BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Application of Pacific Gas and Electric Company for Approval of Its Billing Modernization Initiative (U39M).	Application 24-10-014

OPENING BRIEF OF THE PUBLIC ADVOCATES OFFICE

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SUMMARY OF RECOMMENDATIONS

Cal Advocates makes the following recommendations:

1. $1.902 million for O&M expenses for BCS project activities, which is $1.498 million lower than PG&E's request of $3.400 million.
2. $39.165 million for capital expenditures for BCS project activities, which is $85.435 million lower than PG&E's request of $124.600 million.
3. No contingency costs for BCS.
4. $0 for O&M expenses for CC&B 25.4, which is $8.534 million lower than PG&E's request.
5. $0 for capital expenditures for CC&B 25.4, which is $118.992 million lower than PG&E's request.
6. No contingency costs for CC&B 25.4
7. $243.532 million for Capital Expenditures for C2M, which is $182.068 million lower than PG&E's request of $425.660 million
8. $37.138 million for Operations & Maintenance expenses for C2M, which is $42.974 million lower than PG&E's request of $80.112 million.
9. Funding for only two (Customer Care and Billing and Meter Data Management) of the five modules. For the remaining three modules, removal of $16.8 million for Service Order Management, $10.1 million for Market Transaction Management and $3.4 million for Operational Device Management
10. No contingency costs for C2M.

I. INTRODUCTION

The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) hereby submits its opening brief in this proceeding pursuant to Rule 13.12 of the Commission's Rules of Practice and Procedure (Rules) and the Administrative Law Judge's (ALJ) March 10, 2026 *Ruling Setting Revised Proceeding Schedule*.[1]

Pacific Gas and Electric Company (PG&E) seeks approval to recover recorded and forecasted costs of $756 million incurred during 2023–2030 for its Billing Modernization Initiative (BMI).[2] PG&E requests a total revenue requirement of $315 million for the BMI for the 2023–2030 period, excluding Revenue Fees and Uncollectibles (RF&U).[3] PG&E asserts that the BMI will upgrade and replace its current billing systems.[4] According to PG&E, the initiative would transition customers to a single, unified customer care, service order, metering, and billing system known as Customer to Meter (C2M).[5]

PG&E initially sought approval for a billing system upgrade in its 2023 General Rate Case (GRC),[6] with forecasted costs of $174 million in 2021-2024.[7] In Decision (D.) 23-11-069, the Commission denied PG&E's request for the billing system upgrades, finding that PG&E failed to provide the basic information necessary to justify its forecast.[8] The decision also found that PG&E had not established that the forecasted

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[1] Administrative Law Judge's *Ruling Setting Revised Proceeding Schedule* (March 10, 2026) ("March 2026 Ruling") at 2 (setting opening briefs for July 16, 2026).

[2] Ex. PGE-04 (PG&E Supplemental Testimony, March 17, 2026) at 2.

[3] Ex. PGE-04 at 2.

[4] Ex. PGE-01 (PG&E's Testimony, August 15,2025) at 1.

[5] Ex. PGE-01 at 4.

[6] Application (A.) 21-06-021, Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2023. (U39M) at 7.

[7] PG&E's 2023 GRC Testimony, Ex. PG&E-6, Vol. 2, and PG&E's 2023 GRC Decision,

D.23-11-069 at 546.

[8] Decision (D.) 23-11-069, *Decision on Test Year 2023 General Rate Case for Pacific Gas and Electric Company* at 547-548.

costs of the upgrade were reasonable because it did not identify clear benefits.[9] Accordingly, D.23-11-069 directed PG&E to file a separate application.[10]

PG&E asserts that its current application provides the additional information necessary to support its forecast and "seeks cost recovery for the entirety of the BMI."[11] Although the Commission directed PG&E to file a separate application supporting its billing system upgrade, PG&E now seeks approval of a substantially different proposal. Compared to the 2023 GRC request of $174 million, PG&E's current request has increased to approximately $756 million – more than four times the amount previously requested. Furthermore, PG&E proposes to have its recorded and forecasts costs for its BMI reviewed and evaluated for reasonableness and cost recovery "in a single filing and not spread it out over an off-cycle filing and upcoming GRC."[12] PG&E has not demonstrated why the substantial additional work it now includes in its current application was not identified and included in its 2023 GRC proposal or why the resulting increase in project costs is reasonable.

PG&E states that it "identified significantly more complexities than initially anticipated in the legacy billing systems"[13] compared to what PG&E proposed in its 2023 GRC, which has increased the costs for the billing upgrade project in this Application. Based on the identified "complexities," PG&E's proposed billing system upgrades would be implemented in a three-stage upgrade process.[14] The first stage, completed in December 2025, transitioned PG&E's electric complex billing customers to the Billing Cloud Services (BCS) solution and replaced the electric Advanced Billing System (ABS).[15] The second stage would upgrade PG&E's Oracle Utilities Customer Care and

[9] D.23-11-069 at 547-549.

[10] D.23-11-069 at 547-549.

[11] Ex. PGE-01 at 5.

[12] Ex. PGE-01 at 1-4.

[13] Ex. PGE-01 at 5.

[14] Ex. PGE-01 at 5, 7 and 8.

[15] Ex. PGE-04 at 3.

Billing (CC&B) system from version 2.4 to version 25.4.[16] The third stage would complete the modernization effort by replacing the remaining billing components with Oracle's Customer to Meter (C2M) platform and consolidating electric BCS and gas ABS customers into a single billing system.[17] Unlike the billing system upgrade proposed in PG&E's 2023 GRC, the current application contemplates a new intermediate upgrade of PG&E's Customer Care and Billing (CC&B) system from version 2.4 to version 25.4. PG&E did not include this interim CC&B upgrade in its 2023 GRC request.

The Commission should adjust downward PG&E's requested budget because it does not adequately support or justify the reasonableness of the proposed costs. Instead, the Commission should authorize recovery of $39.0 million in operations and maintenance (O&M) expenses for the BMI for the 2023–2030 period. Cal Advocates also recommends authorizing recovery of $282.7 million in capital expenditures for the BMI during the same period.

II. PROCEDURAL HISTORY

On October 23, 2024, PG&E filed its Application (A.) 24-10-014 seeking approval of its BMI. Small Business Utility Advocates (SBUA), Direct Access Customer Coalition (DACC), The Utility Reform Network (TURN), Peninsula Clean Energy Authority (PCEA) and Cal Advocates, (the Parties) filed responses and protest to A.24-10-014 on November 25, 2024.

On November 15, 2024, PG&E filed a motion seeking to establish Billing Modernization Memorandum Accounts ("BMMAs") that would be effective retroactively to January 1, 2023. TURN and Cal Advocates filed response to this motion on December 2, 2024.

