Application No.: A.25-12-012
Exhibit No.: SDG&E-09
Witnesses: D. Thai

REBUTTAL TESTIMONY OF

DAVID H. THAI

ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

CHAPTER 9

(SM 2.0 COST ESTIMATES AND CONTINGENCY)

PUBLIC VERSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

November 20, 2026

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REBUTTAL TESTIMONY OF
DAVID H. THAI
CHAPTER 9
(SM 2.0 COST ESTIMATES AND CONTINGENCY)

I. INTRODUCTION

This rebuttal testimony addresses arguments regarding the Smart Meter (SM) 2.0 cost estimates and contingency amount proposed by San Diego Gas & Electric Company (SDG&E) offered by intervenors in the following testimony:

- Prepared Testimony of the Public Advocates Office of the California Public Utilities Commission (Cal Advocates) dated September 25, 2026.
- Prepared Testimony of Matt Sheriff on behalf of The Utility Reform Network and Small Business Utility Advocates (TURN/SBUA) dated September 25, 2026.
- Prepared Direct Testimony of Samuel Golding on behalf of Utility Consumers Action Network (UCAN) dated September 25, 2026.

SDG&E notes as a threshold matter that the absence of a response in this rebuttal testimony to any particular issue raised or statement or proposal made by any party to this proceeding does not imply or constitute agreement by SDG&E with the proposal or contention made by such part(ies).

II. THE COMMISSION SHOULD FIND SDG&E'S SMART METER 2.0 COST ESTIMATE REASONABLE AND REJECT INTERVENOR PROPOSALS TO REDUCE OR DEFER SUPPORTED PROGRAM COSTS

A. Concerns Raised Regarding the Maturity of the Cost Estimate Lack Merit

TURN/SBUA question the maturity of the cost estimate presented in SDG&E's Application, citing the following purported deficiencies: "the $762.0 million direct-cost estimate carries no estimate classification, rests on no executed contract in any major category, was developed without ranges, and has never been benchmarked."[1] However, the relevant question here is not whether every input was final or the estimate was free from uncertainty, but rather whether SDG&E used the cost information reasonably available when the Application was prepared to develop a reasonable cost estimate, disclose the material assumptions and limitations,

[1] TURN/SBUA's Public Prepared Testimony of Matt Sheriff, Addressing the Smart Meter 2.0 Alternatives Evaluation, Failure Forecast, Cost Estimate, and Contingency (September 25, 2026) (Exhibit (Ex.) TURN-SBUA-01 (Sheriff)) at 52 (citation omitted).

and establish controls to refine and manage costs as the program advances.[2] As discussed below, it did exactly that.

SDG&E's underlying cost estimate was developed primarily on the basis of pricing obtained through comprehensive and competitively administered solicitation activities, including vendor proposals, quotations, and procurement responses, which provide the closest available indicator of market-based costs prior to contract execution. The estimate relied on cost information developed for the particular scope of work, including estimates informed by prior solicitations, existing contracts, historical experience, and subject-matter-expert analysis, as applicable. Thus, the inputs used to develop the cost estimate reflect the best available information for each component and appropriately differ based on the stage and nature of the underlying work.

Nor does the absence of a formal Association for the Advancement of Cost Engineering (AACE) estimate classification demonstrate that SDG&E's estimate is insufficiently developed. AACE Recommended Practice 18R-97 applies estimate classification principles specifically to engineering, procurement, and construction work for the process industries and evaluates estimate classification in relation to the maturity of project scope definition and estimate inputs.[3] SM 2.0 is different in important respects. It is a technology and deployment program involving meter and module procurement, IT, systems integration, software and licensing, field deployment, and other work that does not mature through successive engineering and construction deliverables. SDG&E therefore did not develop the SM 2.0 cost estimate by formally applying an AACE classification, nor is such a classification necessary to evaluate whether the estimate provides a reasonable basis for Commission review.

