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

Order Instituting Rulemaking to Refine the Risk-Based Decision-Making Framework for Electric and Gas Utilities	Rulemaking 26-04-016 (Filed April 30, 2026)

OPENING COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY ON THE ORDER INSTITUTING RULEMAKING TO REFINE THE RISK-BASED DECISION-MAKING FRAMEWORK FOR ELECTRIC AND GAS UTILITIES

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OPENING COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY ON THE ORDER INSTITUTING RULEMAKING TO REFINE THE RISK-BASED DECISION-MAKING FRAMEWORK FOR ELECTRIC AND GAS UTILITIES

Pursuant to the "Order Instituting Rulemaking To Refine The Risk-Based Decision-Making Framework For Electric And Gas Utilities" issued on May 7, 2026 (Risk OIR), Pacific Gas and Electric Company (PG&E) files these opening comments.[1]

I. SUMMARY OF PG&E'S OPENING COMMENTS

PG&E supports the Commission commencing this rulemaking to address and adopt a Risk Tolerance standard within the Risk-Based Decision-Making Framework (RDF). Implementation of a Risk Tolerance standard to select risk mitigation programs will directly affect the safety of the system and the rates of utility customers. To ensure that all parties have the opportunity to provide input on this critical topic, PG&E recommends that evidentiary hearings be scheduled. This approach will ensure that a Commission-established Risk Tolerance standard is supported by a complete factual record including evidence and testimony that has been subjected to the hearing process. A workshop process will be inadequate to develop such a record. With respect to timing, to have a reasonable opportunity to incorporate a Risk Tolerance standard into its 2028 RAMP report, PG&E would need a final decision to be issued by no later than October 2027.

Regarding adjusting the Risk Assessment Mitigation Phase (RAMP) Application schedule and process, PG&E urges the Commission to retain the originally adopted schedule since it accomplishes the Commission's purpose to provide Staff and parties with a reasonable time to evaluate and review the utility's RAMP report, provide feedback, and at the same time give the utility a meaningful opportunity to incorporate the feedback into its GRC. As with prior RAMPs, Staff or parties can request additional time based on the circumstances of each RAMP and, if good cause exists, the Commission can adjust the schedule on a case-by-case basis.

Regarding the proposed Benefit-Cost Ratio (BCR) methodology updates, PG&E agrees that the proper venue for making such changes is this Risk OIR. However, PG&E encourages

[1] The date for filing Opening Comments on the Risk OIR is "30 days after OIR issued" (Risk OIR p, 17), i.e.., Monday June 8.

the Commission to preserve stability of the framework by limiting additional changes to the RDF to those demonstrated to be necessary so that RAMPs and GRCs can become more consistent and comparable for each rate case cycle. With respect to the specific changes proposed in the Risk OIR, i.e., how operations and maintenance (O&M) expenses should be treated in BCRs, and improvements to how Present Value Revenue Requirement (PVRR) calculations are included in BCRs, these topics can be addressed through a process of party proposals, workshops, and comments. While such changes to the RDF should also be grounded in fact-based evidence and supported by an appropriate record, PG&E believes such a record can be developed through workshops, and hearings are therefore not necessary.

Regarding O&M expenses, PG&E supports a standard methodology, including avoided O&M expenses, in the BCR calculation. More specifically, we support a methodology that includes a net O&M cost value in the denominator such that all resource costs (capital and operational) are combined into a single denominator. As we describe in greater detail below, PG&E urges the Commission to reject BCR calculation methodologies that would convolute the calculated mitigation risk reduction by combining cost elements, i.e., avoided costs and mitigation program savings, in the numerator. Safety Policy Division's (SPD) proposed BCR Methodology would produce misleading results on the effectiveness of proposed risk mitigation activities.

Finally, PG&E takes no position on extending Risk Spending Accountability Report (RSAR) filing requirements to small and multi-jurisdictional utilities (SMJUs) i.e., Alpine Natural Gas Operating Company No. 1, LLC and West Coast Gas Company, Inc.

II. DISCUSSION

The Risk OIR states (p. 18)

> This OIR . . . solicits party comments on the following scoping and procedural questions:
>
> a. Whether changes to the preliminary scope of issues should be made;
>
> b. Whether there are objections to the preliminary categorization of this proceeding;
>
> c. Whether evidentiary hearings are needed;

d. Whether to hold workshop(s) on any of the following topics: Risk Tolerance, BCR Modifications, RAMP Schedule/Process, and/or SMJU Reporting; and

e. Whether there are any additional procedural issues that may impact just and efficient conduct of this OIR.

