

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Application of Southern California
Edison Company (U 338-E) for
Authorization to Recover Costs Related
to NextGen Enterprise Resource
Planning Program.

Application 25-03-009

**REPLY BRIEF OF THE PUBLIC ADVOCATES OFFICE
TO APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY TO
RECOVER COSTS RELATED TO THE
NEXTGEN ENTERPRISE RESOURCE PLANNING PROGRAM**

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SUMMARY OF RECOMMENDATIONS

The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) recommends the following for Southern California Edison Company's (SCE) Application (A.)25-03-009:

- The Commission should approve total Capital Expenditures of \$1,018,050,000 for the NextGen Enterprise Resource Planning (ERP) Program for years 2024 through 2031.
- The Commission should approve total Operations and Maintenance expenses of \$147,566,000 for the NextGen ERP Program for years 2024 through 2031.
- The Commission should reject SCE's proposal for a two-way balancing account. Should the Commission decide that a balancing account is needed, Cal Advocates recommends a one-way balancing account with a hard cap.

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NEXTGEN ENTERPRISE RESOURCE PLANNING PROGRAM**

I. INTRODUCTION

Pursuant to Rule 13.12 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure (Rules) and the Administrative Law Judges' (ALJ) *Email Ruling Granting Extension of the Submission of Opening and Reply Briefs* as established in the *Assigned Commissioner's Scoping Memo and Ruling* (Scoping Memo), the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) hereby submits this Reply Brief in Application (A.) 24-04-001 (*the Application of Southern California Edison Company for Authorization to Recover Costs Related to NextGen Enterprise Resource Planning Program*).¹ In its application, SCE is asking for approximately \$237,733,000 in Operations and Maintenance (O&M) expenses and \$1,083,287,000 in capital expenditures from 2025 through 2031.²

¹ *Email Ruling Granting Extension of the Submission of Opening and Reply Briefs*, January 7, 2026 (Extension Ruling); *Assigned Commissioner's Scoping Memo and Ruling*, June 5, 2025 (Scoping Memo); *Application of Southern California Edison Company (U 338-E) for Authorization to Recover Costs Related to Nextgen Enterprise Resource Planning Program*, March 14, 2025 (Application).

² Ex. SCE-02, Vol. 1C; Ex. SCE-01, Vol. 1E2 at 4E2; Ex. SCE-01, Vol. 2E at 58E.

Southern California Edison Company's (SCE) Opening Brief primarily repeats arguments SCE made in its testimony and rebuttal testimony. Cal Advocates' Reply Brief corrects certain misstatements made in SCE's Opening Brief, responds to SCE's arguments about cost recovery for SCE's NextGen Enterprise Resource Planning (ERP) Program, and addresses SCE's arguments for the Commission to approve an unreasonable two-way balancing account with a 125 percent threshold.³

As established in Cal Advocates' Opening Brief, SCE's request is unreasonable and SCE has not shown that the disputed costs are reasonable.⁴ Based on the evidence of record, the Commission should approve Cal Advocates' recommended cost recovery for SCE's NextGen ERP Program, in the manner set forth in Table 1 below.⁵ The Commission should also deny SCE's request for a two-way balancing account with a 125 percent threshold. Both the controlling law and past Commission precedent establish the unreasonable nature of SCE's request. Cal Advocates' recommendations would minimize cost burdens to ratepayers, many of whom face a severe affordability crisis and have been subject to numerous rate increases over the past several years.

³ *Opening Brief of Southern California Edison Company (U 338-E)*, January 26, 2026 (SCE Opening Brief).

⁴ *Opening Brief of the Public Advocates Office to Application of Southern California Edison Company to Recover Costs Related to the Nextgen Enterprise Resource Planning Program*, January 26, 2026 (Cal Advocates Opening Brief).

⁵ Cal Advocates Opening Brief.

Table 1
2024-2031 NextGen ERP Program Implementation Phase
O&M and Capital Costs
(\$ Thousands)

Description (a)	SCE Proposed (b)	Cal Advocates Recommended (c)	Amount SCEE>Cal Advocates (d=b-c)
O&M Expenses			
NextGen ERP Program, Phase 4 (2025-2031)	\$237,733	\$147,566	\$90,167
Capital Expenditures			
NextGen ERP Program, Phase 4 (2024-2029)	\$1,083,287	\$1,018,050	\$65,237
Total	\$1,321,020	\$1,165,616	\$155,404

II. DISCUSSION

As described in its Opening Brief, Cal Advocates recommends the Commission approve \$1,165,616,000 for SCE’s NextGen ERP project, \$155,521,000 less than SCE’s \$1,321,137,000 request.⁶ Cal Advocates’ recommendations are reasonable in light of the record and raise a reasonable doubt as to SCE’s positions regarding cost recovery. These recommendations are based on a thorough review of SCE’s forecasted costs to determine whether they are just and reasonable and will reduce the project’s impact on ratepayers, many of whom having endured numerous rate increases over the last several years, now face an affordability crisis.

A. The Commission Should Reject SCE’s Request for a Two-Way Balancing Account with a 125 Percent Reasonableness Threshold

SCE’s request for a two-way balancing account with a 125 percent reasonableness threshold is unreasonable, legally unsound and would undermine prudent cost management to the detriment of ratepayers who are already facing an affordability crisis.

⁶ Cal Advocates Opening Brief at 3.

