

Application: A.25-05-XXX
Exhibit No.: SCG-01
Witness: E. Goldman

PREPARED DIRECT TESTIMONY OF
EVAN GOLDMAN
(CHAPTER 1 – OVERVIEW)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

May 9, 2025

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The purpose of my direct testimony is to provide an overview of Southern California Gas Company's (SoCalGas) request to recover incremental operations and maintenance (O&M) costs associated with the Customer Information System (CIS) Replacement Project. The CIS Replacement Project is currently in progress and is proceeding according to project timelines with a planned go-live in the third quarter (Q3) of 2026. SoCalGas is requesting recovery of \$24.9 million in O&M costs incremental to those approved in SoCalGas's Test Year (TY) 2024 General Rate Case (GRC) proceeding.¹ The need for and prudence of these costs is discussed in more detail below and in accompanying testimonies.

SoCalGas's legacy CIS is a large-scale information technology system that was implemented decades ago and is rapidly approaching obsolescence. CIS is foundational to serving SoCalGas's 5.9 million accounts and over 21 million customers. CIS supports SoCalGas's critical customer service business processes and customer engagement functions, including: calculating and generating over 70 million bills per year; processing 55 million annual payments; supporting more than 12 million customer interactions (*e.g.*, phone, web, branch office); and managing credit, collections, and account receivables. CIS also supports meter data; service orders; account management and customer care; rates and programs; and customer information. The obsolete technology of the legacy CIS is difficult to maintain and enhance, and overdue for replacement.²

As part of its TY 2024 GRC application, SoCalGas requested permission to recover costs associated with the CIS Replacement Project. This request included \$20.247 million for TY 2024 O&M services activities associated with the project.³ In Decision (D.) 24-12-074, the Commission approved the project but instead adopted \$10 million as the TY 2024 O&M cost

¹ Decision (D.) 24-12-074 at 505.

² Application (A.) 22-05-015, Prepared Direct Testimony of Evan D. Goldman (Exhibit (Ex.) SCG-13) at ii, *available at*: https://www.socalgas.com/sites/default/files/SCG-13_Direct_Testimony_of_Evan_Goldman_CIS_Replacement_Program.pdf.

³ This amounts to a request of \$80.988 million over the GRC period (2024-2027).

1 estimate for the CIS Replacement Project.⁴ The Commission also provided that SoCalGas could
2 submit a separate application to recover expected costs that exceed those authorized in the
3 decision.⁵

4 CIS Replacement Project costs will exceed what was authorized in D.24-12-074.
5 Accordingly, SoCalGas is filing this application to recover an additional \$24.9 million in O&M
6 costs associated with its CIS Replacement Project. These incremental costs are necessary to
7 complete the CIS Replacement Project, and they are crucial to the execution of training, change
8 management, and decommissioning activities. As discussed below, in the absence of incremental
9 funding, SoCalGas will be unable to adequately support the implementation of the new CIS
10 which increases the potential that employees are unable to serve customers without disruption
11 and increases the risk of billing, reporting, or other errors.

12 SoCalGas also requests authority to establish a two-way balancing account to balance any
13 changes between actual costs and the forecasted \$24.9 million in incremental O&M costs sought
14 in this application. My testimony will review SoCalGas's initial request for the CIS
15 Replacement Project in its TY 2024 GRC and the resulting Commission decision. I will then
16 outline the necessity of this application and the request for incremental O&M costs for the
17 project, detailing the activities that SoCalGas will be performing. I will also discuss why the
18 requested costs should be recovered in the 2024-2027 GRC period.

19 **II. BACKGROUND**

20 **A. Importance of Implementing a NEW CIS**

21 In the TY 2024 GRC, I provided testimony detailing SoCalGas's plan to replace its
22 current legacy CIS and supporting subsystems.⁶ My testimony addressed the importance of
23 implementing a new CIS, the risks associated with sustaining and modifying the existing CIS,
24 the timing of CIS replacement, and the implementation cost and forecast.

25 In my GRC testimony, I described the challenges of maintaining the current CIS –
26 including a lack of trained resources and lack of flexibility.⁷ At the time of the proposed

⁴ D.24-12-074 at 503-504. This amounts to \$40 million over the GRC period (2024-2027).

⁵ *Id.* at 504 (“SoCalGas may submit a separate application if it expects costs to exceed what is authorized in this decision.”)

⁶ A.22-05-015, Ex. SCG-13 (Goldman) at 5-9.

⁷ *Id.* at 2, 5.

