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ELECTRONIC FILING

British Columbia Utilities Commission
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Attention: Patrick Wruck, Commission Secretary

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Dear Mr. Wruck:

**Re: British Columbia Utilities Commission (Commission)
British Columbia Hydro and Power Authority (BC Hydro)
Inquiry of Expenditures related to the adoption of the SAP Platform (Inquiry)
Project No. 3698878**

Pursuant to Commission Order No. Order G-181-17, we enclose for filing, BC Hydro's Reply Argument.

Yours very truly,

LAWSON LUNDELL LLP

Ian Webb

Enc.

British Columbia Utilities Commission

**Inquiry of Expenditures related to the
Adoption of the SAP Platform**

**Reply Argument of
British Columbia Hydro and Power Authority**

March 5, 2018

Part 1 – Introduction

1. The following two interveners filed a final argument with the British Columbia Utilities Commission (**Commission**) in accordance with the regulatory timetable established for the Inquiry by Order No. G-170-17 as amended by Order No. G-181-17:

- Commercial Energy Consumers Association of British Columbia (CEC)
- Ms. Ilse Leis

The three other interveners in the Inquiry did not submit a final argument.

2. The CEC filed two arguments: one for the public record and a second confidential final argument. As described in its correspondence of February 28, 2018, with the exception of a limited redaction, BC Hydro is of the view that the CEC confidential final argument does not contain any information that the Commission ordered should be kept confidential in the Inquiry. As such, BC Hydro's submissions in reply to both CEC arguments are not confidential and are contained within this reply argument.

3. The remainder of BC Hydro's reply argument is organized as follows:

- Part II provides BC Hydro's summary reply to the general and overarching arguments of the CEC.
- Part III replies to the CEC's non-confidential argument on an Inquiry scope item-by-scope item basis.
- Part IV replies to the CEC's confidential argument.
- Part V replies to the final argument of Ms. Leis.

Part II – Summary Reply Submissions

4. The main points raised in the intervener arguments are as follows, each of which is responded to below:
 - (a) BC Hydro's decision to adopt the SAP Strategy has not provided "quantified financial benefits" or "value for money". This argument relies on a false premise that is misguided and demonstrates a fundamental misunderstanding of the purpose of IT&T systems generally and BC Hydro's evidence in this Inquiry specifically.
 - (b) The SAP Strategy was a financial decision and should have been considered as a single project. This argument relies on subjective personal opinions about what constitutes a financial decision and a project without regard to the evidence or any commonly accepted definitions for these terms.
 - (c) Historical issues warrant Commission intervention today. This argument relies on a false premise that nothing has changed. The evidence is that the historical issues identified by the CEC were either isolated or BC Hydro has or is addressing them as part of its continuous improvement approach. The CEC falls far short of justifying its recommended directives and fails to cite any *Utilities Commission Act* provision that might give the Commission the jurisdiction to make them.
 - (d) BC Hydro's SAP-related disclosures to the Commission were inadequate. This argument relies on a subjective personal opinion of how BC Hydro ought to have reported its SAP-related projects and expenditures without regard to the law, practices and expectations in place at the time.
 - (e) The Commission should reconsider its approach to reviewing BC Hydro's capital expenditures and projects. This matter is already being considered in the Commission's proceeding to Review the Regulatory Oversight of BC Hydro Capital Expenditures and Projects.