Nevertheless, relevant AACE estimating principles provide a useful reference point. AACE guidance recognizes that individual enterprises may employ their own estimating processes and describes its classification framework as a basis against which those practices may be compared.[4] Viewed in that manner, the SM 2.0 estimate reflects similar characteristics,

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2 *See* Decision (D.) 07-04-043 at Finding of Fact (FOF) 8.

3 AACE International, Recommended Practice No. 18R-97, *Cost Estimate Classification System – As Applied in Engineering, Procurement, and Construction for the Process Industries*, at 1-3.

4 *Id.* at 1-2.

including consideration of the nature and maturity of the underlying work and the use of estimating inputs appropriate to the information available for different cost components.

The reliability of the cost estimate is further supported by competitively obtained and externally benchmarked vendor pricing. As described in the direct testimony of David H. Thai and Bradley M. Baugh (Chapter 3), SDG&E conducted a competitive solicitation by issuing its Smart Meter 2.0 Request for Proposals (RFP) to the leading five smart meter vendors (including SDG&E's incumbent vendor) for replacement of electric meters and gas modules and supporting technology. Two vendors subsequently submitted comprehensive proposals. SDG&E evaluated those proposals through a structured, multi-phased process involving subject-matter experts from electric and gas engineering, information technology, operations, customer experience, meter shop, network infrastructure, and supply management. The evaluation considered technical performance, functional and delivery requirements, bidder sustainability, commercial terms, pricing, and future-use-case opportunities. SDG&E also evaluated the proposed pricing against independent utility-market benchmarking, including 2021 AMI market data adjusted to 2025 dollars, as an additional validation point alongside the vendor proposals, internal estimates, historical experience, and competitive-solicitation results. Although the proposals do not establish final negotiated prices, this process demonstrates that the cost estimate was informed by current competitive pricing evaluated against external and prior-market information.

Finally, TURN/SBUA contend that the absence of executed vendor agreements exceeding $25 million demonstrates that SDG&E's cost estimate is insufficiently mature and that the Commission should not approve SM 2.0 before final contracts are executed.[5] That contention is unsupported. Contract execution is not the sole determinant of whether a prospective cost estimate is sufficiently developed for Commission review. Moreover, the timing and terms of vendor agreements necessarily reflect both commercial considerations and the status of regulatory authorization. SDG&E may appropriately advance negotiations or enter into agreements, with appropriate protections, when doing so is necessary to preserve favorable pricing, terms, or other commercial benefits. Conversely, the absence of an executed agreement at a particular point in the regulatory process does not demonstrate that SDG&E's cost forecast lacks sufficient maturity or support. The Commission's treatment of SDG&E's original Smart

[5] Ex. TURN-SBUA-01 (Sheriff) at 52 – 56.

Meter program provides a relevant example. The Commission approved SDG&E's Smart Meter 1.0 project even though SDG&E had not yet selected vendors or executed the project's vendor contracts. In D.07-04-043, the Commission explained: "SDG&E has not selected and executed contracts with vendors for its proposed AMI project. SDG&E obtained bids from its RFPs and estimated costs based on those bids. These costs are appropriate for evaluating the cost-effectiveness of SDG&E's AMI Project."[6] Thus, the absence of executed final contracts does not demonstrate that a cost estimate is insufficiently developed for Commission review. As the Commission recognized in evaluating Smart Meter 1.0, competitively obtained bids can provide a reasonable basis for evaluating project costs before vendor selection and contract execution.

Accordingly, the suggestion by TURN/SBUA that SDG&E's cost estimate is insufficiently developed and should not be considered by the Commission lacks merit and should be soundly rejected.

B. The Cost Estimate Is Supported by Defined Scope and Category-Level Workpapers

Intervenors question whether the testimony and workpapers submitted by SDG&E in support of the Application provide enough detail for the Commission to trace the proposed scope, principal cost categories, estimating bases, and material assumptions underlying the cost estimate.[7] The suggestion that they do not is erroneous. Chapters 3 and 6, together with the supporting workpapers provided with SDG&E's showing, present the detailed estimate at both the program and component levels, allowing the Commission to evaluate the support for individual cost estimates.

