

Application: A.26-05-XXX  
Proceeding: \_\_\_\_\_  
Exhibit No.: \_\_\_\_\_  
Witness: S. Mijares

**CHAPTER 1**  
**PREPARED DIRECT TESTIMONY OF**  
**SARA P. MIJARES**

**ON BEHALF OF**  
**SOUTHERN CALIFORNIA GAS COMPANY**  
**AND**  
**SAN DIEGO GAS & ELECTRIC COMPANY**

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

**May 1, 2026**

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1 **DIRECT TESTIMONY OF SARA P. MIJARES**

2 **I. INTRODUCTION**

3 My testimony supports the Joint Application of Southern California Gas Company  
4 (“SoCalGas”) and San Diego Gas & Electric Company (“SDG&E,” together, “Joint Utilities”) for Commission authorization to implement a revenue requirement based on a forecasted cost of  
5 approximately \$348 million<sup>1</sup> to enable implementation of the SAP<sup>2</sup> Migration Program (the  
6 “Program”).<sup>3</sup> This Program to implement specific, narrowly scoped activities is necessary to  
7 avoid the obsolescence of the Joint Utilities’ vital and decades-old enterprise resource planning  
8 platform (ERP or ERP platform)<sup>4</sup> and ERP-connected systems given the vendor’s announcement  
9 to discontinue support for them at the end of 2027.<sup>5</sup> The Program is primarily anchored in a  
10 minimum viable investment to sustain operations and includes a discrete and limited strategic  
11 modernization to align the Joint Utilities’ cost tracking processes with current and evolving  
12 reporting requirements.  
13

14 The Application further seeks to establish a two-way balancing account to track actual  
15 versus authorized costs, which would be subject to refund to customers if actual costs are less

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<sup>1</sup> Details regarding the total forecasted enterprise-wide loaded and escalated costs are described in Chapter 3, the Prepared Direct Testimony of Rae Marie Yu, Maria Becerra, DJ Scott, Marjorie Schmidt-Pines, and Rachelle Baez at YBSPB-4.

<sup>2</sup> SAP (Systems, Applications, & Products in Data Processing, also known as SAP SE) is a German multinational software company based in Walldorf, Baden-Württemberg, Germany that is the world's largest vendor of enterprise software with over 10,000+ employees worldwide. SAP provides integrated enterprise business software used to manage core functions such as finance, accounting, procurement, asset management, and human resources in a single system. *See* <https://www.sap.com/about/what-is-sap.html>.

<sup>3</sup> In addition to the Joint Utilities, Sempra’s Shared Services Corporate Center (Corporate Center) also utilizes the ERP and connected technologies described in this Application. As described in Chapter 3, at YBSPB-7-9, SoCalGas is the primary user of the ERP and thus maintains the shared asset on its books. Costs are allocated and billed by SoCalGas to SDG&E and Corporate Center based on the number of employees using the software. Costs allocated to Corporate Center are then reallocated to SoCalGas, SDG&E, and other Sempra affiliates.

<sup>4</sup> An ERP is an integrated system used for financial management, supply chain operations, work order processing, and other core business processes.

<sup>5</sup> *See* announcements made by SAP’s regarding 2027 <https://support.sap.com/en/release-upgrade-maintenance/maintenance-information/maintenance-strategy/s4hana-business-suite7.html?anchorId=section> and <https://news.sap.com/2020/02/sap-s4hana-maintenance-2040-clarity-choice-sap-business-suite-7/>.

1 than authorized, and subject to reasonableness review for actual costs that exceed authorized  
2 levels in either the Joint Utilities’ next general rate case (GRC) or separate future filing.

