

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

* * * * *

RE: IN THE MATTER OF ADVICE)
LETTER NO. 876-GAS FILED BY)
PUBLIC SERVICE COMPANY OF)
COLORADO TO REVISE ITS) PROCEEDING NO. 15AL-0135G
COLORADO PUC NO. 6-GAS TARIFF)
TO IMPLEMENT A GENERAL RATE)
SCHEDULE ADJUSTMENT AND)
OTHER RATE CHANGES EFFECTIVE)
ON 30-DAYS NOTICE.)

REBUTTAL TESTIMONY AND ATTACHMENTS OF AMY STITT

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CONFIDENTIAL ATTACHMENT AS-2
CONFIDENTIAL ATTACHMENT AS-3
CONFIDENTIAL ATTACHMENT AS-4

July 20, 2015

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SUMMARY OF REBUTTAL TESTIMONY OF AMY STITT

Ms. Amy Stitt is the Senior Director, Financial Planning responsible for the financial accounting and reporting of the General Ledger (“GL”) and Work Asset Management (“WAM”) replacement projects. Ms. Stitt did not submit Direct Testimony in this case, but as a rebuttal witness will respond to certain issues raised in the Answer Testimony of Mr. Cory Skluzak of the Office of Consumer Counsel (“OCC”).

In her Rebuttal Testimony, Ms. Stitt responds to, and rebuts, the recommendation of Mr. Skluzak that 2014 Operations and Maintenance (“O&M”) and Capital Additions costs for the GL and WAM replacements should be rejected from the Historical Test Year (“HTY”) and the Multi-Year Plan (“MYP”). Ms. Stitt describes the risks with the current antiquated GL and WAM systems, how the Company evaluated alternative solutions, and the advantages of the comprehensive, integrated Enterprise Resource Planning (“ERP”) system solution that was selected. Ms. Stitt also provides updated cost estimates for the ERP project. Finally, Ms. Stitt clarifies

that we are requesting recovery only of the gas department costs in this proceeding,
not any electric department costs.

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Attachment AS-5	Enterprise System Selection (ESS) Scoring Results

GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
AACE	Association for the Advancement of Cost Engineering
Commission or PUC	Colorado Public Utilities Commission
CPCN	Certificate of Public Convenience and Necessity
ERP	Enterprise Resource Planning
FTY(s)	Forecast Test Years
GL	General Ledger
HTY	Historic Test Year
IT	Information Technology
JDE	Oracle JDE OneWorld XE SP24
Maximo	Maximo 5.2
MYP	Multi-Year Plan period of January 1, 2015 through December 31, 2017, which includes the 2015, 2016, and 2017 test years.
O&M	Operations & Maintenance
OCC	Colorado Office of Consumer Counsel
Passport	Passport 10.0.5
Public Service or Company	Public Service Company of Colorado
RFI	Request for Information
RFP	Request for Proposal

<u>Acronym/Defined Term</u>	<u>Meaning</u>
RP	Recommended Practices
Service Company or XES	Xcel Energy Services Inc.
Service Period	The period of time from when the Company receives goods or services and the date the expense is paid
WAM	Work Asset Management
Xcel Energy	Xcel Energy Inc.
XES	Xcel Energy Services Inc.

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REBUTTAL TESTIMONY AND ATTACHMENTS OF AMY STITT

**I. INTRODUCTION, QUALIFICATIONS, PURPOSE OF TESTIMONY AND
RECOMMENDATIONS**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Amy Stitt. My business address is 414 Nicollet Mall,
3 Minneapolis, Minnesota, 55401.

4 **Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?**

5 A. I am employed by Xcel Energy Services Inc. ("XES") as a Senior Director in
6 Xcel Energy's Financial Planning Department. XES is a wholly-owned
7 subsidiary of Xcel Energy Inc. ("Xcel Energy"), and provides an array of
8 support services to Public Service Company of Colorado ("Public Service" or
9 "Company") and the other utility operating company subsidiaries of Xcel
10 Energy on a coordinated basis.

11 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THE PROCEEDING?**

12 A. I am filing rebuttal testimony on behalf of Public Service.

1 **Q. DID YOU PROVIDE DIRECT TESTIMONY IN THIS PROCEEDING?**

2 A. No.

3 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AND**
4 **QUALIFICATIONS.**

5 A. I am responsible for the financial accounting and reporting of the General
6 Ledger (“GL”) and Work Asset Management (“WAM”) replacement projects.
7 A description of my qualifications, duties, and responsibilities is included as
8 Attachment A.

9 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**
10 **PROCEEDING?**

11 A. The purpose of my rebuttal testimony is to respond to Office of Consumer
12 Counsel (“OCC”) witness Mr. Cory Skluzak’s recommendation that the
13 Company not be allowed to recover the costs related to the GL and WAM
14 replacement projects. Mr. Skluzak argues that: the Company’s rationale for
15 replacing the existing systems is unconvincing; the Company failed to provide
16 sufficient support for such significant costs; the Company is asking for pre-
17 approval of both electric and gas department costs; and the Company is
18 primarily motivated by the fact that the existing systems are fully amortized. I
19 rebut each of Mr. Skluzak’s assertions. I also update the forecasted GL and
20 WAM replacement project costs that were filed in our direct case to
21 incorporate more recent information.

1 **Q. ARE YOU SUPPORTING ANY ATTACHMENTS AS PART OF YOUR**
2 **REBUTTAL TESTIMONY?**

3 A. Yes. I am sponsoring the following Attachments:

- 4 • Attachment AS-1, Current State System Context Diagram;
- 5 • Confidential Attachment AS-2, JDE Application Health and Risk
- 6 Assessment;
- 7 • Confidential Attachment AS-3, Passport Application Health and Risk
- 8 Assessment;
- 9 • Confidential Attachment AS-4, Maximo Application Health and Risk
- 10 Assessment; and
- 11 • Attachment AS-5, Enterprise System Selection Scoring Results.

12 **Q. WHAT RECOMMENDATION ARE YOU MAKING IN YOUR TESTIMONY?**

13 A. I recommend that the Commission allow for the costs of the GL and WAM
14 projects to be reflected in our cost of service presented in this case, and
15 reject Mr. Skluzak's proposal to remove the gas department's GL and WAM
16 costs from the HTY and MYP.