Specifically, the Chapter 3 forecast is organized around defined program components and separately identifies electric meter replacement, gas module replacement, Foundational Technology, NextGen Technology, Program Management, and contingency. As described in the direct testimony of Casey W. Butler (Chapter 6), it presents the corresponding loaded capital and O&M cost estimates.[8] This structure permits the Commission to trace the requested funding

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[6] D.07-04-043 at FOF 8.

[7] Prepared Direct Testimony of David H. Thai and Bradley M. Baugh on Behalf of SDG&E, Chapter 3 (Redacted Public Version) (December 18, 2025) (Ex. SDG&E-03 (Thai/Baugh)), Chapter 3 - Workpapers 1 and 2.

[8] Prepared Direct Testimony of Casey W. Butler on Behalf of SDG&E, Chapter 6 (December 18, 2025) (Ex. SDG&E-06 (Butler Direct)).

from the total program estimate to a principal cost category, from that category to its component costs, and from those components to the applicable forecast period and capital or O&M treatment.

The workpapers provide additional category-level support.[9] They distinguish actual costs incurred in 2024 and 2025 from forecast costs for 2026 through 2031 and includes methodology, assumption, and narrative fields explaining the associated costs.

Thus, the testimony and workpapers demonstrate that the Commission is not being asked to evaluate an unsupported lump-sum estimate. Rather, the testimony and workpapers identify the work included, where the associated costs are recorded, when those costs are estimated to occur, and whether they are treated as capital or O&M. Taken together, this information allows the Commission and parties to evaluate the request at multiple levels, including the total program request, principal program categories, and the individual components supporting those categories.

C. SDG&E'S Foundational Technology Cost Estimate is Reasonable and Supported by Category-Specific Estimating Inputs

The claim by Cal Advocates that SDG&E has failed to demonstrate that its full Foundational Technology request is reasonable is inapposite.[10] The relevant question is whether SDG&E has identified the Foundational Technology work, its principal cost components, and the estimating basis for those components with sufficient detail to permit Commission review. The workpapers do so by separately identifying internal labor, purchased labor, vendor services, software, meter-to-cloud connectivity, network hardware, and network-hardware decommissioning, together with supporting justification for each category. This level of detail does not eliminate cost estimation uncertainty, but it makes the principal cost components and the basis used to estimate each component reviewable.

The vendor-services workpaper further identifies the activities included in the cost estimation, including program and business integration, system integration, solution design and

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[9] *Id.*, Chapter 3 - Workpapers 1 and 2, Tabs WP 3.2.1-C, WP 3.2.2, WP 3.3.1-C, WP 3.3.2, WP 3.6.1, WP 3.6.2, WP 3.6.3, WP 3.6.4, WP 3.6.5, WP 3.6.6, WP 3.4.1-C, WP 3.4.2, WP 3.4.3, WP 3.4.4-C, WP 3.4.5-C, WP 3.4.6-C, WP 3.4.7-C, WP 3.4.8, WP 3.5.1-C, WP 3.5.2, WP 3.5.3, WP 3.5.4-C, WP 3.5.5-C, WP 3.5.6-C, WP 3.5.7.

[10] Cal Advocates' Prepared Testimony on the Application of SDG&E for Approval of Smart Meter 2.0 Proposal (Public) (September 25, 2026) (Ex. CA-01) at 2-8.

implementation, system remediation, testing, head-end implementation, and security testing.[11] These activities define the work needed to establish and integrate the technology platform supporting meter deployment and meter-to-cash functionality.

The Foundational Technology estimate therefore does not rely on a single, generalized estimating method. Each component uses the information reasonably available based on the nature and stage of the underlying work. For example, internal labor estimates were developed from the anticipated scope and volume of work, and Foundational IT internal and purchased labor used bottom-up estimates informed by input from multiple delivery teams. Pricing for the AMI vendor's software-as-a-service (SaaS) offerings and head-end system was informed by vendor-provided estimates, while estimates for work with relevant historical experience were informed by recorded expenditures. Accordingly, the reasonableness of the cost estimation rests on the combined, category-specific record rather than any single estimating input.