A prehearing conference was held on January 2, 2025. The Assigned Commissioner issued the initial scoping memo on March 27, 2025.[18]

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[16] Ex. PGE-04 at 3.

[17] Ex. PGE-04 at 3.

[18] Assigned Commissioner's Scoping Memo and Ruling, A.24-10-014 (March 27, 2025) (Initial Scoping Memo).

On July 7, 2025, the ALJ issued a Proposed Decision authorizing PG&E to establish the BMMAs, effective October 23, 2024. PG&E filed opening comments on July 28, 2025. Cal Advocates filed reply comments on August 4, 2025. A Final Decision was issued on August 19, 2025. In the Final Decision, the assigned ALJ (1) authorized PG&E to establish the BMMAs, effective October 23, 2024, (2) ruled that PG&E may not recover the cost tracked in the BMMAS until A.24-10-014 has been fully reviewed and determined.

On June 30, 2025, an ALJ ruling granted party status to the Joint Community Choice Aggregators (Joint CCAs).[19]

The August 28, 2025, ALJ ruling provided instructions and schedule for the evidentiary hearings.[20] On September 5, 2025, a request for more time for settlement discussions and to postpone the evidentiary hearings was served by PG&E on behalf of itself, Cal Advocates, the Joint CCAs, SBUA, and TURN. On September 11, 2025, an ALJ Ruling set forth a revised proceeding schedule.[21] By ruling darted December 12, 2025 the ALJ adopted a revised procedural schedule for the remainder of the proceeding.[22]

On February 3, 2026, a status conference was held in preparation for evidentiary hearings. Shortly before the status conference, PG&E informed parties of a delay of at least several quarters in the BMI. At the status conference, the Parties requested that evidentiary hearings be postponed out of concern that they needed additional information and that the BMI delay would impact the material facts to be addressed at the evidentiary hearings. The Parties agreed that supplemental testimony would be appropriate before

[19] E-Mail Ruling Granting Party Status of Joint Community Choice Aggregator, A.24-10-014 (June 30, 2026).

[20] Administrative Law Judge's Ruling Providing Log-In Information and Instructions for an Evidentiary Hearing, A.24-10-014 (August 28, 2025).

[21] Administrative Law Judge's Ruling Setting Forth Revised Proceeding Schedule, A.24-10-014 (September 11, 2025).

[22] Administrative Law Judge's Ruling Setting Revised Proceeding Schedule, A.24-10-014 (December 12, 2025).

evidentiary hearings. On February 3, 2026, an ALJ ruling postponed the evidentiary hearings.[23]

On March 10, 2026, the assigned ALJ issued a revised proceeding schedule that included questions PG&E shall respond to with supplemental testimony.[24] PG&E served and filed supplemental testimony on March 17, 2026. Parties filed and served responses to the supplemental testimony on April 28, 2026. Evidentiary hearings were held on June 8 and 9, 2026.

III. LEGAL STANDARD

As the applicant in this proceeding, PG&E bears the burden of proof to affirmatively show that its requests are necessary, just, and reasonable.[25] PG&E is required to show that its proposed budget forecasts meet the standard set forth in Public Utilities Code §451 that "all charges demanded or received by any public utility . . . be just and reasonable."[26]

The Commission has held that the standard of proof the applicant must meet in rate cases is that of a preponderance of the evidence.[27] Preponderance of the evidence is typically defined "in terms of probability of truth, e.g., 'such evidence as, when weighed with that opposed to it, has more convincing force and the greater probability of truth.'"[28]

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[23] E-Mail Ruling Postponing Evidentiary Hearings, A.24-10-014 (February 3, 2026).

[24] Administrative Law Judge's Ruling Setting Revised Proceeding Schedule, A.24-10-014 (March 10, 2026).

[25] Decision (D.) 09-03-025, *Decision on Test Year 2009 GRC for Southern California Edison*, at 8; D.06-05-016, *Opinion on Southern California Edison Company's Test Year 2006 General Rate Increase Request* at 7.

[26] Public Utilities Code (Pub. Util. Code) § 451; *see also* Pub. Util. Code § 454(a) ("a public utility shall not change any rate or so alter any classification, contract, practice, or rule as to result in any new rate, except upon a showing before the commission and a finding by the commission that the new rate is justified.").

[27] D.19-05-020, *Decision on Test Year 2018 GRC for Southern California Edison* at 7; D.15-11-021, *Decision on Test Year 2015 GRC for Southern California Edison* at 8-9; D.14-08-032, *Decision Authorizing PG&E's GRC Revenue Requirement for 2014-2016* at 17.

[28] D.08-12-058, *Decision Granting a Certificate of Public Convenience and Necessity for the Sunrise Powerlink Transmission Project*, at 19; see also D.23-02-003, *Decision on Fiscal Test Year 2022 GRCs of Liberty Utilities (Apple Valley Ranchos Water) Corat and Liberty Utilities (Park Water) Corp*, at 7.

IV. DISCUSSION

A. PG&E has not demonstrated that its Stage 1: Billing Cloud Services Costs are Just and Reasonable

PG&E requests recovery of recorded and forecasted costs associated with the first stage of its BMI: Billing Cloud Services (BCS). PG&E characterizes the BCS project as a necessary first step toward modernizing its billing systems. However, PG&E has not shown that the requested stage 1 Billing Cloud Services are just and reasonable.

As set forth below, the evidentiary record demonstrates that the project experienced repeated delays,[29] material changes to its implementation,[30] and cost increases caused by deficiencies in project planning and execution rather than unforeseen circumstances.[31] Having failed to demonstrate that its requested Stage 1 costs are just and reasonable, PG&E's request must be denied.

Even if the Commission were to conclude that replacing portions of PG&E's existing billing infrastructure is warranted, PG&E has not demonstrated that its requested BCS costs are reasonable. The Commission has consistently required utilities seeking rate recovery to demonstrate that forecasted expenditures are reasonable and supported by sufficient evidence. In D.23-11-069, the Commission denied PG&E's request to recover costs for its previous proposed billing system upgrade, because PG&E failed to provide sufficient information to justify the project and failed to establish that the forecasted costs were reasonable.[32] Although PG&E filed this separate application in response to that decision, it fails to satisfy the burden of demonstrating that forecasted expenditures are reasonable and supported by sufficient evidence.[33]

As discussed below, the Commission should authorize $1.902 million in O&M expenses and $39.165 million in capital expenditures for the BCS stage. This reflects a

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[29] Ex. PGE-04 at 4 & Table 1.

[30] Ex. PGE-04 at 5, lines 1-33, at 6, lines 1-8.

[31] Ex. PGE-04 at 18, lines 2-7.

