



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

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Order Instituting Rulemaking to Refine the
Risk-Based Decision-Making Framework for
Electric and Gas Utilities

Rulemaking 26-04-016
(Filed April 30, 2026)

**REPLY 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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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 Reply Comments on Parties’ opening comments submitted June 8, 2026.¹

I. SUMMARY OF PG&E’S REPLY COMMENTS

In its Opening Comments, PG&E affirmed its support for the Commission commencing this rulemaking to address and adopt a Risk Tolerance standard within the Risk-Based Decision-Making Framework (RDF) in addition to addressing proposed updates to the BCR Methodology, the RAMP Schedule, and Small and Multi-Jurisdictional Utility (SMJU) Risk Spend Accountability Reporting (RSARs).

PG&E proposed that this proceeding be divided into two tracks:²

- Track 1 focused on updates to the BCR Methodology, the RAMP Schedule, and SMJU Reporting. This track would consist of proposals, workshops, and comments and result in a decision by the end of 2026.
- Track 2 focused on establishing a Risk Tolerance standard and framework that would commence with party proposals at the end of 2026 and a final decision by October 2027. For the Risk Tolerance track, to ensure that all parties have the opportunity to provide input on this critical topic, PG&E recommended 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.

In these Reply Comments, PG&E responds to party positions on the need for evidentiary hearings; TURN’s concerns with establishing a Risk Tolerance standard; and Cal Advocates’ proposals to add additional phases and topics to this proceeding.

¹ The date for filing Reply Comments on the Risk OIR is “40 days after OIR issued” (Risk OIR p, 17), i.e., Tuesday June 16.

² PG&E Opening Comments at p. 4-5.

II. DISCUSSION

a. Support for the Need for Evidentiary Hearings

PG&E advocates that hearings be scheduled to ensure a strong evidentiary record is developed.³ While workshops allow for informal discussion, they are not the best mechanism to build a formal and comprehensive record to be relied upon for CPUC decision-making on a topic as consequential as Risk Tolerance.

Other parties generally agree that Risk Tolerance is a critical topic and adopting a Risk Tolerance standard and framework must be based on a strong evidentiary record. SCE believes that evidentiary hearings are likely warranted.⁴ SoCal Gas and SDG&E (the Joint Utilities) state “[a]t this time, workshops, at a minimum, and hearings (if required), are necessary to determine a risk tolerance standard or framework.”⁵ Cal Advocates “reserve[s] the right to request evidentiary hearings to cross-examine witnesses and ensure that all relevant materials are fully presented and considered by the Commission.”⁶ Finally, while MGRA emphasizes the importance of a strong record, it believes that a workshop process is sufficient and that evidentiary hearings should not be necessary.⁷

Overall, party comments generally recognize that workshops may not be adequate to develop a robust record for the Commission to decide on a Risk Tolerance framework. PG&E believes the best procedural course is to adopt a schedule at the outset that provides for testimony and hearings rather than adopting a workshop approach leaving open whether at some point hearings should be held. Building hearings into the initial schedule will allow parties to plan testimony and identify witnesses. Not doing so in the schedule up front would make it difficult to add a hearing schedule at a later date in the middle of workshops. Thus, PG&E reaffirms that evidentiary hearings are necessary to make a decision on Risk Tolerance that is usable, sustainable, and substantive.

³ PG&E Opening Comments p. 1 and pp. 3-5.

⁴ SCE Opening Comments p. 7-8.

⁵ Joint Utilities Opening Comments p. 2.

⁶ Cal Advocates Opening Comments p. 13

⁷ MGRA Opening Comments, p. 5.

b. Avoiding Consideration of Risk Tolerance as TURN Suggests Is Not an Appropriate Path Forward

Risk Tolerance is a critical element of the risk analysis decision-making framework as the Commission has acknowledged.⁸ TURN’s arguments against establishing a Risk Tolerance standard, citing skepticism about the process and other difficulties, do not justify avoiding the issue. Not defining acceptable levels of risk would lead to incomplete risk analysis and potentially incorrect prioritization of risk mitigation programs.

TURN states that it is “highly skeptical that an effort to develop a Risk Tolerance Standard or Framework will prove fruitful,”⁹ and the risk tolerance proposal in R.20-07-013 “would be mired in intractable problems.”¹⁰ This skepticism is based on the experience of parties and the Commission in trying to address Risk Tolerance in the R.20-07-013 Phase 4 workshops held in late 2024/early 2025. However, the failure of Phase 4 to lead to a viable Risk Tolerance proposal is not grounds to abandon the effort as TURN suggests. In the prior proceeding, Commission staff proposed the California Utility Risk Tolerance Stakeholder (CURTS) Working Group process to develop consensus on a Risk Tolerance approach.¹¹ The proposal was not adopted by the Commission:

[t]here is near universal opposition to the CURTS Working Group and Forum proposed by SPD staff, with TURN, MGRA, PG&E, Sempra Companies, SCE, and EPUC/IS being opposed and Cal Advocates providing no position. The reasons given for opposing the CURTS Working Group include concerns about the proposed participants in the CURTS Working Group, their inability to sufficiently represent the interests of Californians, the inability of the CURTS Working Group to come to consensus because of divergent opinions, and the CURTS Working Group being generally ill-defined, ill-conceived, or impractical.”¹²

In addition, PG&E pointed out that “the workshop process [was] too compressed and rushed to allow proper consideration of a risk tolerance standard.”¹³ MGRA argued that Risk Tolerance

⁸ D.16-08-018, Conclusion of Law, No. 34.