D. SDG&E'S Nextgen Cost Estimate and Proposed Capabilities are Supported by the Record and Should be Evaluated on Their Individual Merits

Cal Advocates and UCAN challenge both the cost estimate offered for the NextGen capabilities and the rationale for authorizing NextGen capabilities at this stage. Cal Advocates recommends that the Commission not approve the $42.7 million requested for NextGen capabilities, asserting that SDG&E's cost-benefit analysis is unsupported and that SDG&E has not demonstrated an operational need or business justification.[12] UCAN similarly questions the benefit case and recommends deferring NextGen and its recurring charges until a later deployment checkpoint.[13]

As a threshold matter, the assertion that the cost estimate for NextGen capabilities is unsupported clearly lacks merit. Chapter 3 of the testimony and the related workpapers provide cost detail for software, vendor services, system integration, security and privacy validation, customer-facing applications, and related system enhancements.[14] With regard to the separate

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[11] Ex. SDG&E-03 (Thai/Baugh), Chapter 3 - Workpaper 2, Tab WP 3.4.4-C (Vendor Services).

[12] Ex. CA-01 at 5-2 – 5-6.

[13] UCAN's Public Version Prepared Direct Testimony of Samuel Golding (September 25, 2026) (Ex. UCAN-01 (Golding Direct)) at 76-77, and 109 - 115; *see also* at 55.

[14] Ex. SDG&E-03 (Thai/Baugh) at 8 - 11 and 20 - 21; Chapter 3, Workpaper 2, Tabs WP 3.5.1-C through WP 3.5.7-C, including WP 3.5.4-C (vendor services), WP 3.5.5-C (software), and WP 3.5.6-C (meter-to-cloud connectivity).

question of whether adequate justification exists for authorization of the NextGen capabilities at this time, Chapter 3 provides a detailed explanation and rationale for this aspect of its request. As described in Supplemental Testimony of Nicole Richardson, David Thai and Michael R. Woodruff (Second Errata), the Transformer Health & Load Management Bundle (THLM) is a NextGen capability designed to support electric grid operations. It is comprised of three functions, Transformer Health & Load Management, Meter-to-Transformer Mapping, and Phase Identification, which are integrated and function together operationally. Given the interdependencies of the functions within the THLM bundle, the Cost Benefit Analysis (CBA) evaluates these capabilities as a single, bundled operational capability and attributes quantified benefits once at the category level, rather than individual components.[15] The testimony defines the proposed capabilities, explains their role and timing, identifies their technical dependencies and costs, and provides a reasonable basis to support the Commission's decision-making.

SDG&E does not contend that the proposed NextGen capabilities are necessary to complete the core SM 2.0 electric-meter and gas-module replacement program. Rather, NextGen capabilities consist of discrete and separately identifiable enhancements intended to provide functionality beyond the core replacement program. SDG&E notes, for example, that the Customer Insights NextGen capability supports certain data access objectives previously articulated by the Commission,[16] as discussed further in Chapter 3. SDG&E acknowledges that as Commission priorities evolve and focus shifts to affordability, the Commission may elect to delay implementation of a NextGen capability from the SM 2.0 proposal. Whether to do so here should be evaluated based on the defined functionality of each NextGen capability, the potential benefits, technical dependencies, implementation timing, and associated costs.

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[15] Supplemental Testimony of Nicole Richardson, David Thai, and Michael R. Woodruff on Behalf of SDG&E (Chapter 7) (Second Errata) (August 26, 2026) (Ex. SDG&E-07-2E (Richardson/Thai/Woodruff)) at 8.

[16] *Id.* at 2 and 20.