[32] Ex. CA-02 (Billing Cloud Services Operations and Maintenance Expenses and Capital Expenditures, June 30, 2026) at 5.

[33] Pub. Util. Code § 451.

reduction of $1.5 million in O&M expenses and $85.4 million in capital expenditures from PG&E's requested amounts. This adjustment removes costs associated with duplicated implementation activities, unsupported labor and overhead expenses, contingency amounts, and other expenditures that PG&E failed to demonstrate are reasonable.

1. PG&E's Repeated Delays Demonstrate Planning and Execution Deficiencies

PG&E’s supplemental testimony confirms that the implementation schedule supporting PG&E's BCS request was unreliable. PG&E originally anticipated placing BCS into service in 2023. That date was subsequently pushed back to the second quarter of 2025 and later postponed again until August 22, 2025.[34]

PG&E attributes these delays to expanded testing activities and modifications to its implementation approach.[35] These explanations, however, do not identify any unforeseen circumstances that were outside of PG&E's control. Instead, they reflect deficiencies in project planning and execution that should have been identified before PG&E sought Commission authorization to recover hundreds of millions of dollars from ratepayers.

Similarly, PG&E's supplemental testimony demonstrates that significant implementation activities had to be fleshed out after the Application was filed.[36] PG&E acknowledges that it modified key project activities during implementation and attributes these changes to lessons learned throughout execution.[37] Such admissions confirm that the project had not reached a sufficient level of maturity to support the forecast presented in this proceeding.

These repeated schedule revisions suggest that PG&E sought Commission authorization before fleshing out the project implementation plan or the scope of work

[34] Ex. CA-02 at 1, lines 12-13 (citing PG&E’s Application at 7).

[35] Ex. PGE-04 at 5, lines 27-31.

[36] Ex. PGE-04 at 1, lines 14-28.

[37] Ex. PGE-04 at 3, lines 14-30; at 4, lines 1-10; at 5, lines 1-11.

necessary to complete the project before requesting ratepayer funding. The Commission should not require ratepayers to bear the financial consequences of an implementation schedule that was not adequately fleshed out. PG&E bears the burden of demonstrating that its requested expenditures are reasonable. PG&E repeatedly revised major implementation milestones during this proceeding without demonstrating that its updated forecast fully reflected those revisions. The Commission should not require ratepayers to bear the financial consequences of an implementation schedule that was not adequately developed when the Application was filed. Accordingly, the Commission should reject PG&E's unsupported forecast and adopt Cal Advocates' recommended adjustment.

2. The Commission Should Remove Costs Associated with Repeated Plan/Analyze, Design, Build, and Test Stages.

The evidentiary record demonstrates that PG&E incurred approximately $15 million by repeating implementation activities that ordinarily should have been completed once.[38] As Cal Advocates' testimony establishes, PG&E restarted the Plan/Analyze stage and re-executed the Design, Build, and Test stages of the BCS project. Rather than demonstrate that these repeated efforts produced additional value for ratepayers, PG&E simply seeks recovery of the associated costs.

The purpose of the planning, design, and testing stages is to identify and resolve implementation issues before deployment. When those activities must be repeated, as the party that bears the burden of proof, PG&E must show that the additional work was reasonable, necessary, and prudently incurred. PG&E has not done so.

PG&E contends that it "did not start fresh and rebuild requirements" instead, it asserts that it supplemented its original requirements with additional detail to support the design, build, and test efforts.[39] PG&E's assertion is inconsistent with PG&E's testimony. Namely, PG&E testified that it completed the Plan/Analyze stage in

[38] Ex. PGE-04 at 18, lines 7-8.

[39] Ex. PGE-03 (PG&E's Rebuttal Testimony, October 20, 2025) at 2-16; lines 10-12.

November 2021, but restarted that stage in October 2023 and continued it through March 2024.[40] PG&E likewise repeated the Design, Build, and Test stages.[41] According to PG&E, in both processes, PG&E developed new requirements, test cases, designs, and code, and replaced the earlier work with new deliverables.[42] This demonstrates that the prior outputs are neither foundational to nor "used and useful" in the current implementation.

Nor does PG&E's characterization of these efforts as "lessons learned" justify shifting the resulting costs to ratepayers.[43] The issue is not whether PG&E gained operational experience during implementation, but whether it has shown that *ratepayers* should finance work that had to be repeated because PG&E's earlier efforts proved inadequate. The record contains no evidence that restarting the Plan/Analyze, Design, Build, and Test stages generated benefits commensurate with the additional expenditures or that the need to repeat this work resulted from circumstances outside PG&E's control rather than deficiencies in project planning and execution.

PG&E's supplemental testimony reinforces this conclusion. PG&E acknowledges that implementation delays increased recorded costs by approximately $13 million above forecast and that an additional $2 million was reclassified from Stage 3 (C2M) to Stage 1 (BCS).[44] Rather than resolving concerns regarding project management, these adjustments demonstrate that (1) project costs continued to escalate throughout implementation, and (2) expenditures were reallocated between project stages without adequate explanation. PG&E has not shown that these reallocations appropriately reflect work performed for the BCS project or that the additional expenditures produced corresponding customer benefits.

[40] Ex. PGE-01 at 5-8, lines 14-15; at 5-13, lines 12-14.

[41] Ex. PGE-01 at 5-7 & Table 5-3.

[42] Ex. CA-02 at 11, lines 3-5. Citing Ex. PGE-01, at 5-17; lines 17-19.

[43] Ex. PGE-04 at 22, lines 6-19.

[44] Ex. PGE-04 at 18, lines 3-8.

Utilities are entitled to recover prudently incurred costs, not the costs of a "redo" that resulted from deficient planning or execution.[45] Because PG&E has failed to demonstrate that the repeated implementation activities were reasonable, necessary, or beneficial to ratepayers, the Commission should remove costs associated with the duplicated Plan/Analyze, Design, Build, and Test stages.

3. Stage 1 will not provide real benefits to and savings to ratepayers

PG&E also has not demonstrated that the remaining costs associated with BCS are reasonable or supported by sufficient evidence. As discussed in the following subsections, PG&E has not substantiated its staffing-related expenses, has not shown that its labor and overhead costs are incremental to amounts already authorized in rates, has not justified recovery of contingency funding, and has not demonstrated that the project will avoid stranded costs. Because PG&E has failed to carry its burden of proving that these costs are just and reasonable, the Commission should adopt Cal Advocates' recommended reductions.

a) PG&E Has Not Justified its Requested Staffing Costs

PG&E requests recovery of staffing costs associated with implementing the BCS project.[46] As the party that bears the burden of proof, PG&E must show that its requested staffing levels are reasonable and supported by substantial evidence. In particular, PG&E must demonstrate why existing personnel resources were insufficient, why additional staffing was necessary, and how the requested staffing levels were developed. PG&E did not make that showing. Instead, the evidence shows that staffing requirements changed throughout implementation as the project experienced repeated

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[45] *Missouri ex rel. Southwestern Bell Telephone Co. v. Missouri Public Service Commission,* 262 U.S. 276, 289 n.1 (1924) (Brandeis, J., concurring); *FPC v. Natural Gas Pipeline Co*., 315 U.S. 575, 607-608; See also, Pub. Util. Code § 451. The Court found that in applying parameters to determine a just and reasonable rate of return, the Commission must also consider the consumer interest and protect ratepayers from unreasonable risks, including risks of imprudent management.

