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CITY OF LOS ANGELES, acting by and
through its Department of Water and Power

**SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES**

CITY OF LOS ANGELES, acting by
and through its Department of Water and
Power,

Plaintiff,

v.

PRICEWATERHOUSE COOPERS, LLP,
Defendant.

Case No. **BC 574690**

COMPLAINT FOR:

(1) FRAUDULENT INDUCEMENT BY
MISREPRESENTATION

(2) FRAUDULENT INDUCEMENT BY
OMISSION and

(3) BREACH OF CONTRACT

JURY TRIAL DEMANDED

1 Plaintiff, the City of Los Angeles, acting by and through its Department of Water and
2 Power ("Plaintiff" or "LADWP"), alleges as follows:

3 **NATURE OF THE ACTION**

4 1. This complaint presents as classic an example as exists of a trail of broken
5 promises, intentional misrepresentations and omissions, and the promotion of profit over
6 performance, as might be conjured by the most fertile imagination, all at the expense of the
7 public utility ratepayers of the City of Los Angeles.

8 2. In 2009, the Los Angeles Department of Water and Power ("LADWP"), the
9 nation's largest public utility, sought to modernize its nearly forty year-old utility Customer
10 Information System/Customer Care and Billing System, which had originally been implemented
11 in 1974, and which was known and referred to as the "TRES" System" (the "Legacy Billing
12 System" or "TRES").

13 3. On November 23, 2009, the LADWP issued Request for Proposal No. 280-10
14 entitled, "*Proposals for Systems Integrator for Customer Information System Replacement*" (the
15 "LADWP RFP"). On January 8, 2010, PricewaterhouseCoopers, LLP ("PwC" or "Defendant")
16 responded by providing the LADWP with PwC's "*Proposal for Systems Integrator for Customer*
17 *Information System Replacement*" (the "PwC RFP Response").

18 4. PwC's RFP Response marked the beginning of a pattern of intentional deception,
19 breach of commitments, and an almost endless litany of attempts to deny or cover up those acts
20 or omissions by PwC that is virtually breathtaking in both its scope and its audacity. In
21 responding to the LADWP RFP, and to increase the likelihood of being awarded the contract that
22 was the subject of the LADWP's RFP, PwC intentionally misrepresented and failed to disclose
23 material and critical facts. First, PwC claimed -- falsely -- that PwC possessed the knowledge,
24 expertise, skills, and abilities necessary to perform the work required to implement a new Oracle-
25 based Customer Care & Billing software platform commonly known as the "CC&B billing
26 system" for the LADWP (the "CC&B billing system"). Second, PwC told the LADWP another
27 knowing falsehood: that PwC had "successfully implemented Oracle's CC&B solution for . . .
28 [the] Cleveland Water Department" ("Cleveland Water"), which was also a client of PwC. In the

1 process, PwC was careful to conceal from the LADWP a number of material facts concerning
2 PwC's inability to properly and successfully implement and configure the CC&B platform at
3 Cleveland Water, including the fact that PwC had caused Cleveland Water to incur millions of
4 dollars in damages.

5 5. The results of PwC's breaches of contract, intentional representations, and
6 material and critical omissions were disastrous. There were numerous defects in the programs
7 installed in the various phases of the LADWP's CC&B billing system, and a lack of required
8 testing. Because of this, the Department was not able to bill some of its customers for more than
9 17 months, including more than 40,000 of its 400,000 commercial customers, resulting in an \$11
10 million loss in revenue for each month during this period. Moreover, for weeks, LADWP
11 couldn't bill any of its 1.2 million residential customers at all. In addition, the "Trend
12 Estimation" algorithms that PwC was supposed to configure as required by the LADWP was
13 entirely botched, resulting in countless LADWP customers being overbilled, and many others
14 being underbilled, resulting in an exponential surge in ratepayer complaints, non-payment of
15 bills, and an enormous spike in the aging of accounts receivable.

16 6. All of this followed the selection by the LADWP in February 2010 of two
17 finalists for the CC&B billing system: PwC and IBM. The Department invited each of these
18 vendors to make in-person presentations to LADWP officials.

19 7. In February 2010, PwC participated in an in-person interview with LADWP
20 officials. At the outset of the interview, PwC provided the LADWP with PwC's Interview
21 Presentation Book ("Interview Presentation Book").

22 8. In its Interview Presentation Book, and during the in-person interview, PwC made
23 additional misrepresentations, and again failed to disclose material facts to the LADWP, in order
24 to fraudulently induce the LADWP to award the contract to PwC.

25 9. The material misrepresentations and omissions made by PwC in its Interview
26 Presentation Book, and during the in-person interview, involved two distinct topics: (i) PwC's
27 purported 100% success rate in implementing Oracle's CC&B billing platform; and (ii) PwC's
28 purported successful implementation of Cleveland Water's new CC&B billing system.

1 10. At the times PwC made these misrepresentations, and failed to disclose these
2 material facts, to the LADWP PwC had actual knowledge that these representations were
3 materially false.

4 11. PwC intentionally misrepresented and failed to disclose these material facts to the
5 LADWP in order to fraudulently induce the LADWP into awarding the contract to PwC.

6 12. Unaware that PwC had intentionally misrepresented and failed to disclose these
7 material facts, and lacking knowledge that PwC had improperly implemented and configured the
8 Oracle CC&B platform at Cleveland Water, the LADWP justifiably relied on PwC's material
9 misrepresentations to its detriment, and was fraudulently induced to – and did – award LADWP
10 Agreement No. 47976 (the "CISCON Contract") to PwC on July 20, 2010.

11 13. Had the LADWP known the truth concerning the material facts that PwC
12 intentionally misrepresented and failed to disclose to the LADWP, the LADWP would not have
13 awarded the CISCON Contract to PwC.

14 14. In addition to having fraudulently induced the LADWP to award the CISCON
15 Contract to PwC, PwC also failed to successfully perform several of the tasks that it was
16 contractually required to perform under the CISCON Contract, and thereby breached the
17 CISCON Contract in the various ways detailed herein.

18 15. In particular, PwC breached:

- 19 a. **Section 5.6.5** and **Section 6.3.4** of Exhibit E to the CISCON Contract by
20 failing to "Develop Automated Conversion Processing," and to conduct
21 "Resolution Implementation" activities as PwC was required to;
- 22 b. **Section 5.6.8** of Exhibit E to the CISCON Contract by failing to "Develop
23 Interface Programs" as PwC was required to;
- 24 c. **Section 5.6.9** of Exhibit E to the CISCON Contract by failing to "Develop
25 CIS Application Enhancements" as PwC was required to;
- 26 d. **Section 5.6.10** of Exhibit E to the CISCON Contract by failing to
27 "Implement Reporting Environment and Develop Reports" as PwC was
28 required to; and
- e. **Section 5.6.12** of Exhibit E to the CISCON Contract by failing to properly
"Develop Initial Configuration" as PwC was required to.

1 16. Because PwC lacked the skills and experience required to perform the work
2 required of PwC under the CISCON Contract, PwC caused the LADWP to sustain hundreds of
3 millions of dollars in damages. This action is brought to recover those damages.

4 **PARTIES**

5 17. Plaintiff, the City of Los Angeles is, and at all times mentioned was, a municipal
6 corporation, acting by and through its Department of Water and Power.

7 18. Defendant Pricewaterhouse Coopers, LLP, is a Delaware limited liability
8 partnership, having its principal office located at 300 Madison Avenue, 24th floor, New York,
9 NY 10017 and having a local office at 350 South Grand Ave., Los Angeles, CA 90071.

10 19. Additionally, upon information and belief, numerous partners of Defendant are
11 citizens of the State of California, including but not limited to Thomas McGuinness, Marci
12 Castillo, James Levinson, Allison Monahan, Shannon O'Shea, Andy Sofield, Miho Yokoyama,
13 Brian Culligan, and Michael Galper.

14
15 **JURISDICTION and VENUE**

16 20. This Court has jurisdiction over this matter pursuant to California Code of Civil
17 Procedure ("CCP") Section 410.10, because partners and/or members of the defendant limited
18 liability partnership are domiciled within the State of California, and the amount in controversy
19 exceeds the minimal jurisdictional limit of this Court.

20 21. Pursuant to CCP Section 395, venue in this Court is proper, because performance
21 of the contracts and obligations at issue in this lawsuit were due in this County, and those
22 contracts were in fact entered into in the County of Los Angeles.

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1 **SUBSTANTIVE ALLEGATIONS**

2 **PwC Fraudulently Induced the**
3 **LADWP to Award the CISCON**
4 **Contract to PwC By Misrepresenting and**
5 **Failing To Disclose Material Facts to the LADWP**

6 **A. PwC's Materially False and Misleading RFP Response**

7 22. In 2009, the LADWP sought to modernize its nearly forty year-old utility
8 Customer Information System/Customer Care and Billing System known as the TRES System.

9 23. On November 23, 2009, the LADWP issued the LADWP RFP.

10 24. On January 8, 2010, PwC provided the LADWP with the PwC RFP Response to
11 the LADWP RFP.

12 25. In its January 8th RFP Response, PwC made the following representations
13 concerning: (i) PwC's CC&B billing system implementation skills and experience; and (ii)
14 PwC's implementation of the CC&B billing system at Cleveland Water:

15 **1. False Representations Concerning PwC's CC&B Billing System**
16 **Implementation Skills and Experience**

17 a. "From our prior work in business requirements, solution selection,
18 and systems implementation, we have developed leading practices that drive our projects to
19 success. Accordingly, we are uniquely positioned to serve you " (PwC RFP Response
20 Executive Summary p. 1);

21 b. "We have the leading Utility functional experience, project
22 management skills, deep technical knowledge of Oracle and SAP, and knowledge of your
23 business processes to help you realize your project objectives." (PwC RFP Response Executive
24 Summary p. 1); and

25 c. "Our proposed offering includes deep knowledge and experience
26 in all functional and technical areas." (PwC RFP Response Executive Summary p. 1);

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1 2. **False Representations Concerning the Cleveland Water CC&B**
2 **Implementation Project**

3 a. “No other proposer can claim as many Oracle PS/CC&B
4 implementations as PwC over the last 10 years. With 10+ successful implementations and
5 upgrades, we are proud to retain each client as a partner and a reference” (PwC RFP
6 Response Executive Summary p. 4);

7 b. “Our proposed team has extensive project management skills,
8 technical SAP and Oracle know-how, deep industry knowledge and a track record of successful
9 CIS system selections and implementations. Having completed nearly 15 CIS implementations,
10 this team is committed to making your CIS project a success.” (PwC RFP Response Executive
11 Summary p. 2);

12 c. “Our team has served a variety of large electric, water and
13 wastewater clients and has an unparalleled track record of implementing CC&B successfully on
14 time and within budget.” (PwC RFP Response Executive Summary p. 4); and

15 d. In response to Question # 5. of the LADWP RFP, which asked
16 PwC to provide “a description of the firm’s experience in successfully implementing projects
17 similar in nature to the services described in the RFP,” PWC’s RFP proposal states in relevant
18 part, *“PwC has successfully implemented Oracle CC&B solution in North America with the*
19 *following utilities: Cleveland Water Dept., OH, US - 450,000 customers.”* (PwC RFP Response
20 pp. 8-10)(Emphasis added).

21 B. **PwC’s Materially False and**
22 **Misleading Interview Presentation Book**

23 26. In February 2010, PwC participated in a two-day long in-person interview
24 conducted by LADWP officials. This in-person interview was conducted in Conference Rooms
25 No. 1471 and 1514 at the LADWP’s offices located at 111 N. Hope St. in Los Angeles. During
26 the interview, PwC was represented by Jim Curtin, Trevor LaRocque, Scott Strean, Kris Brown,
27 K.P. Reddy, David Workman, and Paul Butler, and the LADWP was represented by Matt
28 Lampe, Mark Townsend, John Chen, Flora Chang, Armando Bolivar, George Rofail, Cliff Eng,

1 and Aditya Sharma.

2 27. The purpose of this in-person interview was to evaluate each of the two service
3 providers that the LADWP had selected as finalists during the process of vetting possible
4 vendors to fulfill the CISCON Contract.

5 28. At the outset of PwC's in-person interview, PwC provided the LADWP with
6 PwC's Interview Presentation Book. In the Interview Presentation Book, PwC made the
7 following representations:

8 **1. False Representation Concerning PwC's CC&B Billing System**
9 **Implementation Skills and Experience**

10 a. "Key lessons learned on data conversion: *Reconcile data on every*
11 *step of the conversion process.* Conversion reports" (Interview Presentation Book Slide 91)
12 (Emphasis added);

13 **2. False Representations Concerning the Cleveland Water CC&B**
14 **Implementation Project**

15 a. "*PwC has a proven track record in delivering 100% successful*
16 *Oracle CC&B projects.*" (Interview Presentation Book Slide 28) (Emphasis in original);

17 b. Slide 6 of PwC's Interview Presentation Book also provided a
18 "Firm Overview," and identified a number of "PwC Key Contacts," including Mr. Trevor
19 LaRocque. With respect to Mr. LaRocque, PwC represented that he had been "involved with 11
20 CIS engagements, 7 of them for the full life cycle implementation, [including the CC&B
21 engagement for] Cleveland Water." (Interview Presentation Book Slide 6).

