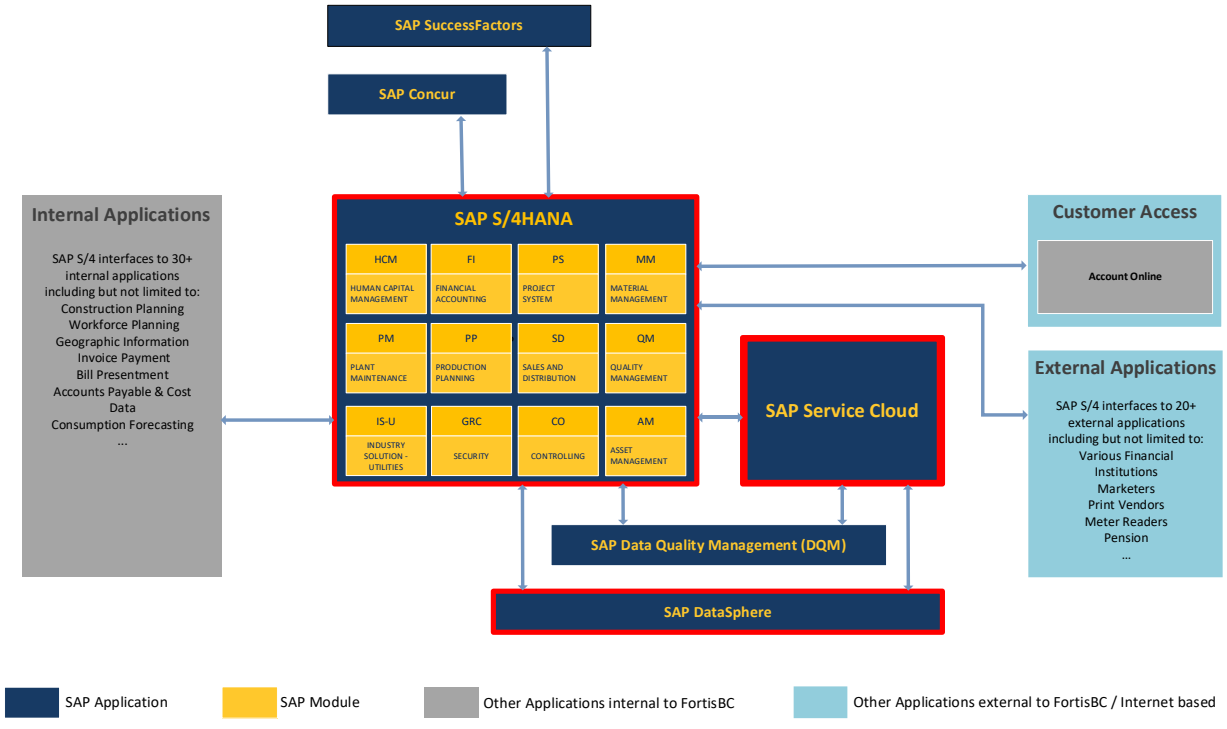
5.3.1 ERP Modernization Scope

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

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

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

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



5.3.1.1 Upgrade SAP ECC to S/4HANA

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

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

5.3.1.2 Replace SAP CRM CIS with SAP Service Cloud

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

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

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

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

5.3.1.3 Upgrade from SAP Business Warehouse to SAP Datasphere Cloud

