

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Southern California Gas
Company (U 904 G) for Incremental Funding
for Customer Information System
Replacement Program.

Application No. 25-05-XXX

**APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) FOR
INCREMENTAL FUNDING FOR CUSTOMER INFORMATION SYSTEM
REPLACEMENT PROGRAM**

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May 9, 2025

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I. INTRODUCTION

Pursuant to California Public Utilities Code Sections 451,¹ 454, and 701 and Rule 2.1 of the California Public Utilities Commission (Commission or CPUC) Rules of Practice and Procedure, Southern California Gas Company (SoCalGas) hereby files its Application (Application) for Incremental Funding for its Customer Information System (CIS) Replacement Program. This Application seeks to recover \$24.9 million in incremental project costs necessary to support SoCalGas's Customer Information System (CIS) Replacement Project, which was previously approved by the Commission in Decision (D.) 24-12-074.² In the absence of the incremental funding requested,³ successful completion of SoCalGas's CIS Replacement Project will be at risk, as SoCalGas will not be able to fully fund CIS Replacement Project activities, including training employees on the new CIS, surge staffing, change management, and decommissioning activities.

¹ Pub. Util. Code section 451 provides, in pertinent part: "Every public utility shall furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities, including telephone facilities, as defined in Section 54.1 of the Civil Code, as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public."

² D.24-12-074 at 1062.

³ Incremental costs include SoCalGas labor, contractor costs, software costs, as well as other necessary project costs.

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.

As part of its Test Year (TY) 2024 General Rate Case (GRC) application,⁴ SoCalGas requested approval of its CIS Replacement Project. The CIS Replacement Project will replace SoCalGas’s legacy CIS with a new CIS, which will allow SoCalGas to more effectively implement new regulatory, legislative, and business driven requirements. In addition, a modern CIS will meet the service and data access expectations of SoCalGas customers. In D.24-12-074, the Commission found that “the evidence shows that the current CIS system is outdated, inefficient, and unable to meet SoCalGas’s evolving technology and business needs to serve its customers.”⁵ The Commission also recognized that “[i]t is essential to consider technology obsolescence and the consequences[.]”⁶ SoCalGas’s TY 2024 GRC request included \$20.247 million for TY 2024 Operations and Maintenance (O&M) services activities associated with the project.⁷ Instead, the Commission adopted \$10 million as the TY 2024 O&M cost estimate for the CIS Replacement Project,⁸ but also provided that “SoCalGas may submit a separate application if it expects costs to exceed what is authorized in this decision.”⁹ SoCalGas appreciates the Commission’s approval of the project, as well as the recognition that costs for the project may exceed what was authorized in D.24-12-074.

⁴ Application (A.) 22-05-015.

⁵ D.24-12-074 at 502.

⁶ *Id.*

⁷ This amounts to a request of \$80.988 million over the GRC period (2024-2027).

⁸ D. 24-12-074 at 503-504. This amounts to \$40 million over the GRC period (2024-2027).

⁹ *Id.* at 504.

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 has determined that \$24.9 million in incremental costs is necessary to complete the CIS Replacement Project, and that such incremental costs are crucial, in particular, to the execution of training, change management, and decommissioning activities. In the absence of incremental funding, SoCalGas risks being unable to adequately support the implementation of the new CIS, which the Commission found necessary to meet evolving needs of SoCalGas's business, regulators, and customers. It is appropriate to recover these costs during the 2024-2027 GRC period as the project is currently on schedule with all CIS Replacement costs anticipated to be incurred within the GRC period. The prohibition on retroactive ratemaking¹⁰ thus necessitates that this shortfall be addressed promptly.

SoCalGas also requests authority to establish a two-way balancing account to balance any differences between actual and authorized incremental costs sought in this application.

II. BACKGROUND AND SUMMARY OR REQUEST

In SoCalGas's TY 2024 GRC, SoCalGas provided testimony detailing SoCalGas's plan to replace its current legacy CIS and supporting subsystems.¹¹ The testimony addressed the importance of implementing a new CIS, the risks associated with sustaining and modifying the existing CIS, the timing of CIS replacement, and the implementation cost and forecast.