22 **C. The Materially False and Misleading**
23 **Nature of the Representations Made in PwC's**
24 **RFP Response and Interview Presentation Book**

25 29. At the times PwC made each of the foregoing statements in its RFP Response and
26 Interview Presentation Book, PwC had actual knowledge that each of these statements was
27 materially false and misleading.

28 ///

1 1. **PwC Knew That Its Representations Concerning**
2 **PwC's CC&B Billing System Implementation**
3 **Skills and Experience Were False When Made**

4 30. PwC knew, but did not disclose that:

5 a. The PwC Project Team Manager PwC whom proposed to – and
6 ultimately did – assign to the LADWP CC&B implementation project had never managed a
7 project as large or complex as the LADWP project;

8 b. Many of the employees whom PwC proposed to – and ultimately
9 did – assign to the LADWP CC&B implementation project were filling new roles for which they
10 lacked experience; and

11 c. Many of the employees whom PwC proposed to – and ultimately
12 did – assign to the LADWP CC&B implementation project did not possess the qualities,
13 expertise, skills, and abilities to perform the work required of PwC under the Agreement.

14 2. **PwC Knew That Its Representations Concerning**
15 **the Cleveland Water CC&B Implementation**
16 **Project Were False When Made**

17 31. PwC knew, but did not disclose that:

18 a. PwC was responsible for the failed implementation of an identical
19 Oracle CC&B platform at Cleveland Water (the “Cleveland Water CC&B Project”) which PwC
20 prematurely took “live” in late September 2009 – just four months before PwC submitted its RFP
21 Response to the LADWP;

22 b. The PwC Utilities practice Team responsible for implementing the
23 Cleveland Water CC&B Project was comprised of many of the same individuals who were being
24 proposed as team members for the LADWP CC&B Project team, and the two senior PwC
25 executives on both of these CC&B projects were Jim Curtin, the Utilities Principal at PwC, and
26 Trevor LaRocque, then a Director, and later a Partner, in PwC's Utilities practice;

27 c. The PwC employees who staffed the Cleveland Water CC&B
28 Implementation Project did not have and/or utilize a detailed Project and Deployment
Infrastructure Plan to manage and track the Cleveland Water CC&B project status;

1 d. The PwC employees who staffed the Cleveland Water CC&B
2 Implementation Project did not recognize or act upon key indicators pointing to the Cleveland
3 Water system's lack of readiness for move to "Go-Live" and production;

4 e. The PwC employees who staffed the Cleveland Water CC&B
5 Implementation Project did not recognize or act upon Cleveland Water's lack of preparedness for
6 daily operation of Cleveland Water's new CC&B billing systems;

7 f. The PwC employees who staffed the Cleveland Water CC&B
8 Implementation Project supported the decision to "Go Live" and cutover to production despite
9 overwhelming evidence that Cleveland Water's CC&B system was not ready to be cutover and
10 rendered "Live" and operational;

11 g. Immediately following the September 2009 "Go Live" of
12 Cleveland Water's new CC&B platform, PwC had actual knowledge that the PwC Team
13 responsible for implementing the Cleveland Water CC&B Project had improperly implemented
14 and configured Cleveland Water's new CC&B platform, which, in turn, created disastrous
15 consequences for Cleveland Water's business and billing operations;

16 h. Immediately following the September 2009 "Go Live" of
17 Cleveland Water's new CC&B platform, PwC learned that, because the PwC Utilities practice
18 team responsible for implementing the Cleveland Water CC&B Project had failed to properly
19 implement and configure Cleveland Water's new CC&B platform, Cleveland Water had
20 experienced a wide-range of critical CC&B system failures immediately upon "Go Live" of its
21 new CC&B System; and

22 i. In particular, immediately following the September 27, 2009 "Go
23 Live" of Cleveland Water's new CC&B System, PwC had actual knowledge and intentionally
24 did not disclose to the LADWP that:

- 25 o 15% of Cleveland Water's customer accounts (60,000 customer accounts)
- 26 immediately failed to bill at all because PwC had failed to properly configure
- 27 Cleveland Water's new CC&B platform;

28 ///

- 1 ○ An additional 15% of Cleveland Water's customer accounts (an additional 60,000
- 2 customer accounts) were billed based on "estimated usage" -- despite the fact that
- 3 actual meter read data existed -- because PwC had failed to properly configure
- 4 Cleveland Water's new CC&B platform;
- 5 ○ Field meter read data entry validation did not function properly, because PwC had
- 6 failed to properly configure Cleveland Water's new CC&B platform. As a result,
- 7 manually keyed errors by meter readers flowed into the billing system without
- 8 being detected or remediated;
- 9 ○ Meter exchanges processed in the field were not completed in the system,
- 10 resulting in billing errors and customer service confusion, because PwC had failed
- 11 to properly configure Cleveland Water's new CC&B platform;
- 12 ○ Cleveland Water experienced an immediate and exponential surge in billing errors
- 13 following "Go Live," due to PwC having improperly implemented and configured
- 14 the system;
- 15 ○ Cleveland Water experienced a crippling increase in daily exceptions and other
- 16 billing errors that simply could not be addressed on a timely basis due to staffing
- 17 issues, which created an increasingly large backlog of customer bills; and
- 18 ○ The exponential increase in incorrect and unaddressed customer billing issues
- 19 caused Cleveland Water's Accounts Receivables to skyrocket -- growing at the
- 20 rate of \$1 million per month following the failed implementation of its new
- 21 CC&B platform by PwC in September 2009.

22 32. On the basis of the foregoing, PwC's representations, including, in particular, the
23 representation that "*PwC has a proven track record in delivering 100% successful Oracle*
24 *CC&B projects*," were known to PwC to be blatantly false at the times PwC made these
25 statements to the LADWP in January and February 2010. (Emphasis in original).

26 33. Similarly, PwC's response to Question # 5 of the LADWP RFP, in which PwC
27 stated that PwC had "successfully" implemented Oracle's CC&B platform for Cleveland Water
28 (PwC RFP Response pp. 8-10) was also known to PwC to be materially false and misleading at

1 the time PwC made this statement in January 2010.

2 34. Finally, in light of PwC's failed implementation of Cleveland Water's CC&B
3 billing system just four month earlier, and the fact that the Cleveland Water CC&B Project had
4 been managed and staffed by many of the same PwC personnel who were proposed to – and
5 ultimately did – manage and staff the LADWP CC&B Project (including Messrs. Curtin and
6 LaRocque), PwC knew, but did not disclose, that each of the statements set forth above were
7 materially false and misleading at the times PwC made these statements, because PwC knew that
8 PwC's proposed team did not possess the "extensive project management skills, technical Oracle
9 know-how, [and] deep industry knowledge" that PwC falsely claimed to possess, and lacked the
10 knowledge, expertise, skills and abilities to perform the work required of PwC under the
11 CISCON Contract.

12 35. PwC made each of these statements with the intent and for the purpose of
13 inducing the LADWP to rely on these statements, and to induce the LADWP to award the
14 CISCON Contract to PwC, rather than one of PwC's competing bidders.

15 36. Because the LADWP was unaware of the materially false and misleading nature
16 of these statements by PwC at the time these statements were made, the LADWP did, in fact,
17 justifiably rely on these statements in making the decision to award the CISCON Contract to
18 PwC rather than one of PwC's competing bidders.

19 37. The fact that the LADWP believed and justifiably relied on PwC's representations
20 in awarding the CISCON Contract to PwC is demonstrated by numerous "evaluation comments"
21 made by LADWP Evaluators during PwC's February 2010 interview. After having considered
22 the representations made by PwC in its RFP Response and Interview Presentation Book, the
23 LADWP Evaluators demonstrated that they believed PwC's representations in a variety of
24 comments that they made during PwC's February 2010 in-person interview. The LADWP
25 evaluators commented in relevant part:

26 a. "PwC is stronger on the Oracle side" and "PwC has a stronger Oracle
27 Team PwC has a more business focused approach, which is more critical for this type of
28 large scale process changing projects";

1 b. "PwC has a business process centric approach that is critical for this
2 project";

3 c. "Strong Oracle experience in utilities sector" and "strong Oracle team was
4 proposed"; and

5 d. "The identification of a strong Oracle side delivery executive also
6 contributed to the strength."

7 38. Because the LADWP was unaware that PwC lacked the knowledge, expertise,
8 skills and abilities that PwC falsely claimed it possessed to perform the work required of PwC
9 under the CISCON Contract, the LADWP justifiably relied on these false representations to its
10 detriment, and incurred hundreds of millions of dollars in damages as a result of doing so, when
11 PwC failed to perform as it was required to by the terms of the CISCON Contract. In addition,
12 because PwC did not disclose to LADWP the existence of the CC&B related operational issues
13 and other problems that PwC knew existed at Cleveland Water, PwC further deceived the
14 LADWP, and prevented the LADWP from identifying these operational issues and problems as
15 areas warranting special attention and additional testing in connection with the LADWP CC&B
16 implementation project.

17 **The CISCON Contract and PwC's Breach of the CISCON Contract**

18 A. **LADWP Contracted with PwC to Provide**
19 **Software System Implementation and**
20 **Integration Services for Replacement of**
 the LADWP's Customer Information System

21 1. **The Initial Agreement**

22 39. On or about July 20, 2010, LADWP entered into a Professional Services
23 Agreement with PwC known as "LADWP Agreement No. 47976" and referred to herein as "the
24 CISCON Contract."

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1 40. Section 103 of Article I of the CISCON Contract sets forth the purpose of the
2 Agreement and states in relevant part,

3 LADWP is seeking to modernize its legacy utility Customer Information System
4 implemented in 1974, as well as related processes, procedures and business
5 requirements to provide a long-term automated CIS solution that is user-friendly,
6 proven in production in a large utility environment, and powerful enough to meet
7 the current and anticipated future needs of LADWP.

8 The purpose of this Agreement is to obtain professional services to assist LADWP
9 in selecting and replacing LADWP's existing CIS, which includes water and
10 electric utility customer information, billing, customer accounting, reporting and
11 collection system.... all tasks under this Agreement are termed the CIS
12 replacement project ("CIS Replacement Project").

13 41. The "Services and Deliverables" to be provided by PwC under the CISCON
14 Contract are set forth in Section 401 of the CISCON Contract, which states in relevant part, PwC
15 "shall provide the Services and the Deliverables identified in the two statements of work
16 ("Statements of Work" or "SOWs") attached to this Agreement as Exhibits D and E and made a
17 part hereof."

18 42. Section 401.1 of the CISCON Contract states in relevant part,

19 The project scope is defined in the two SOWs set forth in Exhibits D and E,
20 which represent the two phases of the project. The work contemplated in Exhibit
21 D is referred to as phase 1 ("Phase 1") of the project, while the work
22 contemplated in Exhibit E is referred to as phase 2 ("Phase 2") of the project....

23 Phase 1 will include activities concerning the evaluation and selection of a CIS
24 replacement solution ("CIS Replacement Solution"), and which includes
25 preparation for implementation of the CIS Replacement Solution

26 Phase 2 will include activities concerning a successful implementation of the CIS
27 Replacement Solution. The activities in Phase 1 and Phase 2 are more fully
28 described in Exhibit D and Exhibit E.

 43. According to Sections 201 and 301, of the CISCON Contract, respectively, the
initial term of the CISCON Contract was three years and the "total compensation" payable to
PwC "for the complete and satisfactory performance of services under this Agreement shall not
exceed Fifty-Seven Million Two Hundred Thousand dollars (\$57,200,000)" and the work to be

1 performed as set forth in Exhibit E to the Agreement had "a total not-to-exceed amount of Forty-
2 Four Million Five Hundred Thousand dollars (\$44,500,000)."

3 **2. The First Amendment to the CISCON Contract**

4 44. On May 16, 2013, LADWP requested approval by the Mayor's Office of a
5 proposed resolution authorizing the execution of the first amendment to the Agreement with
6 PwC (the "First Amendment"). The First Amendment extends the term of the Agreement by two
7 years, to August 12, 2015 and provides additional funding authority in the amount of \$12 million
8 for a new Agreement not-to-exceed total of \$69.2 million.

