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11/17/25

04:59 PM

A2505010

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Southern California Gas Company
(U904G) to Submit its 2025 Risk Assessment
and Mitigation Phase Report, and Related Matter.

Application 25-05-010
Application 25-05-013

**OPENING COMMENTS OF SMALL BUSINESS UTILITY ADVOCATES ON THE
SEMPRA UTILITIES' 2025 RISK ASSESSMENT AND MITIGATION PHASE REPORT**

Bill Steele

President, Bill Steele & Associates, LLC
Expert on behalf of
Small Business Utility Advocates
Telephone: (303) 921-3808
Email: w.steele1@icloud.com

Luke May

Regulatory Attorney
Small Business Utility Advocates
548 Market Street, Suite 11200
San Francisco, CA 94104
Telephone: (503) 702-3655
Email: Luke@utilityadvocates.org



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I. INTRODUCTION

Pursuant to the Administrative Law Judge's Scoping Memo and Ruling dated August 18, 2025, Small Business Utility Advocates (SBUA) submits these Opening Comments in accordance with the ALJ's Ruling seeking input on the 2025 Risk Assessment and Mitigation Phase Report, submitted by the Southern California Gas (SoCalGas) and San Diego Gas & Electric (SDG&E) (hereinafter referred to collectively as SEMPRA).

II. SBUA'S OPENING COMMENTS

- A. SBUA's Comment in Response to the ALJ's Scoping Issue 7:** Whether SoCalGas and SDG&E adequately demonstrate how their "risk-averse" Risk Scaling Function optimizes costs and benefits to ratepayers.

The SEMPRA Utilities Should Provide Additional "Unscaled" Data to Evaluate Whether Identified "Convex Scaled Function" Mitigation Options Are Optimally Selected.

The current administrative record, which includes the SEMPRA utilities' *White Paper Describing Alternative Tranching Method* and the Commission's Safety & Policy Division Report (SPD Report), describes that the risk assessment model "scales" catastrophic risks – including wildfire events, gas ruptures, and storage leaks. This scaling effect, referred to as

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“convex scaling,”¹ purposefully exaggerates certain risks such that the model weights rare, catastrophic events notably higher than other risks.

SBUA believes that the “scaling” element of SEMPRA’s modeling could potentially over-estimate risk, resulting in higher costs than necessary for customers, including small business. As such, the SEMPRA utilities should provide more “unscaled” data to evaluate whether “convex scaled function” mitigation options are optimally selected.

As a threshold matter, SBUA supports convex scaling as a methodological tool because utilities should focus their mitigation efforts on reducing high-risk events, even if they may be (relatively) low-probability events. *However*, the convex scaling method may not be appropriate under all circumstances currently proposed, given that the use of risk scaling can greatly modify resultant Cost Benefit Ratios (CBR).² By design, utilities are inherently incentivized to develop methodological assessments that may “over-estimate” risk, such that cost recovery for capital intensive projects may be more easily approved, and collected, in later phases of this proceeding. The Safety and Policy Division notes that the use of scaling can turn “apparently unfavorable mitigation options” into “an acceptable or even favorable mitigation proposal by magnifying the

¹ SPD Report at 10 (defining “Risk-Averse Scaling” as: “[a] convex scaling function permitted in Phase 3 of the RDF that applies greater weight to high-consequence events compared to lower-consequence ones. This reflects the Commission’s directive that utilities apply a risk-averse approach when assessing risk exposure and mitigation effectiveness.”).

² *See*, e.g., SPD Report at 137 (noting that – in comparing the “Strategic Undergrounding” (SUG) and “Combined Covered Conductor” (CCC) – “A comparison of the total risk scores and CBR values for SDG&E’s strategic undergrounding and combined covered conductor plans, both with and without the applications of SDG&E’s risk scaling function, shows that risk scaling substantially increases CBRs, giving SUG a favorable CBR of 11 compared to CCC at 5.5. This result emphasizes the importance of how risk scaling is applied and how the underlying CBR benefits and costs are determined.”).

cost-benefit ratio.”³ As such, SBUA supports SPD’s request that the SEMPRA utilities provide additional information – including both scaled and unscaled Cost Benefit Ratio (CBR) data.⁴ The Commission should require this disclosure of additional unscaled cost analysis modeling results to improve greater transparency when analyzing risk and selecting mitigation options.

B. SBUA’s Comment in Response to the ALJ’s Scoping Issue 2: Whether SoCalGas and SDG&E adequately demonstrate how they use their RAMP model and risk analysis in selection and implementation of specific mitigation projects and programs.

The Risk Models Lack Proper “Tranche-To-Mitigation Traceability,” Obscuring Which Programs Actually Reduce the Greatest Risk.

The SEMPRA utilities should provide further analysis and exposition, describing how *specific* selected mitigation option translate to each identified tranching risk. The SPD Report notes that the model, in certain assessments, produces an over-segmentation of risk and a corresponding weak linkage between the tranches and selected mitigation.⁵ SBUA believes that the current record does not sufficiently explain how specific risk tranches drive proposed spending. *See* SPD Report at 6 (noting that SDG&E concedes that “tranching does not drive its

³ SPD Report at 18 (noting that “scaled” Cost Benefit Ratios “can also turn an apparently unfavorable mitigation option (due to its low unscaled cost-benefit ratio) into an acceptable or even favorable mitigation proposal by magnifying the cost-benefit ratio.”).