PG&E addresses each of these topics below:

a. Whether changes to the preliminary scope of issues should be made

PG&E provides comments on the preliminary proposed scope of issues in this Risk OIR in Section III below.

b. Whether there are objections to the preliminary categorization of this proceeding

PG&E does not have an objection to the rulemaking being categorized as "quasi-legislative."

c. Whether evidentiary hearings are needed

i. Hearings Are Necessary to Establish an Adequate Record for Determining a Risk Tolerance Standard

In its OIR (p. 19) the Commission states "We anticipate that the issues in this proceeding may be resolved through a combination of filed comments and workshop(s), and that evidentiary hearings will not be necessary. Any person who objects to the preliminary hearing determination shall state the objections in their comments on this OIR."

PG&E strongly believes good cause exists for hearings to address the topic of Risk Tolerance in this rulemaking.[2] As has been seen in many industries, Risk Tolerance is critical for ensuring a balance between safety and affordability, including the acceptance of risk of serious injuries or fatalities (SIFs) and the balancing of costs. A workshop process is not suitable for determining the acceptable level of safety risk, including the risk of SIFs, that can result from catastrophic events, given the impact on customers and the public and the possibility of legal challenges if such risk events do occur. Accordingly, to determine the Risk Tolerance standard

[2] Pursuant to Rule 7.5 (a) of the Commission's Rules of Practice and Procedure, quasi-legislative proceedings "need not include hearings." However, under Rule 7.5(b), the Assigned Commissioner "may choose to modify these requirements in the scoping memo if good cause is demonstrated by a party or articulated by the Commissioner."

for the RDF, PG&E recommends proposals be submitted as sponsored testimony, along with supporting workpapers and evidence, and following discovery and responsive testimony, be subject to formal hearings. Given the importance of a Risk Tolerance standard, and the potential impacts on California utility customers and the public, a formal hearing process -- rather than workshops -- is necessary in order to create a full record on which the Commission can base its decision.

Regarding the proposed BCR Methodology Updates, i.e., how O&M expenses should be treated in BCRs, and improvements to how PVRR calculations are included in BCRs, these topics can be addressed through a process of party proposals, workshops, and comments. While such changes to the RDF should also be grounded in fact-based evidence and supported by an appropriate record, PG&E believes such a record can be developed through workshops, and hearings are therefore not necessary. PG&E also supports stability of the framework so that RAMPs can become more consistent and comparable for each rate case cycle and recommends keeping changes to the RDF only to those demonstrated to be necessary.

ii. PG&E's Proposed Revised Schedule to Accommodate Hearings for Risk Tolerance

PG&E recommends a schedule where issues that impact other proceedings, such as BCR methodology changes evaluated in the SPD-37 Joint IOU Application (A.26-02-005), can proceed to decision through workshops on a separate, faster track. The proposed schedule also provides for a second track accommodating hearings to develop a record on which a Risk Tolerance standard can be adopted. Accordingly, PG&E proposes the following revised schedule:

EVENT	DUE DATE
Comments on OIR filed and served	June 8, 2026
Replies on OIR filed and served	June 18, 2026
Prehearing Conference held	July 8, 2026
Scoping Memo	August 7, 2026
Comments on Scoping Memo and replies filed and served	September 7, 2026
TRACK 1 – BENEFIT-COST RATIO METHODOLOGY UPDATE & SMJU REPORTING	
Workshops on Benefit-Cost Ratio Methodology Updates	October 18, 2026
Comments on Benefit-Cost Ratio Methodology Updates	November 2, 2026
Replies on Benefit-Cost Ratio Methodology Updates	November 12, 2026
Workshops on SMJU Reporting	November 4, 2026
Proposed Decision	November 20, 2026
Final Decision	December 17, 2026
TRACK 2 – HEARINGS ON RISK TOLERANCE	
Party Risk Tolerance Proposals/Testimony	December 15, 2026
Rebuttal Testimony	January 30, 2027
Hearings	March 1, 2027
Concurrent Opening Briefs	April 30, 2027
Concurrent Reply Briefs	May 30, 2027
Proposed Decision	August 2027
Final Decision	October 2027

