

Company: Southern California Gas Company (U 904 G)
Proceeding: 2024 General Rate Case
Application: A.22-05-015/-016 (cons.)
Exhibit: SCG-213

REBUTTAL TESTIMONY OF
EVAN D. GOLDMAN
(CUSTOMER INFORMATION SYSTEM REPLACEMENT PROGRAM)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



May 2023

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**REBUTTAL TESTIMONY OF
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(CUSTOMER INFORMATION SYSTEM REPLACEMENT PROGRAM)**

I. SUMMARY OF DIFFERENCES

TOTAL O&M - Constant 2021 (\$000)			
	Base Year 2021	Test Year 2024	Change
SOCALGAS	\$ 1,815	\$ 20,247 ¹	\$ 18,432
CAL ADVOCATES	\$ 1,815	\$ 9,975	\$ 8,160

II. INTRODUCTION

This rebuttal testimony regarding Southern California Gas Company's (SoCalGas or the Company) request for Customer Information System (CIS) Replacement Program addresses the following testimony from other parties:

- The Public Advocates Office of the California Public Utilities Commission (Cal Advocates) as submitted by Mariana Campbell (Exhibit CA-10), dated March 27, 2023.
- Cal Advocates as submitted by Stacey Hunter (Exhibit CA-20), dated March 27, 2023.
- The Utility Reform Network (TURN) and Southern California Generation Coalition (SCGC) as submitted by Catherine E. Yap (Exhibit TURN-SCGC-07), dated March 27, 2023.

As a preliminary matter, the absence of a response to any particular issue in this rebuttal testimony does not imply or constitute agreement by SoCalGas with the proposal or contention made by these or other parties. The forecasts contained in SoCalGas's direct testimony, performed at the project level, are based on sound estimates of its revenue requirements at the time of testimony preparation.

SoCalGas's CIS Replacement Program will replace an outdated mainframe system that is the technology foundation of numerous critical operations within the SoCalGas Customer Services organization. The importance of replacing SoCalGas's legacy CIS along with a

¹ While compiling information for Data Request PAO-SCG-030-MCL_SCG-13-3812, Question 3, a non-labor classification error was discovered and the correction was communicated in SoCalGas's response. (See Appendix B.) This error does not impact the TY 2024 submitted forecast.

1 discussion of proposed timing, scope, and cost of implementation is discussed in greater detail
2 within my direct testimony, Exhibit SCG-13.²

3 Intervenor do not question the merits of the CIS Replacement Program proposal;
4 however, they take issue with the recovery mechanism and timing of the CIS Replacement
5 Program forecast. Cal Advocates proposes alternate Operations and Maintenance (O&M)
6 forecasts for CIS replacement for the 2024 test year and proposes a memorandum account to
7 track O&M costs. In addition, Cal Advocates and TURN-SCGC assert that the project could be
8 delayed beyond the rate case cycle, and CIS Replacement capital should not be included in the
9 Test Year (TY) 2024 General Rate Case (GRC). SoCalGas disagrees with these
10 recommendations.

11 SoCalGas's CIS Replacement Program's TY 2024 non-shared O&M forecast and Post-
12 Test Year (PTY) capital recovery forecast are reasonable. Further described throughout my
13 rebuttal are reasons why the Commission should disregard Cal Advocates' proposed alternate
14 O&M forecasts for CIS replacement and adopt SoCalGas's forecast. Similarly, the Commission
15 should disregard Cal Advocates' and TURN-SCGC's unsupported assertions that the project
16 could be delayed beyond the rate case cycle and authorize SoCalGas's capital forecasts.

17 **A. Cal Advocates**

18 The following is a summary of Cal Advocates' positions on SoCalGas's CIS
19 Replacement Program:³

- 20 • Recommends a reduction of \$10.28 million from SoCalGas's non-shared
21 O&M TY 2024 forecast of \$20.247 million.⁴
 - 22 • Believes SoCalGas's TY 2024 forecast is overstated because
23 activities for several CIS program phases that are estimated to
24 be completed in years beyond TY 2024 are included.⁵
 - 25 • Recommends the Plan & Analyze Phase forecasts for the CIS
26 Replacement Program plus 2021 adjusted recorded
27 expenditures be used to forecast TY 2024 O&M expenses.⁶

² Ex. SCG-13 (Evan D. Goldman), Sections II – VIII, at 5-19.

³ Ex. CA-10 (Mariana Campbell) at 1-2, 9-14; Ex. CA-20 (Stacey Hunter) at 3, 21.

⁴ Ex. CA-10 (Mariana Campbell) at 1, 14.

⁵ *Id.* at 10.

⁶ *Id.* at 11.

- States that SoCalGas did not substantiate the cost benefits and saving benefits to ratepayers for the CIS Replacement Program.⁷
- Recommends that SCG’s CIS Replacement Program be removed from PTY recovery.⁸

B. TURN-SCGC

The following is a summary of TURN-SCGC’s position on SoCalGas’s CIS Replacement Program:⁹

- Argues that the Commission should reject SoCalGas’s proposal to treat the CIS Replacement Program as an incremental addition to attrition capital additions.

III. REBUTTAL TO PARTIES’ O&M PROPOSALS

A. Non-Shared Services O&M

NON-SHARED O&M - Constant 2021 (\$000)			
	Base Year 2021	Test Year 2024	Change
SOCALGAS	\$ 1,815	\$ 20,247 ¹⁰	\$ 18,432
CAL ADVOCATES	\$ 1,815	\$ 9, 975	\$ 8,160

1. Cal Advocates

Cal Advocates takes issue with the Test Year 2024 O&M forecast for the CIS Replacement Program. Cal Advocates proposes a forecast of \$9.98 million, or \$10.28 million less than SoCalGas’s request of \$20.47 million.¹¹ Cal Advocates believes SoCalGas’s TY 2024 forecast is overstated on the basis that it includes activities for several CIS program phases that are estimated to be completed in years beyond TY 2024.¹² In determining its own proposed

⁷ *Id.* at 12.

⁸ *Id.* at 9-14.

⁹ Ex. TURN-SCGC-07 (Catherine E. Yap) at 10-11.

