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

Application of Southern California Gas Company to Submit Its 2025 Risk Assessment and Mitigation Phase Report.	Application 25-05-010
And Related Matters.	Application 25-05-013

**ADMINISTRATIVE LAW JUDGE’S RULING DIRECTING THE SERVICE OF ADDITIONAL INFORMATION AND OTHER REQUIREMENTS**

This Ruling directs applicants Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E), collectively referred to as Sempra, to serve additional information related to the Risk Assessment and Mitigation Phase (RAMP) Report in their Test Year 2028 general rate case (GRC) and comply with other requirements as set forth below.

In consideration of deficiencies and concerns noted in the Safety and Policy Division’s Evaluation Report on Sempra’s 2025 RAMP Applications (SPD Evaluation Report), and in party opening and reply comments to the SPD Evaluation Report, SDG&E and SoCalGas are directed to fully address the deficiencies in the seven areas identified below in their Test Year 2028 GRC filings:

1. Improve Comparability of Risk-Scaled Analyses.
2. Provide a table for RAMP cycle Comparability.
3. Clarify Tranching Method Reporting.

4. Establish a clear connection between the Cost-Benefit Ratio and the mitigation selection to the respective tranche.
5. Inconsistencies in Cost-Benefit Ratio calculation.
6. Justification for Proposed Mitigations with Cost-Benefit Ratio less than 1.0.
7. SoCalGas Only - Underground Gas Storage Risk (UGS) Granularity.

The proceeding remains open to address whether the RAMP feedback has been adequately incorporated into SoCalGas's and SDG&E's 2028 Test Year GRC filing.

## **1. Background**

### **1.1. RAMP Filing and Scoping Memo**

On May 15, 2025, SoCalGas filed Application (A.) 25-05-010 and SDG&E filed A.25-05-013 containing their respective 2025 Risk Assessment Mitigation Phase (RAMP) Applications and the RAMP Reports (the two applications collectively referred to as the Application and the two RAMP Reports collectively referred to as the RAMP Report), pursuant to Decisions (D.) 14-12-025, D.16-08-018, D.18-12-014, D.20-01-002, D.21-11-009, D.22-10-002, D.22-12-027 and D.24-05-064. Both applications were consolidated on June 19, 2025.

The Application requests that (a) the Commission direct Safety Policy Division (SPD) review Sempra's RAMP Report and issue a report for party comment, and (b) the Commission close this proceeding once comments have been provided.

Sempra's RAMP Report provides a quantitative assessment of SoCalGas's six top safety risks, plus the Underground Gas Storage risk, and SDG&E's eight top safety risks, describes preliminary mitigation plans, and estimates the costs and benefits associated with various risk mitigation programs and projects. Sempra proposes to address these risks in the upcoming Test Year 2028 GRC.

This is Sempra's first RAMP Application that applies the cost-benefit approach adopted in Phases 2 and 3 of Rulemaking (R.) 20-07-013. Central to D.22-12-027 (Phase 2 Decision) is the monetization of safety and reliability attributes of risk, enabling a cost-benefit ratio (CBR) to be calculated for each risk mitigation program or project. Central to D.24-05-064 (Phase 3 Decision) is the requirement that utilities present CBRs for each GRC post-test year, best practices for tranching granularity and other related modeling requirements.

On August 11, 2025, Assigned Commissioner Matthew Baker issued a Scoping Memo and Ruling, setting forth the issues and an initial schedule of the proceeding. That schedule required that SPD file and serve a report on Sempra's 2025 RAMP filing and set the schedule for party comments and replies. SDG&E and SoCalGas are scheduled to file their Test Year 2028 GRC applications by May 15, 2026.

On October 10, 2025, the assigned Administrative Law Judge (ALJ) issued a ruling entering SPD Evaluation Report into the evidentiary record and affirming the comment schedule.

On November 17, 2025, Public Advocates Office at the California Public Utilities Commission (Cal Advocates), Indicated Shippers, Mussey Grade Road Alliance (MGRA), Small Business Utility Advocates (SBUA), The Utility Reform Network (TURN), and Sempra filed comments on the SPD Evaluation Report.

