FILED
06/08/26
04:59 PM
R2604016

**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.	R.26-04-016 (Filed April 30, 2026)

OPENING COMMENTS OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) AND SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M) ON ORDER INSTITUTING RULEMAKING TO REFINE THE RISK-BASED DECISION-MAKING FRAMEWORK FOR ELECTRIC AND GAS UTILITIES

Holly A. Jones
555 West Fifth Street, Suite 1400
Los Angeles, California 90013
Telephone: 626-681-6377
E-mail: HAJones@socalgas.com

Siobhán E. Murillo
8330 Century Park Court, CP32D
San Diego, California 92123
Telephone: (619) 616-0624
E-mail: smurill1@sdge.com

Attorneys for Southern California Gas Company and San Diego Gas & Electric Company

June 8, 2026

**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.	R.26-04-016 (Filed April 30, 2026)

OPENING COMMENTS OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) AND SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M) ON ORDER INSTITUTING RULEMAKING TO REFINE THE RISK-BASED DECISION-MAKING FRAMEWORK FOR ELECTRIC AND GAS UTILITIES

I. INTRODUCTION

Pursuant to Rule 6.2 of the California Public Utilities Commission (Commission or CPUC) Rules of Practice and Procedure (Rule) and the Order Instituting Rulemaking to Refine the Risk-Based Decision-Making Framework (RDF) for Electric and Gas Utilities (OIR), issued May 7, 2026, Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) (collectively, Joint Utilities) submit responses to the questions posed in Appendix A of the OIR relating to Risk Tolerance, benefit-cost ratio (BCR) Modifications, Risk Assessment Mitigation Phase (RAMP) Schedule/Process, and small and multi-jurisdictional utilities (SMJU) Reporting.[1]

II. RESPONSES TO SCOPING AND PROCEDURAL QUESTIONS[2]

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

The Joint Utilities recommend changes to the preliminary scope as described further below in response to the questions posed in Appendix A.

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

The Joint Utilities have no objections to the preliminary categorization of this proceeding as quasi-legislative as defined in Rule 1.3(f).

[1] Pursuant to Rule 1.8(d), SDG&E has been authorized by SoCalGas to sign and tender the document and make the representations stated herein. Failure to address any issue in these Opening Comments does not indicate agreement or waiver.

[2] OIR at 18 –19.

c) **Whether evidentiary hearings are needed;**

At this time, workshops, at a minimum, and hearings (if required), are necessary to determine a risk tolerance standard or framework, as discussed further below.

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

Given the technical complexity of risk tolerance and potential modifications to BCR methodologies, the Joint Utilities propose workshops be held to address these issues.

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

The Joint Utilities request that consideration be given, when determining the schedule in this OIR, to the overlapping deliverables for the Joint Utilities' 2028 General Rate Case (GRC) and other risk reporting requirements, to allow the Companies and intervening parties to resource these efforts effectively.

III. RESPONSES TO QUESTIONS POSED IN APPENDIX A

The Joint Utilities' responses to the questions posed in Appendix A are focused on whether these questions should be included as part of the scope of this proceeding. Given that this proceeding is at the initial stage, the Joint Utilities reserve the right to further address these issues as the proceeding continues and the record is further developed.

Risk Tolerance

1. **Should the definition of Risk Tolerance be updated to reflect affordability concerns?**

No, this is outside the scope of this proceeding. Affordability should not be conflated with risk tolerance. While affordability is an important consideration across several CPUC proceedings, it must not come at the expense of safety. As previously stated in Phase 4 of the Risk OIR, the Joint Utilities do not dispute that an established risk tolerance can be used to inform funding decisions.[3] However, considerations of cost and affordability should be addressed separately, after risk tolerance is defined. It is inappropriate to incorporate affordability constraints into the establishment of risk tolerance.[4] The Joint Utilities reiterate their Phase 4 Risk OIR position that conflating risk tolerance with consumer "affordability"

---

[3] Rulemaking (R.) 20-07-013, Joint Reply Comments of Southern California Gas Company and San Diego Gas & Electric Company to Administrative Law Judge's Ruling Providing Phase 4 Workshop #2 Questions for Party Comment (January 16, 2025) at 4.

[4] *Id.*

poses a significant risk of obscuring material threats to public, employee, and customer safety within the RDF. The RDF was expressly designed to promote the transparent identification, evaluation, and mitigation of risks and to prevent catastrophic outcomes.[5]

2. What Risk Tolerance requirements should the Commission incorporate into the RDF to improve the assessment of utility risk mitigation proposals in the GRC?