E. Program Management and PMO Costs Should be Evaluated Based on Their Underlying Cost Drivers, not Reduced Proportionally With Deployment Volume

Cal Advocates does not dispute that Program Management and PMO functions are necessary; rather, it argues that the requested costs should be scaled to any reduction in deployment scope authorized by the Commission.[17]

SDG&E agrees that a materially different authorized scope or schedule could affect forecast Program Management and PMO costs but disagrees that those costs can reasonably be reduced in direct proportion to the number of meters or modules deployed. Program Management and PMO costs include a mix of baseline costs necessary to establish and govern the program, costs that are affected by the duration of the program, and certain activities that may vary with the scale and complexity of deployment.

Accordingly, the relevant matter is not whether Program Management and PMO costs should be treated as entirely fixed or uniformly scaled with device volume. Rather, the appropriate inquiry is how the underlying responsibilities and associated costs would respond to the particular change in scope or schedule authorized by the Commission. Different program costs may be fixed, volume-sensitive, timing-sensitive, or reflect more than one of those characteristics.

For these reasons, Cal Advocates' proposed proportional reduction is not supported by the underlying cost drivers. If the Commission authorizes a materially different deployment scope or schedule, the resulting cost effect should instead be evaluated based on the underlying cost drivers.

F. The Commission Should Reject Cal Advocates' Proposed Reduction to Overhead Loaders and Apply SDG&E'S Established and Commission-Authorized Methodology

Cal Advocates recommends reducing loaded-cost adders from $63.0 million to $17.7 million.[18] This modification would result in a significant reduction – only 2.3% of the escalated direct costs of $762.0 million compared with approximately 8.3% under SDG&E's request. This proposed modification should be rejected. Cal Advocates does not identify a specific loader rate or allocation as unreasonable, demonstrate that the associated indirect costs will not be incurred,

[17] Ex. CA-01 at 6-1 – 6-2.

[18] Ex. CA-01 at 7-1 to 7-2.

provide an independent basis for rejecting SDG&E's established loader methodology, or demonstrate that application of the applicable loaders would result in duplicate recovery.[19]

Loaders are not an additional project scope or an unallocated contingency. They convert direct labor and other eligible direct costs into the fully loaded cost of performing the work under SDG&E's established accounting methodology. These indirect costs are real costs that SDG&E expects to incur in implementing SM 2.0. Reducing the associated loaders without demonstrating that the underlying costs would not be incurred, or that the applicable loader methodology is unreasonable, does not reduce the expected cost of performing the work; it simply reduces the amount recognized in the forecast for those costs. Accordingly, Cal Advocates' proposed reduction would not provide for the full costs reasonably expected to be necessary to implement the program.

As discussed in Chapter 6, SDG&E's overhead allocation methodology is consistent with FERC guidelines and the methodology approved in SDG&E's prior GRC decision.[20] Consistent with SDG&E's standard cost accounting and forecasting practices, labor costs are loaded with applicable overhead components, including payroll taxes, pension and benefits, workers' compensation, vacation and sick pay, and other authorized overhead allocations. These rates are derived from enterprise-wide overhead pools and loading bases that are applied consistently across SDG&E's operations and shared-service activities. Accordingly, the labor overheads reflected in SM 2.0 cost estimates are based on SDG&E's established and Commission approved overhead methodology and were not developed uniquely for the SM 2.0 program.

III. THE COMMISSION SHOULD APPROVE SDG&E'S PROPOSED CONTINGENCY ALLOWANCE TO ADDRESS REASONABLE UNCERTAINTY IN IMPLEMENTING SM 2.0

Cal Advocates asserts that, "SDG&E's program-level contingency approach does not justify recovery of the non-vendor contingency because it relies on broad implementation uncertainty rather than evidence showing that the specific authorized cost categories require an additional contingency allowance."[21] TURN and SBUA contend that, "[c]ontingency is by

[19] *Id.*

[20] Ex. SDG&E-06 (Butler Direct) at 4.