The CEC's Overarching Submission

5. The CEC's "overarching" assessment and submission is that BC Hydro has not demonstrated it is obtaining "value for money" spent on its IT&T initiatives.¹ The argument boils down to a concern on the part of the CEC that BC Hydro's decisions to invest in IT&T projects have not been based on quantitative financial benefits and full cost/benefit justification of cost effectiveness.
6. The CEC makes this statement at the outset to its final argument (see paragraph 9) and it is clearly its primary (if not only)² criticism because it then repeats the submission, in various forms, in relation to BC Hydro's adoption of the SAP Strategy, its use of EARs, Business Case requirements, and project governance and controls (see paragraphs 10(b), 10(c), 12, 13, 14, 57,³ 58, 65,⁴ 66, 70, 71, 72, 87, 88, 89, 92, 97, 98, 109, 110, 111, 112, 122, 124, 130, 133, 135, 136-143, 145-148, 151-162, 171, 172, 177, 178, 182, 183, 191, 193, and 199-211, for example).
7. Given the near singular focus of the CEC's final argument on this one overarching concern, BC Hydro provides its comprehensive reply to the concern in this part of the reply argument. For the sake of avoiding duplication, this overarching concern of the CEC is not addressed again in Parts III and IV of the reply argument.
8. The CEC's overarching assessment is based on the false premise that the impetus for investing in IT&T projects should be driven by financial benefit and have "cost-saving" as a primary goal. This assertion demonstrates a fundamental misunderstanding of IT infrastructure and the critical importance

¹ The CEC Final Argument, paragraphs 9 and 65, among others.

² Most if not all of the CEC's recommendations as articulated in its final argument ultimately stem from this one central criticism.

³ In paragraph 57 of its final argument, the CEC asserts that, "the main issue with regard to BC Hydro project governance lies in the absence of a robust initial financial benefits justification and absence of review and subsequent measurement of achieved benefits."

⁴ In paragraph 65 of its final argument, the CEC argues that SAP expenditures are "lacking in due diligence, appropriate evaluation, proper financial governance and effective decision-making because of a failure to conduct quantitative benefits analysis and full cost/benefit justification of cost effectiveness." The CEC makes this argument without any basis, evidence or support.

these systems play in the running of day-to-day operations at a major company like BC Hydro. The CEC cites no evidence to support its perspective on goals for IT&T projects, disregards or simply ignores evidence to the contrary and seems to base its argument on pure personal opinion.

9. IT&T systems are essential in order for a business to operate, to facilitate and enable productive employees, and to support and adapt to evolving business needs. In simple terms, there is absolutely no way a company like BC Hydro can operate without proper IT systems.
10. These systems cost money – the investment in them and use of them in most cases is not premised on a financial return on investment. Benefits, of which there are many, are often qualitative and not easily quantified in financial terms. The reasons for undertaking each particular project (i.e., the benefits) are clearly enumerated in the business case in accordance with BC Hydro's business case requirements. The decision-making process in the business case includes a consequence table in which all criteria (benefits, strategic alignment, risk and cost) are identified and alternatives scored on these criteria. All the benefits of a particular IT project will not be translated or are even translatable into quantified financial terms. Overall assessment is made using best judgement to weigh cost and risk against benefit and strategic fit for each alternative.
11. Generally speaking, the need for IT&T projects has been premised on the identification that a current system or systems were not meeting BC Hydro's business requirements in one or more ways. As such, an alternative that would better meet those needs or resolve the identified technological issue has in each case been identified and pursued. The justification is therefore based on the benefits from meeting those business requirements, and not, as the CEC argues, to somehow realize a cost-benefit ratio.
12. In this regard, BC Hydro agrees with the CEC when it says that BC Hydro has not provided a quantitative financial assessment of each of the SAP-related projects examined in this Inquiry. This is true but it is in no way a basis for

criticism of the investments made. As elaborated on further below, the inability to always quantify IT&T benefits within IT projects has been explicitly acknowledged by the Commission in its recent decision on BC Hydro's Supply Chain Applications (**SCA**) application and accepted as being entirely reasonable.⁵

13. By focusing exclusively on the idea that a quantified cost-benefit ratio is an immutable requirement to justify IT&T projects, the CEC has ignored the significant evidence BC Hydro has put forward in this Inquiry related to the benefits that its investments in SAP-related projects are delivering, such as:
- Improved operational capability, reliability and risk mitigation;
 - Direct benefits which result in financial savings to the organization such as headcount reductions and support cost reductions; and
 - Indirect benefits such as productivity savings and effort reduction.⁶
14. The CEC has also not addressed or countered any of BC Hydro's evidence which demonstrates the significant benefits of the SAP Strategy itself, including:
- A reduction in overall complexity of BC Hydro's IT environment and the ability to decommission disparate systems;
 - More streamlined business processes and familiarity with the processes by individual employees;
 - A single source of information and thus consistency of analysis and reporting; and
 - A reduction in the cost of future business and technology changes.⁷
15. The CEC made similar if not almost identical arguments in the recent Commission proceeding to consider BC Hydro's SCA Project to replace its

⁵ See Commission Decision and Order G-158-17, October 19, 2017 (the **SCA Decision**).