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

5.3.1.4 Migrate to SAP Fiori User Interface

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

5.3.1.5 Migrate to SAP Managed Cloud Platform

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

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

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

5.3.2 CIS Replacement Scope

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

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

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

5.3.2.1 Revenue Management, Billing and Customer Accounting

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

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

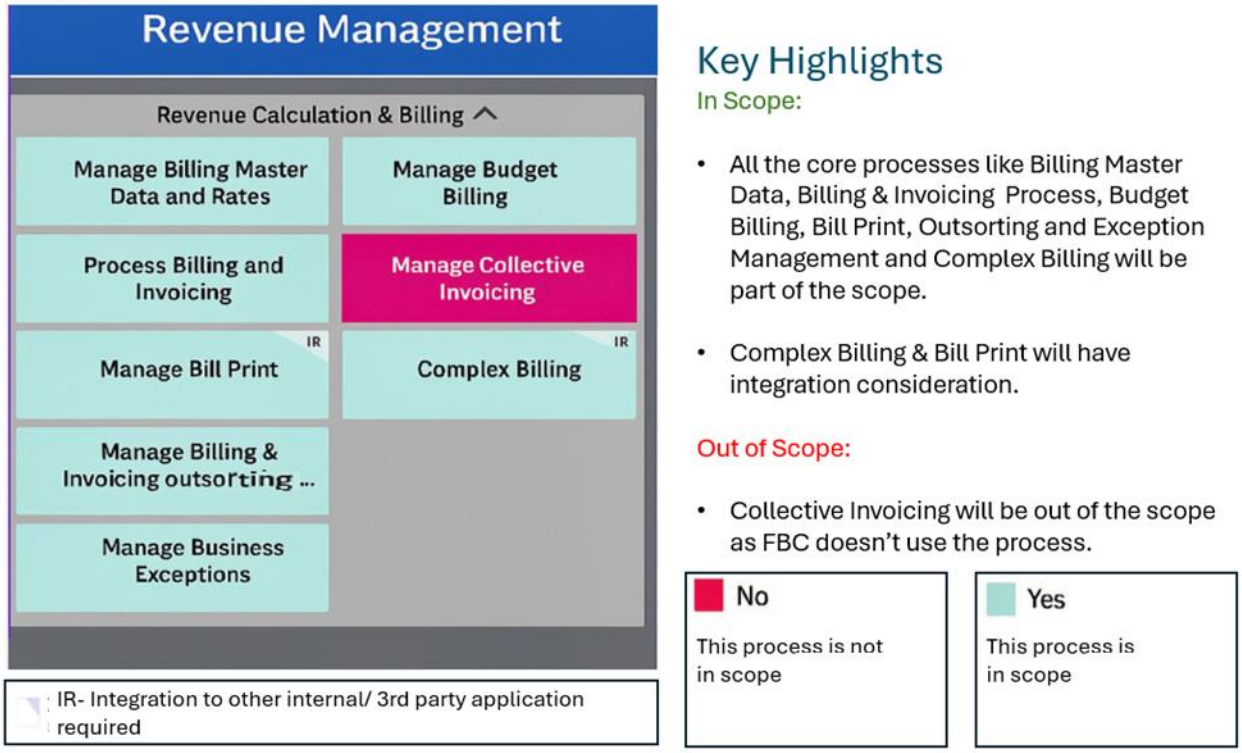
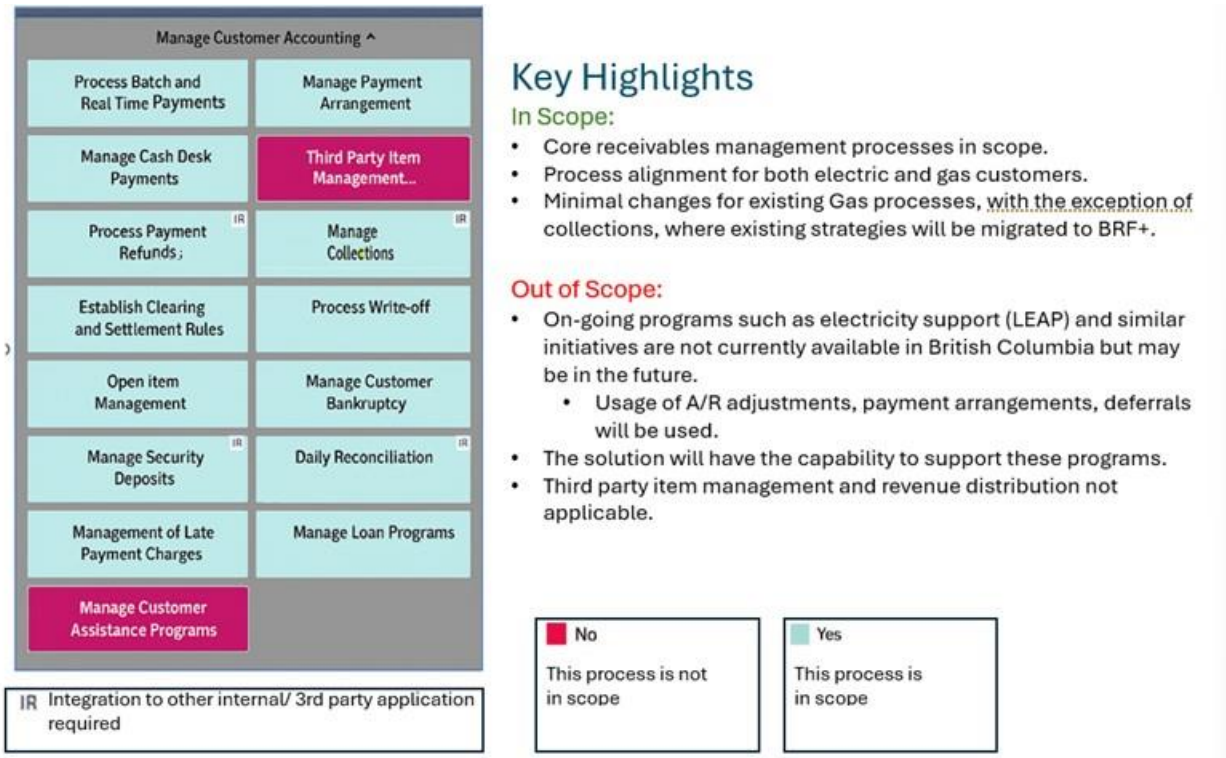