9 45. Because the cumulative length of the Agreement exceeded three years, approval
10 by the Los Angeles City Council was required in order for the LADWP to enter into the First
11 Amendment. On June 24, 2013, the LADWP presented Amendment No. 1 to the City Council
12 for approval. On August 13, 2013, the City Council voted to approve Amendment No. 1.

13 **B. PwC Breached Numerous**
14 **Provisions of the CISCON Contract**

15 46. As detailed herein, PwC materially breached the CISCON Agreement in several
16 respects, each of which caused the LADWP to incur damages. In particular, PwC breached the
17 following Sections of the CISCON Contract:

18 **PwC Breached Sections 5.6.5 and 6.3.4**
19 **of Exhibit E To the CISCON Contract**
20 **By Failing To: (i) Develop and Deliver**
21 **Conversion Load Programs Capable of**
22 **Successfully Loading and Transforming**
23 **Legacy Billing Data; and (ii) Conduct**
"Unit Testing" of PwC's "Proposed Resolutions"
or "Hot Fixes" As Required By The CISCON Contract

24 47. According to the Product Data Sheet for "Oracle Utilities Customer Care and
25 Billing" product, "Oracle Utilities Customer Care and Billing (CC&B) is a complete billing and
26 customer care application for utilities serving residential, commercial and industrial customers."

27 48. Oracle's CC&B product is an off-the-shelf, highly configurable and extensible
28 software platform that is sold to, and used by, utilities across the world to bill their customers

1 and manage various aspects of customer relationships. Because the CC&B product is highly
2 configurable and extensible, it is capable of being configured and extended in myriad ways to
3 suit the needs of the various utilities using the product.

4 49. In the case of the CISCON Contract, LADWP contracted with PwC to configure
5 and extend the CC&B billing platform that PwC was hired to implement for the LADWP.

6 **"Converting" Legacy TRES and BANNER Data into CC&B Format**

7 50. One of the most critical tasks required to be undertaken to successfully implement
8 the LADWP's new CC&B billing system involved converting the customer billing data
9 maintained in the legacy TRES and BANNER systems into a format that could be read and
10 properly processed by the new Oracle CC&B billing system.

11 51. One of the primary challenges involved with converting the LADWP's customer
12 billing data arises from the fact that the LADWP's legacy TRES system stores customer billing
13 data in a single "flat file" data structure such that all customer data for each residential and
14 business customer is maintained in a single file that contains all of the data field elements
15 associated with a given customer. In contrast, the LADWP's new Oracle CC&B system
16 maintains and stores customer billing data in literally hundreds of relational database data tables.

17 52. To effectuate this billing data conversion, it was necessary to extract the customer
18 billing data for the approximately 1.6 million customers that was stored in "flat file" format in
19 the legacy TRES system, and customer billing data for approximately 10,000 customers in the
20 Owens Valley area that was stored in database tables in the legacy BANNER system, and to
21 convert this data into the format and data structure required by the new CC&B billing platform.
22 This was necessary so that the CC&B system could store this data in hundreds of relational
23 database tables, and process this data to generate customer bills. Doing so requires both a
24 thorough understanding of how to extract, transform (convert), and load legacy customer billing
25 data from the TRES and BANNER legacy billing systems into the Oracle CC&B billing system
26 and a high degree of programming sophistication, capability and accuracy.

27 53. In PwC's RFP Response, PwC made a number of statements demonstrating the
28 significance of this conversion process. In particular, PwC stated in relevant part:

1 Data Conversion is a key aspect of CIS implementation, PwC follows a proven
2 Conversion methodology which is part of the overall Transformation
3 Methodology and comprises Data Selection, Data Mapping, Data Extraction, Data
4 Cleansing, Data Transformation and Data Reconciliation.

5 * * *

6 **Data Conversion Approach**

7 Data conversion is a key aspect of CIS implementation, PwC's proven conversion
8 methodology includes the following components:

- 9 • Documented conversion strategy, developed and agreed upon at
10 the beginning of the project.
- 11 • Documented data mapping.
- 12 • Documented cross referencing of legacy values to the
13 configuration, as it is being developed over the life of the project.
- 14 • Documented balancing procedures, for both data elements and
15 financial balances.

16 PwC's Data Conversion methodology covers the following . . . areas:

17 * * *

18 **Data Transformation**

19 *The PwC conversion team will reformat and move data from the legacy system
20 staging areas into structures and tables and files, depending on the conversion
21 tool to be used. This process includes the generation of a number of reports,
22 including data exceptions as well as statistical reporting to support the
23 reconciliation process. The exception reports will be used for identifying
24 changes needed in the conversion processing, especially the cross reference
25 processing and for identifying data cleansing issues which must be addressed in
26 the legacy systems.*

27 **Conversion reconciliation**

28 *During the process of extracting data from legacy systems, loading it into the
staging area and migrating it into the structures, it is necessary to assess data
integrity at each step. Statistical and financial totals are generated at each step
and compared and reconciled to the preceding step. This processing required to
generate these totals are part of the conversion processing. LADWP will be
responsible for reporting out of the legacy systems. The PwC conversion team
will be responsible for reporting out of the staging layer and CIS system. This
reporting and the reconciliation process is part of the conversion process and
will be tested with each practice conversion.*

1 (PwC RFP Response p. 61)(Emphasis added).

2 54. Despite PwC's recognition of the critical significance of the conversion process
3 and representations that it possessed the skills needed to effectuate a successful data conversion
4 in connection with performing its duties under the CISCON Contract, PwC breached Sections
5 5.6.5 and 6.3.4 of the CISCON Contract in connection with PwC's conversion of the LADWP's
6 legacy billing data into the data format required by the new CC&B billing system.

7
8 **A. PwC Breached Section 5.6.5 of Exhibit E**
9 **To The CISCON Contract By Failing**
10 **To Develop "Conversion Load Programs" Capable**
11 **Of Successfully "Loading and Transforming"**
12 **Legacy Billing Data Provided By The LADWP**

13 55. Section 5.6.5 of Exhibit E to the Agreement ("Section 5.6.5") states that PwC is
14 responsible for developing and delivering the conversion programs required to load and
15 transform legacy billing data provided by the LADWP.

16 56. Section 5.6.5 is entitled, "Activity – Develop Automated Conversion Processing"
17 and states in relevant part,

18 Description

19 *The purpose of this activity is to Code and Unit Test the necessary Extract,*
20 *Transform, and Load (ETL) processing and to conduct Conversions. Programs*
21 *will be developed and tested. . . .*

22 (Emphasis added).

23 57. Section 5.6.5 also identifies the "Deliverable" that PwC was required to provide
24 under this Section. Pursuant to Section 5.6.5, PwC was required to provide Deliverable No.
25 D3.6, which were the "Conversion Code Loads." As stated in the CISCON Contract, in order to
26 fulfill this Deliverable requirement, PwC was required to *"develop conversion programs to load*
27 *and transform data from data provided by LADWP."* (Emphasis added).

28 58. Additionally, Deliverable No. D3.6 required that PwC "unit" test the Conversion
Load Programs.

1 59. “Unit testing” is a software testing method by which individual units of code are
2 tested to ensure functionality.

3 60. In order to prepare for the actual conversion from the LADWP’s legacy billing
4 system to the new CC&B billing system, the LADWP and PwC conducted monthly “full data
5 conversions” throughout much of the project, with the last “full data conversion” occurring on
6 August 7, 2013 (the “August 7th Conversion”).

7 61. After conducting the August 7th Conversion, PwC became aware that PwC had
8 not written the Conversion Load Programs properly and that, as a result, numerous defects
9 existed in these Conversion Load Programs as a result.

10 62. In light of the fact that so many defects existed in the Conversion Load Program,
11 as of August 7, 2013, less than one month from “Go Live,” PwC breached the contractual
12 requirement of Section 5.6.5 by failing to develop and deliver “conversion [load] programs” that
13 were capable of successfully “load[ing] and transform[ing] Legacy data provided by the
14 LADWP.

15 63. PwC further breached Section 5.6.5 by failing to unit test the Conversion Load
16 Programs, as required by Deliverable No. D.6.

17 64. Because PwC did not conduct this required unit testing, PwC delivered
18 defectively programmed Conversion Load Programs to the LADWP that were then used to load
19 and transform legacy billing data into the new CC&B billing system. Because these Conversion
20 Load Programs were written in a defective manner and therefore did not function properly, they
21 were incapable of successfully “loading and transforming” legacy billing data provided by the
22 LADWP as required by Section 5.6.5.

23 **B. PwC Breached Section 6.3.4 of**
24 **Exhibit E By Failing To Conduct**
25 **Unit Testing On “Resolutions That**
 Involve Changes To The CIS Solution”

26 65. Unable to satisfy its obligation arising under Section 5.6.5 of Exhibit E, and
27 unable or unwilling to rewrite the Conversion Load Programs in a manner that eliminated these
28 code defects in the Conversion Load Programs, PwC developed a series of “resolutions,”

1 otherwise referred to as "hot fixes," which were intended to eliminate a variety of "conversion
2 load errors" that were caused by the improper programming and functioning of the defectively
3 written Conversion Load Programs.

4 66. A "hot fix" is an SQL script that is designed to correct a software defect. This fix
5 is referred to as "hot" because it is applied to a system or program that is "live," i.e., currently
6 running and in production status rather than in development status. Generally, an individual
7 SQL script or "hot fix" is designed to correct only one very specific defect in a system or
8 program, i.e., the target defect. A "hot fix" should only affect the target defect and should not
9 affect any other collateral data.

10 67. During the period August 7, 2013 through September 2, 2013, immediately prior
11 to the September 3, 2013 "Go Live," PwC developed approximately thirty (30) SQL scripts or
12 "hot fixes" that were intended to correct certain specific defects in the converted data streams
13 that had been generated by PwC running the defectively programmed Conversion Load
14 Programs.

15 68. To ensure that each individual SQL script or "hot fix" corrected only its intended
16 target defect, and did not adversely affect any other collateral data or otherwise cause any
17 unforeseen and unanticipated data or system-related defects, Section 6.3.4 of Exhibit E required
18 that PwC conduct "unit testing" (as defined above) on any "resolution that involves changes to
19 the CIS Solution," i.e., the hot fixes, to confirm and demonstrate that no other collateral data or
20 CC&B system functionality had been adversely affected by the implementation of these "hot
21 fixes."

22 69. Despite this contractual requirement, PwC failed to conduct the required unit
23 testing after PwC had applied the approximately thirty (30) SQL scripts or "hot fixes" created
24 during the period August 7, 2013 through September 2, 2013.

25 70. As a result of PwC's failure to unit test these "hot fixes," PwC's delivery and
26 implementation of these wholly untested "hot fixes" adversely affected other collateral data and
27 CC&B system functionality when the LADWP went "live" with its new CC&B billing system
28 on September 3, 2013.

71. By way of example, the LADWP's IT Department has now confirmed that *the untested "hot fixes," which were applied by PwC caused "critical" meter configuration defects in more than 180,000 meters as follows:*

<u>No. of Meters</u>	<u>Type of Meter Configuration Defect</u>
----------------------	---

37,278 meters	ERTs are missing on meters converted into CC&B from MR10
---------------	--

31,234 meters	Legacy meters with bad program id, model, manufacture
---------------	---

21,667 meters	KW full scale does not match digits left/right in meter config.
---------------	---

21,317 meters	Meters with wrong interval register 91 KW
---------------	---

16,940 meters	Meters had only one register when they are converted to CC&B
---------------	--

9,776 meters	Meters consist of wrong configurations
--------------	--

9,365 meters	A NET KWH2, KWH2V, and KWH2D meters w/ wrong flag
--------------	---

7,809 meters	Net Meters GE210 converted & configured incorrectly
--------------	---

6,290 meters	Net KWH meters have wrong read sequence
--------------	---

5,000 meters	Electric meters without ERT in CCB
--------------	------------------------------------

3,305 meters	Electric meters without read sequence
--------------	---------------------------------------

2,528 meters	Electric meters have mismatch
--------------	-------------------------------

2,482 meters	Meters are missing required registers on their configuration
--------------	--

1,681 meters	Meters had wrong full scale
--------------	-----------------------------

1,495 meters	Meters with incorrect read sequence 74
--------------	--

1,440 meters	FY9 meters with incorrect model
--------------	---------------------------------

1,251 meters	Meters error out by MUP2 due to bad meter configurations
--------------	--

16 meters	Few left meters still have invalid register 1 or 2
-----------	--

72. Stated another way, *PwC's misconduct* had devastating consequences for the LADWP and *resulted in 11.25% of all of the LADWP's meters being rendered unable to function properly and the LADWP unable to bill approximately 180,000 of its customers -- many for a period of more than 17 months.*

73. In quantifying the revenue loss associated *only* with the LADWP's inability to bill approximately 40,000 out of a total of 400,000 commercial LADWP customer accounts, one

1 senior-ranking LADWP executive estimated that the LADWP had foregone \$11 million per
2 month in revenue due to its inability to bill these 40,000 commercial customers due to PwC's
3 misconduct. This \$11 million per month *does not* include *any* unbilled revenue associated with
4 any of the LADWP's residential accounts. When the unbilled revenue associated with these
5 residential accounts is considered, the revenue loss experienced by the LADWP due to PwC's
6 breach of the CISCON Contract increases exponentially as detailed below.