¹⁰ While compiling information for Data Request PAO-SCG-030-MCL_SCG-13-3812, Question 3, a non-labor classification error was discovered and the correction was communicated in SoCalGas’s response. (*See* Appendix B.) This error does not impact the TY 2024 submitted forecast.

¹¹ Ex. CA-10 (Mariana Campbell) at 10.

¹² *Ibid.*

1 forecast, Cal Advocates utilized only the first phase of the CIS Replacement Program, the Plan &
2 Analyze Phase, to estimate TY 2024 O&M expenses.¹³ Cal Advocates also states that SoCalGas
3 did not provide documentation to substantiate the cost benefits and saving benefits to ratepayers
4 for the CIS Replacement Program and that SoCalGas’s future forecasts do not include any
5 potential cost benefits to ratepayers, which Cal Advocates believes should be documented for
6 ratepayer funding of new projects.¹⁴ Lastly, Cal Advocates recommends that SoCalGas create a
7 memorandum account to track and record costs associated with SoCalGas’s CIS Replacement
8 O&M expenses.¹⁵

9 SoCalGas disagrees with Cal Advocates’ proposed reductions to its TY 2024 forecast for
10 the CIS Replacement Program. Cal Advocates’ assertion that activities forecasted to be
11 completed beyond the test year should not be authorized is misguided. Cal Advocates does not
12 consider the evidence presented by SoCalGas that demonstrates that all forecasted costs for the
13 CIS Replacement project are anticipated to be incurred within this rate case cycle.

14 Normalization, or the averaging of costs, in the TY when the spend is not expected to be uniform
15 across the rate case cycle is a common practice and a recognized forecasting tool when there are
16 not uniform expenses from year to year. Cal Advocates’ proposal that only the first phase of the
17 project, the Plan & Analyze phase, should be funded on the basis that it is the only phase that
18 will be completed by 2024 should be rejected. Along with ignoring the recognized forecasting
19 practice of normalization, Cal Advocates’ proposal also ignores forecasts for phases of the CIS
20 Replacement Project that will start, but not complete, in 2024. Although the Commission
21 authorizes an O&M revenue requirement for the test year, here 2024, the revenue requirement is
22 carried through the post-test years to cover O&M expenses in those post-test years until the
23 utility’s next GRC filing. The Commission has in many instances authorized a normalized test
24 year forecast when costs, either historical or forecasted, vary significantly from the test year.¹⁶

¹³ *Id.* at 11.

¹⁴ *Id.* at 12-13.

¹⁵ *Id.* at 1.

¹⁶ *See, e.g.*, D.19-09-051 at 62 (“On the other hand, we find that a five-year average in this case better reflects costs over time and normalizes highs and lows of fluctuating costs.”); *Id.* at 227 (use of the “average to be appropriate as the volume for certain activities tend to fluctuate depending on the circumstances as well as need and market conditions. Because of this, a five-year average is appropriate in order to normalize these fluctuations.”); *Id.* at 708-709 (“We find that using a seven-

1 Since the CIS replacement program is of a fixed duration and not a recurring activity,
2 authorizing only activities forecasted to be completed in the test year would not provide
3 sufficient funding to complete forecasted O&M activities for CIS Replacement. Over the four-
4 year rate case period, the difference between Cal Advocates' and SoCalGas's forecasts is
5 cumulatively \$41.088 million. Importantly, Cal Advocates does not appear to dispute the
6 necessity of replacing SoCalGas's CIS, nor the accuracy of SoCalGas's CIS Replacement O&M
7 forecasts, but instead only disputes the timing of recovery.

8 Regarding Cal Advocates' argument that SoCalGas's future forecasts do not include
9 potential cost benefits to ratepayers,¹⁷ Cal Advocates appears to misunderstand the timing of any
10 benefits related to the CIS Replacement Program. In its cited data request, Cal Advocates asked
11 if SoCalGas took into account savings in determining cost forecasts.¹⁸ SoCalGas explained that
12 there are no savings anticipated during the implementation of the program.¹⁹ The CIS
13 replacement program will implement new technology and processes that will not be fully
14 executed until 2026 and not stabilized until 2027. SoCalGas will continue to operate using
15 existing technology and processes until the new system is implemented. It is not reasonable to
16 expect any benefits from CIS Replacement to occur until after the system is stabilized and
17 SoCalGas has become proficient with the new processes and technology. Therefore, it is
18 premature to include potential benefits to ratepayers in the TY 2024 GRC forecast. Further, Cal
19 Advocates offers no explanation of how the perceived lack of ratepayer benefits in this GRC
20 period refutes the validity of SoCalGas's cost forecasts.

21 In its direct testimony and workpapers, SoCalGas clearly explains and provides evidence
22 justifying the need for CIS to be replaced and provides evidence to support the validity of its

year average using recorded *and forecasted* capital additions for 2013 to 2019 more reasonably reflects both historical adjustments as well as *current and forward-looking additions* in light of the evolving changes brought about by the utilities' focus on increasing investment in utility safety and reliability and investments aimed at mitigating safety risk and providing clean and reliable energy.”) (emphasis added); D.14-08-032 at 91-93 (normalized the test year (2014) “to account for the diminishing costs forecast [for investigation of idle systems removal] through the rest of this GRC cycle. PG&E’s 2015 forecast is significantly lower than the 2014 Test Year forecast and the 2016 forecast is zero. We adopt a normalized 2014 expense amount of \$1.623 million, which represents a reduction of \$2.196 million to PG&E's 2014 expense forecast.”).

¹⁷ Ex. CA-10 (Mariana Campbell) at 13-14.

¹⁸ *Id.* at 13.

¹⁹ *Ibid.*

1 forecasts.²⁰ The need for replacement is justified based on the following key drivers as discussed
2 in direct testimony:

- 3 • Solving the problems of technology obsolescence and complexity with the
4 legacy CIS;
- 5 • Establishing a technology platform that can meet future business and
6 regulatory requirements;
- 7 • Implementing a “living” system that is sustainable, upgradeable, and
8 resilient;
- 9 • Enabling modern customer experiences to meet changing customer
10 expectations; and
- 11 • Evolving customer relationships in support of SoCalGas’s ASPIRE 2045
12 climate commitment.²¹

13 As SoCalGas stated in its response to Cal Advocates’ data request,²² although a cost
14 benefit analysis was performed, SoCalGas primarily relied upon the key drivers listed above in
15 making the determination to replace its legacy CIS system.

