



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

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

Application No. 25-05-004
(Filed May 9, 2025)

**OPENING BRIEF OF SOUTHERN
CALIFORNIA GAS COMPANY**

HOLLY A. JONES

Attorney for:
Southern California Gas Company
555 West Fifth Street, Suite 1400
Los Angeles, California 90013
Telephone: (213) 244-2232
Facsimile: (213) 629-9620
E-Mail: HAJones@socalgas.com

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TABLE OF CONTENTS

I. INTRODUCTION 1

II. RELEVANT BACKGROUND 4

 A. SoCalGas Test Year 2024 General Rate Case 4

 B. Procedural Background..... 5

III. EVIDENTIARY STANDARDS AND THE BURDEN OF PROOF..... 6

IV. ISSUES TO BE DETERMINED IN THE PROCEEDING 7

 A. Scoping Memorandum Issues 7

V. DISCUSSION..... 9

 A. SoCalGas’s Request is Just and Reasonable and Fully Supported by Evidence 9

 1. SoCalGas’s Forecasting Methodology and Assumptions Support
 SoCalGas’s Incremental Request..... 9

 2. SoCalGas’s Staffing Model is Reasonable and Necessary to Support the
 Project 12

 3. The CIS Replacement Project is Replacing Aging and/or Obsolete
 Technology 13

 4. SoCalGas’s Forecasted Revenue Requirement is Reasonable..... 14

 5. Incremental Funding will Support SoCalGas Labor, Contractor,
 Decommissioning, and Other Necessary Expenses 15

 B. The Rate Impact of SoCalGas’s Incremental Request is Reasonable..... 16

 C. SoCalGas’s Request for a Two Way Balancing Account Should be Approved... 16

 D. The New CIS Will Benefit All SoCalGas Customers 17

VI. REQUEST FOR ORAL ARGUMENT 18

VII. CONCLUSION..... 18

TABLE OF AUTHORITIES

STATUTES AND LEGISLATION

California Evidence Code § 36,
5th Ed., Vol. 1(2002) 6

OTHER AUTHORITIES

Commission Rules of Practice and Procedure, Rule 1.15 1

Commission Rules of Practice and Procedure, Rule 12.1(b)..... 6

Commission Rules of Practice and Procedure, Rule 13.12 1

Commission Rules of Practice and Procedure, Rule 13.14 18

D.06-05-016 6

D.07-07-041 2

D.09-03-025 6

D.11-03-049 7

D.16-06-056 6

D.18-08-008 17

D.24-12-074 passim

D.24-23-074 2, 5

SUMMARY OF RECOMMENDATIONS

1. Find that incremental funding in the amount of \$21 million 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. Find that the proposed incremental cost of \$21 million and the accompanying rate impact is just and reasonable and supported by evidence.
3. Find that SoCalGas may establish the CIS Replacement Project Balancing Account (CISRPBA) to record authorized and actual costs approved in this application.

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

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

Application 25-05-004
(Filed May 9, 2025)

**OPENING BRIEF OF SOUTHERN
CALIFORNIA GAS COMPANY**

Pursuant to Rule 13.12 of the Rules of Practice and Procedure (Rules) of the California Public Utilities Commission (Commission or CPUC) and the Assigned Commissioner’s Scoping Memo and Ruling dated October 1, 2025 (Scoping Memo), Southern California Gas Company (SoCalGas) hereby submits this Opening Brief in the above captioned proceeding.¹

I. INTRODUCTION

In this proceeding, SoCalGas seeks to recover \$21 million² in incremental operations and maintenance (O&M) project costs necessary to support SoCalGas’s Customer Information System (CIS) Replacement Project, which was previously approved by the Commission in Decision (D.) 24-12-074.³ CIS is the critical and foundational information technology system facilitating core customer service transactions and account management for SoCalGas’s customers. At the time of the implementation of the new CIS system, SoCalGas’s legacy CIS

¹ This Opening Brief is timely filed and served pursuant to Administrative Law Judge Carolyn Sisto’s Email Ruling Canceling Evidentiary Hearings and Setting the Remaining Procedural Schedule, dated January 20, 2026 and pursuant to Rule 1.15. The Ruling set the date for Opening Briefs as February 16, 2026, which falls on a state holiday, making Opening Briefs due on “the first day thereafter” pursuant to Rule 1.15.

² SoCalGas’s Application sought \$24.9 million in incremental project costs. Subsequently SoCalGas entered into a settlement with Small Business Utility Advocates, which would provide SoCalGas with \$21 in incremental project costs if approved. SoCalGas thus revises its request to match the settlement, which SoCalGas and SBUA have sought approval of in a joint motion filed on February 11, 2026.