7 74. While the revenue loss associated with both commercial and residential customer
8 accounts that was caused by PwC's misconduct has been staggering, the damages incurred by the
9 LADWP as a result of PwC's actions have also been exacerbated by the fact that the LADWP's
10 has had to retain other IT and billing system consultants to: (i) perform the work that PwC was
11 already paid to perform, but failed to; and (ii) remediate the damage to the LADWP's CC&B
12 billing system caused by PwC personnel.

13
14 **PwC Breached Section 5.6.8 of the**
15 **CISCON Contract By Failing To Develop**
16 **The "INT028 Meter Read Upload Interface"**
As Required By The CISCON Contract

17 75. Section 5.6.8 of Exhibit E to the CISCON Contract governs creation of the
18 "INT028 Meter Read Upload Interface" and other "Interfaces" and states that PwC is responsible
19 for "delivery of CIS Solution Interface source and executable code" to the LADWP.

20
21 76. Section 5.6.8 is entitled, "Activity – Develop Interface Programs" and states in
22 relevant part:

23 Description

24 *The purpose of this activity is to Code and Unit Test Interface Programs. The*
25 *Interface Programs will be based upon the Interface Specifications.*

26 *The deliverable will be the completed code for each interface* (Programs that
27 *require send/receive data interchanges between third party applications and the*
28 *CIS Solution), including the documentation for each program/executable code*
that has been developed, successfully unit tested and delivered based on the

1 *functional and technical specifications. This deliverable will function in*
2 *accordance with associated Specification Documentation.*

3 The Consultant [PwC] will address and resolve all of the Unit Test Incidents that
4 pertain to Interfaces or CIS application components, which are caused by the CIS
application side of the Interface. . . .

5 (Emphasis added).

6 77. Another of the more critical tasks required to be undertaken to successfully
7 implement the LADWP's new CC&B billing system involved developing and implementing the
8 "Interface" necessary to "upload" the meter read data collected by meter readers to the CC&B
9 billing system so that data could be processed and used to generate customer bills. The
10 particular interface required to perform this task in the case of the CISCON Contract was known
11 as "Interface 028," which was also referred to as the "Meter Read Upload Interface" or "MRU
12 Interface."

13 78. The meter read data collected by meter readers using the ITRON Field Collection
14 System ("FCS") is stored in "Extensible Markup Language" or "XML" format. "XML" is a data
15 format that is consistent with the data format used with web services, and is commonly used with
16 Service Oriented Architecture or "SOA" based Interfaces. XML formatted data includes both
17 the data and the descriptor for the data, which makes it particularly wordy. The XML data must
18 therefore be parsed before it can be loaded into a data table or used in any data validations.
19 Meter read files in XML format are very large, as the read files can be up to 50,000 meters in the
20 daily read. Because there are a large number of variables and variable descriptors stored in the
21 meter read files, these files are very large.

22 79. The Meter Read Upload Interface is designed to take meter read data, which is
23 collected by meter readers in the field using the ITRON FCS, into the MRU Interface and to then
24 transmit or "upload" that data to a staging table in CC&B. Interface 028 at issue here was
25 defectively designed, written and developed by PwC.

26 80. When the MRU Interface is working properly and as intended, once the meter
27 read data is delivered to the CC&B staging table, CC&B runs this data through a series of
28 validations before it gets into the read table. These validations are well integrated into the

1 CC&B application, and errors create "to-do's" in the system where the "business side" of the
2 LADWP can see the error and take action on the error within the user interface.

3 81. Immediately after going "live" with the new CC&B billing system on September
4 3, 2013, the LADWP attempted to run the MRU Interface and found that it could not
5 successfully be run in the "production environment" at all.

6 82. The consequences of the inability to run the MRU Interface were immediate and
7 disastrous. Because the LADWP was completely unable to run the MRU Interface in the
8 "production environment," the LADWP was suddenly unable to bill any of its 1.2 million
9 residential customers, 50,000 of which were billed each night that the LADWP remained unable
10 to get the MRU Interface to function in the "production environment."

11 83. The LADWP's IT Department immediately informed PwC of this critical issue,
12 including PwC's LaRocque, only to be told that PwC would look into the matter, but was
13 uncertain as to why the MRU Interface would not function at all in LADWP's "live" "production
14 environment."

15 84. In an effort to stave off a complete billing disaster and mitigate its damages, the
16 LADWP immediately assigned one of its top SOA programmers to begin investigating the
17 reason(s) why the MRU Interface would not function at all in the "live" "production
18 environment." On doing so, this SOA programmer discovered that the size of the file, combined
19 with the large number of data validations that were being attempted, quickly caused the memory
20 capacity of the system to be exceeded – which, in turn, caused the system to lock up and stop
21 running the "meter read upload" operation each time it was attempted by the LADWP.

22 85. Although this SOA programmer was unable to identify the ultimate reason or
23 "root cause" of the system lock up each time the meter read upload operation was attempted, he
24 did determine that he could manually over-ride the system by employing a fully manual "work
25 around" which involved him breaking the XML file into smaller pieces and processing each of
26 these segments manually.

27 86. The SOA programmer found that, if he "chopped up" the XML meter read data
28 file into smaller files and carefully fed them into the system sequentially while monitoring the

1 system, he was able to manually parse the meter read data stored in XML format and load it into
2 the CC&B staging table. This took many hours and literally necessitated that the SOA
3 programmer work through the night – each night for nearly three weeks – simply to accomplish
4 the meter read data “upload” so that this data could be used to manually bill 50,000 LADWP
5 customers each night. Given the sheer volume, this manual method of billing 50,000 LADWP
6 customers each night quickly proved completely unworkable and unsustainable because it
7 delayed the nightly batch billing runs and required extraordinary commitment of staff time.

8 87. Because both PwC and LADWP had been unable to identify the reason(s) why
9 the MRU Interface failed to function in the “live” “production environment,” the LADWP was
10 required to hire Oracle Corporation to conduct a trouble shooting investigation into the matter.

11 88. Oracle provided a highly-skilled SOA programmer who worked closely with the
12 LADWP’s own SOA programmer to help identify the cause of the failure. After working for
13 several weeks, Oracle’s SOA programmer found that PwC had defectively coded the MRU
14 Interface and delivered and implemented the defectively coded MRU Interface to the LADWP.

15 89. In particular, Oracle’s SOA programmer discovered that PwC had defectively
16 coded the MRU Interface by having written the code for the MRU Interface so that it included a
17 large number of data validations, which, in turn, forced the MRU Interface to parse the data, and
18 run a series of validations, involving comparing many of the data elements, one at a time, to a
19 table of valid values. Given the sheer volume of data, the wordiness of the XML format, and
20 large number of independent table look ups, the MRU Interface could not successfully process
21 the required nightly file which was critical to the billing process, because the system almost
22 immediately ran out of memory each time the LADWP attempted to upload the meter read data
23 using the MRU Interface, causing the system to lock up and stop operating.

24 90. More remarkably – and highly demonstrative of the fact that PwC lacked the
25 skills and experience that PwC had falsely represented it possessed – Oracle’s SOA programmer
26 also confirmed that PwC had defectively coded the Meter Read Upload Interface by
27 programming it to include these data validations, because the CC&B billing system already
28 contained all of these validations. Accordingly, by coding the Meter Read Upload Interface to

1 also include these data validation protocols, PwC had nearly completely duplicated the software
2 functionality that was already possessed in the CC&B product by also programming these logic
3 rules into the MRU Interface itself.

4 91. Had PwC understood and been knowledgeable about the functionality and coding
5 of the CC&B product as PwC had repeatedly falsely claimed, PwC would *not* have deliberately
6 programmed these same data validation rules into the MRU Interface because doing so:

- 7 • Was purely duplicative of the functionality that already existed in CC&B, and required
8 excessive memory which caused the system to lock up entirely;
- 9 • Extended the batch window to an unacceptable length; and
- 10 • Where errors were identified, prevented the data from getting loaded into the staging
11 table.

12 **PwC Breached Section 5.6.9 of the**
13 **CISCON Contract by Failing To Develop**
14 **the "Auto-Close of Off Orders Enhancement"**
As Required By The CISCON Contract

15 92. Section 5.6.9 of Exhibit E to the CISCON Contract ("Section 5.6.9") is entitled,
16 "Activity – Develop CIS Application Enhancements" and states in relevant part:

17 Description

18 The purpose of this activity is to develop and unit test all enhancements to satisfy
19 the functions specified in the final approved Scope Document and Functional
20 Specifications.

21 *The Consultant will design and develop enhancements to the product utilizing*
22 *the standard CIS application exit points without modifying the core code*

23 *The Consultant will develop the enhancements to the CIS application. These*
24 *enhancements will be built as defined in LADWP approved Functional*
25 *Specifications and the Consultant developed Technical Specifications.*

(Emphasis added).

26 93. One of the "enhancements" to the new CC&B billing system that was defined in
27 the LADWP approved Functional Specifications was for an "enhancement" referred to as "Auto-
28 Close of Off Orders." Simply stated, this "enhancement" was intended to automatically close

1 out "off orders" that were not completed in the field upon the occurrence of a subsequent "on
2 order" at the same location, thereby ensuring that billing was stopped and started properly.

3 94. By way of example, assume an LADWP customer is moving out of an apartment
4 and places an "Off Order" so that service to the apartment is terminated. Then assume that a
5 new resident moves into that same apartment days later. The "Auto-Close on Off Orders"
6 enhancement was intended to ensure that billing to the customer who is moving out of the
7 apartment is completely stopped when the "On Order" is placed, so that the new resident – rather
8 than the resident who is moving out – is billed for service once the "On Order" is placed.

9 95. Despite being contractually obligated to "design and develop" this
10 "enhancement," PwC failed to design and develop the "Auto-Close on Off Orders" enhancement
11 as was required, and breached Section 5.6.9 of the CISCON Contract as a result.

12 96. Because PwC failed to design and develop the "Auto-Close on Off Orders"
13 enhancement as was required, the LADWP was unable to accurately bill its customers in
14 circumstances where this "enhancement" would have done so on an automated basis.
15 Specifically, because PwC failed to provide this enhancement, the LADWP continued to bill
16 customers *after* they had placed "Off Orders," and was unable to bill new customers who had
17 placed "On Orders" upon moving into a residence where a corresponding "Off Order" had been
18 placed.

19 97. PwC's failure to design and develop the "Auto-Close on Off Orders"
20 enhancement caused the LADWP to incur damages in an amount to be determined at trial.

21 **PwC Breached Section 5.6.10 of the**
22 **CISCON Contract by Failing To "Develop and**
23 **Unit Test" the "Consultant Developed Reports"**
As Required By The CISCON Contract

24 98. Section 5.6.10 of Exhibit E to the CISCON Contract ("Section 5.6.10") is entitled,
25 "Activity – Implement Reporting Environment and Develop Reports" and states in relevant part:

26 Description

27 *The purpose of this activity is to implement a reporting environment and use it*
28 *to develop and unit test the reports, which were mutually agreed as needed for*
Go Live.

1 The deliverable is the Completed Code for each Report, including documentation
2 for the program/executable code for each development object, successfully unit
3 tested and delivered based on the Functional Design Specification and Technical
Specifications.

4 *Consultant will develop and unit test the reports for which the Consultant is*
5 *responsible. . . .*

6 (Emphasis added).

7 99. Despite being contractually obligated to provide the “executable code for each
8 Consultant Report” prior to the September 3, 2013 “Go Live” date of the LADWP’s new CC&B
9 billing system, PwC failed to provide such code and was therefore unable to produce and test a
10 number of critical reports as it was also contractually required to do.

11 100. Internal LADWP documents dated November 5, 2013 confirm that PwC had not
12 yet developed, unit tested, or successfully delivered the following *fifteen* critical reports to the
13 LADWP as of November 5, 2013 – *more than two months after the September 3, 2013 “Go*
14 *Live” had occurred:*

- 15 (i) RPT008 – Batch Payment Control Report;
- 16 (ii) RPT016 – Collection Activity Report;
- 17 (iii) RPT039 – Renewable Energy Summary Report;
- 18 (iv) RPT040 – Sanitation Billing and Revenue Report;
- 19 (v) RPT051 – Total AR Aging Report (by Customer Class);
- 20 (vi) RPT067 – Billing and Revenue Report (by Bill Cycle);
- 21 (vii) RPT068 – Billing Summary (by GL Account);
- 22 (viii) RPT069 – Summary of Cancelled Bill Segments;
- 23 (ix) RPT070 – Trial Balance Report (by GL Account and SA Type);
- 24 (x) RPT076 – Suspense Payment Report;
- 25 (xi) RPT085 – Adjustment Summary (by GL Account);
- 26 (xii) RPT087 – Detail Adjustment Listing Report;
- 27 (xiii) RPT089 – Detail Refund AP Adjustment Report;
- 28 (xiv) RPT091 – GL Summary Report (by GL Account); and

1 (xv) RPT093 – Unbilled Revenue Report (Monthly Customers).