16 Lastly, regarding Cal Advocates’ recommendation that SoCalGas “create a memorandum
17 account to track and record costs associated with SoCalGas’s CIS Replacement O&M
18 expenses,”²³ SoCalGas notes that this recommendation is included without any further
19 discussion, elaboration, or clarification anywhere else in Cal Advocates’ testimony. SoCalGas
20 assumes that Cal Advocates is recommending a memorandum account to track incremental
21 O&M costs beyond Cal Advocates’ recommended TY 2024 forecast of \$9.89 million. SoCalGas
22 disagrees with Cal Advocates’ recommendation because, as addressed above, it deviates from the
23 Commission’s longstanding approach of normalizing significant costs that occur in the post test
24 years. SoCalGas’s forecasts align with standard Commission practice and should be approved in
25 line with how the Commission approves other activities with significant O&M changes in the
26 post-test years. However, if the Commission finds it appropriate to implement a regulatory

²⁰ Ex. SCG-13 (Evan D. Goldman); Ex. SCG-13-WP-2CI000.000.

²¹ Ex. SCG-13 (Evan D. Goldman) at 1.

²² Appendix B, PAO-SCG-030-MCL_SCG-13-3812, SoCalGas Response to Question 1e.

²³ Ex. CA-10 (Mariana Campbell) at 1.

1 account mechanism for the CIS Replacement project, SoCalGas proposes that the Commission
2 create a new two-way balancing account to record the authorized and actual O&M and capital
3 revenue requirement rather than the O&M memorandum account proposed by Cal Advocates.
4 The proposed Customer Information System Replacement Balancing Account (CISRBA) is
5 further discussed in the Rebuttal Testimony of Rae Marie Yu, Ex. SCG-238.

6 **IV. REBUTTAL TO PARTIES' POST TEST YEAR CAPITAL PROPOSAL**

7 **A. Capital Recovery for CIS Replacement**

8 **1. Cal Advocates**

9 Cal Advocates takes issue with SoCalGas's proposed Post-Test Year Capital Recovery
10 for its CIS Replacement Program.²⁴ Specifically, Cal Advocates recommends that SoCalGas's
11 CIS Replacement Program be removed from PTY recovery.²⁵ In support of its recommendation,
12 Cal Advocates states that the CIS Replacement has had significant delays and is currently not
13 expected to be completed until mid-2026 or in use until 2027, if the project stays on its current
14 track.²⁶ Cal Advocates states it is inappropriate to include these costs for ratepayer funding
15 given the uncertainty associated with the expected completion date of the project.²⁷

16 **2. TURN-SCGC**

17 TURN-SCGC similarly takes issue with SoCalGas's proposed capital forecast for Post
18 Test Year Capital Recovery. TURN-SCGC state that "information technology projects are
19 notorious for running behind schedule" and that "it is inappropriate to guarantee a forecasted
20 capital addition amount in 2026 and 2027 for a project that may not close to plant in service until
21 next GRC cycle."²⁸

²⁴ Ex. CA-20 (Stacey Hunter) at 21.

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Id.* at 22.

²⁸ Ex. TURN-SCGC-07 (Catherine E. Yap) at 11.

1 **3. SoCalGas’s Response**

2 The Post-Test Year proposals of Cal Advocates and TURN-SCGC are further addressed
3 in the Rebuttal Testimony of Khai Nguyen, Ex. SCG-240. My rebuttal specifically addresses
4 Cal Advocates’ and TURN-SCGC’s post-test year arguments concerning a potential delay of the
5 CIS Replacement project.

6 Notably neither Cal Advocates nor TURN-SCGC dispute SoCalGas’s justification of the
7 need for CIS replacement or the evidence supporting the level of SoCalGas’s capital cost
8 forecasts. SoCalGas disagrees with Cal Advocates’ and TURN-SCGC’s recommendations
9 related to SoCalGas’s CIS Replacement Program’s PTY Capital recovery. As an initial matter,
10 Cal Advocates’ assertion that the “CIS Replacement has had significant delays” is in error and
11 factually incorrect. In a data request, SoCalGas asked Cal Advocates what analysis was relied
12 upon to determine that the CIS Replacement has had significant delays. Cal Advocates replied:

13 “Significant delays” may have been *an editing error* stemming from confusion
14 with SDG&E’s CIS Replacement Program.²⁹ Regardless, SCG’s CIS
15 Replacement program is moving very slowly. It was first requested in SCG’s
16 2019 GRC, and it has been two full years since funding was approved in early
17 2021. The project is still in a pre-planning phase and will be in a planning phase
18 for another two years.³⁰

19 Cal Advocates’ response to the data request confirms that the basis for its PTY
20 recommendation, namely that there have been significant delays associated with SoCalGas’s CIS
21 Replacement project, is not valid and that Cal Advocates’ assertion was made in error. Cal
22 Advocates acknowledges the error and the Commission should thus disregard Cal Advocates’
23 recommendation.

24 Cal Advocates’ response to SoCalGas’s data request contains additional errors. There,
25 Cal Advocates states that “SCG’s CIS Replacement program is moving very slowly” and that it
26 “was first requested in SCG’s 2019 GRC”. Both of these statements further exemplify Cal
27 Advocates’ misunderstanding of SoCalGas’s approach to planning and de-risking the CIS
28 implementation. In the TY 2019 GRC, the Commission authorized funding for SoCalGas to

²⁹ Note that SDG&E’s CIS Replacement was delivered within three months of its originally forecasted implementation date. The three-month schedule extension was needed to accommodate additional Commission mandated requirements ordered in the Disconnections OIR. (*See* D.20-06-003).

³⁰ Appendix C, SCG-SDGE-PAO-005, Cal Advocates’ Response to Question 1a (emphasis added).