[46] Ex. CA-02 at 13, lines 7-9.

delays and modifications.[47] Because the implementation schedule continued to change throughout the proceeding, the staffing forecasts necessarily became less reliable. Yet PG&E did not adequately reconcile those changing staffing needs with corresponding adjustments to its forecast or demonstrate that the revised staffing levels remained reasonable.

The Commission should not authorize recovery of staffing costs that are based on implementation assumptions that the record itself demonstrates were no reasonable. Accordingly, the Commission should authorize $28.466 million for staff-related cost related to the BCS stage, consistent with Cal Advocates' recommendation PG&E was not able to provide documentation to verify and substantiate these staffing costs specifically related to the BCS project or they were reasonably incurred.

b) PG&E Has Not Demonstrated That Its Labor and Overhead Costs Are Not Already Reflected in its Authorized Revenue Requirement

PG&E likewise has not demonstrated that its requested straight-time labor and overhead costs included in its BCS request are not already reflected in the revenue requirement adopted in PG&E's 2023 General Rate Case. Straight-time labor and overhead costs are funded through existing rates. PG&E bears the burden of demonstrating that the requested labor and overhead costs are not already reflected in its authorized revenue requirement and reasonable costs for inclusion in this proceeding. PG&E has not met that burden. PG&E has neither demonstrated that the requested employee labor costs are associated with employees or labor resources beyond those already funded through its GRC, nor demonstrated that the requested employee overhead costs were excluded from its authorized revenue requirement.

In evaluating a request for recovery of straight-time labor costs recorded in Southern California Edison's (SCE) Wildfire Mitigation and Vegetation Management

[47] Ex. PGE-04 at 10, lines 9-12.

reasonableness review, the Commission found that SCE had failed to meet its burden of proof because it had failed to perform any analysis of its claimed costs:

> Based on the evidence presented, it does not appear SCE performed an analysis to establish whether the requested Straight Time Labor costs … were reflected in the 2022 revenue requirement. This constitutes a failure by SCE to meet its burden of proof and renders the reasonableness of these costs questionable.[48]

The Commission similarly found that SCE failed to justify recovery of employee overhead in that proceeding because it did not provide documentation demonstrating that those costs were not already embedded in existing rates:

> SCE fails to provide persuasive evidence on reasonableness. To establish the reasonableness of these costs, SCE could … provide documentation to verify and substantiate that the costs were not embedded in existing rates.[49]

PG&E contends that its activity-based forecasting methodology permits employees to support multiple proceedings and changing priorities following a GRC decision.[50] However, simply reallocating existing personnel to a new project does not justify additional rate recovery, unless the utility demonstrates that those employees are performing work beyond their currently authorized responsibilities. PG&E confirmed that (1) it did not hire any new employees or forecast any additional full-time equivalents (FTEs) for the BCS project, and (2) employee salaries did not increase as a result of BCS-related responsibilities.[51] Indeed, the Commission has made it clear that if *existing* resources are used, then no incremental costs have been incurred:

> Generally, costs are incremental if, in addition to completing the planned work that underlies the authorized costs, the utility had to procure additional resources, be they in labor or materials, to complete the new activity. The existence and

[48] D.25-06-051, *Order Modifying Decision 25-06-051 And Granting Limited Rehearing of the Decision* at 42.

[49] D.25-06-051 at 44.

[50] Ex. PGE-03 at 3-5, lines 3 & 5.

[51] Ex. CA-02 at 21, lines 10-11.

> completion of a new activity by itself does not prove the cost was incremental. If a new activity is completed by *redirecting existing resources* in a related work category, *no incremental cost* was incurred, despite the activity itself being "incremental."[52]

Significantly, PG&E acknowledges that it did not perform a comprehensive analysis to determine whether reassigning existing employees created additional costs.[53] Nor did PG&E provide specific, quantifiable evidence, such as a comparison between labor costs already recovered in rates and the costs requested in this proceeding.[54]

PG&E argues that it separately tracked project expenditures using unique order numbers and designated accounting fields.[55] However, tracking costs in a separate accounting system does not establish that those costs are incremental or otherwise reasonable for ratepayer recovery. PG&E did not provide accounting records, cost studies, or other documentary evidence demonstrating that the requested labor and overhead costs were incurred in addition to the labor costs already funded through the 2023 GRC. Nor did PG&E substantiate the reasonableness of recovering straight-time labor, paid time off, building service overhead, benefits overhead, and payroll taxes associated with the BCS project.[56] Because PG&E failed to meet its burden of proving that these costs are reasonable, the Commission should deny recovery of the requested labor and overhead costs for the BCS project.

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[52] D.23-02-017, *Decision Approving Settlement in Application of Pacific Gas and Electric Company (U39M) for Recovery of Recorded Expenditures Related to Wildfire Mitigation and Catastrophic Events, As Well As Other Recorded Costs* at 27 (italics added).

[53] Ex. CA-02 at 22, lines 1-2.

[54] Ex. CA-02 at 19-25.

[55] Ex. PGE-03 at 3-6, lines 5-9.

[56] Ex. CA-02 at 22-27.

c) PG&E Has Not Demonstrated that its Recovery of Contingency Costs Is Reasonable

The Commission should reject PG&E's request of $7.900 million in contingency costs associated with the BCS project, because PG&E failed to provide documentation or justification showing that these costs are reasonable and just.[57]

Contingency funding is intended to address unforeseen events that cannot reasonably be anticipated during project planning. It is not intended to shift ordinary project management risks from shareholders to ratepayers. A utility seeking recovery of contingency costs therefore bears the burden of demonstrating both that the contingency amount is reasonable and that the identified risks cannot be managed through prudent project planning and execution. In Decision (D.) 19-05-020, the Commission rejected a contingency request in a general rate case, because the amounts at issue were "unpredictable":

> We, however, do not agree that budgeting for contingencies for software projects is necessarily appropriate in a general rate case. … [I]n a normal general rate case, the utility must demonstrate the reasonableness of every dollar in its revenue requirement. When considering these contingencies, SCE's argument is that contingencies are necessary for the "uncertainties and variables that are unknown" demonstrates that the amounts are unpredictable, and we therefore find SCE has not established these costs are reasonable.[58]

In D.21-08-036, the Commission reaffirmed its position in denying contingency allowances for seismic retrofitting:

> As explained in D.19-05-020, budgeting for contingencies is not necessarily appropriate in the context of a general rate case, where the utility must demonstrate the reasonableness of every dollar in its forecast revenue requirement. Since contingency allowances are, by SCE's own admission, intended to cover "unforeseen conditions," these amounts are

[57] Ex. CA-02 at 25-28.