Incorporation of risk tolerance into the RDF is within scope of this proceeding, however, a separate, deliberate process – that would holistically advance the framework rather than making incremental modifications to the existing framework, is necessary. Incremental modifications without a comprehensive evaluation of the impact can create ambiguity and unintended consequences.

3. Should the Commission adopt a Risk Tolerance Standard or a Framework?

Adoption of a risk tolerance standard or framework is within scope of this proceeding. As an initial step, SoCalGas and SDG&E propose that the Commission resolve foundational questions, including whose risk tolerance should be evaluated. The Joint IOU Risk Tolerance Survey[6] demonstrates that risk tolerance varies across stakeholder groups – IOUs, employees, ratepayers, and the general public – reflecting differing levels of tolerance to exposure to risk.

4. How should Risk Tolerance capture the relationship between acceptable level of risk mitigation, tolerance for unmitigated risk, and affordability of rates?

This is outside the scope of this proceeding. As discussed in response to Question 1, risk tolerance should be defined independently of affordability considerations. While there is an inherent relationship between acceptable levels of risk mitigation, tolerance for unmitigated risk, and the cost to achieve those levels, it should be addressed sequentially rather than embedded in the definition of risk tolerance itself. Risk tolerance should first establish the appropriate levels of risk mitigation and acceptable residual risk necessary to promote safety, after which affordability can be considered in a separate proceeding.

---

[5] *Id.*

[6] *See* R.20-07-013, Southern California Edison Company's, Pacific Gas and Electric Company's, Southern California Gas Company's, and San Diego Gas & Electric Company's Joint Survey Report (November 17, 2025).

5. Should the Commission ask parties to develop Risk Tolerance proposals? If so, what guidance should the Commission provide to parties to develop Risk Tolerance proposals?

5.1 What specific issues and questions must parties address in their Risk Tolerance proposals?

5.2 Should Risk Tolerance proposals build upon previously adopted direction for portfolio optimization and budget scenario development to express how much Residual Risk is acceptable to ratepayers in the utility system after application of risk mitigation activities for each portfolio?

5.3 Should proposals explain how the benchmark of common risks and the Residual Risk remaining in a utility's system be used to determine a tolerable level of Residual Risk in a utility's system?

5.4 What additional methods, inputs, data sets, etc., if any, should the Commission adopt to support the determination of a Risk Tolerance Standard or Framework?

The development of risk tolerance proposals is within scope of this proceeding and note that the Joint Utilities have engaged substantively through the Joint IOU Risk Tolerance Survey. The Joint Utilities recommend Commission-led guidance and guardrails as imperative initial steps before party proposals are solicited.

6. Should the Commission solicit party proposals on a benchmark that reflects the level of common risks California utility customers could be reasonably expected to tolerate in their daily lives?

Party proposals on a benchmark reflecting the level of common risks reasonably expected to be tolerated by California utility customers is within scope of this proceeding. However, the Joint Utilities recommend that the Commission evaluate whether a broad risk tolerance and/or a system-wide benchmark for all utility customers is appropriate. For example, Disadvantaged Vulnerable Communities may warrant a lower risk tolerance than other areas within the service territory.

7. **How should a benchmark that reflects the level of common risks California utility customers could be reasonably expected to tolerate in their daily lives be calculated?**

   7.1 **What common risk factors (e.g., motor vehicle accidents, commercial and/or private airplane accidents, violent assaults, drownings, housefires, etc.) should be included in this benchmark and how should these factors be accounted for?**

   7.2 **What data sources should be used to calculate this benchmark?**

   7.3 **How should the Commission use this benchmark to determine whether the Residual Risk remaining in a system managed by utilities after implementation of Controls and Mitigations is acceptable to ratepayers?**

   7.4 **How often should this benchmark be calculated and updated?**

   7.5 **Should this benchmark be representative of all California utility customers or representative of each utility's customers?**

Please see the Joint Utilities' response to Question 6 above.

8. **What other additional considerations should the Commission take into account with regards to the incorporation of a Risk Tolerance Standard or Framework?**

The Commission's consideration of proposals submitted by other Parties to this proceeding is necessary, as well as consideration of any actions by other states' energy regulators on the issue of risk tolerance.

RAMP

9. **Should the Commission also modify the due dates for filing opening and reply comments on RAMP submission and the SPD report?**

This is within scope of this proceeding. In light of expanded metrics and reporting requirements, the Joint Utilities support a comprehensive discussion regarding the RAMP schedule and the downstream impact on the GRC that any modifications in this proceeding would yield, including providing ample time for utilities to integrate the RAMP results in the GRC.

