EXH. BEF-4 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.

Docket UE-240004 Docket UG-240005

PUGET SOUND ENERGY,

Respondent.

THIRD EXHIBIT (NONCONFIDENTIAL) TO THE PREFILED DIRECT TESTIMONY OF

BRIAN E. FELLON

ON BEHALF OF PUGET SOUND ENERGY

FEBRUARY 15, 2024



Date Created:	Friday, February 10, 2023
Discretionary/ Non-Discretionary:	Non-Discretionary
Multi Year Rate Plan:	Programmatic
Equity Impact:	Yes
Strategic Alignment:	Operate the Business-Reliability
Estimated In-Service Date:	Sunday, December 31, 2028
Current State (Business Need):	IT Applications' operational work will ensure the ~300 key and critical business applications in production and supported by IT are kept technically current and properly maintained in compliance with our vendor support agreements. Work under the IT Ops - Technology Reliability - Software category is funded annually, with proposals submitted from IT teams. The IT leadership team reviews and makes funding decisions based on business value and risk of each proposal.



Desired State (Proposed Solution):	This CSA funds non-discretionary capital efforts required to upgrade and maintain key and critical IT application platforms such as the Energy Management System, Gas Control System, Outage Management System, SAP system (Finance, Human Resources, Call Center, Billing, and Asset Management), Metering, PSE.com, among many other critical business systems, and to ensure ongoing availability, stability, security, technical currency and vendor support.



Corporate Spending Authorization (CSA)

Outcome/Results (What are the anticipated benefits): By keeping PSE's IT systems at supported versions, this ensures that PSE's IT will continue to receive critical patches from vendors, be able to take advantage of the latest features and keeps IT assets at acceptable license levels as defined by vendor support agreements. This will help improve continuity and enable IT to deliver more reliable service to the business.



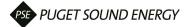
Dependencies:	Yes										
Dependencies comment:	None.										
Escalation Included:	No, escalation has not been	included.									
Total Estimated Costs:	\$64,271,700										
Estimated Five Year Allocation:	Funds Type	ID		ne Item Descriptio		Previous Years Actuals	Fiscal 2024 Requested	Fiscal 2025 Requested	Fiscal 2026 Requested	Fiscal 2027 Requested	Fiscal 2028 Requested
	Capital	PRJ_000523	IT Ops - Technolog	y reliability - Softwa	are	\$ -	\$ 10,447,338	\$ 9,800,000	\$ 8,718,098	\$ 8,700,000	\$ 10,500,000
	*Amounts do not include escalator										
Incremental O&M:	No										
	110										
Qualitative Benefits:	By keeping PSE's IT systems as defined by vendor suppor							tage of the latest f	eatures and keeps	IT assets at accepta	ble license levels
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:	None.										



Corporate Spending Authorization (CSA)

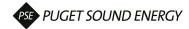
Change Summary:

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



Approval History:

Approved By	Date Approved
Approved by Cost Center Owner: Tamayo , Suzanne	4/7/2023
Approved by Director Sponsor: Tamayo , Suzanne	4/7/2023
Approved by Executive Sponsor: Upton , Simon	4/25/2023
CSA Status changed to Approved	4/25/2023
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: Danielson , Carolyn	1/29/2024
Approved by Director Sponsor: Fellon , Brian	1/30/2024
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Approved by Executive Sponsor: Upton , Simon	1/30/2024
CSA Status changed to Approved	1/30/2024



Date Created:	Friday, February 10, 2023
Discretionary/ Non-Discretionary:	Non-Discretionary
Multi Year Rate Plan:	Programmatic
Equity Impact:	Yes
Strategic Alignment:	Operate the Business-Reliability
Estimated In-Service Date:	Sunday, December 31, 2028
Current State (Business Need):	IT Infrastructure's Telecom teams are responsible for maintaining PSE's vast telecommunications infrastructure comprised of telephones, radio and microwaves, fiber optic cable, towers, and SCADA systems which enable telecommunications.
	IT Infrastructure's operational work will ensure key and critical Telecom applications and systems supported by IT are kept technically current and maintained under vendor support. Work under the IT Ops - Telecom category is funded annually, with proposals submitted by IT Telecom teams. The IT leadership team reviews and makes funding decisions based on business value and risk of each proposal.

