Application: A.17-04-027

Exhibit No.: SDG&E-12

Witness: Atkinson

PREPARED REBUTTAL TESTIMONY OF

LAURA ATKINSON

ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

CHAPTER 12

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

November 13, 2017

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LAURA ATKINSON
CHAPTER 12

I.   INTRODUCTION

The purpose of my rebuttal testimony is to respond to the prepared direct testimony submitted by intervening parties in San Diego Gas & Electric Company's ("SDG&E's") Customer Information System ("CIS") Replacement Program Application ("A.") 17-04-027. My rebuttal testimony addresses the following arguments and recommendations presented by the intervening parties:

- Office of Ratepayer Advocates ("ORA") Witness Yakov Lasko[1] – ORA's Proposed reduction to contingency.

- Utility Consumers' Action Network ("UCAN") Witness Garrick Jones[2] – SDG&E has not provided sufficient justification for CIS costs and UCAN's proposed reduction to contingency.

- The Utility Reform Network ("TURN") Witness Robert Finkelstein[3] – Benefit realization proposal and capitalization of cloud based software.

My rebuttal testimony is organized as follows:

- Section II – Costs and Benefits Are Justified

- Section III – Contingency Costs Are Justified

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[1]   Exhibit ("Ex.") ORA-2, *Report on San Diego Gas & Electric Company Implementation of Customer Information System Replacement Program* (October 20, 2017) ("Lasko Testimony").

[2]   Ex. UCAN-1, *Testimony of Garrick F. Jones in San Diego Gas and Electric's Customer Information System Replacement Application* (October 20, 2017) ("Jones Testimony").

[3]   *Prepared Testimony of Robert Finkelstein* (October 20, 2017) ("Finkelstein Testimony").

1   •   Section IV – Capitalization of Cloud Based Software Costs Is

2   Justified

3 **II.   COSTS AND BENEFITS ARE JUSTIFIED**

4   **A.   SDG&E Has Provided the Necessary Support for Costs**

5   As discussed in detail in my prepared direct testimony (Chapter 4), SDG&E used a

6 methodical, industry standard approach for evaluating its CIS solution and deriving the

7 applicable costs and benefits. This included leveraging multiple years' worth of detailed

8 internal analysis and input from multiple vendor partners specializing in SAP Customer

9 Relationship & Billing ("CR&B") implementations, as well as the product vendor SAP. The

10 solution that SDG&E has proposed is a cost-effective solution that will enable SDG&E to

11 keep pace with the changing energy industry and meet its customers' evolving needs.

12   UCAN's Witness Jones states that SDG&E has not provided sufficient justification

13 for the CIS Replacement Program costs. UCAN recommends "that the Commission either

14 direct SDG&E to make a revised showing of reasonableness of its project's costs and

15 benefits on a forecast basis, with rate recovery limited to the forecast adopted after that

16 revised showing is made, or permit SDG&E to record costs in the memorandum account

17 authorized earlier in this proceeding, then demonstrate the reasonableness of its project and

18 the associated recorded costs in an after-the-fact reasonableness review context."[4]

19   SDG&E strongly disagrees with both of UCAN's recommendations. As discussed in

20 detail throughout SDG&E's Application, SDG&E undertook a thorough and methodical

21 evaluation approach to arrive at its proposed costs. The comprehensive evaluation began as

22 part of the 2015 engagement with vendor partner, Ernst Young ("EY"), where "a high-level

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[4]   *See*, Jones Testimony at 2:18-23.

