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 (U 39 M)	Application 24-10-014 (Filed October 23, 2024)

PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 M) REPLY BRIEF

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I. INTRODUCTION

The record in this proceeding shows that PG&E's Billing Modernization Initiative (BMI) is a prudent, reasonable, and comprehensive solution to the challenges and vulnerabilities facing PG&E's legacy billing systems. The forecasted and actual costs of the BMI are prudent and reasonable as proposed—and even more so as adjusted by the Partial Settlement Agreement between PG&E and the Joint CCAs.[1] PG&E has met and exceeded its burden in this proceeding with voluminous written testimony, a cost benefit analysis, responses to hundreds of data requests, and two days of live hearing testimony. This reply brief addresses issues raised in intervenors' opening briefs submitted July 16, 2026.[2]

The Public Advocates Office of the California Public Utilities Commission (Cal Advocates), Small Business Utility Advocates (SBUA), and the Utility Reform Network (TURN) challenge various aspects of PG&E's proposal, but none of them have produced sufficient evidence to support their recommendations. Their demands—drastic funding cuts and further delays—would impede PG&E from implementing a comprehensive end-state solution. Rather, they would have PG&E place another band aid on a legacy system in dire need of a

[1] The Joint CCAs are WestLight Energy (formerly Peninsula Clean Energy Authority), Ava Community Energy, Central Coast Community Energy, Marin Clean Energy, City of San José, Silicon Valley Clean Energy, and Sonoma Clean Power Authority.

[2] To shorten this reply brief, we reference sections of our opening brief when we believe we have already sufficiently addressed an issue or argument repeated by an intervenor. The fact that we do not address or respond to various issues or recommendations in our opening or reply briefs should not be construed as a concession or agreement to any issue or recommendation.

comprehensive upgrade. This short-term thinking would ultimately harm PG&E customers by increasing risks associated with the legacy systems and delaying a badly-needed replacement. The parties support their positions, in part, by comparing the BMI proposed in this proceeding to the cost forecast and timeline of the Billing System Upgrade Project that the Commission rejected in PG&E's 2023 General Rate Case (2023 GRC). However, the two cannot be directly compared because the proposal in this proceeding is broader in scope and reflects significantly more detailed and informed cost estimates. For the reasons discussed below, the Commission should decline to adopt the adjustments proposed by Cal Advocates, SBUA, and TURN.[3]

The Commission should approve PG&E's BMI and the recovery of the associated costs, as modified by the Partial Settlement Agreement, and should adopt the Partial Settlement Agreement.

A. Summary of Recommendations

The Commission should reject proposed adjustments from Cal Advocates, SBUA, and TURN and adopt the following findings of fact and conclusions of law:

1. PG&E's legacy billing systems are outdated and in need of replacement.
2. PG&E's proposed three-stage Billing Modernization Initiative is a prudent and reasonable solution to the challenges faced by its existing billing systems and should be adopted.
3. PG&E's Application and supporting testimony satisfy the Commission's directives in the 2023 General Rate Case Decision (D.23-11-069).

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[3] However, should the Commission adopt any recommended cost adjustments, such adjustments should be made from PG&E's total request ($756.4 million) rather than from the adjusted amount reflected in the Partial Settlement Agreement ($668.2 million). For example, if the Commission rejects recovery of contingency costs associated with all three stages of the BMI (totaling $84.7 million), as recommended by Cal Advocates (Cal Advocates Opening Br., pp. 14-15, 22-23, 28-30), the $84.7 million adjustment should be subtracted from PG&E's total request of $756.4 million ($756.4 million - $84.7 million = $671.7 million). Because the difference ($671.7 million) is greater than the amount in the Partial Settlement Agreement ($668.2 million), PG&E would further reduce its requested cost recovery to $668.2 million if the Commission also approves the Partial Settlement Agreement. Further, PG&E respectfully requests the Commission take care to not double-count adjustments, as various proposals from the parties overlap.

4. PG&E's forecasted costs and requested revenue requirement, as modified by the Partial Settlement Agreement, are reasonable and should be approved.

5. PG&E and the Joint CCAs' Partial Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest.

6. PG&E and the Joint CCAs' Joint Motion to Adopt the Partial Settlement Agreement should be granted.

II. LEGAL STANDARD

The legal standard does not appear to be in dispute in this proceeding. PG&E bears the burden of proof of establishing that rates are just and reasonable by a preponderance of evidence.[4] Where other parties propose a result different from that asserted by the utility, they bear the burden of providing evidence to support that recommendation. Specifically, "[t]he burden of going forward to produce evidence relates to raising a reasonable doubt as to the utility's position and presenting evidence explaining the counterpoint position. Where this counterpoint causes the Commission to entertain a reasonable doubt regarding the utility's position, and the utility does not overcome this doubt, the utility has not met its ultimate burden of proof."[5]

III. RESPONSES TO CAL ADVOCATES' ARGUMENTS

A. Stage 1: Billing Cloud Services (BCS) Costs are Just and Reasonable

PG&E has successfully completed the first stage of the BMI, the Billing Cloud Services (BCS) implementation.[6] BCS improves the speed, efficiency, and consistency of billing for electric customers on complex rates.[7] PG&E deployed BCS in August 2025 (approximately two months after the projected go-live date in PG&E's application) and completed the stabilize phase

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[4] D.19-09-025, p. 4-5, citing D.08-12-058, p. 19.

[5] D.87-12-067, p. 25-26.

[6] Stage 1: BCS replaced PG&E's Advanced Billing System (ABS) for electric complex billing customers. PG&E developed ABS in-house in the 1990s for a small subset of customers on complex rates. It relied heavily on customizations and exceeded its planned capacity of customers. See PG&E Opening Br., pp. 11-13.

[7] For a more detailed description of customer benefits of BCS, see PG&E Ex-01, p. 4-25, lines 1-18; p. 4-34, line 21 to p. 4-36, line 7; and p. 6-15, lines 8–10.

on schedule in December 2025.[8] Though implementation delays resulted in $13 million in additional costs, PG&E is not seeking an increase in total cost recovery for this overrun.[9] Rather, PG&E aims to find efficiencies in Stages 2 and 3 to offset the increased cost of BCS.[10] The successful implementation of BCS contradicts Cal Advocates' portrayal of the project.

Cal Advocates argues that changes to the schedule and cost of the BCS justify an $86.9 million reduction in cost recovery for the project.[11] The evidentiary record demonstrates the opposite: PG&E's changes to the scope and timing of BCS reflect "a deliberate decision to enhance and extend testing beyond the original plan to ensure production readiness."[12] PG&E increased Operational Readiness Testing from two cycles covering 10 billing calculation cycles to three full-month Operational Readiness Testing cycles "to more thoroughly ensure the system was ready to perform at production scale and complexity."[13] This yielded "a more reliable product than would have been possible at the earlier projected go-live date."[14] The Commission should not penalize PG&E for choosing rigor over speed. A utility that adjusts its testing protocol mid-project in response to what it learns is engaged in prudent project management, not deficient project planning.

Even if the Commission attributes the delay to a deficiency in project planning, as Cal Advocates suggests, the appropriate remedy is to not allow recovery of the $13 million overrun (and PG&E has already decided not to increase its total requested cost recovery to reflect the additional costs), not the $86.9 million reduction proposed by Cal Advocates.

To the extent Cal Advocates' recommendation rests on a comparison to PG&E's proposed Billing System Upgrade Project in PG&E's 2023 GRC (e.g., its frequent references to

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[8] PG&E Ex-04, p. 4, Table 1 and AtchA-2; PG&E Ex-01, p. 5-1, lines 24-25.

[9] PG&E Ex-04, p. 18, lines 3-10. PG&E also reclassified $2 million in costs from C2M to BCS for work related to modular rates that was applied to the BCS project (essentially completing a small portion of the C2M work early).

[10] PG&E Ex-04, p. 18, lines 3-10.

[11] Cal Advocates Opening Br., pp. 6-8.

[12] PG&E Ex-04, p. 5, lines 13-14; *see also* June 9, 2026 Hearing Tr. Vol. 2, 90:5-16, PG&E/Hedges.

[13] PG&E Ex-04, p. 5, lines 27-29.

[14] PG&E Ex-04, p. 5, lines 31-33.

"repeated" delays),[15] that proposal was rejected and is no longer before the Commission (for additional discussion, see Section V.B, below). As PG&E has explained at length, this is not an "apples-to-apples" comparison.[16] Rather, PG&E's proposal in this proceeding reflects a re-evaluation of the BCS stage in light of issues identified during the initial testing phase of the BCS.[17]

Cal Advocates would also penalize PG&E for re-evaluating and re-planning the BCS implementation and supplementing its design, build, and test-phase work in 2023-2024 after the first round of testing identified gaps in the requirements and designs of BCS (prior to filing the Application in this proceeding).[18] Cal Advocates mischaracterizes this work as a "redo" of earlier work. It was not. Rather, it reflects prudent project management. PG&E identified issues during the initial testing phase (which is precisely what testing is intended to do) and revised its project plan to address those issues rather than go-live with unresolved issues that would negatively impact customers.[19] Identifying these issues through testing would not have been possible without the foundational plan/analyze, design, and build work. Contrary to Cal Advocates' assertion, when PG&E restarted these activities it did not start from scratch. It had the benefit of its earlier work and testing.[20] Cal Advocates would impose a rule that allows cost recovery only where testing identifies no issues, ignoring the reality of implementing large-scale IT projects.

Next, Cal Advocates recommends that the Commission deny cost recovery for the undepreciated portion of BCS when it is retired upon the implementation of C2M (referred to as

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[15] *See, e.g.,* Cal Advocates Opening Br., pp. 6-7, 10-11, 26. PG&E notes that it has made a single update to project schedules in this proceeding (*see generally* PG&E Ex-04). References to "repeated" delays therefore presumably refer to the rejected 2023 GRC proposal.

[16] *See* PG&E Ex-03, p. 2-2, line 1 to p. 2-6, line 25.

[17] *See* PG&E Ex-01, p. 5-13, line 11 to p. 5-18, line 13 (describing changes to the BCS project plan in detail).

[18] Cal Advocates Opening Br., pp. 8-10.

[19] *See* PG&E Ex-01, p. 5-13, line 11 to p. 5-20, line 31.

[20] PG&E Ex-03, p. 2-16, lines 3-14.

"stranded costs" and estimated at $12.0 million).[21] Cal Advocates claims that the estimated stranded costs lack documentation, create a risk of double-recovery, and should be handled in a separate proceeding. PG&E thoroughly addressed these concerns in Rebuttal Testimony.[22]

These projected stranded costs are included in PG&E's $756.4 million request in this proceeding—meaning that if they are approved here, there would be no reason to seek their recovery in another proceeding (and there would therefore be no risk of double recovery).[23] As explained in Rebuttal Testimony, "PG&E uses the Commission-authorized vintage retirement method for software. This method ensures no double recovery."[24]

PG&E also explained the basis for its estimate of stranded costs. PG&E's Rebuttal Testimony describes the BCS project scope as dividing into two functional categories: (1) rates calculation functionality (approximately 60% of scope, consisting of usage framing, rate calculation, bill print configuration, and related bill-calculation functions) and (2) interface functionality (approximately 40% of scope, consisting of the processes moving data into and out of BCS).[25] The rates calculation functionality is not stranded because BCS and C2M share the same underlying rate-calculation engine, and PG&E plans to build on the BCS rate designs in C2M.[26] The interface functionality, by contrast, becomes unnecessary once C2M consolidates ABS, BCS Electric, and CC&B onto a single platform, eliminating the need for the current inter-system interfaces (this is the 40% the stranded-cost estimate captures).[27]

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[21] Cal Advocates Opening Br., pp. 15-16. We note that Cal Advocates simultaneously takes issue with PG&E's estimate of BCS stranded costs and recommends using the same estimate as the basis for an adjustment of PG&E's cost recovery.

