

**EXH. BEF-7C  
DOCKETS UE-240004/UG-240005  
2024 PSE GENERAL RATE CASE  
WITNESS: BRIAN E. FELLON**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY,**

**Respondent.**

**Docket UE-240004  
Docket UG-240005**

**SIXTH EXHIBIT (CONFIDENTIAL) TO THE  
PREFILED DIRECT TESTIMONY OF**

**BRIAN E. FELLON**

**ON BEHALF OF PUGET SOUND ENERGY**

**REDACTED VERSION**

**FEBRUARY 15, 2024**



SAP S/4

Corporate Spending Authorization (CSA)

<b>Date Created:</b>	Friday, February 10, 2023
<b>Discretionary/ Non-Discretionary:</b>	Non-Discretionary
<b>Multi Year Rate Plan:</b>	Specific
<b>Equity Impact:</b>	No
<b>Strategic Alignment:</b>	Evolve the Business-Operational Excellence
<b>Estimated In-Service Date:</b>	Friday, December 31, 2027
<b>Current State (Business Need):</b>	<p>Puget Sound Energy's current ERP system will exit mainstream support by end of 2027. To maintain a safe and dependable IT system, PSE needs to migrate from SAP ECC version 6.0 to SAP S4 Suite on HANA. This version is stable, proven, and capable to further PSE's commitment toward its customers, regulators, employees, and business partners. This CSA highlights its capabilities and reasoning behind this multiyear effort. SAP S4 HANA provides a modern, faster ERP system based on a simplified data model, lean architecture, and a new user experience built on the tile-based SAP Fiori UX. While it supports digital innovations both on-premise and cloud, benefits such as scalability, accessibility, maintainability, security, and high availability are a part of the latter.</p> <p>Its out-of-the-box functionality reduces customization and TCO, and Proactive monitoring, automation, and analytical capability would improve reliability and adoption. It addresses known integration issues with critical third-party applications such as PowerPlan &amp; MDUS (via certified adaptors). SAP BTP for S4 HANA further provides opportunities for PSE to lower its ideation to implementation timeline.</p>

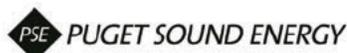


SAP S/4

Corporate Spending Authorization (CSA)

Desired State (Proposed Solution):

<p>Proposed activities by Year</p> <p>Year - 2024</p> <ul style="list-style-type: none"> <li>•S/4HANA Transformation Prep. Analysis</li> <li>•Compatibility Checks</li> <li>•Internal SAP modules and 3rd party software</li> <li>•Add-ons</li> <li>•Custom Code Analysis</li> <li>•Impacted Interfaces – Idoc, Webservices, RFC, ODATA Services etc.</li> <li>•Minimal viable product necessary for Technical migration</li> <li>•Minimum functionality release necessary to support S4 migration</li> <li>•Certified adaptors that can replace current custom enhancements</li> <li>•Touchpoints with projects identified for execution in 2023 and beyond</li> <li>•Data &amp; Environment</li> <li>•Data archiving and ways to reduce data footprint</li> <li>•SAP S/4 HANA Sizing</li> <li>•Identify environment needs and setup a S4 Sandbox system</li> <li>•Impact to Business</li> <li>•Impact to Business by individual areas – Finance, IT, HR, Sourcing &amp; Procurement etc.</li> <li>•Business process impact</li> <li>•Changes to UX and impact to Business and IT</li> <li>•Downtime and Impact to Business</li> <li>•Customer Vendor Integration Analysis and Conversion</li> <li>•Assess current customizations and their needs going forward</li> <li>•OCM</li> <li>•Training needs for impacted areas</li> <li>•Overall</li> <li>•Cost/benefit analysis</li> <li>•RFP &amp; choose an implementation partner/vendor</li> <li>•Release and rollout plan</li> </ul> <p>2025 Technical Migration &amp; 3rd Party Integration</p> <p>-Migrate SAP ECC, CRM and integrate 3rd party systems to SAP S4 Suite on HANA on Cloud</p> <p>2026 Functionality deployment across various business units</p> <p>-SAP Fiori</p> <p>-SAP Security Role Redesign</p> <p>-Business process improvements</p> <p>2027 Functionality Deployment across various function modules</p>
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## SAP S/4

## Corporate Spending Authorization (CSA)

**Outcome/Results  
(What are the  
anticipated benefits):**

Expected outcome by each business area can be referenced below

**Finance & Reporting (FICO)**

- Simplified data model introducing new/flexible Management and Financial reporting capabilities
- Continuous Closing with reduced reconciliations via real-time/continuous execution
- Real-Time Reporting with Instant Insights and Drill-through capabilities across all areas via Transactional and Analytical Fiori UIs
- Native automation capability to reduce redundant tasks and improve productivity
- Fast, Efficient and Flexible way to set up different hierarchies in parallel, reducing manual maintenance of alternate hierarchies
- Easier SOX and Audit compliance via simplified data structure and enhanced audit capability

