Sarah Walsh
Director, Regulatory Affairs

Gas Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

Electric Regulatory Affairs Correspondence
Email: electricity.regulatory.affairs@fortisbc.com

FortisBC
16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (778) 578-3861
Cell: (604) 230-7874
www.fortisbc.com

February 24, 2026

Commercial Energy Consumers Association of British Columbia
c/o Owen Bird Law Corporation
Vancouver Centre II
2900 – 733 Seymour Street
Vancouver, BC V6B 0S6

Attention: Patrick J. Weafer

Dear Patrick J. Weafer:

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

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

Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1

On November 4, 2025, FortisBC filed the Application referenced above. In accordance with the regulatory timetable established in British Columbia Utilities Commission (BCUC) Order G-275-25 for the review of the Application, FortisBC respectfully submits the attached response to CEC IR No. 1.[1]

FortisBC has filed a portion of the responses to CEC IR1 2.2 and 2.4 on a confidential basis and has provided a redacted version for the public record of this proceeding. FortisBC requests that the information be held confidential by the BCUC in perpetuity, pursuant to section 23 of the BCUC's Rules of Practice and Procedure regarding confidential documents as set out in Order G-192-25,[2] as the information is commercially sensitive.

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

[2] As amended by Order G-228-25.

If further information is required, please contact the undersigned.

Sincerely,

on behalf of FORTISBC

Original signed:

Sarah Walsh

Attachments

cc (email only): Registrar
Registered Interveners

1. References: Exhibit B-1, Section 2.2.2, Pages 13-17; Exhibit B-1, Section 5.4, Pages 87-89; and Exhibit B-1, Section 6.4.1, Pages 107-108

FortisBC states that the Companies first implemented SAP respectively in 1998 and 2000 and that since 2018, FEI and FBC have been on a unified SAP platform. As per the Combined Project schedule, FortisBC anticipates that it will continue to use the existing unified SAP platform until the end of 2028.

1.1 Please confirm the expected useful life (in years) of the Combined Project.

Response:

As discussed in Section 6.4.1 of the Application and in the response to BCUC IR1 16.1, the expected life of the new SAP S/4HANA assets is 10 years. This 10-year expected asset life applies to all software-related capital for the Combined Project and corresponds to a 10 percent depreciation rate.

1.2 Assuming an expected useful life of 10 years for the Combined Project beginning in 2029, please provide an estimate of the value of FortisBC's SAP S4/HANA assets that would be acquired pursuant to the Combined Project in 2039.

Response:

Software systems, such as SAP, are commonly used beyond their original depreciation period by applying patches, updates, or upgrades that keep them on a supported version. For example, FEI and FBC have been using SAP for decades, and FBC has been using CIS Plus since 1999. The Combined Project is the first upgrade of this magnitude since the systems were implemented.

Similarly, FortisBC expects that it will implement the patches, updates and upgrades released by SAP, which could extend the use of the platform beyond the 10-year expected useful life. As a result, FortisBC does not anticipate undertaking a project of a similar scale to the Combined Project in 2039 immediately after the SAP S/4HANA assets reach their expected service life of 10 years.

Furthermore, since SAP has announced mainstream support for the platform through 2040, FortisBC expects SAP will provide additional guidance closer to that date, including whether support timelines will be extended or whether new upgrade pathways or platform options will be introduced. Once this information becomes available, FortisBC will begin evaluating next steps and estimate the costs of these upgrades at that time.

1.3 Assuming an expected useful life of 10 years for the Combined Project beginning in 2029, please explain what the Companies' ERP/CIS plans that are currently anticipated to be for post-2038.

Response:

Please refer to the response to CEC IR1 1.2.

1.4 Given the Companies' line-of-sight to their ERP/CIS needs, please explain whether FortisBC expects (in the long run) to undertake a project of the order-of-magnitude of the Combined Project every 10 years (or so).

Response:

Please refer to the response to CEC IR1 1.2.

2. References: Exhibit B-1, Section 2.2.2, Pages 13-17 and Exhibit B-1, Section 5.4, Pages 87-89

FortisBC states that since 2018 (upon completion of the SAP Integration Project), FEI and FBC have been on a unified SAP platform. As per the Combined Project schedule, FortisBC expects that it will continue to use the existing unified SAP platform until the end of 2028.

2.1 Please provide actual annual O&M and capital spending for ERP/CIS for the period 2018 to 2025, separately for each of FEI and FBC.

Response:

Please refer to Table 1 below for the actual O&M and capital expenditures for the ERP system (FEI and FBC) as well as the CIS (FBC).

Table 1: Actual Capital and O&M for ERP/CIS from 2018 to 2025 ($000s)

	2018	2019	2020	2021	2022	2023	2024	2025
FEI O&M	4,986	5,099	5,042	5,439	6,857	7,221	7,361	7,927
FEI Capital	2,836	4,698	1,467	1,723	1,947	3,786	1,069	2,120
Total ($000s)	**$ 7,822**	**$ 9,797**	**$ 6,509**	**$ 7,163**	**$ 8,804**	**$ 11,007**	**$ 8,430**	**$ 10,048**
FBC O&M	363	643	728	678	694	803	1,039	1,134
FBC Capital	851	554	388	455	791	524	344	521
Total ($000s)	**$ 1,214**	**$ 1,197**	**$ 1,116**	**$ 1,133**	**$ 1,485**	**$ 1,327**	**$ 1,382**	**$ 1,655**

2.2 Please list major O&M components for the existing ERP/CIS systems, for each of FEI and FBC.

Response:

Please refer to Table 1 below for the ERP/CIS O&M costs from 2018 to 2025 for FEI and FBC by major components.

FortisBC has redacted a portion of Table 1 in the public version of these IR responses and filed the unredacted version on a confidential basis as it contains commercially sensitive information.