On December 1, 2025, Indicated Shippers, MGRA, SBUA, and Sempra filed replies.

## **1.2. SPD Evaluation Report**

The SPD Evaluation Report details the results of SPD's review of the Sempra 2025 RAMP filing. The SPD Evaluation Report concludes that "[i]n general, the 2025 Sempra RAMP complies with the Phase 2 and Phase 3

Risk-Based Decision-Making Framework. No areas of deficiency are severe enough to warrant SPD's recommendation that the Commission reject the 2025 Sempra RAMP applications."<sup>1</sup>

However, the SPD Evaluation Report identifies numerous discrete deficiencies and concerns in the RAMP Report and recommends that Sempra correct these deficiencies in its upcoming Test Year (TY) 2028 GRC filing.

### **1.3. Opening Comments on the SPD Evaluation Report**

#### **1.3.1. Sempra**

Sempra generally states that it intends to address SPD's recommendations and party comments in its TY 2028 GRC applications and supporting workpapers.<sup>2</sup> Sempra emphasizes that many of the issues raised – particularly those related to risk scaling, segmentation, and the interpretation of cost-effectiveness results – will be further refined and documented in the context of its TY 2028 GRC filing and future RAMP reports.<sup>3</sup>

Sempra disputes certain characterizations regarding the effects of risk scaling and segmentation on mitigation selection and Cost-Benefit Ratios (CBRs), explaining that scaling is applied consistently and that Wildfire and Public Safety Power Shutoff (PSPS) mitigation decisions are made at the feeder-segment level (not at the tranche level).<sup>4</sup> Sempra argues that its approach is intended to promote objective, data-driven decision-making and commits to additional

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<sup>1</sup> SPD Evaluation Report at 5.

<sup>2</sup> SoCalGas and SDG&E Opening Comments on SPD Evaluation Report at 2.

<sup>3</sup> SoCalGas and SDG&E Opening Comments on SPD Evaluation Report 2, 6-9.

<sup>4</sup> SoCalGas and SDG&E Opening Comments on SPD Evaluation Report at 6-9.

documentation (including detail on scaling assumptions and feeder-segment rollups) to support Commission and party review.<sup>5</sup>

Sempra acknowledges the value of improving clarity, traceability, and support for its risk analyses and states that it will continue to refine its testimony, workpapers, and explanatory materials to enhance transparency and stakeholder understanding in future filings.<sup>6</sup>

### **1.3.2. Cal Advocates**

Cal Advocates generally supports SPD's recommendations and urges the Commission to require clearer documentation of the utilities' mitigation-selection process in the Test Year 2028 GRC. Cal Advocates notes that (1) the analysis of wildfire risk mitigations is insufficient for Commission review due to the comparison of Strategic Undergrounding (SUG) and Combined Covered Conductor (CCC) omitting critical capital-related costs; (2) inconsistencies in lifecycle comparison impacting CBRs; and (3) improper accounting of operations and maintenance (O&M) costs in the CCC CBR. Cal Advocates emphasizes improved transparency and replicability for cost-effectiveness results, including clearer cost treatment in CBR denominators and stronger justification for key analytical choices that affect mitigation rankings.<sup>7</sup>

### **1.3.3. Indicated Shippers**

Indicated Shippers strongly agrees with the SPD Evaluation Report's findings and recommendations. In its comments, Indicated Shippers focuses primarily on SoCalGas gas-risk results and transparency/replicability. It requests Commission direction requiring clear explanations for large cross-cycle

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<sup>5</sup> SoCalGas and SDG&E Opening Comments on SPD Evaluation Report at 5-10.

<sup>6</sup> SoCalGas and SDG&E Opening Comments on SPD Evaluation Report at 2, 8-10, 22.