1 implementation of the new CIS system, SoCalGas's legacy CIS will have been operating for over
2 30 years and will be based on technology that will be over 40 years old. CIS is the critical and
3 foundational information technology system facilitating core customer service transactions and
4 account management for SoCalGas's customers. CIS manages essential functions including
5 billing calculations, payment processing, and credit and collections activity. It is the primary
6 system used by Customer Services Representatives (CSRs) when interacting with customers, and
7 it provides the underlying data and information to support the Company's Interactive Voice
8 Response (IVR) and Digital channels ("My Account"). Over the decades since implementation,
9 the legacy CIS has become increasingly complex and difficult to support as it has been
10 continuously modified to meet evolving regulatory, legislative, customer, and business driven
11 changes.⁸

12 A new CIS will allow SoCalGas to more efficiently implement new regulatory,
13 legislative, and business driven requirements. SoCalGas and its customers will also benefit from
14 continuous innovation, enhancements, and support inherent to modern packaged software
15 solutions. In addition, implementing a new CIS on a modern, widely used software platform will
16 increase the pool of resources with the technology and business skills to support future
17 development and operations.

18 My GRC testimony also detailed the process SoCalGas engaged in to determine a CIS
19 solution, the timing of CIS replacement, and the scope, implementation plan, and costs of
20 implementing the chosen solution, including a description of the business processes and systems
21 impacted by the project, along with a summary of the phases of the project and the activities to
22 be completed within each phase.⁹ SoCalGas's GRC request included a request for the
23 Commission to adopt a forecast of \$20.247 million for TY 2024 for O&M services activities for
24 SoCalGas's CIS Replacement Project.¹⁰ This request was based on a normalization of the total
25 O&M project costs over the four years of the TY 2024 GRC period (2024 – 2027). Total O&M
26 costs over these four years were forecasted at \$80.988 million and thus SoCalGas requested a
27 normalized \$20.247 million in O&M each year of the GRC period.¹¹

⁸ *Id.* at 3, 5.

⁹ *Id.* at 13-19.

¹⁰ *Id.* at 19.

¹¹ *Id.*

1 **B. Party Positions in the TY 2024 GRC**

2 In the TY 2024 GRC, the California Public Utilities Commission’s (CPUC) Public
3 Advocates Office (Cal Advocates), The Utility Reform Network (TURN), and Southern
4 California Generation Coalition (SCGC) were the only intervenors who submitted testimony on
5 the CIS Replacement Project. No parties opposed the project as a whole or disputed that the
6 project was necessary. In addition, no party disputed the validity of SoCalGas’s cost forecasts
7 for the activities described in testimony. Rather, parties’ comments concerned the timing of cost
8 recovery. Cal Advocates expressed concerns regarding SoCalGas’s proposal to normalize and
9 recover all projected O&M costs of the CIS Replacement Project within the 2024-2027 GRC
10 period and proposed an alternative O&M cost forecast.¹² Specifically, Cal Advocates’ proposal
11 for O&M costs utilized only O&M costs for the first phase of the CIS Replacement Program to
12 estimate TY 2024 O&S expenses.¹³

13 As provided for in my GRC rebuttal testimony, the CIS Replacement Program has a fixed
14 duration with variable costs in each year of its implementation. Authorizing only costs
15 associated with activities that occur in the Test Year underestimates the true cost of the project
16 and places successful completion of the project at risk.¹⁴

17 **C. GRC Decision**

18 The Commission, in D.24-12-074, concluded that SoCalGas’s CIS Replacement Project
19 was warranted and reasonable. For O&M costs, D.24-12-074 authorizes TY 2024 recovery of
20 \$10 million.¹⁵ The Commission reasoned that the project’s timeline might extend past the GRC
21 period in the event of delays and that, in the event of a delay, authorizing SoCalGas’s recovery of
22 \$20.247 million in TY 2024 O&M could constitute “burdening the ratepayers with inflated costs

¹² A.22-05-015, Cal Advocates Opening Brief at 197-200.

¹³ *Id.* at 198; *see also* Workpaper to Prepared Direct Testimony of Evan D. Goldman (Ex. SCG-13-WP2E) at 12, *available at*: https://www.socalgas.com/sites/default/files/SCG-13-WP_Evan_Goldman-Customer_Information_System_Replacement_Program.pdf.

¹⁴ A.22-05-015, Prepared Rebuttal Testimony of Evan D. Goldman (Ex. SCG-213) at 4-5, *available at*: https://www.socalgas.com/sites/default/files/SCG-213_Rebuttal_Testimony_of_Evan_D_Goldman%20-%20Customer_Information_System_Replacement_Program_3471_3472.pdf.