1. SCE’s Request for a Balancing Account Is Contrary to Law

SCE further argues that its “requests for a two-way balancing account and a ‘reasonableness threshold’ are well-justified and consistent with CPUC precedent.”⁷ However, SCE fails to cite to any precedent to justify its claim and, instead, simply cites to its own testimony.⁸ In contrast, as Cal Advocates explains in its Opening Brief, CPUC precedent states the opposite.⁹ For example, in Decision (D.)23-11-069, the Commission found insufficient evidence of “uncertainty” to continue PG&E’s Wildfire Mitigation Balancing Account (WMBA) as a two-way balancing with a reasonable threshold.¹⁰ The Commission found that as time passed and facts changed, PG&E’s projected declining costs for wildfire mitigation were not consistent with the purpose of a balancing account as costs had become more certain.¹¹ In the present case, costs associated with a project where SCE maintains full control is far less uncertain than wildfire and climate change risks. Therefore, SCE is incorrect in its claim that CPUC precedent supports a two-way balancing account with a reasonableness threshold.

2. The NextGen ERP Does Not Warrant a Balancing Account

SCE argues that the “uncertainty” and “complexity” associated with the NextGen ERP Program is justification enough to allow SCE the privilege of a two-way balancing account.¹² Specifically, while SCE states that “The NextGen ERP Program meets the Commission’s inherent uncertainty requirement for two-way balancing accounts,”¹³ it fails to actually show that costs associated with the balancing account are too variable or

⁷ SCE Opening Brief at 2.

⁸ SCE Opening Brief at 2; Ex. SCE-02, Vol. 1, p. 1.

⁹ Cal Advocates Opening Brief at 33-34.

¹⁰ D.23-11-069 at 482-486.

¹¹ D.23-11-069 at 482-486; *See*, Cal Advocates Opening Brief at 33-34.

¹² SCE Opening Brief at 2.

¹³ SCE Opening Brief at 3.

uncertain.¹⁴ Indeed, SCE contradicts its own assertion that a two-way balancing account is necessary in order to manage uncertainties, where it freely admits that that NextGen ERP Program costs are costs that are “typical with large capital IT projects.”¹⁵ Further, SCE admits that “A contingency factor of 20 percent to 30 percent is standard in the IT industry for large complex projects such as the NextGen ERP Program.” Again, this contradicts SCE’s claims that project costs are uncertain.¹⁶ In reality, SCE is in full control of the process to implement the NextGen ERP Program; SCE defined the scope of the project, selected the vendors, and determined the timing for different phases of the project.¹⁷ Therefore, as SCE fails to meet its burden to show that costs associated with the NextGen ERP Program are too variable or uncertain, the Commission should deny SCE’s request for a two-way balancing account with a reasonableness threshold.

3. SCE Should Not Be Absolved from Risk and Ratepayers Should Not Be Held Responsible if SCE Is Unable to Manage Costs

SCE argues that absent a two-way balancing account with a 125 percent reasonableness threshold, SCE’s shareholders will be exposed to “all the downside risk while customers are protected from the increases and receive all upside benefits”¹⁸ and that even a one-way balancing account would place “incongruent risk to shareholders.”¹⁹ SCE misapplies the fundamental principle of utility ratemaking, as established by Supreme Court precedent, that the Commission only need provide fair and reasonable

¹⁴ D.24-12-077, Findings of Fact (FoF) 6 at 34 (“In theory, balancing accounts were created to reduce the risks to ratepayers as well as investors in cases where significant expenses were either too variable or uncertain to forecast accurately in a general rate case.”) (Emphasis added); D.24-03-042 at 117 (“Balancing accounts were created to reduce the risks to ratepayers as well as investors where some costs are too *uncertain* to forecast accurately in a GRC.”) (Emphasis added); *See also*, D.23-11-069 at 485, where the Commission ruled against continuing a two-way balancing account because “The Commission finds insufficient evidence of ‘uncertainty’ to continue the WMBA in its current format, as authorized.”

¹⁵ SCE Opening Brief at 2; Ex. SCE-01, Vol. 3 at 17.

¹⁶ SCE Opening Brief at 2.

¹⁷ Ex. SCE-01, Vol 2 at 1; Ex. CA-02 at 3.

¹⁸ SCE Opening Brief at 11.

¹⁹ SCE Opening Brief at 12.

rates to allow a utility the *opportunity* to recover reasonable costs that are prudently incurred.²⁰ Indeed, the Commission has acknowledged that “in applying these parameters, we must not lose sight of our duty to utility ratepayers to protect them from unreasonable risks including risks of imprudent management.”²¹ Generally, the Commission offers the utility an incentive to improve its productivity and any savings the utility can generate belong to shareholders. In exchange for this opportunity, shareholders take on the burden of added expenses a utility may incur.²² A utility does not have the right to eliminate or minimize investment risks through a two-way balancing account, which would eliminate any incentive to manage risk and control costs. Further, a two-way balancing account would perversely protect shareholders at the expense of ratepayers, many of whom are facing an affordability crisis which is due in part to the numerous rate increases SCE has implemented over the last several years.

The Commission must deny SCE’s unreasonable request. SCE has not shown that the Commission that it is reasonable to grant SCE a two-way balancing account with a high 125 percent threshold so as to insulate SCE from the cost discipline that is the

²⁰ *The Federal Power Commission v. Hope Natural Gas Company*, 320 U.S. 591 (1944) (Hope) at 603; *Bluefield Water Works & Improvement Company v. Public Service Commission of the State of Virginia*, 262 U.S. 679 (1923) (Bluefield) at 692-693; D.12-11-051 at 10 (“Under cost-of-service ratemaking principles, the utility is generally entitled to its reasonable costs and expenses, as well as the opportunity, but no guarantee, to earn a rate of return on the utility’s rate base.”);

²¹ D.19-12-056 at 16.