⁶ See BC Hydro's Final Argument, paragraph 115.

⁷ See BC Hydro's Final Argument, paragraphs 21 and 28.

Passport supply chain IT system with an SAP-based system. The evidence put forward by BC Hydro and accepted by the Commission in that proceeding provides an almost complete response to CEC's overarching assessment in this Inquiry.

16. BC Hydro's SCA Project is premised on improving efficiency and reducing BC Hydro's costs and risks of acquiring and deploying third party services and materials, as clearly documented in the business case. The Commission accepted and approved capital expenditures of up to \$29.7 million for BC Hydro to complete the Definition phase of the SCA Project. The SCA Decision and Commission determinations with respect to the following issues are worth repeating.

SCA Project Need

17. In the SCA proceeding, BC Hydro submitted that the system in place (i.e. its PassPort supply chain IT system) did not meet BC Hydro's current business requirements and that the SAP solution would close the identified gaps in a manner which justified the investment. The Commission accepted this justification.⁸
18. The same reasoning has been put forward as a primary justification for most of the expenditures on SAP-related projects examined in this Inquiry.

SCA Project Alternatives

19. In the SCA proceeding, the CEC argued that BC Hydro's alternatives assessment was inadequate, relied too heavily on qualitative information and judgment and lacked the appropriate cost comparisons and quantified cost-benefit comparisons for each identified alternative.⁹ CEC makes the same argument in this Inquiry.

⁸ SCA Decision, Executive Summary, page i.

⁹ SCA Decision, page 24.

20. The Commission rejected the CEC's argument in the SCA Decision, determining that BC Hydro's evaluation team was experienced and capable of performing the evaluation, the work BC Hydro did to identify and evaluate the alternatives was reasonable and its selection of the SAP alternative justified.¹⁰ The same reasoning should apply equally to other BC Hydro decisions to select SAP for its IT&T projects.
21. In the SCA proceeding, the CEC argued that BC Hydro's SAP Strategy to move to a common [IT] platform was inappropriate and resulted in the predetermination of certain outcomes, thus discounting any identified alternative.¹¹ CEC makes the same argument in this Inquiry.¹²
22. In rejecting the CEC's argument in the SCA Decision, the Commission correctly characterized BC Hydro's SAP Strategy as not precluding "the use of alternative system applications but does offer numerous benefits not the least of which is the capability to integrate with other systems more readily."¹³ The Commission concluded that while the SAP Strategy "may have provided an advantage to SAP [it was] not persuaded that BC Hydro's final decision was predetermined."¹⁴
23. In the SCA Decision, the Commission placed importance on the fact that SAP is BC Hydro's common technology platform acknowledging that it offered advantages with respect to staff familiarity and ease of integration.¹⁵ It also accepted that there would be additional challenges related to training and familiarity requirements with the adoption of a new non-SAP system.¹⁶
24. The same reasoning and benefits can be applied to all of BC Hydro's SAP-related projects since the adoption of the SAP Strategy in 2008.

¹⁰ SCA Decision, page 26.

¹¹ SCA Decision, page 24.

¹² Specifically, CEC argues that "defining one product as the 'default ERP' over such a large scale of IT&T projects with no consistent examination of the cost-effectiveness of the alternatives can be problematic in that it precludes the opportunity for BC Hydro to make proper cost and benefit analyses amongst several alternatives."

¹³ SCA Decision, page 27.

¹⁴ SCA Decision, page 27.

¹⁵ SCA Decision, page 26.

¹⁶ SCA Decision, pages 26-27.