Figure 5-3: Meter to Cash: Customer Accounting



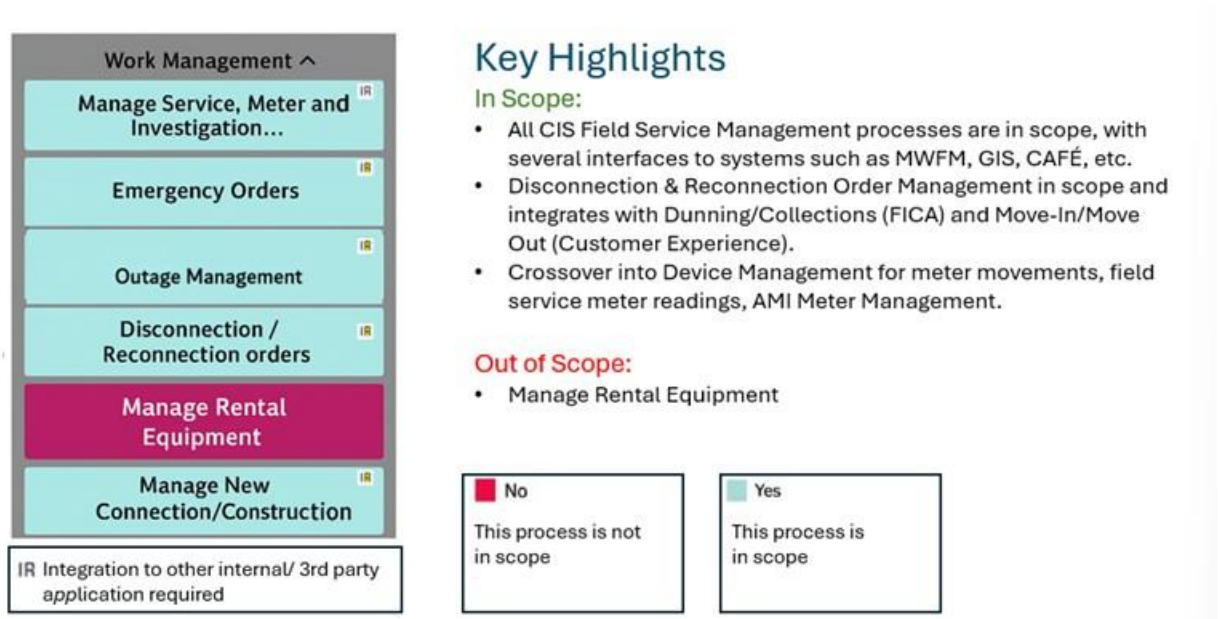
5.3.2.2 Customer Relationship Management