²² D.19-05-020 at 151; *See*, D.96-12-066; *See also*, D.85-03-042 (“...Ratemaking, whether in a general rate proceeding or by an attrition mechanism, is essentially the art of estimating future events based on judgement that is as fully informed as possible. We know in prospective test year ratemaking that our adopted estimates of revenues and expenses may be at variance with actual hindsight experience. But we do not view this as a problem, because we are extending to utility management an opportunity and incentive to find ways to conduct operations for less than projected. When it can do this it flows the benefit to the utility’s bottom line, which means profit. In the short term, between general rate proceedings, the shareholders benefit when the company’s management can ‘do it for less,’ and correspondingly, ratepayers ultimately benefit because the productivity improvement will be reflected periodically when there is a comprehensive review of the utility’s revenue requirement. Keeping this incentive for utility management is a cornerstone of ratemaking, which leads us to look askance at proposals for immediate ‘give backs’ of all cost savings to ratepayers. If ratemaking ever becomes so conceptually upside down that utility management loses the economic incentive to exercise its business acumen, California will be in a sad posture and will suffer under utility management which is lethargic with a ‘cost plus mentality.’”

hallmark of forecast-based ratemaking. If the Commission decides that SCE deserves a balancing account then Cal Advocates recommends a one-way balancing account with a hard cap so that ratepayers are not held responsible for SCE’s inability to manage scope, vendor, or project costs.²³

B. Capital Expenditure Forecasts

1. System Integrator (SI)

SCE’s Opening Brief fails to reasonably show that SCE’s request for \$301.776 million for SI activities is just and reasonable.²⁴ SCE claims the Commission should ignore Cal Advocates’ recommendation because Cal Advocates focuses exclusively on RFP scores and pricing while “SCE’s selection of the SI—a critical role for the NextGen ERP Program—was based on a deeper analysis.”²⁵ SCE also claims that other compelling factors justify its higher cost.²⁶ However, SCE does not reasonably dispute Cal Advocates’ claims that SCE did not provide verifiable documentation that demonstrates that the vendor providing the lesser bid was not qualified and could not accomplish the tasks SCE mentioned above. Instead, SCE cites to several other factors that SCE claims as the reason for choosing the highest bid.²⁷ SCE also fails to provide documentation that the vendor with the lesser bid lacked the knowledge, skill and expertise needed to successfully complete the project.²⁸

Therefore, SCE’s request should be denied as SCE fails to provide documentation to meet its burden of production or burden of proof to justify capital expenditures at the requested level.

²³ See, Cal Advocates Opening Brief at 35.

²⁴ Public Utilities (Pub. Utils) Code Section 451 (“Every unjust or unreasonable charge demanded or received for such product or commodity or service is unlawful.”).

²⁵ SCE Opening Brief at 23-25.

²⁶ SCE Opening Brief at 25.

²⁷ SCE Opening Brief at 25.

²⁸ See, Cal Advocates Opening Brief at 8-9.

2. Technology Infrastructure and Software

Cal Advocates does not oppose SCE's forecasts for Partner Managed Cloud (PMC) and Software. However, due to SCE's failure to show the reasonableness of cost recovery for iPad Devices and Services, Cal Advocates recommends a reduction of \$1.907 million from SCE's request of \$16.313 million for Hardware costs. SCE disagrees with Cal Advocates' downward adjustment and claims the Commission should grant SCE the full amount requested for Hardware costs because iPads are a critical component of its broader digital modernization strategy.²⁹ While Cal Advocates does not object to other line items related to Hardware costs, SCE failed to provide support for SCE's requested recovery for iPad Devices & Services over an alternative outcome, as explained in Cal Advocates' testimony and Opening Briefs.³⁰ Therefore, Cal Advocates adjusted for a different iPad model, price, quantity, customization and users. SCE's request to reject Cal Advocates' adjustment to Hardware costs should be denied as SCE failed to provide, by a preponderance of the evidence, support for SCE's requested recovery.

3. Operations and Finance Integration

SCE requests the Commission reject Cal Advocates' downward adjustment to SCE's Operations Integration (OI) and Finance Integration (FI) costs.³¹ SCE claims that Cal Advocates' Labor and Contractor Resources forecast adjustments are based on inapplicable 2024 data and rely on mid-year 2025 data that does not correctly represent SCE's Labor and Contractor resource needs.³² As Cal Advocates states in its Opening Brief, the Commission generally prefers actual, recorded, data to forecasts.³³ Regarding

²⁹ SCE Opening Brief at 27-28.

³⁰ Cal Advocates Opening Brief at 9-10, EX. CA-02 at 7-8.

³¹ SCE Opening Brief at 30-35.

³² SCE Opening Brief at 33.

³³ D.04-06-019 at 5 (“[T]he the Commission has expressed a preference for recorded data over forecast data in order to avoid controversy and forecasting errors.”); *See*, D.89-10-031; *See also*, D.85-12-076; This is consistent with Generally Accepted Accounting Principles (GAAP), Core Principle 4: Principle of

the evaluation, determination, and authorization of costs, in reasonableness reviews the Commission requires that a utility's costs not only be prudent, but also verifiable before the utility can recover the costs.³⁴ Cal Advocates' recommendations are based on actual and verifiable labor and contract resources rather than the speculative amounts that SCE provides.³⁵ Cal Advocates' specific adjustments are based on quantifiable variables such as Full Time Equivalent (FTE) to measure the total number of full-time employees at SCE, the standard rate for job positions, and position vacancy rates.³⁶ Therefore, the Commission should adopt Cal Advocates' recommendations as SCE failed to meet its burden to show that its request was prudent and reasonable.

4. Technology Integration

SCE fails to show that its request for \$201.211 million is just and reasonable. SCE claims that a reduction in TI labor and contract resources would introduce significant risks to the NextGen ERP Program's technical execution, timeline, and overall success.³⁷ SCE also claims that "Cal Advocates' recommendation to reduce TI labor and contract resources by \$13.118 million is based on a snapshot of July 2025 staffing levels and therefore fails to account for the phased nature of hiring and deployment."³⁸ In general, the Commission prefers actual, recorded, data to forecasts.³⁹ Regarding the evaluation, determination, and authorization of costs, in reasonableness reviews the

prudence that states all reporting of financial data is to be factual, reasonable and not speculative.