More specifically, SoCalGas's GRC testimony described the challenges of maintaining the current CIS – including a lack of trained resources and lack of flexibility.¹² At the time of the proposed implementation of the new CIS system, SoCalGas's legacy CIS will have been operating for over 30 years and will be based on technology that will be over 40 years old. CIS is the critical and foundational information technology system facilitating core customer service transactions and account management for SoCalGas's customers. CIS manages essential

¹⁰ D.07-07-041 at 5-6 (citation omitted) (the "Commission's practice is not to authorize increased utility rates to account for previously incurred expenses unless, before the utility incurs those expenses, the Commission has authorized the utility to book those expenditures into a memorandum or balancing account for possible future recovery in rates.")

¹¹ A.22-05-015, Prepared Direct Testimony of Evan D. Goldman (Exhibit (Ex.) SCG-13) at 5-9, available at: https://www.socalgas.com/sites/default/files/SCG-13_Direct_Testimony_of_Evan_Goldman_CIS_Replacement_Program.pdf.

¹² *Id.* at 2, 5.

functions including billing calculations, payment processing, and credit and collections activity. It is the primary system used by Customer Services Representatives (CSRs) when interacting with customers, and it provides the underlying data and information to support the Company's Interactive Voice Response (IVR) and Digital channels ("My Account"). Over the decades since implementation, the legacy CIS has become increasingly complex and difficult to support as it has been continuously modified to meet evolving regulatory, legislative, customer, and business driven changes.¹³

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

SoCalGas's GRC testimony also detailed the process SoCalGas engaged in to determine a CIS solution, the timing of CIS replacement, and the scope, implementation plan, and costs of implementing the chosen solution, including a description of the business processes and systems impacted by the project, along with a summary of the phases of the project and the activities to be completed within each phase.¹⁴ In its GRC Application, SoCalGas requested adoption of a forecast of \$20.247 million for TY 2024 for O&M services activities for SoCalGas's CIS Replacement Project.¹⁵

The Commission in D.24-12-074 concluded that SoCalGas's CIS Replacement Project was warranted and reasonable and authorized TY 2024 O&M recovery of \$10 million.¹⁶ The Commission in D.24-12-074 also provided that SoCalGas may "submit a separate application if it expects costs to exceed what is authorized in this decision."¹⁷ As the Commission recognized

¹³ *Id.* at 5.

¹⁴ A.22-05-015, Ex. SCG-13 (Goldman) at 13-19.

¹⁵ *Id.* at 19. This request was based on a normalization of the total O&M project costs over the four years of the TY 2024 GRC period (2024 – 2027). Total O&M costs over these four years were forecasted at \$80.988 million and thus SoCalGas requested a normalized \$20.247 million in O&M each year of the GRC period

¹⁶ This amounts to \$40 million over the GRC period (2024-2027).

¹⁷ D24-12-074 at 504.

might be a possibility in D.24-12-074, CIS Replacement Project costs will exceed what was authorized in that decision. SoCalGas is thus requesting incremental funding in the amount of \$24.9 million via this Application to continue the advancement of the CIS Replacement Project.

The costs sought in this Application are anticipated to be incurred in the 2024-2027 GRC period and include SoCalGas labor, contractor labor, software, as well as other necessary project costs. In the absence of the incremental funding requested, SoCalGas will not be able to fully fund planned CIS Replacement Project activities, including training employees on the new CIS, surge staffing, change management, and decommissioning activities. The lack of proper training on a new system that impacts so many of SoCalGas's business activities, as well as the lack of surge staffing resources, will result in a full-time workforce inadequately trained on the new CIS for an extended period after it has been implemented, as well as understaffing in the Customer Contact Center, Billing Operations, and Credit and Collections before, during, and after the system is implemented. This understaffing and incomplete training could ultimately lead to degradations in customer service and overall performance, including longer wait times to speak with Customer Service Representatives, slower resolutions to bill exceptions, decreased ability to meet reporting requirements,¹⁸ and lost efficiency as employees are unable to proficiently use the new CIS. Additionally, these challenges increase the risks of billing errors, reporting errors, and financial reporting inaccuracies, which can further undermine operational effectiveness, regulatory requirements, and overall customer service. Similarly, failing to adequately fund change management and target operating model activities will not allow the beneficial impacts of the new CIS to be fully realized. Finally, if SoCalGas's legacy applications and systems are not properly decommissioned, SoCalGas risks being unable to make sure that legacy applications are properly shut down and archived and may incur unnecessary costs to license and maintain legacy systems.