PG&E also notes the use of confusing terminology in the Preliminary Schedule (OIR p. 17) that specifies "Ruling on BCR Modifications" occurring in Q1 2027. However, the schedule has this step occurring before proposals on BCR modifications, and before workshops and comments to discuss those proposals. As discussed below, a workshop and comment process is essential before the issuance of any ruling on BCR Updates could occur. The Commission should therefore clarify that this line item is intended to refer to party proposals, to ensure it is understood that no ruling has been made.

d. Whether to hold workshop(s) on any of the following topics: Risk Tolerance, BCR Modifications, RAMP Schedule/Process, and/or SMJU Reporting

As discussed above under whether evidentiary hearings are necessary, the Risk OIR's proposed BCR Methodology Updates, i.e., how O&M expenses should be treated in BCRs, and improvements to how PVRR calculations are included in BCRs, should be addressed through a process of party proposals, workshops, and comments. Furthermore, such a process is essential before the issuance of any ruling on BCR Updates could occur.

In contrast, PG&E does not believe workshops are necessary to address modifications to the RAMP schedule/process. This topic can be addressed in written comments. As discussed in

Section III below, PG&E urges the Commission to retain the originally-adopted RAMP schedule and to make adjustments to the schedule on a case-by-case basis.

PG&E takes no position on SMJU reporting or the need for workshops on that issue.

e. Whether there are any additional procedural issues that may impact just and efficient conduct of this OIR

With respect to process for the Risk OIR, to have a reasonable opportunity to incorporate any significant new requirements, such as a Risk Tolerance standard, into its 2028 RAMP report, PG&E would need a final decision to be issued by no later than October 2027, as indicated in PG&E's proposed schedule above. Further delay would make the ability to develop the analytical tools and data to incorporate such requirements increasingly infeasible.

III. RESPONSE TO PRELIMINARY SCOPING ISSUES

The Risk OIR (p. 16) proposes a preliminary list of issues for the scope of this rulemaking. PG&E understands that the Commission is proposing these as issues that will be addressed and resolved during the course of this proceeding via hearings, workshops, comments, briefs, and a final decision. Below PG&E offers preliminary thoughts and reactions to the issues and questions listed in the rulemaking.

a. Risk Tolerance

1) Should the Commission adopt a Risk Tolerance Standard or Framework for the RDF? If so, what standard or framework should the Commission adopt?

PG&E Response: Yes, PG&E supports the Commission adopting a Risk Tolerance Standard or Framework for the RDF.

2) How should a Risk Tolerance Standard or Framework inform risk mitigation investments in GRC Phase 1 applications?

PG&E Response: How the Standard or Framework would inform risk mitigation investments in the GRC would need to be addressed and determined in this proceeding.

3) Should the Commission, and if so how, adopt a benchmark that reflects the level of common risks California utility customers face in their everyday lives? How should this benchmark inform risk mitigation investments in GRC Phase 1 applications?

PG&E Response: Review of proposed benchmarks, such as evaluating common risks faced by customers, could be part of the process of developing a Risk Tolerance standard for the RDF.

b. RAMP Schedule and Process

4) Should the Commission modify the Rate Case Plan to allow the SPD more time to complete its evaluation of a utility's RAMP application?

PG&E Response: PG&E understands the drivers for this proposal, and the desire for Staff to have additional time to perform its analysis. However, delay in the issuance of Staff's evaluation, and feedback from intervenors, carries the risk that it may not be feasible for the utility to perform any extensive analysis requested by Staff or intervenors in time to be incorporated into the GRC.

In adopting the original Rate Case Plan schedule, the Commission explained that the schedule "will create additional time for [Commission Staff] and parties to complete their review of the utility's RAMP farther in advance of the subsequent GRC filing date, **so that the utility has as much time as possible to meaningfully incorporate the results of this review in its GRC application**."[3]

Specifically, the schedule:

- Gives SDP 110 days, i.e., three and a half months, to review and prepare its evaluation of the utility's RAMP Report;
- Gives the utility and intervenors 74 days to review the staff's evaluation and submit opening comments;
- Gives the utility and intervenors 16 days to submit reply comments; and
- Concludes all comments by December 1.

PG&E therefore urges the Commission to retain this schedule since it accomplishes the Commission's purpose to provide Staff and parties with a reasonable time to evaluate and review

[3] D.20-01-002, p. 48, emphasis added.

the utility's RAMP report, provide feedback, and at the same time give the utility a meaningful opportunity to incorporate the feedback into its GRC.

As with prior RAMPs, Staff or parties can request additional time based on the circumstances of each RAMP and, if good cause exists, the Commission can adjust the schedule.

