

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



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Application of Southern California Edison  
Company (U338-E) for Authorization to  
Recover Costs Related to NextGen Enterprise  
Resource Planning Program.

**SMALL BUSINESS UTILITY ADVOCATES' REPLY BRIEF**

Ariel Strauss  
Regulatory Counsel  
**Small Business Utility Advocates**  
548 Market St., Suite 11200  
San Francisco, CA 94104  
Telephone: (415) 857-3736  
Email: ariel@utilityadvocates.org



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**SMALL BUSINESS UTILITY ADVOCATES' REPLY BRIEF**

**I. INTRODUCTION**

In accordance with Rule 13.12 of the California Public Utilities Commission's (Commission) *Rules of Practice and Procedure* and the *Email Ruling Granting Extension of The Submission of Opening and Reply Briefs* of January 7, 2026, Small Business Utility Advocates (SBUA) submits this reply brief regarding the *Application of Southern California Edison Company (U 338-E) for Authorization to Recover Costs Related to Nextgen Enterprise Resource Planning Program* (Application).

**II. REPLY ARGUMENT**

**A. SBUA's Reply to Cal Advocates and TURN**

SBUA agrees with Cal Advocates and The Utility Reform Network (TURN) that Southern California Edison's (SCE) Application is unreasonable and must be denied as proposed. The Commission should direct SCE to present supplemental testimony in this proceeding specifically delineating which activities and costs, and any claimed benefits, are in the obsolescence scope of work (OS), or deny the Application altogether.

As is common, the three non-utility parties took distinct approaches to reviewing SCE's Application. Cal Advocates scrutinized whether SCE's individual requested costs were supported by sufficient underlying documentation and compared forecasted costs with current actual and historic costs. While correct, Cal Advocates' approach does not interrogate the reasonableness of SCE's overall strategic choices to use S/4HANA to address its needs or include non-obsolescence costs in this Application.

Cal Advocates recommend denying \$155,521,000 of SCE's request.<sup>1</sup> Cal Advocates has not validated SCE's estimated benefits that justify transformation scope (TS) activity. It also has not presented any analysis that undermines SBUA's analysis showing that Application comes with extreme risk. While SBUA disagrees with Cal Advocates' recommendation of approving the TS work, SBUA concurs that SCE has also failed to demonstrate that individual elements are prudent. SBUA recommends that the Commission deny the TS costs and reduce OS activities in accordance with Cal Advocates' brief.

For different reasons, SBUA and TURN both argue for denial of the discretionary scope of work. TURN identified numerous methodological and scoping defects in SCE's conclusion that SAP's S4/HANA wholesale on-cloud transformation is the appropriate way to address the ending of SAP support for the existing platform and in SCE's benefits forecasts. SBUA agrees with these criticisms.

SBUA agrees with TURN that “[r]ather than locking ratepayers into an eight-year monolithic transformation, a phased obsolescence-focused approach could address immediate concerns through targeted interventions while preserving flexibility to adopt superior technologies as they mature.”<sup>2</sup> SCE could have considered a more “minimal ‘obsolescence mitigation only’ approach.”<sup>3</sup> SCE admits that its wholesale approach results in software platforms taken out of service before the end of their useful life. Yet, it intends to keep \$1.071 billion dollars in undepreciated plant in the rate base.<sup>4</sup>

SCE argues that because some platforms must soon be replaced due to obsolescence so it makes sense to address that now.<sup>5</sup> As TURN explained, it has not established an adequate basis for wholesale early retirement connected to the TS work, which undermines SCE's request to retain the asset cost in the rate base.<sup>6</sup> SCE's breakdown of asset life between OS and TS is not explicit in the testimony.<sup>7</sup> Even if the Commission approves some of the TS work, it should not

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<sup>1</sup> Cal Advocates Opening Br. at 2-3.

<sup>2</sup> TURN Opening Br. at 8.

<sup>3</sup> Id. at 9.

<sup>4</sup> SCE-01, Vol.3 at 26.

<sup>5</sup> See, e.g., SCE Opening Br. at 121 (responding to SBUA-01 at 3).