1 study the replacement of CIS, not to replace CIS. As detailed in direct testimony, SoCalGas
2 used the authorized funding to determine that replacement was the appropriate path forward,
3 analyze replacement options, and develop plans and estimates for CIS replacement. SoCalGas
4 hired Accenture to help assess the need for replacing the existing CIS platform, and then to help
5 SoCalGas develop project scope, timelines, and corresponding cost forecasts. Accenture has
6 implemented more than 250 CIS solutions in the global utility industry over the past 40 years and
7 has recently supported delivery of the five largest CIS programs in the world. The SoCalGas
8 CIS Solution Plan³¹ is based on Accenture's SAP CIS solution framework and has been tailored
9 to SoCalGas's specific scoping needs. The implementation plan was jointly developed by
10 SoCalGas and Accenture to identify the project duration and resources required to implement the
11 scope items identified in the CIS Solution Plan and leveraged Accenture's extensive experience
12 and lessons learned from recent CIS replacement programs, including the 2021 CIS
13 implementation at San Diego Gas & Electric Company (SDG&E). The CIS Solution Plan
14 includes a specific accounting of 89 in-scope business processes, 82 legacy system integrations,
15 and 649 anticipated RICEFW³² development items classified by expected level of complexity.
16 The CIS implementation plan considers all the above scope items and applies Accenture's
17 extensive experience from planning and delivering similar CIS projects to develop a project
18 timeline, staffing model, and overall cost forecast. The CIS Implementation Plan project
19 timeline consists of six phases over 39 months. CIS Replacement Workpapers (Ex. SCG-13-
20 WP) provide further details about the CIS Implementation Plan including a project timeline and
21 staffing model broken out by project phase.³³ Workpapers also provide the capital expenditures
22 associated with the CIS Implementation Plan beginning in 2022 (with the Pre-Planning phase)
23 and concluding in 2026.³⁴ O&M costs associated with the CIS Implementation Plan are
24 scheduled to complete by 2027 (after stabilization).

³¹ Ex. SCG-13 (Evan D. Goldman) at 14-18; Ex. SCG-13-WP-2CI000.000.

³² RICEFW stands for Reports (R), Interface (I), Conversion (C), Enhancements (E), Forms (F) and Workflow (W). As discussed in direct testimony, RICEFW is a common method of planning and estimating SAP implementation efforts.

³³ Ex. SCG-13-WP-2CI000.000 at 34-35.

³⁴ *Id.*, Supplemental Workpaper_01 – Section: Forecast Details, at 13-14.

1 SoCalGas is deliberately moving at the current pace to properly and thoroughly prepare
2 to launch the CIS Replacement project. Since the completion of the CIS Assessment study,
3 SoCalGas has continued to de-risk the probability of a delay through investment in CIS pre-
4 planning activities as discussed and forecasted in direct testimony and workpapers. These
5 activities were prioritized based on best practices and lessons learned from recent peer CIS
6 implementations and include: refinement of business requirements and RICEFW items,
7 cleansing of customer data and preparation for data conversion, detailed inventorying and
8 scoping of interfacing systems, and evaluation of potential implementation partners. Pre-
9 planning activities are intended to reduce program risk and increase the probability of
10 maintaining the CIS implementation timeline. Contrary to Cal Advocates' claim, SoCalGas is
11 on-schedule with its CIS Replacement pre-planning efforts. SoCalGas's 2022 adjusted recorded
12 O&M Expenditures for CIS replacement are in-line with its 2022 GRC forecasts for CIS
13 Replacement activities.³⁵ TURN-SCGC's argument that CIS Replacement capital should not be
14 authorized since "[t]echnology projects are notorious for running behind schedule,"³⁶ is similarly
15 speculative and not supported by any evidence.

16 SoCalGas has provided compelling evidence to support the reasonableness of the CIS
17 Replacement Program capital forecasts and the timeline for completion of the project. Cal
18 Advocates and TURN-SCGC offer no evidence to support their assertions of project delay. Even
19 if the Commission were to accept Cal Advocates' and TURN-SCGC's tenuous assertions,
20 SoCalGas's implementation timeline would need to be delayed by more than 18 months (*i.e.*
21 from June 2026 to January 2028) for the CIS replacement to implement past the current rate case
22 cycle. Cal Advocates and TURN-SCGC provide nothing to refute the thoroughness of
23 SoCalGas's efforts in planning and estimating the CIS Replacement work.

24 As discussed, SoCalGas is on track with its CIS replacement and anticipates remaining
25 on track. However, to the extent the Commission is concerned about potential delays, SoCalGas
26 proposes to submit quarterly status updates to the Commission as it implements the CIS
27 Replacement Program.

³⁵ Appendix D, Excerpt of SoCalGas's 2022 Recorded O&M Expenditures.

³⁶ Ex. TURN-SCGC-07 (Catherine E. Yap) at 11.

1 Similarly, while SoCalGas believes that its request for treatment and recovery in the post
2 test years is reasonable and appropriate, as discussed above in my rebuttal to Cal Advocates’
3 O&M proposals and further explained in the Rebuttal Testimony of Rae Marie Yu, Ex. SCG-
4 238, the Commission could also find it appropriate to implement a regulatory account
5 mechanism for the CIS Replacement project. Specifically, the Commission could order creation
6 of a new two-way balancing account to record the authorized and actual O&M and capital
7 revenue requirement for the CIS Replacement project costs. A balancing account addresses
8 concerns of project delay raised by Cal Advocates and TURN-SCGC by allowing any
9 overcollection that may result due to underspending to be returned to ratepayers. If the
10 Commission adopts the new two-way balancing account, quarterly reports on progress would be
11 unnecessary as any concerns about potential delay would be addressed by this accounting
12 mechanism.

13 **V. CONCLUSION**

14 To summarize, SoCalGas has demonstrated the following:

- 15 • SoCalGas’s TY 2024 non-shared O&M forecast is reasonable.
- 16 • SoCalGas’s PTY capital recovery forecast is reasonable.