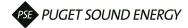


Desired State (Proposed Solution):	This CSA funds non-discretionary efforts required to upgrade and maintain key and critical Telecom platforms and assets, and to ensure ongoing availability, stability, security, technical currency and vendor support. The infrastructure covered under this category consists of the telecommunications hardware and systems upon which critical business systems and capabilities are built. This includes the network equipment and connectivity liferature the provide the telecommunications hardware and systems upon which critical business systems and capabilities are built. This includes the network equipment and connectivity liferature the provide the telecommunications hardware and systems upon the provide the telecommunications hardware and systems upon which critical business systems and capabilities are built. This includes the network equipment and connectivity liferature the provide the telecommunications hardware and systems and capabilities are built. This includes the network equipment and connectivity liferature the provide the telecommunications hardware and systems and capabilities are built. This includes the network equipment and connectivity liferature the provide the telecommunications hardware and systems and capabilities are built. This includes the network equipment and connectivity liferature the provide the telecommunications hardware and systems and capabilities are built.
	infrastructure (fiber, radio, microwave, SCADA) that enable telecommunications throughout our service territory.



Corporate Spending Authorization (CSA)

Outcome/Results (What are the anticipated benefits): By keeping PSE's IT systems at supported versions, this ensures that PSE's IT will continue to receive critical patches from vendors, be able to take advantage of the latest features and keeps IT assets at acceptable license levels as defined by vendor support agreements. This will help improve continuity and enable IT to deliver more reliable service to the business.



Corporate Spending Authorization (CSA)

Dependencies:	No										
Dependencies comment:	None.										
Escalation Included:	No, escalation has not been	included.									
Total Estimated Costs:	\$28,587,000										
Estimated Five Year Allocation:	Funds Type	ID	Li	ine Item Descriptio	'n	Previous Years Actuals	Fiscal 2024 Requested	Fiscal 2025 Requested	Fiscal 2026 Requested	Fiscal 2027 Requested	Fiscal 2028 Requested
	Capital	PRJ_000520	IT Ops - Telecom			\$ -	\$ 4,875,000	\$ 4,675,000	\$ 4,675,000	\$ 4,220,000	\$ 4,220,000
	*Amounts do not include escalator										
Incremental O&M:	Both										
Qualitative Benefits:	By keeping PSE's IT systems	at supported versions, this er	nsures that PSE's IT	will continue to re	ceive critical patche	s from vendors, be	able to take advan	tage of the latest f	eatures and keeps	IT assets at accepta	ole license levels
	as defined by vendor suppor										
Quantitative Benefits:											
••••••	Quantitative Benefits	Benefit Type	Previous Years	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027	Fiscal 2028	Remaining Costs	Life Total
Diele Community	N										
Risk Summary:	None.										



Corporate Spending Authorization (CSA)

Change Summary:

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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



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Approved by Executive Sponsor: Upton , Simon	1/30/2024
CSA Status changed to Approved	1/30/2024



Date Created:	Friday, February 10, 2023
Discretionary/ Non-Discretionary:	Non-Discretionary
Multi Year Rate Plan:	Programmatic
Equity Impact:	Yes
Strategic Alignment:	Operate the Business-Reliability
Estimated In-Service Date:	Sunday, December 31, 2028
Current State (Business Need):	If I hardstructure's operational work will ensure key and critical hardware and systems supported by II are kept technically current and maintained under vendor support. Work under the IT Ops - Technology Reliability - Nardware category is funded annually, with proposals submitted by ITTeams. The IT leadership team neviews and makes funding decisions based on business value and rick of each proposal.



esired State (Proposed Solution):	This CSA funds non-discretionary efforts required to upgrade and maintain key and critical infrastructure platforms and assets, and to ensure ongoing availability, stability, security, technical currency and vendor support. T infrastructure covered under this category consists of the computing hardware upon which critical business systems and capabilities are built. This includes the IT equipment housed in our Data Centers (~2,700 servers, batteries, etc.), end user devices, such as laptops, all corporate network related systems and hardware, and other required hardware upgrades, enhancements and end-of-life replacements.