³ D.24-12-074 at 1062.

will have been operating for over 30 years and will be based on technology that will be over 40 years old. In the absence of the incremental funding requested,⁴ 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.

The Commission previously approved the project as part of SoCalGas's Test Year (TY) 2024 General Rate Case (GRC) and provided that "SoCalGas may submit a separate application if it expects costs to exceed what is authorized in this decision."⁵ 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. SoCalGas's forecast, backed by actual data, shows that SoCalGas is on track to run out of the funding previously approved for the CIS Replacement Project by the Commission in D.24-12-074 in the third quarter of 2026.⁶ This is well before the anticipated completion of project stabilization phase activities in the second quarter of 2027.⁷ Through this application, SoCalGas seeks one-time incremental costs for use in 2026 and 2027 necessary to support the completion of the project. The prohibition on retroactive ratemaking⁸ necessitates that this shortfall be addressed promptly.

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,

⁴ Incremental costs include SoCalGas labor, contractor costs, software costs, as well as other necessary project costs.

⁵ D.24-12-074 at 504.

⁶ Prepared Rebuttal Testimony of Evan Goldman and April McAllaster (Ex. SCG-05) at 1-2, 7-8 and sources cited therein. The dollars SoCalGas has spent thus far on the CIS Replacement Project in 2024 and 2025 are those that were authorized in D.24-23-074. As the Commission in that decision recognized might be the case, the funding approved is not enough for successful completion of the project. Through this application, SoCalGas seeks additional incremental funding to cover necessary project activities that are scheduled to continue after SoCalGas has run out of the funding approved in D.24-23-074.

⁷ Ex. SCG-05 (Goldman and McAllaster) at 1-2, 7-8 and sources cited therein.

⁸ 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.")

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.

The CIS Replacement Project was previously approved by the Commission and is currently in progress. The project is proceeding according to project timelines with a planned go-live in the third quarter (Q3) of 2026. SoCalGas has determined that incremental one-time costs are 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.⁹ 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.¹⁰ 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.

The Public Advocates Office of the California Public Utilities Commission (Cal Advocates) proposes in its testimony that the Commission disallow in total SoCalGas's request for incremental O&M expenses, as well as deny SoCalGas's proposal to establish a two-way balancing account.¹¹ Cal Advocates argues that SoCalGas has not demonstrated it is on track to spend more than the \$46.9 million previously authorized in D.24-12-074. This is not the case. SoCalGas has provided voluminous information to Cal Advocates demonstrating the necessity of its incremental request, including a detailed forecast with monthly spending for each project

⁹ Ex. SCG-05 (Goldman and McAllaster) at 4-5; Revised Prepared Direct Testimony of April McAllaster (Ex. SCG-02-R); Prepared Direct Testimony of Evan Goldman (Ex. SCG-01).

¹⁰ See D.24-12-074 at 502-503.

¹¹ Report on the Results of Operations for Southern California Gas Company's Customer Information System Replacement Program of witness F. Nawaz on behalf of Cal Advocates (Exhibit (Ex.) CA-01) at 2.

activity and proof of actual expenditures to date.¹² Since its TY 2024 GRC filing, SoCalGas has further updated and refined the O&M forecast for the CIS Replacement Project, through the use of more recent data including signed contracts and vendor quotes. This forecast shows that SoCalGas is on track to run out of the funding previously approved before project completion.

Without incremental funding, successful completion of the project will be at risk, including impacts to the ability to fund necessary project activities and costs like training employees on the new CIS, surge staffing to promote continuity of service during the training and transition to the new CIS, change management activities, decommissioning activities, and software licensing costs.¹³ SoCalGas's request for incremental funding to support the new CIS is fully supported by its application, testimonies, and workpapers and should be approved by the Commission.

II. RELEVANT BACKGROUND

A. SoCalGas Test Year 2024 General Rate Case

In SoCalGas's TY 2024 GRC, SoCalGas provided testimony detailing SoCalGas's plan to replace its current legacy CIS and supporting subsystems.¹⁴ 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.¹⁵ 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,

¹² Ex. SCG-05 (Goldman and McAllaster) at 1; *see also id.*, Appendix A at Appendix A-3 to Appendix A-9 (PubAdv-SoCalGas-001-FNZ, response to question 3); *id.* at Appendix A-24 to Appendix A-40 (CalPA-SCG-008, response to question 1).

¹³ Please refer to the testimony of April McAllaster for a more detailed description of the activities associated with the CIS Replacement Project. Ex. SCG-02-R (McAllaster).