[22] PG&E also notes that this issue is distinct from the Commission's directive to explain whether "the project would result in stranded investments for ratepayers as a result of previous spending on the *current* billing system." D.23-11-069, p. 549 (emphasis added). PG&E complied with this directive and went one step further to analyze whether the new systems implemented in the first two stages of the BMI, BCS and CC&B version 25.4 would result in stranded costs once C2M was implemented.

[23] *See* PG&E Ex-03, p. 2-27, line 18 to p. 2-28, line 4.

[24] PG&E Ex-03, p. 2-28, lines 6-9.

[25] PG&E Ex-03, p. 2-25, line 29 to p. 2-26, line 15 (referencing PG&E's response to CalAdvocates_026-Q001).

[26] PG&E Ex-03, p. 2-26, line 23 to p. 2-27, line 2.

[27] PG&E Ex-03, p. 2-27, lines 3-10.

B. Stage 2: Customer Care & Billing (CC&B) Version 25.4 is Reasonable and Necessary

The CC&B version 25.4 upgrade is necessary, reasonable, and beneficial to PG&E's customers.[28] This intermediate upgrade will stabilize PG&E's CC&B system by upgrading to the most up-to-date version of Oracle's CC&B program (version 25.4), addressing cybersecurity vulnerabilities and asset failure risk and bringing the product into standard vendor support.[29] Cal Advocates' arguments to the contrary and recommendation that cost recovery be denied for the entirety of the project are not supported by the record and the Commission should therefore decline to adopt them.

The record contains ample evidence that an interim upgrade to CC&B version 25.4 is necessary and has significant non-quantifiable benefits to customers. PG&E's Direct Testimony explains that CC&B version 2.4 was released in November 2012, reached the end of Oracle's extended support in November 2020, and is the last CC&B version compatible with PG&E's COBOL customizations.[30] The existing version of CC&B (version 2.4) has significant cybersecurity vulnerabilities that cannot be patched or remediated on the outdated version.[31] PG&E witness Matthew Hedges further testified on cross-examination that upgrading brings PG&E's system back into vendor support and remedies open cybersecurity vulnerabilities.[32]

Cal Advocates' commensurate benefits framing conflates financial benefit with necessity.[33] Though the CC&B 25.4 upgrade yields a low financial benefit-cost ratio in isolation, that is because the primary benefit of the upgrade is a non-quantified risk mitigation. By design, PG&E's three-stage BMI deliberately sequences risk-mitigation investments (BCS and CC&B 25.4) ahead of the stage that captures the bulk of quantifiable financial benefit

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[28] Note that some parties refer to this stage as CC&B version 25.1 because that was the version number used in PG&E's Application and Initial Testimony. Oracle subsequently changed its numbering/naming convention to [Year].[Month] (thus, renumbering what was going to be version 25.1 to version 25.4 for April 2025). PG&E Ex-03, p. 2-16, n. 57.

[29] PG&E Ex-01, p. 4-29, lines 8–10 and p. 4-31, lines 20-27.

[30] PG&E Ex-01, p. 2-9, line 7 to p. 2-11, line 8; PG&E Ex-03, p. 2-17, lines 8-11; June 9, 2026 Hearing Tr. Vol. 2, 51:22-25, PG&E/Hedges (confirming the same on cross).

[31] PG&E Ex-01, p. 1-8, lines 29-31.

[32] June 9, 2026 Hearing Tr. Vol. 2, 53:23-54:3, PG&E/Hedges.

[33] Cal Advocates Opening Br., p. 17.

(C2M).[34] A low standalone benefit-cost ratio for a necessary stabilization step is not evidence the step is unreasonable. It is the predictable arithmetic result of PG&E's sequencing choice.

Cal Advocates also points to a lack of system failures and cybersecurity incidents to argue that PG&E has overstated cybersecurity risks.[35] However, assuming a lack of incidents indicates a lack of risk is flawed and dangerous.[36] PG&E identified multiple instances of specific vulnerabilities, including the two examples cited by Cal Advocates.[37] PG&E's Rebuttal Testimony also makes clear that cybersecurity risks are not hypothetical: "[t]hreat actors are constantly 'pinging' PG&E to identify threat vectors… [e]ach year, PG&E's Security Intelligence and Operations Center blocks tens of millions of cyber-attacks and pings."[38]

PG&E's Rebuttal Testimony also describes the growing threat of cyberattacks more generally, which is "attributed to increases in threat actor groups, increased sophistication of cyberattacks, new malicious payloads, expanding attack surfaces, and either leveraging, or exploiting new technologies (i.e., Gen AI)."[39] Of particular concern to PG&E and its customers, there have been increased attacks targeting the energy sector and critical infrastructure, including

[34] *See* PG&E Ex-01, p. 6-28, lines 4–20.

[35] Cal Advocates Opening Br., p. 19.

[36] PG&E Ex-03, p. 4-2, line 1 to p. 4-3, line 4.

[37] PG&E Ex-03C, p. 4-5, lines 25-28.

[38] PG&E Ex-03, p. 4-2, lines 13-17.

[39] PG&E Ex-03, p. 4-3, lines 9-17 (citing Check Point Research reports on increasing cyberattacks).

cyberattacks on billing systems.[40] Cybersecurity risks to critical infrastructure will no doubt continue to evolve during the pendency of this proceeding.[41]

Cal Advocates also assumes that PG&E's existing mitigations are a stable, sustainable alternative to an upgrade.[42] But PG&E's testimony describes the opposite: a pattern of escalating remediation cost and risk as vendor products age around an unsupported platform. Continuing to operate on the legacy platform as other vendor products are replaced will require PG&E "to continue to develop custom patches (at a higher cost and with more system vulnerability)."[43] That a workaround was *possible* does not mean it was low-cost, low-risk, or sustainable—each successive patch is more expensive and less secure than the last.[44] And custom patches, like other customizations to PG&E's systems, require custom maintenance.[45] Describing two successfully-managed crises in isolation, without accounting for PG&E's testimony that the pattern is compounding, is not a fair reading of the record.

Cal Advocates next argues that delays to the CC&B version 25.4 implementation undercut the urgency of the upgrade. Here too, Cal Advocates would punish PG&E for choosing rigor over speed. The delay in the CC&B 25.4 upgrade reflects a prudent decision to balance

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[40] PG&E Ex-03, p. 4-3, line 18 to 4-5, line 4 (citing United States (U.S.) Department of Homeland Security (DHS) Office of Intelligence and Analysis, 2025 Homeland Threat Assessment, p. 22-23, available at: https://www.dhs.gov/sites/default/files/2024-10/24_0930_ia_24-320-ia-publication-2025-hta-final-30sep24-508.pdf (accessed Aug. 12, 2026); FBI, Chinese Government Poses 'Broad and Unrelenting' Threat to U.S. Critical Infrastructure, FBI Director Says (Apr. 18, 2024), available at: https://www.fbi.gov/news/stories/chinese-government-poses-broad-and-unrelenting-threat-to-u-s-critical-infrastructure-fbi-director-says (accessed Aug. 12, 2026); and National Coordinator for Critical Infrastructure Security and Resilience, CISA Cybersecurity Advisory: Ransomware Actors Exploit Unpatched SimpleHelp Remote Monitoring and Management to Compromise Utility Billing Software Provider (June 12, 2025), available at: https://www.cisa.gov/news-events/cybersecurity-advisories/aa25-163a (accessed Aug. 12, 2026)).

[41] *See, e.g.,* Jenna McLaughlin, *Are hacks of U.S. water facilities a new front in the Iran war?*, NPR (Aug. 12, 2026), https://www.npr.org/2026/08/12/nx-s1-5927437/cyberattack-water-iran-war.

[42] Cal Advocates Opening Br., p. 19.

[43] PG&E Ex-01, p. 2-38, line 18 to p. 2-39, line 7.

[44] PG&E Ex-01, p. 2-35, lines 7-17; *see also* PG&E Ex-01, p. 2-38, line 18 to p. 2-39, line 7.

[45] PG&E Ex-01, p. 2-36, lines 10-18 ("With PG&E's highly customized CC&B, each patch must be individually assessed to see if PG&E has implemented a customization for the target patch functionality. If so, PG&E must engage a vendor to provide a custom patch and retest the functionality, or delay patching the system altogether. This makes the system further out-of-date, and further exposes the system to cyber risk.")

urgency with managing project risks/applying lessons learned from BCS (i.e., PG&E made a prudent decision to not rush the project despite the urgency, because rushing could have led to worse delays/results). PG&E chose to run a competitive RFP process to select a system integrator, rather than proceed without one, and to apply lessons learned from BCS regarding resource allocation and early scope definition.[46] A utility that takes additional time to competitively select a systems integrator and incorporate lessons from its first implementation is not acting inconsistently with a risk-based justification for the upgrade—it is *managing* that risk prudently rather than rushing a vendor selection that could compound the CC&B project's execution risk. If PG&E were instead to prioritize speed and execute the project without the necessary resources, it would significantly increase the risk of billing errors and other customer issues.

Likewise, the delay does not have a significant impact on the benefits of the CC&B 25.4 upgrade.[47] Under the Application as filed, CC&B 25.4 was projected to go live in October 2026 and to remain in service until C2M's then-projected December 2029 operative date (an in-service period of approximately 38 months).[48] Under the updated schedule in PG&E's Supplemental Testimony, CC&B 25.4 will become operative in August 2027 and remain in service until C2M's updated June 2030 operative date (an in-service period of approximately 34 months). That is a reduction of roughly four months, not the open-ended erosion Cal Advocates' brief implies.[49]

C. Stage 3: Customer-to-Meter (C2M) Costs are Just and Reasonable and Will Provide Real Benefits to Customers

C2M is a comprehensive replacement for PG&E's legacy billing systems. It is a unified customer care, service order, metering and billing system designed to handle the complexities and challenges associated with PG&E's business processes. Once C2M is complete, the outdated and heavily customized patchwork of current systems will be replaced by a streamlined, efficient, and capable system. The bulk of the quantifiable benefits of the BMI come from the

[46] PG&E Ex-04, p. 6, lines 9-17.

[47] *See* PG&E Ex-04, p. 22, lines 1-5; c*ontrast* Cal Advocates Opening Br., p. 20.

[48] PG&E Ex-04, p. 18, Table 4.

[49] PG&E Ex-04, p. 18, Table 4.

implementation of C2M.[50] C2M will address the vulnerabilities of the legacy billing systems while delivering features and functionality that the current systems lack.

Like the other two stages of the BMI, PG&E updated the timeline for C2M in its supplemental testimony, which describes "six-month delay in the go-live date for the C2M implementation, driven primarily by PG&E's decision to modify the execution of the Re-Launch phase of the project and extend the phase by six months."[51] PG&E explained that it "needed additional time to select the system integrator, prepare the project team to execute the C2M implementation, and incorporate lessons learned from the previous two stages" in order to "maintain quality, guard against risk, and ensure organizational readiness."[52] PG&E further explained that it would not request additional cost recovery as a result of the delay. In other words, the total cost forecast for the BMI remained unchanged at $756.4 million.[53] Cal Advocates, however, argues the Commission should interpret these updates as indicia of uncertainty or unreliability, rather than reasonable adjustments to a project plan.[54]

Contrary to Cal Advocates's assertions, adapting a project plan mid-execution in response to lessons learned is evidence of appropriate project governance. PG&E's Supplemental Testimony explains that the Re-Launch phase was deliberately restructured (combining subject-matter-expert evaluation with the vendor RFP process) specifically "to incorporate lessons learned from the BCS implementation" and "alleviate PG&E resource constraints," which the testimony states will "ensure the selection of a better suited vendor" while "reducing the risk of future delays and cost overruns."[55] Choosing a more rigorous vendor-selection process because of what PG&E learned executing BCS is the opposite of an unformed plan. It is the plan being

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[50] PG&E Ex-01, p. 6-12, lines 11-16; p. 6-13, Table 6-4; p. 6-28, lines 3-4; p. 6-30, line 12 to p. 6-31, line 3.