1   cost and benefit model was developed for the replacement of the legacy CIS and related

2   subsystems."[5] This work was further refined in 2017 with the assistance of vendor partner,

3   HCL, including "a more detailed technical assessment and evaluation of the [business]

4   processes SDG&E has today ('As-Is') and the forward-looking processes once the SAP

5   CR&B system is in place ('To-Be')."[6]

6   After this multi-year effort, SDG&E worked to fine tune the proposed CIS with the

7   creation of detailed business process maps, necessary customizations to the SAP CR&B

8   solution (RICEFW's)[7], current and future SDG&E business capabilities, future state metrics

9   and key performance indicators, and a refined overall solution architecture that SDG&E

10   reviewed in detail with SAP. SDG&E then calibrated accordingly the role based staffing

11   models developed by HCL, with HCL's expertise and experience gained over its 22 past

12   SAP CR&B implementations, including knowledge regarding which components of an SAP

13   CR&B implementation have the greatest benefit to cost impact. SDG&E reviewed and

14   further refined these models using its own expertise and experience in large scale technology

15   implementations, as well as internal knowledge of SDG&E's technology, data, business

16   processes, and employees, to ultimately determine the costs encompassed in this

17   Application.

18   SDG&E has done the necessary due diligence to ensure that it has identified the

19   appropriate solution to meet the evolving California regulatory environment and SDG&E's

20   customer needs. SDG&E is not proposing a "gold-plated" solution, as suggested by some of

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[5]   Direct Testimony of Laura Atkinson (Chapter 4) at 1:19-20.

[6]   *Id.* at 1:22-24.

[7]   RICEFW is identified in the Direct Testimony of Daniel Linder (Chapter 6), as "Reports (R),
Interfaces (I), Conversion (C), Extensions (E), Forms, (F) and Workflow (W)." See *id*. at 16.

1   the third parties intervening in this case, but instead is adopting the SAP Minimal Viable

2   Solution ("MVS") approach to meet these requirements. By applying the SAP MVS

3   method, as described in the direct testimony of Daniel Linder (Chapter 6),[8] SDG&E is

4   selecting the appropriate customizations to the base SAP product. Leveraging this approach

5   will help manage both the one-time and on-going costs to ensure that SDG&E can continue

6   to meet future regulatory demands and customer needs and realize the proposed benefits

7   presented in my direct testimony (Chapter 4).

8   For reference, SDG&E has provided further rebuttal testimony to UCAN's argument

9   that SDG&E's costs are excessive in the following Chapters:

10   •   Chapter 13, Witness Snyder, discusses (1) SDG&E's fixed/variable

11   CIS costs and how they impact cost-per-customer benchmarking and

12   (2) UCAN's inaccurate cost comparison between Southern California

13   Edison Company's ("SCE's") and SDG&E's proposed CIS;

14   •   Chapter 15, Witness Linder, explains (1) how SDG&E's choice of

15   including cloud-based technology in its solution architecture is the

16   best fit for SDG&E and (2) how SDG&E's overall CIS proposal is

17   adequately developed and not in flux, as UCAN claims; and

18   •   Chapter 16, Witness Woodruff, dissects UCAN's assessment of

19   SDG&E's benefit/cost analysis and shows that it is flawed.

20   **B.   Benefits Should Not Be Accelerated**

21   In my prepared direct testimony (Chapter 4), I presented a summary of the total

22   benefits that SDG&E will realize over the projected 15-year asset life of the SAP CR&B.

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[8]   *See*, Direct Testimony of Daniel Linder (Chapter 6) at 15-17.

1   These benefits total more than $575 million in nominal dollars and exceed SDG&E's

2   forecasted total nominal costs over the same asset life ($535 million). The total benefits

3   amount is comprised of 45 distinct CIS benefits identified by SDG&E. Each of the 45

4   benefits has a corresponding "benefit card,"[9] which lists:

5   •   A detailed description of the benefit;

6   •   The benefit categorization: (1) reductions in costs related to

7   regulatory changes, (2) enhanced data management, (3) operational

8   efficiencies, (4) improved analytics, (5) reduction in infrastructure

9   support costs, (6) improvement in customer engagement channels, or

10   (7) elimination of legacy applications;

11   •   The SDG&E business unit realizing the benefit;

12   •   The financial value of the benefit; and

13   •   The specific timing of when the benefit is anticipated to be realized.