Table 1: 2018-2025 Actual O&M Costs for the Existing ERP/CIS Systems

	2018	2019	2020	2021	2022	2023	2024	2025
FEI								
Labour and Management	$ 2,064	$ 1,915	$ 1,920	$ 2,426	$ 3,700	$ 3,981	$ 3,923	$ 4,323
[redacted]								
Infrastructure Maintenance[1]	299	299	299	299	299	299	299	299
Total ($000s)	**$ 4,986**	**$ 5,099**	**$ 5,042**	**$ 5,439**	**$ 6,857**	**$ 7,221**	**$ 7,361**	**$ 7,927**
FBC								
Labour and Management	$ 264	$ 273	$ 294	$ 295	$ 304	$ 410	$ 586	$ 709
[redacted]								
Infrastructure Maintenance[1]	100	100	100	100	100	100	100	100
Total ($000s)	**$ 363**	**$ 643**	**$ 728**	**$ 678**	**$ 694**	**$ 803**	**$ 1,039**	**$ 1,134**

Note to Table:

[1] The Infrastructure Maintenance O&M includes costs for the premium flash storage controller, VMware support, and Citrix licenses, which are shared with other IS applications. As such, FortisBC has estimated the infrastructure maintenance costs for the ERP and CIS system based on their expected proportion of the total Infrastructure Maintenance O&M.

2.3 Please provide the breakdown of actual annual O&M for ERP/CIS for the period 2018 to 2025 by major O&M components (including IT infrastructure maintenance, space (i.e., real estate) requirements, subscription fees, labour, management and overhead, contracted services, etc.), separately for each of FEI and FBC.

Response:

Please refer to the response to CEC IR1 2.2.

2.4 Please provide the Companies' projected annual O&M and regular capital for the existing ERP/CIS for the period 2026 to 2028, separately for each of FEI and FBC, and (if available) their breakdown by major cost components.

Response

Please refer to Table 1 below for the 2026 to 2028 forecast of FEI's and FBC's O&M and regular capital for the existing ERP system (FEI and FBC) and FBC's CIS broken down by major cost components.

FortisBC has redacted a portion of Table 1 in the public version of these IR responses and filed the unredacted version on a confidential basis as it contains commercially sensitive information.

Table 1: FEI and FBC 2026-2028 Forecasts of O&M and Capital for the Existing ERP/CIS Systems ($000s)

	2026	2027	2028
FEI			
O&M			
Labour and Management	$ 4,599	$ 4,730	$ 4,864
[redacted]			
Infrastructure Maintenance	299	299	299
Total O&M ($000s)	**$ 8,514**	**$ 8,715**	**$ 9,140**
Capital			
Application Sustainment	$ 1,340	$ 1,005	$ 1,005
Application Enhancement	587	294	294
Total Capital ($000s)	**$ 1,927**	**$ 1,299**	**$ 1,299**
FBC			
O&M			
Labour and Management	$ 760	$ 783	$ 806
[redacted]			
Infrastructure Maintenance	100	100	100
Total O&M ($000s)	**$ 1,201**	**$ 1,218**	**$ 1,262**
Capital			
Application Sustainment	$ 451	$ 338	$ 338
Application Enhancement	171	86	86
Total Capital ($000s)	**$ 622**	**$ 424**	**$ 424**

3. References: Exhibit B-1, Section 1.1.3, Page 5 and SAP S/4HANA[1]

> 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:

> Deploy a wide range of SAP S/4HANA capabilities for ERP – from finance, supply chain, and manufacturing to sales and distribution – to transform your business processes with the SAP S/4HANA Retail solution for merchandise management.
>
> - ✓ On-premise, cloud, or hybrid deployment
> - ✓ Embedded AI, analytics, and intelligent process automation
> - ✓ In-memory database and simplified data model
> - ✓ Consumer-grade UX

As per SAP, the SAP S/4HANA product can be deployed on-premise, in the cloud, or in a hybrid model.

3.1 Please clarify whether the Combined Project is configured on a 100% cloud-based platform or a hybrid model.

3.1.1 If FortisBC proposes a hybrid model for the Combined Project, please provide configuration details, including a description of the Combined Project components that will be on-premise versus the cloud.

3.1.2 If FortisBC proposes a (100%) cloud-based configuration for the Combined Project, please discuss how FortisBC considered and evaluated the following alternatives to the Combined Project: a) an on-premise SAP S4/HANA configuration; and b) a hybrid model for SAP S4/HANA.

3.1.3 If FortisBC did not consider alternatives to the Combined Project involving a) an on-premise SAP S4/HANA configuration; and b) a hybrid model for SAP S4/HANA, please discuss why and provide key determining factors.

3.1.4 If FortisBC considered both a) an on-premise SAP S4/HANA configuration; and b) a hybrid model for SAP S4/HANA as alternatives to the Combined Project, please provide the results of their evaluation.

3.1.5 Please provide Association for the Advancement of Cost Engineering ("AACE") Class 5 level estimates for alternatives to the Combined Project

[1] https://www.sap.com/canada/products/scm/retail-merchandise-mgmt.html; emphasis added.

involving: a) an on-premise SAP S4/HANA configuration; and b) a hybrid model for SAP S4/HANA.

3.1.6 Please provide the evaluation of alternatives to the Combined Project involving a) an on-premise SAP S4/HANA configuration; and b) a hybrid model for SAP S4/HANA, consistent with the criteria captured in Tables 3-4 and 3-5 of the Application, as presented in Tables 3-6, 3-7, 3-8 and 3-9 of the Application.

Response:

All new software applications implemented within the scope of the Combined Project, including SAP S/4HANA, will be 100 percent cloud based. Existing legacy applications that integrate with the new cloud-based software applications will remain on-premise. These integrations are within the scope of the Combined Project.

FortisBC evaluated both a hybrid option and the selected cloud-based option, as further described below. FortisBC did not complete an evaluation for a fully on-premise model because SAP informed FortisBC that there is no longer an option to host the SAP S/4HANA database on-premise.

1. **Cloud-based (SAP Subscription Service):** Under the cloud-based model, both the SAP S/4HANA application and database are hosted on servers in the cloud and there are no on-premise servers for any of the new application components. The core technical foundation of the application and all servers are managed and maintained by SAP under the SAP RISE offering. FortisBC will manage and maintain the functional configuration and business processes within the application. Please also refer to Section 5.3.1.5 of the Application for a description of this SAP subscription-based service.
2. **Hybrid (FortisBC-managed)**: Under the hybrid model, the SAP S/4HANA application would be hosted on servers in the FortisBC data centre, while the SAP S/4HANA database would be hosted on servers in a cloud environment. The application and all servers would be managed and maintained by FortisBC.

FortisBC's evaluation of the cloud-based and the hybrid model alternatives is set out below:

1. **Software licensing costs:** Cost of initial license purchase together with ongoing annual maintenance or subscription costs.

   - **Cloud:** Annual subscription fees are comparable to the hybrid annual maintenance costs, but the fee structure does not include any additional upfront capital purchase, which results in lower costs as compared to the hybrid option.