**Customer Relationship Management (CRM)**

- Simplified and Robust S/4HANA Utilities for Customer Management dedicated to Front office operations with seamless integration to S/4HANA ISU data models.
- SAP Credit Management provides a potential opportunity to go to a centralized credit management approach using FSCM Credit checks – future scope
- Service Contract Management capabilities for Appliance Service Planning
- Solution Quotation Management for selling bundles
- Leverage new and rich capabilities of Collection Worklist and work items
- Bundle service contracts based on bill plan
- Leverage the capability of FICA and Service contract Management via EBD

**Improved Supplier Management & Procurement Analytics (Vendor & Supply Management)**

- . Reduce Procurement Function Costs
- Reduce purchase order errors by creating integrated procurement documents. Streamline order processing by grouping, filtering, and downloading open demands. Improve employee productivity with intuitive requisitioning tools and business-to-consumer-like shopping experiences.
- . Improve Supplier Compliance (Spend Management)
- Reduce maverick buying by proposing only suppliers with valid contracts as a supply source
- . Improve User (Spec & Vendor) Compliance
- Decrease the need for manual intervention on purchase orders through cross-catalog search capabilities that help employees find an appropriate supply source
- . Increase Sourcing Savings by Enhanced Supplier Visibility
- Increase insight into the supplier portfolio with classified attributes and flexible search functionality. Gain deeper insight into supplier performance through evaluation results.
- . Reduce Accounts Payable Error
- Accelerate time to close through real-time integration with the general ledger and automated period-end functionality. Replace paper-based manual processes with automatic sending and receipt of invoice data
- . Reducing the number of free text purchases with a proposal to add an item to the catalog with ML Capabilities
- . Source of Supply assignment automation with ML
- . Reduce the error rate in purchase orders by improving the transmission of orders and communications between buyers and suppliers with the Ariba business network
- . Embedded Analytics for operational reporting
- . Real-time monitoring of upcoming purchasing spending increases transparency

**Improved Maintenance Planning and Scheduling(WM)**

- Simulate maintenance strategies concerning cost, risk, and performance
- Analyze data generated by machines and sensors (OT) alongside business data to predict and prevent downtime
- Improved prioritization of maintenance activities for scheduling
- Improved asset uptime with proactive maintenance planning and scheduling
- Enhanced safety and environmental compliance through integrated permit and work clearance features
- Increased reliability of assets with accurate information collection
- New analytical views using CDS\* technology (Location, Damage, and Order analysis)
- Enable real-time insights into asset performance for timely, make relevant decisions
- Design and optimize maintenance strategies, structured PM reviews, Reliability Centric Maintenance(RCM), Failure Mode Effect Analysis(FMEA)
- Asset Network for collaboration between OEM, service providers, and operators
- Use prediction, simulation, and analysis to evaluate asset behavior, plan budgets, and forecast maintenance cost

**Improved User Experience via FIORI (S/4 HANA UI/UX)**

- SAP FIORI is the UI/UX for S/4 HANA and an integral part of S/4 HANA deployment.
- S/4 HANA Fiori brings a simplified User Experience– a single entry point for all SAP applications with role-based access.
- It provides Easy and Secure Access to ERP on any Mobile device
- More flexibility with decoupled UI and Backend thru Odata-based integration.
- Reduced training cost and lower maintenance cost with re-usability of Odata services.
- Analytics capability housed within a Fiori Dashboard that is accessible on any device, anywhere.

**On-premise to Cloud**

Migrate ERP from existing on-premise to Cloud(type tbd). While there are several advantages of this migration – Innovation, agility and cost savings being the primary drivers. By streamlining operations and increase business insight it has the potential to lower PSE's total cost of ownership.

**Key benefits**

- Quicker implementation times
- Reduction of support costs
- Ability to resort back to standard and provide control
- Aligning to SAP's strategic direction
- Flexibility to integrate and enhance
- Scalable and Extensible
- Increase value and Accelerate Innovation



REDACTED VERSION

**SAP S/4**

Corporate Spending Authorization (CSA)

**Dependencies:** Yes

**Dependencies comment:** None.

**Escalation Included:** Yes, escalation has been included per corporate guidance.

**Total Estimated Costs:** [REDACTED]

**Estimated Five Year Allocation:**

Funds Type	ID	Line Item Description	Previous Years Actuals	Fiscal 2024 Requested	Fiscal 2025 Requested	Fiscal 2026 Requested	Fiscal 2027 Requested	Fiscal 2028 Requested
Capital	F.10002.07.10.01	SAP S/4 Hana	\$ -	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ -
*Amounts do not include escalator								