SCA Project Benefits

25. In the SCA proceeding, the CEC argued that BC Hydro did not provide quantitative evidence and a calculation of a cost-benefit ratio for the SCA Project. The CEC makes the identical overarching argument in this Inquiry. In the SCA proceeding, BC Hydro countered this argument with explicit acknowledgment that it was unable to calculate an economic benefit to a number of the benefits that the SCA will realize. Those benefits were identified as: effort reduction, reputation, reliability, improved information on vendors which will result in better decisions on vendors and improvements in accurately tracking and reporting where money is being spent.¹⁷
26. In the SCA Decision, the Commission disagreed with CEC's submissions and found that BC Hydro's identification and "quantification" of the value of benefits resulting from the implementation of the SCA Project were reasonable.¹⁸
27. The Commission also accepted that "where time and effort cannot be accurately quantified, it is reasonable to rely on estimates of those involved."¹⁹
28. Finally, the Commission specifically acknowledged that BC Hydro had not attempted to quantify in monetary terms the risk reduction benefits and accepted BC Hydro's approach as justified due to the nature of the benefits and the difficulty in estimating their impact in monetary terms.²⁰
29. The same reasoning can be applied to most if not all of the SAP-related expenditures examined in this Inquiry.

¹⁷ SCA Decision, pages 28-30 and 32.

¹⁸ SCA Decision, page 32.

¹⁹ SCA Decision, page 33.

²⁰ SCA Decision, page 33.

Part III – reply to CEC Non-Confidential Argument

30. This part of the reply argument provides BC Hydro's reply to the CEC's submissions in its non-confidential argument on an Inquiry scope item-by-scope item basis. To avoid duplication, BC Hydro's reply to the CEC's submissions in connection with its "overarching" assessment is provided in Part II, above, and not repeated in this part.

Inquiry Scope Item 1

31. Scope Item 1 of the Inquiry is:

What are the total capital and operating expenditures incurred by BC Hydro as at the end of F2016 on the SAP platform, SAP modules and other supporting capital enhancements to support the platform adoption?

32. At paragraphs 32 to 35 of its final argument the CEC takes the position that BC Hydro's definition of "SAP-related project" for the purposes of the Inquiry is acceptable; however, the CEC then suggests that a "more comprehensive" definition would capture additional expenditures. BC Hydro replies that the definition of "SAP-related project" it is using in this Inquiry is designed to respond to Scope Item 1 of the Inquiry and it does so. Using an approach that captures future costs, as suggested by the CEC at paragraphs 34-35, would not be responsive to Scope Item 1 of the Inquiry which requests "expenditures incurred by BC Hydro as at the end of F2016". Scope Item 4 of the Inquiry relates to planned capital spending on a go-forward basis.
33. At paragraph 34 of its final argument the CEC requests the total expenditures that BC Hydro paid to SAP during the period in question. Only a small portion of expenditures on IT&T projects are actually paid to the application vendor. BC Hydro's payments to SAP (and other suppliers) are publicly available in BC Hydro's annual public sector financial disclosure reporting.²¹ Over the last

²¹ https://www.bchydro.com/about/accountability_reports/openness_accountability.html.

eight years the total of BC Hydro's payments to SAP Canada is roughly \$40 million.

34. At paragraphs 46 to 51 of its final argument the CEC makes several submissions and recommendations related to future Commission oversight of BC Hydro's IT&T project expenditures going forward. BC Hydro replies that the matter of Commission oversight of BC Hydro's capital expenditures and projects including IT&T is already being considered in the Commission's Project No. 3698877 Review of the Regulatory Oversight of BC Hydro Capital Expenditures and Projects.
35. At paragraphs 48 and 49 of its final argument the CEC suggests that BC Hydro failed to "highlight the magnitude of its IT&T SAP spending decision" and that "the failure in spending oversight might not have occurred if the SAP Strategy was reviewed independently at the strategy decision level, or even at the module level...". Firstly, BC Hydro's reporting of IT&T projects and expenditures to the Commission have been fully in accordance with the expectations of the BCUC and interveners at the respective time and also in accordance with *Utilities Commission Act*.²² Secondly, the CEC did not explain what it means by "failures in spending oversight", and BC Hydro is not aware of any failures in spending oversight in connection with the adoption of the SAP Strategy.²³

Inquiry Scope Item 2

36. Scope Item 2 of the Inquiry is:

What are BC Hydro's approval and oversight controls and processes related to the authorization and governance of information technology capital expenditures and projects? Were these controls and processes appropriately designed and operating

²² Refer to paragraph 56 of this reply argument, below.