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

5.3.2.3 Work Management

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

Figure 5-4: Work Management



5.4 *COMBINED PROJECT SCHEDULE*

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

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

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

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

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

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

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

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

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

Figure 5-5: Combined Project Schedule

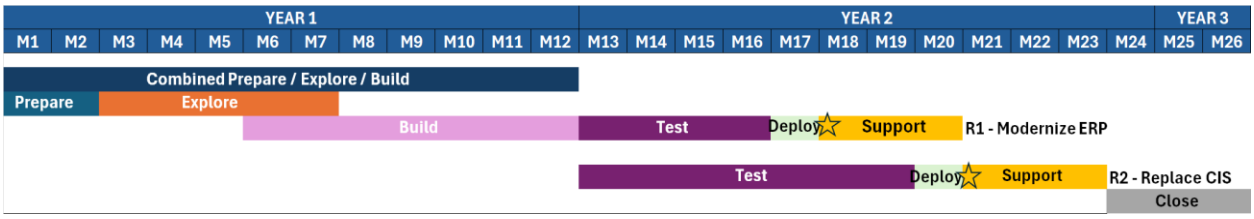


Table 5-1 below shows the estimated Combined Project execution schedule. This preliminary schedule is based on receiving BCUC approval of the Application by July 2026 and an assumed Combined Project start in November 2026. Upon receiving BCUC approval, FortisBC will immediately initiate final scope-of-work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

Table 5-1: Combined Project Schedule

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

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

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

5.5 *COMBINED PROJECT BASE COST ESTIMATE*

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

The IBM proposal includes costs to:

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

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

The FortisBC portion of the cost estimate includes:

- **Third-Party Vendor Costs**

- **Interface Modifications:** FortisBC identified existing interfaces between SAP ECC or CIS Plus and other third-party applications that require modifications to integrate with S/4HANA.
- **SAP Subject Matter Expertise:** In collaboration with IBM, FortisBC identified areas where additional SAP subject matter expertise and services are required to support the project activities. SAP was engaged to confirm the scope of services and FortisBC obtained a corresponding proposal from SAP.
- **Performance Testing:** As performance testing is not included in IBM's current scope of work, FortisBC obtained quotes from both IBM and SAP. A decision on the service provider will be made prior to the start of the Combined Project.
- **External Audit:** FortisBC plans to engage an external firm that specializes in large scale technology programs to provide quality assurance services, including gate reviews, solution quality checks, and benefit realization audits. Costs for these services are based on external market research.

- **FortisBC Labour Costs**
  - To support resourcing for the Combined Project, FortisBC developed a resource plan based on IBM's project schedule and staffing recommendations for key areas as well as inputs from FortisBC functional and technical leads. The plan primarily includes FortisBC employees, supplemented by external contractors, across areas such as project management, business and technical teams, change management, and training.
- **Software License Costs**
  - **SAP:** In collaboration with IBM and SAP, FortisBC identified the SAP software components and sizing based on the Combined Project scope and number of users. A third-party firm was engaged to support the review and negotiation of SAP license pricing, resulting in a discounted Bill of Materials (BOM) from SAP with costs for the licenses.
  - **Third Party Software:** In addition to the SAP licensing, third-party software licensing is required for data migration and integration with third party applications. FortisBC obtained quotes from IBM and other third-party vendors for these licenses.
- **Infrastructure Costs**
  - FortisBC identified application test environments beyond SAP S/4HANA required to support interface testing and estimated the costs of the supporting infrastructure (e.g., virtual machines).
- **Facilities Costs**
  - To support collaboration between core project team members, FortisBC and IBM have planned for an onsite resource strategy at a FortisBC facility in the Lower

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

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

5.6 *COMBINED PROJECT RISKS AND GOVERNANCE*

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

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

5.6.1 Pre-Implementation Risk Mitigation Measures

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

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

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

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

5.6.2 Implementation Risk Mitigation Measures

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

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

Table 5-2: Risk Likelihood

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

Table 5-3: Risk Severity

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

Note to Table:

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

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

- **Low (1 - 4):** Managed by routine project management and governance procedures.
- **Medium (5 - 9):** Managed by specific monitoring and response procedures.
- **High (10 - 15):** Management responsibility should be specified and appropriate action taken.
- **Critical (16 – 25):** Immediate action required.