¹⁴ Ex. SCG-01 (Goldman) at 2-5; Application (A.) 22-05-015, Direct Testimony of Evan D. Goldman (Exhibit (Ex.) SCG-13) at 5-9, 13-19 available at: https://www.socalgas.com/sites/default/files/SCG13_Direct_Testimony_of_Evan_Goldman_CIS_Replacement_Program.pdf.

¹⁵ Ex. SCG-01 (Goldman) at 2-5; A.22-05-015, Ex. SCG-13 (Goldman) at 5-9, 13-19.

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.¹⁶

In its GRC Application, SoCalGas requested adoption of a forecast of \$20.247 million for TY 2024 for O&M service activities for SoCalGas's CIS Replacement Project, which would amount to a request of \$88.988 million over the GRC period.¹⁷ 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, which amounts to \$46.9 million over the GRC period using the escalation approved by the Commission.¹⁸ 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."¹⁹

B. Procedural Background

On May 9, 2025, SoCalGas filed its Application (A.25-05 004) requesting to recover \$24.9 million in incremental project costs necessary to support SoCalGas's CIS Replacement Project, which was previously approved by the Commission in D.24-12-074.²⁰ SoCalGas's application was supported by direct testimony and workpapers.²¹

On June 12, 2025, Cal Advocates filed a protest and on June 23, 2025, SoCalGas filed a response to the protest. On August 15, 2025, Small Business Utility Advocates (SBUA) filed a motion for party status, which was granted by the assigned Administrative Law Judge (ALJ) on

¹⁶ Ex. SCG-01 (Goldman) at 3; A.22-05-015, Ex. SCG-13 (Goldman) at 3, 5.

¹⁷ Ex. SCG-01 (Goldman) at 16; A.22-05-015, Ex. SCG-13 (Goldman) at 19.

¹⁸ D.24-12-074 at 502-504. The Commission in D.24-12-074 did not authorize funding for specific activities or phases of the project. Thus, with this application, SoCalGas has provided information on the total forecasted cost for the project but is only requesting the incremental funding representing the difference between the forecasted total for the project and the amount authorized in D.24-12-074.

¹⁹ *Id.* at 504.

²⁰ *Id.* at 1062. The Commission adopted \$10 million as the Test Year 2024 Operations and Maintenance (O&M) cost, which amounts to \$46.9 million over the GRC period using the escalation approved by the Commission. The Commission in D.24-23-074 also provided that "SoCalGas may submit a separate application if it expects costs to exceed what is authorized in this decision." *Id.* at 504.

²¹ Ex. SCG-01 (Goldman); Ex. SCG-02-R (McAllaster); Prepared Direct Testimony of Rae Marie Yu (Ex. SCG-03); Prepared Direct Testimony of Julia Leigh Cortez (Ex. SCG-04); Ex. SCG-05 (Goldman and McAllaster).

August 18, 2025.²² Cal Advocates and SBUA served their respective testimony on October 29, 2025 and SoCalGas served its Rebuttal Testimony on November 19, 2025. SoCalGas, Cal Advocates, and SBUA moved exhibits into the record for this proceeding on January 21, 2026, which was granted by the ALJ on January 23, 2026. Over the course of the proceeding, the parties have conducted extensive discovery.

On December 30, 2025, SoCalGas filed its response to an ALJ Ruling Requesting Additional Information, dated December 15, 2025 and subsequently served a revised response with updated actuals for 2025 on January 12, 2026.

SoCalGas, SBUA, and Cal Advocates engaged in initial settlement discussions on December 3, 2025, which continued between SoCalGas and SBUA over the subsequent weeks. On January 27, 2026, a Notice of Settlement Conference was sent to the parties of this proceeding and the conference was held on January 29, 2026.²³ A settlement agreement was finalized and executed by SoCalGas and SBUA. SoCalGas and SBUA filed a Joint Motion for Approval of Settlement Agreement on February 11, 2026.

III. EVIDENTIARY STANDARDS AND THE BURDEN OF PROOF

Pursuant to Section 454(a) of the California Public Utilities Code, rates may only be changed upon “a finding by the [C]ommission that the new rate is justified.” SoCalGas has the burden of proof and must justify the reasonableness of its positions in this ratemaking proceeding.²⁴ The evidentiary standard that applies to ratemaking proceedings is one of a preponderance of the evidence. Preponderance of the evidence simply means that something is “more likely to be true than not true.”²⁵ In short, “[the utility] must present more evidence that supports the requested result than would support an alternative outcome.”²⁶ In addition, “any

²² The Utility Reform Network (TURN) filed a motion for party status on June 27, 2025 in this proceeding. Representatives from TURN subsequently informed the parties via email that due to resource constraints, TURN is not planning on participating in the proceeding.