17 As such, the Commission should disregard Cal Advocates’ proposed alternate O&M
18 forecasts for CIS replacement and adopt SoCalGas’s forecast. Similarly, the Commission should
19 disregard Cal Advocates’ and TURN-SCGC’s unsupported assertions that the project could be
20 delayed beyond the rate case cycle and authorize SoCalGas’s capital forecasts. This concludes
21 my prepared rebuttal testimony.

APPENDIX A
GLOSSARY OF TERMS

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GLOSSARY OF TERMS

<u>ACRONYM</u>	<u>DEFINITION</u>
BY	Base Year
CIS	Customer Information Systems
CPUC	California Public Utilities Commission
PTY	Post Test Year
SDG&E	San Diego Gas and Electric
SoCalGas	Southern California Gas Company
RICEFW	Reports, Interfaces, Conversion Objects, Enhancements, Forms and Workflows
TY	Test Year
Cal Advocates	The Public Advocates Office of the California Public Utilities Commission
TURN	The Utility Reform Network
SCGC	Southern California Generation Coalition

APPENDIX B
SOCALGAS Responses to Data Requests

APPENDIX B

SOCALGAS Responses to PAO-SCG-030-MCL Question 3

Data Request Number: PAO-SCG-030-MCL

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC

Proceeding Number: A2205015_016 2024 GRC

Publish To: Public Advocates Office

Date Received: 8/25/2022

Date Responded:9/9/2022

3. Referring to Ex. SCG-13-WP, p.11, Workpaper: CIS Replacement Program – Supplemental Workpaper _01 – Section: Forecast Details.

a. Provide in Excel format (with active cells, source and links) the work-paper in SCG-13-WP, p.11, Workpaper: CIS Replacement Program – Supplemental Workpaper _01 – Section: Forecast Details for both Capital and O&M as presented in page 11.

SoCalGas Response 3a:

Please refer to attachment PAO-SCG-030-MCL_Q3a-3e, Q4a-Q4e, Q6 for the line-item breakdown and calculation of the Capital and O&M forecast details for the CIS Replacement Program. For question 3a, please see tab “Annual Forecast”.

b. Provide supportive documentation and a list of all the Third Party Contractors SCG includes in TY2024 for the O&M and Capital 4-year average associated with the CIS Replacement Program.

SoCalGas Response 3b:

Specific third-party contractors have not been identified within TY 2024 CIS Replacement Program forecast. The selection of contractors is anticipated to occur in advance of program launch.

c. Provide in Excel format (with active cells, source and links) supportive documentation, list and explanation of O&M Contingency costs of a total of \$8,318 million included in the 4-year average for the CIS Replacement Program.

SoCalGas Response 3c:

Please refer to attachment PAO-SCG-030-MCL_Q3a-3e, Q4a-Q4e, Q6 for the line-item breakdown and calculation of the Capital and O&M forecast details for the CIS Replacement Program. For question 3c, please see tab “Annual Forecast”.

Data Request Number: PAO-SCG-030-MCL

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC

Proceeding Number: A2205015_016 2024 GRC

Publish To: Public Advocates Office

Date Received: 8/25/2022

Date Responded:9/9/2022

d. Provide in Excel format (with active cells, source and links) supportive documentation, list and explanation of O&M Software costs of a total of \$1,358 million included in the 4-year average for the CIS Replacement Program.

SoCalGas Response 3d:

Please refer to attachment PAO-SCG-030-MCL_Q3a-3e, Q4a-Q4e, Q6 for the line-item breakdown and calculation of the Capital and O&M forecast details for the CIS Replacement Program. For question 3d, please see tab “Annual Forecast”.

Also, please note that SoCalGas has identified an error in the \$1.358 million forecasted for software costs in 2024. SoCalGas identified that \$0.417 million of third-party contractor forecasted costs were misclassified as software costs. The misclassification of costs does not have an impact on the total non-labor forecast. The corresponding calculations will be revised at another available opportunity.

For the purposes of this data request, SoCalGas has corrected this error in attachment PAO-SCG-030-MCL_Q3a-3e, Q4a-Q4e, Q6 to reflect the appropriate forecasted software costs of \$0.064 million.

e. Provide in Excel format (with active cells, source and links) supportive documentation, and a list of all the Third Party Contractors cost of a total of \$10,701 million included in the TY2024 associated with the CIS Replacement Program.

SoCalGas Response 3e:

Please refer to attachment PAO-SCG-030-MCL_Q3a-3e, Q4a-Q4e, Q6 for the line-item breakdown and calculation of the Capital and O&M forecast details for the CIS Replacement Program. For Question 3e, please see tab “Annual Forecast”.

Also note that \$0.417 million of third-party forecasted costs had been misclassified as software costs, not included in the \$10.701 million forecasted for third-party costs for 2024. Third-party contractor cost has been updated to reflect the correct amount of \$11.118 million for 2024. The corresponding calculations will be revised at another available opportunity.

Please note that the error identified in response to Question 3d also applies to the response to Question 3e.

PAO-SCG-030-MCL_Q3a-3d, Q4a-Q4e, 5a-5c, Q6a_CISREP Forecast Model

TY2024 SCG GRC CS - CIS Replacement Program

GRID Forecast and Adjustments (Dollars shown in thousands)