2 101. Particularly critical among these reports was the “Total AR Aging Report.”
3 Unable to generate this report because of PwC having breached Section 5.6.10 of the CISCON
4 Contract, the LADWP lacked the ability to assess the age and collectability of its Accounts
5 Receivables, and was materially damaged in its business. Because PwC failed to timely develop
6 and unit test the executable code required to generate these contractually required reports prior to
7 the September 3, 2013 “Go Live” date – and for months after the “Go Live” date as well - the
8 LADWP lacked the financial reporting it needed to operate its financial and business operations,
9 and incurred damages in an amount to be determined at trial.

10 **PwC Breached Section 5.6.12 of Exhibit E**
11 **To The CISCON Contract By Failing To**
12 **Configure The “Trend Estimation”**
13 **Algorithm In the LADWP’s New CC&B**
Billing System As Required by the CISCON Contract

14 **A. PwC Was Contractually Responsible For Delivering the**
15 **Initial Configuration of the LADWP’s New CC&B**
16 **Billing System Pursuant to the CISCON Contract**

17 102. Pursuant to Section 5.6.12 of Exhibit E to the CISCON Contract (“Section
18 5.6.12”), PwC was responsible for developing the initial configuration of the CC&B billing
19 system for the LADWP.

20 103. Section 5.6.12 is entitled, “Activity – Develop Initial Configuration” and states in
21 relevant part:

22 Description

23 *The purpose of this activity is to enter configuration settings into, and perform*
24 *configuration test of the CIS Solution. . . .*

25 *Consultant will lead and manage configuration activities, with participation and*
26 *support by LADWP functional and technical teams. . . .*

27 *The Initial Configuration of the CIS Solution will be delivered by the*
28 *Consultant*

(Emphasis added).

1 **B. PwC Failed to Configure the CC&B**
2 **“Trend Estimation” Algorithm As Required**
3 **By Requirement ID 04.00.64 of Deliverable D2.01-14**

4 104. According to Requirement ID 04.00.64 of Deliverable D2.01-14 (Version 7.0
5 Final) (the “Billing Management Scope Document”), the LADWP’s requirements for Initial
6 Configuration necessitated that PwC configure the LADWP’s CC&B system to permit the
7 LADWP to utilize what is referred to as “Trend Estimation” in order to estimate LADWP
8 customer bills under certain circumstances.

9 105. “Trend Estimation” of customer bills is performed where the LADWP estimates
10 consumption when it is otherwise unable to obtain a meter reading. The LADWP utilizes the
11 “Trend Estimate” to calculate “estimated” bills for its customers who have no prior billing
12 history, rather than calculating customer bills based on actual usage. When performed properly,
13 the use of “Trend Estimation” is a widely accepted and perfectly permissible practice that is
14 utilized by utilities across the United States.

15 106. To perform “Trend Estimation” properly, a utility billing system utilizes a series
16 of algorithms that analyze such things as geographic area, type of customer, etc. to estimate a
17 customer’s usage.

18 107. These criteria are examined and utilized in calculating a “Trend Estimate” to
19 ensure that the “Trend Estimate” used to bill customers is as close to actual usage data as
20 possible, and that the “estimated” bill is therefore as close to what a bill based on actual usage
21 data would be.

22 108. When configured properly, the algorithms that calculate the “Trend Estimate” will
23 use a “neighborhood” attribute to ensure that the usage patterns employed to calculate a “Trend
24 Estimate” for a customer are based on the usage patterns of other customers who also live in the
25 immediate geographic area, rather than on the usage patterns of customers who live in, for
26 example, disparate geographic locations. Stated another way, in order to calculate a reliable and
27 valid – and therefore, reasonable - “Trend Estimate,” it is critical that the billing system used to
28 calculate the Trend Estimate be programmed in such a way that the billing system compares
 apples with apples, and generates the Trend Estimate based on the billing system having done so.

1 109. PwC breached Section 5.6.12 when it failed to configure the LADWP's Oracle
2 CC&B software package in the manner specified by LADWP in Requirement ID 04.00.64 of
3 Deliverable D2.01-14 (Version 7.0 Final), which required that PwC configure the CC&B product
4 so that "Trend Estimates" would be based on "similar customers."

5 110. Rather than configuring the LADWP's new CC&B billing system in the manner
6 specified by LADWP so that the CC&B System would generate reliable, valid, and therefore
7 reasonable "Trend Estimates" based on "similar customers," PwC breached Section 5.6.12 by
8 configuring the LADWP's CC&B billing system to calculate all Trend Estimates as: (i) a simple
9 "straight average" of all residential customers served by LADWP in broad geographic areas,
10 such as the entire San Fernando Valley – which includes both some of the smallest and largest
11 residential properties in Los Angeles; (ii) a simple "straight average" of all "commercial"
12 customers served by LADWP; (iii) a simple "straight average" of all "industrial" customers
13 served by LADWP; and (iv) a simple "straight average" of all "governmental" customers served
14 by LADWP.

15 111. Stated another way, rather than configuring the LADWP's new CC&B billing
16 system so that the "Trend Estimates" generated by the CC&B billing system would be based on
17 "similar customers," PwC ignored its contractual obligations and, instead, configured the
18 LADWP's new CC&B system so that the "Trend Estimates" would be based on a simple
19 "straight average" of the usage of the four aforementioned "customer" types and then divided the
20 LADWP's entire 464 square mile service area into *only* 6 geographic areas that included: (i)
21 "West Los Angeles; (ii) Metro Area; (iii) Upper Harbor; (iv) Lower Harbor; (v) Valley and (vi)
22 Owens Valley.

23 112. By configuring the new CC&B billing system in this manner, PwC breached
24 Section 5.6.12 of the CISCON Contract and caused the LADWP's new CC&B billing system to
25 generate Trend Estimates that were neither reliable, valid nor reasonable. As a result, LADWP
26 experienced an exponential increase in customer complaints where customers routinely
27 complained that they were being grossly overcharged based on grossly inflated "estimates" that
28 were wildly high -- and which customers believed had been deliberately inflated to unjustly

1 enrich the LADWP. As a result, the LADWP also experienced a sharp increase in non-payments
2 and aged Accounts Receivables associated with these customers and was damaged thereby.

3 113. In reality, however, these customers were being charged for greater quantities of
4 electricity and water than they had actually used through no fault of the LADWP, but rather
5 because PwC had breached Section 5.6.12 of the CISCON Contract by ignoring the LADWP's
6 configuration requirements, and because PwC had improperly configured the Trend Estimate
7 algorithms when it performed the initial configuration of the LADWP's new CC&B billing
8 system.

9 114. When the LADWP received this sudden influx of customer complaints from
10 customers who had been overcharged, LADWP officials immediately investigated the matter,
11 and discussed this issue with the PwC team in an effort to identify the cause of these incorrect –
12 and extremely high – estimated bills.

13 115. When confronted by LADWP concerning this defect, PwC was completely unable
14 to rectify the cause of both the extremely high and extremely low estimated bills that had been
15 generated because PwC failed to configure the Trend algorithms in the manner specified by the
16 LADWP. PwC's inability to do so strongly evidences the fact that the PwC team lacked the
17 knowledge, expertise, skills, and abilities necessary to perform the work required of PwC under
18 the CISCON Contract -- which PwC had repeatedly falsely represented that it did possess.

19 116. Both the extremely high and extremely low bills were incorrect because they did
20 not estimate customer usage in the manner that LADWP had specified, and these incorrect bills
21 generated a high degree of customer complaints. For example, the customers who initially
22 received the "high" bills were immediately upset, and the customers who initially received the
23 "low" bills, only to later receive bills for large amounts that were reconciled, or "trued up" the
24 previous under-payments, also eventually complained of having been charged what they viewed
25 as incorrect amounts.

26 117. Because PwC breached Section 5.6.12 of the CISCON Contract, and because
27 PwC could not correct its material breach, the LADWP was required to retain the services of
28 Oracle software engineers who were hired by LADWP at a cost of several million dollars to

1 LADWP, to review the manner in which PwC had configured the LADWP's new CC&B billing
2 system. Upon performing their configuration analysis, the Oracle engineers identified the facts
3 that: (i) PwC had improperly configured the Trend Estimate algorithms when PwC configured
4 the LADWP's new CC&B billing system; and (ii) as a result of PwC having done so, the
5 LADWP's customers were being overcharged based on the artificially inflated Trend Estimates
6 that were being used to bill these customers.

7 118. In addition, because there were a number of LADWP customers who had usage
8 that was well above the "straight average" that was used to bill these customers, these customers
9 were grossly *underbilled*, and the LADWP incurred damages when it billed these customers for
10 less electricity and water than they had actually used, and for which the LADWP was
11 contractually entitled to bill those customers.

12
13 **PwC Defrauded the LADWP**
14 **Into Going "Live" With the**
15 **CC&B Billing System On September 3, 2013**

16 119. On August 21, 2013, the LADWP's Chief Information Officer emailed a draft
17 meeting agenda for a meeting that was to be held at 5:00 pm the following day (the "August 22nd
18 Meeting") to PwC's Trevor LaRocque, and the LADWP's Assistant IT Director, Assistant
19 General Manager and Customer Service Manager and CISCON Project Manager.

20 120. The August 22nd Meeting had been scheduled to allow meeting invitees to:

- 21 (i) Participate in an open and honest discussion concerning the status of the
22 CISCON project and whether the proposed "Go Live" date of September
23 3, 2013 was realistic; and
- 24 (ii) Conduct an advisory vote for the LADWP's General Manager on whether
25 the meeting invitees believed the LADWP should "Go Live" with its new
26 CC&B billing system on September 3, 2013.

27 121. Accordingly, the CIO's draft agenda identified items including "Schedule,"
28 "Operational readiness," and "Key problem/watch areas" for discussion at the upcoming
meeting. In his email, the CIO also invited LaRocque and the other invitees to identify any

1 comments or concerns that they might have.

2 122. At 4:46 am on the morning of August 22, 2013, LADWP's Assistant IT Director
3 responded to the CIO's invitation and provided a heavily edited version of the proposed August
4 22nd Meeting agenda. As the LADWP executive who possessed the most intimate knowledge of
5 the CISCON Project at LADWP, LADWP's Assistant IT Director sought to ensure that the
6 meeting invitees had complete information concerning the status of the CISCON project before
7 casting their votes on whether LADWP should "Go Live" on September 3, 2013 as was then
8 currently being proposed.

9 123. In his covering email, the Assistant IT Director stated his belief that the August
10 22nd Meeting agenda as initially proposed presented an optimistic view of where LADWP was
11 on the CISCON project at that time. LADWP's Assistant IT Director then raised a number of
12 issues that he wanted fully vetted by all meeting invitees with PwC during the August 22nd
13 meeting. His email stated in relevant part,

- 14 • Yesterday we had 160+ unresolved severity 1 defects. There
15 are approx. 90 defects in fix or retest
- 16 • The reduction in the number of unresolved defects has slowed
17 if not stopped since [PwC's] Luis [Zayas] left the project.
- 18 • Approximately two thirds of the go no-go criteria are still Red
19 or Yellow.
- 20 • Nightly batch still has jobs that fail with known defects. Given
21 that, the first time we run all batch jobs end to end will be in
22 production.
- 23 • The conversion balancing reports still don't balance. The
24 money is close but there is still a gap on the number of services.

24 The Assistant IT Director concluded his August 22, 2013 email of 4:46 am by stating, "*I don't*
25 *think the system is ready to go-live*" (Emphasis added).

26 124. At 8:12 am on the morning of August 22, 2013, PwC actively sought to assuage
27 the LADWP's Assistant IT Director and to quell any concerns that might arise as a result of his
28 email of earlier that morning. PwC did so by having PwC's Erwin Nisperos circulate a detailed

1 memorandum concerning "Defect Metrics" that sharply contradicted the statements made in the
2 Assistant IT Director's email. In particular, while the Assistant IT Director's email had stated
3 that there were "160+ unresolved severity 1 defects" as of August 21st, PwC's Nisperos now
4 claimed that there were only 59 severity 1 defects – approximately one-third the number claimed
5 by the Assistant IT Director.