³⁴ D.12-01-032 at 141 ("...to recover reasonable costs prudently incurred to comply with the changes to the Commission's rules adopted today. To be clear, we do not find today that all costs incurred to comply with the revised rules will be automatically assumed to be reasonable but that, after the Commission verifies the reasonableness of costs, recovery will be permitted.).

³⁵ Cal Advocates Opening Brief at 10-13.

³⁶ Cal Advocates Opening Brief at 12.

³⁷ SCE Opening Brief at 35-37.

³⁸ SCE Opening Brief at 37.

³⁹ D.04-06-019 at 5 ("[T]he Commission has expressed a preference for recorded data over forecast data in order to avoid controversy and forecasting errors."); *See*, D.89-10-031; *See also*, D.85-12-076; This is consistent with Generally Accepted Accounting Principles (GAAP), Core Principle 4: Principle of prudence that states all reporting of financial data is to be factual, reasonable and not speculative.

Commission requires that a utility's costs not only be prudent, but also verifiable before the utility can recover the costs.⁴⁰ Here, Cal Advocates compares SCE's hiring and deployment against SCE's actual July 2025 staffing levels that is part of SCE's recorded data. Further, SCE does not provide evidence to show that July 2025 is an anomalous month. Because Cal Advocates' recommendations are based on actual and verifiable labor and contract resources rather than speculative amounts that SCE advocates, the Commission should adopt Cal Advocates' recommendations.

5. Organizational Readiness

SCE fails to show why the Commission should not adopt Cal Advocates' recommendation of \$92.146 million for Organizational Readiness (OR).⁴¹ Though it provides no supporting evidence, SCE claims that Cal Advocates' proposal to reduce OR staffing by \$7.510 million introduces significant risk to user adoption.⁴² Further, SCE claims that Cal Advocates fails to account for the scale, complexity, and timing of the NextGen ERP Program implementation.⁴³ As with Cal Advocates' review of SCE's OR, TI, OI, and FI costs discussed above, Cal Advocates compares SCE's hiring and deployment against SCE's actual July 2025 staffing levels and any failure by SCE to accurately report this amount represents SCE's failing to meet planning. In line with Commission preference, Cal Advocates utilized actual results compared to forecasts.⁴⁴ Therefore, the Commission should adopt Cal Advocates' recommendations as SCE has failed to meet its burden of proof.

⁴⁰ D.12-01-032 at 141 (“...to recover reasonable costs prudently incurred to comply with the changes to the Commission’s rules adopted today. To be clear, we do not find today that all costs incurred to comply with the revised rules will be automatically assumed to be reasonable but that, after the Commission verifies the reasonableness of costs, recovery will be permitted.”).

⁴¹ SCE Opening Brief at 38-40.

⁴² SCE Opening Brief at 38.

⁴³ SCE Opening Brief at 39.

⁴⁴ D.04-06-019 at 5 (“[T]he the Commission has expressed a preference for recorded data over forecast data in order to avoid controversy and forecasting errors.”); *See*, D.89-10-031; *See also*, D.85-12-076; This is consistent with Generally Accepted Accounting Principles (GAAP), Core Principle 4: Principle of prudence that states all reporting of financial data is to be factual, reasonable and not speculative.

6. SCE Program Management Office

SCE fails to show why Cal Advocates' recommendation of \$47.185 million for SCE's Program Management Office (PMO) capital expenditure request should not be adopted. Instead, SCE makes unsupported claims that adopting Cal Advocates' downward adjustment to Program Management Office (PMO) would compromise oversight, coordination, and governance across the NextGen ERP Program.⁴⁵ In contrast, Cal Advocates explains in specific detail how Cal Advocates' adjustments align with Commission principles and is fair and reasonable to ratepayers.⁴⁶ Cal Advocates made an adjustment for 2025 labor costs that were forecasted but not filled as of July 2025. Specifically, Cal Advocates disallowed six months of salary and an additional three months, for a total of nine months disallowance, to account for the timing of the hiring process. For years 2026 through 2029, Cal Advocates applies a 20 percent reduction to the forecasted FTE based on the 2024 FTE count of 121 and the July 2025 FTE count of 124, which is 58 percent lower than the forecasted 2025 FTE count of 191.⁴⁷

Therefore, the Commission should dismiss SCE's arguments as insufficient to show that SCE has met its burden of proof and adopt Cal Advocates' recommendation of \$47.185 million for SCE's PMO capital expenditure request.

7. Other

SCE also fails to show that it is reasonable for the Commission to provide full ratepayer funded cost recovery to SCE for travel and expense costs and retention bonuses. This is especially true given the affordability crisis which SCE contributed to via its numerous rate increases over the past several years.⁴⁸

SCE claims that it requires \$20.739 million for travel and expense costs because "On-site presence allows for real-time collaboration, immediate issue resolution, and

⁴⁵ SCE Opening Brief at 40-41.

⁴⁶ Cal Advocates Opening Brief at 19-20.

⁴⁷ Cal Advocates Opening Brief at 19; Ex. CA-02 at 22.

⁴⁸ SCE Opening Brief at 43-45.

effective communication among all stakeholders.”⁴⁹ However, SCE’s travel and expense forecast cannot be verified.⁵⁰ For example, SCE fails to provide support for the requested 5 percent SI travel and expense allocation.⁵¹ Further, SCE fails to address its claim that 5 percent travel and expense allocation based on total labor budget for the NextGen ERP Program is reasonable.⁵²

SCE also claims that the Commission should authorize \$3 million for retention bonuses to avoid employees leaving the company.⁵³ However, SCE fails to show why ratepayers, who are already paying for SCE labor and benefits costs which are higher than the standard rate for a Senior Manager in 2024, should also pay for corporate retention bonuses.⁵⁴ SCE also dismisses Cal Advocates’ research by claiming that Cal Advocates simply looked at Google searches to come up with a recommendation. SCE fails to acknowledge that Cal Advocates also analyzed SCE testimony and responses to numerous data requests.⁵⁵

The Commission should reject SCE’s request for full recovery of travel and expense costs and retention bonuses because SCE failed to show that its requests are just and reasonable.⁵⁶

⁴⁹ SCE Opening Brief at 43.