²³ Cal Advocates and TURN waived the seven day notice requirement in Rule 12.1(b).

²⁴ D.09-03-025 at 8; D.06-05-016 at 7.

²⁵ Witkin, Cal Evid. (5th ed., Vol. 1) “Burden” § 36 (2002).

²⁶ D.16-06-056 at 23.

party opposing such a request then has a burden of going forward to present evidence to raise a reasonable doubt and show a different result was warranted.”²⁷

As conclusively demonstrated by the record in this proceeding and as discussed *infra*, SoCalGas’s request is well supported. SoCalGas has demonstrated the reasonableness of its request through prepared direct and rebuttal testimony, workpapers, and other exhibits. In addition, SoCalGas has responded to numerous data request questions from multiple parties in this proceeding, and has also had informal discussions with parties to discuss the project.

IV. ISSUES TO BE DETERMINED IN THE PROCEEDING

A. Scoping Memorandum Issues

The October 1, 2025 Assigned Commissioner’s Scoping Memo and Ruling identified the issues to be addressed in this proceeding. They are:

1. Should the Commission approve SoCalGas’s request for incremental cost recovery for the completion of the CIS Replacement Program?
2. Has SoCalGas provided sufficient supporting evidence to justify the incremental funding request?
 - a. Are SoCalGas’s forecasting methodology and assumptions reasonable?
 - b. Are SoCalGas’s proposed staffing levels reasonable?
 - c. Are SoCalGas’s CIS Replacement Program operations and maintenance costs associated with replacing aging and/or obsolete equipment incremental and reasonable?
 - d. Are the working cash, lead-lag study, and other rate base items proposed by SoCalGas reasonable?
 - e. Are the forecasts of operations and maintenance costs related to the CIS Replacement Program, including SoCalGas labor, Contractor Costs, Decommissioning, Software, and Materials/Facilities/Other expenses reasonable?

²⁷ D.11-03-049 at 9 (citation omitted).

3. Is it just and reasonable to increase the total rate impact of the CIS Replacement Program by the amount SoCalGas requests above the rate impact of the costs and expenditures approved in D.24-12-074?
4. Which cost recovery mechanism should the Commission authorize for the recovery of the CIS Replacement Program incremental costs?
5. Are there impacts on environmental and social justice communities and, if so, to what extent would approving the recovery of CIS Replacement Program incremental costs impact the achievement of any of the nine goals of the Commission's Environmental and Social Justice Action Plan?

SoCalGas's positions on these items are set forth below and addressed more extensively throughout this Opening Brief.

1. The Commission should approve SoCalGas's request for incremental cost recovery for the completion of the CIS Replacement Program as just and reasonable.
2. SoCalGas has provided sufficient supporting evidence to justify its incremental funding request, including direct and rebuttal testimony, workpapers, and responses to numerous data requests, including a response to the ALJ's data request dated December 15, 2025. SoCalGas's forecasting methodology and assumptions are reasonable and justified.
3. SoCalGas's request to increase the total rate impact of the CIS Replacement Program by an average of \$0.31 per month is just and reasonable.²⁸
4. The Commission should authorize a two-way balancing account for the incremental costs related to the CIS replacement project to record the approved amount of up to \$21 million and provide that SoCalGas may seek reasonableness review of any amount greater than the authorized amount, up to 115% of the authorized amount.

²⁸ Note that since the timing of SoCalGas's testimony, SoCalGas has entered into a settlement agreement with SBUA that would provide SoCalGas with incremental funding of \$21 million. The revenue requirement would be proportionally lower than those presented in Ex. SCG-03, which assumed the amount requested in the application.

5. There are no direct impacts from this application on the Commission's achievement of the nine goals in its Environmental and Social Justice Action Plan. The New CIS System will benefit all SoCalGas customers.

V. DISCUSSION

A. SoCalGas's Request is Just and Reasonable and Fully Supported by Evidence

SoCalGas's testimony and workpapers submitted in this proceeding clearly demonstrate the necessity of the incremental funding requested to successfully complete this important project, which is foundational to serving SoCalGas's 5.9 million accounts and over 21 million customers. A new CIS will allow SoCalGas to implement evolving regulatory, legislative, and business driven requirements and SoCalGas's customers will benefit from continuous innovation, enhancements, and support inherent to modern packaged software solutions. Without incremental funding, SoCalGas will be left without the necessary resources to complete: training of employees on the new CIS; temporary surge staffing necessary to promote continuation of customer service and overall performance during the transition to the new CIS; change management activities; and the decommissioning of legacy applications, as well as the funds necessary to cover software licensing costs.²⁹