3 The Joint Utilities’ consolidated Test Year 2024 General Rate Case (2024 GRC)<sup>6</sup>  
4 identified the need to address their aging ERP platform and sought funding for an initial phase of  
5 the SAP Migration Program.<sup>7</sup> The Commission authorized that request—the capital portion (i.e.,  
6 Phase 1A)<sup>8</sup>—which is focused primarily on the mandatory migration necessary to address  
7 obsolescence<sup>9</sup> of the core ERP platform. This Application builds on the Commission’s  
8 authorization of Phase 1A by seeking recovery of costs associated with completing the remaining  
9 operating and maintenance (O&M) activities (Phase 1B) associated with the core ERP platform,  
10 which are required to be conducted in parallel to certain Phase 1A activities, and executing  
11 capital and O&M Phase 2 activities that are necessary to migrate critical ERP-connected  
12 systems, including the Special Purpose Ledger (SPL) for Federal Energy Regulatory  
13 Commission (FERC) reporting.

14 The Joint Utilities deliberately structured the Program as a least-cost, risk-managed  
15 response to prioritize affordability for our customers while meeting the companies’ evolving  
16 compliance obligations<sup>10</sup> to various regulators and stakeholders to have accurate, timely and  
17 secure records and reporting capabilities. The Program is not a discretionary initiative, nor is it  
18 intended to transform the Joint Utilities’ business processes or operating model. Instead, it is  
19 narrowly focused on preserving essential system functionality with a discrete modernization,  
20 maintaining regulatory compliance, and avoiding the materially higher costs and risks associated

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<sup>6</sup> Application (A.) 22-05-015.

<sup>7</sup> At the time, the initiative was described as a broader transformation effort. A.22-05-015, Revised Prepared Direct Testimony of Sara P. Mijares, Ex. SCG-29-R-E (May 2023) at SPM-60 and Rebuttal Testimony of Sara P. Mijares, Ex. SCG-229-E (June 2023) at SPM-23-26.

<sup>8</sup> Decision (D.) 24-12-074 at 650 and 655.

<sup>9</sup> Obsolescence is a condition where systems or technology becomes outdated or unsupported, increasing operational or cybersecurity risk.

<sup>10</sup> E.g., SEC registrants are subject to extensive periodic and current reporting obligations under the Securities Exchange Act of 1934. California utilities regulated by the California Public Utilities Commission (CPUC) must comply with several specific statutory and regulatory reporting requirements, including Annual Cost Reporting – Public Utilities Code § 913, *see* [https://california.public.law/codes/public\\_utilities\\_code\\_section\\_913](https://california.public.law/codes/public_utilities_code_section_913).

1 with operating unsupported ERP-connected systems. As discussed below, doing nothing or  
2 merely extending maintenance are not prudent alternatives.

## 3 **II. PROGRAM OVERVIEW**

4 The Program is a phased initiative designed to address the mandatory technology  
5 obsolescence of the Joint Utilities' ERP and ERP-connected systems while maintaining  
6 operational continuity. In the Joint Utilities' consolidated 2024 GRC,<sup>11</sup> the Commission  
7 authorized certain capital activities for the Program (Phase 1A),<sup>12</sup> which focuses on migrating  
8 the Joint Utilities' core ERP. Phase 1A addressed the most urgent obsolescence risk but did not  
9 include the O&M activities required to complete and stabilize the migration, nor did it address  
10 additional ERP-connected systems that SAP has published as reaching end-of-maintenance after  
11 December 31, 2027. Phase 1B includes the remaining O&M activities required to complete the  
12 initial migration, including data migration and organizational change management activities that  
13 are incremental to what was authorized in the 2024 GRC. Most Phase 1B activities will be  
14 conducted in parallel with remaining Phase 1A activities and are expected to be completed in  
15 May 2027. Phase 1B will also include conducting a request for proposal (RFP) process for  
16 Phase 2 activities so they can be commenced promptly upon a final decision in this proceeding.  
17 Phase 2 focuses on the migration of additional ERP-connected systems, including the SPL for  
18 FERC reporting, that will also become unsupported at the end of 2027, exposing the Joint  
19 Utilities to increasing cybersecurity, compliance, and operational risks.<sup>13</sup> Phase 2 will be  
20 implemented through a series of sequenced releases expected to be completed in 2030 to  
21 maintain operational continuity while prudently managing implementation risk in a large, highly  
22 integrated enterprise environment.<sup>14</sup> Consistent with the Program's limited scope to minimize  
23 costs, Phase 2 includes only one targeted modernization activity: transitioning project cost

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<sup>11</sup> A.22-05-015.