14   According to SDG&E's proposal, the benefits should be recognized as part of

15   SDG&E's next available General Rate Case ("GRC") Application.[10]

16   In the Direct Testimony of Robert Finkelstein, TURN expressed concern about

17   whether SDG&E customers will realize the forecasted benefits and cost savings that

18   SDG&E is forecasting in its Application. TURN recommends, "[t]o that end, the

19   Commission should direct SDG&E to develop and propose here a ratemaking mechanism

20   that would ensure that an annual amount of no less than the forecasted revenue requirement

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[9]   All 45 benefit cards were provided to UCAN in response to UCAN DR-02, question 30d and ORA in response to ORA DR002, question 1.

[10]   *See*, Direct Testimony of Laura Atkinson (Chapter 4) at 9:3-11:14.

1   benefits set forth in the utility's testimony will be reflected in future authorized revenue

2   requirements."[11]

3   SDG&E agrees with TURN's point that customers should be able to realize the SAP

4   CR&B benefits when they occur, but does not agree that a separate ratemaking mechanism

5   is necessary to accomplish this. SDG&E's approach to recognize CR&B benefits in

6   forthcoming GRC applications addresses this point already. Moreover, SDG&E's

7   delineation of the specific business unit, value, and timeframe for when each benefit is

8   anticipated to be realized and incorporated into the corresponding GRC helps to ensure

9   overall transparency in these future proceedings. As forecasted costs and benefits will be

10   identified and updated in future GRCs, they will also be subject to reasonableness review in

11   those proceedings, giving third-party intervenors, such as TURN, ample opportunity to

12   review.

13   TURN also asserts that "acceleration [of future benefits] would be one way to

14   achieve the underlying principle of ensuring ratepayers realize the reduced future revenue

15   requirements that are a premise of SDG&E's request."[12] TURN is incorrect that the

16   acceleration of benefits is a viable way of achieving ratepayer value. SDG&E's benefits are

17   entirely dependent upon the implementation of the functionality for the SAP CR&B system.

18   Without SAP CR&B in operation, SDG&E cannot realize the identified benefits in a

19   meaningful manner.

20   In fact, accelerating benefits would increase the overall project risk and may cause

21   significant delays in implementing functionality. For instance, SDG&E has identified

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[11]   *See*, Finkelstein Testimony at 6:2-5 (internal citation omitted).

[12]   *See*, Finkelstein Testimony at 4:25-27.

several benefits related to future billing exceptions and automation within SAP CR&B that

are not possible within its legacy CIS and subsystems. If SDG&E were to realize these

benefits prior to the implementation of SAP CR&B and reduce the requested costs to

support the FTEs processing billing exceptions, then SDG&E would be significantly

understaffed while maintaining its legacy CIS billing and employing other critical regulatory

implementations, such as Residential Time-Of-Use Default. This understaffing inevitably

would lead to an increase in delayed bills and potential delays for SAP CR&B

implementation. This scenario illustrates that accelerating benefits could hamper their

realization, as well as the overall implementation of SAP CR&B. Therefore, benefits should

not be accelerated and instead should be realized based upon the actual implementation

timeline that SDG&E has forecasted as part of its Application.

III. CONTINGENCY COSTS ARE JUSTIFIED

A. SDG&E's Project Contingency Is Appropriate and Should Not Be Reduced

As discussed in detail in my direct testimony (Chapter 4), SDG&E proposes a total

contingency rate of 22%, or $45.7 million. This contingency is comprised of $10 million for

Contingency for Regulatory Changes ("CRC") and $35.7 million for Project Contingency

("PC"). PC is defined as unknown variables within the project that can "drive changes in

the solution and delivery of the CIS replacement program."[13]

In the Direct Testimony of Yakov Lasko, ORA recommends that SDG&E adopt a

project contingency rate of 16.5% (as opposed to the currently proposed 17.18%)[14] to be

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[13]   *See*, Direct testimony of Laura Atkinson (Chapter 4) at 6:1-2.