[51] PG&E Ex-04, p. 13, lines 23-29 (also pointing out that "PG&E expects the duration of the C2M stage from Build through Deployment to remain the same as initially projected (three years)—in other words, the implementation of C2M is starting later but will likely take the same amount of time to complete").

[52] PG&E Ex-04, p. 14, lines 1-7.

[53] PG&E Ex-04, p. 17, lines 26–29.

[54] *See* Cal Advocates Opening Br., pp. 23-24, 26.

[55] PG&E Ex-04, p. 17, lines 1–13.

refined by real-world experience, which is precisely what a prudent utility should do when implementing an IT project of this scale.

Cal Advocates would impose an unworkable rule for the BMI and future IT projects: wait to seek cost recovery until a substantial portion of the project has been completed and the project plan is set in stone.[56] In so doing, Cal Advocates confuses planning activities (such as identifying and estimating staffing needs) with execution activities (staffing a project as work begins). Cal Advocates also ignores the reality that prudently managing large-scale IT projects inherently involves adapting to issues identified and lessons learned during the project. Prudent decisions to adjust a project plan and candor about residual schedule risk in a program of this scale and complexity is not the same thing as the absence of a mature plan.

Cal Advocates would also evaluate C2M piecemeal and cut funding for three of the five modules within C2M.[57] C2M is procured and operated as a single, unified operating system, not as five separable modules, and PG&E does not track costs by module in the ordinary course of business.[58] When Cal Advocates pressed for a module-level cost breakout despite this, PG&E — solely to be responsive — prepared and produced an illustrative estimate, expressly labeled: "[t]his cost breakdown … is PG&E's best effort to break out these costs in a manner that they are not generally presented or tracked, and is solely for illustrative purposes and should not be relied upon as an actual breakdown of costs."[59] Cal Advocates nonetheless used that illustrative estimate as if it were an actual, reliable cost allocation.[60] PG&E presented evidence describing the functionality of each module and how they will work together within the C2M system to

[56] *See* Cal Advocates Opening Br., p. 24 ("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.")

[57] Cal Advocates Opening Br., p. 25. *See also* CA-04, p. 8, lines 19-24 (recommending removal of costs associated with Service Order Management (SOM), Market Transaction Management (MTM), and Operational Device Management (ODM)).

[58] PG&E Ex-03, p. 2-10, lines 11–18 (quoting PG&E's Response to Data Request CalAdvocates_003-Q001Supp01).

[59] PG&E Ex-03, p. 2-10, lines 20–25 (quoting PG&E's Supplemental Response to Data Request CalAdvocates_003-Q001); PG&E Ex-03, Appendix B, pp. 3-4 (PG&E's Response to Data Request CalAdvocates_003-Q001Supp01).

[60] PG&E Ex-03, p. 2-10, lines 26–28.

benefit PG&E's customers.[61] Each module is a component of C2M and they will all become operative when C2M goes live. Cal Advocates' piecemeal approach to the components of C2M is unreasonable, and the Commission should deny their recommendation.

Cal Advocates also takes aim at a planned reassessment of C2M at the end of the CC&B version 25.4 upgrade, arguing this justifies reducing funding for three of the five modules within C2M.[62] However, this planned reassessment is a deliberate "prudency check," built into the project design from the start. Rather than an indication of uncertainty, the prudency check is a straightforward assessment of whether there are any new products or other market changes that impact PG&E's conclusion that C2M is the most prudent and reasonable solution for the BMI.[63] As PG&E explained in Initial Testimony, "[t]his prudency check is warranted given the pace of technology change in the industry as well as ensuring vendor performance remains on the levels experienced prior to this Initiative commencing."[64] If the Commission approves C2M and PG&E subsequently determines, during this prudency check, that a different solution would be more reasonable than C2M, it would need Commission approval to change course.

D. PG&E's Labor and Overhead Cost Forecasts are Reasonable and Incremental

Cal Advocates argues that the Commission should deny labor and overhead costs for all three stages of the BMI.[65] PG&E has shown that its labor and overhead cost forecasts for the BMI are reasonable and incremental to labor and overhead costs in the 2023 GRC. The Commission should approve PG&E's BMI cost forecasts.

First, PG&E's labor and overhead costs forecasts are reasonable and prudent because such costs are necessary to implement each stage of the BMI (which are themselves prudent and reasonable, as discussed above). PG&E's Initial Testimony describes its cost estimation and staffing plan process, including working "with project management subject matter experts from

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[61] PG&E Ex-01, p. 4-37, line 5 to p. 4-41, line 10.

[62] Cal Advocates Opening Br., p. 25.

[63] *See* PG&E Ex-03, Appendix B, p. AppB-20 (PG&E's Response to Data Request CalAdvocates_028-Q002).

[64] PG&E Ex-01, p. 1-4, lines 20–25.

[65] Cal Advocates Opening Br., pp. 10-13 (BCS labor and overhead costs), 21-22 (CC&B 25.4 labor and overhead costs), and 26-28 (C2M labor and overhead costs).

its vendors and third-party system integrators to develop a robust staffing and resource plan, including forecasts of internal and external resources required."[66] This staffing and resources plan served as an input to PG&E's forecasting tool, which applied forecasted resource and overhead costs to inform PG&E's final cost estimate.[67] PG&E also provided detailed labor cost estimates for each stage of the BMI.[68]

Cal Advocates suggests that requested straight-time labor and employee overhead costs are already funded through PG&E's 2023 GRC-authorized revenue requirement because PG&E did not hire new employees or forecast additional FTEs for the BMI.[69] PG&E has shown this is incorrect and addressed Cal Advocates' arguments at length in Rebuttal Testimony.[70] Cal Advocates' incrementality theory rests on the premise that costs are only "incremental" if PG&E hired new employees or retained new contractors after the 2023 GRC forecast.[71] This theory suffers from a fatal flaw: neither the 2023 GRC nor the BMI use headcount-based forecasts. Both PG&E's 2023 GRC costs and its BMI costs are estimated using an activity-based forecasting methodology that estimates the total cost of performing an activity without regard to which specific employees perform it.[72] Because the 2023 GRC did not authorize funding for any BMI activities (because the Commission rejected PG&E's Billing System Upgrade Project in the 2023 GRC), there is no activity-level overlap for Cal Advocates' theory to attach to.[73] Even if there were overlap, PG&E's cost tracking practices would prevent double-recovery. PG&E forecasts and records BMI costs under distinct SAP order identifiers separate from GRC-funded work; employees may allocate their time to only one order per activity (these charges encompass

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[66] PG&E Ex-01, p. 6-17, lines 9–20.

[67] PG&E Ex-01, p. 6-17, lines 9–20.

[68] PG&E Ex-01, p. 5-47, line 1 to p. 5-52, line 24.

[69] Cal Advocates Opening Br., pp. 11-13, 21, and 27-28.

[70] PG&E Ex-03 p. 3-2, line 1 to p. 3-7, line 28.

[71] PG&E Ex-03, p. 3-2, line 1 to p. 3-3, line 3 (quoting CA-02, at p. 22, lines 3–7).

[72] PG&E Ex-03, p. 3-3, line 27 to p. 3-4, line 14.

[73] PG&E Ex-03, p. 3-6, lines 23-28 (citing D.23-11-069,pp. 546–550).

both labor and overhead costs); and PG&E performs order-level quality assurance to confirm costs are properly assigned.[74]

Cal Advocates assertion that incremental work requires hiring new employees is also impractical. Hiring new employees for every additional project would be costly and inefficient because it would require recruiting, training, and onboarding new employees at the beginning of each project and loss of experience and knowledge at the end of the project.[75] Activity-based forecasting enables flexible use of internal employees and external resources to complete work efficiently, allowing PG&E to allocate experienced resources where they are needed most.[76] It also allows PG&E to develop a team of experienced resources who can support the CC&B system and implement projects—regardless of whether those projects are authorized in a GRC or another proceeding.[77]

Cal Advocates contends that PG&E's activity-based forecasting methodology and its practice of tracking costs under separate SAP order identifiers do not, by themselves, establish incrementality.[78] Cal Advocates supports this argument by invoking two Commission decisions, D.23-02-017 and D.25-06-051 (as modified on rehearing by D.26-05-034), for the general principle that redirecting existing resources to a new activity does not create incremental costs absent evidence that additional resources were procured.[79] Neither case is dispositive here. D.23-02-017 adopted a settlement and did not reach the incrementality question on the merits, meaning Cal Advocates is citing non-precedential decision.[80] Cal Advocates neglects to mention the Commission's fifth conclusion of law in that decision, which states: "Under Rule 12.5, the adoption of the proposed Settlement creates no precedent for subsequent applications."[81]

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[74] PG&E Ex-03, p. 3-6, lines 5-18.

[75] PG&E Ex-03, p. 3-5, lines 8-21.

[76] PG&E Ex-03, p. 3-5, lines 1-7.

[77] PG&E Ex-03, p. 3-5, lines 22-29.

[78] Cal Advocates Opening Br., p. 12.

[79] Cal Advocates Opening Br., pp. 11-13.

[80] PG&E Ex-03, p. 3-4 (citing D.23-02-017, p. 27).

[81] D.23-02-017, p. 35, COL 5.

In D.25-06-051, the Commission disallowed certain straight-time labor and overhead costs recorded to SCE's Wildfire Mitigation Plan Memorandum Account (WMPMA), Fire Risk Mitigation Memorandum Account (FRMMA), and Vegetation Management Balancing Account (VMBA), finding Southern California Edison (SCE) did not demonstrate that costs incurred above amounts previously authorized were reasonable.[82] There, the Commission was evaluating incremental costs for wildfire mitigation and vegetation management activities that had been authorized in SCE's 2021 GRC—a different situation than is present here because none of the BMI activities were authorized in PG&E's 2023 GRC (as discussed above). On rehearing, the Commission made clear that incrementality and reasonableness are separate inquiries and the Commission disallowed the straight-time labor costs based on reasonableness, not incrementality.[83] Cal Advocates' brief conflates these two inquiries and block-quotes portions of D.25-06-051 that were struck and revised on rehearing by D.26-05-034.[84] More importantly, the Commission explained: "[w]hile no specific type of documentation is required to demonstrate reasonableness… SCE could explain how it determined that the specific labor amount requested exceeds the amounts authorized in the GRC and demonstrate why it incurred the incremental costs pursuant to the prudent manager standard."[85] PG&E has done both here. As discussed above, PG&E has presented evidence that BMI labor and overhead costs are incremental to labor and overhead costs authorized in the 2023 GRC and that those costs are reasonable.

Cal Advocates also appears to misunderstand the nature and purpose of surge staffing.[86] Surge staff are temporary employees brought on to maintain continuity of business operations

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[82] D.26-05-034, p. 2.

[83] D.26-05-034, p. 4.