<sup>12</sup> D.24-12-074 at 650 and 655.

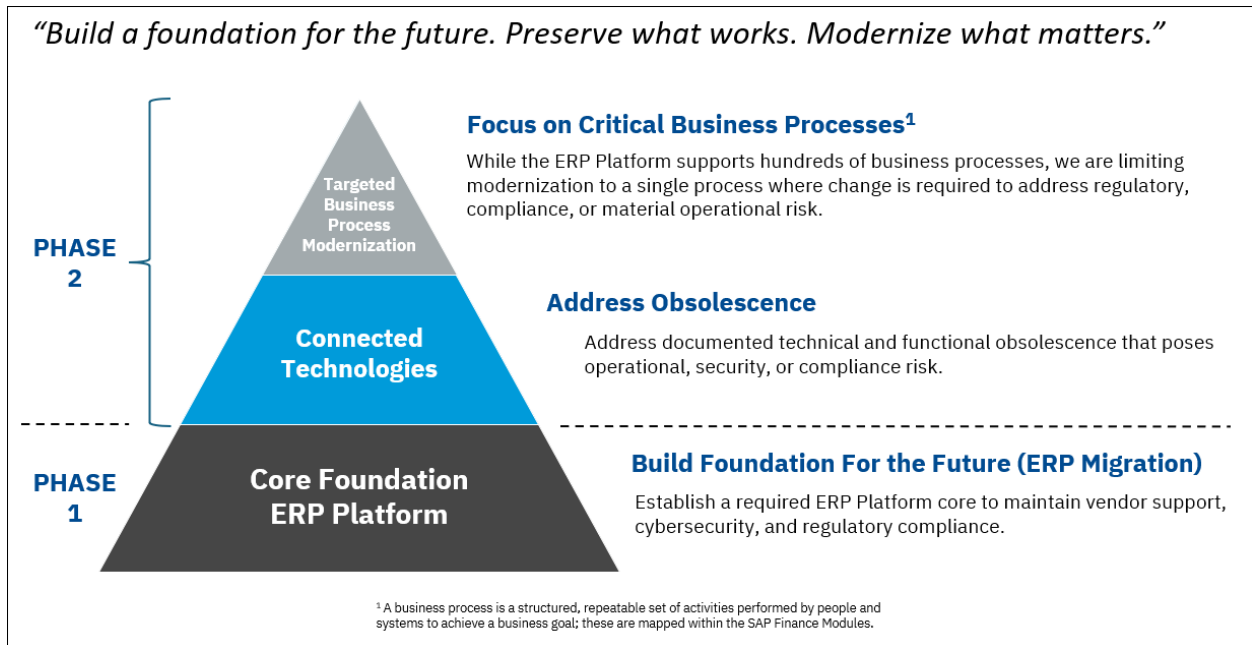
<sup>13</sup> See United States Government Accountability Office, GAO-23-106821, INFORMATION TECHNOLOGY: Agencies Need to Continue Addressing Critical Legacy Systems available at <https://www.gao.gov/assets/gao-23-106821.pdf>.

<sup>14</sup> The Joint Utilities enterprise SAP environment includes over 11,000 users, integration with over 225 systems, and 180,000,000 monthly transactions. More information about the Joint Utilities' enterprise SAP environment is available in Chapter 2, the Prepared Direct Testimony of Gabriel Chong and Dennis Enrique at CE-12 (Figure 2-4).

1 capture from an Internal Orders (IO)-based model to a Work Breakdown Structure (WBS)-based  
2 model (i.e., activity based).

3 As denoted in Figure 1-1 below, the Program is proposed to be executed in phases to  
4 preserve business continuity, manage execution risk, and avoid unnecessary disruption to  
5 customers while addressing mandatory obsolescence in a timely, cost-effective, and orderly  
6 manner.