17 **Q. WHY DID THE COMPANY NOT INCLUDE MORE DETAILED SUPPORT**
18 **FOR THE GL AND WAM REPLACEMENT PROJECTS IN ITS DIRECT**
19 **CASE?**

20 A. The amount of information provided in Mr. Phibbs' Direct Testimony, on
21 pages 18 through 24, describing the need for the GL and WAM replacement
22 projects, is consistent with the level of detailed information we have provided
23 in previous rate cases. The Company believes that the level of information

1 we provided in our direct case is sufficient to decide the issues related to
2 these projects.

3 **Q. DO YOU AGREE WITH MR. SKLUZAK'S CONCERN THAT THERE**
4 **SHOULD HAVE BEEN FOREWARNING FROM THE COMPANY, SUCH**
5 **AS A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY**
6 **("CPCN") FILING, BEFORE WE BEGAN THESE INVESTMENTS?**

7 A. This is a legal issue, and if necessary our attorneys will address this issue in
8 our post-hearing Statement of Position. However, I would note that the
9 Company does not believe that a CPCN is required for these types of
10 business systems. Information technology upgrades and replacement
11 investments are necessary to provide electric and gas service and are
12 undertaken in the ordinary course of business. Software is common plant.

**II. THE CURRENT GL AND WAM SYSTEMS ARE ANTIQUATED, EXPENSIVE
TO MAINTAIN, AND HIGH RISK**

**Q. WHAT ARE THE GENERAL LEDGER AND WORK ASSET
MANAGEMENT SYSTEMS THAT ARE BEING REPLACED?**

A. We are replacing Oracle JDE OneWorld XE SP24 ("JDE"); Passport 10.0.5 ("Passport"); and Maximo 5.2 ("Maximo"). JDE is the Company's general ledger system, Maximo is the work and asset management system for Energy Supply, Passport is the work and asset management system for Supply Chain and the remaining business areas.

**Q. WHY DID THE COMPANY DECIDE TO REPLACE THESE GL AND WAM
SYSTEMS?**

A. Based on a thorough risk assessment analysis, the Company identified the need to upgrade or replace three interrelated information technology ("IT") systems to maintain, upgrade or replace the functionality: JDE; Passport; and Maximo. Based on the combined timing, risk, and size of the required investment, we were faced with strategic decisions as to how to address most effectively the inadequacies of our current technology portfolio and how to support our critical business operations.

**Q. WHAT ARE THE GENERAL DRIVERS BEHIND THE NEED FOR THE
COMPANY'S IT SYSTEM INVESTMENTS?**

A. Our need for IT investment is driven by factors such as:

- evolving and higher expectations in business demands;
- increasing physical and cyber security risks;

- 1 • the complexity and expense of interface capability for different versions
- 2 of the systems;
- 3 • the age and wear and tear on hardware;
- 4 • the adequacy and adaptability of the underlying technology (operating
- 5 systems, code language, security, etc.) that the versions are built upon;
- 6 and
- 7 • the unavailability of support from vendors, which increases
- 8 maintenance costs and the risks of extended outages that impact
- 9 customers and business operations.

10 Based on our risk assessment, we concluded that each of these factors
11 was contributing to the need to upgrade the three interrelated IT systems:
12 JDE, Passport, and Maximo.

13 **Q. WERE THERE OTHER SYSTEM LEVEL CONCERNS WITH OUR**
14 **ANTIQUATED GL AND WAM SYSTEMS THAT DROVE THE NEED FOR**
15 **THE COMPANY'S IT SYSTEM REPLACEMENT INVESTMENTS?**

16 A. Yes. Interoperability and lack of vendor support were key drivers of the
17 determination to invest in a comprehensive Enterprise Resource Planning
18 ("ERP") solution. These two problem areas caused substantial risks for
19 reliability and security. Also, these two factors significantly increased the risk
20 of delays and maintenance costs.

21 Increasing demands for improved data to meet customer, regulatory,
22 and operational requirements drive the need for a high level of
23 interconnection and interoperability between technology systems. This

1 interconnection creates dependencies between systems, such that
2 replacement and upgrade strategies must take into account the current and
3 forecasted status of all dependent systems. As an example, the high-level
4 current state system context diagram shown in Attachment AS-1
5 demonstrates the level of interdependence and interconnectivity of the JDE,
6 Maximo and Passport applications. Because of the complex
7 interdependence of the JDE, Maximo and Passport applications and the
8 functional interconnectivity requirements, maintenance requirements such
9 as software upgrades and security patches were starting to require an
10 extraordinary level of coordination.

11 Also, with ever-evolving cybersecurity threats, systems being
12 maintained under “unsupported” or “limited support” status from the vendor
13 (such as JDE, Passport and Maximo) create the potential for vulnerabilities
14 to cyber breaches. Once an application is in an unsupported status, the
15 Company is dependent on internal and third-party testing to discover
16 potential gaps and develop solutions to remediate these threats. While our
17 testing is robust, the Company does not have the resources to provide this
18 support at the same level as the software vendors themselves, and the
19 impacts of potential breaches are very difficult to quantify. Vendors provide
20 periodic patches and updates to help address identified vulnerabilities and
21 protect against specific threats as they are discovered across their client
22 base, but vendors do not provide these updates once a software version
23 falls out of support.

1 **Q. HAS THE COMPANY CONSIDERED THE USE OF THIRD PARTY**
2 **SUPPORT FOR APPLICATIONS NO LONGER SUPPORTED BY THE**
3 **VENDOR?**

4 **A:** Yes, the Company actively uses third-party vendors for system support and
5 issue resolution when the installed versions become unsupported. This is the
6 model that has been in use with the systems in question since vendor support
7 for these products was curtailed. But leveraging third-party support increases
8 both costs and the time required to resolve issues and is not sustainable in the
9 long-term.