Corporate Spending Authorization (CSA)

Outcome/Results (What are the anticipated benefits): By keeping PSE's IT systems at supported versions, this ensures that PSE's IT will continue to receive critical patches from vendors, be able to take advantage of the latest features and keeps IT assets at acceptable license levels as defined by vendor support agreements. This will help improve continuity and enable IT to deliver more reliable service to the business.



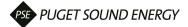
Dependencies:	Yes										
Dependencies comment:	None.										
Escalation Included:	No, escalation has not been	included									
Escalation included.	No, escalation has not been	included.									
Total Estimated Costs:	\$31,047,010										
Estimated Five Year Allocation:	Funds Type	ID	Li	ine Item Descriptio	n	Previous Years	Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027	Fiscal 2028
	Capital	PRJ_000519	IT Ops - Technolog	y reliability - Hardw	are	Actuals \$ -	Requested \$ 5,655,000	Requested \$ 5,655,000	Requested \$ 5,655,000	Requested \$ 5,655,000	Requested \$ 5,755,000
	*Amounts do not include										
	escalator										
Incremental O&M:	No										
Qualitative Benefits:	By keeping PSE's IT systems	at supported versions, this er	nsures that PSE's IT	will continue to re-	ceive critical patche	s from vendors, be	able to take advan	tage of the latest f	eatures and keeps	IT assets at accepta	ble license levels
	as defined by vendor suppor										
Quantitative Benefits:											
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:	None.										
Risk Summary:	none.										



Corporate Spending Authorization (CSA)

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Date Created:	Friday, February 10, 2023
Discretionary/ Non-Discretionary:	Non-Discretionary
Multi Year Rate Plan:	Programmatic
Equity Impact:	No
Strategic Alignment:	Evolve the Business-Operational Excellence
Estimated In-Service Date:	Sunday, December 31, 2028
Current State (Business Need):	IT provides many services that support the enterprise which requires continuous improvements and system enhancements to meet business needs, including supporting the running of IT. An example of work funded under this
	effort is improvements to Service Now to support critical IT Service Management and compliance processes in Service Now.



Desired State (Proposed Solution):	This CSA funds capital efforts that enable running the business of IT. This includes enhancements of Enterprise Architecture tool and ServiceNow, and other IT operational enhancements.



Corporate Spending Authorization (CSA)

This allows IT to optimize its operations and processes which will help improve continuity and enable IT to deliver more reliable service to the business.

Outcome/Results (What are the anticipated benefits):

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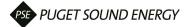
		/									
Dependencies:	No										
Dependencies comment:	None.										
Escalation Included:	No, escalation has not been	included.									
	\$12,988,618										
	\$12,566,016										
Estimated Five Year Allocation:	Funds Type	ID		ne Item Descriptio	'n	Previous Years Actuals	Fiscal 2024 Requested	Fiscal 2025 Requested	Fiscal 2026 Requested	Fiscal 2027 Requested	Fiscal 2028 Requested
	Capital	PRJ_000518	IT Ops - Running th	e business of IT		\$ -	\$ 1,500,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
	*Amounts do not include escalator										
	escalator										
Incremental O&M:	No										
Qualitative Benefits:	This allows IT to optimize its	operations and processes wh	nich will help impro	ve continuity and e	nable IT to deliver i	nore reliable servio	e to the business.				
Quantitative Benefits:											
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:	None.										
·											