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

Table 5-4: Level of Risk Calculations

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

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

Table 5-5: Combined Project Risk Matrix

Risk	Mitigation Plans	Mitigation Status	Likelihood and Severity	Risk Level
Cost overruns compared to plan due to higher than budgeted system integrator costs.	Planning phase completed to develop: • detailed cost estimate • detailed scope and requirements • bottom-up resource plan	Complete	Rare, Critical	Medium (5)
	Fixed fee proposal with firm pricing commitment from IBM provided contract signed before end of 2026, with maximum price increase of 2.5 percent if signed before end of 2027.	Complete		
	Strong Master Services Agreement (MSA) with system integrator in place with robust contract terms.	Complete		
	15 percent contingency included in Combined Project cost estimate.	Complete		
	Additional financial controls will be included in implementation schedule of work (e.g., FortisBC approvals required prior to revising established on-site resource plan and travel expenses) and robust governance around scope management will be implemented.	Planned		
Cost overruns and ongoing O&M costs due to higher than planned software costs.	Bill of Materials (BoM) confirmed with SAP for software licenses and pricing negotiated with SAP.	Complete	Possible, Minor	Medium (6)
	15 percent contingency included in the Combined Project cost estimate.	Complete		
	Forecast number of application users in 2028 when new software goes into use have been incorporated into software licensing costs and changes to these forecasts will be closely monitored and assessed prior to granting additional users access to the system.	Planned		

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

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

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

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

1

5.6.3 Combined Project Governance

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

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

Table 5-6: Multi-Tier Governance Structure

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

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

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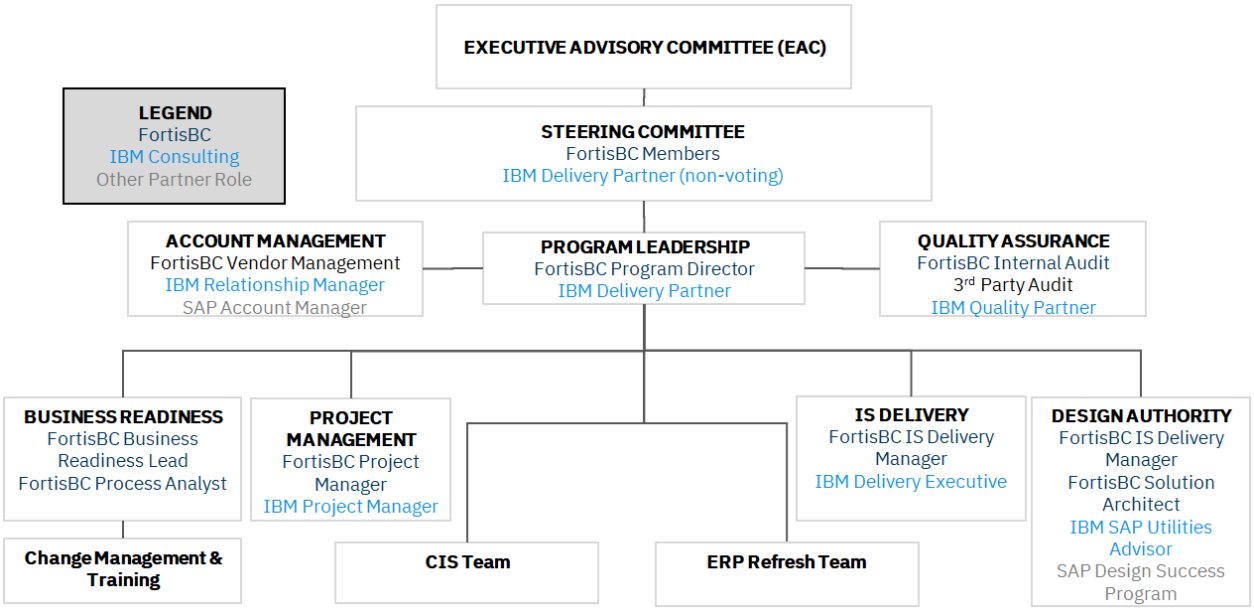
Figure 5-6: Governance Structure



5.7 CONCLUSION

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

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

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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.