<sup>6</sup> Id. at 121, fn.636.

<sup>7</sup> SCE-01WPS03 at 104 (Other Software Licenses (\$43m) and Allocated Edge Remediation (\$60m) are early-retired assets that predominantly support TS work). SCE also notes that Public Cloud licenses “costs largely support SAP Core ERP applications with the exception of Concur” but does not quantify those that do not “largely support” SAP Core ERP or the cost of Concur.

allow undepreciated plant in the rate base. SCE must similarly not be permitted to receive any rate of return on any assets taken out service early in accordance with the 2025 GRC decision.<sup>8</sup>

**B. Reasonableness of Costs & Benefits: SCE Mischaracterizes the Record Supporting SBUA's Positions**

Much of SCE's attack on SBUA's positions is predicated on SCE's mischaracterization of the record. SCE claims: "Aside from a single verbal data request made during SCE's first workshop, SBUA has submitted no data requests whatsoever."<sup>9</sup> This is untrue. SBUA's data request (SBUA-02) was admitted into the record by means of the joint motion filed by SCE on December 5, 2025.<sup>10</sup> SCE's brief fails to acknowledge or cite to SBUA-02, which highlighted SCE's failure to recognize and control the risks of cost overruns, delays and underperformance.

Cal Advocates correctly points out that the Commission has, unfortunately, over relied "on intervening parties to identify proposals or funding requests that should be the subject of scrutiny by the Commission."<sup>11</sup> The utility's burden to affirmatively establish the reasonableness of all aspects of its application means that "other parties do not have the burden of proving the unreasonableness of [the utility's] showing."<sup>12</sup> SBUA's brief is amply supported by the record of its own discovery, the discovery of other parties and obvious deficiencies in SCE's own Application materials. The Commission must reject SCE's attempt to shift the burden on to SBUA.

**C. Reasonableness of Costs & Benefits: SCE Fails to Acknowledge and Address High Risk of Cost Overruns**

SCE's brief offers no objections to SBUA's positions that were not already addressed in SBUA's brief. For instance, SCE arguments against SBUA's criticism of SCE's benefits modeling<sup>13</sup> and SCE's attack on SBUA's objections to SCE's risk mitigation and cost overrun estimates<sup>14</sup> simply repeat SCE's rebuttal testimony and both are each respectively addressed directly in SBUA's opening brief.<sup>15</sup> SCE's one-paragraph claim that "SBUA's citation to third-

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<sup>8</sup> See D.25-09-030 at 566.

<sup>9</sup> SCE Opening Br. at 18-19; *see also* p. 117 ("SCE notes that SBUA did not propose any data requests other than a verbal data request asked at one of the two workshops held in this proceeding."); p. 126-27 ("SBUA did not ask a data requests" regarding risk management); p. 131 (accord).

<sup>10</sup> See <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M589/K802/589802841.PDF>.

<sup>11</sup> Cal Advocates Opening Br. at 6.

<sup>12</sup> D.12-11-051 at 8.

<sup>13</sup> SCE Opening Br. at 124-25.

<sup>14</sup> SCE Opening Br. at 126-32.

<sup>15</sup> SBUA Opening Br. at 9-10, 4-7.

party experts aligned with SCE’s approach rather than impugned it”<sup>16</sup> was also previously presented in SCE’s rebuttal<sup>17</sup> and directly addressed in SBUA’s brief.<sup>18</sup>

SCE points out that “SBUA was the only party that expressed concerns with SCE’s risk management approach[.]”<sup>19</sup> SBUA’s primary focus in discovery and briefing is that large software transformation projects have an inherently extreme risk of cost overruns, delays and lower benefits than anticipated. The interoperability of elements of a massive overhauls also introduces risk of interference with SCE’s operations and activities. The lack of SCE identifying comparable projects internally or by other utilities, and its failure to demonstrate adopting best practices from other utilities, as well as its choice to be an early adopter for SAP’s S4/HANA, provides no basis to expect that SCE will outperform the considerable average IT project class overruns that are typical, and in fact suggests that SCE very high risk of a 513% cost overrun as is normal for those projects that do face overruns.<sup>20</sup> Overruns of this level will wipe out all benefits. Delays will also reduce the net present value of any benefits. These dynamics mean that SCE must meet a high standard for showing the reasonableness of undertaking discretionary activity, particularly if premised on the theory that it will generate net benefits. There is a strong presumption that SCE should not undertake any discretionary projects, particularly in light of its recent rate increases.