[14]   Lasko Testimony at 1:19-90.

1   more consistent with SCE's proposed Delivery Contingency.[15] ORA argues that since both

2   SDG&E and SCE have chosen SAP CR&B as its solution and both have used the same

3   forecasted 15-year asset life, SDG&E should also have the same PC as SCE's proposed

4   Delivery Contingency of 16.5%, which would equate to $1.415 million less than what

5   SDG&E has requested in its Application.

6   SDG&E disagrees with ORA's contingency argument and maintains that its

7   proposed PC of $35.7 million should not be reduced. Contingency is defined as "a future

8   event or circumstance that is possible but cannot be predicted with certainty."[16] According

9   to the Project Management Institute ("PMI"),[17] a well-recognized authority in project

10   management standards, contingency is appropriately added to the total project cost to

11   account for the risks and complexity that are present in the project. The higher the

12   uncertainty or exposed risk, the higher the contingency should be. It is important to

13   understand that each project is unique when it comes to risk factors and complexity levels;

14   the appropriate amount of contingency is dependent on the project-specific factors, risks,

15   and complexities the project team anticipates. Therefore, contingency levels will vary by

16   project based on overall risk, which is a derived from the scope, complexity, cost, and

17   duration of each project.

18   SDG&E's CIS Replacement Program is unique, and it would be misleading to

19   directly compare SDG&E's project with SCE's CIS Re-Platform project, as there is no

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[15]   However, in its CIS Replatform project, SCE has proposed a total contingency rate of 24%, which is made up of Project Complexity and Delivery Contingency. SDG&E has proposed a lower total contingency rate of 22%.

[16]   Google dictionary definition of "contingency."

[17]   https://www.pmi.org/learning/library/contingency-are-covered-6099.

1   direct apples-to-apples comparison that withstands meaningful scrutiny. While both utilities

2   have chosen SAP CR&B as their solution and have adopted a 15-year asset life, each utility

3   has individual characteristics and circumstances that create different risk and uncertainty

4   profiles, resulting in different requisite contingency levels.

5   For example, one distinguishing factor explained in the direct testimony of Charlie

6   Snyder (Chapter 3) is that, since a number of North American utilities are already in the

7   pipeline for major CIS replacements, "if SDG&E is too far back in the queue, there is a risk

8   that implementation of its new CIS will be materially delayed."[18] This could result in

9   utilities competing for a limited number of resources to assist with CIS replacements. The

10 finite group of system integrators and other specialty resources typically leveraged by the

11 utilities can only take on so many projects at once. This scarcity of skilled resources

12 increases the risk of SDG&E's CIS project and potentially creates upward pressure on the

13 implementation cost components.

14   In addition, while SCE and SDG&E are both replacing their respective legacy CIS

15 with SAP CR&B, each utility has a different project scope, including the number and types

16 of systems being replaced. For example, SDG&E's CIS project scope includes the

17 replacement of My Account (SDG&E's customer online portal); in contrast, SCE's project

18 scope does not include replacement of its customer online portal. SDG&E's My Account

19 offers various customer functionalities such as account management, energy management,

20 bill comparison, and other self-service options. Because My Account currently pulls data

21 from various systems due to SDG&E's current disparate system architecture, the

22 replacement of that online customer portal is anticipated to be involved and complex.

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[18]   *See*, Direct Testimony of Charlie Snyder (Chapter 3) at 24-25.