[21] Ex. CA-01 at 7-2.

definition an allowance for costs that may not materialize. Ratepayers should fund contingency that is spent, not contingency that is forecast."[22]

Thus, intervenors raise two distinct questions related to contingency: (A) whether SDG&E's forecast reasonably includes a contingency allowance associated with implementing the defined SM 2.0 scope; and (B) the appropriate cost recovery treatment for approved contingency amounts. The fact that contingency allowance addresses costs that may or may not materialize does not by itself establish that the allowance should be excluded from the prospective cost forecast. The Commission should consider the nature of the SM 2.0 work and the uncertainties associated with its implementation to determine an appropriate inclusion of contingency.

SM 2.0 is a prospective, multi-year program involving field deployment, information technology implementation, system integration, network work, vendor coordination, and operational transition. Although the scope of the proposed program is defined, not every condition that may affect the cost of executing that scope can be known or quantified with precision before implementation begins. Whether a particular uncertainty ultimately affects costs may not become known until the related work is procured, integrated, deployed, and placed in service. Contingency does not represent undefined project scope or an assumption that every identified risk will materialize. Rather it recognizes that there is cost uncertainty associated with executing defined work over a multi-year implementation period. The fact that a particular risk may not result in additional cost does not make an appropriately supported contingency allowance unreasonable at the forecasting stage.

SDG&E's contingency request is based on the characteristics and uncertainties of the SM 2.0 program and not dependent on a particular estimating methodology. However, industry guidance does provide a useful reference point for this distinction. AACE guidance defines contingency as follows:

Contingency is "[a]n amount added to an estimate to allow for items, conditions, or events for which the state, occurrence, or effect is uncertain and that experience shows will likely result, in aggregate, in additional costs."[23]

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[22] Ex. TURN-SBUA-01 at 64.

[23] AACE International, Recommended Practice No. 10S-90, Cost Engineering Terminology, *see* definition of "Contingency."

The need to account for implementation uncertainty is not merely theoretical in this case. Unforeseen cost impacts have *already* arisen. [redacted] This development is attributable to global demand from artificial intelligence (AI) infrastructure and data center buildout that has affected the broader semiconductor market. As a result, significant contingency is now substantially committed. Although these developments do not establish that every contingency dollar will be required, they demonstrate the type of cost uncertainty that can arise between development of a prospective estimate and implementation of a complex, multi-year program and reinforce the reasonableness of including an appropriately supported contingency allowance in the forecast.

The proposed contingency is limited to uncertainty associated with completing the authorized work within the defined SM 2.0 project scope. It is not intended to fund a materially different project, an unauthorized expansion of scope, or costs already addressed through another element of the estimate. This distinction confines the allowance to risks associated with delivering the defined SM 2.0 program and provides a basis for evaluating whether particular uses fall within the authorized costs.

As discussed above, SDG&E did not develop its direct cost estimate by applying an AACE classification, and formal application of such a classification is not necessary to establish the reasonableness of either the underlying estimate or SDG&E's contingency request. Nevertheless, relevant AACE guidance provides a useful industry reference point for evaluating certain estimating and contingency principles. AACE Recommended Practice 40R-08 describes its contingency guidance as guidelines rather than a standard and recognizes that practitioners may select from a range of contingency estimating methodologies based on the circumstances.[24] SDG&E therefore does not rely on AACE guidance as the specific methodology used to calculate its requested contingency. Rather, the reasonableness of SDG&E's requested contingency rests on the SM 2,0 record, including the defined program scope, identified implementation uncertainties, component-specific estimating inputs, separation of contingency

[24] AACE International, Recommended Practice No. 40R-08, *Contingency Estimating – General Principles*, at 1.

from other cost elements, and controls against duplication or unauthorized scope expansion. These characteristics are also consistent with relevant estimating principles reflected in AACE guidance, as discussed below.

i. Contingency addresses uncertainty within the defined program scope.[25] The allowance relates to completing the proposed meter and gas-module replacement, Foundational Technology, NextGen Technology, deployment, and Program Management work. Relevant uncertainties include system-integration effort, security testing, application remediation, field productivity, customer access, and vendor coordination. These are uncertainties associated with delivering the proposed program, not authority to fund an expanded or materially different scope.