⁵⁰ *See*, Cal Advocates Opening Brief at 20-21.

⁵¹ Ex. CA-02 at 24.

⁵² Ex. CA-02 at 24.

⁵³ SCE Opening Brief at 43.

⁵⁴ Cal Advocates Opening Brief at 21; Ex. CA-02 at 25.

⁵⁵ SCE Opening Brief at 45; Cal Advocates Opening Brief at 21; Ex. CA-02 at 25

⁵⁶ Pub. Utils. Code Sections 451, 454; D.92496; D.83-05-036; D.87-12-067; D.18-10-019 at 19; D.11-05-018 at 68.

C. Operations and Maintenance Forecasts

1. Technology and Infrastructure Software

SCE argues that it has justified costs that Cal Advocates disputes related to SAP Public Cloud, SAP Partner Apps, and Data Plans.⁵⁷ SCE is incorrect.

In regards to SAP Public Cloud costs, SCE states that adopting Cal Advocates' recommendations would undermine the integrity and continuity of the NextGen ERP Program, but provides no support for this contention.⁵⁸ Further, SCE states that contrary to Cal Advocates' claims, SCE's usage metrics are substantiated and shield SCE from market volatility and renegotiation risks.⁵⁹ Finally, SCE attempts to explain the discrepancy identified by Cal Advocates in how SCE categorizes the cost line item "Asset Planning" by pointing to a subsequent data request response where SCE explained that it "inadvertently categorized Asset Planning in SAP Public Cloud."⁶⁰ SCE's arguments, fail to address the crux of the problem. As Cal Advocates states in its Opening Brief, given the uncertainty of the proposed activity and the lack of verifiable documentation, Commission approval of SCE's request for the SAP Public Cloud-will eliminate any incentive for SCE to meet its Usage Metric Limits each year.⁶¹

In regards to SAP Partner Apps costs, SCE urges the Commission to ignore Cal Advocates' analysis on claims that Cal Advocates' assertion that the benefits to ratepayers are not "immediate and tangible" is misguided.⁶² However, SCE fails to address Cal Advocates' analysis, which shows SCE's request is inadequately justified.⁶³ In regards to Cal Advocates' argument that partner applications with significant costs and minimal immediate benefits should not be funded by ratepayers, SCE admits "that new

⁵⁷ SCE Opening Brief at 48-59.

⁵⁸ SCE Opening Brief at 49.

⁵⁹ SCE Opening Brief at 50.

⁶⁰ SCE Opening Brief at 50.

⁶¹ See, Cal Advocates Opening Brief at 21-22.

⁶² SCE Opening Brief at 53-57.

⁶³ See, Cal Advocates Opening Brief at 22-23.

applications may require some initial learning and integration.”⁶⁴ Nevertheless, SCE justifies the high cost of these applications based on amorphous claims of realized benefits in a distant future.⁶⁵ In addition, SCE proposes to acquire top-tier Artificial Intelligence (AI) software at the most expensive pricing plan to monitor and maintain balancing accounts, which Cal Advocates finds unnecessary as Cal Advocates opposes SCE’s request to use balancing accounts for the NextGen ERP Program. In addition, SCE makes further requests that are not required for SCE to maintain financially sound practices and manage risk once the NextGen ERP System is installed.⁶⁶

In regard to costs for Data Plans, SCE states that its \$2.539 million forecast for Data Plans is both accurate and necessary in order to support the deployment of mobile devices under the NextGen ERP Program Work Management initiative.⁶⁷ Specifically, SCE claims that current tools used by employees are inadequate as SCE employees are working with ruggedized laptops that lack the needed cellular data capabilities. Further, SCE claims that it requires an additional \$34,000 for iPhones used in testing, and that Data Plans are essential to the success of SCE’s operational modernization.⁶⁸ Rather than provide reasonable information to substantiate its request as required by law, SCE makes broad assertions going to why the Commission should not adopt Cal Advocates’ downward adjustments for data plans. At no point does SCE provide verifiable or traceable documentation demonstrating the need for an iPad for field workers to perform their job duties. Nor did SCE provide supporting documentation to demonstrate why a data plan is necessary for the specific tasks performed by a SCE transmission and distribution worker. Indeed, SCE did not provide documentation to show the insufficiency of field workers’ current tools in performing work assignments, the

⁶⁴ SCE Opening Brief at 54.

⁶⁵ Cal Advocates Opening Brief at 23; Ex. CA-03 at 14-15.

⁶⁶ See, Cal Advocates Opening Brief at 22-23.

⁶⁷ SCE Opening Brief at 59-60.

⁶⁸ SCE Opening Brief at 59.

recorded maintenance costs associated with its current processes (which are already embedded in rates), state why these embedded costs could not be incorporated or reallocated to support proposed activities for the NextGen ERP Program, or provide information to show that the quantity of iPad data plans necessary for deployment from 2025 through 2029 is reasonable or accurate.⁶⁹

Therefore, the Commission should adopt Cal Advocates' recommendations as SCE has not met its burden of proof to show that SCE's Technology and Infrastructure costs are just and reasonable.