[84] *Compare* Cal Advocates Opening Br., p. 12 (quoting D.25-06-051, p. 42 "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") with D.26-05-034, Attachment A (a redline of D.25-06-051, striking the same on p. 39. *Compare also* Cal Advocates Opening Br., p. 12 (quoting D.25-06-051, p. 44 "To establish the reasonableness of these costs, SCE could … provide documentation to verify and substantiate that the costs were not embedded in existing rates") with D.26-05-034, Attachment A, p. 41 (a redline of D.25-06-051, modifying same to say "To establish the reasonableness of these costs, SCE could, in this instance, provide documentation to establish the bases for these incremental costs.").

[85] D.25-06-051, p. 42, *as modified on reh'g by* D.26-05-034.

[86] Cal Advocates Opening Br., p. 27.

(e.g., Technical Operations and Database Support, Billing Operations, and Call Center Operations) during the migration window, so that customer service levels do not degrade while PG&E transitions from the legacy platform to C2M.[87] This is a distinct category from the permanent, full-time employees in the incrementality discussion above.

Finally, Cal Advocates argues that PG&E should have adjusted its labor cost forecast to account for the schedule and scope changes described in PG&E's Supplemental Testimony.[88] However, the delay did not change the activity-based labor forecasts and, as PG&E noted in Supplemental Testimony, it is not seeking additional cost recovery as a result of these changes, so increasing the labor cost forecasts is unnecessary.[89]

E. BMI Contingency Costs are Reasonable

Cal Advocates also challenges PG&E's contingency request for each stage of the BMI, simultaneously claiming they are based on "unknown risks" but that, at least in the case of C2M, such risks have "already materialized."[90] Cal Advocates's brief also says "[c]ontingency funding is intended for *unforeseen* events that cannot reasonably be anticipated during project planning"[91] but also points to a case where "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] These inconsistencies aside, PG&E has shown that its contingency requests are reasonable for a project as complex and unprecedented as the BMI.

PG&E does not dispute the general legal standard that contingency funding must be reasonably estimated and supported. The Commission has maintained a "historic approach in favor of evaluating contingencies for reasonableness and prudence on an individual basis in the context of the scope and complexity of the project for which they are proposed."[93] PG&E's

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[87] PG&E Ex-01, p. 5-51, line 29 to p. 5-52, line 24 and p. 6-19, lines 5-7.

[88] Cal Advocates Opening Br., pp. 10-11.

[89] PG&E Ex-04, p. 17, lines 26–28.

[90] Cal Advocates Opening Br., p. 29.

[91] Cal Advocates Opening Br., pp. 14, 22 (emphasis added).

[92] Cal Advocates Opening Br., pp. 14, 22 (emphasis added).

[93] D.24-03-042, p. 26, *reh'g denied by* D.25-01-032.

Direct Testimony describes a specific, quantitative, industry-standard methodology (modeled on the American Association of Cost Engineering (AACE) framework) under which PG&E identifies discrete risks for each project, assigns each an estimated schedule/cost impact and a probability of occurrence (high/medium/low, each mapped to a numeric probability value), and calculates an expected value for each risk.[94] PG&E also responded to data requests with detailed information regarding its contingency calculations.[95] This is the opposite of an unsupported, unpredictable placeholder number. It is a documented, risk-by-risk quantitative estimate, and Cal Advocates' brief does not engage with this methodology in arguing that PG&E's contingency requests lack "documentation or justification."[96]

Cal Advocates cites to the Commission's Decision in California Water Service Company's (Cal Water) 2023 GRC (D.24-03-042) as "[holding] that budgeting for contingencies was not appropriate in a GRC",[97] but the Commission's decision is, in fact, more nuanced[98] and distinguishable from present facts. In D.24-03-042, the Commission rejected "Cal Water's indiscriminate application of contingency factors to projects it describes as routine" where Cal Water assigned each of its 1,170 proposed projects a 10% or 20% contingency factor.[99] Cal Water's blanket approach to contingency is easily distinguished from PG&E's AACE-based, risk-by-risk contingency methodology. In the very same decision, the Commission approved cost recovery for contingency where the utility demonstrated reasonableness—finding that a specific project "merits a contingency based on Cal Water's minimal experience with marine

[94] PG&E Ex-01, p. 6-17, line 21 to p. 6-18, line 19. PG&E seeks recovery only of the resulting expected-value contingency, not the higher "high-cost" scenario also calculated under the same methodology.

[95] *See* CA-02, Appendix L, PG&E's Response to Data Request CalAdvocates_029-Q003.

[96] Cal Advocates Opening Br., p. 14.

[97] Cal Advocates Opening Br., p. 29

[98] *See* D.25-01-032, pp. 6-7 ("Cal Water appears to read the Decision [D.24-03-042] as holding that contingency can never be recovered in a GRC when in fact, the Decision explains that Cal Water fails to justify its contingency approach… Cal Water's interpretation of the Decision is plainly contradicted by the Decision's approval of contingency for the Lucerne project, where Cal Water did show sufficient uncertainty to justify contingency").

[99] D.24-03-042, pp. 26-27.

construction."[100] When denying rehearing, the Commission recounted examples of other cases where it has approved cost recovery of contingency:

> D.16-12-067 notes, for instance, that Golden State Water Company presents its contingency requests with "sufficient detail" and "cited several factors that contribute to uncertainty of project costs." (D.16-12-067, supra, p. 46.) Similarly, in D.19-09-051, the Commission describes how Southern California Gas Company justifies its contingency request with a "project-specific" showing that "take[s] into account specific circumstances regarding each project," and is reviewed "by subject matter experts who examine and weigh the risks and contingencies surrounding each specific project."[101]

The BMI, and the contingency amounts requested for each stage, are more like Cal Water's marine construction project than a blanket contingency for routine projects. The BMI is a complex, one-off IT project that is unprecedented in scope and scale. PG&E's contingency requests are based on project-specific estimates, rather than flat percentages, and PG&E has presented them with sufficient detail and project-specific showings. The Commission should approve the contingency amounts included in PG&E's cost forecast.

IV. RESPONSES TO SBUA'S ARGUMENTS

SBUA first recommends that the Commission should deny the entirety of the BMI—a position SBUA itself does not appear to take seriously, as they recognize "this is unlikely to occur", make no arguments in support of the position in their brief, and offer scant evidence upon which to base such arguments, if made.[102] The Commission should dismiss this position out of hand because SBUA has made no attempt to support it with law or fact.

The remainder of SBUA's arguments, while made with slightly more discussion, are not supported by the record in this proceeding, either because SBUA failed to produce sufficient evidence to support their recommendations in the first instance or because PG&E has sufficiently rebutted the evidence and arguments offered by SBUA. As discussed in more detail below, the Commission should decline to adopt SBUA's recommendations.

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[100] D.24-03-042, p. 70.

[101] D.25-01-032, p. 5.

[102] SBUA Opening Br., p. ii; SBUA-01, p. 7, lines 6-9.

A. Capital Costs Incurred Prior to Establishing a Memorandum Account Are Recoverable Once Assets Are Placed in Service

SBUA alleges that PG&E "acceded" to its view that "PG&E must deny costs incurred before it established a memorandum account on October 23, 2024."[103] This misstates PG&E's position. In Rebuttal Testimony, PG&E agreed to remove *expense* spending incurred prior to October 23, 2024, but explicitly declined to do the same for *capital* expenditures: "PG&E accepts SBUA's recommendation to remove expense spending prior to the Application submission date of October 23, 2024. However, capital expenditures cannot be removed because it does not become recoverable until the capital asset goes operative."[104] SBUA ignores this distinction and presents PG&E's partial concession on expense as if it were a wholesale concession on all pre-Application costs. It was not, and the reason PG&E gave — that capital costs are not "recoverable" (i.e., included in revenue requirement) until the asset is placed in service, regardless of when the memorandum account is established — is a basic and uncontested ratemaking principle that SBUA does not attempt to rebut.

B. Implementing C2M on Schedule is the Most Prudent and Reasonable Solution

After criticizing PG&E for implementation delays, SBUA offers a surprising solution: further delay.[105] This is a new position for SBUA and is unsupported in the record. A two-year deferral is a significant, costly remedy, and SBUA's brief does not explain why PG&E's actual responses to the BCS implementation challenges (expanding Operational Readiness Testing from two cycles to three full-month cycles,[106] restructuring the C2M Re-Launch phase to combine subject-matter-expert evaluation with a competitive vendor RFP process specifically to incorporate BCS lessons learned,[107] and conducting case-study reviews with Accenture[108]) are

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103 SBUA Opening Br., p. 2.

104 PG&E Ex-03, p. 1-7, lines 2–5.

105 SBUA Opening Br., pp. 3-4 (recommending that C2M be delayed for an additional two years).

106 PG&E Ex-04, p. 5, lines 13-21.

107 PG&E Ex-04, p. 17, lines 1–13.

108 PG&E Ex-06, p. 22.

insufficient, as opposed to simply being different from what SBUA would have preferred. A two-year blanket deferral would also delay the C2M benefits that make the BMI cost-beneficial.

SBUA suggests that PG&E must prove CC&B will be unable to issue bills before replacing it – but that is not the standard here. Rather, "[c]osts are just and reasonable when they 'have been prudently incurred by competent management exercising the best practices of the era, and using well-trained, well-informed and conscientious employees and contractors who are performing their jobs properly.'"[109] Waiting until CC&B is unable to issue bills would clearly be imprudent. The CC&B 25.4 stabilizing upgrade is not a long-term solution to the challenges of the legacy billing systems described at length in PG&E's testimony.[110] The record contains ample evidence that C2M is a prudent and reasonable long-term solution, and SBUA does not advance any compelling reason to further delay implementation.[111]

C. PG&E's Scoping and Implementation of BCS and the larger BMI was Prudent and Reasonable

SBUA next argues that PG&E's scoping and implementation of the BMI, and BCS in particular, was imprudent.[112] SBUA offers a variety of reasoning that essentially boils down to two claims: (1) PG&E should have had more meetings with other utilities and (2) PG&E should have used different internal and external personnel to implement BCS. Neither is sufficient to overcome the substantial evidence provided by PG&E that its project planning and implementation were prudent and reasonable.[113]

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[109] D.16-06-056, p. 22, quoting D.14-06-007, p. 31.

[110] PG&E Ex-01, p. 4-30, lines 13-28; S*ee also, generally*, PG&E Ex-01, Chapter 2 (Legacy Billing Systems Overview) and Chapter 3 (Billing Systems and Risk Management).

[111] SBUA also makes an argument related to stranded costs (SBUA Opening Br., p. 3), which is rebutted by PG&E's reply to Cal Advocates' stranded cost arguments in Section III.A. above and the testimony cited therein.

[112] SBUA Opening Br., pp. 4-7.

[113] PG&E Opening Br., pp. 20-21 (describing to select the most prudent and reasonable solution); PG&E Ex-01, p. 4-22, line 31 to p. 4-23, line 13 (describing advice provided by industry experts Accenture and Utilligent); PG&E Ex-01, p. 4-24, lines 3–34 (describing competitive vendor selection process); PG&E Ex-01, p. 6-17, line 21 to p. 6-18, line 19 (describing risk analysis using AACE); PG&E Ex-04, p. 22, line 6 to p. 24, line 34 (describing how lessons learned from the BCS stage will improve the remainder of the BMI); June 9, 2026 Hearing Tr. Vol. 2, 87:9-88:24, PG&E/Hedges (discussing PG&E's identification of project completion risks); *see also* Section III.A-C, above, for a discussion of the reasonableness of each stage of the BMI).

SBUA selectively cites excerpts from written testimony and cross examination to suggest that PG&E did not adequately learn from the experience of other utilities' billing system implementations. The full record shows the opposite is true. PG&E not only met with other utilities but also engaged consultants with broad utility industry experience and considered case studies of other utility billing system implementations.[114] SBUA also takes issue with what PG&E learned from this process, despite PG&E explaining that other utilities implemented different products from different vendors.[115] SBUA has offered no evidence that PG&E's level of engagement with other utilities was insufficient or that additional meetings would have had a marginal benefit.