7 **Figure 1-1: Strategic Approach to Address Obsolescence<sup>15</sup>**



8  
9 The Joint Utilities must act promptly to preserve their ability to continue to utilize the  
10 ERP-connected systems by replacing them with and, in a very limited circumstance, modernizing  
11 to, versions that SAP will continue to support beyond 2027.

### 12 **III. EVALUATION PROCESS**

#### 13 **A. Background**

14 Companies across California and the nation are confronting the challenges associated  
15 with maintaining critical enterprise systems as major software vendors discontinue support for

<sup>15</sup> Additional details regarding the SAP Migration Program’s three sequenced releases for Phase 2 are discussed in Chapter 2 at CE-10-18.

1 legacy technologies.<sup>16</sup> SAP, one of the world’s largest enterprise software providers, has  
2 announced that mainstream maintenance for the ERP platform and certain ERP-connected  
3 systems will end at the end of 2027.<sup>17</sup> These external vendor decisions establish a fixed timeline  
4 by which affected ERP platforms, including ERP-connected systems, must be migrated or  
5 replaced due to SAP’s end-of-support.<sup>18</sup>

6 ERP platforms, including connected systems, serve as the system of record for financial  
7 accounting, regulatory reporting, billing, procurement, asset management, and other  
8 mission-critical functions. The Joint Utilities have relied on the ERP platform for nearly three  
9 decades—since 1999—which far exceeds the useful life of the asset. With the vendor’s  
10 announcement to discontinue support for the ERP-connected systems too, continued reliance on  
11 their operation becomes increasingly risky due to the loss of security patches, regulatory updates,  
12 defect remediation, and performance enhancements that have been necessary for the systems to  
13 remain functional.

14 For example, operating unsupported enterprise systems exposes utilities to escalating  
15 cybersecurity risk, compliance deficiencies, operational disruptions, and higher long-term  
16 costs.<sup>19</sup> These risks could directly affect billing, accounts payable, supply chain operations, and  
17 financial reporting and should not be invited by regulated utilities subject to extensive financial,  
18 operational, and other regulatory obligations. Extended maintenance options may defer near-term

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<sup>16</sup> Southern California Edison Company (SCE) filed A.25-03-009 on March 14, 2025 requesting approval to implement revenue requirements based on forecasted capital expenditures and O&M expenses totaling \$1,321 million for the implementation of its’ NextGen ERP Program to address the imminent obsolescence of SCE’s legacy ERP system, and to enable business transformation that will expand its’ operational capabilities across the company.

<sup>17</sup> See announcements made by SAP’s regarding 2027 <https://support.sap.com/en/release-upgrade-maintenance/maintenance-information/maintenance-strategy/s4hana-business-suite7.html?anchorId=section> and <https://news.sap.com/2020/02/sap-s4hana-maintenance-2040-clarity-choice-sap-business-suite-7/>.

<sup>18</sup> For purposes of this application, “end of support” means the point at which SAP discontinues mainstream maintenance, leaving the utilities responsible for critical enterprise systems without vendor security updates or defect fixes, which can elevate risk and costs of remediation over time.

<sup>19</sup> See United States Government Accountability Office, GAO-23-106821, INFORMATION TECHNOLOGY: Agencies Need to Continue Addressing Critical Legacy Systems available at <https://www.gao.gov/assets/gao-23-106821.pdf>.

1 investment but do not provide a durable solution and merely increase costs while leaving the  
2 underlying obsolescence risk unresolved.

3 In response to these industry-wide conditions, the Joint Utilities evaluated a range of  
4 alternatives before designing Phase 1, including a comprehensive enterprise transformation. A  
5 transformation-level program was determined to not be a suitable choice at that time due to  
6 substantially greater costs, longer implementation timelines, and significantly higher operational  
7 risk than necessary to address the immediate problem (i.e., SAP's end-of-support decision). As  
8 such, the Program proposed in this Application reflects a disciplined and strategic approach that  
9 preserves existing, stable processes, discretely modernizes only what is necessary, and focuses  
10 resources on maintaining system viability, regulatory compliance, and operational continuity.