[58] D.19-05-020, *Decision on Test Year 2018 General Rate Case for Southern California Edison Company* at 150-151 (internal quotation marks omitted) (quoting D.96-12-066).

> also unpredictable, and therefore, we find that SCE *has not established these costs to be reasonable*. As stated on D.19-05-020, disallowing the 35 percent and 1.5 percent contingencies should motivate SCE to remain within its forecast budgets for these projects.[59]

The Commission states that contingency costs are unpredictable, and utilities must establish that these costs are reasonable.[60] And PG&E did not provide documentation demonstrating that these $7.9 million contingency costs are reasonable or beneficial to ratepayers as discussed in Cal Advocates' testimony.[61] PG&E does not address Cal Advocates' concerns regarding contingency costs associated with the BCS project in its rebuttal testimony. Ratepayers should not be burdened with these contingency costs – which, because they are based on unknown risks and incomplete documentation, are inappropriate for inclusion in revenue requirement.

The Commission should therefore reject PG&E's contingency request and adopt Cal Advocates' recommendation that no contingency funding be authorized for the BCS project.

d) PG&E Has Not Demonstrated That the Project Will Avoid Stranded Costs.

PG&E estimates approximately $12 million in potential stranded costs associated with its BCS project.[62] PG&E defined stranded costs as costs a utility did not have an opportunity to recover over the service lives of the property.[63] The Commission should reject this $12.000 million stranded cost estimate from consideration in this proceeding.

PG&E claims that the $12.000 million reflects PG&E's estimate of what portion may remain undepreciated or potentially unused if the third stage of the billing system

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[59] D.21-08-036, *Decision on Test Year 2021 General Rate Case for Southern California Edison Company* at 331 (italics added).

[60] D.21-08-036, *Decision on Test Year 2021 General Rate Case for Southern California Edison Company* at 331

[61] Ex. CA-02 at 25-28.

[62] Ex. CA-02 at 29.

[63] Ex. CA-02 at 28.

upgrade or Customer-to-Meter (C2M) replaces portions of BCS functionality. PG&E anticipates that 40% of the BCS system functionality may no longer be used once the C2M platform is deployed in 2029.[64] PG&E did not provide any supporting documentation to justify its claim that 40% of BCS project software will not be used once the C2M platform is implemented in 2029.[65] Instead, in its rebuttal PG&E admits that this estimate was based on a broad scope review and "experience with the existing ABS and CC&B systems",[66] but did not provide any documentation such as management decisions and guidelines on retirement notices, internal accounting records, risk assessments, planning documents, or scenario modeling.[67]

Additionally, PG&E has not demonstrated how it would prevent double recovery of these costs. As Cal Advocates testimony shows, PG&E failed to provide supporting documentation, such as an accounting mechanism, to ensure there would be no double recovery of "stranded" costs associated with this project.[68] In its rebuttal PG&E responded by stating that it uses the "vintage retirement method" and claimed that it "ensures no double recovery".[69] However, PG&E did not provide any supporting evidence on how this safeguard would work.[70] PG&E's "stranded" cost estimate is speculative, unsupported by documentation of actual stranding, may result in duplicative ratepayer recovery, and outside the scope of the review period for the BCS project. Cal Advocates recommends that any future request for stranded cost recovery should be based on evidence of actual asset retirement and evaluated separately.[71]

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[64] Ex. CA-02 at 29-30.

[65] Ex. CA-02 at 30.

[66] Ex. PGE-03 at 2-26.

[67] Ex. CA-02 at 30.

[68] Ex. CA-02 at 31. PG&E defined "stranded costs" as costs a utility did not have an opportunity to recover over the service lives of the property.

[69] Ex. PGE-03 at 2-28.

[70] Ex. CA-02 at 31.

[71] Ex. CA-02 at 31.

B. The Commission Should Reject the Entirety of PG&E's Stage 2: Customer Care & Billing 25.4 System.

PG&E has not met its burden of demonstrating that its proposed interim upgrade to Customer Care and Billing (CC&B) version 25.4 is reasonable. The record shows that PG&E's implementation schedule has materially changed since it filed its Application – thereby reducing the already limited benefits of the interim upgrade while increasing uncertainty surrounding the project.[72] Although PG&E characterizes the upgrade as a necessary bridge between the BCS and C2M system, the evidentiary record demonstrates that PG&E has not established that ratepayers will receive benefits commensurate with the requested investment.

As discussed below, the Commission should deny funding for the CC&B 25.4 project because PG&E has not demonstrated that the interim upgrade is necessary, has not substantiated its forecasted costs, has not justified its labor and overhead requests, and has not established that the project will provide sufficient customer benefits before it is replaced by C2M.

1. PG&E Has Not Demonstrated That the Interim CC&B 25.4 Upgrade Is Reasonable or Necessary.

PG&E proposes to upgrade its existing customer billing system to CC&B version 25.4 before ultimately replacing that system with C2M.[73] According to PG&E, the interim upgrade is necessary to maintain vendor support, reduce cybersecurity risks, and position the utility for its eventual migration to C2M.

The evidentiary record, however, does not support recovery of the requested costs. As demonstrated in Cal Advocates' testimony, PG&E has not shown that an interim CC&B upgrade is necessary, has not substantiated the reasonableness of its forecast, has not demonstrated that its labor and overhead costs are incremental to authorized funding, has not shown that it previously evaluated or prioritized this upgrade, and has not

[72] Ex. PGE-06 at 6, lines 9-21.

[73] Ex. Although PG&E's Prepared Testimony refers to CC&B version 25.1, the actual version title from Oracle is version 25.4 (corresponding to a release date of April 2025. CA-06 at 7, line 16.

supported its risk-based justification. These findings remain unchanged by PG&E's supplemental testimony.

Unlike permanent investments that provide continuing benefits to customers, PG&E's proposed CC&B 25.4 upgrade is an interim solution that will remain in service only until implementation of C2M.[74] Consequently, the reasonableness of the requested expenditures depends not merely on whether the software can be upgraded, but whether the benefits of the interim upgrade justify the substantial investment ratepayers would be required to fund.