10 As a case in point, as we were upgrading the Company to Windows 7,
11 it was discovered that our current version of Passport did not function with
12 Windows 7. This is an issue whose resolution would typically fall under the
13 vendor certification of software at no cost to the Company if the software was
14 still supported by the vendor. The Company contacted Sheffield Scientific, a
15 third-party specialist, to correct the problem. It took over two months to
16 establish a statement of work, identify a resource, onboard the resource, and
17 secure access to the system for what amounted to a couple of days' worth of
18 actual coding work. This process delayed the roll-out of the Windows 7
19 upgrade for the 3,200 Passport users for about two months. The fix would
20 have been the sole accountability of the vendor had the system been on a
21 supported version.

1 **Q. ARE THERE OTHER ISSUES WITH THE COMPANY'S CURRENT IT**
2 **APPROACH THAT DROVE THE NEED FOR A COMPREHENSIVE**
3 **REPLACEMENT PROJECT?**

4 A. Yes. Utilities are asset centric entities, and the ability to manage and to
5 maintain effectively a vast asset base directly affects the Company's ability to
6 provide safe and reliable service, recover quickly from unplanned outage
7 events, efficiently plan work, secure materials, and dispatch labor in a cost-
8 effective manner. The Company has historically pursued a "Best of Breed"
9 strategy for its technology footprint, which led to the selection of the existing,
10 disparate systems to support field operations and power generation facilities,
11 as well as numerous bolt-on systems to support specialized tasks.

12 While this Best of Breed approach met the needs of our individual
13 operating business areas, it also led to many of the challenges referenced
14 earlier in my testimony. Keeping multiple Best of Breed core systems current
15 on software, hardware, and operating systems creates significant challenges
16 and associated costs. It was becoming more burdensome, expensive and
17 inefficient to balance the timelines of patches and upgrades that are offered in
18 differing cycles, redesign interfaces to adapt to new versions, and recertify
19 software within the Company's unique computing environment. We were
20 looking at *ad hoc* and costly remedies for our unsupported systems. The Best
21 of Breed approach also led to significant difficulty in attaining consistent data
22 and analytics (e.g., "one version of the truth") across the Company for
23 operational, financial, and regulatory reporting, and required significant manual

1 analysis to discover and correct any discrepancies as they arose. In short, the
2 Best of Breed strategy precluded our reaping the benefits of standardization.

3 **Q. WHAT PROCESS DOES THE COMPANY USE TO ASSESS THE HEALTH**
4 **OF THE CURRENT APPLICATIONS?**

5 A. The Company's IT support organization, Business Systems, periodically
6 prepares an application risk assessment. This assessment includes a
7 review of system statistics (i.e., number of transactions), architecture,
8 hardware and software, interfacing systems, storage and disaster recovery.
9 We perform annual risk assessments that evaluate the needs of the systems
10 and provide recommendations for mitigating actions where possible to
11 maintain system capabilities.

12 **Q. DID THE COMPANY PERFORM A RISK ASSESSMENT FOR EACH OF**
13 **THE GL AND WAM APPLICATIONS THAT ARE BEING REPLACED?**

14 A. Yes.

15 **Q. PLEASE DESCRIBE THE RESULTS OF THE RISK ASSESSMENT FOR**
16 **THE JDE APPLICATION.**

17 A. First, I will explain the function of JDE. Oracle JDE is a system that supports
18 the Company's Finance and Controls functions and maintains the core chart of
19 accounts and general ledger. JDE supports approximately 750 users across
20 the Company and processes approximately 34 million transactions annually.
21 Full support for the current version of JDE in use at the Company expired in
22 December 2013. This support formerly included updates, fixes, security alerts,
23 and the upgrading of scripts. JDE, in particular, is highly connected at the

1 center of core work functions and requires several complex translation
2 mechanisms to interface with existing Work Asset Management systems.
3 Confidential Attachment AS-2, the risk and health assessment for the JDE
4 application, shows the overall system health as “yellow”. Oracle has a “lifetime
5 support” policy in place for this application, and will indefinitely provide what
6 they call “Sustaining Support”, which includes support for existing patches and
7 issues, but this support does not include any new updates or certifications with
8 any new software. The inability to update or certify the Company’s current
9 version of JDE with new software was a critical determinant in the decision to
10 replace JDE in a coordinated manner with the Work Asset Management
11 systems.

12 WAM systems require close integration with General Ledger systems to
13 appropriately track and account for work performed. Therefore, the Company
14 decided to assess the WAM systems concurrently with JDE to develop a
15 coordinated strategy on how to meet the needs of customers, the business,
16 and regulators without creating highly customized code, translation
17 mechanisms, or sunk costs.

18 **Q. PLEASE DESCRIBE THE RESULTS OF THE RISK ASSESSMENT FOR**
19 **THE PASSPORT APPLICATION.**

20 A. First, I will explain the function of Passport. Ventyx Passport version 10.0.5 is
21 currently used to support electric and gas distribution, transmission, and
22 supply chain functions. Passport version 10.0.5 supports approximately 3,200
23 users and handles approximately 77 million transactions on an annual basis

1 across all operating companies. Passport version 10.0.5 is a mission critical
2 application for the Company that manages daily work activity such as
3 preventative maintenance, new construction, and outage response among
4 other critical functions.

5 Confidential Attachment AS-3, the risk and health assessment for the
6 Passport application, shows the overall system health as “green.” But the
7 application’s server hardware and software is in a “red” status, which puts the
8 Company in a position where any major outage would require specialized
9 third-party support or sub-optimal hardware sourcing, such as buying used
10 parts on eBay.

11 This creates an unacceptable, heightened risk of an extended outage.
12 The software application environment is on hardware that was discontinued in
13 early 2009. The operating system is an IBM Unix version that is no longer
14 supported by the vendor under standard agreements. The software code is
15 written in COBOL 4.3, which has been out of standard use for over 10 years.
16 Additionally, no single out-of-life component could be upgraded without a full
17 replacement/upgrade of the suite of hardware, software, and operating
18 systems that make up “the system.” Concurrently, Ventyx is in the process of
19 re-platforming their code base to Java and Microsoft.NET languages, which
20 tactically means that an upgrade to the current offered version of the software
21 requires installing a completely new system. As demonstrated in Attachment
22 AS-1, Passport functions are integrally linked with the GL and WAM
23 applications.