¹⁵ The GRC Decision sets the revenue requirement for the Test Year. That amount is then carried over to the remaining years in the GRC period, called the Post-Test years, which also have an authorized attrition mechanism adopted by the Commission.

1 in this rate case cycle.”¹⁶ The Commission also looked to costs spent on CIS Replacement
2 Program *pre-planning* in 2022 and reasoned that because they were significantly lower than
3 SoCalGas’s TY 2024 request, a “more balanced approach” was justified.¹⁷ However, costs spent
4 on CIS Replacement Program pre planning are distinct from the costs necessary to implement the
5 project. These costs should not be used as a means to predict costs for actual implementation of
6 the project.

7 The Commission in D.24-12-074 recognized that the actual costs of the CIS Replacement
8 Project may surpass those authorized and allowed SoCalGas to “submit a separate application if
9 it expects costs to exceed what is authorized in this decision.”¹⁸

10 **III. THE NECESSITY OF INCREMENTAL FUNDING**

11 SoCalGas is requesting incremental funding in the amount of \$24.9 million via this
12 application to continue the advancement of the CIS Replacement Project. As the Commission
13 recognized might be a possibility in D.24-12-074, SoCalGas expects costs to exceed what was
14 authorized in that decision.

15 **A. Activities Necessary for a Successful CIS Replacement**

16 The costs sought in this application include those O&M costs that are anticipated to be
17 incurred in the 2024-2027 GRC period and include SoCalGas labor, contractor labor, software,
18 as well as other necessary project costs. In the absence of the incremental funding requested,
19 SoCalGas will not be able to fully fund the CIS Replacement Project O&M activities, including
20 training employees on the new CIS, surge staffing, change management, and decommissioning
21 activities. The incompleteness of training activities and a lack of surge staffing resources will
22 result in a workforce inadequately trained on CIS for an extended period after it has been
23 implemented, as well as understaffed business units before, during, and after the system is
24 implemented. Business units affected would include the Customer Contact Center, Billing
25 Operations, and Credit and Collections. This understaffing and incomplete training could
26 ultimately lead to degradations in customer service and overall performance, including the
27 potential for longer wait times to speak with Customer Service Representatives, slower
28 resolutions to bill exceptions, decreased ability to meet reporting requirements, and lost

¹⁶ D.24-12-074 at 503.

¹⁷ *Id.*

¹⁸ *Id.* at 504.

1 efficiency and the risk of errors as employees are unable to proficiently use the new CIS.
2 Finally, if SoCalGas's legacy applications and systems are not properly decommissioned,
3 SoCalGas risks being unable to make sure that legacy applications are properly shut down and
4 archived and may incur unnecessary costs to license and maintain legacy systems.

5 Costs are discussed in more detail in the testimony of Witness April McAllaster. Ms.
6 McAllaster's testimony will demonstrate that the cost forecasts included in this application are
7 the result of extensive diligence and planning conducted by SoCalGas. These costs are essential
8 to successfully complete the implementation of a project that is necessary, and which will benefit
9 both SoCalGas and its customers.

10 **B. CIS Replacement Project Timeline**

11 The CIS Replacement Project is currently on schedule. SoCalGas concluded pre-
12 planning¹⁹ activities in the first quarter (Q1) of 2024 and formally kicked off the CIS
13 Replacement Project on April 1, 2024. The Project is progressing toward a planned go-live in
14 Q3 2026 with stabilization planned to conclude in 2027. In my GRC testimony I outlined the
15 five phases of the project, which are expected to occur over 39 months. The phases are: 1.
16 Plan/Analyze; 2. Design, Build, & Validate; 3. Test; 4. Deploy; and 5. Post Go-Live
17 Stabilization. As of the time of service of this testimony, SoCalGas has completed the
18 Plan/Analyze phase and is on track to complete the Design/Build/Validate phase in Q3 2025. It
19 is anticipated that all CIS Replacement Project activities will occur during the 2024-2027 GRC
20 period, meaning that all costs will also be incurred within that period. Thus, it is reasonable that
21 SoCalGas be allowed to recover the O&M costs for the CIS Replacement Project within the
22 2024-2027 GRC cycle. As further detailed in the testimony of Ms. McAllaster, the \$10 million
23 for TY 2024 approved for the project in D.24-12-074 is not enough to cover the costs of the total
24 project, making this application necessary and reasonable.

¹⁹ The pre-planning process and associated O&M expenses are necessary to prepare for the project, but they are distinct from the execution of the project. Pre-planning is a necessary step preceding any large platform implementation project, such as the CIS Replacement Program, to prepare to begin the project. During pre-planning, SoCalGas drafted an initial staffing model and implementation plan, and created a governance structure for the project. Pre-planning also involved developing and executing a sourcing, procurement, and contracting strategy for software and solution implementation services.