<sup>7</sup> Cal Advocates Opening Comments on Sempra RAMP and SPD Evaluation Report at 3-5, 6-8.

changes in pre-mitigation risk results, side-by-side presentations that allow parties to isolate the effect of risk-scaling on risk values and CBRs, and improved workpapers to enable independent replication. Indicated Shippers also raises concerns that internal segmentation approaches (*e.g.*, Sempra's proposed tranching methodology) can impede Commission review unless accompanied by clear crosswalks and reporting-tranche results. Finally, increased spending on mitigations and controls with CBRs < 1.0 requires further scrutiny.<sup>8</sup>

#### **1.3.4. MGRA**

MGRA's opening comments focus on SDG&E wildfire and PSPS risk modeling, more specifically, (1) SDG&E's alternative tranching methodology fails to produce homogeneous risk groupings and correlation between mitigation and calculated risk is weak; (2) SDG&E's risk-averse non-linear scaling is inconsistent and unsupported; and (3) SDG&E's aggregation of customer classes is improper. MGRA urges the Commission to require additional information and explanation in SDG&E's GRC filing, including better documentation of CBR calculations, alternative tranching, explicit disclosure of tail-risk and climate hazard assumptions (including data sources and distributional choices), and sensitivity cases where assumption choices may materially affect cost-efficiency or portfolio ranking.<sup>9</sup>

#### **1.3.5. SBUA**

SBUA raises concerns that certain modeling choices – particularly risk scaling – may affect risk results and the apparent cost-effectiveness of proposed mitigations. SBUA notes the challenge of linking selected mitigation options to

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<sup>8</sup> Indicated Shippers Opening Comments on Sempra RAMP and SPD Evaluation Report at 6, 8, 11-13, 15-16.

<sup>9</sup> MGRA Opening Comments on Sempra RAMP and SPD Evaluation Report at 5-20, 23-24, 30-31, 45-48.

tranching risk and how specific risk tranches drive proposed spending. While cautiously supporting Sempra's alternative tranching method, it agrees with SPD's assessment that the method requires refining. SBUA seeks improved transparency for inputs, clearer treatment of baseline conditions (including the role of historical investments and customer resiliency/backup power), and more accessible workpapers that allow parties to understand how analytical choices affect outcomes and ratepayer impacts.<sup>10</sup>

### **1.3.6. TURN**

TURN generally supports increased transparency and replicability consistent with the Risk Decision-Making Framework's (RDF's) objectives and SPD's findings. TURN emphasizes the need for clear Commission-facing reporting (including tranche structures and crosswalks where internal segmentation differs), and requests clearer linkage between risk/tranche results and mitigation-selection outcomes so parties can evaluate decision-support use of CBRs and related metrics.<sup>11</sup>

## **1.4. Reply Comments on the SPD Evaluation Report**

### **1.4.1. Sempra**

In reply comments, Sempra responds to intervenor requests for specific pre-GRC directives and reiterates its position that it will address SPD findings and party concerns in its TY 2028 GRC filings. Sempra also responds to critiques regarding risk scaling, segmentation/tranching transparency, and cost-benefit

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<sup>10</sup> SBUA Opening Comments on Sempra RAMP and SPD Evaluation Report at 1-5, 6, 8.

<sup>11</sup> TURN Opening Comments on Sempra RAMP and SPD Evaluation Report at 1-2, 5-7.

presentation issues, and argues that any Commission direction should balance transparency with flexibility in analytical implementation.<sup>12</sup>

### **1.5. Indicated Shippers**

Indicated Shippers reiterates its request for Commission direction to address transparency and cross-cycle comparability concerns, including clearer explanations for large shifts in gas-risk results and clearer presentation of how risk-scaling affects risk values and CBRs. It contends that commitments to address issues later in the TY 2028 GRC are insufficient absent specific direction, and it emphasizes the need for replicable workpapers and crosswalks where internal segmentation differs from Commission-facing reporting.<sup>13</sup>

#### **1.5.1. MGRA**

MGRA reiterates that baseline documentation, tail-risk and climate hazard assumptions, and sensitivity cases remain necessary to evaluate SDG&E wildfire/PSPS risk and mitigation cost-efficiency. MGRA emphasizes that these items are decision-relevant and should be addressed with sufficient specificity and supporting workpapers.<sup>14</sup>

#### **1.5.2. SBUA**

SBUA generally reinforces its opening concerns regarding risk scaling, baseline treatment, and the need for clearer, more replicable workpapers. SBUA maintains that transparency improvements are needed to understand how modeling choices affect risk results, mitigation cost-effectiveness, and

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<sup>12</sup> Sempra (SoCalGas/SDG&E) Reply Comments SPD Evaluation Report at 1, 4-9.