1   Furthermore, other systems mentioned in Witness Linder's direct testimony (Chapter

2   6), such as the Commercial Online Energy Online Presentment, Electronic Bill Payment and

3   Presentment ("EBPP"), Outage Web Site, and iAvenue (provides customer relationship

4   management for Commercial and Industrial customers), also will be replaced as part of

5   SDG&E's CIS Replacement Program to support a 360-degree view of the customer and

6   improve customer ease of use by allowing access to all online capabilities in one place.[19]

7   This new digital strategy enables enhanced functionality to our customers and improves

8   customer service. However, it also increases risk and uncertainty inherent to the CIS

9   Replacement Program due to the complexity and impacts to the various systems, where

10   some will be replaced and others will be enhanced to integrate with this new digital

11   platform. The digital transformation described is unique to SDG&E and cannot be directly

12   compared to SCE or to any other utility.

13   Another germane differentiating characteristic between SDG&E and SCE is that

14   SDG&E supports both electric and gas commodity while SCE primarily provides electric

15   service. SDG&E's requirement to support the dual jurisdiction of both gas and electric

16   service adds more complexity to SDG&E's CIS project scope. Examples of

17   accommodations SDG&E must make for gas customers include managing the various gas

18   rates and gas related service inquiries. This additional scope not only adds to overall project

19   complexity, it also alters the risk and uncertainty profiles used to determine SDG&E's

20   appropriate contingency level.

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[19]   *See*, Direct Testimony of Daniel Linder (Chapter 6) at 2 (Table DL-1: Legacy CIS and
       Subsystems Functionality to be Replaced).

1   As explained above, SDG&E's and SCE's CIS replacement efforts vary by

2   resourcing, scope, and risk. These substantial differences make it difficult, and even

3   misleading, to compare SDG&E's and SCE's unique contingency needs for PC and Delivery

4   Contingency. SDG&E maintains and reiterates the need to keep its requested PC of $35.7

5   million.

6   **B.   SDG&E's Application of Contingency to O&M Is Appropriate**

7   The total PC value of $35.7 million, stated above and as presented in Chapter 4, is

8   made up of contingency related to Capital costs ($29.6 million) and operations and

9   maintenance ("O&M") costs ($6.1 million).[20] UCAN witness Garrick Jones does not

10   challenge SDG&E's methodology or proposed costs for contingency, except for the

11   contingency related to O&M costs ($6.1 million), which he proposes should be removed.

12   Witness Jones asserts that SDG&E's requested O&M contingency allowance should not be

13   authorized because it is against Commission ratemaking policy, citing Decision ("D.") 10-

14   02-032 regarding PG&E's requested incremental expenditures for Peak Day Pricing

15   ("PDP").[21] I understand that this is a legal question that SDG&E will respond to in briefing.

16   However, I am aware that the Commission has authorized O&M contingency

17   allowances for SDG&E in its Advanced Metering Infrastructure ("AMI") Application, A.05-

18   03-015. In that proceeding, SDG&E argued that certain risks in a project the size and scope

19   of SDG&E's system-wide AMI deployment could not be "reduced" through prudent

20   business practices and management. These irreducible risks could include unforeseen

21   disruptions in the supply chain, design or manufacturing defects, the need for additional

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[20]   SDG&E provided these values to UCAN in response to UCAN DR-02, question 25a.

[21]   *See*, Jones Testimony at 26:5-8.

1   testing, unforeseen regulatory changes, and other, yet unidentified issues. To mitigate these

2   types of irreducible risks, SDG&E included contingency costs into project plans and

3   budgets, including capital and O&M costs. No party challenged the reasonableness of

4   including a risk contingency amount in the overall project budget.[22] D.07-04-043 approved

5   a settlement among SDG&E, ORA (Formerly DRA), and UCAN to allow $572 million for

6   SDG&E's proposed AMI project from 2007-2011. As part of the settlement, the parties

7   agreed to the risk contingency, including O&M contingency and a risk sharing mechanism.[23]

8   Also, my understanding is that the Commission decided not to grant any capital or

9   O&M contingency allowance in D.10-02-032 based, in part, on reasons that are not

10   applicable to SDG&E's CIS application.