1. SoCalGas's Forecasting Methodology and Assumptions Support SoCalGas's Incremental Request

The testimony of Evan Goldman and April McAllaster in support of SoCalGas's application, as well as SoCalGas's workpapers, demonstrate that the O&M cost forecasts included in this application are the result of extensive diligence and planning conducted by SoCalGas.³⁰ These costs are essential to successful completion of the implementation of a project that is necessary, and which will benefit both SoCalGas and its customers. SoCalGas's forecast also demonstrates that the GRC-authorized funding for the CIS Replacement Project is expected to be fully utilized by September 2026, which is before project completion.³¹

²⁹ Ex. SCG-02-R (McAllaster) at 6-13; Ex. SCG-05 (Goldman and McAllaster) at 4, 20; Revised Response of SoCalGas to ALJ Ruling Requesting Additional Information, dated January 12, 2026.

³⁰ See Ex. SCG-01 (Goldman); Ex. SCG-02-R (McAllaster); Ex. SCG-05 (Goldman and McAllaster).

³¹ Ex. SCG-05 (Goldman and McAllaster) at 7-8 and sources cited therein.

As described in the direct testimony of Evan Goldman in SoCalGas's TY 2024 GRC, SoCalGas collaborated with a consultant to develop a CIS Implementation Plan and a CIS Replacement Project cost forecast.³² This collaboration leveraged SoCalGas's consultant's extensive experience implementing similar projects at major utilities throughout North America and globally, including at SoCalGas's sister utility, San Diego Gas & Electric Company (SDG&E).³³ Since its TY 2024 GRC filing and in support of this application, SoCalGas has further updated and refined the O&M forecast for the CIS Replacement Project, through the use of more recent data including signed contracts and vendor quotes.³⁴

More specifically, since the Project began, SoCalGas has finalized contracts with contractors, fine-tuned requirements, and updated its staffing model. This process yielded a total forecasted O&M cost of the CIS Replacement Project of \$71 million.³⁵ In assessing the total cost of the project and D.24-12-074's approval of \$46.9 million in total imputed authorized O&M,³⁶ SoCalGas has determined that it is in need of incremental funding, which is sought through this application. Without this incremental funding, SoCalGas will risk being unable to fully complete the execution of the Project while still providing efficient service to its customers and meeting its business requirements.³⁷ Ms. McAllaster's testimony and workpapers provide greater detail on SoCalGas's forecasting methodology and assumptions, which is also summarized below.

To forecast internal labor costs, SoCalGas relied on expectations for resource requirements and input from its consultants who had conducted similar implementations at other large utilities in North America.³⁸ A significant driver of the cost forecast is the scale of the effort. As addressed in Mr. Goldman's testimony, the CIS is a system foundational to

³² A.22-05-015, Ex. SCG-13 (Goldman) at 5.

³³ *Id.* at 15.

³⁴ Ex. SCG-05 (Goldman and McAllaster) at 17 and sources cited therein.

³⁵ Ex. SCG-02-R (McAllaster) at 3-5. Note that since the timing of SoCalGas's testimony, SoCalGas has entered into a settlement agreement with SBUA that would provide SoCalGas with incremental funding of \$21 million. This would amount to a total project cost of \$67.9 million if approved.

³⁶ D.24-12-074 at 503. The TY 2024 GRC O&M was escalated according to adopted labor, non-labor, and escalation rates.

³⁷ Ex. SCG-02-R (McAllaster) at 3-5.

³⁸ *Id.* at 4, 6-12.

SoCalGas's operations.³⁹ The CIS Replacement Project will involve training thousands of end users on hundreds of business processes relevant to their role.⁴⁰ As addressed by Ms. McAllaster, this scale served as an input for SoCalGas and its contractors to collaboratively develop a plan for internal resources and associated costs.⁴¹

To develop a forecast for the cost of contractors, SoCalGas collaborated with its contractors to create an estimate for training and surge staffing resources required. This estimate used inputs from SoCalGas, including the number of employees across different business units who have to be trained and the number of business processes that SoCalGas employees will learn.⁴² As these employees complete training activities, their roles will be backfilled by surge staffing resources. SoCalGas's contractors utilized their experience and proprietary models to develop an estimate for training and surge staffing needs and derived a cost forecast from this estimate.⁴³

To develop a forecast for software costs, SoCalGas relied on either the actual costs in finalized contracts between SoCalGas and contractors or estimates based on quotes from contractors or the costs of similar software.⁴⁴ Facilities O&M costs include the costs to SoCalGas of renting facilities incremental to those already available to SoCalGas and the costs of outfitting facilities for purposes required for the Project.⁴⁵ In addition, space set up costs and materials costs are derived from prior experience and based on SoCalGas and contractor estimates for materials required to complete training activities and to equip additional rooms as training facilities.⁴⁶

³⁹ Ex. SCG-01 (Goldman) at 2-3, 5-6.