<sup>13</sup> Indicated Shippers Reply Sempra RAMP and SPD Evaluation Report at 1-3, 5-6, 8-9.

<sup>14</sup> MGRA Reply Comments on Sempra RAMP and SPD Evaluation Report at 1-2, 4-5.

affordability impacts, and it supports Commission direction that ensures Commission-facing reporting is understandable and reproducible.<sup>15</sup>

## **2. Areas of Deficiency to Be Addressed in the 2028 Test Year GRC Filing**

D.22-10-002 concludes that “[s]ignificant issues identified with RAMP models in the RAMP proceeding, including non-compliance issues, should be clearly addressed by the [utility] and reflected in the related GRC application.”<sup>16</sup> After considering the SPD Evaluation Report, party comments and replies, including Sempra’s responses to deficiencies raised in replies and the request for balance of transparency and efficiency, the ALJ ruling requires SDG&E and SoCalGas to fully address the deficiencies in the seven areas identified below in their Test Year 2028 GRC filings. Addressing the deficiencies listed below will, in addition to remedying identified compliance issues, improve the transparency of filings and support decision-making in SDG&E’s and SoCalGas’s Test Year 2028 GRC application review.

### **2.1. Improve Comparability of Risk-Scaled Analyses**

As required in Row 7 of the RDF, if a utility chooses to use a convexly non-linear risk scaling function,<sup>17</sup> reflecting risk-averse modeled outcomes, it must supplement its analysis with a linear scaling function reflecting risk-neutral model outcomes.<sup>18</sup> The SPD Evaluation Report and party comments identified deficiencies in the transparency and replicability of Sempra’s risk-averse scaling

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<sup>15</sup> SBUA Reply Comments on Sempra RAMP and SPD Evaluation Report at 1–3, 6–7, 9–10.

<sup>16</sup> D.22-10-002 Conclusion of Law (CoL) 3.

<sup>17</sup> “A function or formula that specifies an attitude towards different magnitudes of Outcomes including capturing aversion to extreme Outcomes or indifference towards those Outcomes.” D.24-05-064, Appendix A at A-5.

<sup>18</sup> D.24-06-064, Appendix A at A-8.

relative to risk-neutral results, limiting the Commission's and parties' ability to understand how scaling affects risk values, CBRs, and mitigation-selection outputs used for decision support.<sup>19</sup>

To ensure SoCalGas's and SDG&E's analyses are transparent and allow for independent validation of their results, Sempra shall provide results from non-linear and linear scaling models for mitigation programs seeking cost recovery in the TY 2028 GRC application. Specifically, Sempra shall:

1. Present both risk-neutral (linear) and risk-scaled (including any convex risk-averse scaling, if used) results for each enterprise risk, at the reporting-tranche level used to support mitigation selection, including risk-adjusted consequences of a risk event (CoRE), and resulting risk values, and the associated CBRs. Consistent with D.24-05-064 (Row 7), where the utilities address tail risk pursuant to Rows 5 and 24 using a power-law or other statistical approach and present convex risk-scaled results, the utilities shall also present the corresponding linear results.
2. Demonstrate, using an example, how the utility has used its risk-scaling function (purpose, inputs, parameters, assumptions) to select the proposed mitigation programs. Identify explicitly which risk-scaling results whether linear, or convex or both are relied upon for GRC mitigation selection and explain why that reliance is reasonable for ratepayers.
3. Provide workpapers in editable Microsoft (MS) Excel format (.xlsx) sufficient for the Commission and parties to replicate the scaled and linear outputs used in testimony<sup>20</sup> and the mitigation-selection results. At a minimum, for

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<sup>19</sup> SPD Evaluation Report, Global Observation 4 at 22.

<sup>20</sup> SDG&E and SoCalGas 2025 RAMP Reports, Volume 1, Chapter RAMP-1: Overview at Overview-12, Table 4.

each enterprise risk, the workpapers shall include standardized tables corresponding to:

- i. Input parameters,
- ii. Output calculations/results, and
- iii. A model description (including algorithms/tools used). The MS Excel workpapers shall be provided with formulas intact (not PDF images or values-only exports), with all variables and assumptions explicitly identified, and with sufficient structure for the Commission and parties to substitute alternative input values and reproduce the results.