11   First, in D.10-02-032, the Commission noted that contingencies granted to PG&E in

12   certain other cases (AMI and SmartMeter) served the purpose of evaluating whether the

13   programs should go forward; in those cases, it was "important to reflect the contingencies up

14   front so they can be included in the cost/benefit analysis."[24] That is certainly the case for the

15   cost/benefit analysis in this proceeding; it was not the case in PG&E's PDP application,

16   which was filed to comply with another Commission decision ordering PG&E to propose

17   dynamic pricing rates.[25]

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[22]   *See* A.05-03-015, *Opening Brief of San Diego Gas & Electric Company* (October 27, 2006) at 72-73.

[23] $33.8 million was included as risk contingency prior to a sharing band. D.07-04-043 at 38. Of that amount, $7 million was O&M contingency.

[24]   D. 10-02-032 at 128, n. 40.

[25]   *Id*. at 4 & n. 1.

1   Second, in D.10-02-032, the Commission found that the effect of not including

2   contingencies in the proceeding was "likely to be small"[26] due to multiple considerations

3   that are not applicable to SDG&E's CIS application:

4   • PG&E's incremental expenditures were expected to be approved

5   through GRCs starting in 2011, the year after D.10-02-032 was

6   issued.[27] Thus, the Commission reasoned that the effect of project

7   contingencies (such as delay) would not necessarily effect 2010

8   expenses, and to the extent that they affected 2011 or 2012 expenses,

9   that could and should more appropriately be addressed in PG&E's

10   GRC.[28] Similar reasoning cannot be applied to SDG&E, as SDG&E

11   is only requesting the O&M contingency as part of the one-time

12   project implementation cost. Any future O&M requests will be

13   addressed in future corresponding GRCs.

14   • The Commission found that PG&E had not explained why the

15   uncertainties involved in the PDP application would likely only

16   increase costs.[29] Here, uncertainties over O&M expenses, just like

17   Capital expenses, are likely to increase costs. O&M costs are subject

18   to risk and complexity factors similar to the proposed Capital costs.

19   The proposed O&M project activities and expenses are presented in

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[26] *Id*. at 129.

[27] *Id*. at 130.

[28] *Id*. at 131.

[29] *Id*.

1   my direct testimony (Chapter 4) and include overarching project

2   management, change management, conversion execution,

3   decommissioning, and ongoing software and hardware maintenance

4   and support. These activities and expenses are highly dependent upon

5   the other activities and expenses on the project and are, therefore,

6   subject to risk and complexity. For instance, if a new Regulatory

7   change is authorized during the project that requires reworking

8   deliverables and business processes that were already solutioned

9   within the project, it will not only increase the Capital costs, but also

10   increase the specific O&M activities and expenses identified above

11   (*e.g.* training, ongoing software and hardware maintenance and

12   support, etc.). Therefore, since O&M activities and expenses have

13   considerable risk and complexity in this project, it makes sense to

14   apply a contingency rate similar to that for Capital expenses.

15   Considering all the above factors, the effect of not including O&M contingencies in

16   this Application is likely to be significant and weighs in favor of authorizing the requested

17   contingency. UCAN's proposed O&M contingency reduction of $6.1 million should be

18   rejected.

19   **IV.   CAPITALIZATION OF CLOUD BASED SOFTWARE COSTS IS JUSTIFIED**

20   **A.   Commission Precedent for Capitalization of Software as a Service is**
21   **Unnecessary**

22   As discussed in my direct testimony (Chapter 4), "all non-labor costs were assessed

23   and categorized in accordance with plant accounting and generally accepted accounting

1 principles ('GAAP')."[30] This includes SDG&E's proposed capitalization of cloud based

2 software licenses, which meet the conditions set forth in the SEU Capitalization Policy -

3 Computer Software, as well as the Financial Accounting Standards Board ("FASB")

4 Accounting Standards Codification ("ASC") 350-40, *Internal Use Software*.[31]

5   TURN asserts that because the Commission "has, to TURN's knowledge, not yet

6 explicitly considered or addressed the question of whether expenditures on cloud-based