6 125. Unbeknownst to LADWP at that time was the fact that PwC would do virtually
7 anything it needed to in order to ensure that the LADWP's new CC&B billing system went
8 "Live" on September 3, 2013 as planned. The reason for PwC doing so stemmed from the fact
9 that PwC was already significantly past due in its contractual obligations to another of its utility
10 customers, Madison, Wisconsin based Alliant Energy, which had hired PwC to install and
11 implement a CC&B billing system identical to the one that PwC was implementing for the
12 LADWP.

13 126. Under the terms of PwC's CC&B implementation contract with Alliant Energy,
14 PwC had been required to deploy virtually the same CC&B implementation team that was still
15 working on the LADWP's CC&B implementation to Alliant's Wisconsin headquarters in May
16 2013 – and *PwC was therefore already more than four months behind schedule in*
17 *commencing work on the Alliant Energy CC&B contract.*

18 127. Because of the material defects that continued to plague the LADWP's CC&B
19 implementation project, however, PwC had repeatedly been forced to delay the deployment of
20 the PwC team to Alliant and, by August 2013, Alliant had grown both tired of, and greatly
21 displeased with, PwC's repeated delays in commencing the Alliant CC&B implementation
22 project. As a result, Alliant was now threatening to take action against PwC if PwC did not
23 deploy the PwC team to Alliant immediately.

24 128. Because of the tremendous pressure PwC was under to re-deploy its CC&B
25 implementation team away from the LADWP and to Alliant during the July and August 2013
26 time frame, PwC's LaRocque was repeatedly telephonically instructed by Jim Curtin, the PwC
27 partner to whom LaRocque reported, to "Go Live" with the LADWP CC&B billing system even
28 if it was not operating properly, because PwC did not want to be sued by Alliant for having

1 breached its contract with Alliant as a result of having repeatedly delayed the commencement of
2 the Alliant CC&B implementation project.

3 129. As the September 3, 2013 "Go Live" deadline neared, PwC continued to ignore
4 risks arising from PwC's rush for the LADWP to "Go Live" on September 3rd that were raised
5 by others. For example, Diedmar van der Ryst, an analyst with Five Point Partners, the entity
6 that had provided Quality Assurance/Quality Control Supervision over the implementation of the
7 CISCON project throughout the life of the project, learned that PwC was purportedly resolving
8 defects in a stand-alone production environment without conducting any unit testing in violation
9 of Sections 5.6.5 and 6.3.4 of the CISCON Contract. When he questioned PwC's Paul Butler on
10 the morning of August 22, 2013 about the risk of passing defects in an environment that had not
11 been tested, PwC acted intentionally to deceive the LADWP into believing that PwC was, in fact,
12 conducting the unit testing that it was required to conduct under the terms of the CISCON
13 Contract.

14 130. When Mr. van der Ryst raised his concerns with the LADWP's Assistant IT
15 Director that same morning, the Assistant IT Director also expressed his concern about PwC's
16 intentional and grossly reckless course of action directly to PwC's Butler, only also to be
17 rebuffed. In responding to the Assistant IT Director, PwC's Paul Butler intentionally lied and
18 falsely represented that the "conversion is not being pushed out to users" and that, "we will be
19 using it only for conversion defect verification only [sic]." At the time PwC's Butler made this
20 statement, he knew that it was false, because he knew, at that time, PwC was routinely deploying
21 completely untested "hot fixes." This was occurring because PwC was frantically trying to
22 ensure that the LADWP went "live" with its CC&B billing system on September 3, 2013 so that
23 PwC could move its key CC&B Team personnel to Wisconsin to begin work on the already
24 severely delayed the Alliant Energy CC&B project.

25 131. Unconvinced by PwC's representations, the LADWP's Assistant IT Director
26 persisted in questioning PwC's Butler and asked, "How do we ensure that the hot fixes don't
27 break something else without running regression testing?"

28 ///

1 132. By 2:24 pm in the afternoon of Thursday, August 22, 2013, PwC's Trevor
2 LaRocque had grown very concerned with the ever-increasing doubt being expressed by senior-
3 ranking LADWP personnel who were increasingly questioning PwC's ability to deliver on its
4 representations that the LADWP's new CC&B billing system would be ready to successfully
5 "Go Live" on September 3, 2013.

6 133. PwC's LaRocque then acted intentionally to quell these concerns by falsely
7 reassuring senior ranking LADWP officials that the LADWP's new CC&B billing system could
8 be brought live on September 3rd as planned.

9 134. At 5:00 p.m. later that day, LADWP officials convened a meeting that was
10 attended by decision makers from the LADWP, PwC, and Five Point Partners. The meeting was
11 conducted in Room No. 1550 at the LADWP's headquarters located at 111 N. Hope St. in Los
12 Angeles. The invitees included the following LADWP personnel: Ron Nichols, then the General
13 Manager of the LADWP, Sharon Grove, Aran Benyamin, Jim McDaniel, Matt Lampe, John
14 Chen, Ann Santilli, Gary Wong, Mark Townsend, John Dennis, Andy Linard, Julie Spacht, Phil
15 Leiber, Alex Helou, and Marvin Moon. In attendance for PwC was Trevor LaRocque, while
16 Mario Bauer attended for Five Point Partners.

17 135. The August 22nd Meeting was convened for the purpose of allowing the
18 aforementioned participants to discuss the status of the CISCON project – including all of the
19 risks and proposed risk mitigation tactics identified in LaRocque's memorandum of earlier that
20 same day.

21 136. It took only 30 minutes for PwC's LaRocque to defraud all of those in attendance
22 into believing that PwC had a very firm grasp on the LADWP's CC&B implementation project,
23 and that a successful "Go Live" on the September 3rd was readily achievable. During this
24 meeting, PwC's LaRocque repeatedly: (i) boasted of PwC's prior successes in taking numerous
25 other CC&B billing systems live for other utility companies; (ii) reassured everyone at the
26 meeting that any issues that were being encountered with the operation of the LADWP's new
27 CC&B billing system were only minor in nature and were not affecting – and would not impact
28 or otherwise hinder - the operational capability or functionality of the new CC&B billing system

1 once the system was taken "live"; and (iii) reiterated that, in the event that the LADWP
2 experienced a "bumpy landing" in taking the new CC&B billing system "live," PwC would be
3 on-site to immediately identify and remediate any and all issues that might be encountered at
4 "Go Live;" and (iv) assured the LADWP attendees that there was nothing to fear, because PwC
5 was not going to abandon the LADWP if the Department needed PwC's continued assistance in
6 the post "Go Live" environment after September 3, 2013.

7 137. Having been thoroughly reassured by LaRocque, the meeting participants then
8 voted on whether to proceed with the LADWP's planned "Go Live" of the CC&B billing system
9 on September 3, 2013. LaRocque had been so convincing that the vote was unanimous in favor
10 of going "Live" on September 3rd as planned.

11 138. Following the August 22, 2013 vote, however, doubt continued to linger among
12 other LADWP IT personnel who had been involved with validating the results of PwC's work
13 product and who had not been present at the August 22nd Meeting -- and who had therefore not
14 heard LaRocque's impassioned speech about how PwC had firm control over the LADWP's
15 CC&B billing system implementation and was therefore highly confident about PwC's ability to
16 successfully "Go Live" on September 3rd.

17 139. The day after the "Go Live" vote had occurred, other LADWP IT personnel were
18 quick to echo sentiments previously expressed by the LADWP's Assistant IT Director:

19 According to Paul [Butler], not everything was reloaded/converted *I am*
20 *having a very difficult time accepting this as a good way to test defects.*

21 As Diedmar stated in our meeting this morning, it seems as though when one item
22 is fixed another gets broken. *How are we to know that these fixes did not break*
23 *something else that was not broken, especially if it was not included in the data*
24 *that was loaded? How can I be sure my defects have been truly fixed if I cannot*
spot check other areas that might also have been affected by the fix . . . ?
(Emphasis added).

25 140. Once again, PwC acted intentionally to falsely assuage LADWP's concerns that
26 the CC&B billing system was not ready to "Go Live" on September 3, 2013. PwC again did so
27 on August 29, 2013 by directing PwC's Erwin Nisperos to distribute another detailed
28 memorandum concerning "Defect Metrics" that reflected a drastic reduction in the number of

1 "severity 1" defects from a total of 59 in his August 22nd memorandum to a total of only 10
2 "severity 1" defects on August 29th, just 7 days later.

3 141. What the LADWP did not know, however, was that PwC had intentionally
4 misled the LADWP and its decision makers into voting to "Go Live" by intentionally failing to
5 disclose material facts to the LADWP and its decision makers.

6 142. Among the facts that PwC and Messrs. LaRocque and Nisperos intentionally did
7 not disclose to the LADWP were that:

8 (i) PwC had failed to write the Conversion Load Programs necessary to
9 convert the legacy billing data into the format required by the new CC&B billing system
10 properly; and

11 (ii) Because these Conversion Load Programs had not been written properly,
12 they did not function properly, and several hundred thousand items of the LADWP's legacy
13 billing data were therefore not being properly converted; they were, therefore, either being
14 rejected or simply not recognized by the new CC&B billing system.

15 143. Because PwC alone was responsible for writing, Code Testing and Unit Testing
16 these Conversion Load Programs under the terms of the CISCON Contract, PwC alone knew that
17 it had failed to write the Conversion Load Programs properly, and that these programs were
18 therefore not executing properly. PwC intentionally did not disclose these clearly material facts
19 to the LADWP, because PwC needed to take the LADWP's new CC&B billing system "Live" on
20 September 3rd -- despite the fact that it was known to PwC not to be operating properly -- so that
21 PwC could extract key members of its CC&B team who had been working on the LADWP's
22 CC&B implementation project and send them to Wisconsin to begin work on the already
23 severely delayed CC&B project for Alliant Energy.

24 144. Because the LADWP lacked the knowledge and ability to write the Conversion
25 Load Programs necessary to convert the legacy data into the format required by the CC&B
26 billing system, the LADWP had hired and justifiably relied on, PwC to perform this task.
27 LADWP had done so because PwC had repeatedly represented that it possessed the skills,
28 expertise, and experience necessary to write these Conversion Load Programs and to effectuate a

1 successful conversion of the LADWP's legacy billing data, and did not know that the
2 Conversion Load Programs, written by PwC had not been written properly, and were therefore
3 not functioning properly

4 145. PwC further acted to conceal these material facts from the LADWP during the
5 period August 7, 2013 until after September 3, 2013, as part of an undisclosed and desperate
6 attempt on the part of PwC to ensure that the LADWP CC&B billing system went "Live" on
7 September 3rd.

8 146. The LADWP did not learn until December 4, 2013, that, at the time PwC's
9 LaRocque fraudulently induced all of those in attendance at the August 22nd Meeting to
10 "consent" to "Go Live" on September 3rd, LaRocque and the entirety of the PwC team were well
11 aware that:

12 (i) PwC had failed to write the Conversion Load Programs necessary to
13 convert the legacy billing data into the format required by the new CC&B billing system
14 properly; and

15 (ii) Because these Conversion Load Programs had not been written properly,
16 they did not function properly, and several hundred thousand items of the LADWP's legacy
17 billing data were therefore not being properly converted and were, either being rejected or
18 simply not recognized by the new CC&B billing system.

19 147. Had the LADWP known these material facts, it would not have consented to "Go
20 Live" on August 22, 2013, and would not have gone "Live" on September 3, 2013.

21 148. Because the LADWP was not involved in, or responsible for, writing the
22 Conversion Load Programs necessary to effectuate the data conversion required to take the new
23 CC&B billing system "Live," and because PwC acted intentionally to deceive the LADWP as
24 detailed herein, the LADWP lacked knowledge of PwC's inability to successfully effectuate the
25 legacy data conversion and to perform the other tasks that PwC was contractually required to
26 perform as detailed herein.

27 ///

28 ///

1 **LADWP Incurred Hundreds of**
2 **Millions of Dollars in Damages**
3 **As A Result of PwC's Material**
4 **Misrepresentations and Omissions**
5 **And Material Breaches of the CISCON Contract**

6 149. Because PwC intentionally misrepresented and failed to disclose material facts
7 known only to PwC, and breached material provisions of the CISCON Contract as detailed
8 herein, the LADWP incurred hundreds of millions of dollars in damages. First, the LADWP was
9 fraudulently induced into awarding the CISCON Contract to PwC, and paid over \$70 million for
10 a CC&B system that, even as of the date of the filing of this Complaint, more than a year and
11 five months after the September 3, 2013 "Go Live" date, still does not meet all of the
12 requirements agreed to by PwC, because many of the "Deliverables" that the LADWP paid for
13 were either delivered in a defective condition, or never delivered at all.