## **2.2. Provide a table for RAMP Cycle Comparability**

The SPD Evaluation Report and party comments identified deficiencies in Sempra's RAMP cycle comparability and explanation provided of material changes in baseline, pre-mitigation, likelihood of a risk event (LoRE), CoRE, and risk values, limiting the Commission's and parties' ability to interpret between-cycle changes and evaluate continuity of prior-cycle risk reductions.<sup>21</sup> SPD staff noticed a tenfold rise in gas risk likelihood values, which requires further explanation and support.

To support meaningful comparison of risk results across RAMP cycles and to explain material changes in baseline (pre-mitigation) risk values, Sempra shall take the following actions to bridge prior-cycle and current-cycle assumptions, inputs, and results:

1. For risks with material step-changes (for the purpose of this requirement we define material step-changes as a  $\geq 50\%$  change in baseline (pre-mitigation) enterprise-risk

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<sup>21</sup> Sempra RAMP and SPD Evaluation Report, Global Observation 2 at 21.

- value,<sup>22</sup> or any change that altered the rank order of enterprise risks from the previous RAMP application), provide a concise breakdown quantifying primary drivers of the change, including: data updates, model/parameter changes, consequence valuation changes, segmentation/tranching changes, tail-risk treatment, and/or risk-scaling function changes.
2. Provide a comparative table for each enterprise risk showing (a) prior-cycle vs. current-cycle baseline (pre-mitigation) LoRE, CoRE, and risk values (and percent change) to provide a high-level check that the utility implemented prior-cycle mitigations between cycles, and (b) prior-cycle post-mitigation risk vs. current-cycle baseline (pre-mitigation) risk to explain between-cycle changes driven by updated models, data, or assumptions (*i.e.*, why the baseline shifted even after accounting for prior risk reductions).
  3. Distinguish ‘physical’ drivers (*e.g.*, exposure growth) from ‘methodological’ drivers (*e.g.*, revised distributions, valuation, tranching, scaling) and explain implications for interpreting the TY 2028 GRC proposals and mitigation selection.

### **2.3. Clarify Tranching Method Reporting**

Row 14 of the RDF, as modified by the Phase 3 Decision, identifies the use of quintiles of LoRE and CoRE as a best practice for determining homogeneity of risk profiles, however, the utility may use an alternative tranching method as long as it is adequately documented.<sup>23</sup> This modification has the purpose of

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<sup>22</sup> A  $\geq 50\%$  change in baseline (pre-mitigation) enterprise-risk value was chosen as a practical, conservative screening threshold to identify cross-cycle shifts likely to be decision-relevant and therefore requiring a clear, quantified explanation of primary drivers. This threshold is intended to flag changes large enough to materially affect interpretation of LoRE, CoRE, risk values, and associated CBRs in the TY 2028 GRC and to support consistent Commission and party scrutiny of between-cycle comparability.

<sup>23</sup> D.24-05-064, Appendix A at A-13-14.

ensuring utilities are “always addressing the highest relative risks first.”<sup>24</sup> In its 2025 RAMP filings, Sempra used an alternative method, called Homogeneous Tranching Method (HTM). In addition to the HTM, Sempra provided the quintile tranching approach for the following enterprise risk chapters: Wildfire & PSPS and Underground Gas Storage.

In consideration of the concerns SPD raised in the Wildfire & PSPS chapter<sup>25</sup> and subsequent comments received from parties, SPD has identified deficiencies in Sempra’s tranching documentation and crosswalks<sup>26</sup> (including where internal segmentation differs from reporting tranches), limiting evaluation of tranche construction, homogeneity, and whether mitigations are targeted to the riskiest portions of the system consistent with Phase 3 Decision requirements.