¹⁸ A new CIS will allow SoCalGas to more efficiently implement new regulatory, legislative, and business requirements. This includes more efficient implementation of any changes the Commission requires to existing rules and processes, such as those adopted in D.20-06-003, which were intended to reduce residential customer disconnections. SoCalGas faced multiple challenges in making the significant changes to its long standing business processes across multiple legacy CIS sub-systems that were necessary to meet the decision requirements. With a new CIS and appropriately trained staff, SoCalGas does not anticipate facing these same types of challenges. See A.22-05-015, Ex. SCG-13 (Goldman) at 6-7.

The necessary costs of the CIS Replacement Project are discussed in more detail in the testimony of Witness April McAllaster. Ms. McAllaster's testimony demonstrates that the cost forecasts included in this Application are the result of extensive diligence and planning conducted by SoCalGas and its partner contractors. These costs are essential to successfully complete the implementation of a project that is necessary, and which will benefit both SoCalGas and its customers.

III. BRIEF DESCRIPTION OF SUPPORTING TESTIMONY

In support of this Application, SoCalGas includes the direct testimony of the following witnesses, organized by chapter as shown:

- Chapter 1: (Evan Goldman) provides an overview of SoCalGas's urgent need of and support for the request for incremental funding for SoCalGas's CIS replacement program.
- Chapter 2: (April McAllaster) provides a comprehensive breakdown of the CIS replacement program costs.
- Chapter 3: (Rae Marie Yu) describes the cost recovery mechanism including proposed revenue requirement and balancing account for the incremental costs for CIS replacement program.
- Chapter 4: (Julia Leigh Cortez) presents the rate and bill impacts associated with the incremental cost for the CIS replacement program.

IV. RELIEF REQUESTED

SoCalGas respectfully requests that, in accordance with the proposed schedule, the Commission issue a decision finding that:

1. Incremental funding is necessary so that SoCalGas can successfully complete the CIS Replacement Project, which will better allow SoCalGas to meet regulatory requirements, customer expectations, and business needs;
2. The proposed incremental cost requested in this Application is just and reasonable;
3. Full recovery in rates, as requested by SoCalGas, should be granted;
4. SoCalGas may establish the CIS Replacement Project Balancing Account (CISRPBA) to record authorized and actual costs approved in this application;

5. Such other relief as is necessary and proper.

V. STATUTORY AND PROCEDURAL REQUIREMENTS

SoCalGas files this Application in accordance with the Commission's Rules of Practice and Procedure.

A. Rule 2.1(a)-(c) – Legal Name

Southern California Gas Company is a public utility corporation organized and existing under the laws of the State of California. SoCalGas's principal place of business and mailing address is 555 West Fifth Street, Los Angeles, CA 90013.

B. Rule 2.1(b) – Correspondence

Correspondence or communications, including any data requests, regarding this Application should be addressed to:

Stella Rangel
Regulatory Case Manager for:
SOUTHERN CALIFORNIA GAS COMPANY
555 West Fifth Street, GT-14D6
Los Angeles, California 90013
Tel: (213) 244-2502
Email: srangel@socalgas.com

with copies to:

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C. Rule 2.1(c)

1. Proposed Category of Proceeding

In accordance with Rule 7.1, SoCalGas requests that this Application be categorized as ratesetting pursuant to Commission Rule of Practice and Procedure 1.3(e) and 7.1(e)(2).

