BEFORE THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN RE: **IN THE MATTER OF THE APPLICATION OF MIDAMERICAN ENERGY COMPANY FOR AUTHORITY TO INCREASE NATURAL GAS RATES**	**DOCKET NO. NG26-**

DIRECT TESTIMONY
OF
STEPHEN J. CIPOLLA

I. WITNESS INFORMATION

Q. Please state your name and business address.

A. My name is Stephen Cipolla. My business address is 311 West Monroe Street, Chicago, IL 60606.

Q. By whom are you employed and in what capacity?

A. I am employed by West Monroe as a Senior Manager in the Utilities Practice.

Q. Please describe what West Monroe does.

A. West Monroe is a business and technology consulting firm headquartered in Chicago. We help organizations improve operations, adopt new technologies, use data and AI more effectively, and execute business transformation initiatives. Our dedicated Utilities Practice supports regulatory filings through cost-benefit analyses and related testimony.

Q. Please describe the responsibilities of your current position.

A. As a Senior Manager for West Monroe's Utilities Practice, I help utilities develop grid modernization plans and estimate their costs and benefits based on their specific operating conditions.

Q. Please describe your educational background and business experience.

A. I graduated from Marquette University with a Bachelor of Business Administration, majoring in Accounting and Finance. I have worked in West Monroe's Utilities Practice since April 2022. Prior to joining West Monroe I worked for AEP Energy, the competitive affiliate of American Electric Power, where I held a variety of roles in operations and technology and most recently was a Director of Program Administration. I also worked at Baker Tilly, where I was a consulting manager focused on technology implementation efforts.

Q. Have you testified previously before the South Dakota Public Utilities Commission?

A. No, but I have submitted testimony to the Virginia State Corporation Commission, the Iowa Utilities Commission and supported testimony in several proceedings for U.S. utilities.

II. PURPOSE OF DIRECT TESTIMONY

Q. What is the purpose of your direct testimony?

A. I am presenting the results of a Cost-Benefit Analysis ("CBA") that evaluated a suite of IT investments.

Q. In addition to your testimony, are you sponsoring any exhibits?

A. Yes. I am sponsoring the CBA Report which is attached as Exhibit SJC 1.1 Schedule A - Confidential, the CBA workpaper file which is attached as Exhibits SJC 1.1 Schedule A WP 1 and SJC 1.1 Schedule A WP 1-Confidential, and the CBA Model which is attached as Exhibit SJC 1.1 Schedule A WP 2-Confidential.

III. COST-BENEFIT ANALYSIS

Q. What was the objective of the CBA?

A. The objective of the CBA was to evaluate the reasonableness and prudence of a suite of information technology ("IT") systems that were implemented across Berkshire Hathaway Energy ("BHE"), including at MidAmerican Energy Company ("MidAmerican" or the "Company").

Q. Please summarize the CBA effort.

A. The CBA was performed by evaluating the costs and benefits that are expected to be realized by MidAmerican's natural gas customers from the Company's IT modernization investments. This evaluation was based on information gathered from the Company through documentation provided and discussions with Company employees.

Q. Please summarize the CBA methodology.

A. The CBA was performed by evaluating the costs and benefits that are expected to be realized by MidAmerican's natural gas customers from the Company's IT modernization investments.

For purposes of the CBA, costs and benefit estimates on a cash-flow basis are presented over the modeled analysis period from 2020 through 2035. Revenue requirement results are presented separately to show the customer-impact view, with capital costs and benefits reflected using the applicable recovery period for each system. The costs evaluated were provided by the company and include actual costs through 2025 and projections through 2035.

Benefits were documented and characterized into ten (10) categories, which are detailed in the Benefits Methodology section of the CBA Report. The categories of benefits represent the diverse impacts from the newly implemented systems including avoided costs, cybersecurity risk reduction, and, over time as implementation matures, operational efficiency improvements relative to the legacy systems, processes, and operating environment that the IT modernization initiative replaced. The CBA incorporates both quantitative and qualitative benefits, each of which represent value to the Company's customers.

Qualitative benefits are not quantified in the CBA but are expected to provide value over time and described narratively. For example, the new Customer Information System ("CIS"), currently in implementation, and Genesys system can improve customer notifications and reporting related to gas service interruptions, emergency events, and restoration activities.

Qualitative benefits also include indirect, system-enabled benefits that are not quantified in the CBA but are expected to provide value over time. For example, Advanced Metering Infrastructure ("AMI") and its associated benefits, including those from usage insights, can be realized through the new CIS.

Where sufficient source data and supportable assumptions are available, benefits are quantified and expressed in dollar terms in the CBA. The three categories of quantitative benefits are IT cost avoidance, cybersecurity enhancements and operational efficiencies. As described in the report, the quantified benefits represent direct impacts from the IT modernization investments and in many cases, are conservative by design because only benefits with sufficient data, traceable attribution, and supportable monetization are included.

Given the IT modernization was an enterprise initiative (see Witness Drew D. Smith's testimony) but the investments are used and benefits derived through actions of affiliates and their business areas, like MidAmerican's, the CBA has different treatment and/or allocation of benefits and costs depending on the nature of each. Benefits and costs specific to the Company are assigned directly, while shared benefits and costs are allocated in alignment with the allocation methodology used by BHE and the Company.

Q. **What conclusions were you able to draw?**

A. The totality of the results in the CBA, as further detailed in the exhibits and after incorporating both the quantitative and qualitative benefits, show that the IT modernization investments are reasonable and prudent in relation to their benefit and cost merits, and are expected to deliver better outcomes and net value to the Company's natural gas ratepayers over the study period. The benefits reflect the expected improvements in avoided IT costs, cybersecurity, customer experience, data quality, integration, operational efficiency, process standardization, regulatory compliance, and future enablement, each of which translates into stronger, safer, and more affordable gas service for the Company's customers.

IV. CONCLUSION

Q. **Does this conclude your direct testimony?**

A. Yes, it does.