⁴⁰ Ex. SCG-02-R (McAllaster) at 2-3, 5-6.

⁴¹ *Id.*

⁴² *Id.*

⁴³ *Id.*

⁴⁴ *Id.* at 4-5, 12-13.

⁴⁵ *Id.*

⁴⁶ *Id.*

As outlined in SoCalGas's data request responses⁴⁷ and Ms. McAllaster's testimony,⁴⁸ recorded and forecasted cost data show that expenditures do not occur evenly over time. Costs fluctuate significantly month-to-month due to the timing of vendor payments, milestone completion, and the start or pause of specific project activities. These fluctuations are expected and reflect the nature of large-scale system implementation projects.

The workpapers filed with this application, as well as the forecast provided to Cal Advocates,⁴⁹ show that the majority of O&M project costs will occur in 2026, aligning with the intensive training, implementation, and stabilization phases of the CIS Replacement Project. This timing was fully described in Ms. McAllaster's testimony and corroborated in data request responses, which explain that O&M expenditures will peak during this period as major system integration and go-live activities occur.⁵⁰

SoCalGas's testimony and workpapers fully justify the basis for its incremental forecast, including both actual costs already incurred and forecasted costs that are based on detailed estimating models. In addition, SoCalGas has provided voluminous information to Cal Advocates demonstrating the necessity of its incremental request, including a detailed forecast with monthly spending for each project activity and proof of actual expenditures to date.⁵¹

2. SoCalGas's Staffing Model is Reasonable and Necessary to Support the Project

As described in the direct testimony of Ms. McAllaster, most of the forecasted O&M costs for the project support business readiness, including organizational change management activities such as training of customer operations staff on the new CIS solution and temporarily

⁴⁷ Ex. SCG-05 (Goldman and McAllaster) at 7 and Appendix A at Appendix A-3 to Appendix A-9 (PubAdv-SoCalGas-001-FNZ, response to question 3).

⁴⁸ Ex. SCG-02-R (McAllaster), Attachment A Revised Workpapers Supporting the Direct Testimony of April McAllaster Chapter 2.

⁴⁹ Ex. SCG-02-R (McAllaster) at 7 and Attachment A Revised Workpapers Supporting the Direct Testimony of April McAllaster Chapter 2; Ex. SCG-05 (Goldman and McAllaster) at 8 and Appendix A at Appendix A-3 to Appendix A-9 (PubAdv-SoCalGas-001-FNZ, response to question 3).

⁵⁰ Ex. SCG-02-R (McAllaster) at 7, Table AM-3 and Attachment A Revised Workpapers Supporting the Direct Testimony of April McAllaster Chapter 2; SCG-05 (Goldman and McAllaster) at 8 and Appendix A at Appendix A-3 to Appendix A-9 (PubAdv-SoCalGas-001-FNZ, response to question 3); *id.* at Appendix A-14 to Appendix A-15 (CalPA-SCG-005, response to question 3).

⁵¹ SCG-05 (Goldman and McAllaster) at 1 and Appendix A at Appendix A-3 to Appendix A-9 (PubAdv-SoCalGas-001-FNZ, response to question 3); *id.* at Appendix A-24 to Appendix A-40 (CalPA-SCG-008, response to question 1).

augmenting the customer operations workforce during training and after go-live.⁵² These activities are critical to sustaining SoCalGas operations and to preventing significant degradation in customer service levels during the Post Go-Live Stabilization phase of the project after implementation when SoCalGas employees are becoming proficient in using the new system and processes.

As relates to staffing, SoCalGas's incremental request is based on actual staffing levels and detailed cost forecasting models created by subject matter experts based on similar CIS Replacement projects, but tailored specifically to SoCalGas.⁵³ Notably, as provided in Mr. Goldman's testimony, SoCalGas's O&M cost forecasts are in line with the O&M costs of similar projects undertaken by SoCalGas's peer California investor-owned utilities.⁵⁴ The risk of billing, reporting, or other errors and the potential inability to be responsive to customers without disruption will be significantly increased without the funding necessary to support staffing.⁵⁵

3. The CIS Replacement Project is Replacing Aging and/or Obsolete Technology

The CIS Replacement Project is a large-scale and complex modernization effort designed to replace SoCalGas's nearly 30-year-old legacy CIS with a modern, scalable solution that aligns with industry best practices. Mr. Goldman describes in both his GRC testimony and his testimony in support of this application, the importance of replacing the legacy CIS with a new one.⁵⁶

CIS supports SoCalGas's critical customer service business processes and customer engagement functions. CIS is the critical and foundational information technology system facilitating core customer service transactions and account management for SoCalGas's customers. CIS manages essential functions including billing calculations, payment processing, and credit and collections activity.⁵⁷ It is the primary system used by Customer Services Representatives (CSRs) when interacting with customers, and it provides the underlying data and

⁵² Ex. SCG-02-R (McAllaster) at 6-13.

