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

REPLY BRIEF
OF THE PUBLIC ADVOCATES OFFICE

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I. INTRODUCTION

The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) hereby submits its Reply Brief in Pacific Gas and Electric's (PG&E) Billing Modernization Initiative (BMI) proceeding pursuant to Rule 13.12 of the Commission's Rules of Practice and Procedure (Rules) and consistent with the schedule established in the Administrative Law Judge's (ALJ) March 10, 2026, *Ruling Setting Revised Proceeding Schedule*.[1]

Cal Advocates' Opening Brief extensively addressed the disputed issues in this proceeding. This brief will focus on issues raised in PG&E's Opening Brief that require additional explanation or response. Silence on any argument should not be interpreted as assent to the PG&E's recommendations.

PG&E seeks to recover $756 million in recorded and forecasted BMI costs for 2023-2030. This results in a proposed revenue requirement of $315 million, excluding Revenue Fees and Uncollectibles (RF&U).[2] PG&E contends that the BMI will modernize its billing operations with a three-stage process: (1) transitioning electric complex billing customers to the Billing Cloud Services (BCS) solution, completed in December 2025; (2) upgrading the Oracle Utilities Customer Care and Billing (CC&B) system; and (3) consolidating electric and gas customers into a single Customer to Meter (C2M) billing platform.[3] For the reasons discussed below, the Commission should adopt Cal Advocates' recommendations.

II. 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.[4] PG&E is

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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 3.

[4] 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.

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."[5]

The Commission has held that the standard of proof the applicant must meet in rate cases is that of a preponderance of the evidence.[6] 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.'"[7]

III. DISCUSSION

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

PG&E argues that Stage 1 BCS was necessary to replace its aging Advanced Billing System (ABS), improve implementation of increasingly complex rate structures, reduce cybersecurity risks, and provide an interim solution until deployment of Customer to Meter (C2M).[8] However, PG&E has not demonstrated that the specific costs incurred to implement Stage 1 were prudently managed, supported by the record, and therefore recoverable from ratepayers. PG&E's discussion of the need for modernization does not satisfy its burden to prove that the challenged costs are just and reasonable.

In addition, PG&E's description of its vendor selection process fails to establish that the process was reasonable and therefore appropriate for cost recovery. PG&E claims that it conducted competitive solicitation, evaluated multiple alternatives, and selected Oracle's BCS platform after determining it best satisfied PG&E's operational

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[5] 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.").

[6] 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.

[7] 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.

[8] PG&E Opening Brief at 21-22.

requirements.[9] Even if true, these claims do not establish that the implementation costs incurred were prudently managed. The question before the Commission is not whether Oracle's BCS platform best satisfied PG&E's operational requirements, but whether PG&E has justified the costs associated with its making that choice. The information PG&E provided about its procurement process does not rebut Cal Advocates' showing that significant implementation activities were unnecessarily repeated, project costs escalated, and labor, overhead, and contingency costs unsupported.

As explained in Cal Advocates' Testimony and Opening Brief, Cal Advocates recommends reducing the requested Stage 1 costs because PG&E failed to demonstrate that the implementation costs associated with repeated implementation activities were reasonable for recovery from ratepayers.[10] Rather than addressing the basis for Cal Advocates' adjustment, PG&E largely reiterates why it selected and implemented the BCS project.[11] PG&E's Opening Brief provides no additional evidence demonstrating that the implementation costs at issue should be recovered from ratepayers.

PG&E further asserts that the BCS project was supported by a detailed implementation plan and structured project phases, and that the implementation plan evolved as lessons were learned throughout the project.[12] PG&E's assertion that the earlier work informed the final implementation does not establish that the repeated implementation costs are reasonable. Even if portions of the earlier effort provided institutional knowledge or informed later design decisions, PG&E has not demonstrated why or that is its reasonable for ratepayers to bear costs associated with repeating core implementation activities.