2. Capability Sustainment Model (CSM)

The Commission should provide \$45.104 million for O&M expenses for the Capability Sustainment Model (CSM) as SCE's arguments fail to show that its request is just and reasonable.⁷⁰

In regard to SCE's arguments for CSM labor costs, SCE claims that Cal Advocates' use of SCE's 2008 ERP Implementation is not a "reasonable measure of labor forecasts for CSM." SCE claims that the complexity, integration requirements, and enterprise operational needs have grown dramatically in the intervening 17 years and so have the associated staffing requirements.⁷¹ However, SCE contradicts these claims where it acknowledges that the 2008 ERP Implementation's CCI was a comparable support structure to NextGen ERP Program's CSM.⁷² Further, as Cal Advocates states in its Opening Brief, Enterprise systems also are more automated than in 2008 and require fewer workers. Finally, SCE does not provide verifiable documentation on the need for such a large number of high-level internal positions, nor does SCE demonstrate why the O&M CSM program could not be operated and maintained at a lower cost.⁷³

⁶⁹ See, Cal Advocates Opening Brief at 23-24.

⁷⁰ SCE Opening Brief at 61-67.

⁷¹ SCE Opening Brief at 63.

⁷² SCE Opening Brief at 63; Cal Advocates Opening Brief at 25.

⁷³ Cal Advocates Opening Brief at 24-25.

In regard to SCE's arguments for CSM Professional Services, SCE states it picked its vendor quote because it "was based on more accurate and detailed information consistent with SCE's final program deployment schedule."⁷⁴ However, as Cal Advocates states in its Opening Brief, SCE fails to provide support that would justify a cost that is three times higher than the lowest solicited offer. Specifically, SCE's supporting documentation does not include citations of studies for which dollar amounts, models, or cost-benefit calculations were conducted or utilized in SCE's determination of its phased deployment schedule. SCE provides no evidence that, relative to the CSM, SCE's program schedule could not have been modified to save ratepayers money. This is an important consideration now, when many of SCE's ratepayers are facing an affordability crisis that is partly due to SCE's numerous prior rate increases.⁷⁵

Therefore, as SCE fails to meet its burden of proof and burden of production, Cal Advocates recommends \$45.104 million for CSM expenses, which is \$45.567 million lower than SCE's request of \$90.671 million.⁷⁶

3. Manual Activities in Support of Data Conversion and Migration

The Commission should reject SCE's arguments against Cal Advocates' adjustments to Manual Activities in Support of Data Conversion and Migration. SCE's Opening Brief claims that the Commission should reject Cal Advocates' recommendation for a \$0.536 million downward adjustment to SCE's request for Profiling and Validation costs.⁷⁷ SCE claims that the data profiling SCE performed on the 174 attributes in Solution Analysis Phase 2 was only an initial profiling effort to provide a sample to help guide the full, comprehensive profiling that will occur during Implementation.⁷⁸

⁷⁴ SCE Opening Brief at 65.

⁷⁵ Cal Advocates Opening Comments at 25-26.

⁷⁶ Cal Advocates Opening Comments at 26; Ex. SCE-01, Vol. 2E at 63E.

⁷⁷ SCE Opening Brief at 68-69.

⁷⁸ SCE Opening Brief at 69.

However, SCE does not cite to any record evidence that substantiates this claim. Nor was such a claim established in D.25-09-030, SCE's 2025 GRC decision. Therefore, the Commission should reject SCE's claims and adopt Cal Advocates' recommendation as SCE failed to meet its burden of proof to show that SCE's request is reasonable.

4. Decommissioning

SCE's arguments against Cal Advocates' \$2.024 million recommendation for O&M expenses for Decommissioning are without merit.⁷⁹

SCE claims that its forecast for MSP Supported Decommissioning was developed in collaboration with Infosys to create a spreadsheet that is more accurate than any formal study.⁸⁰ This argument defies logic. A formal study is based on greater analysis and in-depth testing than the simple spreadsheet developed by SCE's provider. SCE further claims that multiple developers, test analysts, and "Overall" resources are necessary and critical to effectively and efficiently decommission multiple interconnected applications across various environments.⁸¹ However, SCE fails to provide any support for its contention that "Overall" resources are necessary and critical and cannot be conducted at lower cost.⁸² As stated in Cal Advocates' Opening Brief, SCE fails to provide documentation that would verify whether the number of hours SCE requests for decommissioning and read-only changes for supported applications by a particular vendor results in costs that are just and reasonable. SCE also fails to provide descriptions of workers' roles, worker's tasks, or how workers will contribute in any meaningful way towards the decommissioning effort other than their titles.⁸³

In contrast to Cal Advocates' recommendation to reduce SCE's \$1 million request for SCE Supported Apps, SCE claims that it provides details on how its forecast was

⁷⁹ SCE Opening Brief at 70-76.

⁸⁰ SCE Opening Brief at 72.

⁸¹ SCE Opening Brief at 73.

⁸² Cal Advocates Opening Brief at 27-29.

⁸³ Cal Advocates Opening Brief at 28.

calculated.⁸⁴ Further, SCE claims that “involving third-party resources would be inefficient and could introduce unnecessary complexities given their lack of institutional knowledge.”⁸⁵ As Cal Advocates states in its Opening Brief, SCE lacks support for its request.⁸⁶ In justifying costs for decommissioning SCE Supported Applications, SCE simply states the costs estimates were “based on SCE subject matter expertise and business knowledge of application functionalities.”⁸⁷ Only in response to a second data request from Cal Advocates did SCE admit that it estimated the cost for decommissioning. Even then, SCE did not elaborate on how SCE determined that the cost of SCE’s estimate was an appropriate forecasting methodology. Further, SCE claims to use MSP Applications to inform the decommissioning of SCE Supported Applications but admits that MSP Applications are inherently different. SCE also admits it did not consider third-party vendors who may have provided a lower cost and SCE does not provide a report, model, or calculation to verify the reasonableness of SCE’s decommissioning costs.⁸⁸

Therefore, the Commission should reject SCE’s arguments and adopt Cal Advocates’ recommendation.