   - **Hybrid:** In addition to the annual maintenance costs, FortisBC would be required to make a capital purchase of new S/4HANA on-premise licenses, which are not required under a cloud option.

2. **Infrastructure costs:** Cost for infrastructure to host servers, either on-premise infrastructure or hyperscaler (large cloud service provider such as AWS, Microsoft Azure, or Google Cloud) costs for a cloud model.

   - **Cloud:** Under this model, SAP is responsible for procuring the underlying infrastructure to meet capacity and computing requirements with the costs embedded in the annual SAP subscription fee. As such, there is no additional incremental infrastructure cost to be incurred outside the annual managed service cost, resulting in lower costs than the hybrid option.

   - **Hybrid:** This model requires FortisBC to host SAP S/4HANA application servers on-premise in FortisBC data centres. This requires the purchase of a significant amount of additional infrastructure as compared to the cloud option since FortisBC's existing server infrastructure is not sufficient to meet the required capacity or computing requirements to deploy the S/4 HANA application.

3. **Data egress costs:** Cost incurred for data that moves between cloud and on-premise applications.

   - **Cloud:** SAP subscription services include data egress credits that are expected to be sufficient to accommodate FortisBC's data egress needs.

   - **Hybrid:** The on-premise model drives additional data egress needs and additional data egress costs as compared to the Cloud model.

4. **Impact on FortisBC infrastructure and cloud support teams:** Amount of change to job roles and responsibilities for FortisBC infrastructure support team, including the retraining and retooling that will be required to shift employees into new roles.

   - **Cloud:** All infrastructure and cloud support would be transitioned to SAP under the cloud subscription model, eliminating the need for additional resources.

   - **Hybrid:** Additional resources would be needed to support the additional application infrastructure, and some retraining would be required as compared to the cloud model.

5. **Environmental flexibility:** Flexibility to add and remove application environments when needed to deliver special projects to support additional training and testing.

   - **Cloud:** FortisBC would need to submit a formal request to SAP to add or remove environments, meaning lead times may be longer than a hybrid option to make changes. However, this is partially offset by reduced effort to add and remove environments, as SAP manages these activities.

   - **Hybrid:** FortisBC would maintain full control over the environment and would have the flexibility to add or remove additional environments as required.

6. **System support responsiveness:** Speed of support team in responding to and resolving application issues.

   - **Cloud:** SAP is responsible for the majority of technical support needs. As such, FortisBC would need to negotiate Service Level Agreements (SLAs) to cover both the application and database supported by SAP with effective contractual controls to ensure adherence to these SLAs.

   - **Hybrid:** FortisBC is responsible for support needs and can size and manage its teams to ensure support teams are responsive in meeting service expectations. While system support responsiveness is similar to the cloud model, a lower reliance on SAP SLAs (i.e., only for database issues) is an advantage of the hybrid model.

7. **System availability:** Expected uptime of application and flexibility to control timing and frequency of planned outages.

   - **Cloud:** SAP is responsible for high availability and guarantees 99.7 percent uptime. While system availability would be similar between the two models, the advantage of the cloud model is that it is significantly less complex.

   - **Hybrid:** FortisBC would be responsible for designing and deploying the High Availability (HA) solution. Configuring an HA solution across an on-premise application and cloud database is more complex than when both the application and database are in same environment.

8. **Innovation potential:** Opportunity for FortisBC to take advantage of future technology offerings such as AI and Machine Learning.

   - **Cloud:** FortisBC will not be restricted from accessing future SAP innovations requiring a cloud subscription, which is an advantage of the cloud model.

   - **Hybrid:** SAP has indicated some future technology offerings such as AI and Machine Learning may only be available for customers on their cloud subscription service (i.e., not available for hybrid model).

Based on FortisBC's evaluation of the two models discussed above, the cloud-based SAP subscription model is superior. The hybrid model would be more costly, as it requires a large upfront capital cost for licensing of $15 million or greater, as well as additional infrastructure, labour and data egress costs. Further, the cloud-based model provides for innovation, aligning with SAP strategic direction. These advantages of a cloud-based model more than offset any potential reduction in flexibility or increased reliance on SAP service level agreements when compared to the hybrid model.

FortisBC did not undertake a Class 5 estimate specifically for this aspect of the Combined Project, as the cloud-based model is the most appropriate and beneficial deployment approach, both in terms of cost and overall suitability. Further, a Class 5 estimate for the two models is not required

as the hybrid model, unlike the cloud-based model, requires significant incremental capital costs as well as O&M costs for ongoing management of the additional infrastructure, whereas there will be no incremental capital costs (and lower O&M costs) with the cloud-based approach.

The evaluation criteria and weightings in Tables 3-6, 3-7, 3-8 and 3-9 of the Application were designed to evaluate and compare software solution alternatives, not deployment models. FortisBC evaluated the two deployment models using the criteria discussed above, and the results demonstrate that the cloud-based model is the superior option. As such, FortisBC declines to provide Tables 3-6, 3-7, 3-8 and 3-9 for the purpose of evaluating the hybrid and cloud-based deployment models.

4. References: Exhibit B-1, Section 3.4, Evaluation of Feasible Alternatives and SAP[2]

> **SAP IS-U** is SAP's industry-specific solution for the utilities industry. SAP IS-U is a sales and information system that supports utility and waste disposal companies.
>
> SAP IS-U supports business functions such as meter reading, meter data management, scheduling, billing, invoicing, accounting, customer service, and integration to customer relations management. This component can manage and bill customers who receive services, purchase goods, or pay fees and taxes.
>
> SAP IS-U helps electric, gas, and water utilities of all sizes in regulated, transitioning or deregulated markets. It offers management of business processes to help utilities gain visibility for better decision-making and responsiveness to market demands. SAP IS-U is an integrated component of SAP enterprise software, and uses functions of the mySAP standard components FI, CO, AM, SD, PM/SM, and MM. SAP IS-U.[1]

Among other products and as referenced above, SAP has a product called SAP for Utilities ("**SAP IS-U**").

4.1 Please confirm whether the above-referenced SAP IS-U product is compatible with the Companies' ERP/CIS needs.

4.1.1 If not confirmed, please explain why and briefly discuss the incompatibilities.

4.1.2 If confirmed, please clarify whether a technology solution based on the SAP IS-U module could be considered as an alternative to the Combined Project. If not, why not?