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
6	Facilities	1.717	1.052	2.770	2.891	Section 5.5
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
11	Contingency	13.819	8.308	22.127	23.114	Section 5.5
12	**Subtotal Implementation Capital and O&M, incl. Contingency**	**$ 105.942**	**$ 63.697**	**$ 169.639**	**$ 174.278**	**Sum of Line 7, 10 & 11**
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)	
18	**Total Project Costs**	**$ 109.212**	**$ 67.796**	**$ 177.008**	**$ 190.705**	**Sum of Line 12, 15 to 17**

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.

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

- A contingency of 15 percent on the Combined Project implementation capital and O&M costs, which is equivalent to approximately $22.127 million in 2025 dollars as described in Section 5.5.
- A total of $1.150 million forecast pre-implementation development costs which FortisBC expects to incur in 2025 and 2026 until the start of the Combined Project initiation based on the estimated schedule discussed in Section 5.4. The Combined Project cost estimate also includes $6.219 million of deferred preliminary stage development and Application costs, comprised of $4.881 million of actual costs incurred from July 2022 to July 2025 and forecast costs of $1.338 million from August 2025 to August 2026. Please refer to Section 6.4.4 for further details on the deferred costs.
- A total escalation of $4.639 million to convert the implementation capital and O&M cost estimate and contingency from 2025 dollars to as-spent dollars (which excludes escalation on the IBM fixed price proposal). The escalation uses an annual inflation of 2 percent, which is aligned with the Bank of Canada inflation projection.[13]
- Financing costs based on Allowance for Funds Used During Construction (AFUDC) rates of 6.21 percent for FEI and 5.93 percent for FBC,[14] which is equal to the after-tax weighted average cost of capital (WACC) for each utility.

6.2.1 Allocation of Project Costs to FEI and FBC

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

- The implementation costs for the ERP Modernization Project, including contingency, are allocated between FEI and FBC based on the ratio of employees between the two utilities, which is approximately 78 percent FEI and 22 percent FBC.[15] FortisBC considers an allocation based on the number of employees to be reasonable, as the upgraded ERP system will be used by both FEI and FBC employees, with similar user roles and access. This allocation approach of using the number of employees between FEI and FBC is straightforward, and is consistent with other similar IS projects, such as Project One, that 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).

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

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

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

Line	Particular	FEI Allocation As-Spent $	FBC Allocation As-Spent $	Total Project (As-Spent $)	Reference
1	Implementation Capital Costs	$ 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**

6.3 *FINANCIAL ANALYSIS*

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

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

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

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

Note to Table:

[1] Confidential Appendix B-1, FEI Financial Schedules and Confidential Appendix B-2, FBC Financial Schedules.

The Combined Project financial analysis includes the following assumptions:

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

[16] $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).

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

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

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

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

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

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

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

- **Inflation:** From 2027 and onward, annual inflation of 2 percent is applied to the post-implementation capital costs, which is in line with the Bank of Canada inflation target of 2 percent. Annual inflation of 2 percent is also applied to post-implementation O&M costs, except for S/4HANA subscription costs which have a fixed fee for the contract term, followed by negotiated increases.

- **Capital Cost Allowance (CCA):** For tax purposes, software qualifies for a 100 percent CCA rate which allows FortisBC to fully deduct the capital costs related to the Combined Project over two years (subject to the half-year rule). For the purposes of the financial analysis, the Combined Project is expected to be included in FEI's and FBC's rate base in 2029 based on the current Combined Project schedule in Table 5-1 of Section 5.4, resulting in a large income tax benefit in 2029 and 2030. As such, the highest rate impact due to the Combined Project will occur in 2031 as the CCA tax benefits end. Please refer to Section 6.5 for further details.

6.4 *ACCOUNTING TREATMENT*

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

6.4.1 SAP Software Asset Depreciation

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

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

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

[18] The FEI and FBC depreciation studies were filed as part of FortisBC's 2025-2027 Rate Setting Framework Application and approved by Orders G-69-25 and G-70-25.
[19] For FBC, the current approved depreciation rate is 10.73 percent after accounting for past gains and losses.