1 **Q. PLEASE DESCRIBE THE RESULTS OF THE RISK ASSESSMENT FOR**
2 **THE MAXIMO APPLICATION.**

3 A. Again, I will first explain the function of IBM Maximo. Maximo version 5.2 is
4 currently used to support work activities at the Company's power generation
5 units. Confidential Attachment AS-4, the risk and health assessment for the
6 Maximo application, shows the overall system health as risk level "red."
7 Maximo is preventing a number of underlying technologies from progressing in
8 their capabilities. Maximo has similar functional capabilities as Passport, and
9 its "red" status and concurrent age were key contributing factors to the
10 decision to implement a consolidated ERP. Per the referenced health
11 assessment, Maximo was -- and is still -- in significant need of upgrade. It has
12 multiple single points of failure and unsupported components. Mr. Skluzak
13 mentions in his Answer Testimony on page 66, line 17, that a search of IBM's
14 website indicated that IBM still supports the Maximo Asset Management
15 program; however, he did not have the information specific to the Company's
16 current version. IBM curtailed support for the Company's current version,
17 version 5.2, in September of 2010. Specialized support is provided for very
18 basic user administration, but critical defects and outage support were
19 curtailed.

20 **Q. WHAT DID THE COMPANY CONCLUDE BASED ON THE RISK**
21 **ASSESSMENTS YOU DESCRIBE ABOVE?**

22 A. The combination of the system factors described above and the similar timing
23 of the various investment needs drove the Company to conduct a thorough

1 investigation of the options available to bring these core systems to a current
2 and supported state that leverages common practices and standards across
3 business areas and provides better and more effective linkages for mission-
4 critical financial and operational data. We knew that significant investments
5 were required across the suite of applications.

**III. THE COMPANY DEVELOPED AN EFFECTIVE AND REASONABLE
ENTERPRISE RESOURCE PLANNING SYSTEM REPLACEMENT STRATEGY**

**Q. WHY DID THE COMPANY DECIDE TO IMPLEMENT A COMMON
PLATFORM ENTERPRISE RESOURCE PLANNING TOOL TO REPLACE
ITS EXISTING GL AND WAM APPLICATIONS?**

A. Given the need to pursue substantial investments to replace, upgrade, or consolidate these three systems and their similar aging and end-of-life status, the Company was faced with deciding on the best strategic approach for the long-term direction of our core technology footprint. It became clear that maintaining a consolidated system instead of multiple systems would be more efficient and effective. Strategically, a consolidated ERP system is easier to implement, replace and upgrade, and is necessary for technical and operational business requirements. Once the strategic approach was determined, we then worked to develop a robust, effective replacement strategy.

To determine the best strategy beyond “Best of Breed,” the Company conducted a peer benchmarking exercise and contacted six peer utilities who had faced similar decisions. Our objective was to understand their drivers for system consolidation, the factors they considered in their decision-making process, and their experiences in implementing solutions. Additionally, the Company leveraged research from industry expert consultants, such as Gartner, to further inform our strategic decision.

One key finding in our initial benchmarking with other utilities was confirmation of the potential for operational benefits associated with

1 leveraging and consolidating new technologies to standardize process, data,
2 and analytics across the Company. Standardized processes enable the
3 development of metrics to better measure productive efficiency across
4 multiple facets of operations, leverage best practices across a broad
5 employee base, and moderate the reliance on regionally specialized
6 experiential learning often referred to as “tribal knowledge”.

7 Per Ms. Lowenthal’s Direct Testimony¹, the Company is facing
8 significant workforce retirements over the next ten years. The consolidation
9 of core work management systems and associated work execution
10 processes creates an opportunity to manage that transition more effectively
11 by driving a heavier reliance on process execution as opposed to
12 experiential learning. The potential to achieve these benefits is enhanced
13 with the replacement of the core technology platform. Peer interviews and
14 industry expert advice confirmed that measuring, quantifying and translating
15 the benefits into dollars would be exceptionally difficult. Moreover, migration
16 to a consolidated platform represented the first step in being able to formally
17 quantify the associated process-based productivity benefits.

¹ Lowenthal Direct Testimony p. 7, ll. 19-20.

1 **Q. DO YOU AGREE WITH MR. SKLUZAK'S ALLEGATION THAT THE**
2 **MOTIVATION FOR REPLACING GL AND WAM IS THAT THE SYSTEMS**
3 **ARE FULLY AMORTIZED?**

4 A. No, I do not, and Mr. Skluzak has not provided any supporting evidence for
5 his assertion. Depreciable life is a proxy for end-of-life, but not a primary
6 contributor to the decision to replace or upgrade a system. The goal of
7 depreciation is to recover the costs of an asset over the period in which it
8 will provide service to customers. However, in some cases a system is
9 stable and secure, its parts are readily available, it meets the requirements of
10 the customer and business, and it is compatible with dependent systems and
11 their lifecycles. Under these conditions, it is preferable to extend the system's
12 life beyond its depreciable accounting life-span to reduce capital expenditures
13 and to prioritize investments needed in other areas of the portfolio. IT assets
14 tend to age much more rapidly than many typical utility plant assets. As I have
15 explained, we believe the existing applications have exhausted their
16 usefulness; therefore, they should be replaced. The amortization status of
17 the IT systems that are being replaced was not a factor in the decision to
18 choose an ERP.

19 **Q. WHAT PROCESS DID THE COMPANY USE TO SELECT A COMMON**
20 **PLATFORM ENTERPRISE RESOURCE PLANNING TOOL TO REPLACE**
21 **ITS EXISTING GL AND WAM APPLICATIONS?**

22 A. Based on the Company's research and findings, we explored further if there
23 were consolidated ERP options that would be appropriate fits for the

1 enterprise operating environment. The Company assembled a project team
2 to determine if an integrated enterprise planning solution would meet
3 business needs. The Enterprise Solution Selection Project was initiated to:
4 1) determine if there were consolidated ERP solutions that would meet the
5 requirements of all operating areas of the Company's unique operating
6 environment, 2) issue a Request for Information ("RFI") to evaluate the
7 functionality of the primary options and determine if the Company should
8 pursue a change in strategy from a Best of Breed to a single platform ERP
9 approach, 3) issue a Request for Proposal ("RFP") to select a software
10 solution, and 4) identify a system integrator to provide expertise and
11 leadership in ERP implementation.