10. **How should the formal schedule account for the optional informal comments?**

This is within the scope of this proceeding. Please see the Joint Utilities' response to Question 9 above.

Benefit-Cost Ratio

11. Should the Commission examine how utilities treated O&M expenses in past RAMP filings, the problems these different treatments created, and the lessons learned?

This is within scope of this proceeding. However, a review of historical O&M expense in past RAMP filings is not necessary, given the clear guidance provided on the use of Net O&M for BCR calculations. Further, past RAMP filings contain forecasts that have been superseded by either recorded costs or updated forecasts in GRCs. Accordingly, past RAMP filings are not the preferred data source.

12. Should the Commission examine how other industries, governmental agencies, academia, etc., treat O&M expenses when calculating BCRs?

This is within scope of this proceeding and the Joint Utilities support examining practices across other industries, governmental agencies, and academic frameworks. However, such review should recognize that, in the California utility context, the primary objective of BCR analysis has been to advance public safety and system reliability, rather than purely an economic optimization of O&M expense savings.

13. Should the Commission adopt a standard method for calculating a PVRR metric or multiplier?

13.1 If so, what requirements should this standard method include and what costs (e.g., rate of return, taxes, etc.) should the PVRR metric or multiplier account for?

No, this is outside the scope of this proceeding. As explained previously, a PVRR derived from estimates does not provide sufficient precision or reliability.[7] Revenue requirement calculations to be considered for decision-making purposes must be produced using the Results of Operations model, which is available only upon completion of the GRC process.[8]

14. Should the Commission examine how PG&E calculated its PVRR multiplier to estimate costs in its 2024 RAMP?

No, this is outside the scope of this proceeding. Please see the Joint Utilities' response to Question 13 above.

---

[7] R.20-07-013, Joint Reply Comments of Southern California Gas Company and San Diego Gas & Electric Company to Administrative Law Judge's Ruling Seeking Comment on Phase 4 Technical Working Group (March 10, 2025) at 6.

[8] *Id*.

15. Should the Commission adopt a similar approach as PG&E's, with modifications as the Commission deems necessary, for calculating a PVRR metric or multiplier to be applied to the cost of capital projects and programs presented in RAMPs?

No, this is outside the scope of this proceeding. Please see the Joint Utilities' response to Question 13 above.

16. Should the PVRR metric or multiplier be calculated and applied at the Risk Reporting Unit (RRU), program, risk, line of business, enterprise, or other level?

No, this is outside the scope of this proceeding. Please see the Joint Utilities' response to #Question 13 above.

17. Which interest rate or rates should be used to calculate the PVRR metric or multiplier?

This is outside the scope of this proceeding. Please see the Joint Utilities' response to Question 13 above.

18. Should the Commission modify the RDF, RAMP Data Template Guidelines, and other guidelines/requirements as necessary to explicitly specify that costs of capital projects and programs used in BCR calculations must be based on the estimated PVRR?

No, this is outside the scope of this proceeding. Please see the Joint Utilities' response to Question 13 above.

19. Should the Commission address other outstanding issues relating to BCR methodology and/or calculation? If so, which ones and why?

This is within scope of this proceeding. However, the Commission to consider, and address, previous issues raised around the BCR methodology (*i.e.*, Senate Bill 884/RDF alignment and risk scaling optionality, and the Staff White Paper on Benefit-Cost Ratio Methodology) in the prior Rulemaking (R.20-07-013).

Addressing these issues is necessary to promote consistency, transparency, and comparability in BCR application. The continued use of multiple BCR frameworks and methodological variations creates confusion, invites unnecessary dispute, and complicates regulatory review. Moreover, it limits the effectiveness of BCR as a decision-support tool. Establishing a more standardized and clearly defined methodology will improve decision-making, streamline approval processes, and better support timely and efficient allocation of resources toward risk mitigation.

SMJU Reporting

20. What barriers to extending RSAR requirements to Alpine and WCG should the Commission consider?

The Joint Utilities have no response at this time but reserve the right to respond in Reply Comments.

IV. CONCLUSION

The Joint Utilities appreciate the opportunity to respond and urge the Commission to consider these Opening Comments when determining the scope of the instant proceeding. The Joint Utilities look forward to further participation in this proceeding.

DATED this 8th day of June 2026, at San Diego, California.

Respectfully submitted,

/s/ Siobhán E. Murillo
Siobhán E. Murillo

8330 Century Park Court, CP32D
San Diego, CA 92123-1530
Telephone: (619) 616-0624
E-mail: smurill1@sdge.com

Attorney for:
SAN DIEGO GAS & ELECTRIC COMPANY