7 software should be treated as an expense or capitalized for ratemaking purposes . . . the

8 Commission should decline to adopt or accept the premise that 'cloud-based' software

9 should be capitalized."[32] This makes no sense, as SDG&E must make an accounting

10 determination to expense or capitalize, and all current indicators point in the direction of

11 capitalization; there is no Commission precedent to the contrary, nor would it make sense

12 for the Commission to come out against established accounting standards outside the

13 Commission's purview.

14   SDG&E consistently applies current GAAP standards to determine the appropriate

15 accounting for any number of projects and activities, and has not encountered instances

16 where a determination is not possible. This includes the conditions set forth in the FASB

17 Accounting Standards Update ("ASU") No. 2015-05 (issued in April 2015),[33] which

18 clarifies the accounting for fees paid by a customer in a cloud computing arrangement.

19 According to the well-respected accounting firm PwC, "existing guidance on accounting for

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[30] *See*, Direct Testimony of Laura Atkinson (Chapter 4) at 2:10-11.

[31] Provided in response to UCAN DR 3, question 38.

[32] *See*, Finkelstein Testimony at 6:16-27.

[33] *See*, https://asc.fasb.org/imageRoot/74/64938874.pdf.

1   costs associated with software intended for internal-use would be applied to the purchased

2   license."[34] Further, SDG&E has deployed cloud software solutions in numerous instances

3   outside of CIS, such as Microsoft Office 365 (Outlook, Word, Excel, PowerPoint), and these

4   guidelines were utilized to ensure the correct accounting. The same accounting standards

5   should apply to the CIS project, and thus cloud based software costs that meet the SEU

6   Capitalization Policy for Computer Software, as well as the Financial Accounting Standards

7   Board ("FASB") Accounting Standards, should be capitalized.

8   **B.   TURN's Interpretation of SDG&E's Response to UCAN Data Request is**
9   **Incorrect**

10   TURN misstates SDG&E's response to UCAN Data Request 3-38.c, asserting that

11   SDG&E declined to implement a SaaS solution in the past because it would be "treated as

12   an expense…, rather than capitalized."[35] SDG&E disagrees with this assertion. As stated in

13   SDG&E's data request response, "SDG&E is aware of one instance where it declined to

14   implement a cloud-based SaaS solution as that did not meet the criteria defined Under FASB

15   ASC 350-40. This proposed solution would have been used by SDG&E Account

16   Executives to document interactions with their business clients."[36] In this particular

17   situation, SDG&E elected to not move forward with any solution (cloud or on-premise), but

18   rather, to wait for those capabilities as part of the CIS Replacement.

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[34]   "PwC Property, Plant, Equipment and other Assets Accounting Guide," Section 6 at 20:8-9,
       https://www.pwc.com/us/en/cfodirect/assets/pdf/accounting-guides/property-plant-equipment-
       accounting-guide.pdf.

[35]   *See*, Direct testimony of Robert Finkelstein at 9:5-6.

[36]   *See*, SDG&E Response to UCAN DR3-38.c.

1 **V. SUMMARY AND CONCLUSION**

2   In summary, my rebuttal testimony responds to the prepared direct testimony

3 submitted by intervening parties in SDG&E's CIS Replacement Program Application.

4   For the reasons stated in this rebuttal testimony, the Commission should:

5   1.   Adopt SDG&E's costs and benefits as proposed in SDG&E's Application,

6   and reject UCAN's assertion that SDG&E has not provided the necessary

7   support for these costs and benefits;

8   2.   Adopt the contingency proposed in SDG&E's Application, retaining the level

9   of contingency requested for both Capital and O&M, and reject ORA's and

10   UCAN 's proposed reductions to contingency; and

11   3.   Reject TURN's attempt to introduce into this proceeding the accounting

12   policy regarding capitalization for cloud based software solutions.

13   This concludes my prepared rebuttal testimony.