4.1.3 If confirmed, please provide an AACE Class 5 level estimate for an alternative technology solution based on SAP IS-U.

4.1.4 If confirmed, please provide the evaluation of an alternative to the Combined Project based on SAP IS-U, consistent with the criteria captured in Tables 3-4 and 3-5 of the Application, as presented in Tables 3-6, 3-7, 3-8 and 3-9 of the Application.

Response:

SAP IS-U is currently used within FortisBC's existing SAP ECC application (Figure 2-2 of the Application) and will continue to be used when FortisBC transitions to SAP S/4HANA. As such, SAP IS-U is included within the ERP Modernization Project scope as part of the Combined Project, as indicated in Figure 5-1 of the Application.

Further, SAP IS-U is an SAP module that is installed and configured as part of the SAP S/4HANA application. Since SAP IS-U is not a standalone application that can be purchased or implemented independently, it cannot be considered or evaluated as an alternative to the Combined Project.

[2] https://en.wikipedia.org/wiki/List_of_SAP_products and https://en.wikipedia.org/wiki/SAP_IS-U.

5. References: Exhibit B-1, Section 3.3, Pages 33-34

5.1 Please list, qualify, and assess business risks to FortisBC (including any potential risks to physical assets and/or operational integrity) post-implementation of SAP S4/HANA for each of the following configurations: a) On-premise; b) Cloud-based; and c) Hybrid.

5.1.1 Please clarify whether FortisBC expects that the profile and magnitude of any risks to the operational integrity of the Companies post-implementation of the SAP S4/HANA platform, would be the same across the three above-mentioned (as per a, b and c) SAP S4/HANA configurations; otherwise please elaborate.

Response:

As explained in the response to CEC IR1 3.1, hosting an SAP S/4HANA database on-premise is not an option because it is no longer offered by SAP. Accordingly, FortisBC assessed the business risks for the cloud-based and hybrid configurations as described below.

Cloud-Based Configuration Risks:

Overall, the cloud-based model simplifies infrastructure operations but requires FortisBC to manage operational risk through governance, contracts, service monitoring, and readiness for externally driven change, rather than through direct technical control.

In quantitative terms, the exposure to physical risks for cloud hosted assets is primarily indirect and can be managed through cloud platform provider due diligence, contractual and service level requirements, high availability architecture and tested backup and recovery processes.

Physical risks for cloud platforms include unauthorized physical access to the datacenter hardware, environmental events (fire, flood, power, or cooling failures), compromise of users or network devices used to access the cloud, and mishandling of the physical media such as failed drives. Major cloud providers are mitigating these risks with physical security, environmental controls, and independent certifications.

From a reliability perspective, physical risks shift from FortisBC facilities to cloud datacenters. While major outages are unlikely, a significant cloud incident could result in widespread operational disruption, as multiple critical systems would be affected at once. This places greater importance on resilient system design, tested backup and recovery processes, and clear incident response coordination with SAP.

Hybrid Configuration Risks:

Under the hybrid configuration, the SAP S/4HANA application is hosted on-premise on servers in a FortisBC data centre, while the SAP S/4HANA database is hosted on servers in a cloud environment. The application and all servers are managed and maintained by FortisBC. As such,

hybrid deployments inherit risks from both on-premise and cloud models, with the added complexity of ensuring seamless interoperability between environments.

On-premise risks for an SAP S/4 HANA application deployment include dependency on infrastructure stability, ongoing patching and life-cycle management, potential exposure to single points of failure, hardware failures, power disruptions, environmental hazards (such as fire or overheating), and vulnerabilities related to improperly configured or undersized high-availability clusters. Additional concerns include unauthorized physical access to server rooms or backups, high capital investment for certified hardware, increasing operations and maintenance costs, vendor lock-in, and limited potential for innovation.

The operational risk profile and magnitude of any risks differ materially between a hybrid and a cloud-based configuration. In the cloud-based model, most traditional operational responsibilities shift to SAP or the hyperscaler (infrastructure, patching, HA architecture), while the hybrid model leaves FortisBC responsible for the on-premise infrastructure, operations and security, and introduces additional interoperability risks.

6. References: Exhibit B-1, Section 5.6, Combined Project Risks and Governance; and FEI[3] and FBC[4] Service Quality Indicators ("SQIs")

FEI Annual Review for 2025 and 2026 Delivery Rates Application, Exhibit B-2, Table 13-1

Performance Measure	Description	Benchmark	Threshold
Safety SQIs			
Emergency Response Time	Percent of calls responded to within one hour	>= 97.7%	96.2%
Telephone Service Factor (Emergency)	Percent of emergency calls answered within 30 seconds or less	>= 95%	92.8%
All Injury frequency rate (AIFR)	3 year average of lost time injuries plus medical treatment injuries per 200,000 hours worked	<= 2.08	2.95
		<= 1.64	2.21
Public Contacts with Gas Lines	Current year average of number of line damages per 1,000 BC One calls received	<= 8	12
		<= 6	10
Responsiveness to the Customer Needs SQIs			
First Contact Resolution	Percent of customers who achieved call resolution in one call	>= 78%	74%
Billing Index	Measure of customer bills produced meeting performance criteria	<= 3.0	5.0
Meter Reading Completion	Informational indicator – number of scheduled meters that were read	>= 95%	92%
		-	-
Telephone Service Factor (Non-Emergency)	Percent of non-emergency calls answered within 30 seconds or less	>= 70%	68%
Meter Exchange Appointment	Percent of appointments met for meter exchanges	>= 95%	93.8%
Customer Satisfaction Index	Informational indicator - measures overall customer satisfaction	-	-
Average Speed of Answer	Informational indicator – amount of time it takes to answer a call (seconds)	-	-
Reliability SQIs			
Transmission Reportable Incidents	Informational indicator – number of reportable incidents to outside agencies	-	-
Leaks per KM of Distribution System Mains	Informational indicator - measures the number of leaks on the distribution system per KM of distribution system mains	-	-