Moreover, PG&E's Supplemental Testimony confirms that implementation delays increased Stage 1 recorded costs by approximately $13 million and that PG&E

[9] PG&E Opening Brief at 21-22.

[10] Ex. CA-02 at 7–11.

[11] PG&E Opening Brief at 21-22.

[12] PG&E Opening Brief at 32–33.

transferred an additional $2 million of costs from Stage 3 into Stage 1.[13] These developments reinforce Cal Advocates' concern that repeated implementation activities materially increased project costs without demonstrable corresponding customer benefits

PG&E likewise fails to rebut Cal Advocates' recommendation regarding potential stranded investment costs. PG&E states there are no stranded investments associated with its legacy billing systems because those systems are fully depreciated.[14] PG&E further states that the approximately $12 million identified for BCS represents the interface portion of the $124.6 million BCS capital investment projected to remain undepreciated when Customer to Meter (C2M) becomes operational.[15] However, these statements do not address the basis for Cal Advocates' recommendation. PG&E provides no support for its statement that approximately 40% of the BCS functionality would no longer be used after implementation of C2M.[16] Nor does PG&E provide any additional evidence regarding the disposition of any unrecovered BCS costs.[17] As Cal Advocates' Testimony explains, PG&E acknowledges that whether it would seek recovery of any unrecovered BCS costs in a future general rate case depends on several factors, including the outcome of this proceeding.[18] PG&E's Opening Brief provides no documentation or analysis to address these concerns.

Finally, PG&E's Opening Brief does not respond to Cal Advocates' recommended adjustments for staffing and contingency costs associated with the BCS project.[19] Because PG&E provides no additional evidence supporting recovery of these costs, its Opening Brief provides no basis for the Commission to modify Cal Advocates'

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[13] Ex. PGE-04 at 17-18.

[14] PG&E Opening Brief at 34–35.

[15] PG&E Opening Brief at 35.

[16] Ex. CA-02 at 29–31.

[17] PG&E Opening Brief at 34-36.

[18] Ex. CA-02 at 29–31.

[19] Cal Advocates Opening Brief at 10-15.

recommended adjustment. Accordingly, the Commission should adopt Cal Advocates' recommended adjustment.

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

PG&E's Opening Brief repeats the assertion that the proposed Customer Care & Billing (CC&B) version 25.4 upgrade is necessary to maintain vendor support, remediate cybersecurity vulnerabilities, reduce technical debt, and stabilize PG&E's billing system pending implementation of Customer to Meter (C2M).[20] These arguments, however, do not rebut the concerns identified by Cal Advocates in its Opening Brief.[21] PG&E has not demonstrated the interim upgrade is reasonable or necessary, that customers will receive benefits commensurate with the requested investment, or the requested costs are supported by the evidentiary record.

PG&E emphasizes the operational and cybersecurity benefits of upgrading to CC&B version 25.4.[22] Cal Advocates does not dispute that a newer software platform may provide operational improvements or address vendor support concerns. Rather, the issue before the Commission is whether PG&E has demonstrated that an interim upgrade, which PG&E intends to replace upon implementation of C2M, provides benefits sufficient to justify more than $127 million in requested ratepayer funding. PG&E's Opening Brief provides no additional evidence to address the deficiencies Cal Advocates identifies concerning the project's limited useful life, revised implementation schedule, or the absence of an updated cost-benefit analysis demonstrating that the proposed investment is just and reasonable.[23]

[20] PG&E Opening Brief at 22-24.

[21] Cal Advocates Opening Brief at 17-22.

[22] PG&E Opening Brief at 22-24.

[23] Cal Advocates' Opening Brief at 17-23.

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

PG&E's discussion of the proposed C2M system repeats the same arguments presented in its prepared Testimony regarding the benefits of C2M and the reasons PG&E selected it as its preferred long-term billing platform.[24] As discussed below, PG&E has not demonstrated that that the asserted cost-benefit analysis justifies the requested investment, its cost forecasts remain reliable, or that its proposed revenue requirement should be adopted.