SBUA alleges that an inconsistency between PG&E's cross examination testimony and PG&E's responses to the Administrative Law Judge's Ruling Directing Filing of Additional Information (PG&E Ex-06) make the latter misleading.[116] That is not the case. PG&E met with ConEd, Portland General Electric (PGE), and Southern California Edison (SCE) as described in PG&E Ex-06. PG&E witness Mr. Hedges did not attend the meetings with PGE and SCE and, during cross examination, did not recall that others had met with those utilities.

SBUA also suggests that PG&E could have chosen more experienced internal project lead or external system integrator. However, SBUA's analysis ignores the fact that BCS was a new product when PG&E began the project (despite quoting PG&E testimony explaining this very fact). Indeed, PG&E selected Oracle as a system integrator "due to the newness of the BCS product [and] lack of other vendors experienced with its implementation."[117] Survey data

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[114] June 9, 2026 Hearing Tr. Vol. 2, 92:20-93:1, PG&E/Hedges ("we did discuss discussions that we had with NextEra… We have since talked to another utility… the billing modernization initiative leadership met with leaders from — from that utility as well"); *id.* at 102:23-24 ("I do recall two meetings with resources from Con Edison to discuss their implementation."); PG&E Ex-06, p. 22 (describing engagement with other utilities, Accenture, and case studies).

[115] *See, e.g.,* PG&E Ex-03, p. 2-14, lines 1-14 ("San Diego Gas & Electric Company and Southern California Edison Company (SCE) implemented systems from a different vendor, SAP… Because PG&E did not have recent experience that would be comparable, PG&E relied on outside vendors that have extensive experience performing these types of upgrades for utilities across the country."); SBUA-01, Attachment 3, PG&E's Response to Data Request SBUA_001-Q010, at Attachment 1 (CIS Deployment Industry Comparisons); PG&E Ex-02, Workpapers Supporting Chapter 4, WP 4-17 (Accenture benchmarking table).

[116] SBUA Opening Br., p. 8.

[117] PG&E Ex-01, p. 5-8, lines 6–8; *see also* PG&E Ex-03, p. 2-14, line 19 to p. 2-15, line 1.

offered by SBUA as evidence that "apparently more experienced integrators were available" relates to billing system vendors generally—not specifically to system integrators who had implemented BCS (and therefore does not prove the point SBUA is trying to make).[118] Every major vendor has had successes, and every major vendor has had failures[119]—SBUA offers no evidence that a different system integrator would have achieved better results. SBUA also assumes, without evidence, that hiring a project lead from another utility would be superior to the BCS upgrade being led by someone with both outside experience and familiarity with PG&E's systems.[120] PG&E's internal and external staffing decisions were prudent when made.

D. The Record Adequately Explains Lessons Learned Throughout the Early Stages of the BMI, Including BCS

SBUA also claims that PG&E did not learn from BCS implementation challenges.[121] Not true. In Supplemental Testimony, PG&E explained that "lessons learned from the implementation of Stage 1 of the BMI have provided a better understanding of the best practices for implementing a program of this scale, and have led to efficiencies that have been implemented in PG&E's timelines" and discusses specific improvements to test data quality, testing and quality control practices, and cutover readiness.[122]

SBUA also suggests that PG&E should have updated its risk models/contingency estimates for CC&B 25.4 and C2M following cost overruns in BCS.[123] Logically, one would expect those updates to increase contingency costs (given that the BCS contingency estimate turned out to be too low). However, as PG&E explained in Supplemental Testimony, PG&E is not seeking additional cost recovery as a result of the BCS cost overrun.[124] Nor is it seeking any increase in contingency costs for the CC&B 25.4 or C2M project.

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[118] SBUA Opening Br., p. 6.

[119] *See, e.g.*, SBUA Opening Br., pp. 5-6 (listing customer information system implementations that experienced delays, difficulties, and budget overruns).

[120] SBUA Opening Br., p. 6 (citing SBUA-01, which in turn cites PG&E's Response to Data Request SBUA_001-Q008 (listing the qualifications of PG&E's project leadership)).

[121] SBUA Opening Br., p. 8.

[122] PG&E Ex-04, p. 22, lines 7-9.

[123] SBUA Opening Br., p. 9.

[124] PG&E Ex-04, p. 17, lines 26–28.

E. Hard Credits for ABS Costs Are Not Necessary

SBUA argues that PG&E should issue a customer credit for "previously authorized ABS maintenance or capital costs from the costs it is requesting in this application."[125] Such credits are neither necessary nor appropriate here. As PG&E explained in Direct Testimony: "Because of how long the legacy billing systems [including ABS] have been in use, these assets are fully depreciated and there is no capital investment remaining to be recovered from customers."[126] O&M costs for maintenance of existing IT applications, including ABS, are forecast at the major work category (MWC) level—not on a system by system level.[127] The type of forecasting that SBUA assumes exists would be impractical due to replacement, obsolescence, and vendor mergers/consolidations. However, as SBUA points out, the uncontested capital costs approved in the 2023 GRC for ABS systems and maintenance were proposed "alongside the proposed billing upgrade program that the Commission ultimately rejected" and therefore those forecast costs incorporated the anticipated billing systems upgrade contemplated at the time the 2023 GRC was filed. As a result, there is no line item for ABS O&M in the 2023 GRC to deduct. In addition, ABS Gas will remain in use for complex gas customers until C2M is implemented.[128] Therefore, there will be some prudent and reasonable cost to maintaining ABS for these final remaining customers until C2M is placed in service.

F. Forecasted Contingency Amounts are Prudent and Reasonable

SBUA argues that the Commission should deny the entirety of PG&E's requested contingency amounts in this proceeding and conduct a separate reasonableness review proceeding.[129] In so doing, SBUA relies on misunderstanding and mischaracterization of how contingency budgets work. Section III.E above discusses the reasonableness of PG&E's

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[125] SBUA Opening Br., pp. 9-10.

[126] PG&E Ex-01, p. 2-15, lines 8-10.

[127] D.23-11-069, p. 877 COL 167 ("PG&E's uncontested 2023 forecast for MWC JV Maintain IT Applications and Infrastructure in 2023 of $4.501 million should be adopted").

[128] PG&E Ex-01, p. 4-42, lines 3-5 ("Likewise, PG&E would consolidate various applications into C2M, including ABS Gas (which will remain in use for complex gas customers until the transition to C2M), BCS, and the MDMS").

[129] SBUA Opening Br., pp. 11-13

contingency arguments and applies equally to SBUA's recommendations.[130] Below, we address several arguments from SBUA that are distinct from the arguments made by Cal Advocates.

Contingency is a standard cost element in major projects—it provides the project a budgetary buffer for issues that may arise during the project.[131] The Commission evaluates "contingencies for reasonableness and prudence on an individual basis in the context of the scope and complexity of the project for which they are proposed."[132] Much of SBUA's contingency argument stems from a difference between how SBUA perceives contingency to work and how contingency actually works. PG&E does not track specific costs against contingency draws in the way that SBUA contemplates (nor is it required to).[133] Rather, when project leadership forecasts a need to draw from the contingency budgeted for a project, they request a contingency release for additional costs. Once contingency is authorized to be spent, it becomes part of the overall project budget and the project does not track individual costs against the contingency forecast. Similarly, SBUA mischaracterizes the recategorization of CC&B contingency costs as taking CC&B contingency to cover BCS cost overruns, a misconception that PG&E witness Hedges corrected on cross examination, explaining that the reduction was made specifically "to keep our overall request the same from a capital and expense standpoint."[134]

PG&E's AACE-based, risk-by-risk contingency methodology (Section III.E above, PG&E Ex-01, pp. 6-17 to 6-18) is unchanged and unrebutted by anything specific to CC&B or C2M in SBUA's brief; SBUA's own expert's original recommendation (half of the requested amount) implicitly accepted that some contingency is warranted, and SBUA has not identified any new *risk-based* reason to move from that position to full denial. The Commission should approve the AACE-based contingency now, on this record, rather than deferring the question to a future reasonableness proceeding—deferral simply relocates the same dispute to a later docket.

[130] Perhaps even more so, as SBUA concedes elsewhere in its brief that "PG&E has no experience with a meaningfully comparable project." (SBUA Opening Br., p. 4) – a factor that weighs in favor of approving contingency amounts.

[131] CA-02, Appendix L, pp. L-2 to L-3, PG&E's Response to CalAdvocates_029-Q003.

[132] D.24-03-042, p. 26, *reh'g denied by* D.25-01-032.

[133] SBUA-02, Attachment 2, PG&E's Response to Data Request SBUA_003-Q005.

[134] June 9, 2026 Hearing Tr. Vol. 2, 104:1-3, PG&E/Hedges.

G. The Commission Should Reject SBUA's AFUDC Arguments

SBUA's brief also includes passing references to AFUDC, positing that the Commission should not approve AFUDC in advance because PG&E could complete a project more quickly or slowly than anticipated.[135] PG&E's Rebuttal Testimony already answered SBUA's AFUDC arguments in detail, and SBUA's brief does not engage with that rebuttal. SBUA's underlying premise—that a project delay creates an AFUDC "gain" for PG&E, because a later start-year should produce less financing cost—is mathematically incorrect, as demonstrated by PG&E's Rebuttal Testimony walking through SBUA's hypothetical and showing there is no "gain" to be found in SBUA's scenario.[136] AFUDC is calculated as a component of construction cost each month a capital order is active, not as a separate forecast tied to a specific calendar year that a delay could shrink or eliminate; the exception is a project that goes fully inactive for six or more consecutive months, in which case AFUDC pauses automatically.[137] AFUDC is also not a discretionary or self-selected item—it is calculated using a FERC-approved formula with a rate reflecting PG&E's Commission-approved cost of capital, recovered only once the asset is placed in service and only through depreciation over its service life; it is not paid out to PG&E in advance or in cash.[138] While SBUA argues, generally, that "[o]ther utilities do not always request AFUDC upfront[,]"[139] PG&E's treatment of AFUDC here is consistent with how the Commission has treated AFUDC for PG&E projects historically. SBUA's proposal to defer AFUDC recovery to a future reasonableness proceeding would not change the amount PG&E is entitled to recover—it would only change the timing and add administrative cost to a mechanism that already produces the same result under ordinary CWIP accounting.

H. PG&E Has Presented a Reasonable Estimate of Benefits

PG&E's Application in this proceeding includes a rigorous cost-benefit analysis prepared by Accenture, which is described in more detail in PG&E's Opening Brief, testimony, and

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[135] SBUA Opening Br., pp. 7, 13.

[136] PG&E Ex-03, p. 2-21, line 25 to p. 2-22, line 19.

[137] PG&E Ex-03, p. 2-22, lines 12-19.

[138] PG&E Ex-03, p. 2-19, line 23 to p. 2-20, line 2.

[139] SBUA Opening Br., p. 13, citing SBUA-02, pp. 10-11

workpapers.[140] SBUA alleges several flaws in this cost-benefit analysis, each of which is rebutted based on the record, as explained below.[141]

First, SBUA claims that PG&E's benefits estimates are inflated because of the potential for delays in the implementation of C2M.[142] However, PG&E's benefit calculations are based on the life of the systems, not their implementation dates.[143] C2M's lifetime benefits are based on a 13-year useful life of the application regardless of a 2029 or 2030 implementation date.[144] C2M, because it consolidates the legacy systems, will, by definition, have no overlap. SBUA is correct that the savings for each stage of the project are forecasts, but the forecasts are extremely detailed with methodology outlined in testimony and workpapers that show the calculations for every benefit item and category.[145] SBUA is unable to point to any incorrect calculations to support its assertions.