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

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

6.4.2 Treatment of Capital Costs

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

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

6.4.3 Project Implementation O&M Deferral Costs

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

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

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

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

FortisBC notes that the proposed deferral account approach is consistent with the treatment approved as part of FEI's Customer Care Enhancement Project[20], which included the implementation of FEI's existing SAP CRM application. FEI and FBC consider the proposed approach to be the most appropriate and reasonable, as it aligns the recovery of the implementation costs with the length of time FEI's and FBC's customers are expected to benefit from the Combined Project, while also mitigating the immediate rate impacts. Please refer to Appendix C addressing the considerations identified in the BCUC's Regulatory Account Filing Checklist.

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

[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.

6.4.4 Application and Preliminary Stage Development Deferral Costs

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

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

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

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

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

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

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

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

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

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

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

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

Table 6-7: Total Project Rate Impacts with 3 to 7 Year Amortization Periods for the Application and Preliminary Stage Development Costs Deferral Accounts[23]

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%

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

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

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

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

6.5 *RATE IMPACT*

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

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

[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%

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.

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.

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.

7. CONCLUSION

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

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

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

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

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

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

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

Appendix A

PROJECT BASE COST ESTIMATE

REFER TO LIVE SPREADSHEET MODEL

Provided in electronic format only

FILED CONFIDENTIALLY

(accessible by opening the Attachments Tab in Adobe)

Errata dated February 24, 2026

Errata dated February 24, 2026

Appendix B
FINANCIAL SCHEDULES

FILED CONFIDENTIALLY

Errata dated February 24, 2026

Appendix B-1

FEI FINANCIAL SCHEDULES

REFER TO LIVE SPREADSHEET MODELS

Provided in electronic format only

FILED CONFIDENTIALLY

(accessible by opening the Attachments Tab in Adobe)

Errata dated February 24, 2026

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Errata dated February 24, 2026

Errata dated February 24, 2026

Errata dated February 24, 2026

Errata dated February 24, 2026

Appendix B-2

FBC FINANCIAL SCHEDULES

REFER TO LIVE SPREADSHEET MODELS

Provided in electronic format only

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(accessible by opening the Attachments Tab in Adobe)

Errata dated February 24, 2026

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Errata dated February 24, 2026

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Appendix C
REGULATORY ACCOUNT FILING CHECKLIST

Errata dated February 24, 2026

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.

Item	Consideration	FEI ERP and FBC ERP/CIS Project Implementation O&M Deferral Accounts
IV a)	Address: whether, or to what extent, the item is outside of management's control;	The Combined Project implementation O&M costs are generally within FEI's and FBC's control; however, deferral treatment avoids the significant rate impact to FEI's and FBC's customers of recovering the O&M costs immediately in rates while allowing the recovery of the deferral costs to be matched with the expected 10-year lifecycle of the software, which also serves to smooth the rate impact to customers.
b)	the degree of forecast uncertainty associated with the item;	Refer to IV. a). During the Combined Project implementation, the costs are fairly certain as provided in Table 6-4 of the Application. FEI and FBC have forecast additions to the deferral accounts based on the best estimate of costs at this time. Actual costs are recorded in the account so that actual, not forecast, costs are recovered in rates.
c)	the materiality of the costs	The Combined Project O&M implementation costs are estimated to be $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.

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

1

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

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

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

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

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

Appendix D

DRAFT ORDERS AND CONFIDENTIALITY DECLARATION AND UNDERTAKING FORM

Errata dated February 24, 2026

Appendix D-1
DRAFT PROCEDURAL ORDER

Errata dated February 24, 2026

bcuc
British Columbia
Utilities Commission

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bcuc.com

P: 604.660.4700
TF: 1.800.663.1385

ORDER NUMBER
G-xx-xx

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

and

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

BEFORE:
[Panel Chair]
Commissioner
Commissioner

on Date

ORDER

WHEREAS:

A. On November 4, 2025, FortisBC Energy Inc. (FEI) and FortisBC Inc. (FBC) (collectively, FortisBC) applied to the British Columbia Utilities Commission (BCUC), pursuant to section 44.2(1)(b) of the *Utilities Commission Act* (UCA), seeking acceptance of a schedule of capital expenditures that FortisBC anticipates making in respect of the FortisBC Enterprise Resource Planning (ERP) Modernization Project (ERP Modernization Project) and FBC Customer Information System (CIS) Replacement Project (CIS Replacement Project) (together, the Combined Project) and a determination pursuant to section 44.2(3) of the UCA that the expenditure schedule is in the public interest (Application);