2. Need for Hearings

Although SoCalGas does not believe that evidentiary hearings are necessary to address questions of material fact pertaining to its request, it includes hearing dates in the proposed procedural schedule below should the Commission determine that hearings are necessary.

3. Issues to be Considered

The issues to be considered are described in this Application and the accompanying testimony and exhibits. Regarding safety considerations, based on current information, SoCalGas's proposal will not result in any adverse safety impacts on the facilities or operations of SoCalGas.

4. Proposed Schedule

SoCalGas proposes the following schedule to be adopted for this proceeding.

Proposed Procedural Schedule	
Event	Proposed Date
Application Filed	May 9, 2025
Protests or Responses	within 30 days of Daily Calendar notice
Reply to Protests or Responses	Within 10 days (see Rule 2.6)
Prehearing Conference	June 2025
Assigned Commissioner Scoping Memo and Ruling	July 2025
Intervenor Testimony	August 2025
Rebuttal Testimony	September 2025
Hearings (if necessary)	October 2025
Opening Briefs	November 2025
Reply Briefs	December 2025
Proposed Decision	February 2026
Commission Decision	April 2026

D. Rule 2.2 – Articles of Incorporation

A copy of SoCalGas's Restated Articles of Incorporation as last amended, presently in effect and certified by the California Secretary of State, was previously filed with the Commission on October 1, 1998, in connection with SoCalGas's Application 98-10-012, and are incorporated herein by reference.

E. Rule 3.2(a)-(d) – Authority to Increase Rates

In accordance with Rule 3.2(a)-(d) of the Commission's Rules of Practice and Procedure, SoCalGas provides the following information.

1. Rule3.2(a)(1) – Balance Sheet

The most recent updated Balance Sheet and Income Statements for SoCalGas are attached to this Application as Attachment A.

2. Rule 3.2(a)(2) – Statement of Effective Rates

A statement of all of SoCalGas's presently effective rates can be viewed electronically on SoCalGas' website: <https://tariff.socalgas.com/regulatory/tariffs/tariffs-rates.shtml>. Attachment B to this Application provides the table of contents from SoCalGas's tariffs on file with the Commission.

3. Rule3.2(a)(3) – Statement of Proposed Rate Change

The rate changes that will result from this Application are described in the testimony of witness Julia Cortez. The percentage increase in revenue from the proposed rate structure is less than 1% percent.

4. Rule3.2(a)(4) – Description of Property and Equipment

A general description of SoCalGas's property and equipment was previously filed with the Commission on May 3, 2004, in connection with SoCalGas's Application A.04-05-008, and is incorporated herein by reference. SoCalGas's most recent statement of Original Cost and Depreciation Reserve is attached as Attachment C.

5. Rule3.2(a)(5) and (6) – Summary of Earnings

A summary of earnings for SoCalGas is included in Attachment D.

6. Rule3.2(a)(7) – Statement Regarding Tax Depreciation

For financial statement purposes, depreciation of utility plant has been computed on a straight-line remaining life basis at rates based on the estimated useful lives of plan properties. For federal income tax accrual purposes, SoCalGas generally computes depreciation using the

straight-line method for tax property additions prior to 1954, and liberalized depreciation, which includes class life and Asset Depreciation Range Systems, on tax property additions after 1954 and prior to 1981. For financial reporting and rate-making purposes, “flow through accounting” has been adopted for such properties. For tax property additions in years 1981 through 1986, SoCalGas has computed its tax depreciation using the Accelerated Cost Recovery System. For years after 1986, SoCalGas has computed its tax depreciation using the Modified Accelerated Cost Recovery Systems and, since 1982, has normalized the effects of the accelerated depreciation differences in accordance with the Economic Recovery Tax Act of 1981, the Tax Reform Act of 1986, and the Tax Cuts and Jobs Act of 2017.

7. Rule3.2(a)(8) – Proxy Statement

A copy of SoCalGas’s most recent proxy statement sent to all shareholders of SoCalGas’s parent company, Sempra Energy, dated April 25, 2025, was provided to the Commission on April 28, 2025, and is incorporated herein by reference.