## 11 **B. Migration to Supported ERP-Connected Systems Is Prudent Compared to** 12 **Other Alternatives**

13 The Joint Utilities carefully considered three options to address SAP's decision to end  
14 support for legacy ERP platforms as of December 31, 2027:<sup>20</sup> (1) do nothing, (2) extend  
15 maintenance, and (3) migrating to supported versions. As discussed below, doing nothing or  
16 extending maintenance are not viable options because of the significant cybersecurity, financial  
17 and operational risks that could impact the Joint Utilities' combined over 24 million customers.  
18 As a result, and having already ruled out a full transformative option, the Joint Utilities  
19 concluded that migration to supported ERP-connected systems was the prudent, reasonable, and  
20 affordable option.

### 21 **1. Doing Nothing Is Not a Viable Option**

22 Doing nothing would expose the Joint Utilities to increasing cybersecurity, operational,  
23 financial, and compliance risks as SAP's existing technology reaches end-of-maintenance. The  
24 current landscape becomes unsupported at the end of 2027, which progressively eliminates  
25 access to vendor security patches, regulatory and compliance updates, defect corrections, and  
26 performance improvements. Operating an unsupported landscape introduces substantial

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<sup>20</sup> See announcements made by SAP's regarding 2027 <https://support.sap.com/en/release-upgrade-maintenance/maintenance-information/maintenance-strategy/s4hana-business-suite7.html?anchorId=section> and <https://news.sap.com/2020/02/sap-s4hana-maintenance-2040-clarity-choice-sap-business-suite-7/>.

1 cybersecurity exposure, including heightened vulnerability to zero-day exploits,<sup>21</sup> the inability to  
2 remediate known security flaws, and interference with data integration with other systems.

3 Without supported reporting systems, the Joint Utilities' ability to comply with  
4 evolving regulatory requirements is reduced. Obsolete system components are more  
5 susceptible to failure, which can disrupt critical operations and impair the ability to meet  
6 regulatory reporting and operational obligations. Continued reliance on aging applications  
7 increases maintenance costs and operational risk due to accumulated customizations and  
8 workarounds, diverts resources from required regulatory and operational activities, and  
9 depends on scarce specialized skills that may not be readily available during system issues.

10 **2. Extended Maintenance Is Neither a Prudent Nor Responsible**  
11 **Option to Address the Obsolescence of SAP's Decision to Stop**  
12 **Supporting Critical ERP-Connected Systems**

13 The Joint Utilities effectively face two paths for addressing the end of support for the  
14 ERP-connected systems proposed to be addressed in Phase 2: reliance on extended maintenance  
15 or migration to the latest supported SAP versions. Extended maintenance is not a solution to  
16 system obsolescence; it is a temporary bridge that provides limited continuity while underlying  
17 end-of-life risks remain unaddressed. As depicted in Figure 1-2, extended maintenance expires  
18 after 2030, so it is a temporary band-aid, and it does not remediate obsolete functionality,  
19 declining vendor support, or escalating cybersecurity and operational risk.