B. The ERP Modernization Project will upgrade FortisBC's existing core SAP applications to SAP S/4HANA, and the CIS Replacement Project will replace FBC's legacy customer information system (CIS Plus) with a suite of new SAP applications of which the core foundation is SAP S/4HANA;

C. The forecast capital cost for the Combined Project (in as-spent dollars) is approximately $190.779 million, with approximately $92.246 million allocated to FEI and $98.533 million allocated to FBC;

D. FEI and FBC also each seek BCUC approval, pursuant to sections 59 to 61 of the UCA, of a depreciation rate of 10 percent to be applied to the new SAP S/4HANA software, and approval to establish two new deferral accounts;

E. FortisBC requests that certain portions of the Application and Appendices A and B relating to cost estimates be treated as confidential due to their commercially sensitive nature; and

F. The BCUC has commenced review of the Application and considers that establishing a regulatory timetable is warranted.

Errata dated February 24, 2026

NOW THEREFORE the BCUC orders as follows:

1. A public hearing for the review of the Application is established, in accordance with the regulatory timetable as set out in Appendix A to this order.

2. On or before Wednesday, December 3, 2025, FortisBC is directed to:

    a. Publish a copy of the Application and this order on its website at www.fortisbc.com;

    b. Provide a copy of the Application and this order, electronically where possible, to the registered interveners in FEI's 2025 and 2026 Annual Review of Delivery Rates and FBC's 2025 and 2026 Annual Review of Rates proceedings; and

    c. Provide notice of the Application and this order on its existing social media platforms. Weekly reminder posts must be posted on each platform until the conclusion of the intervener registration period on Thursday, December 18, 2025.

3. FortisBC is directed to provide written confirmation of compliance with the public notice requirements set out in Directive 2 by Friday, December 5, 2025.

4. Identified portions of the Application and Appendices A and B attached to the Application will be held confidential until determined otherwise by the BCUC.

5. In accordance with the BCUC's Rules of Practice and Procedure, parties who wish to actively participate in this proceeding must submit the Request to Intervene Form, available on the BCUC's website at https://www.bcuc.com/GetInvolved/GetInvolvedProceeding, by Thursday, December 18, 2025, as established in the regulatory timetable. Parties may also submit letters of comment by completing a Letter of Comment Form available on the BCUC's website at https://www.bcuc.com/Forms/LetterOfComment.

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

BY ORDER

(X. X. last name)
Commissioner

Attachment

Errata dated February 24, 2026

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

REGULATORY TIMETABLE

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

Appendix D-2
DRAFT FINAL ORDER - FEI

Errata dated February 24, 2026

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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

Errata dated February 24, 2026

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.

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

Errata dated February 24, 2026

Appendix D-3
DRAFT FINAL ORDER - FBC

Errata dated February 24, 2026

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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

Errata dated February 24, 2026

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.

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

Errata dated February 24, 2026

Appendix D-4

CONFIDENTIALITY DECLARATION AND UNDERTAKING FORM

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Utilities Commission

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TF: 1.800.663.1385

Confidentiality Declaration and Undertaking Form

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

Undertaking

I,_____, am representing the party_____in the matter of

_____

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

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

I hereby undertake:

(a) to use the information disclosed under the conditions of the Undertaking exclusively for duties performed in respect of this proceeding;

(b) not to divulge information disclosed under the conditions of this Undertaking except to a person granted access to such information or to staff of the BCUC;

(c) not to reproduce, in any manner, information disclosed under the conditions of this Undertaking except for purposes of the proceeding;

(d) to keep confidential and to protect the information disclosed under the conditions of this Undertaking;

(e) to return to the applicant,_____, all documents and materials containing information disclosed under the conditions of this Undertaking, including notes and memoranda based on such information, or to destroy such documents and materials within fourteen (14) days of the BCUC's final decision in the proceeding; and

(f) to report promptly to the BCUC any violation of this Undertaking.

Signed at_____this_____.

Signature: _____

Name (please print):_____ Email _____

Representing (if applicable): _____

Errata dated February 24, 2026