8. Rule3.2(a)(10) – Statement Re Pass Through to Customers

Any rate increase resulting from approval of this Application will not solely reflect pass through to customers of increased costs to SoCalGas for the services or commodities furnished by them.

9. Rule3.2(b) – (d) – Service and Notice

Within 20 days of filing, SoCalGas will mail notice of this application to the State of California and to cities and counties served by SoCalGas and will post the notice in their offices and publish the notice in newspapers of general circulation in each county in their service territories. In addition, SoCalGas will, within 45 days after filing this application, include notices with the regular bills mailed to all customers affected by the proposed rate changes.

VI. SERVICE

This is a new application. No service list has been established. Accordingly, SoCalGas will serve a copy of this Application, testimony, and related exhibits on the following service list:

- A.22-05-015 and A.22-05-016 (consolidated), SoCalGas and SDG&E’s 2024 General Rate Case Applications

VII. CONCLUSION

SoCalGas respectfully requests that the Commission grant SoCalGas's Application as described herein.

Respectfully submitted,

By: /s/Holly A. Jones
Holly A. Jones

Attorney for:
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May 9, 2025

OFFICER VERIFICATION

I, Gillian Wright declare the following:

I am an officer of Southern California Gas Company and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in the foregoing **APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) FOR INCREMENTAL FUNDING FOR CUSTOMER INFORMATION SYSTEM REPLACEMENT PROGRAM** are true to my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on May 9, 2025, at Los Angeles, California.

/s/ Gillian Wright

Gillian Wright
Senior Vice President and Chief Customer Officer
Systems & Technology
Southern California Gas Company

ALISO CANYON ATTESTATION

1. I am Senior Vice President and Chief Customer Officer Systems & Technology of Southern California Gas Company (SoCalGas). I am providing this attestation based upon the requirements of Ordering Paragraph 5 of California Public Utilities Commission (CPUC or Commission) Decision (D.) 23-09-022.
2. On December 23, 2015 the CPUC-Executive Director issued a letter to SoCalGas directing SoCalGas to provide information to the CPUC concerning costs associated with the uncontrolled release of natural gas from Well SS-25 at the Aliso Canyon Storage Field from October 23, 2015 through February 11, 2016 (the Incident).
3. Beginning in December 2015, SoCalGas has reported to the Commission the costs associated with the Incident in in the monthly Incident-related cost report submitted pursuant to the Executive Director's December 23, 2015 (Directive Report).
4. On October 28, 2022, SoCalGas, the California Public Utilities Commission's Safety and Enforcement Division ("SED") and the Public Advocates Office at the California Public Utilities Commission ("Cal Advocates") filed a Joint Motion for Adoption of Settlement Agreement in Investigation (I.)19-06-016 seeking approval of the Settlement Agreement entered into by SoCalGas, SED, and Cal Advocates (Settlement Agreement).
5. On September 12, 2023, the Commission issued Decision (D.) 23-09-002 which approved the Settlement Agreement between SoCalGas, SED, and Cal Advocates resolving I.19-06-016.
6. Ordering Paragraph 5 of D.23-09-002 states that SoCalGas shall submit an attestation by a Vice President or higher company executive with every application requesting rate recovery attesting that it has not included any expenses or costs identified in the Settlement Agreement. This attestation requirement shall apply for five years from the date of the final issuance of this decision.

7. I reviewed the costs requested in this Application and the most recent Directive Report. Based on my review of the costs, the Directive Report, and other diligence, I am informed and believe, and upon such information and belief, certify that SoCalGas has not included any expenses or costs identified in the Settlement Agreement adopted in D.23-09-002 in the enclosed Application being filed on May 9, 2025.

Executed on May 9, 2025, at Los Angeles, California.

/s/ Gillian Wright

GILLIAN WRIGHT

Senior Vice President and Chief Customer Officer
Systems & Technology
Southern California Gas Company