PG&E has not made that showing. Cal Advocates demonstrated in testimony that PG&E's benefit-cost analysis reflects only a nominal benefit from the proposed upgrade.[75] PG&E's own analysis estimates a benefit-cost ratio of approximately $0.02 of benefits for every $1.00 of cost, indicating that the project provides minimal measurable benefits even under PG&E's original assumptions.[76] More importantly, that analysis assumes an implementation schedule that the record now establishes is no longer accurate.

PG&E therefore relies on a cost-benefit analysis that neither reflects the project's current implementation schedule nor accounts for the delays acknowledged in supplemental testimony. Without an updated analysis reflecting the revised schedule, the Commission cannot reasonably conclude that the requested expenditures are justified.

PG&E also has not demonstrated that the interim upgrade is necessary to address risks during the period between stage 1 and stage 3 implementation. PG&E identifies cybersecurity vulnerabilities, compatibility issues, and technology obsolescence as reasons for the upgrade, but it has not demonstrated that those conditions have impaired its ability to provide safe and reliable service or comply with regulatory requirements.[77]

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[74] Ex. PGE-01 at 4-28 & 4-29.

[75] Ex. CA-03 (Customer Care and Billing 25.1 Operations and Maintenance and Capital Costs, June 30, 2025) at 22-25.

[76] Ex. CA-03 at 23, lines 6-7.

[77] Ex. CA-03 at 20.

In discovery, PG&E identified only two examples over more than eight years of operating on CC&B version 2.4—the Log4Shell vulnerability and Adobe Flash Player retirement.[78] In both instances, PG&E addressed the issues through temporary mitigations and coordination with Oracle rather than an immediate software upgrade. PG&E did not identify documented billing errors, customer service failures, compliance violations, or operational disruptions attributable to continued use of CC&B version 2.4.[79]

PG&E likewise acknowledges that it has managed cybersecurity risks through compensating controls, increased monitoring, custom patches, and Oracle support.[80] However, PG&E has not demonstrated that these existing mitigations are no longer sufficient or evaluated whether continuing those mitigations until implementation of C2M would be more cost-effective than investing approximately $127.5 million in an interim upgrade. Nor has PG&E shown that the reported increase in identified vulnerabilities reflects deteriorating system conditions rather than improvements in its vulnerability detection tools.

PG&E's supplemental testimony fails to resolve the foregoing deficiencies of its proposed interim "upgrade". Rather than provide additional evidence demonstrating that an interim upgrade has become necessary, PG&E confirms that implementation has been delayed.[81] PG&E's decision to delay implementation is also inconsistent with its assertion that the risks associated with remaining on CC&B version 2.4 require immediate investment in an interim upgrade.[82] Instead, PG&E continues to rely on existing operational and cybersecurity mitigations while postponing deployment of the proposed solution. As discussed below, those delays further reduce the period during

[78] Ex. CA-03 at 20.

[79] Ex. CA-03 at 19.

[80] Ex. CA-03 at 18-22.

[81] Ex. PGE-04 at 6, lines 9-21.

[82] Ex. CA-03 at 18, lines 17-20; at 20, lines 22-29.

which customers would receive any benefits from the interim upgrade while leaving the requested costs largely unchanged.

Accordingly, PG&E has not demonstrated that the proposed CC&B interim upgrade satisfies the just and reasonable standard.

2. PG&E's Revised Schedule Further Undermines the Reasonableness of the "Interim" Upgrade.

PG&E's supplemental testimony confirms that PG&E substantially delayed implementation of the CC&B 25.4 project – further undermining the reasonableness of its interim "upgrade".[83] Rather than address the concerns identified by Cal Advocates, the revised schedule reinforces them.

PG&E acknowledges that implementation of Stage 2 has been delayed and now expects the system to become operational significantly later than originally proposed.[84] Those delays necessarily reduce the period during which CC&B 25.4 will remain operational before PG&E transitions to C2M.

The principal justification for an interim software upgrade is that customers will receive sufficient operational benefits before the system is replaced.[85] However, every additional implementation delay shortens the useful life of the upgraded system while leaving the requested costs largely unchanged. As the operational period decreases, so too does the value ratepayers receive from the investment.

Despite these changes, PG&E has not updated its benefit-cost analysis to reflect the revised implementation schedule. Instead, PG&E knowingly relies upon assumptions that no longer correspond to the current project timeline.[86]

Consequently, the record contains no reliable evidence that demonstrate benefits customers can reasonably expect to receive from the interim upgrade under the revised

[83] Ex. PGE-04 at 7, Table 2.

[84] Ex. PGE-04 at 13, lines 17-21.

[85] Ex. PGE-01 at 5-22, lines 20-23.

[86] Ex. PGE-04 at 17-19.

schedule. The Commission should not authorize recovery based upon outdated analyses that fail to reflect the project's current scope and implementation timeline.

3. Stage 2 will not provide real benefits to and savings to ratepayers

Even assuming that upgrading CC&B 25.4 would provide some benefits, PG&E has not demonstrated that those benefits justify the requested investment. The utility bears the burden of establishing not only that a project provides some value, but that the proposed expenditures are reasonable in light of the benefits customers will receive. As set forth below, PG&E has not met that burden.

a) PG&E Has Not Demonstrated That Its Labor and Overhead Expenses Are Reasonable.

PG&E's CC&B forecast includes employee labor and overhead costs.[87] Straight-time labor and overhead costs are recovered through PG&E's General Rate Case revenue requirement. Accordingly, before those costs may be recovered through this application, PG&E must demonstrate that the requested employee labor and overhead costs are not already reflected in its authorized revenue requirement. PG&E has not met that burden.

PG&E has not demonstrated that the requested employee labor costs are associated with employees or labor resources beyond those already funded through its GRC, nor has it demonstrated that the requested employee overhead costs were excluded from its authorized revenue requirement. Instead, PG&E acknowledges that it plans to leverage existing employees for portions of the project. However, PG&E provides no analysis that demonstrates that the associated labor and overhead costs are not already recovered through base rates.[88] As discussed earlier, the Commission has made it clear that if *existing* resources are used, then no incremental costs have been incurred.[89]

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[87] Ex. CA-03 at 12, lines 25-26; at 13, lines 1-2.

[88] Ex. CA-02 at 13, lines 7-8.

[89] See note 54 *supra*.

The Commission has also emphasized that a utility bears the burden of demonstrating the costs requested for recovery were not already embedded in its adopted revenue requirements. As the Commission has noted, a utility fails to meet its burden of proof where it fails to perform any analysis of its claimed costs.[90]

Therefore, PG&E must demonstrate that it procured additional resources beyond those already authorized and that the cost could not have been recovered within the GRC-authorized funding level. PG&E has not made such a showing here.