5. Other

SCE fails to show that it is reasonable for the Commission to provide full ratepayer funded cost recovery for O&M expenses for Other Expenses related to Travel and Expense and Corporate Allocations.⁸⁹

⁸⁴ SCE Opening Brief at 75.

⁸⁵ SCE Opening Brief at 74.

⁸⁶ Cal Advocates Opening Brief at 28-29.

⁸⁷ Cal Advocates Opening Brief at 28; Ex. CA-03 at 29.

⁸⁸ Cal Advocates Opening Brief at 28-29.

⁸⁹ SCE Opening Brief at 76-79.

Though SCE fails to provide verifiable evidence to show that it compared its forecast with SCE's recorded costs of similar projects,⁹⁰ and only belatedly clarifies that it did not use industry Travel and Expense allocation benchmarks for the 3% travel forecast estimate,⁹¹ SCE contends that the 3% Travel and Expense allocation for SCE labor is consistent with historical practice.⁹²

Further, SCE claims that Cal Advocates' position on Travel and Expense allocations is internally inconsistent. SCE claims that, on one hand, Cal Advocates argues that "SCE's claim that 3% of total travel and expense allocations should be attributed to SCE labor (for O&M expenses) is baseless."⁹³ SCE then claims, on the other hand, Cal Advocates recommends that the System Integrator's travel and expense allocation should be set at a 3% rate.⁹⁴ Cal Advocates' recommendations are not inconsistent. Rather, they are in line with Cal Advocates' recommended treatment for SAP Public Cloud, CSM Professional Services, MSP Decommissioning costs, and SCE Decommissioning costs.⁹⁵

In regard to Corporate Allocations, SCE argues that contrary to Cal Advocates' claims, SCE has met its burden of proof. SCE claims it used recorded data to develop its Allocation cost forecast by using 0.8% of total O&M costs. SCE contends this is a reasonable basis to develop a forecast and is consistent with Commission accepted cost forecast methodologies.⁹⁶ SCE also claims its 2024 recorded costs confirm that SCE's allocation percentage is reasonable.⁹⁷ Irrespective of these claims, the record shows that

⁹⁰ Cal Advocates Opening Brief at 30; Ex. CA-03 at 33.

⁹¹ Cal Advocates Opening Brief at 29; Ex. CA-03 at 32; Ex. SCE-01, Vol. 2E at 71E-72E; SCE-01, Vol. 02CE Workpapers at 91E; Ex. SCE-01, Vol. 2E at 57E.

⁹² SCE Opening Brief at 77.

⁹³ SCE Opening Brief at 78.

⁹⁴ SCE Opening Brief at 78.

⁹⁵ Cal Advocates Opening Brief at 30.

⁹⁶ SCE Opening Brief at 80.

⁹⁷ SCE Opening Brief at 80.

SCE failed to provide testimony, workpapers, or responses to data request that verify that SCE's Corporate Allocations cost is based on similar IT capital projects.⁹⁸ Further, SCE failed to break-down costs beyond IT Internal Market Mechanism and Supply Management Internal Market Mechanism in response to a requested a breakdown of costs related to IT asset costs, common IT overhead-related costs, and additional corporate services.⁹⁹ Absent the requested break down ... [say what this information would show]

Therefore, as SCE failed to show that it met its burden of proof to justify the reasonableness of its request, the Commission should adopt Cal Advocates' recommendation of \$4.297 million for O&M expenses for Other Expenses related to Travel and Expense, Corporate Allocations and SCE Labor.

D. Embedded Costs and GRC Authorized Cost Issues

1. Embedded Costs for SI, CSM, and Data Plans

Contrary to SCE's claim, Cal Advocates' proposal that that SCE should be required to "reallocate embedded costs in rates from completed, eliminated, or obsolete IT projects" has merit.¹⁰⁰ SCE claims that in SCE's 2025 GRC proceeding, SCE specifically informed the Commission that the NextGen ERP Program Implementation costs were excluded from its 2025 GRC forecast.¹⁰¹ Further, SCE claims that the NextGen ERP Program is a distinct standalone program that requires incremental funding from what was authorized in SCE's 2025 GRC.¹⁰² However, SCE does not provide the recorded maintenance costs associated with its current processes (which are already embedded in rates), or state why these embedded costs could not be incorporated/reallocated to support its proposed activities.¹⁰³ For CSM costs, SCE does

⁹⁸ Cal Advocates Opening Brief at 30.

⁹⁹ Cal Advocates Opening Brief at 30.

¹⁰⁰ SCE Opening Brief at 142-143.

¹⁰¹ SCE Opening Brief at 142.

¹⁰² SCE Opening Brief at 142.

¹⁰³ Cal Advocates Opening Brief at 23-24; Ex. CA-03 at 15-16.

not provide supporting documentation for review that demonstrated why it is unable to reallocate embedded costs in rates from completed, eliminated, or obsolete IT projects to fund its proposed activities associated with these proposed high-level positions.¹⁰⁴

2. 2025 GRC NextGen ERP 2021 and 2022 Recorded Costs

SCE incorrectly argues that Cal Advocates lacks the foundation to claim that SCE has embedded costs in rates for its NextGen ERP program for activities that were completed and recorded during 2021-2024.¹⁰⁵ SCE claims that recorded capital costs cannot be reused or repurposed to fund future costs as Cal Advocates asserts.¹⁰⁶ Further, SCE claims the revenue requirement that SCE collects from customers for the recorded capital costs is specific to the recovery of the revenue needed to fund depreciation, taxes, and return on investment and cannot be used to fund future capital work.¹⁰⁷

As Cal Advocates states in its testimony, SCE has embedded costs in rates for its NextGen ERP program for activities that were completed and recorded during 2021-2024.¹⁰⁸ Specifically, SCE requests \$7.68 million for the Solution Planning Phase, \$17.2 million for Solution Analysis Phase 1, and \$45.23 million for Solution Analysis Phase 2.¹⁰⁹ The costs recorded in 2021 and 2022 are project-level costs for SCE's Solution Planning Phase (\$7.68 million) and a small part of Solution Analysis Phase 1 (\$0.91 million) that were initially granted in the 2021 GRC but do not have authorized expenditures associated with them.¹¹⁰ Therefore, those costs are included in the 2025

¹⁰⁴ Cal Advocates Opening Brief at 24-26; Ex. CA-03 at 19.