GIRD Adjustment Explanation

BY2021					BY2021
	Total Labor	Non-Labor	Total	Total FTE	
O&M	514	1,301	\$ 1,815	3.4	Base Year Recorded
Total BY2021 O&M	\$ 514	\$ 1,301	\$ 1,815	3.4	
2022					2022
	Total Labor	Non-Labor	Total	Total FTE	
Total O&M	558	1,750	\$ 2,308	3.8	Adjustment of 0.4 FTE O&M labor at an average rate of \$150K per FTE, for program management support, and additional adjustment made for forecasted 3rd-party labor and non-labor activities for the CIS Replacement Pre-Planning Phase. Refer to Exhibit SCG-13-WP, Supplemental Workpaper 2CI000.000 for 2022 CIS Replacement Pre-Planning Phase cost forecast details.
BY2021 Adjustment	\$ 44	\$ 449	\$ 494	0.4	
2023					2023
	Total Labor	Non-Labor	Total	Total FTE	
Total O&M	377	4,319	\$ 4,696	2.5	Adjustment out to shift O&M labor resources of .9 FTE at an average rate of \$150K per FTE, associated with Capital expenses for program management support. Additional adjustment made for forecasted 3rd-party labor and non-labor activities for the CIS Replacement Pre-Planning Phase. Refer to Exhibit SCG-13-WP, Supplemental Workpaper 2CI000.000 for 2023 CIS Replacement Pre-Planning Phase cost forecast details.
BY2021 Adjustment	\$ (137)	\$ 3,018	\$ 2,881	(0.9)	
TY2024					TY2024
	Total Labor	Non-Labor	Total	Total FTE	
Total O&M	1,801	18,446	\$ 20,247	12.2	Adjustment to account for normalization of labor and non-labor O& M forecast derived from the TY2024 through 2027, 4 year average cost for CIS Replacement O&M expense comprised The CIS Replacement Program Phases: Plan/Analyze Phase, Design/Build & Validate Phase, Test Phase, Deploy Phase, and Post Go-Live Support Phase. Refer to Exhibit SCG-13-WP, Supplemental Workpaper 2CI000.000 for CIS Replacement annual and program phase details. Non-labor forecast is associated with Program Implementation Resourcing & Expenses; 3rd Party Labor & Professional Services; Program QA and Controls; Operational Assurance; and Transformational GPs. Refer to Exhibit SCG-13-WP, Supplemental Workpaper 2CI000.000 for cost forecast details.
BY2021 Adjustment	\$ 1,288	\$ 17,144	\$ 18,432	8.83	
2024					2024
	Total Labor	Non-Labor	Total	Total FTE	
Total O&M	1,142	13,888	\$ 15,030	8.8	For Reference Only: See "Normalized (4 YR AVG)" above

Tab: CIS Forecast Phase Summary

CIS Replacement Program - Supplemental Workpaper_01 - Section: Phase Forecast Summary

Dollars in thousands

CIS Replacement Program Forecast - By Phase

Capital by Phase (Dollars in thousands)	Pre-Planning	Plan & Analyze	Design, Build & Validate	Test	Deployment	Post Go Live Stabilization	Total (2022-2026)
Direct Labor	\$2,079	\$2,074	\$4,730	\$4,890	\$3,058	\$1,226	\$18,056
Non-Labor	\$5,189	\$34,439	\$58,518	\$45,360	\$44,903	\$12,003	\$200,411
Total Direct	\$7,269	\$36,512	\$63,248	\$50,250	\$47,961	\$13,228	\$218,468
V&S	\$367	\$366	\$835	\$863	\$540	\$216	\$3,187
Grand Total	\$7,636	\$36,878	\$64,083	\$51,113	\$48,501	\$13,444	\$221,655

O&M by Phase (Dollars in thousands)	Pre-Planning (2022-2023)	Plan & Analyze	Design, Build & Validate	Test	Deployment	Post Go Live Stabilization	Total (TY2024-2027)
Direct Labor	\$794	\$505	\$858	\$2,009	\$2,481	\$272	\$6,919
Non-Labor	\$6,070	\$7,566	\$11,641	\$14,468	\$23,400	\$16,708	\$79,852
Total Direct	\$6,864	\$8,071	\$12,498	\$16,477	\$25,881	\$16,980	\$86,771
V&S	\$140	\$89	\$151	\$355	\$438	\$48	\$1,221
Grand Total	\$7,004	\$8,160	\$12,650	\$16,831	\$26,319	\$17,028	\$87,992

Total Forecast by Phase (Dollars in thousands)	Pre-Planning	Plan & Analyze	Design, Build & Validate	Test	Deployment	Post Go Live Stabilization	Total (2022-2027)
Direct Labor	\$2,874	\$2,578	\$5,587	\$6,899	\$5,539	\$1,498	\$24,975
Non-Labor	\$11,259	\$42,005	\$70,159	\$59,827	\$68,303	\$28,710	\$280,264
Total Direct	\$14,133	\$44,583	\$75,747	\$66,726	\$73,842	\$30,208	\$305,239
V&S	\$507	\$455	\$986	\$1,218	\$978	\$264	\$4,408
Grand Total	\$14,640	\$45,038	\$76,733	\$67,944	\$74,820	\$30,472	\$309,647

Tab: Annual Forecast Summary

CIS Replacement Program - Supplemental Workpaper_01 - Forecast Details

Dollars in thousands

SoCalGas - TY2024GRC		2022		2023		TY2024		PTY2025		PTY2026		PTY2027		GRC Total (2022-2026)	
CIS Replacement Program		Forecast	FTE	Forecast	FTE	Forecast	FTE	Forecast	FTE	Forecast	FTE	Forecast	FTE	Total	FTE
Direct Capital															
	SoCalGas Labor	\$1,026	6.8	\$1,053	7.0	\$3,701	33.95	\$6,362	65.0	\$3,672	50.4	\$0	-	\$15,814	32.7
	Contingency	\$0	-	\$0	-	\$815	7.48	\$815	8.3	\$612	8.4	\$0	-	\$2,242	4.8
	V&S	\$181	1.3	\$186	1.3	\$797	6.40	\$1,267	12.3	\$756	9.5	\$0	-	\$3,187	6.2
	Labor Sub-Total	\$1,207	8.1	\$1,239	8.3	\$5,313	47.8	\$8,444	85.6	\$5,039.7	68.3	\$0	-	\$21,243	43.6
	Third Party Contractors	\$3,705		\$1,484		\$31,179		\$54,856		\$33,472.6		\$0		\$124,697	
	Software	\$0		\$0		\$45,925		\$0		\$0		\$0		\$45,925	
	Contingency	\$0		\$0		\$10,833		\$10,833		\$8,124.4		\$0		\$29,789	
	Non-Labor Sub-Total	\$3,705		\$1,484		\$87,937		\$65,688		\$41,597.0		\$0		\$200,411	
	Capital Total	\$4,912.8	8.1	\$2,722.8	8.3	\$93,249.8	47.8	\$74,132.7	85.6	\$46,636.6	68.3	\$0	-	\$221,655	43.6