PG&E relies on a cost-benefit analysis prepared by Accenture to argue that the BMI will provide substantial benefits to customers.[25] However, PG&E's own analysis demonstrates that many of the asserted benefits remain unquantified. PG&E's Opening Brief identifies numerous anticipated benefits, including cybersecurity risk reduction, asset failure risk reduction, support for California policy goals, and other operational improvements, that were not quantified as part of the analysis.[26] In total, approximately 40% of the identified benefit categories were not quantified.[27] Consequently, PG&E's cost-benefit analysis does not provide a reliable basis for concluding that the requested Stage 3 costs are reasonable or that the anticipated customer benefits justify the requested investment. PG&E bears the burden of proving that its requested costs are reasonable and relying on a cost-benefit analysis that does not demonstrate substantial customer benefits does not satisfy that burden.[28]

PG&E also asserts that, although it has revised the implementation schedule, the total forecasted project cost remains unchanged at $756 million and that the only changes relate to the timing of revenue recovery rather than the amount of requested cost

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[24] PG&E Opening Brief at 24-28.

[25] PG&E Opening Brief at 28-33.

[26] PG&E Opening Brief at 30; Table 4.

[27] PG&E Opening Brief at 30; Table 4.

[28] Cal Advocates' Opening Brief at 23-28.

recovery.[29] PG&E's assertion is unsupported. As Cal Advocates explains in its Opening Brief, PG&E has acknowledged material delays to the implementation schedule while continuing to seek recovery of the same forecasted project costs.[30] Those delays introduce additional uncertainty regarding labor, vendor, and implementation costs, yet PG&E does not explain why the revised schedule has no effect on its overall cost forecast.[31] Instead, PG&E concludes that the project cost estimate remains unchanged[32] without additional analysis or supporting documentation. Thus, PG&E has not demonstrated that its revised cost forecast remains reasonable notwithstanding the admitted implementation delays

PG&E likewise does not rebut Cal Advocates' concerns regarding potential stranded investment costs. PG&E argues that its revised implementation approach minimizes the potential for stranded costs and explains how investments in the interim systems will support the transition to C2M.[33] However, PG&E does not address the basis for Cal Advocates' recommendation. As discussed in Cal Advocates' Opening Brief and Testimony, PG&E has not adequately demonstrated that all investments in the interim billing systems will continue to provide value after C2M is implemented.[34] Nor has PG&E provided reasonable documentation to support its assumptions regarding the useful life and continued functionality of those investments. Consequently, PG&E has not demonstrated that customers will not bear the costs of investments that become obsolete before they are fully depreciated.

On the whole, PG&E's Opening Brief does not rebut Cal Advocates' recommendations regarding Stage 3. PG&E has not demonstrated that its revised cost forecast is reasonable, has not substantiated the assumptions underlying its cost-benefit

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[29] PG&E Opening Brief at 34.

[30] Cal Advocates' Opening Brief at 23-24, 26.

[31] Cal Advocates' Opening Brief at 23-24.

[32] PG&E Opening Brief at 34.

[33] PG&E Opening Brief at 34–35

[34] Cal Advocates' Opening Brief at 15-16.

analysis, and has not adequately addressed the potential for stranded investment costs or future cost recovery, the Commission should adopt Cal Advocates' recommended adjustments to PG&E's requested Stage 3 revenue requirement.

IV. CONCLUSION

For the foregoing reasons, the Commission should reduce PG&E's requested funding for customer systems projects by approximately $470.8 million, including disallowing all contingency funding. Specifically, the Commission should reduce BCS funding by $86.9 million, deny the requested $127.5 million for the CC&B 25.4 project, and reduce C2M funding by $225.0 million by authorizing only two of the five proposed modules. These adjustments ensure that PG&E recovers only those project costs that are supported by the evidentiary record and demonstrated to be just and reasonable.

Respectfully submitted,

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