**Incremental O&M:** No

**Qualitative Benefits:**

Benefits

- Optimized platform for cloud environments as a digital core. Allowing system scalability, accessibility, maintainability, security, and availability.
- Accelerated business intelligence functionality combined with increased speed allows near-real-time data processing for finance, supply chain, and predictive analytics.
- Exponentially faster processing time and simplified transactions and reporting
- Moving to a version with significant Research and Development investments from SAP and partners alike
- Measurable cost reduction by deploying built-in features and functionality, such as
  - IRPA
  - Artificial intelligence
  - Service offerings around cash application, conversational UI, predicted delivery delay, and predictive accounting
  - Simplified connections to 3rd Party applications via certified adaptor for
  - PowerPlan S4 Adaptor to streamline data exchange between SAP and PowerPlan
  - Landis + Gyr now has an MDUS SAP adaptor
  - Reduced cost of ownership by replacing custom objects with standard out-of-the-box functionality
  - Proactive monitoring applications further aides in problem detection before they become critical issues

SHADED INFORMATION IS DESIGNATED AS  
CONFIDENTIAL PER WAC 480-07-160

**Quantitative Benefits:**

Quantitative Benefits	Benefit Type	Previous Years	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027	Fiscal 2028	Remaining Costs	Life Total

**Risk Summary:**

**Risk of Not Doing/Delaying**  
Significant risk exists for not doing or delaying the proposed project migration. These risks include financial, strategic and human capital. Some of key aspects are outlined below

**Inability to Capitalize**  
Enhancement or any custom development work done in 2024 and beyond cannot be capitalized. Per 'CTM – 4 Internal Use Software' asset must have a useful life of > 3 years

**Increase cost of Migration**  
We continue to customize, develop and further integrate our existing SAP landscape, thereby adding complexity and continuing to increase technical debt in our existing systems.

**Resource Constraints**  
Companies will scramble to migrate closer to the end of life of ECC 6.0 support in 2027, leading to a scarcity of seasoned resources and higher migration cost.

**Reduced O&M tied to rework**  
Multiple projects are currently reviewing/planning the introduction of net new systems to PSE technology stack eg. SAP Fieldglass, Coupa, Fiori for Substation forms automation, PM Tool for C&SP, potentially the Streetlight DB etc. Migrating to S/4 earlier can potentially reduce rework of integrating net new systems planned to be introduced.

**Inability to leverage Vendor innovations**  
Vendor and partner products are focused on functionality release for S4 Hana vs. ECC 6.0 – e.g. SAP-PowerPlan approved adaptor only available for S4 or use of Fiori to enable SAP usage on a mobile device.

**Improved insights and decision making**  
S/4 offers embedded analytics which promotes/supports data driven decision making.

**Competitive Disadvantage**  
Not migrating to S/4/HANA would limit our strategic digital transformation and that would mean a competitive disadvantage

**Reduced risk of financial misstatement**  
Reduced risk of a financial misstatement by facilitating tighter integration between ERP and 3rd party systems

**Outdated technology Stack**  
PSE's technology stack becomes outdated and behind the times, making it more complex for the deployment of future business processes



SAP 5/4

Corporate Spending Authorization (CSA)

Change Summary:

Planning Cycle	Change Summary	Last Update Date
2022 Baseline Cycle	This CSA has been migrated into the EPPM tool at go-live as part of the Phase 1 EPPM implementation effort. The projects in this CSA were previously approved for the 2023-2027 capital plan. Please refer to the original CSA document for additional information (if available.)	2/10/2023



SAP 5/4

Corporate Spending Authorization (CSA)

Approval History:

Approved By	Date Approved
Approved by Cost Center Owner Damidi , Chakri	3/23/2023
Approved by Director Sponsor Fellon , Brian	3/29/2023
Approved by Cost Center Owner Damidi , Chakri	3/30/2023
Approved by Director Sponsor Fellon , Brian	4/7/2023
Approved by Cost Center Owner Damidi , Chakri	4/26/2023
Approved by Director Sponsor Fellon , Brian	4/26/2023
Approved by Executive Sponsor Upton , Simon	6/7/2023
CSA Status changed to Approved	6/7/2023
Approved by Cost Center Owner Gill , Satinder	12/4/2023
Approved by Director Sponsor Gill , Satinder	12/4/2023
Approved by Executive Sponsor Gill , Satinder	12/4/2023
CSA Status changed to Approved	12/4/2023
Approved by Cost Center Owner Damidi , Chakri	1/25/2024
Approved by Director Sponsor Fellon , Brian	1/27/2024
Approved by Executive Sponsor Upton , Simon	1/30/2024
CSA Status changed to Approved	1/30/2024