SoCalGas - TY2024GRC		2022		2023		TY2024		PTY2025		PTY2026		PTY2027		GRC Total (2024-2027)	
CIS Replacement Program		Forecast	FTE	Forecast	FTE	Forecast	FTE	Forecast	FTE	Forecast	FTE	Forecast	FTE	Total	FTE
Direct O&M															
	SoCalGas Labor	\$474	3.2	\$320	2.1	\$765	5.8	\$2,194	12.1	\$2,490	16.3	\$0	-	\$5,448	8.5
	Contingency	\$0	-	\$0	-	\$206	1.6	\$206	1.1	\$241	1.6	\$22	2.7	\$676	1.8
	V&S	\$84	0.6	\$57	0.4	\$171	1.4	\$424	2.5	\$482	3.4	\$4	0.5	\$1,081	1.9
	Labor Sub-Total	\$558	3.8	\$377	2.5	\$1,142	8.8	\$2,824	15.7	\$3,213	21.2	\$26	3.2	\$7,205	12.2
	Third Party Contractors	\$1,750		\$4,319		\$11,118		\$17,018		\$35,194		\$1,959		\$65,290	
	Software	\$0		\$0		\$64		\$64		\$48		\$0		\$175	
	Contingency	\$0		\$0		\$2,706		\$2,706		\$2,726		\$180		\$8,318	
	Non-Labor Sub-Total	\$1,750		\$4,319		\$13,888		\$19,787		\$37,968		\$2,140		\$73,782	
	O&M Total	\$2,308	3.8	\$4,696	2.5	\$15,030	8.8	\$22,611	15.7	\$41,181	21.2	\$2,166	3.2	\$80,988	12.2

Direct O&M		Forecast	FTE
Labor	SoCalGas Labor	\$1,801	12.2
	Third Party Contractors	\$16,322	
	Software	\$44	
Non-Labor	Contingency	\$2,079	
O&M Total (4-Yr AVG)		\$20,247	12.2

\$302,642

APPENDIX B

SOCALGAS Responses to PAO-SCG-030-MCL Question 1e

Data Request Number: PAO-SCG-030-MCL

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC

Proceeding Number: A2205015_016 2024 GRC

Publish To: Public Advocates Office

Date Received: 8/25/2022

Date Responded:9/9/2022

1. Referring to Exhibit (Ex.) SCG-13, pp. EDG-19 and EDG-20, SCG details the Cost Driver for Non-Shared O&M is derived from the CIS Replacement Program. Provide the following:

a. Provide a breakdown of all start-up costs, one-time costs of the implementation, analysis, design, development, testing, and deployment of the CIS Replacement Program.

SoCalGas Response 1a:

Please refer to Ex. SCG-13-WP, p.11, Workpaper: CIS Replacement Program – Supplemental Workpaper _01 – Section: Forecast Details for the breakdown for CIS Replacement Program costs.

b. Provide the CIS Replacement Program completion date and year.

SoCalGas Response 1b:

March 31, 2027 is the CIS Replacement Program’s estimated completion date and year.

Data Request Number: PAO-SCG-030-MCL

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC

Proceeding Number: A2205015_016 2024 GRC

Publish To: Public Advocates Office

Date Received: 8/25/2022

Date Responded:9/9/2022

c. Provide the date and year the CIS Replacement Program will be used and useful to ratepayers.

SoCalGas Response 1c:

The CIS Replacement Program is expected to be used and useful to ratepayers by September 30, 2026.

d. When did SCG recognize the deficiencies of the current Customer Information System (CIS)?

SoCalGas Response 1d:

SoCalGas's current (legacy) Customer Information System (CIS) has been operational since 1996. SoCalGas monitors performance of the CIS and addresses deficiencies as they occur. Given the age of the system, SoCalGas requested funding in its TY 2019 GRC to study the replacement of CIS. As stated in testimony, Exhibit SCG-13, The assessment concluded that replacing the legacy CIS was the best strategy. Key drivers for CIS replacement include:¹

- solving the problems of technology obsolescence and complexity with the legacy CIS;
- establishing a technology platform that can meet future business and regulatory requirements;
- implementing a "living" system that is sustainable, upgradeable, and resilient;
- enabling modern customer experiences to meet changing customer expectations; and
- evolving customer relationships in support of SoCalGas's ASPIRE 2045 climate commitment.

The results of the assessment were provided in the workpaper for Ex. SCG-13-WP.²

¹ Exhibit SCG-13, page EDG-4, lines 7-18

² Exhibit SCG-13-WP, pages 13-35

Data Request Number: PAO-SCG-030-MCL

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC

Proceeding Number: A2205015_016 2024 GRC

Publish To: Public Advocates Office

Date Received: 8/25/2022

Date Responded:9/9/2022

e. Provide the cost benefit analysis or study performed that SCG's management relied upon to determine that the CIS Replacement Program is needed. If a cost benefit analysis or study was not performed, state why.

SoCalGas Response 1e:

SoCalGas objects to this request on the grounds that it misstates facts and/or assumes facts that do not exist, specifically with regard to the phrase, "that SCG's management relied upon to determine."

Subject to and without waiving the foregoing objection, SoCalGas responds as follows:

A cost benefit analysis was performed, and the results are included in attachment PAO-SCG-030-MCL_Q1e-Q1h, Q1j. In considering CIS replacement, SoCalGas considered the age of the current legacy CIS system, as well as the key drivers identified in the CIS Replacement Assessment (see response to Question 1d). Although a cost benefit analysis was performed, SoCalGas primarily relied upon these key drivers in making the determination to replace its legacy CIS system.

f. Provide supportive documentation of the cost benefit analysis or any other analysis SCG performed to compare the current Customer Information System to the new CIS.

SoCalGas Response 1f:

Please refer to attachment: PAO-SCG-030-MCL_Q1e-Q1h, Q1j.

g. Provide the documentation that explains if SCG took into account any Savings in its 4-year average for the CIS Replacement Program. If so, please provide a detailed breakdown and calculation of SCG's savings for this program.