To ensure compliance with the Phase 3 Decision requirements for risk tranching, and to allow evaluation of whether mitigations are targeted to the riskiest portions of Sempra’s system, Sempra shall take the following actions to clarify tranche construction, homogeneity, and supporting rationale:

1. Clearly define and distinguish (a) HTM tranches (internal segmentation) from (b) LoRE/CoRE quintile-based tranches.
2. Provide a crosswalk that maps HTM tranches to LoRE/CoRE quintile-based reporting tranches for all RAMP risks and explains how tranche boundaries are constructed in the same way as shown in Excel Workbooks,  
“SCG\_UGS\_CBR\_Main\_Workbook\_R,”  
“SDGE\_Wildfire&PSPS\_CBR\_Main\_Workbook\_Aversion,”

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<sup>24</sup> D.24-05-064 at 29.

<sup>25</sup> SPD Evaluation Report, SDG&E Wildfire and PSPS , Summary of Findings 1, 2, 3 5, 7, 19, and 20 at 139, 140, 141, 143.

<sup>26</sup> The mapping between the internal segmentation used for risk modeling or mitigation selection and the reported LoRE/CoRE tranches.

and

“SDGE\_Wildfire&PSPS\_CBR\_Main\_Workbook\_NoAversion.”

3. Present key risk and CBR results in LoRE/CoRE quintile-based reporting tranches, even if HTM is used internally.
4. Provide workpapers in editable MS Excel format (.xlsx) sufficient for the Commission and parties to replicate the tranche mapping used in testimony. At a minimum, for each gas and electric enterprise risk, the workpapers shall include standardized tables corresponding to:
  - i. Input parameters (including all tranche boundary definitions and mapping rules),
  - ii. Output calculations/results (including tranche assignments and any aggregation outputs used for reporting), and
  - iii. A model listing (including algorithms/tools used). The Excel workpapers shall be provided with formulas intact (not PDF images or values-only exports), with all variables and assumptions explicitly identified, and with sufficient structure for the Commission and parties to substitute alternative input values and reproduce the tranche mapping results used in testimony.

**2.4. Establish a clear connection between the Cost-Benefit Ratio and the mitigation selection to the respective tranche<sup>27, 28, 29, 30</sup>**

The SPD Evaluation Report and party comments identified deficiencies in the traceability between tranches, mitigations, tranche-level risk reductions, and associated CBR results, limiting the Commission’s and parties’ ability to verify

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<sup>27</sup> D.22-12-027, Ordering Paragraph 1-2 at 63–65.

<sup>28</sup> D.22-12-027, Appendix A, Step 3, Rows 14, 16, 26 at A-13, A-14, A-16.

<sup>29</sup> D.24-05-064, OP 1 at 123.

<sup>30</sup> D.24-05-064, Appendix A, Step 3, Rows 14, 16, 26 at A-13, A-14, A-17.

how cost-effectiveness results correspond to specific tranches and are used in mitigation selection and portfolio construction.<sup>31</sup>

To enable the Commission and parties to trace how mitigations and cost-benefit results correspond to specific tranches, Sempra shall take the following actions to improve the linkage between tranches, mitigations, risk reduction, and reported cost-benefit ratios:

1. Provide an exhibit for each enterprise risk showing, for each mitigation: the targeted reporting tranches, the tranche-level risk reduction, and the associated tranche-level CBRs and overall (mitigation/program) CBR (aggregated across targeted tranches).
2. Provide a detailed explanation of whether and which tranche information is used in mitigation selection and portfolio construction, and ensure testimony and workpapers are consistent with that description.
3. Provide workpapers in editable MS Excel format (.xlsx) sufficient for the Commission and parties to replicate the mitigation-to-tranche linkages used in testimony. At a minimum, for each enterprise risk, the workpapers shall include standardized tables corresponding to:
  - i. Input parameters (including tranche definitions, mitigation identifiers, and mapping rules/assumptions),
  - ii. Output calculations/results (including mitigation-to-tranche assignments and any aggregation used to calculate risk reductions and CBRs), and
  - iii. A model listing (including algorithms/tools used). The MS Excel workpapers shall be provided with formulas intact (not PDF images or values-only exports), with all variables and assumptions explicitly identified, and with sufficient structure for the Commission and parties

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<sup>31</sup> SPD Evaluation Report, Summary of Significant Findings 1 at 6.

to substitute alternative input values and reproduce the mapping and associated results used in testimony.