²³ BC Hydro has acknowledged that during the F2011 to F2013 period there were numerous minor and a few major occurrences of non-compliance with governance and oversight standards and policies by IT&T projects. Those historical instances of non-compliance are attributable to the factors discussed in section 4.5.2 of the Consolidated Information Filing and had nothing to do with the adoption of the SAP Strategy or decisions to implement projects in SAP.

effectively with respect to management's review and oversight of SAP-related expenditures?

37. At paragraphs 58 to 63 of its final argument the CEC disagrees with BC Hydro's statement that the adoption of the SAP Strategy was not a financial decision or commitment. The CEC argues that the SAP Strategy was a financial decision on the basis of another false premise and the CEC's subjective personal opinion of what constitutes a financial decision without regard to any commonly accepted definition for a financial decision. The CEC's objective in making the argument appears to be to an appeal for greater oversight and scrutiny of such strategy decisions because, the CEC believes, the adoption of such a strategy predetermines subsequent decisions on projects and expenditures.
38. The premise of the CEC's argument is false. As the Commission accepted in its SCA Decision, the SAP Strategy does not preclude the use of alternative system applications and does not predetermine subsequent decisions on projects and expenditures.²⁴ BC Hydro has been clear as to what constitutes a financial decision or commitment according to BC Hydro's well-documented policies and procedures and the financial approval authority of BC Hydro Board and senior management.²⁵ It is quite clear that the adoption of the SAP Strategy in May 2008 did not include any such authorisation or approval of expenditure nor did it predetermine future expenditure decisions. BC Hydro also notes that at paragraph 66 of the CEC's confidential final argument, the CEC confirms it is "technically correct under BC Hydro's existing policies" that the SAP Strategy did not approve expenditures.
39. At paragraphs 74 to 75 of its final argument the CEC submits that summing the expenditures for separate projects over several years, after the fact, results in total expenditures that might exceed the thresholds for a project application to the Commission. In performing this analysis, the CEC is attempting to recast the past and misunderstands the Commission review requirements in place at the

²⁴ Refer to paragraph 22, above.

²⁵ See Consolidated Information Filing, section 4.2, and BC Hydro final argument, paragraphs 64-76.

time. The regulatory regimes in place from F2003 to F2016 for oversight of BC Hydro capital expenditures and projects are set out and discussed in section 7 of the Consolidated Information Filing. In particular, the \$20 million threshold referenced by the CEC came into effect in July 2010 pursuant to BC Hydro's filing of the Capital Project Filing Guidelines, which make clear that the \$20 million threshold is applied on the basis of individual financial approvals (and not to a sum of separate financial approvals).²⁶

40. At paragraph 76 of its final argument, the CEC recommends that the Commission consider the characterization and approval of related projects. This issue is already being considered in the Commission's Project No. 3698877 Review of the Regulatory Oversight of BC Hydro Capital Expenditures and Projects.
41. The CEC recommendation at paragraph 77 (that governance guidelines be developed for 'strategic decisions') is based on the false premise that the adoption of the SAP Strategy was a financial decision that determined significant spending. The recommendation is not necessary and would not be workable.
42. The reply in paragraph 38 of this reply argument, above, also applies to the CEC submissions in paragraphs 83 to 86, 88 and 89 of its final argument.
43. At paragraphs 95 to 97 of its final argument the CEC references a document presented to BC Hydro's Board of Directors in September 2015. The CEC draws inapt conclusions from this document. On its face, the document is referring to issues prior to September 2015; nevertheless, the CEC suggests at its paragraph 96 that nothing has changed. Section 4.5.2 of BC Hydro's Consolidated Information Filing reports the issues BC Hydro had with IT&T project delivery governance during the F2011 to F2013 period. The issues had nothing to do with the SAP Strategy. Section 4.5.3 of the Consolidated Information Filing explains the improvements that BC Hydro has made since that time in response to internal audits and as part of a continuous improvement approach. Contrary to the CEC's assertions, the referenced Board presentation is demonstrable