FBC Annual Review for 2025 and 2026 Rates Application, Exhibit B-2, Table 13-1

Performance Measure	Description	Benchmark	Threshold
Safety SQIs			
Emergency Response Time	Percent of calls responded to within two hours	>=93%	90.6%
All Injury Frequency Rate (AIFR)	3 year average of lost time injuries plus medical treatment injuries per 200,000 hours worked	<=1.64	2.39
		<=1.31	2.56
Responsiveness to Customer Needs SQIs			
First Contact Resolution	Percent of customers who achieved call resolution in one call	>=78%	74%
Billing Index	Measure of customer bills produced meeting performance criteria	<=3.0	5.0
Meter Reading Completion	Informational indicator – number of scheduled meters that were read	>=98%	96%
		-	-
Telephone Service Factor (Non-Emergency)	Percent of non-emergency calls answered within 30 seconds or less	>=70%	68%
Customer Satisfaction Index	Informational indicator – measures overall customer satisfaction	-	-
Average Speed of Answer	Informational indicator – the amount of time it takes to answer a call (seconds)	-	-
Reliability SQIs			
System Average Interruption Duration Index (SAIDI) – Normalized	Annual SAIDI (average of cumulative customer outage time)	3.22	4.52
		3.24	4.71
System Average Interruption Frequency Index (SAIFI)– Normalized	Annual SAIFI (average customer outage)	1.57	2.19
		1.64	2.25
Generator Forced Outage Rate	Informational indicator – Percent of time a generating unit is removed from service due to component failure or other events.	-	-
Interconnection Utilization	Informational indicator – percent of time that an interconnection point was available and providing electrical service to wholesale customers.	-	-

6.1 For each of FEI and FBC, please provide in table format FortisBC's assessment of the impacts (if any) on the Companies' SQIs (referenced above) post-implementation of SAP S4/HANA, for each of the following configurations: a) On-premise; b) Cloud-based; and c) Hybrid.

6.1.1 Please include commentary columns with rationale to support the assessment of any post-implementation impacts on the Companies' SQIs.

Response:

FortisBC notes that how the users (i.e., FEI and FBC employees) interact with the upgraded SAP S4/HANA ERP system would generally be the same regardless of whether the system is hosted by a cloud-based or hybrid model. As such, the impacts to FEI's and FBC's Service Quality Indicators (SQIs) would be the same between the two configurations. As discussed in Section 5 of the Application, the Combined Project scope includes plans to mitigate any impacts to the Companies' SQIs through testing, staffing, change management, training, and go-live support.

[3] FEI Annual Review for 2025 and 2026 Delivery Rates Application, Exhibit B-2, Table 13-1 (excerpt).

[4] FBC Annual Review for 2025 and 2026 Rates Application, Exhibit B-2, Table 13-1 (excerpt).

As such, FortisBC will review the impact of the Combined Project on its SQIs once the implementation is underway. Similar to FEI's Advanced Metering Infrastructure (AMI) project, there may be certain SQIs that need to be adjusted, at least temporarily, during the implementation and post-implementation stabilization period. Further, and consistent with FortisBC's approach to all of its SQIs, FortisBC will continue to assess each indicator and determine if new SQIs should be introduced or if existing SQIs (and their benchmarks/thresholds) should be adjusted.

FortisBC's currently approved SQIs are in place for 2025 through 2027 through the approved Rate Setting Framework, and at this time FortisBC has not proposed a rate-setting framework for the period of 2028 onwards. Based on the Combined Project schedule, the Combined Project will not be complete until the end of 2028, allowing FortisBC to monitor the impacts on SQIs and, if necessary, propose changes in future rate-setting processes.

7. Reference: Exhibit B-1, Section 3.4, Page 43, Table 3-4

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%

7.1 Please explain why the criterion 'Adaptability to Regulatory Changes' is assigned a weight of 20%, especially when compared to the weights assigned to the 'Mobile Enablement' (10%) and 'Innovation' (10%) criteria.

7.1.1 Please discuss the aspects of FortisBC's future regulatory processes' requirements that warrant the assigned 20% weight.

7.1.2 Please provide quantitative dollar values for each of the criteria and show the trade-offs between the criteria, leaving out the levelized rate impact on customer rates.

Response:

For clarity, this sub-criterion is not meant to relate to FortisBC's BCUC regulatory processes themselves. Rather, the Adaptability to Regulatory Changes sub-criterion is evaluating the ability of the feasible ERP alternatives to adapt to regulatory changes in areas such as financial controls and reporting or cybersecurity requirements, which in turn would impact FortisBC's compliance requirements with regulatory bodies.

Please refer to the responses to BCUC IR1 4.1, 4.2 and 4.3 for an explanation of the rationale for assigning the various weightings and scoring for each criterion and sub-criterion, and how the criteria and sub-criteria were selected to show the trade-offs between the feasible alternatives.

With regard to "quantitative dollar values" for each of the criteria, an assessment of the incremental costs and benefits/savings are incorporated within the financial analysis of each alternative; therefore, to the extent there are trade-offs in costs and savings of each feasible alternative, these are already captured in the Financial criterion through the levelized rate impact sub-criterion. Please also refer to the response to BCUC IR1 2.2.

8. Reference: Exhibit B-1, Section 3.3.2.2.2, Page 39

8.1 Please further discuss the scope and costs of the system integrator role in the provision of the Combined Project services.

8.1.1 Specifically, please clarify what the system integrator's responsibilities will be post-Combined Project implementation.

8.1.2 Please provide a delineation of responsibilities (if applicable) as between SAP and the system integrator post-implementation, including those concerning data access, safety and integrity.

Response:

The system integrator will not have any responsibilities post-Combined Project implementation, other than in the initial few months (i.e., the stabilization phase), as further explained below.

The role of the system integrator is generally limited to the implementation phase of the Combined Project. The system integrator will be responsible for planning, executing, and delivering the SAP technical and functional work required to implement the Combined Project. The scope of the system integrator role, and the associated costs, encompass end-to-end delivery services across the ERP and CIS implementation lifecycle. These services include, but are not limited to, the following activities:

- Project management;
- Application design;
- Application configuration and development;
- Application unit, regression and system integration test planning and execution;
- Application user acceptance testing support;
- Data conversion;
- Deployment planning and execution (including mock conversions);
- Change management and training support;
- Knowledge transfer; and
- Post go-live application hypercare support.

Immediately following the system go-live, the system integrator will be responsible for troubleshooting and stabilizing the new SAP applications and completing handover to the FortisBC support teams. This post-go live period is referred to as hypercare and will extend for a period of three months or longer depending on when the system integrator has met the contractual exit criteria for this stabilization phase. After FortisBC has signed off on the hypercare exit criteria, the system integrator will no longer have any responsibilities.