## **2.5. Inconsistencies in Cost-Benefit Ratio calculation**

The SPD Evaluation Report identified deficiencies in the consistency, interpretability, and replicability of Sempra's CBR denominator construction (including incremental cost<sup>32</sup> treatment and separation of capital and O&M components), limiting the Commission's and parties' ability to evaluate cost-effectiveness on a comparable and RDF-consistent basis.<sup>33</sup> For example, in the Wildfire & PSPS chapter, SDG&E assigns the full baseline O&M costs of activities to the CBR for the CCC mitigation, rather than including only the incremental O&M costs or savings attributable to the mitigation.<sup>34</sup> Similarly, the Underground Gas Storage (UGS), High Pressure (HP) Gas, and Medium Pressure (MP) Gas chapters exhibit issues in their CBR calculations: the workpapers combine capital expenditures and O&M into a single cost column, preventing clear differentiation between incremental expenses tied to capital investment and ongoing operating expenses.<sup>35</sup>

To improve the consistency, interpretability, and replicability of Sempra's cost-benefit results and to address inconsistencies with the Phase 3 Decision in the construction of CBR denominators, Sempra shall take the following actions to standardize CBR construction, including treatment of incremental costs and the distinction between capital and O&M expenditures:

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<sup>32</sup> Incremental costs are defined as costs in excess of the baseline that would be incurred absent the mitigation.

<sup>33</sup> SPD Evaluation Report, Global Observations 1 at 21.

<sup>34</sup> SPD Evaluation Report, Global Observations 1 at 21.

<sup>35</sup> SPD Evaluation Report, Global Observations 1 at 21.

1. Compute and present CBRs using incremental capital and incremental O&M costs made necessary by the mitigation (i.e., costs in excess of the baseline that would be incurred absent the mitigation), applied consistently across all mitigations and any mitigation portfolios used for decision support.
2. Clearly separate capital and O&M components in all CBR denominators and explicitly list what is included and excluded.
3. For each CBR presented in supporting exhibits (at the mitigation program level and for any aggregated portfolio), shall identify the discount-rate scenario(s) and risk attitude (risk-neutral/unscaled vs. risk-scaled) used, and provide workpapers in editable MS Excel format (.xlsx) sufficient for the Commission and parties to replicate the CBR denominators and assumptions used in testimony. For each gas and electric enterprise risk, the workpapers shall include standardized tables corresponding to:
  - i. Input parameters (including discount rate(s), escalation assumptions, cost components, allocation/attribution rules, and any other denominator assumptions),
  - ii. Output calculations/results (including capital and O&M denominator calculations and any aggregation used for mitigation program-level and aggregated portfolio CBRs), and
  - iii. A model listing (including algorithms/tools used). The MS Excel workpapers shall be provided with formulas intact (not PDF images or values-only exports), with all variables and assumptions explicitly identified, and with sufficient structure for the Commission and parties to substitute alternative input values and reproduce the CBR denominators used in testimony.

## **2.6. Justification for Proposed Mitigations with Cost-Benefit Ratio less than 1.0**

The SPD Evaluation Report identified deficiencies in the identification and justification of proposed mitigations with CBRs below 1.0 under Sempra's CBR methodology (including the applicable risk attitude and discount-rate scenario), limiting the Commission's and parties' ability to evaluate the rationale, alternatives, and affordability implications for such proposals.<sup>36, 37, 38, 39, 40, 41</sup>

To ensure a complete and transparent record where mitigations exhibit CBRs below 1.0, Sempra shall take the following actions to identify such mitigations and to explain the rationale, alternatives considered, and implications for prioritization and affordability:

1. Identify all proposed mitigations programs (across all RAMP risks) with a CBR < 1.0 under the utility's CBR methodology used to support the GRC proposal (including identification of the risk scaling function and discount-rate values used), as a separate category in the risk and mitigation testimony.
2. For each mitigation program, explain why it is reasonable to pursue the proposal notwithstanding a CBR < 1.0, including any statutory/Commission requirements, safety or reliability standards, Environmental and Social Justice

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<sup>36</sup> SPD Evaluation Report, SoCalGas and SDG&E Excavation Damage, CBR Calculations, Observations and Findings at 39.