12 **Q. PLEASE EXPLAIN IN MORE DETAIL THE ENTERPRISE SOLUTION**
13 **SELECTION PROJECT AND HOW THE VENDOR WAS SELECTED?**

14 A. The project process consisted of the four distinct phases explained below:

- 15 • Phase I: An RFI from various vendors, which consisted of information
16 sharing sessions, understanding the capabilities of a new WAM system, and
17 establishing vendor contacts.
- 18 • Phase II: An RFP from vendors, including a demonstration of how their
19 systems would handle various business case scenarios provided by the
20 Company, estimated costs to implement the software, and options for rolling
21 out the new software in phases. Four vendors responded to our RFP: IBM,
22 SAP, Oracle and Ventyx. We ultimately considered the following six
23 options:

- 1 o Option 1: SAP only
- 2 o Option 2: Oracle only
- 3 o Option 3: IBM/Maximo (our current work and asset management
- 4 system for Energy Supply) paired with SAP
- 5 o Option 4: IBM/Maximo paired with Oracle
- 6 o Option 5: Ventyx/Passport (our current work and asset management
- 7 system for all business areas except Energy Supply) paired with SAP
- 8 o Option 6: Ventyx/Passport paired with Oracle
- 9 • Phase III: An evaluation of the RFP's by the most impacted business areas,
- 10 including Customer Service, Human Resources, Finance, Supply Chain,
- 11 WAM Energy Supply, and WAM Energy Delivery (Distribution, Transmission,
- 12 and Nuclear). In addition, we evaluated each vendor based on four
- 13 technical criteria: integration; mobility; supportability; and technical vision.
- 14 An evaluation of the responses to our RFP, provided as Confidential
- 15 Attachment AS-5, shows the scoring results of the six options mentioned
- 16 above. Each option was scored on a scale of 1 to 3, with 3 being the most
- 17 favorable score.
- 18 • Phase IV: A recommendation to the Enterprise Solution Selection Project
- 19 executive sponsors that included a deployment road map, cost implications,
- 20 potential operational benefits once the projects were placed in service, and
- 21 the estimated organizational implications. The executive sponsors
- 22 ultimately approved Option 1, SAP only.

1 **IV. BENEFITS OF GL AND WAM REPLACEMENT PROJECT**

2 **Q. WHAT ARE SOME OF THE BENEFITS THE COMPANY EXPECTS TO**
3 **ACHIEVE BY REPLACING GL AND WAM?**

4 A. Utilities are responsible for managing a large number of electric and gas
5 transmission systems and power generation facilities. To manage these
6 assets effectively, a utility must employ a diverse workforce with varying skill
7 sets and experience levels, and have the necessary equipment and tools to
8 manage its workforce and infrastructure effectively and efficiently. Most of
9 the electric and gas utilities in the United States use some form of an ERP to
10 manage these assets effectively and efficiently, which translates directly into
11 safer, more reliable service for customers and an overall lower cost of
12 service.

13 The benefits we expect to realize from the implementation of an ERP
14 include the following:

- 15 • We can gather better asset information. This better
16 information allows us to tailor our maintenance efforts to what
17 is actually needed for a particular asset, thereby improving
18 system reliability. Moreover, with better asset information we
19 can manage aged assets more proactively, thereby allowing
20 costs to be spread more evenly over the life of an asset.
- 21 • We can employ a more digital data model that supports the
22 migration from manual, outdated, paper-based records
23 management.

- Our inventory planning can be more efficient, which reduces the storage, security, insurance, handling, and scrap management requirements associated with excess inventory.
- We can automate work crew scheduling processes, resulting in more wrench time in the field.
- We can employ common processes and standards across operations, which mitigates the risks from an aging workforce where institutional knowledge can be lost as employees retire. Standardized training can in some cases reduce experience requirements.
- We can leverage best practices from utility industry peers by replacing three systems with one Enterprise Resource Planning solution, thereby reducing the Company's technology footprint.
- We can integrate operations and financial data, which allows us to identify cost drivers with more transparency and better analyze costs per unit.

Q. WHAT COST SAVINGS DOES THE COMPANY EXPECT TO ACHIEVE AS A RESULT OF THE BENEFITS DESCRIBED ABOVE DURING THE MYP?

A. It is difficult to quantify cost savings. Any and all forecasted savings from the system replacements have been included within each business area's operating assumptions and integrated with existing, continuous

1 improvement initiatives to develop the area's O&M budgets. The
2 Company's proposed O&M expenses for the 2015, 2016 and 2017 Test
3 Years are based on historical levels of O&M expenses with limited
4 adjustments for known and measurable changes. One reason the Company
5 was able to propose modest increases to O&M expenses in this case is our
6 expectation that we can avoid significant increases in our baseline O&M
7 expenses through 2017. Efficiency improvements attributable to initiatives
8 such as the WAM and GL projects contribute to this expectation. We will
9 continue to assess the savings attributable to the GL and WAM replacement
10 project and incorporate those anticipated savings into future budgets.

V. UPDATED ESTIMATES OF ERP REPLACEMENT PROJECT COSTS

Q. FIRST, IS THE COMPANY ASKING FOR PRE-APPROVAL OF THE ELECTRIC DEPARTMENT'S COSTS FOR THE GL AND WAM PROJECTS?

A. No. OCC witness Mr. Skluzak, on pages 64 through 72 of his Answer Testimony, alleges that by our including information in Mr. Phibbs' Direct Testimony about the electric portion of the costs related to the GL and WAM replacement project in this case, we are effectively asking the Commission for pre-approval of both the electric and gas departments' total costs.

Mr. Skluzak's interpretation is incorrect. The Company provided the total cost of the ERP project for informational purposes only. The ERP costs proposed for inclusion in the HTY and MYP test years are limited to gas department costs. It should be noted that because the GL and WAM projects are shared assets that will be implemented across all Operating Companies through XES, reference materials and supporting attachments will frequently include the total, unallocated operating company costs and risks of these assets.

Company witness Ms. Alice Jackson addresses Mr. Skluzak's and Ms. Cindy Schonhaut's allegations that the Company is attempting to obtain pre-approval of, and the establishment of a presumption of prudence for, the reasonableness of the Company's decision to undertake these (and other) capital projects.