Second, SBUA alleges PG&E's cost estimates are not adequately explained and "inherently involve a great deal of speculation." Not so. PG&E's Direct Testimony describes the cost-benefit methodology in detail and the associated workpapers provide supporting calculations and analysis.[146] As explained by PG&E witness Matthew Briel on cross examination, PG&E's cost-benefit team worked with subject-matter experts on both the current (CC&B) and target (C2M) systems to compare the time required to complete comparable tasks under each system, drawing on existing time-and-volume measurement data from current

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140 PG&E Opening Br., pp. 28-32; PG&E Ex-01, Chapter 6: Description of Cost-Benefit Analysis; PG&E Ex-02, p. WP 6-200 (Accenture's cost-benefit analysis).

141 SBUA Opening Br., pp. 13-16.

142 SBUA Opening Br., pp. 13-14.

143 PG&E Ex-01, p. 6-4, lines 29-31.

144 See PG&E Ex-01, p. 6-5, n. 4.

145 *See*, *generally*, PG&E Ex-01, Chapter 6: Description of Cost-Benefit Analysis; *see also* PG&E Ex-02, Workpapers Supporting Chapter 6 (benefits calculations and Accenture's cost-benefit analysis).

146 *See*, *generally*, PG&E Ex-01, Chapter 6: Description of Cost-Benefit Analysis; *see also* PG&E Ex-02, Workpapers Supporting Chapter 6 (benefits calculations and Accenture's cost-benefit analysis).

operations to project the reduction.[147] This is a subject-matter-expert-validated estimate grounded in current operational data, not an unsupported guess.]

Third, SBUA says PG&E did not explain why it will be less expensive to implement new projects with the C2M system.[148] However, the workpaper cited by SBUA explains the basis for PG&E's estimate: "The 30.5% reduction in rate development costs was developed from an internal PG&E study showing the difference in effort and process time to implement a rate between a linear and modular rate development logic."[149] Also, "[a]s PG&E moves to a singular CIS with a singular rating engine, there will be significant rate development savings to be realized as PG&E only needs to develop, code, and test rates in a single system."[150]

Fourth, SBUA claims that PG&E did not adequately explain internal IT labor support costs.[151] Here too, the workpaper cited by SBUA explains the calculation methodology and rationale for the savings forecast, explaining that PG&E calculated this figure from identified, current (2024) spend on the systems being retired, not from an hours-based percentage-reduction estimate.[152] So the "percentage reduction in hours" SBUA asks for is not the metric PG&E used and its absence is not a gap. PG&E currently spends $1,001,995 supporting the Meter Data Management System and $2,560,397 supporting CC&B. When these systems are consolidated into C2M, these support costs are eliminated and result in a $3.56M savings.[153]

Fifth, SBUA takes issue with estimated savings from license and support costs associated with legacy systems.[154] The $4.143 million and $5.273 million figures SBUA cites are *gross*

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[147] June 8, 2026 Hearing Tr. Vol. 1, 34:17-35:3, PG&E/Briel ("we had experts on C2M… and we were able to sit down with experts and say, okay, well, in the new system, here is the new process… In our existing systems, we have a lot of measurements so that you can look at the amount of time it takes somebody to complete a task").

[148] SBUA Opening Br., p. 14, citing PG&E-WP6-219.

[149] PG&E Ex-02, WP 6-2, pp. 19–20.

[150] PG&E Ex-02, WP 6-2, pp. 19–20.

[151] SBUA Opening Br., pp. 14-15, citing PG&E-WP6-220 and 6-221.

[152] PG&E Ex-02, WP 6-2, pp. 21-22.

[153] PG&E Ex-02, WP 6-2, p. 21.

[154] SBUA Opening Br., p. 15, citing PG&E-WP6-222 and 6-223.

savings from eliminating current CC&B 2.4 and legacy MDMS licensing/support spend.[155] While this benefit estimate is not, by itself, net of licensing and support costs for C2M, those costs are included in the cost of C2M, and ultimately reflected on the cost side of the cost-benefit analysis.

Sixth, SBUA claims that benefits associated with retaining interval data require back-billing beyond the limits in PG&E's Electric Rule 17.1.[156] The benefit described here is from the reduction in the overall time needed to complete the full correction in compliance with Rule 17.1—not revenue from prohibited back-billing. PG&E's workpaper describes this benefit as follows: "[c]urrent data storage is limited to 13 months, which precludes the ability to perform retroactive billing corrections for retroactive start stops and delayed bills over 13 months. Billing operations staff must submit Data Correction Requests (DCRs)… which involves significant manual time to develop, submit, and track in order to provide customer with a bill or corrected bill."[157] Billing corrections older than 3 months must still be completed. If the correction results in a customer credit the credit is applied to the account balance. If the correction results in additional charges outside the Rule 17.1 back-billing period, those charges are removed from the customer's account through a credit adjustment.[158]

Finally, SBUA advocates further discounting benefits beyond the discount factors used by PG&E.[159] It is unclear whether SBUA is advocating for a higher discount factor or a second, compounding discount factor, but in either event, SBUA has not advanced any evidence identifying customers' cost of capital. As a result, the Commission should disregard this recommendation.

I. C2M Will Benefit All of PG&E's Customers, Including Small Business Customers

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[155] PG&E Ex-02, WP 6-2, pp. 23–24.

[156] SBUA Opening Br., p. 15, citing PG&E-WP6-207.

[157] PG&E Ex-02, WP 6-2, p. 8.

[158] *See* PG&E Electric Rule 17.1.

[159] SBUA Opening Br., pp. 15-16.

SBUA claims that the BMI does not address the needs of small business customers because PG&E did not conduct a segment-specific study of small businesses.[160] Contrary to SBUA's assertions, C2M's functionality, including billing and bill presentment, customer support, and improved payment options and flexibility will benefit all customers, including small business customers.[161] More importantly, aside from requesting on-bill financing, SBUA has not identified any actual small-business billing need that the BMI's customer-wide functionality fails to serve. Nor does SBUA offer any evidence that the needs and challenges faced by small business customers differ from those of PG&E's other customers.

V. RESPONSES TO TURN'S ARGUMENTS

TURN—once the most ardent opponent of the Billing System Upgrade Project in PG&E's 2023 GRC—is now its biggest supporter. Nearly every argument in TURN's brief is predicated on treating PG&E's 2023 GRC billing-system proposal as the correct baseline against which the BMI should be measured. That proposal was rejected by the Commission for insufficient detail.[162] TURN vigorously opposed PG&E's 2023 GRC proposal, saying it was "completely devoid of the information necessary for the Commission and the public to determine whether the proposal is reasonable."[163] But now TURN seeks to use the very same proposal as a benchmark for reasonableness. TURN is precluded from doing so by judicial estoppel. In addition, the 2023 GRC proposal is not a valid ratemaking baseline, and TURN has presented no evidence to support the reasonableness of using it as such, beyond testimony that the Commission found unpersuasive and insufficient in the 2023 GRC.[164] If the Commission agrees,

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[160] SBUA Opening Br., p. 16.

[161] *See* SBUA-02, Attachment 1, PG&E's Response to SBUA_003-Q006 (which omits an attachment to the data request response that further described the benefits of the BMI for small business customers); *see also* June 9, 2026 Hearing Tr. Vol. 2, 85:16-19, PG&E/Hedges ("…the functions and features that we are implementing with the billing modernization initiative apply to both small business and the rest of PG&E's customers").

[162] D.23-11-069, pp. 546–550.

[163] PG&E Ex-03, p. 2-4, n. 10 (quoting A.21-06-021, Exhibit TURN-15 (Cheng Direct Testimony), p. 12, lines 16-20).

[164] As PG&E has explained in testimony in this proceeding, "[t]he Commission correctly directed PG&E to re-evaluate its proposal, and as a result PG&E reviewed and re-scoped its entire initiative. The resulting BMI at issue in this proceeding is *not* the same proposal that PG&E put forth in the 2023 GRC. It is an updated proposal that incorporates PG&E's better understanding of the complex needs and goals of the project." PG&E Ex-03, p. 2-2, lines 17-22.

a substantial portion of TURN's brief loses its foundation without PG&E needing to answer each derivative point separately (and if not, PG&E has sufficiently rebutted each of TURN's arguments, as discussed below).

TURN's remaining arguments are unsupported by the record, internally inconsistent, and erroneous, as discussed in more detail below. The Commission should give no weight to hyperbole and bluster.

A. Judicial Estoppel Bars TURN's Use of the 2023 GRC Proposal as a Baseline

Each of TURN's arguments that relies on the 2023 GRC proposal as a baseline are barred by the doctrine of judicial estoppel. Judicial estoppel "applies when (1) the same party has taken two positions; (2) the positions were taken in judicial or quasi-judicial administrative proceedings; (3) the party was successful in asserting the first position (i.e., the tribunal adopted the position or accepted it as true); [(4)] the two positions are totally inconsistent; and [(5)] the first position was not taken as a result of ignorance, fraud, or mistake."[165] These factors apply here. In the 2023 GRC, TURN took the position that PG&E's Billing System Upgrade Project lacked sufficient detail to evaluate, particularly with respect to PG&E's cost estimates. The Commission's decision summarized TURN's position as follows:

> TURN argues that PG&E's forecast for its Billing System Upgrade Project *lacks sufficient information to evaluate*. TURN states that PG&E's workpapers for the projects consist of four pages of vague and general summary statements, followed by 85 pages of promotional material from Oracle and provides '*no information whatsoever regarding how the forecasted total cost of $174 million was determined*.' TURN states that the four-page project summary does not include timelines, implementation plans, and estimates for the resources required… Based on the *lack of basic details* provided by PG&E, TURN recommends that the Commission remove the forecast for the Billing System Upgrade Project and direct PG&E to file a separate application...[166]

The Commission adopted TURN's recommendation (including six of the seven categories of additional information PG&E provided in this proceeding).[167] TURN now takes a totally inconsistent position, arguing that very same cost forecast should be used as a baseline in

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[165] D.08-09-027, pp. 6-7 (quoting J*ackson v. County of Los Angeles* (1997), 60 Cal. App. 4th 171, 183) (internal quotations omitted).

[166] D.23-11-069, p. 547 (internal citations omitted) (emphasis added).

[167] D.23-11-069, pp. 548-550.

this proceeding. The Commission should find that, having successfully argued that PG&E's cost forecasts in the 2023 GRC be rejected, TURN is now estopped from arguing those estimates should be binding in this proceeding.

B. TURN's Reliance on the Rejected 2023 GRC Proposal is a Faulty Premise

TURN argues that PG&E's cost recovery in this proceeding should be limited to the Commission-rejected estimate from 2021, adjusted for inflation.[168] However, the cost forecasts from the 2023 GRC and those in this proceeding are not estimates of the same project at two points in time—they are cost estimates for different scopes of work, prepared using different methodologies, at different levels of detail, three years apart. The 2023 GRC proposal was high-level billing-system replacement estimate that the Commission found not sufficiently robust.[169] The BMI is a three-stage program (BCS, CC&B 25.4, C2M) built from detailed, resource-loaded forecasts developed after PG&E identified the specific functional requirements needed to deliver its end-state billing solution—including requirements, like California Consumer Privacy Act and California Privacy Rights Act-driven data governance functionality, that were not included in the 2023 GRC proposal.[170] Some of the increase reflects requirements PG&E did not know it needed in 2023; some reflects the addition of an entire project stage (CC&B 25.4) that was not part of the 2023 GRC scope; and some reflects three additional years of inflation and the ordinary difference between a conceptual estimate and a detailed, resource-loaded forecast.[171] TURN's attempt at directly comparing the two proposals generates erroneous results because it implies an apples-to-apples comparison that does not exist on this record.