⁵³ Ex. SCG-05 (Goldman and McAllaster) at 15; Ex. SCG-02-R (McAllaster) at 3-5.

⁵⁴ Ex. SCG-01 (Goldman) at 7.

⁵⁵ Ex. SCG-05 (Goldman and McAllaster) at 5.

⁵⁶ A.22-05-015, Ex. SCG-13 (Goldman) at 3-5; Ex. SCG-01 (Goldman) at 2-3.

⁵⁷ Ex. SCG-01 (Goldman) at 2-3.

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.⁵⁸

The Commission in D.24-12-074 concluded that SoCalGas’s CIS Replacement Project was warranted and reasonable, recognizing that “[i]t is essential to consider technology obsolescence and the consequences[.]”⁵⁹ A new CIS will allow SoCalGas to more efficiently implement new 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.

4. SoCalGas’s Forecasted Revenue Requirement is Reasonable

SoCalGas’s forecasted revenue requirements, presented in the testimony of Rae Marie Yu, are reasonable.⁶⁰ Ms. Yu’s testimony includes the forecasted revenue requirement, with a breakdown of the components, including working cash and FF&U. Working cash is necessary to provide funding for the utility’s cost to cover day-to-day operational requirements until the time revenues are collected through customers’ rates.⁶¹ FF&U is authorized to be recovered from ratepayers in order to cover required franchise fee payments made to counties and incorporated cities in compliance with local ordinances, as well as recover uncollectible expenses incurred by SoCalGas.⁶² Working cash and FF&U were both calculated using the authorized methodology and rates.⁶³

⁵⁸ *Id.*

⁵⁹ D.24-12-074 at 502.

⁶⁰ Note that since the timing of SoCalGas’s testimony, SoCalGas has entered into a settlement agreement with SBUA that would provide SoCalGas with incremental funding of \$21 million. The revenue requirement would be proportionally lower than those presented in Ex. SCG-03, which assumed the amount requested in the application.

⁶¹ Ex. SCG-03 (Yu) at 2-3.

⁶² *Id.*

⁶³ *Id.*

5. Incremental Funding will Support SoCalGas Labor, Contractor, Decommissioning, and Other Necessary Expenses

As discussed above, SoCalGas's request is reasonable and fully supported. In the absence of the incremental funding requested, SoCalGas will not be able to fully fund the CIS Replacement Project O&M activities, including training employees on the new CIS, surge staffing, change management, and decommissioning activities.⁶⁴ The incompleteness of training activities and a lack of surge staffing resources will result in a workforce inadequately trained on CIS for an extended period after it has been implemented, as well as understaffed business units before, during, and after the system is implemented. Business units impacted would include the Customer Contact Center, Billing Operations, and Credit and Collections. This understaffing and incomplete training could ultimately lead to degradations in customer service and overall performance, including the potential for longer wait times to speak with Customer Service Representatives, slower resolutions to bill exceptions, decreased ability to meet reporting requirements, and lost efficiency and the risk of errors as employees are unable to proficiently use the new CIS. In addition, 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.⁶⁵

The CIS Replacement Project is not part of SoCalGas's base business, meaning that it is a one-time project and the size, scope, and nature of the associated O&M costs are specific to the project and not covered by other costs authorized in separate witness areas of SoCalGas's TY 2024 GRC. More specifically, in this Application, SoCalGas included costs for incremental resources and materials that were not in place at SoCalGas prior to the project and that have already been (or are planned to be) procured specifically for the CIS Replacement Project. In its testimony SoCalGas justified the basis for incremental forecasts including both actual costs already incurred and forecasted costs that are based on detailed estimating models.⁶⁶ In responses to data requests, SoCalGas provided evidence that it has already procured or plans to

⁶⁴ Ex. SCG-05 (Goldman and McAllaster) at 1-2 and sources cited therein.

⁶⁵ Ex. SCG-01 (Goldman) at 5-6.

