



**ORDER NUMBER
G-89-25**

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

and

FortisBC Energy Inc.
Advanced Metering Infrastructure Project
Variance to Order C-2-23

BEFORE:

B. A. Magnan, Commissioner
W. E. Royle, Commissioner

on April 3, 2025

ORDER

WHEREAS:

- A. On May 5, 2021, FortisBC Energy Inc. (FEI) filed an application with the British Columbia Utilities Commission (BCUC) for a Certificate of Public Convenience and Necessity (CPCN) pursuant to sections 45 and 46 of the *Utilities Commission Act* (UCA) for FEI's Advanced Metering Infrastructure (AMI) Project (Application);
- B. On July 5, 2022, FEI filed an evidentiary update to the Application (Evidentiary Update). The Evidentiary Update provided updated cost estimates to those originally filed with the Application;
- C. By Decision and Order C-2-23 (Decision), dated May 15, 2023, the BCUC granted a CPCN to FEI for the AMI Project (Project) and directed FEI to file reports as outlined in Appendix B to the Decision, which sets deadlines and requirements for semi-annual progress reports, material change reports and a final report;
- D. On July 21, 2023, FEI submitted a request to amend the filing date of its first semi-annual progress report for the Project, so that the first report covered the period ending December 31, 2023, which the BCUC approved by Order G-203-23 dated July 28, 2023;
- E. On January 30, 2024, FEI filed Semi-Annual Progress Report No. 1 for the Project, for the period ending December 31, 2023;
- F. On July 30, 2024, FEI filed Semi-Annual Progress Report No. 2 for the Project, for the period ending June 30, 2024;
- G. On September 27, 2024, the BCUC issued Staff Questions No. 1 to FEI regarding Semi-Annual Progress Reports No.1 and 2;

- H. FEI filed its responses to BCUC Staff Questions No. 1 on October 18, 2024, in which FEI requests two variances to its AMI Project reporting: a variance to the Project schedule based on which material change reports are triggered, and a variance to its approved capital budget, against which semi-annual progress reports are measured and material change reports are triggered; and
- I. The BCUC has reviewed the requests and considers that a variance to the requirement for material change reporting regarding the Project schedule is warranted and a variance to the reporting requirements regarding the total Project cost is not warranted.

NOW THEREFORE pursuant to section 99 of the UCA, and for the reasons outlined in the decision accompanying this order, the BCUC orders as follows:

1. Section 2 of Appendix B to Decision and Order C-2-23 is varied to read as follows:

A material change (Material Change) is a change in FEI's plan for the Project that would reasonably be expected to have a significant impact on the schedule, cost or scope, such that:

- There is a schedule delay of greater than six months compared to the schedule provided in Table 2-1 of Semi-Annual Progress Report No.1;
- The total Project cost exceeds 10 percent of the estimated Project cost provided in Table 6-1 of the Evidentiary Update; or
- There is a change to the Project scope detailed in section 5.4 of the Application.

In the event of a Material Change, FEI must file a Material Change report with the BCUC explaining the reasons for the Material Change, FEI's consideration of the Project risk and the options available, and actions FEI is taking to address the Material Change. FEI must file the Material Change report as soon as practicable and in any event within 30 days of the date on which the Material Change occurs.

2. FEI's request to vary its Project capital budget for reporting purposes is denied.

DATED at the City of Vancouver, in the Province of British Columbia, this 3rd day of April 2025.

BY ORDER

Electronically signed by Bernard Magnan

B. A. Magnan
Commissioner

DECISION

1.0 Background

On May 5, 2021, FortisBC Energy Inc. (FEI) filed an Application (Application) with the British Columbia Utilities Commission (BCUC) for a Certificate of Public Convenience and Necessity (CPCN) for the Advanced Metering Infrastructure Project (Project). FEI established a Project schedule in Table 5-2 of the Application with an estimated in-service date of Q3 2026 to Q4 2026.¹ The in-service date was contingent upon the BCUC granting a CPCN by May 2022 and was anticipated to be four and a half years following BCUC approval.² On July 5, 2022, FEI filed an update (Evidentiary Update) to the Application which included, among other things, updated Project cost estimates in Tables 6-1, Table 6-2, and Tables 6-5 and an updated capital cost estimate of \$751.8 million, based on an Association for the Advancement of Cost Engineering (AACE) Class 3 cost estimate.³