ii. Estimating inputs should reflect the nature, maturity, and available information for each cost component.[26] SDG&E used bottom-up labor estimates developed with multiple IT teams, management and subject-matter-expert estimates for advanced capabilities and NextGen work, market information for technical licenses, proposal pricing adjusted for known scope and complexity considerations, and actual 2024-2025 expenditures where costs had already been incurred. This component-specific approach is consistent with the broader risk-based principle that different types of work may reasonably require different estimating methods.

iii. Systemic and project-specific risks should be evaluated according to their different risk types.[27] SM 2.0 is exposed to broader uncertainty associated with program duration, technology and integration complexity, market conditions, organizational interfaces, and evolving implementation detail. It also includes workstream-specific risks, such as the effort required for system remediation, meter and IT security testing, head-end configuration, NextGen application integration, and field installation. Recognizing both types of exposure supports a program-level allowance while permitting focused review of identifiable workstream risks and potential overlap.

iv. Contingency should remain distinct from the base estimate, escalation, loaders, and scope changes. The Application presents the $701.9 million escalated direct-cost subtotal separately from the $60.1 million contingency allowance, and the finance testimony separately applies overhead and other loading methodologies to develop the requested loaded cost. Contingency addresses uncertainty in completing defined work; escalation adjusts estimated costs to the expected

[25] AACE International Recommended Practice Risk Analysis and Contingency Determination Using Expected Value, at 2.

[26] AACE International, Recommended Practice No. 18R-97 Cost Estimate Classification System – As Applied in Engineering, Procurement, and Construction for the Process Industries at 3.

[27] AACE International Recommended Practice Risk Analysis and Contingency Determination Using Expected Value, at 4.

timing of the expenditure; loaders reflect established accounting treatment; and a material change in authorized scope requires separate evaluation rather than automatic funding from contingency.

v. Risks and costs should not be counted more than once. SDG&E confirms that each cost element is assigned to one primary category and is not subject to contingency under more than one chapter. Similar labels in different areas do not necessarily reflect duplicate work. For example, the PMO provides program-wide governance, schedule, cost, risk, change-control, deployment, and operational-readiness integration, while system-integrator project management directs delivery of the vendor's defined design, implementation, integration, and testing responsibilities. This distinction provides a basis for identifying and preventing overlap.

Thus, SDG&E's contingency approach is consistent with relevant industry guidelines. The allowance is tied to the defined program scope, supported by component-specific estimating inputs and identified uncertainties, separately stated from other cost elements, and subject to controls against overlap and double counting.

The relevant question is not whether SDG&E can identify today every future event that may ultimately draw upon contingency or predict the precise cost impact of each such event. Requiring that level of certainty would largely defeat the purpose of including contingency in a prospective forecast. Rather, the record demonstrates the requested allowance reasonably addresses identified uncertainty associated with completing the defined SM 2.0 scope and is appropriately separated from escalation, loaders, and scope changes.

SDG&E's contingency request is supported by the nature and duration of the work, identified implementation and market uncertainties, component-specific estimating inputs, and is subject to appropriate cost controls. Developments since the Application was filed further demonstrate that the types of cost risks underlying SDG&E's forecast are real and can materialize during implementation. Relevant AACE guidance provides additional industry support for these risk-based principles, but the reasonableness of SDG&E's requested contingency rests on the SM 2.0 record. Accordingly, the Commission should approve SDG&E's proposed contingency allowance.

Approval of a reasonable contingency allowance in the forecast is distinct from the treatment of contingency amounts for cost recovery purposes. SDG&E agrees that contingency should not be available to fund duplicative, or out-of-scope costs. SDG&E proposes a cost recovery framework under which recovery of authorized contingency amounts would be tied to

eligible actual SM 2.0 costs, with any unused contingency returned to customers. This approach preserves the purpose of approving contingency prospectively to address reasonable implementation uncertainty, while providing a mechanism to reconcile authorized revenues (and associated contingency) with actual eligible costs. The mechanics of the cost recovery framework is discussed in Ex. SDGE-10, Rebuttal Cost Recovery (J. Guidi and T. Elliott).