⁶⁶ Ex. SCG-05 (Goldman and McAllaster) at 4-7; Ex. SCG-02-R (McAllaster) at 3-5 and Attachment A Revised Workpapers Supporting the Direct Testimony of April McAllaster Chapter 2.

procure additional labor and material to complete the CIS Replacement Project.⁶⁷ This evidence included signed vendor agreements, vendor invoices, proof that costs were recorded in SoCalGas's accounting system against the CIS Replacement Project budget, and detailed forecasting models for incremental resources and materials.⁶⁸

SoCalGas has had to incur additional resources for the CIS Replacement Project, resources that were not covered as part of SoCalGas's base business. Additionally, the revenue requirement adopted in D.24-12-074 for the CIS Replacement Project is not enough to cover the entire cost for the project, necessitating an incremental request, the subject of this application.

B. The Rate Impact of SoCalGas's Incremental Request is Reasonable

As provided in testimony, over the 12-month recovery period, the typical residential bill using an average of 36 therms per month is projected to increase by \$0.31 per month from \$74.52 to \$74.83.⁶⁹ This impact is reasonable given the benefits of the new CIS system and the risks that could result from not having a successful completion of the project.

C. SoCalGas's Request for a Two Way Balancing Account Should be Approved

Establishing a two-way balancing account for the CIS Replacement Project, as proposed by SoCalGas, will appropriately balance any uncertainties inherent in a large-scale technology modernization project. Unlike routine projects with predictable scopes and costs (and often times informed by historical spend), the CIS Replacement Project involves significant variables related to software configuration, data conversion, integration with legacy systems, employee readiness, and evolving cybersecurity and regulatory requirements. These uncertainties create a likelihood of cost deviations, either above or below forecast, that are beyond SoCalGas's control.

Additionally, this application has omitted a separate cost category for contingency, further reducing SoCalGas's ability to absorb unanticipated costs within its authorized budget.⁷⁰ Cal

⁶⁷ See Ex. SCG-05 (Goldman and McAllaster), Appendix A at Appendix A-3 to Appendix A-9 (PubAdv-SoCalGas-001-FNZ, response to question 3); *id.* at Appendix A-24 to Appendix A-40 (CalPA-SCG-008, response to question 1).

⁶⁸ Ex. SCG-05 (Goldman and McAllaster) at 5-6.

⁶⁹ Ex. SCG-04 (Cortez) at 1-2. Note that since the timing of SoCalGas's testimony, SoCalGas has entered into a settlement agreement with SBUA that would provide SoCalGas with incremental funding of \$21 million. The rate impacts would be proportionally lower than those presented in Ex. SCG-04, which assumed the amount requested in the application.

⁷⁰ Ex. SCG-05 (Goldman and McAllaster) at 10, 17-18 and sources cited therein.

Advocates confusingly states that “[e]stablishing a two-way balancing account when SoCalGas’[s] actual costs are substantially lower than projected would allow SoCalGas to recover costs that have not yet been spent, are not proven by SoCalGas to be expected soon, and may never be needed.”⁷¹ In fact, SoCalGas’s proposal for a two-way balancing account protects ratepayers in the event that SoCalGas’s actual costs are lower than authorized (*e.g.*, forecast). An interest-bearing two-way balancing account, as proposed by SoCalGas, requires SoCalGas to return any unspent funds plus interest to ratepayers upon completion of the project, which would lead to reduced transportation rates.⁷²

A two-way balancing account is an equitable approach because it would leave ratepayers harmless if SoCalGas’s actual costs are less than authorized, but also provides SoCalGas an opportunity to request additional recovery through a reasonableness review should SoCalGas be required to expend higher costs than authorized. The Commission has previously recognized the challenges associated with the implementation of a new CIS system. In authorizing SDG&E to establish a two-way balancing account for its own CIS replacement project, the Commission acknowledged that projects of this nature come with substantial uncertainties and that a two-way balancing mechanism provides an equitable framework. In D.18-08-008, the Commission stated: “A two-way balancing account is necessary because it is difficult to forecast actual costs in this instance. Considering that the CIS is a large project that has many variables, a two-way balancing account ensures that ratepayers only pay for actual costs and also ensures that SDG&E will have sufficient funds to establish the project.”⁷³

Extending the same treatment to SoCalGas promotes regulatory consistency and fairness across utilities undertaking similar mission-critical modernization efforts.

D. The New CIS Will Benefit All SoCalGas Customers

The CIS Replacement Project is a foundational technology upgrade designed to replace a 30 year-old legacy system. The project is implementing a modern software solution that will enable SoCalGas to efficiently meet evolving regulatory, legislative, and business requirements. This foundation will allow SoCalGas more flexibility to introduce new enhancements over time,

⁷¹ Ex. CA-01 (Nawaz) at 16.

⁷² Ex. SCG-03 (Yu) at 1.

⁷³ D.18-08-008 at 9.

