

Application: A.17-04-027

Exhibit No.: SDG&E-15

Witness: Linder

PREPARED REBUTTAL TESTIMONY OF
DANIEL LINDER
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY
CHAPTER 15



BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

November 13, 2017

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**PREPARED REBUTTAL TESTIMONY OF
DANIEL LINDER
CHAPTER 15**

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. In my rebuttal testimony, I address recommendations presented by the Utility Consumers’ Action Network (“UCAN”) witness Garrick Jones.¹

My rebuttal testimony is organized as follows:

- Section II – SDG&E’s Selection of Cloud Solutions Is Appropriate
- Section III – CIS Project Planning Is Not In Flux
- Section IV – Summary and Conclusion.

II. SDG&E’S SELECTION OF CLOUD SOLUTIONS IS APPROPRIATE

UCAN points out that SDG&E’s “cloud items appear to have a large impact on the total cost” of SDG&E’s proposed CIS, as compared to that of Southern California Edison Company (“SCE”).² SDG&E is generally aware of the difference between SCE’s proposal to use an on-premise Customer Relationship Management (“CRM”) and SDG&E’s proposal to use a cloud-based, Software as a Service CRM. In addition, SDG&E has decided to replace its existing Web/My Account solution with a cloud-based solution.

UCAN’s argument is flawed as it just focuses on the cost aspect of cloud-based software, and excludes the benefits of cloud solutions, such as their long-term viability as

¹ Exhibit (“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”).

² *See, id.* at 22:21 – 23:2.

1 compared to on-premise solutions. As I previously discussed in my prepared direct
2 testimony (Chapter 6), and as referenced by the rebuttal testimony of Laura Atkinson
3 (Chapter 12), SDG&E has performed its due diligence and appropriately proposed to
4 implement a Software as a Service cloud solution as part of its overall SAP solution, where
5 appropriate, due to the rapid innovation, standardization of business processes, reduction in
6 complexity, and enhancement of customer experience capabilities facilitated by the cloud.
7 SDG&E and its vendor partner, HCL America, Inc. (“HCL”) spent considerable time
8 collaborating with SAP experts to understand SAP’s product roadmap and new
9 announcements made since SCE’s CIS re-platform proposal. SDG&E also referenced the
10 National Association of Regulatory Utility Commissioners (“NARUC”) November 16, 2016
11 *Resolution Encouraging State Utility Commissions to Consider Improving the Regulatory*
12 *Treatment of Cloud Computing Arrangements*,³ which documents the increased security,
13 reliability and flexibility that cloud solutions can offer – all of which are critical to
14 SDG&E’s contact center operations.

15 SDG&E determined that certain cloud solutions were a better fit within SDG&E’s
16 CIS architecture than on-premise solutions because of the following factors:

17 (1) SAP will discontinue mainstream maintenance for its CRM on-premise solution
18 in 2025, according to SAP’s Product Availability Matrix and press release.⁴ If
19 SDG&E were to select the SAP CRM on-premise product, which will not be
20 supported by mainstream maintenance after 2025, SDG&E would need to plan a
21 future (and likely costly) project to replace the SAP CRM on-premise solution with
22 another solution to meet its post-2025 business needs. This would be particularly
23 disadvantageous, considering that this replacement would be needed just four years
24 after the new CIS is scheduled to go live.

³ See, <https://pubs.naruc.org/pub.cfm?id=2E54C6FF-FEE9-5368-21AB-638C00554476>.

⁴ See, <https://news.sap.com/sap-committed-innovation-choice-sap-business-suite/amp/>.

1 (2) Hybris Sales and Service is SAP's preferred SAP CRM solution (as compared to
2 SAP CRM on-premise) for new implementations, as it will receive most of SAP's
3 future CRM Research & Development investment focus. Technology is rapidly
4 changing in the CRM domain, so it is important that SDG&E pick a product, like
5 Hybris Sales and Service, that will continue to be technologically relevant. The SAP
6 roadmap for Hybris Sales and Service encompasses items that will improve the
7 experience of the Energy Services Specialist and the customer alike, matching the
8 expectations set by peers both within and outside of the utilities industry.

9 (3) SAP Hybris Sales and Service has planned quarterly update releases for the cloud
10 solution as opposed to the 12-18 month releases offered with the on-premise
11 CRM. The quarterly releases will allow for frequent updates to the system, which
12 will avoid large (and costly) refresh projects, typical of on-premise software
13 solutions. Quarterly releases are also provided by SAP for the entire Hybris suite,
14 including Hybris Marketing and Hybris Commerce.⁵

15 (4) Not unlike other vendors, SAP's licensing is rapidly changing from on-premise
16 to cloud-based. During the 2017 SAP Capital Markets day, the SAP Board conveyed
17 a clear focus on the cloud. SAP's CFO, Luka Mucic, presented the vendor's
18 projection that it will grow cloud subscription revenues from around \$3 billion in
19 2016 to \$9 billion by 2020. SAP's CEO McDermott predicted that, "[b]y 2018, our
20 cloud business will be bigger than our [on-premise] core."⁶

21 (5) The trend towards cloud utilization experienced by SAP is echoed across the
22 overall cloud Software as a Service market. According to Gartner, a leading research
23 and advisory company, "cloud application services (software as a service[SaaS]) is
24 expected to grow 20.1 percent to reach \$46.3 billion. . . . The SaaS market is
25 expected to see a slightly slower growth over the next few years with increasing
26 maturity of SaaS offerings, namely human capital management (HCM) and customer
27 relationship management (CRM) and the acceleration in the buying of financial
28 applications."⁷

29 (6) A Web/My Account replacement that leverages cloud Software as a Service is
30 the best choice for SDG&E to stay technically relevant and keep up with evolving
31 expectations of our customers. SDG&E will leverage SAP vendor partners to
32 provide the innovation and change in the digital domain, instead of using utility

⁵ In reviewing Mr. Jones' Testimony, SDG&E notes that the definitions of SAP Hybris Marketing and SAP Hybris Commerce have been transposed. The definition provided for SAP Hybris Marketing in the UCAN testimony is the definition of SAP Hybris Commerce. Jones Testimony at 15:15-16. The definition provided for SAP Hybris Commerce is the definition of SAP Hybris Marketing. *Id.* at 15:17-18.