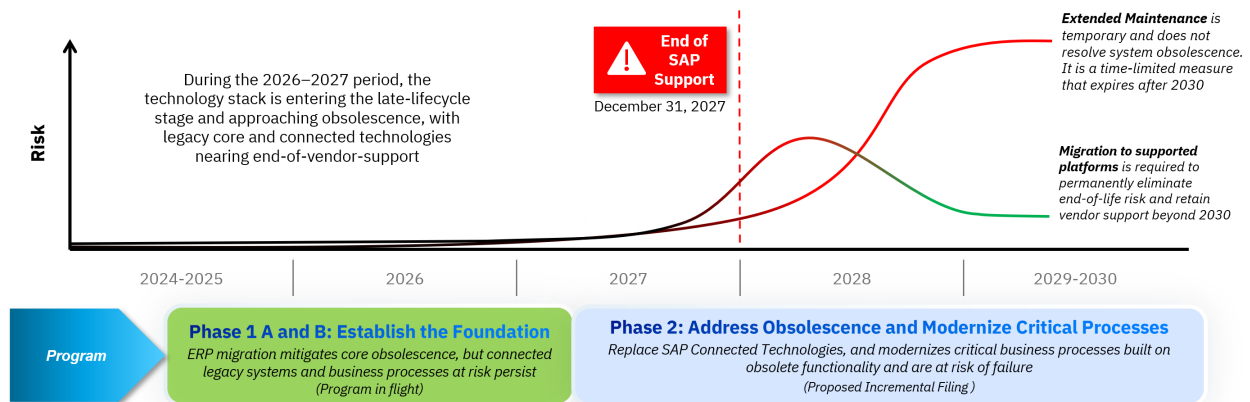
20 Extended maintenance therefore serves only as a short-term cost deferral mechanism and  
21 not a durable or prudent long-term strategy. Continued reliance on extended maintenance would  
22 result in higher ongoing support costs, diminishing vendor engagement, and increased exposure  
23 to system failure and compliance risk.

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<sup>21</sup> A zero-day exploit is a cyberattack vector that takes advantage of an unknown or unaddressed security flaw in computer software, hardware or firmware. "Zero day" refers to the fact that the software or device vendor has zero days to fix the flaw because malicious actors can already use it to access vulnerable systems.

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**Figure 1-2: Migration versus Extended Maintenance**



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The selected approach reflects a balanced and prudent response to an externally mandated technological transition. It mitigates immediate obsolescence risk, preserves operational stability, and avoids both the excessive costs of a full system rebuild and the long-term limitations of a purely technical conversion. Through this strategy, the Joint Utilities seek to promote continued system viability and regulatory compliance while exercising responsible stewardship of stakeholder resources.

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### **3. Migration to the Latest Supported SAP Platforms and ERP-Connected Systems Is a Balanced and Prudent Response to an Externally Mandated Technology Transition**

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Migration of ERP-connected systems eliminates end-of-support risk, restores vendor support, stabilizes the risk profile beyond 2030, and facilitates continued operational reliability and regulatory compliance. From a cost, risk, and stewardship perspective, no other alternative approach provides a resolution to SAP obsolescence.

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The proposed disciplined and phased approach mitigates immediate obsolescence risk, preserves operational stability, and avoids both the excessive costs of a full system rebuild and the long-term limitations of a purely technical conversion, while creating a runway for future modernization and transformation. Through this strategy, the Joint Utilities seek to promote continued system viability and regulatory compliance while exercising responsible stewardship of stakeholder resources.

1 **IV. AUTHORIZING A BALANCING ACCOUNT AND REVENUE**  
2 **REQUIREMENT SUPPORTS AFFORDABILITY**

3 As detailed in Chapter 3,<sup>22</sup> the Joint Utilities request authorization to create a two-way,  
4 interest-bearing balancing account effective as of the date of this Application and implement a  
5 revenue requirement based on its forecasted costs for Phase 1B and 2 activities. Authorizing a  
6 revenue requirement promotes fairness to both Joint Utilities and ratepayers, minimizes costs  
7 incurred by ratepayers, and promotes rate stability. Ratepayers would experience reduced costs  
8 stemming from the various financial benefits associated with a revenue requirement, including:  
9 (1) reduction in interest paid on balances of accumulated costs if they were to be recorded and  
10 later subject to an after-the-fact reasonableness review; (2) the expected positive impact from  
11 credit rating agencies' assessment of Joint Utilities' financial health; and (3) the impact to Joint  
12 Utilities' annual cash flow operation.

