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September 4, 2020

Ms. Marija Tresoglavic
Acting Commission Secretary and Manager
Regulatory Support
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Ms. Tresoglavic:

**RE: Project No. 1598990
British Columbia Utilities Commission (BCUC or Commission)
British Columbia Hydro and Power Authority (BC Hydro)
Fiscal 2020 to Fiscal 2021 Revenue Requirements Application
IT Service Management Toolset (ITSM) Project**

BC Hydro writes to provide the BCUC with updated information regarding the forecast capital cost for the ITSM project.

BC Hydro has earlier provided the BCUC with an update to the ITSM project in its letter of January 15, 2020 (Exhibit B-29) in which it provided updated cost information for several Information Technology Projects. At that time, the forecast capital cost of the project had increased from \$1.5 million,¹ as originally filed in the Fiscal 2020 to Fiscal 2021 Revenue Requirements Application (**F20-F21 RRA**), to \$3.9 million. The total project cost also included pre-paid configuration costs of \$1.1 million for eight years and one-time operating costs of \$1.2 million in Fiscal 2021. As shown in [Table 1](#) below, the total project costs were forecast at \$14.3 million.

An accounting treatment review has determined that the pre-paid configuration costs of \$8.8 million are required to be capitalized. This change itself does not impact the total project cost forecast of \$14.3 million as found in the January 15, 2020 update, as forecasted capital expenditures will now be increased by the \$8.8 million with an equal reduction to forecast operating costs.

The accounting review also determined that 80 per cent of future licensing subscription fees are to be capitalized. These costs were not included in the total project cost forecast in the F20-F21 RRA as they were considered to be future sustainment operating costs. This change results in an additional \$5.1 million of capital expenditures

¹ Fiscal 2020 to Fiscal 2021 Revenue Requirements Application – Appendix I, page 9, line “Projects and Programs less than \$2 million”.

that were originally expected to be operating costs in future years. The total project cost forecast as a result of these accounting treatment changes is now \$19.4 million.

[Table 1](#) below shows the revised total project forecast subsequent to the BCUC update letter as a result of the two accounting treatment changes.

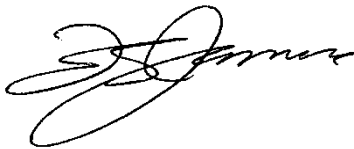
Table 1 Revised Total Project Forecast

Cost Category	BCUC Update (Exhibit B-29) (\$ million)	Capitalization of Pre-paid Configuration Costs (\$ million)	Capitalization of Future License Costs (\$ million)	Revised Total Project Forecast (\$ million)
Capital	3.9	8.8	5.1	17.8
Pre-paid Configuration	8.8	(8.8)	-	-
One Time Operating Costs	1.6	-	-	1.6
Total Project Forecast	14.3	-	5.1	19.4

BC Hydro notes that the revised capital cost of \$19.4 million remains below the 2018 Capital Filing Guidelines threshold of \$20 million for the filing of a section 44.2 application.

For further information, please contact Chris Sandve at 604-974-4641 or by email at bchydroregulatorygroup@bchydro.com.

Yours sincerely,



Fred James
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