14 150. Additionally, because PwC delivered defective "Deliverables" or completely
15 failed to deliver many "Deliverables" at all, the LADWP was also required to hire outside IT
16 consultants (including Oracle and TMG Consulting) to remediate the CC&B billing system in
17 order to make it operate in accordance with PwC's contractual obligations. As a result, the
18 LADWP was forced to expend millions of dollars on outside IT consultants and labor costs
(including millions of dollars in overtime) to remediate the CC&B billing system.

19 151. Second, because PwC breached material provisions of the CISCON Contract as
20 detailed herein, the LADWP was unable to bill a material number of its customers immediately
21 after the new CC&B billing system went "live" on September 3, 2013. This fact was confirmed
22 by the LADWP's Assistant IT Director in a "Defect" Report he opened and filed on November
23 1, 2013. This "Defect Report" was assigned "Defect No. 7987," and titled, "Revenue billed in
24 September is less than expected."

25 152. The revenue loss experienced by the LADWP immediately following the
26 September 3, 2013 "Go Live" was caused by PwC's failure to properly implement the new
27 CC&B billing system as PwC had agreed by contract. As detailed in the Defect Report for
28 Defect No. 7987, the amount of this revenue loss is absolutely staggering. This Defect Report

1 states in relevant part, "*the total revenue billed in August 2013 was \$633,499,790.99, the total*
2 *revenue billed in September is \$465,267,489.99, a difference of \$168,231,276.44.*" (Emphasis
3 added).

4 153. As reflected in the LADWP's internal financial reports, this revenue loss
5 continued over the next several months and has had a severely negative – and continuing –
6 impact on the LADWP's cash flow. This fact is demonstrated by contrasting the (\$14.8 mm)
7 "Power Revenue" Cash Variance for Fiscal Year 2012-2013 with the (\$193.9) mm "Power
8 Revenue" Cash Variance for Fiscal Year 2013-2014 and (\$44.0) mm "Power Revenue" Cash
9 Variance for the first seven months of the current Fiscal Year.

10 154. Finally, because PwC breached material provisions of the CISCON Contract as
11 detailed herein, the LADWP was also unable to bill a significant number of its customers for the
12 correct amounts that they owed. As a result of the material defects in the CC&B billing system
13 caused by PwC's acts and omissions as detailed herein, the LADWP sent a significant number of
14 its customers bills that were incorrect, because these bills purported to charge: (i) many
15 LADWP's customers for amounts that were significantly *greater than* the amounts that these
16 customers actually owed; and (ii) many other LADWP's customers for amounts that were
17 significantly *less than* the amounts that these customers actually owed.

18 155. When the customers who had been billed for significantly incorrect amounts
19 complained, the LADWP experienced a sharp rise in complaints – including complaints received
20 from customers who had been billed for correct amounts, but nevertheless refused to pay their
21 bills and continued to argue that they had been billed an incorrect amount. This sharp increase in
22 customer complaints concerning billed amounts quickly resulted in an accompanying sharp rise
23 in non-payments, and a material increase in the age of the LADWP's Accounts Receivable
24 caused by continuing non-payments. Additionally, the collectability of these Accounts
25 Receivable plummeted because customers believed that they had been billed incorrectly and
26 simply refused to pay, or were otherwise unable to pay the amounts that they were incorrectly
27 billed. As a result, the LADWP has been unable to collect and/or forced to write-off millions of
28 dollars in Accounts Receivable.

156. PwC's misconduct has also caused the LADWP to be unable to levy and collect "Late Payment Charges" as it did prior to the botched "Go Live" of the new CC&B Billing System, thereby resulting in the LADWP having to forgo additional millions of dollars in revenue each month.

FIRST CAUSE OF ACTION

(FRAUDULENT INDUCEMENT BY MISREPRESENTATION)

157. Plaintiff incorporates by reference each of the foregoing allegations as if fully set forth herein.

158. This Cause of Action is based on a theory of fraudulent inducement, which falls outside any purportedly enforceable integration clause in the CISCON Contract.

159. In order to fraudulently induce the LADWP into awarding PwC the CISCON Contract, PwC made a series of misrepresentations in its RFP Response and Interview Presentation Book regarding the knowledge, expertise, skills and abilities that PwC purportedly possessed, which was necessary to perform the work required to convert the LADWP's legacy billing system and implement a new CC&B billing system for the LADWP. In particular, PwC stated in relevant part:

a. “From our prior work in business requirements, solution selection, and systems implementation, we have developed leading practices that drive our projects to success. Accordingly, we are uniquely positioned to serve you ” (PwC RFP Response Executive Summary p. 1);

b. “We have the leading Utility functional experience, project management skills, deep technical knowledge of Oracle and SAP, and knowledge of your business processes to help you realize your project objectives.” (PwC RFP Response Executive Summary p. 1); and

c. "Our proposed offering includes deep knowledge and experience in all functional and technical areas." (PwC RFP Response Executive Summary p. 1);

d. “Key lessons learned on data conversion: *Reconcile data on every step of the conversion process.* Conversion reports”

1 160. At the time PwC made each of the foregoing statements, PwC had actual
2 knowledge that each of these statements was materially false and misleading. PwC knew that the
3 foregoing statements were materially false and misleading because PwC knew that:

4 a. The PwC Project Team Manager whom PwC proposed to – and ultimately
5 did – assign to the LADWP CC&B implementation project had never managed a project of the
6 size or complexity of the LADWP project;

7 b. The vast majority of the employees whom PwC proposed to – and
8 ultimately did – assign to the LADWP CC&B implementation project were filling new roles for
9 which they lacked experience; and

10 c. The vast majority of the employees whom PwC proposed to – and
11 ultimately did – assign to the LADWP CC&B implementation project did not possess the
12 qualities, expertise, skills, and abilities to perform the work required of PwC under the
13 Agreement.

14 161. PwC also intentionally misrepresented material facts concerning its
15 implementation of a similar billing system at Cleveland Water in its RFP Response and
16 Interview Presentation Book. In particular, PwC stated in relevant part:

17 a. “No other proposer can claim as many Oracle PS/CC&B implementations
18 as PwC over the last 10 years. With 10+ successful implementations and upgrades, we are proud
19 to retain each client as a partner and a reference” (PwC RFP Response Executive
20 Summary p. 4);

21 b. “Our proposed team has extensive project management skills, technical
22 SAP and Oracle know-how, deep industry knowledge and a track record of successful CIS
23 system selections and implementations. Having completed nearly 15 CIS implementations, this
24 team is committed to making your CIS project a success.” (PwC RFP Response Executive
25 Summary p. 2);

26 c. “Our team has served a variety of large electric, water and wastewater
27 clients and has an unparalleled track record of implementing CC&B successfully on time and
28 within budget.” (PwC RFP Response Executive Summary p. 4);

1 d. In response to Question # 5 of the LADWP RFP, which asked PwC to
2 provide "a description of the firm's experience in successfully implementing projects similar in
3 nature to the services described in the RFP," PwC's RFP proposal states in relevant part, "**PwC**
4 **has successfully implemented Oracle CC&B's solution in North America with the following**
5 **utilities: Cleveland Water Dept., OH, US - 450,000 customers.**" (PwC RFP Response pp. 8-
6 10)(Emphasis added); and

7 e. "**PwC has a proven track record in delivering 100% successful Oracle**
8 **CC&B projects.**" (Interview Presentation Book Slide 28) (Emphasis in original).

9 162. At the time PwC made each of the foregoing statements, PwC had actual
10 knowledge that each of these statements was materially false and misleading. PwC knew that the
11 foregoing statements were materially false and misleading because PwC knew that:

12 a. PwC was responsible for the failed implementation of an identical Oracle
13 CC&B platform at Cleveland Water (the "Cleveland Water CC&B Project") which PwC
14 prematurely took "Live" in late September 2009 – just four months before PwC submitted its
15 RFP Response to the LADWP;

16 b. The PwC Utilities practice Team responsible for implementing the
17 Cleveland Water CC&B Project was comprised of the same individuals who were being
18 proposed as team members for the LADWP CC&B Project team, and the two senior PwC
19 executives on both of these CC&B projects were Jim Curtin, the Utilities Principal at PwC and
20 Trevor LaRocque, then a Director, and later a Partner, in PwC's Utilities practice;

21 c. The PwC employees who staffed the Cleveland CC&B Implementation
22 Project did not have and/or utilize a detailed Project and Deployment Infrastructure Plan to
23 manage and track the Cleveland Water CC&B project status;

24 d. The PwC employees who staffed the Cleveland CC&B Implementation
25 Project did not recognize or act upon key indicators pointing to the Cleveland Water system's
26 lack of readiness for move to "Go-Live" and production;

27 ///

28 ///

1 e. The PwC employees who staffed the Cleveland CC&B Implementation
2 Project did not recognize or act upon Cleveland Water's lack of preparedness for daily operation
3 of Cleveland Water's new CC&B billing systems;

4 f. The PwC employees who staffed the Cleveland CC&B Implementation
5 Project made the decision to "Go Live" and cutover to production despite overwhelming
6 evidence that Cleveland Water's CC&B system was not ready to be cutover and rendered "Live"
7 and operational;

8 g. Immediately following the September 2009 "Go Live" of Cleveland
9 Water's new CC&B platform, PwC had actual knowledge that the PwC Team responsible for
10 implementing the Cleveland Water CC&B Project had improperly implemented and configured
11 Cleveland Water's new CC&B platform, which, in turn, created disastrous consequences for
12 Cleveland Water's business and billing operations;

13 h. Immediately following the September 2009 "Go Live" of Cleveland
14 Water's new CC&B platform, PwC learned that, because the PwC Utilities practice team
15 responsible for implementing the Cleveland Water CC&B Project had failed to properly
16 implement and configure Cleveland Water's new CC&B platform, Cleveland Water had
17 experienced a wide-range of critical CC&B system failures immediately upon "Go Live" of its
18 new CC&B System; and

19 i. In particular, immediately following the September 27, 2009 "Go Live" of
20 Cleveland Water's new CC&B System, PwC had actual knowledge that:

- 21 • 15% of Cleveland Water's customer accounts (60,000 customer
22 accounts) immediately failed to bill at all because PwC had failed to
23 properly configure Cleveland Water's new CC&B platform;
- 24 • An additional 15% of Cleveland Water's customer accounts (an
25 additional 60,000 customer accounts) were billed based on "estimated
26 usage" despite the fact that actual meter read data existed because
27 PwC had failed to properly configure Cleveland Water's new CC&B
28 platform;

- Field meter read data entry validation did not function properly because PwC had failed to properly configure Cleveland Water's new CC&B platform. As a result, manually keyed errors by meter readers flowed into the billing system without being detected or remediated;
- Meter exchanges processed in the field were not completed in the system, resulting in billing errors and customer service confusion, because PwC had failed to properly configure Cleveland Water's new CC&B platform;
- Cleveland Water experienced an immediate and exponential surge in billing errors following "Go Live" due to PwC having improperly implemented and configured the system;
- Cleveland Water experienced a crippling increase in daily exceptions and other billing errors that simply could not be addressed on a timely basis due to staffing issues, which created an increasingly large backlog of customer bills; and
- The exponential increase in incorrect and unaddressed customer billing issues caused Cleveland Water's Accounts Receivables to skyrocket – growing at the rate of \$1 million per month following the failed implementation of its new CC&B platform by PwC in September 2009.

163. The LADWP believed the foregoing representations to be true and, on that basis affirmatively relied on PwC's representations in entering into the CISCON Contract with PwC.

164. At the time PwC made these false representations, PwC intended to, and did, in fact, induce reliance by the LADWP on these representations.

165. Because the LADWP lacked knowledge that PwC did not possess the qualities, expertise, skills, and abilities necessary to perform the work required of PwC by CISCON Contract, and that PwC had misrepresented its success at Cleveland Water, the LADWP reasonably and justifiably relied on PwC's misrepresentations to the detriment of the LADWP,

1 entered into the CISCON Contract with PwC, and was caused to incur millions of dollars in
2 damages, as detailed above.

3
4 **SECOND CAUSE OF ACTION**

5 **(FRAUDULENT INDUCEMENT BY OMISSION)**

6 166. Plaintiff incorporates by reference each of the foregoing allegations as if fully set
7 forth herein.

8 167. This Cause of Action is based on a theory of fraudulent inducement, which falls
9 outside any purportedly enforceable integration clause in the CISCON Contract.

10 168. In order to fraudulently induce the LADWP into awarding PwC the CISCON
11 Contract, PwC failed to disclose several material facts to the LADWP in its RFP Response and
12 Interview Presentation Book regarding the knowledge, expertise, skills, and abilities that PwC
13 purportedly possessed, which were necessary to perform the work required to convert the
14 LADWP's legacy billing system, and to implement a new CC&B billing system for the LADWP.
15 In particular, PwC failed to disclose that:

16 a. The PwC Project Team Manager PwC whom proposed to – and ultimately
17 did – assign to the LADWP CC&B implementation project had never managed a project as large
18 or complex as the LADWP project;

19 b. The vast majority of the employees whom PwC proposed to – and
20 ultimately did – assign to the LADWP CC&B implementation project were filling new roles for
21 which they lacked experience; and

22 c. The vast majority of the employees whom PwC proposed to – and
23 ultimately did – assign to the LADWP CC&B implementation project did not possess the
24 qualities, expertise, skills, and abilities to perform the work required of PwC under the
25 Agreement.