13 As illustrated in Chapter 3,<sup>23</sup> ratepayers avoid interest costs—estimated to be  
14 approximately \$17.7 million—if a revenue requirement is authorized based on the cost forecast  
15 provided in Chapter 2. Additionally, implementing a revenue requirement stabilizes customer  
16 rates by spreading the recovery of costs over time as the costs are incurred. This approach helps  
17 mitigate potential bill volatility that could arise from implementing all the Program costs,  
18 following a reasonableness review, at one time. Concurrent cost recovery also contributes to  
19 improved utility cash flow and reduces financing costs, which also benefit ratepayers. In  
20 addition, mitigating the risk of under-collection supports Joint Utilities' creditworthiness, thus  
21 minimizing adverse impacts on their ability to secure financing at reasonable cost. Accordingly,  
22 authorizing a revenue requirement based on an authorized forecast fosters financial resilience  
23 and reinforces regulatory measures aimed at promoting economic viability and consumer  
24 protection. Implementing a forecast revenue requirement also allows the Joint Utilities to  
25 maintain adequate and timely cash flow to fund the work needed to timely and efficiently  
26 address obsolescence. The Joint Utilities appreciate the Commission's support to best position it  
27 to meet those goals.

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<sup>22</sup> Chapter 3 at YBSPB-1-2.

<sup>23</sup> *Id.* at YBSPB-12.

1 A two-way balancing account, with costs incurred above the forecast subject to a  
2 reasonableness review in a standalone application, GRC, or other appropriate proceeding, is fair  
3 to both ratepayers and the utility because it reimburses the utility for its actual costs and  
4 ratepayers are not required to pay any more than those actual costs. If the Joint Utilities spend  
5 less than the amount authorized by the Commission for Program activities, ratepayers will be  
6 refunded in an equal amount, plus interest. If the costs of executing Phase 1B and 2 activities  
7 exceed the amount authorized, the Joint Utilities would have to establish the reasonableness of  
8 those costs consistent with the Commission's standards before recovering them from ratepayers.

9 Finally, the Joint Utilities' request that the balancing account be authorized effective as of  
10 the date of the Application is also designed to save ratepayers money and promote fairness to the  
11 utility by allowing it to be compensated for necessary work. As described in Chapter 2, Phase  
12 1B activities must be conducted prior to a final decision in this proceeding. Commencing those  
13 activities now also allows the Joint Utilities to maximize the knowledge and skill sets currently  
14 engaged for Phase 1A and reduces the risk of losing key personnel. Authorizing the balancing  
15 account as of the date of this Application additionally protects ratepayers because forecasted  
16 costs will go through the Commission's review process for reasonableness in this proceeding.

## 17 **V. CONCLUSION**

18 The SAP Migration Program represents a necessary and prudent investment to address an  
19 externally imposed technology end-of-support decision that the Joint Utilities cannot avoid or  
20 defer without exposure to cybersecurity, operational, compliance and financial risk. Continued  
21 reliance on unsupported ERP-connected systems could undermine the integrity of billing,  
22 financial reporting, regulatory compliance and internal controls that are foundational to the  
23 provision of safe, reliable and affordable service.

24 The Joint Utilities have deliberately designed this Program to balance urgency with  
25 affordability by narrowly scoping the work to preserve essential functionality, maintain vendor  
26 support, and address mandatory obsolescence. Failing to act timely could result in more  
27 disruptive, higher-cost outcomes. For these reasons, the Commission should find the Program  
28 reasonable and approve the Application.

29 This concludes my prepared direct testimony.

1 **VI. QUALIFICATIONS**

2 My name is Sara P. Mijares. My business address is 555 W. 5th Street, Los Angeles, CA  
3 90013. I am employed at SoCalGas as the Vice President, Chief Accounting Officer, and  
4 Controller.

5 In this role, I am responsible for overseeing SoCalGas's accounting and financial  
6 reporting. I assumed my current position in August 2024. Prior to this, I have served in roles of  
7 increasing responsibility at SoCalGas since June 2020.

8 Prior to my time at SoCalGas, I worked for PricewaterhouseCoopers from 2003 to 2020  
9 in the Audit group. I hold a Bachelor of Science Degree in Accounting from Loyola Marymount  
10 University. I am a Certified Public Accountant (CPA).

11 I have previously testified before the Commission.