IV. CONCLUSION

SDG&E's Smart Meter 2.0 cost estimate provides a reasonable basis for Commission review and authorization. The estimate is supported by a defined program scope, category-level cost support, component-specific estimating methodologies, competitively obtained vendor pricing, and other information reasonably available at the time the estimate was developed. As explained throughout this testimony, the estimate reflects the nature and maturity of the underlying work and provides sufficient transparency for the Commission to evaluate the reasonableness of the proposed costs.

SDG&E's proposed contingency allowance is likewise reasonable because it addresses uncertainty associated with completing the defined SM 2.0 scope, is separately identified from other cost elements, and is supported by identified implementation and market risks. The allowance is subject to appropriate governance and cost controls, while cost recovery treatment is addressed separately in Ex. SDGE- 10. Accordingly, the Commission should approve SDG&E's proposed SM 2.0 cost estimate and contingency allowance and reject the unsupported broad reductions proposed by intervenors.

This concludes my rebuttal testimony.

APPENDIX A
DECLARATION OF DAVID H. THAI

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DECLARATION OF DAVID H. THAI REGARDING CONFIDENTIALITY OF CERTAIN DATA/DOCUMENTS

I, David H. Thai, do declare as follows:

1. I am the Strategic Planning Manager in the Customer Services Department for San Diego Gas & Electric Company (SDG&E). I have been delegated authority to sign this declaration by Dana Golan, Chief Customer Officer. I have reviewed the confidential information included within the following documents:

- Exh. SDGE-09 Rebuttal SM 2.0 Cost Estimates and Contingency (D. Thai) CONFIDENTIAL.pdf
- Exh. SDGE-13-WP_CONFIDENTIAL.xlsx

2. I am personally familiar with the facts in this Declaration and, if called upon to testify, I could and would testify to the following based upon my personal knowledge and/or information and belief.

3. I hereby provide this Declaration in accordance with Public Utilities Code Section 583 and General Order (GO) 66-D Revision 3 to demonstrate that the confidential information (Protected Materials) provided in the aforementioned Exhibits and workpapers is within the scope of data protected as confidential under applicable law.

4. In accordance with the narrative justification described in Attachment A, the Protected Information should be protected from public disclosure.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct to the best of my knowledge.

Executed this 20th day of November, 2026, at San Diego, California.

/s/ David H. Thai
David H. Thai
Strategic Planning Manager

ATTACHMENT A

SDG&E Request for Confidentiality

Location of Protected Information	Legal Authority for Confidentiality	General Rationale
Yellow highlighted portions in: • Exh. SDGE-09 Rebuttal SM 2.0 Cost Estimates and Contingency (D. Thai) CONFIDENTIAL.pdf • Exh. SDGE-13-WP_CONFIDENTIAL .xlsx	Based on input received by SM 2.0 bidders, and based on SDG&E's concurring position, the produced documents are proprietary and represent and contain commercially sensitive information not intended for public disclosure. SM 2.0 bidders efforts involve communications which are intended only for access by designated members. Public disclosure would pose potential negative impacts and/or harm to SM 2.0 bidders. Gov't Code § 7927.705 ("Records, the disclosure of which is exempted or prohibited pursuant to federal or state law") • Cal. Civil Code §§ 3426 *et seq.* (Uniform Trade Secrets Act)	Disclosure of the information poses a risk of financial damage to the SM 2.0 bidders. Additionally, **NDA** There is an active non-disclosure agreement (NDA) contained in the RFP with bidders that requires SDG&E to seek confidential treatment of price quotes. **Uniform Trade Secrets Act** - While bidders represent that they are not disclosing trade secrets, price quotes typically have the potential to meet the definition of trade secrets under California Civil Code § 3426 et seq. - Disclosure would cause competitive harm. - NDA and internal controls show reasonable efforts to maintain secrecy. - SM 2.0 bidder general pricing is not publicly available. - Price quotes in connection with the bid submittal are particularly sensitive as they are more specific.