The system integrator and SAP do not have any overlapping areas of responsibility. Post implementation, after the stabilization period, the system integrator's role will conclude and the functions will be performed by the internal FortisBC SAP Application Support team. SAP will maintain the core technical aspects of the software, including security patching, upgrades and maintaining the hardware with the cloud hyperscaler service provider of the cloud data centre.

9. Reference: Exhibit B-1, Table 3-6 (excerpt below), Page 45

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
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.

9.1 Please provide the expected impacts on FEI's and FBC's staffing levels post-implementation of the Combined Project and the related impacts ($) on FEI's and FBC's annual revenue requirements.

Response:

For the purposes of providing a comprehensive evaluation over the expected service life of the Combined Project, FortisBC assumed a reduction of 16 FTEs resulting from a reduction in legacy system support (occurring over three years) and efficiency gains with the implementation of the Combined Project. Based on current averages, this is equivalent to a saving in FEI's and FBC's O&M of approximately $1.072 million and $325 thousand, respectively.

However, the actual impacts of the Combined Project post-implementation on FEI's and FBC's staffing levels will be assessed at that time and, to the extent that these impacts (and other impacts) result in lower costs, FEI and FBC would then incorporate these changes into the Companies' respective revenue requirement applications. In general, reduction in legacy system support as well as improved efficiencies resulting from the Combined Project could potentially enable resources to be deployed more effectively, absorb future pressures, support new programs, or focus on higher-value tasks.

Please refer to the response to BCUC IR1 15.1 which provides further discussion of post-implementation savings of the Combined Project, including through improved operational efficiencies.

9.1.1 Please provide the expected impacts on FEI's and FBC's customer service SQIs, on account of the 'Innovation' aspect of the Combined Project proposition.

Response:

FortisBC expects that the Combined Project will generate Customer Service improvements and efficiencies through improved system usability and processes, automation and analytics, and overall modernized digital tools. For example, improved analytics may enable earlier identification

of emerging customer issues and, correspondingly, earlier identification of interventions and opportunities to support customers, allowing proactive operational adjustments, influencing metrics such as the First Contact Resolution and the Customer Service Index SQIs.

While FortisBC expects to realize benefits and achieve efficiencies as a result of the Combined Project, the impact, if any, on the Companies' SQIs is unknown at this time. Please refer to the response to CEC IR1 6.1 for a discussion of how FortisBC will monitor and, if necessary, propose changes to its SQIs.

10. References: Exhibit B-1, Section 4.4.1.1, Pages 66-67 and Exhibit B-1, Table 4-7 (excerpt below), Pages 73-75

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.

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
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.
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.

10.1 Please confirm that the 'single team' mentioned in Table 4-7 of the Application under the 'Levelized Rate Impact' criterion for CIS Alternative 4 refers to an internal team (i.e., comprised of FEI/FBC staff), as opposed to an external (i.e., of the service provider) support team.

10.1.1 If confirmed, please reconcile the statements made under the 'Innovation' and 'Levelized Rate Impact' criteria, with the statement made under the 'Resourcing' criterion, whereby FortisBC states that 'FBC Customer Service resourcing will increase in the short term and then ramp down to current levels[5] after post-implementation stabilization'.

10.1.2 What is the likelihood of FBC Customer Service resourcing declining from current levels after post-implementation stabilization? Please explain.

Response:

FortisBC confirms that the "single team" mentioned in Table 4-7 of the Application under the Levelized Rate Impact criterion refers to an internal team comprised of FortisBC employees (i.e., a single Information Systems (IS) support team). The SAP CIS Alternative for FBC allows integration with the existing SAP system using a single team, whereas a non-SAP CIS Alternative for FBC will require a separate non-SAP IS support team to manage the new non-SAP CIS.

The discussion relating to the "single team" is distinct from the discussion regarding Customer Service resourcing under the Resourcing criterion referenced in the preamble above. The short-term increase in Customer Service resources refers to the temporary customer service staff needed during the system go-live phase of the transition period until users achieve proficiency with the new system. The cost of short-term Customer Service resources is included as part of

[5] Emphasis added.

the Combined Project implementation O&M. Please refer to the response to BCUC IR1 13.1 for further details.

The discussion relating to the "single team" is also distinct from the discussion regarding the Innovation sub-criterion, which is a component of Criteria 1 (ability to support current and future requirements). As described on page 66 of the Application, the Innovation sub-criterion is setting out a business requirement to assess whether the feasible CIS alternatives could provide a foundation for future AI integration. This requirement is met by both CIS Alternative 3 and CIS Alternative 4, as shown in Table 4-6 of the Application. FortisBC has not included any potential savings due to future innovation such as embedded AI, machine learning or predictive analytics into the financial analysis of the Combined Project as these types of future enhancements are not part of the project scope and cost estimate.

Finally, post-implementation and stabilization, FortisBC expects the upgraded ERP system, as well as the single SAP CIS for both gas and electric customers, will create operational efficiencies in Customer Service and has included assumptions related to FTE reductions. Please refer to the response to BCUC IR1 15.1 for further discussion on the estimated post-implementation savings identified for Customer Service.

11. References: Exhibit B-1, Page 82, Figure 5-1 and Exhibit B-1, Table 5-5 (excerpt below), Pages 95-99

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

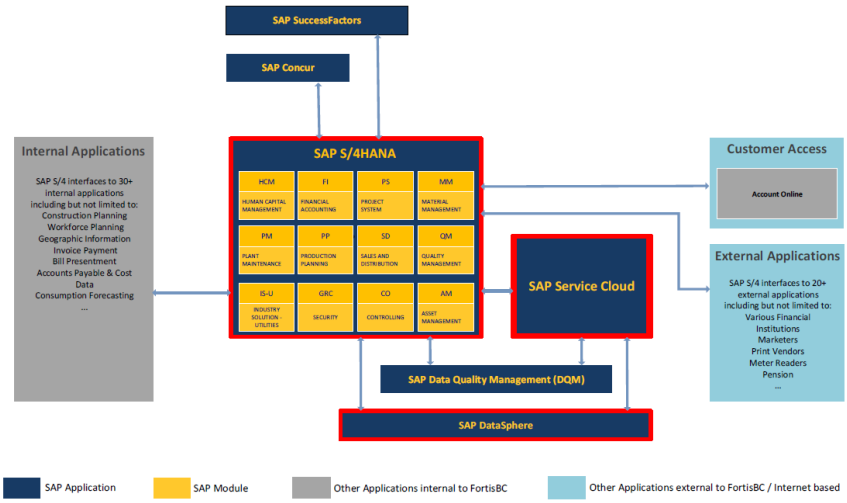

Table 5-5: Combined Project Risk Matrix

Risk	Mitigation Plans	Mitigation Status	Likelihood and Severity	Risk Level
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		

11.1 Please explain why the CIS module is not included in the diagram provided as Figure 5-1 of the Application.

Response:

Figure 5-1 does not include a separate "CIS module" because CIS functionality is not implemented as a single standalone application labelled "CIS." Instead, the customer information system capabilities are delivered across the SAP components shown in the diagram, including:

- **SAP Service Cloud** acts as the customer service "front end" used by customer service representatives to support customer interactions; and
- **SAP S/4HANA – IS-U (Industry Solution–Utilities)** which resides in the S/4HANA core provides the utility-specific functions that support master data, customer billing, revenue management, and customer accounting.