On May 15, 2023, the BCUC issued Decision and Order C-2-23 (Decision) granting a CPCN to FEI for the Project and directed various Project reporting requirements. In accordance with Directive 4 and Appendix B to Decision and Order C-2-23, FEI was required to file semi-annual progress reports, each of which was required to detail:⁴

- Actual costs incurred to date compared to the Project cost breakdown estimate provided in Table 6-1, Table 6-2 and Table 6-5 of the Evidentiary Update, highlighting variances with an explanation of significant variances;
- Updated forecast of costs, highlighting the reasons for significant changes in Project costs / savings anticipated to be incurred; and
- The status of identified risks noted in section 5.7 of the Application, highlighting the status of identified risks, changes in and additions to risks, the options available to address the risks, the actions that FEI is taking to deal with the risks and the likely impact on the Project's schedule and cost.

FEI was also directed to file Material Change Reports in the event of a material change. Appendix B to Decision and Order C-2-23 defined a Material Change as a change in FEI's plan for the Project that would reasonably be expected to have a significant impact on the schedule, cost or scope, such that:⁵

- There is a schedule delay of greater than six months compared to the schedule provided in Table 5-2 of the Application;
- The total Project cost exceeds 10 percent of the estimated Project cost provided in Table 6-1 of the Evidentiary Update; or
- There is a change to the Project scope detailed in section 5.4 of the Application.

2.0 Variance Requests

FEI filed Semi-Annual Progress Report No. 1 on January 30, 2024 for the period ending December 31, 2023. In Table 2-1 of this report, FEI revised its forecast Project completion date from 2026 to Q2 2028.⁶ FEI also

¹ FEI AMI CPCN Proceeding, [Exhibit B-1](#), p.85, Table 5-2.

² FEI AMI CPCN Proceeding, [Exhibit B-1](#), p.6.

³ FEI AMI CPCN Proceeding, [Exhibit B-30](#), Appendix B, pp.98-100, Tables 6-1, 6-2 and 6-5.

⁴ Decision and Order C-2-23, dated May 15, 2023, Appendix B.

⁵ Ibid.

⁶ FEI AMI CPCN C-2-23 Semi-Annual Progress Report No. 1, dated January 30, 2024, p.7 (Confidential).

established a revised Project control budget of \$808.5 million, which reflects an increase of \$56.7 million compared to the cost estimate in the Evidentiary Update.⁷ FEI attributed the increase of \$56.7 million in Project costs to unanticipated customer growth and increase in inflationary pressures, risks relating to the employment market, and rising costs associated with facilities, vehicle fleet and labour.⁸

In FEI's Semi-Annual Progress Report No. 2, filed July 30, 2024, FEI provided updates to the schedule and control budget using the schedule and control budget filed in Semi-Annual Progress Report No. 1 as the baseline.

In response to BCUC Staff Questions, dated October 18, 2024, FEI requested BCUC approval to use the Project schedule and control budget established in Semi-Annual Progress Report No. 1 as a basis for determining future material changes.

Regarding the Project schedule, FEI states that due to delays in BCUC approval for the Project from May of 2022 to May 15, 2023, the Project in-service date was delayed from Q4, 2026 to Q2, 2028. However, consistent with the Application,⁹ FEI submits that the Project is still forecast to be completed four and a half years following BCUC approval and therefore the change in in-service date does not constitute a material change based on schedule.¹⁰

Regarding the control budget, FEI submits it had noted during the AMI proceeding that it never intended to use the approved budget from the Evidentiary Update as the basis for reporting future material variances.¹¹ In the Evidentiary Update, FEI had communicated its intention to provide updated cost estimates for the Project following BCUC approval. FEI submits that it provided its updated control budget for the Project in Semi-Annual Progress Report No. 1, in alignment with its previous statement in the Evidentiary Update and with the intention that this cost estimate would serve as the basis for which all future cost variances would be compared against.¹²

3.0 Panel Determination

FEI seeks two variances to its AMI Project reporting: a variance to the Project schedule on which Material Change Reports are triggered, and a variance to its approved capital budget, against which both semi-annual progress reports and Material Change Reports are measured. The Panel addresses these requests in turn below.