⁴ *See* SPD Report at 22 (noting that “[a]lthough the Phase 3 RDF Decision does not require presentation of unscaled CBR data when scaling is used, SPD recommends that Semptra also provide the companion unscaled CBRs at the most granular level feasible (at minimum, the reporting-tranche level in Semptra’s filings, with details provided in the workpapers), for each GRC year ... this simple addition would separate scaling effects from underlying data, improve cross-chapter comparability, and make selection rationales more transparent.”)

⁵ *See, e.g.,* SPD Report at 115 (describing an “excessive over-partitioning” of tranches, leading to “inconsistent groupings.”).

mitigation selection,” and “tranche-level information does not necessarily drive the decision-making process for Wildfire and PSPS grid hardening investments.”).⁶ SBUA supports the SPD Report’s finding that there is a “material transparency gap in SDG&E’s approach,” and that the SEMPRA utilities “should provide a clear crosswalk from each selected mitigation segment to its corresponding LoRE x CoRE tranche and show tranche-level CBRs that justify its selection ...”⁷

Included within this concern is that many large “enterprise” mitigations (*e.g.*, data system management, vegetation management, etc.) are allocated across all customers, even though the benefits may skew toward specific geographic areas (*i.e.*, high fire threat district (HFTD) rural zones or gas-transmission corridors). Without a more explicit mapping of the “tranching risk to mitigation action” pathway, SBUA maintains a concern that small commercial customers could be effectively subsidizing mitigation options that primarily benefit large industrial customers, or rural customers. As such, SBUA believes that the current administrative record should be augmented to provide further rationale of the connection between tranching risk and the selected mitigation, so that the Commission may more clearly ascertain risk correlation.

C. SBUA’s Comment in Response to the ALJ’s Scoping Issue 3: Whether there are gaps in SoCalGas’s and SDG&E’s RAMP Report filing in identifying enterprise-level risks and considering mitigation options, including but not limited to:

(e) Whether reasonable alternatives have been fully considered and adequately discussed by SoCalGas and SDG&E.

The Applications Should Provide Additional Alternatives Analyses.

⁶ Citing SDG&E-Risk-4 at 44; TURN-SDGE-002, Response 3g.ii.

⁷ SPD Report at 6.

The RAMP applications should provide more robust alternatives analyses. By examining fewer alternatives, a proposed mitigation option may appear more reasonable than it otherwise would. SBUA believes that a full range of alternatives should be examined; in some instances, a lower cost alternative may be appropriate if the alternative could reduce risk in a similar manner.

The record appears to demonstrate that the mitigation portfolio for wildfire risk is heavily weighted toward physical infrastructure hardening, particularly covered conductor replacement and undergrounding. While these programs may yield meaningful risk reduction, they are nonetheless highly capital-intensive and costly endeavors; as such, SBUA suggests that cheaper options, including non-physical infrastructure (*e.g.*, targeted vegetation⁸) options be evaluated.

Furthermore, the SPD Report indicates that SDG&E’S RAMP Application “references batteries only as resiliency assets within the Wildfire & PSPS portfolio ... rather than identifying a discrete Battery Energy Storage System (BESS) safety enterprise risk with Step-2A metrics, bow-tie/tranche definitions, and CBRs.” SBUA agrees that these Battery Energy Storage Systems should be analyzed, as suggested by SPD.

When conducting a comprehensive risk analysis, it is particularly important to evaluate all potential alternative options – given that this proceeding establishes the foundational basis to approve large cost-recovery requests for capital intensive projects. As such, while the Commission should indeed encourage the SEMPRA utilities to pursue the “safest” option, the Commission should also require more analyses demonstrating how the proposed mitigation option will provide incremental benefits over other un-examined, potentially cheaper, alternatives.

⁸ Note that it is difficult for SBUA to ascertain whether vegetation management has been analyzed (and, if so, to what degree). *See* SPD Report at 123 (noting that “SPD was unable to find any discussion of how SDG&E incorporated VM [vegetation management] into its calculation of mitigation effectiveness.”).

D. SBUA's Comment in Response to the ALJ's Scoping Issue 3: Whether there are gaps in SoCalGas's and SDG&E's RAMP Report filing in identifying enterprise-level risks and considering mitigation options, including but not limited to:

(g) Whether SoCalGas's and SDG&E's proposed Homogeneous Tranche Method (HTM) is appropriately granular and an acceptable alternative to the Commission's best-practice quintile approach to tranching, as set forth in D.24-05-064.

SBUA Agrees with the Underlying Concerns Serving as Foundational Support to SEMPRA's Proposed "Homogenous Tranching Method"

SBUA believes that the SEMPRA utilities make a compelling argument, set forth in their *Alternative Tranching Methodology White Paper*, that there are certain inherent limitations posed by the current CoRE x LoRE Phase Three Tranching Approach (PTTA) methodology recommended by D.24-05-064. The SEMPRA utilities argue that the PTTA method can provide inaccurate assessments, in which dissimilar assets are "clumped" together; additionally, SEMPRA indicates that certain low-risk incidents may, counter-intuitively, be paired with higher-risk profiles under the PTTA approach.