Accordingly, the CIS functions are represented through the SAP applications/modules in Figure 5-1 (Service Cloud and IS-U), consistent with the Application's description of the CIS Replacement Project scope being delivered on SAP S/4HANA and SAP Service Cloud.

11.1.1 Please explain whether the risk captured in the referenced excerpt from Table 5-5 above concerning the in-scope CRM, applies to Customer Relationship Management data only, or whether its extend to the entirety of corporate information that would be stored in the cloud.

Response:

The risk captured in the referenced excerpt from Table 5-5 applies to the Customer Relationship Management (CRM) data associated with the SAP Service Cloud application; it does not apply to the entirety of FortisBC's corporate information stored in SAP. FortisBC's core corporate information within SAP S/4HANA will be hosted in a Canadian-based data centre.

Further, in the event that SAP does not host Service Cloud Version 2 in a Canadian-based data centre, FortisBC could transition to Service Cloud Version 1, which is already hosted in a Canadian data centre. Please refer to the response to ICG IR1 16.1 for a comparison of Service Cloud Version 1 and Version 2.

11.1.2 Please discuss the significance of storing information in a Canadian Data Centre, in the context of business risks to FortisBC.

Response:

FortisBC's customer data residency requirements are mandated by BCUC Order G-161-15, which states that the location of data and servers providing service to FEI (formerly, the FortisBC Energy Utilities)[6] is to be restricted to Canada, unless stored externally under approved encryption and key-management conditions.

To store this type of information outside of Canada, the data must be encrypted or de-identified and the encryption keys and/or de-identification keys must be stored on servers located

[6] While FortisBC Energy Utilities (FEU) were the original applicant in this proceeding, the companies that comprised FEU were amalgamated on December 31, 2014, and the amalgamated entity carries on business under the name FortisBC Energy Inc. (FEI). FEI is Canadian owned and controlled by their parent company, Fortis Inc., which is located in Canada.

within FortisBC's data centres in Canada. However, this approach is not feasible in all circumstances. In practice, many third-party vendors do not support customer-controlled encryption key models, particularly where the vendor must actively process the data. As a result, this exception is applied selectively and primarily in scenarios where data can remain encrypted at rest and is not subject to ongoing processing by the vendor.

From a FortisBC risk perspective, there is not a material increase in business, privacy, or cybersecurity risk solely due to a Canadian or US data centre location, provided existing controls are applied. FortisBC already mitigates location-related risk through privacy and security assessments, encryption, key management, contractual controls, supplier audits, and incident response processes. Further, BCUC Order G-161-15 limits FortisBC's ability to adopt modern, resilient cloud and SaaS platforms, many of which are designed to provide resilience through their multi-region North American footprints.

12. Reference: Exhibit B-1, Table 5-5, Pages 95-99

12.1 Please discuss the nature and quantify the magnitude of risks to physical assets related to cloud-based platforms and/or data storage arrangements.

Response:

Risks to physical assets include unauthorized access to hardware, environmental events (fire, flood, power or cooling failures), and mishandling of the physical media such as failed drives. The nature and magnitude of risks to physical assets are the same with cloud-based platforms as they are with on-premise platforms. However, the cloud service changes who is responsible for identifying and mitigating those risks.

Major cloud providers mitigate these risks through measures such as layered physical security controls, geographically distributed data centres, redundant power and cooling systems, continuous monitoring, and resilience certifications.

FortisBC's contracts with cloud service providers require service providers to manage these risks appropriately, including adherence to physical security, redundancy, and resilience standards, maintenance of service levels, and recovery commitments.

13. Reference: Exhibit B-1, Section 6.2.1, Pages 103-104

13.1 Please discuss why FortisBC did not consider the respective number of customers (or customer accounts) as the basis for the allocation of the Combined Project costs to each of FEI and FBC.

13.1.1 Please provide the resulting percentage allocations if FortisBC were to use the number of customer accounts for each of FEI and FBC as the basis for the split of the Combined Project costs between the Companies.

13.1.2 Please discuss the pros and cons of using both the number of employees and the number of customer accounts for each FEI and FBC and whether employees and customer accounts would be given equal weight, to inform the percentage allocations of the Combined Project costs between the Companies.

13.1.3 Please provide the resulting percentage allocations, based on a recommended approach for using both the number of employees and the number customer accounts including the relative weighting for each to inform the split of the Combined Project costs.

Response:

Please refer to the response to BCUC IR1 11.2, where FortisBC describes and compares five different approaches for allocating the ERP Modernization Project costs (including an approach using the number of customers), and provides the resulting percentage allocations for each approach.

With regard to CEC's request to provide the resulting percentage allocations based on using both the number of employees and number of customer accounts, FortisBC considers the shared services allocation methodology discussed in the response to BCUC IR1 11.2 to be the most reflective of this approach. This method is based on the approved cost drivers that vary by function (e.g., customer service activities are based on number of customers, whereas several corporate functions are based on the number of employees) and therefore provides a reasonable weighting of both factors. As shown in Table 1 of the response to BCUC IR1 11.2, allocating the ERP Modernization Project costs based on the shared services allocation approach results in an allocation of approximately 80 percent to FEI and 20 percent to FBC (compared to 78 percent to FEI and 22 percent to FBC based on the number of employees only), with only marginal differences in terms of levelized rate impacts compared to other methodologies.

14. Reference: Exhibit B-1, Section 1.1.4, Page 6

> **1.1.4 Financial Summary and Rate Impact**
>
> The Combined Project cost is estimated at approximately $190.779 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 $92.246 million (48 percent) of the Combined Project cost is allocated to FEI, while $98.533 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 $68.372 million for FEI and $88.219 million for FBC. The levelized rate impact for FEI and FBC over the same period is 0.62 percent and 1.97 percent, respectively.