SCE claims that “Large, established companies such as Walmart and Volkswagen have already transitioned to SAP S/4HANA, demonstrating that it is a proven platform for large-scale, mission-critical operations.”<sup>21</sup> Obviously, the fact that a large retailer and car manufacturer did transition to S/4HANA says virtually nothing about whether that process was actually cost effective for those businesses, the system is a good fit for SCE or SCE’s implementation of the transition is sound. Moreover, SCE presents no information about whether those companies actually completed the transformation within their proposed budget, on the forecasted timetable or achieved their hoped-for outcomes. Such companies have strong incentives to preserve their

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<sup>16</sup> SCE Opening Br. at 132 (capitalized words in quote from topic heading have been revised to sentence-case for clarity).

<sup>17</sup> SCE-02, Vol. 1 at 116.

<sup>18</sup> SBUA Opening Br. at 5-7.

<sup>19</sup> SCE Opening Br. at 126 (capitalized words in quote from topic heading have been revised to sentence-case for clarity).

<sup>20</sup> SBUA Opening Br. at 3.

<sup>21</sup> Id. at 7-8; *cf.* SCE Opening Br. at 98 *and* SCE-02, Vol. 02 at 26, ln. 18-22 (accord).

reputations and SCE's generic statements have no probative value concerning the issues at play here.

**D. Reasonableness of Costs & Benefits: SCE Overstates the Probability of Significant TS Benefits**

As explained in detail in SBUA's opening brief, SCE plainly fails to justify the hope that TS can be accomplished within the \$482 million budget or that this level of costs will actually generate \$1.5 billion in benefits. SCE asserts it applied "probabilistic modeling" to benefits estimates that themselves have no correlated, historical statistical connection to the actual activities that SCE intends to undertake but rather are simply an aggregation of subject matter experts' opinions of the likelihood of the occurrence of various risks in its risk register and further opinions about the extent to which outcomes may deviate from those expectations.<sup>22</sup> SCE admits it does not possess data on any comparable projects.<sup>23</sup> SCE likewise has not entered into the record PubAdv-SCE-004-JOH Q19 that it claims describes in more detail the modeling.<sup>24</sup> Even if such so-called statistical modeling is accepted as valid, which SBUA contends it is not, SCE's claim of a "probability of not achieving a positive Benefit-Cost Ratio (BCR > 1.0) is de minimis"<sup>25</sup> offers no estimation of the probability of achieving a BCR far in excess of 1.0, such as the 1.66x BCR claimed.<sup>26</sup> Given the enormous risk of cost overruns, SCE's confidence that net benefits will allow the project to break even is not justification for TS approval.

**E. Reasonableness of Costs & Benefits: SCE's Approach to Net Benefits Does Not Address Customer Harm Caused by Near-Term Rate Increases**

SBUA disputes SCE's contention that net benefits to customers can be evaluated simply by applying SCE's cost of capital (10% APR) to arrive at a benefit net present value.<sup>27</sup> Rather, the harm of higher utility rates is not linear—currently rising rates even further pushes more customers into greater rate burden, exacerbating unaffordability. Because customers lack ready access to credit, particularly on the loan terms available to SCE, they cannot realistically borrow money now to pay unaffordable electricity rates and then repay those loans with rate rebates later. In actuality, customers would be more likely to borrow on unsecured or credit cards or "self-finance" by "borrowing" from other areas of spending, which also comes at a high opportunity cost. For

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<sup>22</sup> WPSCE01Vol3 at 113.

<sup>23</sup> SBUA Opening Br. at 4 (discussing SBUA-02 at 9).

<sup>24</sup> SBUA-02 at 14.

<sup>25</sup> See SBUA-02 at 14.

<sup>26</sup> SCE Opening Br. at 116.