TURN attempts to make hay out of the fact that the initial estimates in PG&E's 2023 GRC proposal were based on the best information available at the time, which PG&E believed to be valid and correct when submitted in 2021.[172] However, as PG&E explained in Rebuttal Testimony, the 2023 estimates were not nearly as detailed and rigorous as the estimates in this

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[168] TURN Opening Br., pp. 1, 16, 17.

[169] PG&E Ex-03, p. 2-2, lines 14-17.

[170] PG&E Opening Br., pp. 32-33 (describing BMI cost estimate methodology and citing to testimony regarding same); June 9, 2026 Hearing Tr. Vol. 2, 65:4-66:1, PG&E/Hedges.

[171] PG&E Ex-03, p. 2-20, lines 11–25.

[172] TURN Opening Br., pp. 15-16.

Application. In preparation for the execution of the projects, as well as the preparation for this filing, PG&E applied a more rigorous and detailed level of planning, developing resource-based forecasts and leveraging internal forecasting and financial tools. Based on the more detailed and rigorous method, PG&E determined that the approach would need to change and that the cost of upgrading the systems would be much higher. While TURN characterizes this increase in costs as a consequence of the initial planning, these increased costs would likely have occurred; they were simply *identified* through the process of preparing this Application.[173] TURN also ignores the context provided by PG&E witness Hedges during cross examination, who explained: "[h]indsight being 20/20, the [Project Estimating Tool is] based on a number of assumptions… one of the drawbacks was we did not know how to implement [complex rates] in the new system, which [is] one of the reasons why these complex rates have caused such an impact to our execution of these projects. They're hard to do, and we did not have that insight at the time we developed the [2023 GRC forecasting] document."[174]

TURN next attempts to show that the scope of the 2023 GRC proposal "directly mirrors" that of the BMI—arguing their cost should be the same because they were both proposed to solve similar problems.[175] This line of reasoning relies on significant oversimplification. Shared problem statements do not establish shared scope, and TURN's argument collapses once examined in any detail. PG&E does not dispute that the high-level goals and problem categories are the same across both filings—a modern billing system that resolves rigidity, supports complex rates, and consolidates legacy systems was the objective in 2023 and remains the objective now. What changed is the level of detailed analysis behind the cost of getting there. PG&E witness Briel put this most directly under cross-examination when asked whether the 2023 GRC and BMI proposals could be meaningfully compared: "I don't think you can compare the two because the level of effort and the due diligence just—it was insufficient in the 2023 GRC."[176] TURN makes a similar attempt to compare the benefits in the 2023 GRC proposal and

[173] PG&E Ex-03 p. 2-6, lines 14-25; *see also* PG&E Ex-01, p. 5-13, line 11 to p. 5-18, line 13 (describing BCS project re-evaluation); p. 4-28, line 17 to p. 4-34, line 13 (explaining decision to add CC&B version 25.4 upgrade); p. 5-40, lines 1-32 (describing C2M pause and re-launch).

[174] June 9, 2026 Hearing Tr. Vol. 2, 60:17-61:5, PG&E/Hedges.

[175] TURN Opening Br., pp. 2, 7-8.

[176] June 8, 2026 Hearing Tr. Vol. 1, 22:18-21, PG&E/Briel.

the BMI (as discussed below). This likewise relies on oversimplification and a very high level of generality. The 2023 GRC proposal showed categories of benefits with no quantification and an insufficient level of detail. Though many categories of benefits are the same with the target state solution, C2M, proposed in both the 2023 GRC and the present BMI Application, this proceeding presents more detailed, quantified benefits. Simply put—PG&E knew where it needed to go in 2021, but did not yet fully understand what it would take to get there. Identical goals stated at a high level of generality do not establish identical scope or cost.

C. TURN's Attacks on PG&E's Cost-Benefit Analysis Are Unavailing

TURN makes several arguments challenging the validity of PG&E's cost-benefit analysis, each of which are sufficiently rebutted by the record in this proceeding.[177] To the extent that TURN's arguments overlap with those of SBUA, PG&E's reply arguments in Section IV.H, above also apply to TURN.

First, TURN attempts to back into a cost-benefit analysis for the 2023 GRC proposal, assumes that the benefits of the three-stage BMI can be achieved at the cost estimated in the 2023 GRC proceeding, and demands that PG&E prove this is not so.[178] In this argument, TURN relies on cost estimates from the 2023 GRC proposal, where TURN argued that PG&E provided "no information whatsoever regarding how the forecasted total cost of $174 million was determined."[179] TURN then compares unquantified categories of benefits from the 2023 GRC proposal with the detailed, quantified benefits from this proceeding and purports to "map" the two together. This exercise does not produce a reliable benefit-cost ratio for the 2023 GRC proposal because it is not a comparison of like to like; it is a comparison of a fully-developed cost-benefit analysis (which included a deeper level of analysis of what is required to achieve said benefits and provided updated costs and timeline required to achieve the benefits) against stale cost estimates from the 2023 GRC. The resulting "analysis" of comparative benefit-cost

[177] As noted above, PG&E's Application in this proceeding includes a rigorous cost-benefit analysis prepared by Accenture, which is described in more detail in PG&E's Opening Brief, testimony, and workpapers. PG&E Opening Br., p. 28-32; PG&E Ex-01, Chapter 6: Description of Cost-Benefit Analysis; PG&E Ex-02, p. WP 6-200 (Accenture's cost-benefit analysis).

[178] TURN Opening Br., pp. 4-7.

[179] PG&E Ex-03, p. 2-12, lines 25-27, citing A.21-06-021, TURN Amended Opening Brief (Nov. 8, 2022), pp.547-548.

ratio is not reliable and does not present the Commission with useful information.[180] Because TURN's initial analysis is flawed, so too are TURN's attempts to use that analysis to calculate a "dreadful benefit-cost ratio" for the difference between the 2023 GRC proposal and the application.[181]

TURN asserts that PG&E is required to specifically disprove the cost estimates from the 2023 GRC, suggesting that if PG&E cannot prove a negative, the 2023 GRC cost estimates TURN previously attacked as unreliable must now be treated as indisputable.[182] TURN similarly argues that if PG&E did not specifically address TURN's arguments in meetings with management, PG&E's response must not be credible.[183] First, it is worth stating the obvious: PG&E's detailed cost estimates in this proceeding, and the evidence supporting those estimates, shows that the 2023 GRC cost forecast was, in hindsight, an underestimate.[184] Though the scope of the proposal in this proceeding is different (as discussed above), that difference is driven in part by a better understanding of what is required to achieve the desired end state. Second, the 2023 GRC proposal was rejected, in part because the cost estimates were insufficiently robust. PG&E need not make a separate showing that the 2023 GRC estimates were incorrect because it is not litigating the 2023 GRC in this proceeding. That application was already decided, and PG&E filed an entirely new application in response to the Commission's directive rather than attempting to relitigate or disprove its prior forecast.

TURN also overstates the questions actually asked and answered by PG&E witness Briel at the evidentiary hearing. TURN's counsel asked Mr. Briel two narrow, factual questions—whether, during regular project-team meetings, "were there discussions about whether the benefits proposed in the 2023 GRC could have been obtained at the proposed cost" (answer: "Not that I recall"), and, separately, whether in updates to PG&E leadership committees "did a

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[180] *See* PG&E Ex-03, p. 2-11, line 17 to p. 2-12, line 31 (addressing TURN's purported cost-benefit analysis).

[181] TURN Opening Br., p. 6.

[182] TURN Opening Br., p. 7.

[183] TURN Opening Br., p. 7.

[184] *See* PG&E Ex-03, p. 2-11, lines 23–27 ("the costs of reaching that end state that were proposed in the 2023 GRC were not correctly forecasted"); June 9, 2026 Hearing Tr. Vol. 2, 60:17-61:5, PG&E/Hedges ("[complex rates] are hard to do, and we did not have that insight at the time we developed the [2023 GRC forecasting] document").

project team ever discuss whether or not the benefits proposed in the 2023 GRC could be obtained at the 177 million figure" (answer: "No. PG&E's efforts were focused on achieving financial targets set in the billing modernization initiative application as well as the benefits identified through that process").[185] Those two "no" answers establish only that PG&E's internal teams did not specifically revisit the hypothetical question of whether the *original, rejected* 2023 figure could have delivered comparable benefits—because, as Mr. Briel's answer states, the team's actual focus after the 2023 GRC was on developing and achieving the BMI's own targets, not on re-litigating a superseded proposal internally. Neither answer is an admission, concession, or affirmative statement that the 2023 GRC benefits *could* have been obtained at $177 million.

TURN's "[m]ost damning" argument against PG&E's cost-benefit analysis is, in fact, based on TURN's misunderstanding of the difference between Stage 2 of the BMI, the CC&B version 25.4 upgrade (a stabilizing version upgrade to the existing CC&B system) and the CC&B *module* that will be a component of C2M.[186] TURN points to a data request response that answers a question about whether PG&E performed a separate cost-benefit analysis for the CC&B *module* as one of five components of the target-state C2M system—not the CC&B 25.4 upgrade project.[187] This has no bearing on whether PG&E's Stage 2 CC&B version 25.4 upgrade—which does have its own dedicated cost-benefit analysis in PG&E's Direct Testimony and workpapers—was justified.[188]

Next, TURN misreads workpapers to claim that PG&E's cost-benefit analysis includes "incorrect baseline calculations that start inflation and discount factors above 100% in the 2024

[185] June 8, 2026 Hearing Tr. Vol. 1, 24:23-26:03, PG&E/Briel.

[186] TURN Opening Br., p. 11 citing BillingModernization_DR_CalAdvocates_003-Q001_d.

[187] PG&E Ex-03, Appendix B, PG&E's Response to Data Request CalAdvocates_003-Q001 Answers 001 and Supplemental 01 ("PG&E does not separately track module-specific costs, as C2M is treated as a unified system for budgeting and reporting purposes… Although a detailed cost-benefit analysis specific to the module was not performed, PG&E did complete a Cost Benefit analysis for the entire Billing Modernization Program (found in Chapter 6)."); *see also* the discussion of module-by-module cost benefit analyses in Section III.C above.

[188] PG&E Ex-01, p. 6-21, line 16 to p. 6-23, line 23; p. 6-28, lines 8-20, Table 6-15 (Forecasted Benefit-Cost-Ratio-By System). TURN references the results of the CC&B 25.4-specific cost-benefits analysis two pages later in its brief. TURN Opening Br., p. 13.

baseline year."[189] However, the workpaper indicates an interest rate of 0.5% for 2024 which is the baseline year, and a partial year. The 'Inflation Factor' shown in row 503 of the workpaper adds 100% (baseline year) to the 0.5% interest to arrive at the 100.5% factor for year one (*i.e.*, year 1 is 100.5% of the baseline year). Thereafter the interest rate is assumed to be 2.5% for 2025-2026, and then 2.6% for the duration.[190]

TURN also claims that PG&E's cost-benefit analysis ignores the time value of money.[191] TURN purports to have conducted its own cost-benefit analysis, achieving a benefit-cost ratio that is three orders of magnitude smaller than PG&E's analysis. However, TURN's net present value calculations are not in the record in this proceeding, so there is no evidence of how they achieved this result or why it is reasonable.[192] The Commission should instead rely on PG&E's comparatively well-documented cost benefit analysis.[193] PG&E presented three different calculations when presenting the benefit cost ratios: (i) the nominal, undiscounted benefit to cost ratio of 0.56; (ii) a discounted ratio based on the Weighted Average Cost of Capital (WACC) at 0.31; and (iii) a discounted ratio based on the Social Rate of Time Preference (SRTP) of 0.48.[194]

Finally, TURN argues that PG&E's cost estimates are "wildly imprecise" and "suffer[] from a fundamental lack of meaningful cost detail" based on PG&E's responses to imprecise

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189 TURN Opening Br., pp. 12-13, citing PG&E Ex-02, WP 6-1 Benefits Calculations.