C. Peer Benchmarking

SoCalGas's O&M costs are reasonable and prudently incurred and are in line with the O&M costs of similar projects undertaken by SoCalGas's peer California investor-owned utilities. Table EG-1 below summarizes the approved O&M costs of similar projects at SoCalGas's peer utilities in California. Note that the costs of labor and non-labor resources have increased due to inflation and other factors since the timeframe when many of the projects conducted at peer utilities were undertaken.

Table EG-1: Peer Utility O&M Cost Benchmarking

Utility	Approved or Requested O&M Costs (\$M)	Application Year
Southern California Edison Company	\$61.6 ²⁰	2021
Pacific Gas & Electric Company	\$80.1 ²¹	2024
San Diego Gas & Electric Company	\$65.8 ²²	2017
SoCalGas (Authorized)	\$46.9 ²³	2022
SoCalGas (Proposed)	\$71.0 ²⁴	2025

²⁰ Southern California Edison Company (SCE) O&M costs include Track 1 and Track 2 direct costs. See D.22-09-015 and D.23-03-019. Table EG-1 reflects the SCE costs approved by the Commission. These costs have not been adjusted for inflation.

²¹ Pacific Gas & Electric Company (PG&E) direct forecasted O&M expense of implementing C2M in PG&E's planned Billing Modernization Initiative; PG&E's total O&M forecast for its Billing Modernization Initiative is \$92.0 million. See A.24-10-014, Prepared Testimony on Description of Cost-Benefit Analysis, available at: <https://pgera.azurewebsites.net/Regulation/ValidateDocAccess?docID=809581>. PG&E's request has not yet been approved. These costs have not been adjusted for inflation.

²² For San Diego Gas & Electric Company (SDG&E) direct costs, see A.17-04-027, Joint Motion [of SDG&E, Cal Advocates, TURN, and Utility Consumers' Action Network (UCAN)] for Adoption of Settlement Agreement (January 25, 2018) and D.18-08-008. Table EG-1 reflects the costs approved by the Commission. These costs have not been adjusted for inflation.

²³ Reflects imputed authorized costs in D.24-12-047, escalated according to adopted labor and non-labor escalation rates with the adopted attrition rate applied. See Direct Testimony of witness Rae Marie Yu, Chapter 3, for additional information.

²⁴ Note that the \$71.0 million in direct costs are not loaded and escalated; SoCalGas's \$24.9 million in requested incremental funding reflects the difference between imputed authorized costs and the total loaded and escalated costs of the Project; the direct costs of the CIS Replacement Project are supported in the Direct Testimony of witness April McAllaster, Chapter 2.

1 **IV. RECOVERY MECHANISM**

2 SoCalGas recommends that the Commission authorize recovery in rates of \$24.9 million
3 in O&M costs incremental to the \$10 million for TY 2024²⁵ authorized for the CIS Replacement
4 Program in D.24-12-074. Additionally, SoCalGas recommends the Commission establish a two-
5 way balancing account to balance any changes between actual costs and the forecasted \$24.9
6 million in incremental O&M costs sought in this application. Cost recovery is discussed in more
7 detail in the Direct Testimony of witness Rae Marie Yu, Chapter 3.

8 **V. CONCLUSION**

9 SoCalGas respectfully requests that the Commission approve its request to recover \$24.9
10 million in incremental O&M costs associated with implementation of the Customer Information
11 System Replacement Project. Approval of this application will allow SoCalGas to support the
12 implementation of the CIS Replacement Project and meet the evolving needs of its business and
13 its customers. Coupled with a two-way balancing account, SoCalGas's proposed recovery
14 mechanism accommodates the potential for any cost fluctuations.

²⁵ This amounts to \$46.9 million imputed authorized over the 2024-2027 GRC cycle.

1 **VI. QUALIFICATIONS**

2 My name is Evan D. Goldman. I am employed by SoCalGas, and my current position is
3 Director of the CIS Replacement Program, where I have overall responsibility for the delivery of
4 the CIS Replacement Program. My business address is 555 West Fifth Street,
5 Los Angeles, CA 90013. I have over 25 years of experience with utility customer service
6 operations and technology. At SoCalGas I have held a variety of management positions in
7 customer services, customer engagement, information technology, and regulatory affairs. Prior
8 to joining SoCalGas, I was a management and technology consultant focusing on Customer
9 Information Systems and customer service business processes for utility industry clients. I
10 received a Bachelor of Arts degree in Business Economics from the University of California at
11 Santa Barbara.

12 I have previously testified before the Commission.