1 **Q. WHAT ESTIMATED CAPITAL ADDITIONS FOR THE GL AND WAM**
2 **REPLACEMENTS WERE INCLUDED IN THE ORIGINAL COST OF**
3 **SERVICE?**

4 A. The Company estimated GL replacement capital additions of \$22 million for
5 total Public Service, of which \$5.9 million was assigned to the gas
6 department.

7 The Company estimated WAM replacement capital additions of \$78.2
8 million for total Public Service, of which \$21.5 million was assigned to the
9 gas department.

10 **Q. WHAT ARE THE CURRENT COST ESTIMATES FOR THE GL AND WAM**
11 **REPLACEMENT PROJECTS?**

12 A. The current estimated Capital Additions for the GL and WAM replacements
13 are listed in the table below:

Table AS-R-1
GL & WAM Replacement Project Capital Additions
Public Service – Gas Utility

(dollars in millions)				
Cost Type	2015	2016	2017	Total
GL Replacement	\$7.6	\$0.6		\$8.2
WAM Replacement		\$2.6	\$34.5	\$37.1
Total PSCo Gas Utility	\$7.6	\$3.2	\$34.5	\$45.3

1 **Q. WHY HAVE THE CAPITAL ADDITIONS ALLOCATED TO THE PUBLIC**
2 **SERVICE GAS DEPARTMENT INCREASED FROM \$27.4 MILLION TO**
3 **\$45.3 MILLION?**

4 A. There are six key phases in a technology project: 1) blueprint (architectural
5 design); 2) design (detailed design and schematics); 3) build (construction);
6 4) testing; 5) training and deployment; and 6) sustaining and improving the
7 systems and associated processes.

8 Each phase in a project of this nature has corresponding risk
9 allowances or contingencies for inherent uncertainties associated with the
10 project estimates. The estimates are refined as each phase is completed
11 and more information becomes available. The combined estimate of \$27.4
12 million was developed at the end of phase 2 (design) for GL (also known as
13 the “budget authorization” phase), and the concept or pre-blueprint phase
14 for WAM. Cost estimates at these stages of project development are
15 subject to significant contingencies or uncertainties. But we did not include a
16 corresponding contingency in our cost estimate at that time. As explained
17 below, as we reached latter stages of project development our cost
18 estimates increased.

19 **Q. ARE THERE ANY INDUSTRY GUIDELINES FOR ESTABLISHING**
20 **CONTINGENCY AMOUNTS FOR CAPITAL PROJECT ESTIMATES?**

21 A. Yes. The Association for the Advancement of Cost Engineering (“AACE”) is
22 the leading professional society for cost estimators, cost engineers,
23 schedulers, project managers, and project control specialists. The AACE

1 issues Recommended Practices (“RPs”), which are a series of technical
2 documents containing reference information that has been subjected to a
3 rigorous review processes and recommended for use by the AACE
4 Technical Board. AACE International classifies project estimates based on
5 the level of Project Definition and Technology Status.

6 Project Contingency is defined as the degree of project definition
7 available at the time the estimates are developed. This type of contingency
8 covers expected omissions and unforeseen costs caused by a lack of
9 complete engineering. Project contingency compensates for the inherent
10 inaccuracy of cost estimates at each phase of the project.

11 Process Contingency is defined as the degree of uncertainty caused
12 by use of new technology. It is used in an effort to quantify uncertainty in
13 performance because of limited technical data. For those areas with greater
14 risk, the process is designed to compensate for the inherently greater
15 inaccuracy associated with the cost elements.

16 The AACE recommends combining project and process
17 contingencies for capital project estimates. Major changes and upgrades to
18 enterprise IT systems, such as the GL and WAM projects, are some of the
19 most complex and unpredictable types of projects. As such, these systems
20 deserve the highest degree of contingency. This is particularly true during
21 the early stages of the project, prior to when requirements are fully
22 understood and vetted, and prior to when intra-system interfaces are fully
23 understood and developed.

1 **Q. PLEASE SUMMARIZE THESE GUIDELINES.**

2 A. The level of project definition determines the estimate class and sets the
3 expected accuracy range for each class, and the standard for project
4 contingency. The more defined the project, the higher the confidence level
5 in that estimate. The programmatic or technical uniqueness and complexity
6 of the project determines the process contingency, which remains the same
7 throughout the project. See Tables AS-R-2 and AS-R-3 below for the AACE
8 Standards.

Table AS-R-2

AACE Standards for Project Contingency²

Design Stage	Level of Project Definition	AACE Estimate Class	Project Contingency
Concept Screening	0-2	5	50%
Feasibility Study	1-15	4	40%
Budget Authorization	10-40	3	30%
Project Control	30-70	2	15%
Bid Check	50-100	1	5%

² AACE, Quality Guidelines for Energy System Studies, February 24, 2004, pp. 30-31.

Table AS-R-3

AACE Standards for Process Contingency³

Technology Status	Process Contingency
New technology, little or no test data	40%+
New technology, prototype test data	20-35%
Modifications to commercial technology	5-20%
Commercial technology	0-5%

Q. BASED ON THESE STANDARDS, WHAT CONTINGENCY RANGES WOULD HAVE APPLIED TO THE GL COST ESTIMATES PROVIDED IN THE COMPANY'S DIRECT CASE?

A. The GL project had just completed the design phase, and the level of project definition was a "Class 3." This status correlates to a 30 percent project contingency and 5-20 percent process contingency, or a total recommended contingency of 35-50 percent.

³ AACE, Quality Guidelines for Energy System Studies, February 24, 2004, pp. 30-31.

1 **Q. PLEASE EXPLAIN WHY THE ESTIMATED CAPITAL COSTS FOR THE**
2 **GL PROJECT ARE NOW HIGHER THAN WHEN THE COMPANY**
3 **PREPARED ITS DIRECT CASE?**

4 A. The increase in GL project capital additions costs from \$5.9 to \$8.2 million
5 reflected in Table AS-R-1 are due to having more updated information from
6 the build phase of the project; requirements are now more fully understood
7 and developed. While SAP is a widely used commercial technology, the
8 completion of the build phase is critical to refine the legacy application
9 remediation costs -- as the nature, extent and sophistication of the existing
10 infrastructure, and the number of users and interfaces, varies widely among
11 companies. We now know there are 24 legacy applications that have to be
12 remediated for the GL phase, and we now have signed contracts to do this
13 remediation work through project completion. As explained above, the GL
14 project cost estimate for the direct case was prepared during the design
15 phase, which had more cost uncertainty at this stage of the project (+/- 35 to
16 50 percent project and process contingency). None of this uncertainty or
17 contingency was included in the estimate. Now that the build phase is
18 completed, we have a more refined project cost estimate.