5) Should the structure of the formal schedule allow parties the option to provide informal comments on RAMP filings in addition to formal comments on RAMP filings and SPD evaluation report?

PG&E Response: PG&E believes comments and feedback of parties should be formal and on the record, and utilities should have a reasonable opportunity to respond. It is not clear what the status of "informal" comments is – in the RAMP reports that have been filed to date, such comments have been authorized, and SPD has adopted the practice of attaching the informal comments to its report. The better approach would be to formalize this practice.

c. Improvements to RDF BCR Calculations

PG&E agrees that the proper venue for making changes to the RDF, including adjustments to the BCR calculation, is this Risk OIR proceeding. However, the Commission should balance such potential changes against the importance of a stable RDF risk analysis methodology that is not subject to frequent change. Without this stability, the value of the analysis is significantly diminished because results will vary from year to year and not be comparable. Accordingly, the Commission should be reluctant to entertain changes to the established methodologies in the RDF, including how BCRs are calculated, unless proven to be correcting a technical flaw.

6) Should the Commission adopt a standard method to treat O&M expenses in the calculation of BCRs?

PG&E Response: PG&E supports the current standard methodology for treatment of O&M expenses, including avoided O&M expenses, in the BCR calculation. More specifically, PG&E supports a methodology that includes a Net O&M value in the denominator such that all resource costs (capital and expense) are combined into a single denominator that can be directly compared to a pure risk reduction benefit value in the numerator.

The treatment of O&M expenses is central to the Commission Staff's April 10, 2026 Whitepaper on BCR methodology, issued in response to the Joint IOU Application (A.26-02-005) for the SPD 37 proceeding. The Whitepaper presents three alternative BCR methodologies that vary the treatment of benefits and costs in the numerator and denominator. PG&E does not support Methods 2 and 3 because they dilute the "risk reduction per dollar spent" principle by elevating financial cost offsets to the same level of monetized safety, reliability, and financial benefits, thereby conflating fundamentally distinct benefit streams and undermining analytical clarity. Staff proposes to use Method 3; however, PG&E cannot support this approach because it improperly treats a cost offset (i.e., O&M savings) as a benefit, thereby comingling cost savings with risk reduction in the numerator. This is problematic because it may lead to prioritization of projects with low risk reduction and high O&M savings.

PG&E supports Method 1, which focuses on risk reduction per dollar spent by comparing all mitigation costs, including capital and net O&M, directly to risk reduction benefits. Method 1 delivers a more transparent, auditable, and durable framework that enables prioritization of mitigation projects based on the ability to maximize risk reduction per dollar spent.

PG&E also notes that Method 1 is aligned with how BCR has been calculated historically and thus enables consistency and comparability across time. Any changes to the calculation of BCR now would break continuity and comparability to an IOU's previous RAMP and GRC. PG&E questions if another change to BCR methodology is necessary. Thus, PG&E recommends that any proposals to change the methodology of BCR must also answer the questions of why the change is necessary and whether it outweighs the need for comparability across rate cycles, in addition to providing sufficient evidence to justify the proposed change.

The Joint IOUs' full response to the SPD BCR Methodology Whitepaper will be filed and served on June 9, 2026, in A.26-02-005 and will be available on that docket. Consistent with that response, PG&E believes that the Risk OIR proceeding is the appropriate venue to evaluate or adopt material changes to the BCR methodology, including the treatment of O&M costs and O&M savings. To avoid inconsistent outcomes, given the potential cross-cutting impact of BCR methodology changes to all risks, including wildfire, PG&E respectfully urges the Commission to formally resolve any BCR-related issues in the Risk OIR proceeding, rather than the proceeding on Application No. 26-02-005.

7) Should the Commission require BCR calculations to be based on an estimated ratepayer PVRR in the RDF?

PG&E Response: PG&E has provided estimated ratepayer PVRR in its 2027 GRC. However, as discussed in PG&E's Response to Question (6) above, PG&E recommends changes to the BCR methodology be evaluated against the need to again break comparability across rate case cycles and if this outweighs any parties' preference for the change.

d. SMJU Reporting

8) Should the Commission require Alpine and WCG to file RSAR reports based on the requirements for other utilities in D.22-10-002

PG&E Response: PG&E does not have a position on this issue.

IV. CONCLUSION

PG&E appreciates the opportunity to provide these comments on the Risk OIR.

Respectfully Submitted,

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