²⁶ Consolidated Information Filing, Attachment 37.

evidence of this continuous improvement approach by BC Hydro in the area of IT&T – it reports on BC Hydro’s strategies and action plans, reflects on lessons learned and maps out a plan for future improvements. Section 4.6 of the Consolidated Information Filing shows there has been demonstrated considerable improvement in standards and policy performance over time and that there are currently no material issues. Moreover, at paragraphs 167 to 169 of its final argument the CEC acknowledges the improvement in BC Hydro’s IT&T project governance and submits that “the Project delivery framework appears to be properly functioning at this time”.

44. In summary, the CEC’s recommendations as articulated in Part C of its final argument (regarding Scope Item 2) are almost entirely based on false premises respecting the purpose of IT&T investments at a large company like BC Hydro and respecting the true meaning and implications of the SAP Strategy as accepted by the Commission in its SCA Decision.

Inquiry Scope Item 3

45. Scope Item 3 of the Inquiry is:

Have the goals outlined in BC Hydro’s Information Technology and Telecommunication (IT&T) Five-Year Plan related to SAP initiatives been achieved?

46. The CEC’s submissions in part D of its final argument (regarding Scope Item 3) do not actually address whether the goals of the 2009 IT&T Five-Year Plan have been or are being achieved (which is the subject matter of the scope item). In paragraphs 206 to 210 of its final argument, the CEC instead substitutes its own subjective personal opinion of what the IT&T Plan’s objectives ought to have been (that is, quantified financial benefits), and again argues that the SAP Strategy and BC Hydro’s SAP-related projects are not achieving the goal the CEC would have them tested against.

47. As discussed above, the CEC's expectation that all IT&T projects must have quantifiable financial benefits to proceed is unreasonable and has been dismissed by the Commission.

Inquiry Scope Item 4

48. Scope Item 4 of the SAP Inquiry is:

What is BC Hydro's planned capital spending on the adoption of the SAP platform and independent SAP projects on a go-forward basis?

49. In paragraph 220 of its final argument the CEC submits a recommendation in relation to future Commission oversight of BC Hydro IT&T expenditures. That matter is already being considered in the Commission's Project No. 3698877, Review of the Regulatory Oversight of BC Hydro Capital Expenditures and Projects.

Inquiry Scope Item 5

50. Scope Item 5 of the Inquiry is:

Were all SAP-related disclosures to the Commission appropriate, reasonable and in accordance with the *Utilities Commission Act*?

51. In paragraphs 255 and 256 of its final argument, the CEC recommends that the Commission establish guidelines with respect to correction of errors in evidence in order to avoid further issues. The testimony at issue and the response to Undertaking 62 in the October 2008 hearing were nearly ten years ago. There has been no suggestion whatsoever of a single issue of that nature since. Moreover, the expectations for evidence and testimony in Commission proceedings are well understood by BC Hydro in particular. Accordingly, and as submitted in BC Hydro's final argument, BC Hydro suggests that no further action by the Commission is warranted in respect of Scope Item 5.

Part IV – Reply to CEC’s Confidential Final Argument

52. In its confidential final argument the CEC generally makes the same submissions as those in its non-confidential final argument.
53. At paragraphs 4 and 12 to 17 of its confidential final argument the CEC asks the Commission to direct BC Hydro to make improvements to its Code of Conduct/ ethics review process. The CEC’s request is based solely on its opinions about a single Code of Conduct complaint review undertaken eight years ago, and the false assumption that nothing has changed. This Inquiry did not review BC Hydro’s current Code of Conduct complaint review process which BC Hydro notes has changed relative to the process eight years ago. The CEC argument falls far short of justifying its requested directive and fails to cite any *Utilities Commission Act* provision that might give the Commission jurisdiction to make the directive.
54. At paragraphs 5, 6, 7, 8, 18 to 32 and 46 to 48 of its confidential final argument, the CEC repeats its argument that justification for the SAP Strategy has not been adequately supported with quantitative analysis and that there is no evidence that the SAP platform was a more cost-effective solution. These submissions are fully addressed and responded to in Part II above.
55. Paragraphs 33 to 45 of the CEC’s confidential final argument reference the same September 2015 document as the CEC references in paragraphs 94 to 98 of its non-confidential final argument. BC Hydro’s reply submissions in relation to this matter are in paragraph 43 above.
56. With respect to the CEC’s recommendation at paragraphs 68 and 69 of the confidential final argument, BC Hydro replies that such matters are already being considered in the Commission’s Project No. 3698877, Review of the Regulatory Oversight of BC Hydro Capital Expenditures and Projects.