Corporate Spending Authorization (CSA)

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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



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CSA Status changed to Approved	1/30/2024



Date Created:	Friday, February 10, 2023
Discretionary/ Non-Discretionary:	Non-Discretionary
Multi Year Rate Plan:	Programmatic
Equity Impact:	No
Strategic Alignment:	Operate the Business-Reliability
Estimated In-Service Date:	Sunday, December 31, 2028
Current State (Business Need):	This portfolio includes the allowable conversion of Opex to Capital as it relates to our Software Licensing, Maintenance and Support agreements with our vendors. IT works with Property Accounting to leverage FERC guidelines for asset capitalization and to ensure the right documentation and term agreement is in place to support any capitalization.



Desired State (Proposed Solution):	This CSA will provide capital funding for the allowable capitalized portion of on-prem software assets via contractual IT support agreements.



By leveraging FERC asset capitalization guidelines, PSE is able to convert a portion of O&M related to our current IT support agreements which is financially beneficial to the company.

Corporate Spending Authorization (CSA)

Outcome/Results (What are the anticipated benefits):



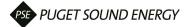
Dependencies:	No										
Dependencies comment:	None.										
	Yes, known and measurable escalation has been included.										
		escalation has been included									
Total Estimated Costs:	\$42,303,216										
Estimated Five Year Allocation:	Funds Type	ID PRJ_000522		ine Item Descriptio I IT Support Agreem		Previous Years Actuals \$ -	Fiscal 2024 Requested \$ 4,148,882	Fiscal 2025 Requested \$ 10,223,669	Fiscal 2026 Requested \$ 7,015,746	Fiscal 2027 Requested \$ 9,913,541	Fiscal 2028 Requested \$ 17,644,060
	*Amounts do not include escalator										
	No By leveraging FERC asset cap										
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:	None.										
KISK Summary.	NORE.										



Corporate Spending Authorization (CSA)

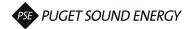
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Multi Year Rate Plan:	Programmatic
Equity Impact:	No
Strategic Alignment:	Operate the Business-Reliability
Estimated In-Service Date:	Sunday, December 31, 2028
Current State (Business Need):	Capitalized Cloud Services includes the capitalized portion of SaaS assets that PSE is able to capitalize due to on-prem language within the contract with the vendor that satisfies the capitalization requirement.



esired State (Proposed Solution):	This CSA provides funding for allowed capitalization of SaaS applications and cloud platforms. This includes enterprise-wide costs absorbed by IT such as costs associated with the ServiceNow platform, Microsoft 365 platfo which provides corporate email to all PSE employees and contractors, and other applications that are used across PSE.



Corporate Spending Authorization (CSA)

By leveraging FERC guidelines for capitalization of assets, PSE is able to convert a portion of O&M related to SaaS licenses and maintenance to capital which is financially beneficial to the company. Outcome/Results (What are the anticipated benefits):



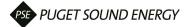
Dependencies:	No										
	None.										
Escalation Included:	Other, please describe.										
Total Estimated Costs:	\$38,402,913										
Estimated Five Year Allocation:	Funds Type	ID	Li	ne Item Descriptio	n	Previous Years Actuals	Fiscal 2024 Requested	Fiscal 2025 Requested	Fiscal 2026 Requested	Fiscal 2027 Requested	Fiscal 2028 Requested
	Capital	PRJ_000521	IT Ops - Capitalized	l Cloud Services		\$ -	\$ 1,873,214	\$ 8,606,898	\$ 8,478,833	\$ 2,060,536	\$ 9,375,562
	*Amounts do not include										
	escalator										
Incremental O&M:	No										
Qualitative Benefits:	By leveraging FERC guideline	s for capitalization of assets,	PSE is able to conv	ert a portion of O&	M related to SaaS li	censes and mainte	nance to capital wh	ich is financially be	neficial to the com	ipany.	
	,							, .			
Quantitative Benefits:											
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:	None.										



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