Accordingly, the Commission should deny recovery of PG&E's requested labor and employee overhead expenses for the CC&B stage.

b) PG&E Has Not Justified Recovery of Contingency Costs.

PG&E's $118.992 million capital expenditure request for CC&B 25.1 includes $27.8 million in contingency costs.[91] Contingency funding is intended for unforeseen events that cannot reasonably be anticipated during project planning, not to shift ordinary project management risks from shareholders to ratepayers. Accordingly, a utility bears the burden of demonstrating that contingency costs are both reasonable and necessary. Reiterating points made in Section A(3)(c) of this opening brief, in D.19-05-020, the Commission rejected contingency requests, finding that amounts intended to cover "unknown" or "unforeseen" conditions are inherently unpredictable and therefore have not been shown to be reasonable for inclusion in a general rate case.[92] In D.21-08-036, the Commission also emphasized that disallowing contingency funding encourages utilities to manage projects within their forecast budgets.[93]

Here, PG&E has not demonstrated that its proposed $27.8 million contingency for the CC&B 25.1 project is reasonable or beneficial to ratepayers. PG&E also failed to respond to Cal Advocates' concerns regarding these costs in rebuttal testimony. Because

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[90] See note 50 *supra*.

[91] Ex. CA-03 at 3, n.12.

[92] See note 60 *supra*.

[93] See note 61, *supra*.

the proposed contingency is based on unknown risks and unsupported by adequate documentation, it should not be included in revenue requirement. The Commission should therefore reject PG&E's request for contingency funding for the CC&B 25.1 project.

C. The Commission Should Reject the Majority of PG&E's Stage 3: Customer 2 Meter (C2M) System.

PG&E has not met its burden of demonstrating that its requested funding for Stage 3 of the BMI (Customer to Meter) is reasonable. PG&E claims that Customer 2 Meter (C2M) represents the final stage of PG&E's proposed billing modernization effort. However, the evidentiary record demonstrates that substantial uncertainty remains regarding the project's scope, schedule, implementation strategy, and ultimate costs. Those uncertainties have only increased during this proceeding.

As discussed below, the Commission should authorize only those costs that PG&E has adequately supported. Specifically, the Commission should remove funding for three of the five proposed C2M modules,[94] remove unsupported labor and overhead expenses, and remove contingency costs. PG&E has not demonstrated that these expenditures are reasonable, necessary, or supported by the evidentiary record.

1. PG&E's Supplemental Testimony Confirms That the C2M Project Remains Too Uncertain to Support Full Cost Recovery.

Cal Advocates' testimony showed that PG&E's proposed implementation schedule for C2M lacked sufficient support, because earlier stages of the BMI had already experienced significant delays.[95] PG&E's supplemental testimony confirms those concerns.[96]

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[94] The five modules include Customer Care and Billing (CC&B), Meter Data Management (MDM), Service Order Management (SOM), Market Transaction Management (MTM) Module, and Operational Device Management (ODM). Cal Advocates recommends removal of SOM, MTM, and ODM.

[95] Ex. CA-04 (Customer to Meter Capital Expenditures, June 30, 2025) at 6-8.

[96] Ex. PGE-04 at 14, Table 3.

PG&E acknowledges that implementation of C2M has been delayed by at least six months and attributes the delay to modifications in its project execution strategy, including extending the project's relaunch stage.[97] According to PG&E, the additional time is necessary to select a system integrator, prepare project personnel, incorporate lessons learned from the earlier stages of the BMI, and better define the project scope.[98]

Rather than resolving the concerns identified by Cal Advocates, these admissions demonstrate that the project was not fleshed out when PG&E sought Commission approval. The activities PG&E now identifies as requiring additional time, including selecting vendors, defining project scope, staffing the project team, and incorporating implementation lessons, are foundational planning activities that ordinarily should precede a request for ratepayer funding.[99]

The supplemental testimony therefore confirms that critical aspects of the project remain unresolved. PG&E has not demonstrated that its implementation schedule is sufficiently reliable to support recovery of the requested expenditures.

Moreover, PG&E continues to characterize the current implementation schedule as tentative, with no firm completion date establish for the C2M stage.[100] Although PG&E projects a revised implementation date, it has not demonstrated that this schedule reflects a mature project plan supported by completed design work, finalized vendor arrangements, or a fully developed implementation strategy.

The Commission should not require ratepayers to fund expenditures associated with a project whose schedule continues to evolve and whose implementation approach remains subject to substantial revision.

[97] Ex. PGE-04 at 14, lines 23-25.

[98] Ex. PGE-04 at 14-17.

[99] Ex. PGE-04 at 16-17.

[100] Ex. PGE-04 at 14, Table 3.

2. Only Two of the Five C2M Modules Are Reasonable.

PG&E requests recovery of costs associated with five separate C2M modules.[101] Cal Advocates recommends that the Commission authorize funding for only two of those modules, because PG&E has not adequately supported the remaining three.[102]

PG&E bears the burden of demonstrating that each requested project component is reasonable. That burden requires more than identifying the functionality of each module. PG&E must establish that each module is necessary, appropriately timed, and supported by sufficient evidence to justify recovery from ratepayers.

The evidentiary record does not support recovery for the five modules. As discussed in Cal Advocates' testimony, the uncertainties surrounding the overall project schedule significantly affect the reasonableness of funding modules that will not be implemented until the later stages of the project.[103] Because the implementation schedule remains uncertain, the Commission cannot reasonably conclude that all requested modules will be implemented as proposed.

This concern is particularly significant because PG&E acknowledges that, following completion of Stage 2, it intends to reassess whether C2M remains the optimal long-term solution for its billing modernization effort.[104] If PG&E itself has not yet determined that the proposed implementation remains appropriate, the Commission should not authorize recovery for all five requested modules.

Accordingly, the Commission should adopt Cal Advocates' recommendation to remove funding for the unsupported modules.

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[101] Ex. CA-04 at 5, lines 17-18.

[102] Ex. CA-04 at 5-8.

[103] Ex. CA-04 at 5-8.

[104] Ex. CA-04 at 8, lines 1-18.

3. PG&E's Continuing Project Revisions Undermine the Reliability of Its Cost Forecast.

The repeated revisions to PG&E's implementation schedule further call into question the reliability of its requested cost forecast.