⁹ TURN Opening Comments p. 1.

¹⁰ TURN Opening Comments p. 2.

¹¹ R.20-07-013 Phase 4 Staff Proposal for Workshop 2, p. 45 “Overall Residual Risk, Risk Tolerance and Simple Optimization.”

¹² D.25-08-032, p. 19.

¹³ R.20-07-013, PG&E Opening Comments on Workshop #2, Residual Risk, Risk Tolerance and Simple Optimization p. 6.

should be considered in a separate track of the Rulemaking and be allocated sufficient time for thorough consideration.¹⁴ As recommended by PG&E, the current proceeding can correct these procedural deficiencies through a process of expert testimony and evidence, and hearings, so that an adequate record can be developed for the Commission to adopt a workable Risk Tolerance standard.

Rather than establishing a Risk Tolerance standard, TURN recommends that the Commission “focus its efforts on ensuring that utility spending levels are affordable and having the utilities show how they would optimize spending within those affordable levels.”¹⁵ TURN states “what is most needed is an affordability [emphasis retained from original] benchmark to constrain utility spending, not a more abstract risk tolerance standard that purports to capture a myriad of factors that defy expression in a single attitude or number.”¹⁶ TURN’s conflating of Risk Tolerance with affordability defies principles of equity and does a disservice to low income and disadvantaged communities. In R.20-07-013, TURN said “[T]hose who feel they cannot afford the safe car or the neighborhood with the low crime rate will necessarily have a higher tolerance for risk.”¹⁷ PG&E disagrees with this proposition, and believes all customers should be afforded safe service that should not be defined by economic inequities. Contrary to TURN’s approach, establishing a Risk Tolerance standard -- as has been done in other industries that face safety tail risks -- is not incompatible with equity concerns. As PG&E has said in its 2027 GRC testimony:

To evaluate safety risks, the Commission should first and foremost strive to implement the best risk valuation possible.”¹⁸ . . . [A]ffordability can be addressed within the existing GRC process that gives the Commission the authority to decide funding levels which serve myriad goals, including affordability, safety, and resiliency.¹⁹ . . . It is true that different customers have different income levels and differing abilities to pay. However, mechanisms exist for income qualifying households to receive discounts on electricity and gas bills. These mechanisms can be leveraged to

¹⁴ R.20-07-013, Mussey Grade Road Alliance Proposal for a Commission-Led Deliberative Risk Tolerance Process, December 3, 2024.

¹⁵ TURN Opening Comments p. 3.

¹⁶ Id. p. 3.

¹⁷ R.20-07-013 TURN Opening Comments on Workshop 2, January 3, 2025, p.11.

¹⁸ A.25-05-009, PG&E Ex-14, p. 1-9, line 26 to p. 1-10 line 1.

¹⁹ Id. p. 1-10, lines 21-24.

address equity concerns and the impact on customers of utility bills without forcing the risk analysis to undervalue catastrophic risk . . . [that] would lead to reduced investment in managing catastrophic risk, ultimately increasing safety, reliability and financial risk for all customers.”²⁰

Moreover, establishing a robust Commission-adopted Risk Tolerance that defines acceptable risk levels allows reprioritizing of spending to address affordability and higher areas of risk.

PG&E agrees with TURN that if the Commission does request proposals for Risk Tolerance those proposals should provide “a clear roadmap – with associated assumptions and computations – for how a Risk Tolerance standard or benchmark would be translated into actionable numbers to guide CPUC decision-making.”²¹ While a Risk Tolerance Standard or Framework needs to be relative to each IOU’s environment, services, and customers, it must also be transparent and actionable and not require frequent updates to maintain. Ultimately, an adopted Risk Tolerance Standard or Framework should be sustainable and not subject to debate in each rate case or filing.

Finally, as PG&E has repeatedly urged, the purpose of any Risk Tolerance Standard or Framework is to ensure that safety is prioritized.²² This is aligned with statutory obligations to make safety the top priority,²³ and the Staff’s position during the SMAP proceeding that “[c]onsideration of risk tolerance is integral to risk management.”²⁴ PG&E therefore strongly objects to TURN’s wholly unfounded allegation that “utilities will seek a risk tolerance outcome that serves their financial interests in avoiding constraints on the growth of rate base, which fuels utility profits.”²⁵

²⁰ Id. p. 1-4, lines 16-23.

²¹ TURN Opening Comments, p. 4.

²² PG&E Refinement to RDF Appendix A Responses, p. 5.

²³ Public Utilities Code section 963(b)(3).

²⁴ D.16-08-018, p. 69 “SED Staff’s ‘number one’ recommendation is that **the Commission should adopt explicit risk tolerance standards** [emphasis retained]. Consideration of risk tolerance is integral to risk management. The concept of risk tolerance is a sensitive subject in an atmosphere where the public has little appetite for anything less than perfect safety. What the general public may not always be conscious of is the tradeoff between unrealistically high expectations of safety and utility rate affordability. The moment the Commission embarked on a risk-based approach to safety, it implicitly recognized that absolute safety rarely exists within a finite safety budget. The Commission should therefore confront the issue by making an explicit recognition of this tradeoff and defining acceptable levels of risk tolerance.”

²⁵ TURN Opening Comments on Preliminary Scoping Memo, p. 2.