⁶ See, <https://www.asug.com/news/five-takeaways-from-sap-capital-markets-day-for-asug-members>.

⁷ See, <https://www.gartner.com/newsroom/id/3616417>.

1 internal resources to build solutions from scratch and design enhancements and
2 conduct on-going maintenance.

3 In summary, SDG&E has proposed to utilize CIS cloud solutions for the CRM and
4 Web/My Account functionality to align with SAP's product direction, to allow for the
5 product to continually incorporate the latest functionality and innovation, and to avoid costly
6 custom solutions built from scratch and large on-premise upgrades in upcoming years. It is
7 highly unlikely that custom solutions will receive the same ongoing developer support that
8 accompanies a cloud-based solution.

9 **III. CIS PROJECT PLANNING IS NOT IN FLUX**

10 Witness Jones asserts that SDG&E has made the CIS replacement proposal
11 "prematurely, given that many of the decision points appear to still be in flux."⁸ SDG&E
12 strongly disagrees. SDG&E formulated its CIS proposal based upon multiple years of
13 detailed analysis (2015-2017) and feedback from experienced vendor partners including
14 HCL, Ernst and Young ("EY"), and SAP, as explained in detail in Witness Snyder's direct
15 testimony (Chapter 3). SDG&E's proposed CIS solution leverages HCL's experience and
16 proven implementation methodology that has been used at 22 other North American utilities.
17 SDG&E's project planning and implementation methodology, outlined in my direct
18 testimony (Chapter 6), aligns with standard industry-accepted project management practices
19 and the Project Management Institute (Project Management Body Of Knowledge "PMBOK"
20 Guide and Standards)⁹ – the gold standard for projects of this size and complexity.¹⁰

⁸ See, Jones Testimony at 22:10-11.

⁹ See, <https://www.pmi.org>.

¹⁰ Moreover, UCAN's argument that SDG&E's proposal is premature ignores the urgency of the project, as explained in more detail in Witness Snyder's direct testimony (Chapter 3).

1 Contrary to UCAN’s assertions, the key decision points for the new CIS are not in
2 flux. SDG&E has made the major architectural decisions with the selection of the SAP
3 solution platform. This selection has allowed SDG&E to rely upon its vendor partners’ vast
4 experience and expertise in large SAP utility implementations. Even UCAN concedes that
5 SDG&E’s selection of the SAP Hybris Customer Engagement and Commerce Platform to
6 serve as the CRM platform was a “large decision point.”¹¹ UCAN misinterprets the fact that
7 this cloud CRM platform may be “refined” by the Systems Integrator (“SI”) as illustrating
8 that the CIS project “is still in flux and is not ready for Commission consideration, yet.”¹²
9 While the expert SI will have the ability to “refine” how the SAP Hybris Customer
10 Engagement Commerce platform may be implemented to optimize the CIS implementation
11 and incorporate new information into the project design, the SI will not have the option of
12 reconsidering whether to implement the SAP Hybris Customer Engagement and Commerce
13 platform.

14 UCAN is correct that SDG&E has identified solution “gaps” in the legacy CIS,
15 CRM, and My Account systems as a part of the EY 2015 study. However, UCAN
16 incorrectly assumes that SDG&E’s proposed technical solution also has similar gaps. It
17 does not. What SDG&E is still refining are the business processes and their functional
18 requirements to align to the SAP CR&B solution. As discussed in detail in the rebuttal
19 testimony of Laura Atkinson (Chapter 12), SDG&E has allotted project contingency to
20 account for unknown project variables that can drive changes in the solution and delivery of

¹¹ Jones Testimony at 22:20.

¹² *Id.* at 23:6-8.

1 the CIS replacement program, which includes refinement of business process and their
2 functional requirements.

3 The flexibility to “refine” is not a sign of a project “in flux,” as UCAN asserts, but
4 rather a pragmatic acknowledgement of how a standard project of this size and complexity is
5 best implemented. The SI will bring its CIS industry experience and SAP expertise to
6 advise and implement the large-scale effort alongside the SDG&E and third-party resources,
7 as is standard for large North American CIS implementations. Each phase of the proposed
8 project has a purpose with standard activities to continue to refine the solution, so that
9 SDG&E can continue to make phase-appropriate, lower-level decisions to complete the
10 solution design.

11 **IV. SUMMARY AND CONCLUSION**

12 In summary, my rebuttal testimony responds to the prepared direct testimony
13 submitted by UCAN in SDG&E’s CIS Replacement Program Application.

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

- 15 1. Adopt SDG&E’s proposal of a hybrid architecture, which includes Software
16 as a Service cloud solutions.
- 17 2. Reject UCAN’s assertion that the CIS project is “in flux.”

18 This concludes my prepared rebuttal testimony.