SoCalGas Response 1g:

SoCalGas did not take into account any savings in its 4-year average for the CIS Replacement Program. The forecasted CIS replacement costs are incremental and expected to occur over the duration of the program until the Stabilization Phase is complete. There are no forecasted savings expected over the duration of the program.

Data Request Number: PAO-SCG-030-MCL

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC

Proceeding Number: A2205015_016 2024 GRC

Publish To: Public Advocates Office

Date Received: 8/25/2022

Date Responded:9/9/2022

h. Provide the dollar amount per year of saving benefits the new CIS Replacement Program will provide to ratepayers.

SoCalGas Response 1h:

SoCalGas does not project financial savings for ratepayers by implementing the CIS Replacement Program. Some of the benefits of the CIS Replacement to ratepayers are discussed in Ex. SCG-13 and Ex. SCG-13-WP.

i. Provide the recorded historical costs (2017-2021) and the associated accounts for all maintenance and/or revision costs incurred for the current Customer Information System.

SoCalGas Response 1i:

Ex. SCG-13 does not include costs incurred for the current Customer Information System nor track them at the level requested.

Historical maintenance costs incurred for the current Customer Information System are included in the Information Technology workpapers of Tia L. Ballard (Exhibit SCG-21-WP-R) and Customer Service Offices - Operations workpapers of Bernardita Sides (Ex. SCG-15-WP).

j. Provide documentation that demonstrates the calculation SCG performed to incorporate its current historical maintenance costs into its Test Year forecast for its proposed CIS Replacement Program.

SoCalGas Response 1j:

Historical maintenance costs were not incorporated into Test Year Forecast for the CIS Replacement program. The forecasted CIS replacement costs are incremental and expected to occur over the duration of the program until the Stabilization Phase is complete.

Appendix C

Cal Advocates Response to SCG-SDGE-PAO-005 Question 1a

PUBLIC ADVOCATES OFFICE (Cal Advocates)
DATA RESPONSE
Southern California Gas Company and San Diego Gas & Electric Company
Test Year 2024 General Rate Cases
A.22-05-015 and A.22-05-016

Date: April 10, 2023

Origination Date: March 31, 2023 (received April 3)

Response Due: April 10, 2023

Data Request No: SCG-SDGE-PAO-005

To: Jamie York, Sempra 2024 GRC Manager
JYork@semprautilities.com

Sempra Central Files
centralfiles@semprautilities.com

From: Stacey Hunter, Project Coordinator
Public Advocates Office
505 Van Ness Avenue, Room 4104
San Francisco, CA 94102
Stacey.Hunter@cpuc.ca.gov

GENERAL OBJECTIONS

Cal Advocates objects to each data request to the extent that it mischaracterizes Cal Advocates' opening testimony.

Cal Advocates objects to each data request to the extent that it is overly broad, unduly burdensome, or not reasonably calculated to lead to the discovery of admissible evidence.

Cal Advocates objects to each instruction and data request as overly broad and unduly burdensome to the extent that it seeks documents or information that Sempra already possesses upon receipt of Cal Advocates' prepared testimony and workpapers.

Cal Advocates objects to each instruction and data request to the extent that it seeks information or documents protected from disclosure by the attorney-client privilege, attorney work product doctrine, or any other applicable privilege.

Sempra Question 1:

1. In Exhibit CA-20 Post-Test Year Ratemaking p. 21 I. 10-13 Cal Advocates states: Cal Advocates recommends that SCG’s CIS Replacement Program be removed from the PTY. The CIS Replacement has had significant delays and is currently not expected to be completed until mid-2026 or in use until 2027, if the project stays on its current track.
 - a. Please provide all analysis Cal Advocates used to determine "the CIS Replacement has had significant delays".
 - b. Please provide all analysis Cal Advocates used to determine the CIS Replacement is not expected to be "in use until 2027".

Cal Advocates’ Response to Question 1a:

Please see Exhibit (Ex.) CA-10 for Cal Advocates’ discussion of the CIS Replacement Program. “Significant delays” may have been an editing error stemming from confusion with SDG&E’s CIS Replacement Program. Regardless, SCG’s CIS Replacement program is moving very slowly. It was first requested in SCG’s 2019 GRC, and it has been two full years since funding was approved in early 2021. The project is still in a pre-planning phase and will be in a planning phase for another two years. It is Cal Advocates’ position that projects not already used and useful in the Test Year should not receive extra funding in the Post-Test Years.

Cal Advocates’ Response to Question 1b:

In its response to DR PubAdv-SCG-MCL-030, Q.7a, SCG provided the following table:

Project Phase	Estimated Completion Date
Plan & Analyze	7/31/2024
Design, Build & Validate	4/30/2025
Test	12/31/2025
Deployment	6/30/2026
Post Go Live Stabilization	3/31/2027

Cal Advocates’ understanding is that “deployment” is not merely flipping a switch but is a methodical process of integrating the system with other existing systems, migrating data, configuring systems to work together in the real world, and training the employees who will be using it. Deployment is usually started with the smaller sections or departments within an organization and, as the kinks are worked out, moves to the larger sections or departments. Deployment can take weeks or even months depending on the complexity of the system and the size of the organization. Considering that the “Post Go Live Stabilization” phase is scheduled nine months after the Deployment phase, and three months into 2027, it appears to Cal Advocates that the CIS Replacement, as a whole used-and-useful system serving the entire organization, will not be in full use until 2027.

Responses prepared by Stacey Hunter.

APPENDIX D

Excerpt of SoCalGas's 2022 Recorded O&M Expenditures

Southern California Gas
2022 Adjusted-Recorded Operating Costs
by Witness, Workpaper and Base + Adjustments
(In Thousands)

<u>Exhibit Number</u>	<u>Witness Name</u>	<u>Workpaper</u>	Base	Adj	V&S	Esc	Total Adj-Rec (2021\$)	
Exh No:SCG-13-WP-R	Evan D. Goldman	Non-Shared	2CI000.000	3,560	(1,405)	91	(87)	2,159
		Non-Shared Total		3,560	(1,405)	91	(87)	2,159
	Evan D. Goldman Total			3,560	(1,405)	91	(87)	2,159