The SEMPRA utilities describe these limitations in attempting to apply the PTTA, noting that:

- Overall, the Companies observed that many of the resultant tranches include a heterogeneous mix of risk events, often related to multiple asset types with uncorrelated risk treatments.⁹
- The Companies also observe that broadly applying the PTTA to an entire risk chapter could mix unlike risk profiles in a way that does not best represent the differences in risk profiles of the assets within the risk.¹⁰

⁹ *White Paper Describing Alternative Tranching Method* at 8.

¹⁰ *Id.*

- Applying a tranching algorithm to the entire system could result in gas mains, regulators, and risers being grouped together into a single tranche. This approach does not best represent risk profiles, as these assets require different risk treatments and largely are not physically connected.¹¹

SBUA believes that the SEMPRA utilities have offered persuasive reasons why the PTTA (CoRE x LoRE) approach presents certain limitations, and that the basis supporting the proposed Homogeneous Tranching Method (HTM) ostensibly improves upon the PTTA by grouping assets based on actual risk similarity (as opposed to “forcing” risks into preset LoRE x CoRE quintiles).¹² The HTM aims to group risk by homogenous operational type, geography, and consequence, which would allow the SEMPRA utilities to better pinpoint which tranches truly drive systemic risk. SBUA believes that a core concern, identified initially during the first RAMP proceeding (2021), is that risk may be diluted if tranches are too large. The HTM, from SBUA’s perspective, intends to isolate risk profiles into more similar units; therefore, the HTM should ostensibly yield more accurate assessments.

However, there are still specific areas of risk assessment where the proposed HTM requires improvement. *See* SPD Report at 112 (noting that, in relation to Wildfire risk, “[the] HTM fails to generate homogeneous risk tranches: segments with comparable risk levels are often placed in different tranches ... these findings reveal a misalignment between SDG&E’s HTM, the risk scores, and SDG&E’s grid hardening plan.”).

¹¹ *Id.*

¹² *See* SPD Report at 10 (defining “Homogeneous Tranche Methodology” (HTM) as: “An alternative to the quintile-based tranching approach adopted in Phase 3 of the RDF. Under HTM, assets or risk elements are grouped into tranches based on physical and operational homogeneity rather than on their placement in a LoRE/CoRE quantile matrix. Semptra introduced HTM in its Tranching White Paper (filed November 1, 2024) as a proposed alternative methodology for Commission consideration in this RAMP.”).

Utilities should aim to promote the greatest level of homogeneity of risk profiles within tranches, while also avoiding “over-segmenting” risk into micro-tranches. The more rigid quintile approach, recommended by the PTTA, appears to present a risk that heterogeneous asset types may be “clumped” together, which should be avoided. As such, SBUA cautiously supports the SEMPRA utilities’ attempt to more cleanly break risk into categories with similarly-situated homogenous risk, through its proposed “Homogenous Tranching Method.”

E. Additional Comment on Scoping Issue 3, In Relation To Specific Risk Categories:

i. SBUA Supports SPD’s Recommendation To Separate High-Pressure Distribution And Transmission Assets Into Different Risk Classes.

SBUA supports SPD’s recommendation to separate high-pressure distribution and transmission assets into two different classes, and that the risk profiles of the resultant tranches under each class be homogeneous.¹³ SBUA agrees that SEMPRA should also calculate and provide CBR values specific to its transmission assets. It is important to maintain a distinction between distribution and transmission assets, given that most of small business customers only receive service from the distribution system (versus larger customers). It is SBUA’s position that SPD’s proposal, relating to tranches and CBR, are appropriate recommendations for analyzing and setting rates in the TY 2028 GRC. SBUA also supports the presentation of alternative mitigations which are realistic and reasonable, and are in the public interest – especially for small business customers who have few service alternatives.

ii. SBUA Supports SPD’s Recommendation To Separate High-Pressure Distribution And Transmission Assets Into Different Risk Classes.

¹³ SPD Report at 41-42.

SBUA supports SPD's recommendation that SDG&E include the gas curtailment sub-attribute in the Test Year 2028 GRC.¹⁴ Including this detail ensures that the Commission and intervenors, including SBUA, have sufficient information to evaluate the Company's GRC request at the time of filing.

III. CONCLUSION

SBUA appreciates the opportunity to participate in the Commission's SEMPRA RAMP proceedings. SBUA endeavors to ensure that risks may be more accurately assessed, and that cost-effective mitigation options are selected that will improve the reliability of the electric grid and natural gas system.

November 17, 2025

Respectfully submitted,

By: /s/ Luke May
Luke May
Regulatory Attorney

Small Business Utility Advocates
548 Market Street, Suite 11200
San Francisco, CA 94104
Telephone: (415) 602-6223
Email: luke@utilityadvocates.org

¹⁴ SPD Report at 17.