¹⁰⁵ SCE Opening Brief at 143-144.

¹⁰⁶ SCE Opening Brief at 143.

¹⁰⁷ SCE Opening Brief at 143.

¹⁰⁸ Ex. CA-03 at 36.

¹⁰⁹ Ex. CA-03 at 37; A.23-05-010, SCE-06, Vol 2, Enterprise Technology – OU Capitalized Software, Chapter V.D.1, NextGen ERP at 80-84.

¹¹⁰ Ex. CA-03 at 37; A.23-05-010, SCE-06, Vol 2, Enterprise Technology – OU Capitalized Software, Chapter V.D.1, NextGen ERP at 88 (“SCE’s hybrid forecast approach provided, and approved as reasonable, in the 2021 GRC a 2021-2023 portfolio-based forecast. Since we did not include project-level forecasts for this period, this project did not have specific authorized expenditures from our prior rate case. This project spent \$8.59 million in 2021 & 2022.”).

GRC and recorded as \$8.59 million for 2021 and 2022 combined. SCE does not provide documentation demonstrating how it incorporates and/or reallocates the costs from the completed phases into its proposed forecasts and activities for the fourth and fifth phases of its NextGen ERP program.

Contrary to SCE's assertion, Cal Advocates' provides ample support for its claim that \$212.754 million in SCE's 2025 GRC represents additional funds that should be used to fund the NextGen ERP program Implementation.¹¹¹ In D.25-09-030, the Commission permitted SCE to recover \$212.754 million in ratepayer funding for the NextGen ERP Program over the 4 years of the GRC cycle. The \$212.754 million in GRC approved ratepayer funding from 2026 through 2028 can and should be used to fund the NextGen ERP Program Implementation phase. The \$212.754 million represents additional funds that were approved in SCE's 2025 GRC that could be used to fund the first three phases of the ERP program.¹¹²

3. Late Filed 2024 Recorded Data

Cal Advocates disagrees with SCE's assertion that Cal Advocates had ample time to review SCE's late filed 2024 Recorded Data. SCE contends that its submitting final 2024 recorded amounts in rebuttal testimony did not harm Cal Advocates from reviewing, evaluating, and comparing recorded and forecasted costs prior to Cal Advocates issuing testimony.¹¹³ SCE claims that it responded to data request PubAdv-SCE-009-STO (seeking a detailed breakdown of the recorded and forecast costs for each phase of the NextGen ERP Program) on August 13, 2025, about a month prior to when Cal Advocates' testimony was due. SCE thereby claims that Cal Advocates had ample time to review SCE's final 2024 recorded Implementation costs associated with the NextGen ERP program.¹¹⁴

¹¹¹ SCE Opening Brief at 144-145.

¹¹² See, Cal Advocates Opening Brief at 36.

¹¹³ SCE Opening Brief at 146-147.

¹¹⁴ SCE Opening Brief at 146-147.

Cal Advocates disagrees. SCE's argument that it responded to a data request on August 13, 2025 and, therefore, gave Cal Advocates enough time to review recorded costs before the September 15, 2025 filing of Cal Advocates' testimony is incorrect. As SCE was well aware, Cal Advocates was in the middle of the review process at this time. SCE filed its application on March 14, 2025, and it filed an errata on August 20, 2025. SCE had ample time to provide its 2024 recorded costs for its NextGen ERP activities. There are many substantive errors in SCEs' errata filing when compared to SCE's earlier March 14, 2025 filing. Under the circumstances, SCEs providing the requested information a month before Cal Advocates' testimony was due goes beyond gamesmanship; it deprives Cal Advocates of a reasonable opportunity to review the data (in violation of due process), and compromises the Commission's legal obligation to reach a well-reasoned and reasonable decision on the merits.

Therefore, SCE's late filing of final 2024 recorded amounts should be considered when noting how GRC funds should be used and accounted for in this application.

4. The Commission Should Deny ERRR Review Process

If the Commission approves SCE's request for a balancing account with a threshold, the Commission should deny SCE's proposal that costs spent up to the threshold over the 2024 to 2031 period be reviewed in the annual Energy Resource Recovery Account (ERRR) proceeding.¹¹⁵ As stated in Cal Advocates' Opening Brief, tracking NextGen ERP Program costs in the annual ERRR proceeding is inapposite as these costs are unrelated to the ERRR. Any such reasonableness review should be conducted separately from the NextGen ERP Program, in a standalone proceeding.¹¹⁶

III. CONCLUSION

For the reasons stated above and in Cal Advocates' opening brief, the Commission should deny SCE's requests for full cost recovery for the NextGen ERP Program and

¹¹⁵ Ex. SCE-01, Vol. 3 at 19.

¹¹⁶ Cal Advocates Opening Brief at 35.

approve Cal Advocates' adjustments. Cal Advocates' recommendations are based on a thorough review of SCE's forecasted costs to determine whether they are just and reasonable, are reasonable in light of the record and raise a reasonable doubt as to SCE's positions regarding cost recovery. In addition, Cal Advocates' recommendations will reduce the project's impact on ratepayers, many of whom have endured numerous SCE rate increases and are currently facing an affordability crisis.

Respectfully submitted,

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