19 **Q. WERE THE GL COST ESTIMATES THE COMPANY PROVIDED IN ITS**
20 **DIRECT CASE REASONABLE BASED ON THESE UNCERTAINTIES?**

21 A. Yes. It has not been our practice to included contingencies in our IT
22 projects, as we believe this approach "incentivizes" project teams to
23 complete the projects at the lowest possible cost. Cost increases are

1 managed through our existing governance processes on capital projects as
2 referenced in Mr. Phibbs' Direct Testimony. However, the Company
3 believes there is value in balancing this incentive with the risk of cost
4 increases that are reflected in the AACE standards for large IT projects that
5 span multiple years. Now, according to AACE standards, we have included
6 contingencies in our rebuttal case estimates.

7 **Q. ARE YOU NOW INCLUDING THE RECOMMENDED STANDARD**
8 **CONTINGENCY FOR THE GL REPLACEMENT IN THE MYP COST OF**
9 **SERVICE?**

10 A. Yes. As there is still some risk at this stage, we have included a 12 percent
11 contingency, five percent for project contingency and seven percent for
12 process contingency, which is on the low end of the AACE standard of 10-
13 25 percent.

14 **Q. DO YOU EXPECT FURTHER SIGNIFICANT INCREASES IN THE GL**
15 **CAPITAL REPLACEMENT COSTS?**

16 A. At this stage of the project, we have signed contracts with the third-party
17 vendors providing support for the project through March 2016, which is the
18 end of the three-month post go-live hyper support period. The go-live date
19 for GL replacement is December 31, 2015. If our go-live date is pushed
20 back, there would be a significant increase in the estimate, which we have
21 not factored into the contingency. We did not factor this risk into the
22 contingency because we believe this is highly unlikely.

1 **Q. BASED ON THE AACE STANDARDS WHAT CONTINGENCY RANGES**
2 **WOULD HAVE APPLIED TO THE WAM COST ESTIMATE PROVIDED IN**
3 **THE COMPANY’S DIRECT CASE?**

4 A. The WAM estimate was developed before the blueprint phase. The level of
5 project definition was still in the concept screening or “Class 5” stage, which
6 correlates to a 50 percent project and 5-20 percent process contingency, or
7 a total recommended contingency of 55-70 percent.

8 **Q. PLEASE EXPLAIN WHY THE ESTIMATED CAPITAL COSTS FOR THE**
9 **WAM PROJECT ARE NOW HIGHER THAN WHEN THE COMPANY**
10 **PREPARED ITS DIRECT CASE?**

11 A. We have completed the blueprint phase and now have a higher level of
12 project definition. We have signed vendor contracts for the next two phases
13 of the project, design and build, and we have purchased most of the needed
14 hardware and software. We now know there are 50+ legacy applications
15 that have to be remediated for the WAM phase. We have determined our
16 deployment strategy, which identifies the sequence in which employees will
17 begin using SAP and determines the length of the project. All of these
18 updates, and the inclusion of a contingency appropriate for this phase, are
19 driving the increase in WAM project capital additions costs from \$21.5 to
20 \$37.1 million -- as reflected in Table AS-R-1.

21 **Q. WERE THE WAM COST ESTIMATES THE COMPANY PROVIDED IN ITS**
22 **DIRECT CASE REASONABLE BASED ON THESE UNCERTAINTIES?**

23 A. Yes, for the same reasons explained above for the GL project.

1 **Q. ARE YOU NOW INCLUDING THE STANDARD AACE CONTINGENCY**
2 **FOR WAM IN THE MYP COST OF SERVICE?**

3 A. No, we are choosing to use a smaller contingency estimate. As there is still
4 a high level of inherent risk at this stage, we have only included a 33 percent
5 contingency. This is well below the recommended AACE standard of 45-60
6 percent. The Company is using a lower contingency of 33 percent because
7 we performed a detailed analysis of legacy remediation costs during the
8 blueprint phase, which has been reflected in the current cost estimate.

9 **Q. DO YOU EXPECT FURTHER SIGNIFICANT INCREASES IN THE WAM**
10 **CAPITAL REPLACEMENT COSTS?**

11 A. Yes, that is possible. The project is still in the early stages, where there is a
12 moderate level of uncertainty and risk. The WAM implementation is much
13 broader in scope than the GL, as it impacts many more employees, requires
14 significantly more testing and training, and requires a phased deployment
15 strategy. At this stage of the project, we have signed contracts. We have
16 also updated internal resource requirements through March 2016 for work to
17 be completed on the design and build phases of the project. We will further
18 refine our costs estimates in March 2016 as we prepare to enter the testing
19 and deployment phases, and will update our cost estimate and contingency
20 accordingly.

1 **Q. WHAT CONTINGENCIES ARE THE COMPANY INCLUDING IN**
2 **REBUTTAL TESTIMONY FOR THE GL AND WAM ESTIMATED CAPITAL**
3 **ADDITIONS?**

4 A. There is a contingency of approximately \$10 million included in the \$45.3
5 million rebuttal cost estimate for the GL and WAM projects. This \$10 million
6 conservatively accounts for risk allowances of +/- 12 percent and 33
7 percent, respectively, for inherent uncertainties associated with the current
8 phases of these projects. The Company has included the low end of the 10-
9 25 percent range recommended for the GL project and has not included the
10 full range of project and process contingency recommended for WAM of 45-
11 60 percent as explained above.