Part V – Reply to Final Argument of Ms. Leis

57. In her final argument and Addendum 2 additional submission, Ms. Leis submits that BC Hydro was not transparent with respect to “the ‘switch’ to SAP platforms” and estimated cost projections for expenditures on SAP.
58. The adoption of the SAP Strategy in May 2008 was a change from the former ‘best of breed’ strategy for ERP applications to a common ERP strategy with SAP as the core. The strategy was not a plan to decommission all of BC Hydro’s existing ERP systems and switch them all to SAP functionality, for example. Rather, as business needs emerge, including when an existing ERP system is at end of life, BC Hydro considers the options for a new system and SAP is considered as the default solution for ERP applications. The staged implementation as business needs arise has meant that BC Hydro still has ERP applications today that are not SAP. As further business needs arise now and in the future, such as the need for new supply chain management systems, BC Hydro evaluates and moves forward with the preferred solution. BC Hydro is currently working on the Definition phase of the SCA Project in SAP, for example.
59. With respect to transparency, BC Hydro's reporting of SAP projects and IT&T capital expenditure forecasts has been in accordance with the expectations of the Commission and interveners and also in accordance with the applicable provisions of the *Utilities Commission Act* in place at the respective time.²⁷
- BC Hydro has been reporting capital projects and expenditure forecasts to the Commission in essentially the same format since the F07/F08 RRA filed in May 2006.²⁸
 - BC Hydro has always reported capital projects and expenditures to the Commission by function (e.g., hydro generation, substations, properties,

²⁷ With the exception of certain testimony and a response to an undertaking given during the F2009/F2010 RRA hearing in October 2008 that BC Hydro has been clear did not meet its standards for providing complete, open and transparent information.

²⁸ The RRA Appendices I and J format for reporting capital project and expenditure forecasts has been used since the F09/F10 RRA.

IT&T). It was never the practice or expectation for BC Hydro to report to the Commission its capital projects or expenditures by vendor (e.g., SAP, IBM, General Electric, General Motors). If BC Hydro had been asked to report on such a basis, it would have done so.²⁹

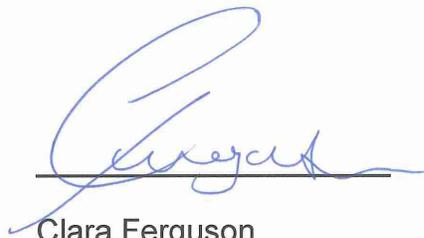
- Projects that involve SAP technology should be treated the same with respect to reporting and review as other projects based on other technologies.
60. On page 4 of her final argument Ms. Leis submits that an account of BC Hydro's yearly expenditures on SAP-related projects might be satisfactory full disclosure. BC Hydro replies that Tables 5 and 6 of the Consolidated Information Filing report SAP-related total operating expenditures and capital expenditures for each year from F2009 to F2016.
61. On page 2 of her Addendum 2 additional submission Ms. Leis asks whether BC Hydro's final argument mentions the 2010 Code of Conduct complaint and related internal review at BC Hydro. BC Hydro confirms that the matter is referenced in the cover letter to BC Hydro's final argument and on page 14 of the appendix to the final argument, in its proper chronological position.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

THIS 5th DAY OF MARCH 2018.



Ian Webb



Clara Ferguson

²⁹ As a Crown corporation, BC Hydro reports its payments to suppliers in its annual Financial Disclosure reporting. Refer to footnote 21 above.