<sup>27</sup> SCE Opening Br. at 125; SBUA Opening Br. at 9.

instance, if a small business customer purchases less inventory or reduces hiring, this will diminish future profits. The Commission should demand a very high burden to justify additional rate increases in the present in exchange for speculative returns far into the future.

**F. Ratemaking Proposal: A Capped Two-Way Balancing Account is Acceptable for OS But Not TS Costs**

In its opening brief, SBUA proposed that SCE be allowed to record OS costs in a two-way balancing account with any costs in excess of the approved amount allowed to be recovered by a separate application.<sup>28</sup> Cal Advocates proposes one-way balancing account for Application cost recovery. SBUA does not agree with Cal Advocates that the OS work is the type that is insufficiently “variable or uncertain to warrant a two-way balancing account[;]”<sup>29</sup> rather it is intrinsically highly variable. SBUA does concur with Cal Advocates that allowing SCE a 125% soft cost cap is inappropriate here.<sup>30</sup>

While SBUA recommends that the Commission deny the TS costs, SBUA finds compelling Cal Advocates arguments regarding balancing accounts<sup>31</sup> as applied to TS work because the activity is predicated on it having a positive benefits-to-cost ratio, which will not occur in the event of significant cost overruns. SBUA proposes that a one-way balancing account with no pre-approved overspending should be required for TS costs if the Commission approves such costs.

**G. Ratemaking Proposal: SCE Recovery of Any Excess Costs Must be By Separate Application**

As noted in SBUA’s opening brief,<sup>32</sup> SBUA agrees with Cal Advocates and TURN that SCE should not be permitted to recover any excess costs by Advice Letter or in the Energy Resource Recovery Account (ERRA) proceeding but rather should be reviewed by separate application.<sup>33</sup>

**H. Ratemaking Proposal: SCE’s Recovery of Excess Costs Should be Tied to Achievement of Benefits and a Rate of Return for Any Approved TS Costs Should be Tied to Achieving Net Benefits**

SBUA also suggested that “SCE shareholders should be required to forego a significant portion of their capital rate of return if the program does not have a positive BCR.”<sup>34</sup> If the

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<sup>28</sup> SBUA Opening Br. at 10-11.

<sup>29</sup> Cal Advocates Opening Br. at 33-34.

<sup>30</sup> Id.

<sup>31</sup> See, Id. at 35.

<sup>32</sup> SBUA Opening Br. at 11.

<sup>33</sup> TURN Opening Br. at 17; Cal Advocates Opening Br. at 35.

<sup>34</sup> Id. at 12.

Commission approves any TS costs, the rate of return on capital should also be denied if minimally net positive benefits do not materialize. SBUA agrees with TURN that recovery of any excess costs should be tied to review of SCE's achievement of the level of benefits forecasted.<sup>35</sup>

### III. CONCLUSION

SBUA recommends that SCE's Application to obtain cost recovery of the TS of work be denied in their entirety while OS costs be reduced in accordance with Cal Advocates' brief and also interrogated based on TURN's showing that SCE has failed to demonstrate that wholesale migration is a necessary response to SAP's planned termination of software support. SBUA does not agree that SCE's approach to calculating net benefits is reasonable in light of the affordability impacts of near-term rate increases. In contrast with Cal Advocate's recommendation, SBUA agrees with SCE that recordation of OS costs may be in a two-way balancing account but without any pre-approved soft cap so that all excess costs are recoverable only by separate application. When reviewing any cost overrun application, the Commission must consider whether SCE delivered the benefits forecasted, as recommended by TURN. If the Commission does approve SCE's TS portion of the Application, aggressive cost containment incentives are necessary by means of one-way capped accounting, as also supported by Cal Advocates, and SCE's rate of return should be contingent on a positive level of net benefits.

Respectfully submitted,



Ariel Strauss, Regulatory Counsel  
**Small Business Utility Advocates**  
548 Market St., Suite 11200  
San Francisco, CA 94104  
(310) 709-1213  
ariel@utilityadvocates.org

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<sup>35</sup> TURN Opening Br. at 16.