Forecasts presented in ratemaking proceedings must reflect reasonable assumptions and a sufficiently developed project. Here, however, PG&E has already revised major implementation milestones throughout this proceeding.[105] Those revisions necessarily affect labor requirements, contractor utilization, implementation sequencing, and overall project costs. Despite those changes, PG&E has not demonstrated that its updated cost forecast fully accounts for the revised implementation schedule. Instead, the supplemental testimony largely describes why additional delays occurred without establishing how those delays affect the reasonableness of the requested expenditures.[106] The evidentiary record contains substantial uncertainty regarding whether the forecast presented in this proceeding accurately reflects the work PG&E ultimately expects to perform. Therefore, the Commission should not authorize recovery of forecasted costs that continue to change.

4. Stage 3 will not provide real benefits to and savings to ratepayers

PG&E also has not demonstrated that the remaining costs associated with C2M are reasonable or supported by sufficient evidence. As discussed in the following subsections, PG&E has not substantiated its staffing-related expenses, has not shown that its labor and overhead costs are incremental to amounts already authorized in rates, and has not justified recovery of contingency funding. Because PG&E bears the burden of proving that these costs are just and reasonable, the Commission should adopt Cal Advocates' recommended reductions.

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[105] Ex. PGE-04 at 14, Table 3.

[106] Ex. PGE-04 at 14-17.

a) PG&E Has Not Demonstrated That Its Labor and Overhead Expenses Are Reasonable.

PG&E has not shown that its requested labor and employee overhead expenses are reasonable. PG&E requests recovery of approximately $37.6 million in labor expenses,[107] $42.5 million for non-labor,[108] and $1.3 million in employee overhead expenses[109] for the C2M stage. However, PG&E has not established that these costs are incremental to labor and overhead cost that are already authorized in rates.

Instead, in requesting the foregoing expenses, PG&E makes contradictory representations. On the one hand, PG&E states that it does not plan to hire employees for activities included in its expense forecast.[110] On the other hand, PG&E states that it expects to employ approximately 300 temporary "surge" employees during deployment and post-go-live support.[111] PG&E has neither reconciled these conflicting statements, nor explained why additional staffing is necessary.

Moreover, PG&E has failed to demonstrate that its existing workforce cannot perform the work associated with the new billing system. PG&E characterizes C2M as an upgrade to its existing customer care and billing systems, yet it could not identify how many employees currently support those legacy systems because it does not track full-time equivalent employees or labor expenses by system.[112] Without that information, PG&E cannot demonstrate that existing personnel are insufficient or that additional staffing is required.

Tellingly, the record supports the opposite conclusion. The employees currently operating PG&E's legacy billing systems are already funded through rates authorized in

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[107] Ex. CA-05 (Customer to Meter Operations and Maintenance Expenses, June 30, 2025) at 5, line 3.

[108] Ex. CA-05 at 5, lines 3-4.

[109] Ex. CA-05 at 7, line 18.

[110] Ex. CA-05 at 5, line 18.

[111] Ex. PGE-01 at 5-52.

[112] Ex. CA-05 at 7, lines 5-9.

the 2023 General Rate Case.[113] Once C2M is implemented, those same operational responsibilities will continue under the replacement platform. PG&E has not demonstrated why its existing workforce cannot transition to the new system or why ratepayers should fund additional labor to perform substantially the same operational functions.

The same deficiency applies to PG&E's request for employee overhead expenses. PG&E defines employee overhead as costs associated with employee labor, including benefits, indirect labor, operations management and support, paid time off, and payroll taxes.[114] Because PG&E has not demonstrated that additional employee labor is necessary, it likewise has not established that the associated employee overhead expenses are reasonable. Authorizing recovery of employee overhead without first establishing the need for the underlying labor would permit recovery of costs that PG&E has not shown are incremental or necessary.

Accordingly, PG&E has not met its burden of proving that its requested labor and employee overhead expenses are just and reasonable. The Commission should deny recovery of those costs.

b) PG&E Has Not Justified Recovery of Contingency Costs.

PG&E requests approximately $49 million in contingency funding for C2M.[115] Contingency funding is intended to address unforeseen project risks that cannot reasonably be anticipated during project planning. Rather than unforeseen project risks, here PG&E seeks contingency funding to address risks such as implementation delays, and potential scope modifications.[116] The Commission should reject that request outright.

[113] Ex. CA-05 at 7, lines 10-13, 18-20.

[114] Ex. CA-05 at 7, lines 21-23; at 8, lines 1-9.

[115] Ex. PGE-01 at 6-26.

[116] Ex. PGE-01 at 6-26.

As an initial matter, PG&E''s contingency funding reuqest should be denied outright, because the identified risks have already materialized. As PG&E's supplemental testimony demonstrates, C2M's implementation has already been delayed, purportedly because PG&E is reevaluating the project scope, vendor relationships, implementation strategy, and staffing needs.[117] Thus, those developments illustrate that, instead of being unknown, the risks for which PG&E seeks funding have already materialized.

Alternatively, PG&E's request for contingency funding should be denied, because they are based on unknown risks and incomplete documentation.[118] Authorizing contingency funding under these circumstances would effectively transfer the financial consequences of continuing project uncertainty from shareholders to ratepayers. Such a result would reduce PG&E's incentive to effectively manage project costs while requiring customers to finance expenditures that may never become necessary.

Moreover, PG&E has not demonstrated how it calculated the requested contingency amount or why prudent project management practices are insufficient to address the identified risks. General references to uncertainty[119] do not satisfy PG&E's burden of proving that contingency funding is reasonable.[120]

The Commission has recently considered and removed contingency adders from capital budgets. In a 2024 decision, the Commission held that budgeting for contingencies was not appropriate in a GRC, where the utility must demonstrate the reasonableness of every dollar in its forecasted revenue requirement.[121] In

[117] Ex. PGE-04 at 14, Table 3

[118] *See* notes 60 & 61, *supra*.

[119] *See* Ex. PGE-01 at 6-21, lines 6-15.

[120] *See* notes 60 & 61, *supra*.

[121] D.24-03-042 (*Decision Approving a Partial Settlement Agreement and Adopting Rates for California Water Service Company's Test Year 2023 General Rate Case*, March 7, 2024) at 175.

addition, the Commission found that removal of contingency should motivate the utility to remain within its forecasted budget.[122]

Because PG&E has not established that the requested contingency costs are necessary or supported by the evidentiary record, the Commission must deny recovery of those costs.

V. CONCLUSION

For the foregoing reasons, the Commission should reduce PG&E's requested funding for customer systems projects by approximately $470.8 million, including eliminating all requested contingency funding. Specifically, reduce BCS funding by $86.9 million, denying all funding for the CC&B 25.4 project ($127.5 million reduction), and reduce C2M funding by $225.0 million while limiting authorization to only two of the five proposed modules. Overall, Cal Advocates recommends funding only those project costs that are adequately supported and demonstrated to be just and reasonable.

Respectfully submitted,

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[122] D.24-03-042 at 25.