26 169. PwC also failed to disclose to the LADWP in its RFP Response and Interview
27 Presentation Book material facts concerning PwC's implementation of a similar billing system at
28 Cleveland Water. In particular, PwC failed to disclose that:

1 a. PwC was responsible for the failed implementation of an identical Oracle
2 CC&B platform at Cleveland Water, which PwC prematurely took "Live" in late September
3 2009 – just four months before PwC submitted its RFP Response to the LADWP;

4 b. The PwC Utilities practice Team responsible for implementing the
5 Cleveland Water CC&B Project was comprised of the same individuals who were being
6 proposed as team members for the LADWP CC&B Project team, and the two senior PwC
7 executives on both of these CC&B projects were Jim Curtin, the Utilities Principal at PwC, and
8 Trevor LaRocque, then a Director, and later a Partner, in PwC's Utilities practice;

9 c. The PwC employees who staffed the Cleveland CC&B Implementation
10 Project did not have and/or utilize a detailed Project and Deployment Infrastructure Plan to
11 manage and track the Cleveland Water CC&B project status;

12 d. The PwC employees who staffed the Cleveland CC&B Implementation
13 Project did not recognize or act upon key indicators pointing to the Cleveland Water system's
14 lack of readiness for move to "Go-Live" and production;

15 e. The PwC employees who staffed the Cleveland CC&B Implementation
16 Project did not recognize or act upon Cleveland Water's lack of preparedness for daily operation
17 of Cleveland Water's new CC&B billing systems;

18 f. The PwC employees who staffed the Cleveland CC&B Implementation
19 Project made the decision to "Go Live" and cutover to production despite overwhelming
20 evidence that Cleveland Water's CC&B system was not ready to be cutover and rendered "Live"
21 and operational;

22 g. Immediately following the September 2009 "Go Live" of Cleveland
23 Water's new CC&B platform, PwC had actual knowledge that the PwC Team responsible for
24 implementing the Cleveland Water CC&B Project had improperly implemented and configured
25 Cleveland Water's new CC&B platform, which, in turn, created disastrous consequences for
26 Cleveland Water's business and billing operations;

27 h. Immediately following the September 2009 "Go Live" of Cleveland
28 Water's new CC&B platform, PwC learned that, because the PwC Utilities practice team

1 responsible for implementing the Cleveland Water CC&B Project had failed to properly
2 implement and configure Cleveland Water's new CC&B platform, Cleveland Water had
3 experienced a wide-range of critical CC&B system failures immediately upon "Go Live" of its
4 new CC&B System; and

5 i. In particular, immediately following the September 27, 2009 "Go Live" of
6 Cleveland Water's new CC&B System, PwC had actual knowledge of but failed to disclose that:

- 7 • 15% of Cleveland Water's customer accounts (60,000 customer
8 accounts) immediately failed to bill at all because PwC had failed to
9 properly configure Cleveland Water's new CC&B platform;
- 10 • An additional 15% of Cleveland Water's customer accounts (an
11 additional 60,000 customer accounts) were billed based on "estimated
12 usage" despite the fact that actual meter read data existed because
13 PwC had failed to properly configure Cleveland Water's new CC&B
14 platform;
- 15 • Field meter read data entry validation did not function properly
16 because PwC had failed to properly configure Cleveland Water's new
17 CC&B platform. As a result, manually keyed errors by meter readers
18 flowed into the billing system without being detected or remediated;
- 19 • Meter exchanges processed in the field were not completed in the
20 system, resulting in billing errors and customer service confusion,
21 because PwC had failed to properly configure Cleveland Water's new
22 CC&B platform;
- 23 • Cleveland Water experienced an immediate and exponential surge in
24 billing errors following "Go Live" due to PwC having improperly
25 implemented and configured the system;
- 26 • Cleveland Water experienced a crippling increase in daily exceptions
27 and other billing errors that simply could not be addressed on a timely
28 basis due to staffing issues, which created an increasingly large

backlog of customer bills; and

- The exponential increase in incorrect and unaddressed customer billing issues caused Cleveland Water's Accounts Receivables to skyrocket – growing at the rate of \$1 million per month following the failed implementation of its new CC&B platform by PwC in September 2009.
- The LADWP affirmatively relied on the completeness of the RFP Response and Interview Presentation Book in entering into the CISCON Contract with PwC.

170. At the time PwC failed to disclose these material facts, PwC intended to, and did in fact, induce reliance by the LADWP on completeness of the RFP Response and Interview Presentation Book.

171. Because the LADWP lacked knowledge that PwC did not possess the qualities, expertise, skills, and abilities to necessary to perform the work required of PwC by CISCON Contract and that Cleveland Water's billing project failed because of PwC, the LADWP reasonably and justifiably relied on the completeness of the RFP Response and Interview Presentation Book to the detriment of the LADWP, entered into the CISCON Contract with PwC, and was caused to incur millions of dollars in damages, as detailed above.

THIRD CAUSE OF ACTION

(BREACH OF CONTRACT – SECTION 5.6.5)

172. Plaintiff incorporates by reference each of the foregoing allegations as if fully set forth herein.

173. On or about July 20, 2010, the LADWP entered into the CISCON Contract with PwC.

174. At all times relevant hereto, LADWP fulfilled its contractual obligations under the CISCON Contract.

1 175. Pursuant to Section 5.6.5 of Exhibit E of the CISCON Contract, PwC was
2 required to "develop conversion programs to load and transform data from data provided by
3 LADWP."

4 176. Furthermore, pursuant to Section 5.6.5 of Exhibit E of the CISCON Contract,
5 PwC was required to unit test the Conversion Load Programs.

6 177. PwC breached these contractual obligations by: (i) failing to provide the LADWP
7 with functional Conversion Load Programs; (ii) failing to unit test the Conversion Load
8 Programs.

9 178. Because PwC breached Section 5.6.5 of Exhibit E of the CISCON Contract,
10 certain data used to bill the LADWP's customers was inaccurate, which, in turn, caused the
11 LADWP to incur damages.

12
13 **FOURTH CAUSE OF ACTION**

14 (BREACH OF CONTRACT – SECTION 6.3.4)

15 179. Plaintiff incorporates by reference each of the foregoing allegations as if fully set
16 forth herein.

17 180. On or about July 20, 2010, the LADWP entered into the CISCON Contract with
18 PwC.

19 181. At all times relevant hereto, LADWP fulfilled its contractual obligations under the
20 CISCON Contract.

21 182. Pursuant to Section 6.3.4 of Exhibit E of the CISCON Contract, PwC was
22 required to "unit test" all "resolutions that involves changes to the CIS Solution."

23 183. PwC breached this contractual obligations by failing to "unit test" the more than
24 thirty (30) "hot fixes" created after the August 7th Conversion.

25 184. Because PwC breached Section 6.3.4 of Exhibit E of the CISCON Contract,
26 certain data used to bill the LADWP's customers was inaccurate, which, in turn, caused the
27 LADWP to incur damages.

28 ///

1 **FIFTH CAUSE OF ACTION**

2 (BREACH OF CONTRACT – SECTION 5.6.8)

3 185. Plaintiff incorporates by reference each of the foregoing allegations as if fully set
4 forth herein.

5 186. On or about July 20, 2010, the LADWP entered into the CISCON Contract with
6 PwC.

7 187. At all times relevant hereto, LADWP fulfilled its contractual obligations under the
8 CISCON Contract.

9 188. Pursuant to Section 5.6.8 of Exhibit E of the CISCON Contract, PwC was
10 responsible for “delivery of CIS Solution Interface source and executable code” to the LADWP

11 189. PwC breached this contractual obligation by failing to develop Interface 028, as
12 required by the CISCON Contract.

13 190. Because PwC breached Section 5.6.8 of Exhibit E of the CISCON Contract,
14 LADWP incurred damages.

15 **SIXTH CAUSE OF ACTION**

16 (BREACH OF CONTRACT – SECTION 5.6.9)

17 191. Plaintiff incorporates by reference each of the foregoing allegations as if fully set
18 forth herein.

19 192. On or about July 20, 2010, the LADWP entered into the CISCON Contract with
20 PwC.

21 193. At all times relevant hereto, LADWP fulfilled its contractual obligations under the
22 CISCON Contract.

23 194. Pursuant to Section 5.6.9 of Exhibit E of the CISCON Contract, PwC was
24 required to develop CC&B billing system “enhancements” as directed by the LADWP.

25 195. PwC breached this contractual obligation by failing to “design and develop” the
26 “Auto Close on Off Orders” enhancement as the LADWP had required PwC to.

27 ///

28

1 196. Because PwC breached Section 5.6.9 of Exhibit E of the CISCON Contract,
2 certain data used to bill the LADWP's customers was inaccurate which, in turn, caused the
3 LADWP to incur damages.

4
5 **SEVENTH CAUSE OF ACTION**

6 (breach of contract – section 5.6.10)

7
8 197. Plaintiff incorporates by reference each of the foregoing allegations as if fully set
9 forth herein.

10 198. On or about July 20, 2010, the LADWP entered into the CISCON Contract with
11 PwC.

12 199. At all times relevant hereto, LADWP fulfilled its contractual obligations under the
13 CISCON Contract.

14 200. Pursuant to Section 5.6.10 of Exhibit E of the CISCON Contract, PwC was
15 required to provide the LADWP with "executable code for each Consultant Report" prior to the
16 September 3, 2013 "Go Live" date of the LADWP's new CC&B billing system.

17 201. PwC breached this contractual obligation by failing to provide the LADWP with
18 such executable code and was therefore unable to produce and test a number of critical reports as
19 PwC was also contractually required to do.

20 202. In fact, as of November 5, 2013 – more than two months *after* the September 3,
21 2013 "Go Live" had occurred – PwC had not yet produced, tested or successfully provided the
22 following critical reports to the LADWP:

- 23 i. RPT008 – Batch Payment Control Report;
24 ii. RPT016 – Collection Activity Report;
25 iii. RPT039 – Renewable Energy Summary Report;
26 iv. RPT040 – Sanitation Billing and Revenue Report;
27 v. RPT051 – Total AR Aging Report (by Customer Class);
28 vi. RPT067 – Billing and Revenue Report (by Bill Cycle);

- vii. RPT068 – Billing Summary (by GL Account);
- viii. RPT069 – Summary of Cancelled Bill Segments;
- ix. RPT070 – Trial Balance Report (by GL Account and SA Type);
- x. RPT076 – Suspense Payment Report;
- xi. RPT085 – Adjustment Summary (by GL Account);
- xii. RPT087 – Detail Adjustment Listing Report;
- xiii. RPT089 – Detail Refund AP Adjustment Report;
- xiv. RPT091 – GL Summary Report (by GL Account); and
- xv. RPT093 – Unbilled Revenue Report (Monthly Customers).

203. Because PwC failed to timely provide and test the executable code required to generate these contractually required reports prior to the September 3, 2013 “Go Live” date, the LADWP lacked the financial reporting it needed to operate its financial and business operations and incurred damages in an amount to be determined at trial.

EIGHTH CAUSE OF ACTION

(BREACH OF CONTRACT – SECTION 5.6.12)

204. Plaintiff incorporates by reference each of the foregoing allegations as if fully set forth herein.

205. On or about July 20, 2010, the LADWP entered into the CISCON Contract with PwC.

206. At all times relevant hereto, LADWP fulfilled its contractual obligations under the CISCON Contract.

207. Pursuant to Section 5.6.12 of Exhibit E of the CISCON Contract, PwC was required to configure the CC&B billing system for the LADWP, which included configuring the LADWP’s CC&B system to permit the LADWP to utilize “Trend Estimation” in order to estimate LADWP customer bills.

208. PwC breached this contractual obligation by failing to configure the LADWP’s CC&B system as directed and specified by the LADWP in Deliverable D2.01-14 as set forth herein.

209. Because PwC breached Section 5.6.12 of Exhibit E of the CISCON Contract, the LADWP's CC&B system caused inaccurate customer bills to be generated and sent to LADWP customers, which, in turn, caused the LADWP to incur damages in an amount to be determined at trial.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays that for the following:

A. Judgment be entered in favor of Plaintiff in an amount of damages to be determined at trial; and

B. Such other and further relief as this Court may deem appropriate.

Dated: March 6, 2015

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Dated: March 6, 2015

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COMPLAINT