12 **Q. ARE THE COST INCREASES ASSOCIATED WITH THE GL AND WAM**
13 **PROJECTS REASONABLE IN THE CONTEXT OF THE AACE PROJECT**
14 **AND PROCESS CONTINGENCY GUIDELINES?**

15 A. Yes. The AACE project and process contingency guidelines -- to account
16 for the inherent risks at the projects' phase of project development at the
17 time the direct case was filed; -- were 30 percent for the GL project risk, 50
18 percent for the WAM project risk, and 5-20 percent for both the GL and
19 WAM process risk. The total risk for WAM and GL was then 51-66 percent.
20 The updated cost estimates for the GL and WAM projects are approximately
21 65 percent higher than what was filed in our direct case, which is within the
22 contingency range guidelines.

1 Q. WHAT IS THE CORRESPONDING CHANGE IN THE REVENUE
2 REQUIREMENT FOR THE PROJECTS FROM WHAT WAS FILED IN
3 DIRECT TESTIMONY?

4 A. As calculated in Ms. Deborah Blair's Rebuttal Testimony, the impact of the
5 updated cost estimates on the 2015, 2016 and 2017 test-year revenue
6 requirements are shown in Table AS-R-4 below:

7 **Table AS-R-4**

**GL & WAM Replacement Project Revenue Requirement
Public Service – Gas Utility
Increase (Decrease) by Year**

(dollars in thousands)

Project	2015	2016	2017
GL	(\$12.7)	\$219.5	\$190.1
WAM	(\$157.4)	\$10.4	\$798.7
Total PSCo Gas Utility	(\$170.1)	\$229.9	\$988.8

8

9 Q. WERE THE TOTAL O&M COST ESTIMATES THAT MR. SKLUZAK
10 INCLUDED IN HIS ANSWER TESTIMONY CORRECT?

11 A. No. The total O&M amounts for the gas department that Mr. Skluzak listed,
12 \$2.7 million, are inaccurate. The correct amount provided in our Direct case
13 in the cost of service was \$2.3 million. Also, his estimate of the amount
14 allocated to the GL project is inaccurate. In 2014, 2015 and Q1 2016,
15 approximately 40 percent of the O&M costs are for the GL project, with the
16 remaining 60 percent charged to the WAM project. Beginning in April 2016,
17 100 percent of the O&M costs will be charged to the WAM project.

1 **Q. HAVE THE O&M COST ESTIMATES BEEN UPDATED SINCE THE**
2 **ORIGINAL FILING DATE?**

3 A. Yes. Since the O&M expenses are in support of the capital additions, the
4 O&M expenses have also increased. The current estimate of \$3.0 million, is
5 derived in Table AS-R-5 below:

6 **Table AS-R-5**

**GL & WAM Replacement Project O&M Expenses
Public Service – Gas Utility**

(dollars in thousands)

Cost Type	2014	2015	2016	2017	Total
Labor	\$52.3	\$90.3	\$75.7	\$78.0	\$296.3
ContractLabor/Consulting	\$398.3	\$762.5	\$867.8	\$576.3	\$2,604.8
Legal/Professional Services	\$8.7	\$2.4	\$0	0	\$11.1
Employee Expenses/Other	\$12.2	\$22.1	\$22.7	\$23.1	\$80.1
Total PSCo Gas Utility	\$471.5	\$877.3	\$966.2	\$677.4	\$2,992.3

7

8 **Q. ARE THESE UPDATED O&M COSTS INCLUDED IN THE REVISED**
9 **REVENUE REQUIREMENT CHANGES EXPLAINED ABOVE?**

10 A. No, we did not include them in the updated costs of service, as the changes
11 were considered immaterial.

1 **Q. DO YOU AGREE WITH THE OCC'S RECOMMENDATION THAT THE**
2 **2014 O&M COSTS FOR THE GL AND WAM REPLACEMENT PROJECTS**
3 **BE ELIMINATED FROM THE 2014 HISTORICAL TEST YEAR (HTY)?**

4 A. No. I do not. Mr. Skluzak recommends that the GL and WAM project costs
5 be excluded from both the MYP and HTY. I recommend that the
6 Commission approve the Company's gas department's GL and WAM costs
7 included in the MYP. However, if the Commission rejects the MYP, the GL
8 and WAM replacement O&M expenses of approximately \$471,500 in the
9 2014 HTY are reasonable and prudent costs that have already been
10 incurred, as I have explained in my previous testimony. I believe the
11 Company should be permitted to recover these O&M costs.

12 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

13 A. Yes.

Attachment A

Statement of Qualifications

Amy Stitt

I received my Bachelor of Business Administration degree in Accounting in 1998 from St. Edward's University in Austin, Texas, and have an Inactive CPA certificate from the State of Minnesota.

My current position with Xcel Energy Services Inc. ("XES") is Senior Finance Director responsible for the accounting and reporting for the Enterprise Resource Planning project.

I have been employed by XES since November 2002, first as Principal Technical Accounting Analyst, then as Manager, Corporate Accounting, then as Director, Financial Process and Controls, then as Director, Financial Performance and Reporting, then as Managing Director, Financial Performance and Planning.

I worked for Land O'Lakes Inc., KPMG, DTM Corporation and High End Systems in various accounting roles before coming to work at XES.

I have previously submitted testimony for Public Service Company of Colorado in its electric rate cases in Docket No. 08S-520E, and Docket No. 09AL-299E and its gas rate cases in Docket No. 10AL-963G and Proceeding No. 12AL-1268G.

CONFIDENTIAL ATTACHMENT NO. AS-2

**HAS BEEN FILED UNDER SEAL WITH THE
COLORADO PUBLIC UTILITIES
COMMISSION**

CONFIDENTIAL ATTACHMENT NO. AS-3

**HAS BEEN FILED UNDER SEAL WITH THE
COLORADO PUBLIC UTILITIES
COMMISSION**

CONFIDENTIAL ATTACHMENT NO. AS-4

**HAS BEEN FILED UNDER SEAL WITH THE
COLORADO PUBLIC UTILITIES
COMMISSION**

Enterprise System Selection Results

Implementation Options	Customer	Human Resources	Finance	Supply Chain	WAM Energy Supply	WAM Energy Delivery
1. SAP only	2	3	3	3	3	3
2. Oracle only	2	2	3	3	1	2
3. SAP & Maximo	2	2	2	3	3	3
4. Oracle & Maximo	2	2	2	3	3	3
5. SAP & Passport	2	2	2	1	1	1
6. Oracle & Passport	2	2	2	1	1	1