190 PG&E Ex-02, WP 6-1 Benefits Calculations.

191 TURN Opening Br., p. 13.

192 In testimony, TURN refers to "standard literature values" for SRTP and WACC, but does not identify or attach any such literature. TURN-01, p. 18.

193 *See*, *generally*, PG&E Ex-01, Chapter 6: Description of Cost-Benefit Analysis; *see also* PG&E Ex-02, Workpapers Supporting Chapter 6 (benefits calculations and Accenture's cost-benefit analysis).

194 PG&E Ex-01, p. 1-10, lines 13-20; p. 6-1, lines 24-29. A recent decision in Rulemaking (R.) 20-07-013 considered the value of utilizing multiple discount rates to evaluate programs (in that specific case, mitigations). The Commission noted that it is difficult to determine which discount rates are most appropriate for a given program, such as a social rate of time preference vs utility financial metrics such as the weighted average cost of capital. D.24-05-064, pp. 102-103. PG&E's cost-benefit analysis considers multiple discount rates, acknowledging the present value of a program's future benefits may be different when evaluated from a lens of customer time preference versus traditional utility financials. Therefore, PG&E has evaluated the program both in line with the CPUC's chosen rate of the Social Rate of Time Preference (as defined by the United States Office of Management and Budget) to represent customer preferences and then PG&E's pre-tax weighted average cost of capital (WACC) to represent traditional utility financial preferences and also aligns with the discount rate used by PG&E for its 2024 RAMP filing. PG&E Ex-01, p. 6-29, lines 2-20 (citing A.24-05-008, p. 2-39, line 21 to p. 2-40, line 2).

questions from TURN in a data request and during cross examination.[195] Neither argument holds water. First TURN cites to a data request where it asked PG&E to "explain and justify each common cost category (CMP30302, CMP30304, etc.)."[196] PG&E objected to the request and explained why it was vague and ambiguous, namely because "CMP30302 and CMP30304 are not cost categories, but rather asset class items. It is important to distinguish between asset classes and cost categories, as they serve fundamentally different purposes." Rather than ask a more precise follow-up question, TURN misinterprets this answer as a "fundamental lack of meaningful cost detail."[197] Far from it. TURN also does not explain what additional level of pre-execution hardware specificity it believes is achievable or customary for a program of this type, nor does it identify a comparable Commission-approved IT program that was required to specify hardware models years before procurement.

Similarly, during the evidentiary hearing, counsel for TURN asked PG&E witness Hedges why PG&E could not break out costs by individual functionality.[198] Mr. Hedges explained why itemized, functionality-by-functionality cost estimates would produce a *less* reliable, and likely *higher*, total cost, not a more precise one. He said: "if we were to forecast the cost to implement an individual component, and an individual component, and an individual component, ultimately your cost would be higher because you'd need to have project management, testing, organizational readiness dedicated to each one of those… whereas, if you're doing this as one large complex project, there's economies of scale to test [each capability] as part of the system integration testing phase."[199] He confirmed the estimate for each project is "a singular estimate for the entirety of our requirements"—by design, not oversight.[200] This is the same integrated-solution forecasting approach PG&E used to answer Cal Advocates' request to break out C2M costs by module (see Section III.C above). Here too, TURN provides

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[195] TURN Opening Br., pp. 13-14 (citing PG&E's Response to Data Request TURN_004-Q004), 14-15 (citing June 9, 2026 Hearing Tr. Vol. 2, 78:8-82:17, PG&E/Hedges).

[196] TURN-01, Attachment, PG&E's Response to Data Request TURN_004-Q004.

[197] TURN Opening Br., p. 13.

[198] June 9, 2026 Hearing Tr. Vol. 2, 78:13-15, PG&E/Hedges.

[199] June 9, 2026 Hearing Tr. Vol. 2, 81:3-12, PG&E/Hedges.

[200] June 9, 2026 Hearing Tr. Vol. 2, 81:16-21, PG&E/Hedges.

no evidence of how its preferred method of cost estimation would be accomplished or why it would be superior to PG&E's method.

Each of TURN's arguments being thoroughly refuted, the Commission should disregard TURN's critiques of PG&E cost-benefit analysis.

D. PG&E Has Prudently Managed its Billing Modernization Initiative

TURN also argues that the evidence "suggests" mismanagement is to blame for the difference in timing and cost between the 2023 GRC proposal and PG&E's proposal in this proceeding, but points to no specific evidence of project management costs or vendor performance issues.[201] The Commission should disregard TURN's conclusory statements. Section IV.C. above explains why PG&E's scoping and implementation of the BMI were prudent and reasonable.

TURN's arguments with respect to the prudency check[202] are addressed by PG&E's response to similar arguments from Cal Advocates in Section III.C, above.

E. Stage 2: Customer Care & Billing (CC&B) Version 25.4 is Necessary, Prudent, and Reasonable

TURN also argues that the CC&B 25.4 upgrade is unreasonable and imprudent. Section III.B. above discusses the prudence, reasonableness, and necessity of the CC&B 25.4 upgrade and applies equally to the majority of TURN's arguments on this topic. PG&E rebuts several unique arguments made by TURN below.

First, TURN appears to argue that PG&E should have proposed an upgrade to CC&B version 2.9 during the 2023 GRC.[203] TURN claims that the "benefits [of the CC&B version 25.4 upgrade] are not new and cannot reasonably be used to justify" the project.[204] This confuses the

[201] TURN Opening Br., pp. 8-9.

[202] TURN Opening Br., p. 14.

[203] TURN Opening Br., p. 10. PG&E notes that doing so would have made the 2023 GRC proposal, which TURN already proposed, more expensive.

[204] TURN Opening Br., p. 10.

issue. It is the need for an interim upgrade that is new—not the benefits of the upgrade.[205] PG&E witness Hedges also explained on cross examination that "because [version] 2.9 is an older version, that benefit likely would have been shorter lived compared to upgrading to version [25.4] just because of the age, the compatibility. Compatibility only lasts for a certain amount of time as technology evolves…"[206] TURN also points out that prior CC&B version upgrades were significantly less expensive than the CC&B version 25.4 upgrade.[207] TURN's cost comparison does not account for how many major versions this upgrade spans (in contrast to upgrading from version 2.3 to version 2.4 roughly a decade ago), the eight-plus intervening years of cost and complexity growth, or whether those prior upgrades are a reasonable unit-cost benchmark for a project that, as PG&E's rebuttal testimony explains elsewhere in this proceeding, also required implementing entirely new functionality that did not exist in earlier CC&B versions.

Finally, TURN appears to argue that PG&E should have selected a different vendor for the CC&B 25.4 upgrade based on an attachment to a data request response comparing Oracle's *BCS* with other products.[208] Assuming TURN intended to make this argument about BCS (the stage that the underlying evidence relates to), PG&E's Direct Testimony explains that BCS was selected "in part due to higher scores for product cost, integration with PG&E systems, and support model."[209] Weighing cost (TURN's biggest issue in this proceeding), integration, and vendor support heavily in a 14-category evaluation is a prudent and reasonable prioritization for a utility billing system. TURN's reference to a single data request attachment is insufficient to cast doubt on PG&E's selection of BCS as the most prudent and reasonable replacement of ABS.

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[205] *See* PG&E Opening Br., pp. 22-23 ("When PG&E initially proposed upgrading to C2M in the 2023 GRC, it proposed going directly from the outdated CC&B 2.4 to C2M. At that time, PG&E estimated for C2M to go live in 2024 (although this timeline likely would have been subject to delays). Under current timelines, C2M will resume implementation in 2026 and go live in 2030, which would result in CC&B 2.4 being in place for several years longer than anticipated. During this period, PG&E would need to rely on an increasingly out of date, out of support billing system which is both vulnerable to outside cybersecurity threats and faces internal stability issues (as discussed in more detail in Section III, above). This extended exposure, paired with lessons learned during the BCS stage of the BMI, made it clear that adding an interim, technical upgrade is prudent." (citations omitted)).

[206] June 9, 2026 Hearing Tr. Vol. 2, 54:23-55:2, PG&E/Hedges.

[207] TURN Opening Br., pp. 10-11.

[208] TURN Opening Br., p. 11, citing TURN-01 Attachment, CalAdvocates_008-Q002_814842Atch01.

[209] PG&E Ex-01, p. 4-24, lines 32-34.

F. A Reduced Rate of Return Is Not Appropriate

TURN recommends that, should the Commission approve costs above its recommendation, it should also adopt a reduced rate of return for those amounts to punish PG&E for its "poor showing in the GRC." This proposal is baseless and in conflict with foundational ratemaking principles, and the Commission should reject this suggestion. TURN's brief does not cite any Commission precedent applying a reduced rate of return as a sanction for a prior, separate proceeding's rejected filing, nor does it cite any ratemaking principle that would allow the punitive adjustment it proposes. TURN does not (and cannot) dispute that PG&E is entitled to earn a reasonable return on its investment, but rather simply suggests that the Commission is free to adjust that return on a one-off basis in order to send a signal to a utility. This is not consistent with the well-established constitutional standards set forth in *Hope*[210] and *Bluefield.*[211]

The Commission's cost of capital determinations reflect PG&E's actual cost of raising debt and equity capital in the market, and the resulting rate of return approved by the Commission is appropriately applied to PG&E's rate base. TURN does not allege that these assets will not be used and useful in the provision of utility service or that they are not properly included in rate base. Reducing the authorized return on assets found to be prudently incurred and reasonably forecast in this proceeding (as PG&E's evidence shows the BMI costs to be) would not "send a signal" about the 2023 GRC so much as impose a financing penalty untethered to any finding in the proceeding actually before the Commission. TURN's recommendation is contrary to ratemaking principles and the regulatory compact.[212]

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[210] *Federal Power Comm'n v. Hope Nat'l Gas Co.*, 320 U.S. 591 (1944).

[211] *Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679 (1923).

[212] *See* D.23-11-069, p. 28, fn. 58 ([T]he regulatory compact is viewed as a contract between the utility's investors and its customers; as such, it establishes rights, obligations, and benefits for both sides of the bargain. It involves the utility's investors having an obligation to provide safe, reliable, and adequate service to all customers in the utility's service area, with the service sold at rates that recover reasonable costs and which are at sufficient levels to allow investors access to and recovery of capital, all while facing no (or limited) competition from other sellers. In exchange, the customers get rates and terms of service set by the state's regulatory entity that are just and reasonable, non-discriminatory, and without preference in quantity or quality. That is, the utility charges just and reasonable rates; provides just, equitable, and reasonable service; ***and has the opportunity to recover its actual, legitimate, and prudent costs plus a fair return on the capital investments made to provide that service***.) (emphasis added) (internal quotations and citations omitted).

VI. CONCLUSION

The BMI proposed in this proceeding is necessary to continue to provide reliable and accurate billing, customer service, risk mitigation, and customer data management services to PG&E's more than 6 million customers. PG&E submits that the actual and forecasted costs of the BMI are prudent and reasonable and should be approved by the Commission.

Respectfully Submitted,

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