<sup>37</sup> SPD Evaluation Report, SoCalGas and SDG&E High Pressure Gas System, CBR Calculations, Observations and Findings at 52.

<sup>38</sup> SPD Evaluation Report, SoCalGas and SDG&E Medium Pressure Gas System, CBR Calculations, Observations and Findings at 62.

<sup>39</sup> SPD Evaluation Report, SoCalGas Underground Gas Storage, CBR Calculations, Observations and Findings at 75.

<sup>40</sup> SPD Evaluation Report, SoCalGas and SDG&E Employee Safety, CBR Calculations, Observations and Findings at 90.

<sup>41</sup> SPD Evaluation Report, SDG&E Wildfire and PSPS, Alternative Analysis at 121-122.

(ESJ) considerations, or other Commission-recognized considerations.

3. For all proposed mitigations programs with a CBR < 1.0 that are calculated using scaled risk, also produce calculations using a risk-neutral scaling, and summarize whether the mitigation remains below a CBR of 1.0 and how that affects the proposal's rationale.

## **2.7. SoCalGas Only - Underground Gas Storage Risk Granularity**

The SPD Evaluation Report identified deficiencies in the granularity and explanatory support of SoCalGas's UGS risk and CBR reporting, limiting the Commission's and parties' ability to evaluate which wells/units/fields drive baseline and residual risk and proposed GRC spending.<sup>42</sup>

To support meaningful evaluation of UGS risk and mitigation effectiveness, SoCalGas shall take the following actions to improve the granularity, explanatory support, and decision-usefulness of SoCalGas's UGS risk, mitigation, and cost-effectiveness results:

1. Provide UGS risk and CBR results at the most granular level available – well-level where practicable; if well-level results are not available, then at the next most granular unit used in SoCalGas's UGS risk modeling/asset management; and in all cases, at least at the storage-field level. For the level(s) reported, present LoRE, CoRE, total risk, risk-reduction, and CBR results for UGS mitigations, and identify which wells/units/fields drive the majority of (a) baseline and residual risk and (b) proposed GRC spending.
2. Explain the key drivers of differences across wells/units/fields (*e.g.*, hazard, exposure, consequence assumptions, and other model inputs) that materially affect risk results and proposed GRC spending and clearly

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<sup>42</sup> SPD Evaluation Report, SoCalGas Underground Gas Storage, Summary of Findings 2 at 75.

distinguish physical drivers from ethodological/modeling drivers.

3. If well-level results are not provided, identify the specific limitations (data availability, model structure, or cost allocation constraints) that prevent well-level reporting, describe the “next most granular” unit used, and provide a roadmap for achieving well-level reporting in future cycles (if feasible).

**3. Roadmap Identifying RAMP Risks in the GRC**

To properly assess and evaluate whether key risks and proposed programs for mitigating these risks are incorporated into the Test Year 2028 GRC, SDG&E and SoCalGas shall produce a roadmap that identifies where in their GRC testimonies the different RAMP risks are incorporated. The information shall be presented in MS Excel (.xls) format.

**IT IS RULED** that:

1. By June 15, 2026, SDG&E and SoCalGas shall comply with the requirements of this ruling.
2. By June 15, 2026, SDG&E and SoCalGas shall serve to the service lists of this proceeding and the Test Year 2028 GRC prepared testimony that fully responds to Section 2 of this ruling and all additional documentation needed to achieve full compliance with the requirements of Section 2 of this ruling. SDG&E and SoCalGas shall clearly identify areas in their prepared Test Year 2028 GRC testimony, including supporting documentation, that were prepared in response to this ruling.

3. By June 15, 2026, SDG&E and SoCalGas shall serve to the service lists of this proceeding and the Test Year 2028 GRC a roadmap that identifies where in their Test Year 2028 GRC testimonies the different RAMP risks are incorporated. The information shall be presented in MS Excel (.xls) format.

Dated March 4, 2026, at San Francisco, California.

/s/ PAULA GRUENDLING

Paula Gruending  
Administrative Law Judge