The Panel accepts FEI's proposed updates to the Project schedule. FEI's Project schedule was based on receiving a CPCN decision by May of 2022. Since the CPCN was granted in May of 2023, a year later than anticipated, the Panel considers that it is reasonable that the Project in-service date is correspondingly delayed by one year. As such, the Panel finds that the Project schedule, as adjusted in Table 2-1 of Semi-Annual Progress Report No. 1, is appropriate for determining future material changes.

Accordingly, the Panel orders that section 2 of Appendix B to Decision and Order C-2-23 is varied to read as follows (variance underlined below):

A material change (Material Change) is a change in FEI's plan for the Project that would reasonably be expected to have a significant impact on the schedule, cost or scope, such that:

⁷ FEI AMI CPCN C-2-23 Semi-Annual Progress Report No. 1, dated January 30, 2024, p.9 (Confidential).

⁸ FEI AMI CPCN C-2-23 Semi-Annual Progress Report No. 1, dated January 30, 2024, p.9 (Confidential).

⁹ FEI AMI Proceeding, Exhibit B-1, p.6.

¹⁰ FEI AMI CPCN C-2-23 Semi-Annual Progress Report No. 1, BCUC Staff Questions No. 1, IR 1.1 (Confidential).

¹¹ FEI AMI Proceeding, Exhibit B-30, p.2.

¹² FEI AMI CPCN C-2-23 Semi-Annual Progress Report No. 1, BCUC Staff Questions No. 1, IR 4.1 (Confidential).

- There is a schedule delay of greater than six months compared to the schedule provided in Table 2-1 of Semi-Annual Progress Report No.1;
- The total Project cost exceeds 10 percent of the estimated Project cost provided in Table 6-1 of the Evidentiary Update; or
- There is a change to the Project scope detailed in section 5.4 of the Application.

In the event of a Material Change, FEI must file a Material Change report with the BCUC explaining the reasons for the Material Change, FEI's consideration of the Project risk and the options available, and actions FEI is taking to address the Material Change. FEI must file the Material Change report as soon as practicable and in any event within 30 days of the date on which the Material Change occurs.

Regarding FEI's request to vary the Project budget approved for comparison to actuals in future semi-annual progress reporting and for determining Material Changes, the Panel notes that the Project budget was carefully reviewed and considered by the BCUC in granting a CPCN for the Project. The proceeding to review FEI's Application was extensive, spanning two full years. Included in the regulatory process was FEI's filing of an Evidentiary Update focused on Project costs and the costs of alternatives, with a round of information requests from the BCUC and five interveners.¹³ The Project budget was presented as an AACE Class 3 cost estimate range and the BCUC found that the Project budget was reasonable.

The Panel notes that FEI's request to increase the approved Project budget by \$56.7m, or 7.5%, is not a material change, which is defined as an increase of 10% or more over budget. However, given the magnitude of the proposed increase, and BCUC's extensive review of the budget in the Evidentiary Update prior to granting the CPCN for the Project, the Panel finds that the approved Project budget in the Evidentiary Update continues to be the most appropriate baseline for assessing the Project's cost performance.

Therefore, FEI's request to vary its Project capital budget for reporting purposes is denied. As such, FEI is required to continue comparing its actual Project costs to the approved Project budget established in Tables 6-1, 6-2 and 6-5 of the Evidentiary Update in future Project semi-annual reports and to use the estimated Project cost provided in Table 6-1 of the Evidentiary Update as the comparator for determining any future material changes.

DATED at the City of Vancouver, in the Province of British Columbia, this 3rd day of April 2025.

Electronically signed by Bernard Magnan

B.A Magnan
Commissioner

Electronically signed by Wendy Royle

W.E. Royle
Commissioner

¹³ Exhibits B-30, B-35, B-36, B-37, B-38, B-39, B-40.