14.1 Please provide in table format the annual rate impacts that informed the levelized rate impact of 0.62% and 1.97% respectively for FEI and FBC.

14.1.1 Please confirm that post-implementation capital and O&M costs are not included in the above-estimated levelized rate impacts for FEI and FBC.

14.1.2 Further to BCUC IR 15.1, please provide the levelized rate impact associated with the Combined Project for each of FEI and FBC, if post-implementation regular capital and O&M costs and savings were included in the rate impact analysis.

Response:

FortisBC notes that an Errata has been filed concurrently with these IR responses correcting minor errors identified in the financial models. As a result of the minor changes, the levelized rate impacts have changed slightly to 0.60 percent for FEI and 1.94 percent for FBC.

The annual delivery rate impact for FEI and rate impact for FBC (compared to 2025 Interim Approved)[7] over the 13-year analysis period are provided on Lines 7 and 21, respectively, in Table 1 below. Please also refer to Lines 11 and 25 of the table below for the calculation of the levelized delivery rate impact for FEI and levelized rate impact for FBC, respectively.

FortisBC clarifies that the post-implementation capital and O&M costs/savings are included in the financial analysis presented in Section 6.3 of the Application and in the response to BCUC IR1 15.1, as well as in the calculations of the levelized delivery rate impact for FEI and levelized rate impact for FBC.

[7] At the time of the Application, which was filed on November 4, 2025, the most recently approved revenue requirements for FEI and FBC were the 2025 interim rate approvals pursuant to Orders G-313-24 and G-314-24, respectively.

Table 1: FEI Delivery Rate Impact and Associated Levelized Delivery Rate Impact as well as FBC Rate Impact and Associated Levelized Rate Impact for the Combined Project from 2027 to 2038

Line	Particular	Reference	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
1	**FEI**														
2	Annual Revenue Requirement ($000s)	Errata, Conf App B-1	-	467	498	4,863	3,488	16,065	14,901	13,580	12,712	11,907	11,056	10,208	9,394
3	PV of Annual Revenue Requirement ($000s)	Line 2/(1 + Line 13)^Yr	-	414	416	3,822	2,581	11,191	9,773	8,386	7,391	6,518	5,698	4,954	4,292
4	Total PV of Annual Revenue Requirement ($000s)	Sum of Line 3	65,435												
5															
6	2025 Interim Approved, Non-Bypass ($ millions)	G-313-24	1,253	1,253	1,253	1,253	1,253	1,253	1,253	1,253	1,253	1,253	1,253	1,253	1,253
7	**Annual Delivery Rate Impact (%)**	**Line 2 / Line 6 / 1,000**	**0.00%**	**0.04%**	**0.04%**	**0.39%**	**0.28%**	**1.28%**	**1.19%**	**1.08%**	**1.01%**	**0.95%**	**0.88%**	**0.81%**	**0.75%**
8															
9	PV of 2025 Interim Approved, Non-Bypass ($ millions)	Line 6/(1 + Line 13)^Yr	1,180	1,111	1,046	985	927	873	822	774	729	686	646	608	573
10	Total PV of 2025 Interim Approved, Non-bypass ($ millions)	Sum of Line 9	10,960												
11	**Levelilzed Delivery Rate Impact (%)**	**Line 4 / Line 10 / 1,000**	**0.60%**												
12															
13	FEI After-Tax WACC (%)	G-313-24	6.21%	6.21%	6.21%	6.21%	6.21%	6.21%	6.21%	6.21%	6.21%	6.21%	6.21%	6.21%	6.21%
14															
15	**FBC**														
16	Annual Revenue Requirement ($000s)	Errata, Conf App B-2	-	1,452	1,386	6,967	5,842	18,801	17,841	16,755	15,980	15,214	14,450	13,686	12,895
17	PV of Annual Revenue Requirement ($000s)	Line 16/(1 + Line 27)^Yr	-	1,294	1,166	5,532	4,379	13,304	11,918	10,566	9,513	8,549	7,665	6,853	6,096
18	Total PV of Annual Revenue Requirement ($000s)	Sum of Line 17	86,836												
19															
20	2025 Interim Approved ($ millions)	G-314-24	503	503	503	503	503	503	503	503	503	503	503	503	503
21	**Annual Rate Impact (%)**	**Line 16 / Line 20 / 1,000**	**0.00%**	**0.29%**	**0.28%**	**1.39%**	**1.16%**	**3.74%**	**3.55%**	**3.33%**	**3.18%**	**3.03%**	**2.87%**	**2.72%**	**2.57%**
22															
23	PV of 2025 Interim Approved ($ millions)	Line 20/(1 + Line 27)^Yr	474	448	423	399	377	356	336	317	299	282	267	252	238
24	Total PV of 2025 Interim Approved ($ millions)	Sum of Line 23	4,467												
25	**Levelilzed Rate Impact (%)**	**Line 18 / Line 24 / 1,000**	**1.94%**												
26															
27	FBC After-Tax WACC (%)	G-314-24	5.93%	5.93%	5.93%	5.93%	5.93%	5.93%	5.93%	5.93%	5.93%	5.93%	5.93%	5.93%	5.93%

14.1.3 Please provide the allocation of costs for the Combined Project, if they were to be allocated with equal levelized rate impacts for both FEI and FBC, and explain why this may or may not be appropriate.

Response:

If the Combined Project costs were allocated to FEI and FBC so as to result in equal levelized rate impacts (which would be approximately 0.99 percent each), the result would be approximately $141.179 million (74 percent) to FEI and approximately $49.707 million (26 percent) to FBC. This approach would essentially lead to FEI's customers paying the equivalent of 100 percent of the ERP Modernization Project plus approximately 50 percent of FBC's CIS Replacement Project.

This allocation approach is not appropriate for the following reasons:

- It is not reflective of the fact that the existing as well as the upgraded ERP system is being used by both FEI and FBC.
- It results in FEI's customers fully subsidizing FBC's use of the ERP system.
- It would result in FEI's customers paying approximately 50 percent of the cost to replace the FBC CIS, which is only currently used by FBC, with no returning benefits to FEI's

customers (as FEI is already utilizing the SAP CRM application which will be upgraded as part of the ERP Modernization Project scope).