

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)

**ENERGY PRODUCERS AND USERS COALITION AND INDICATED SHIPPERS
REPLY COMMENTS ON ORDER INSTITUTING RULEMAKING
TO REFINE THE RISK-BASED DECISION-MAKING FRAMEWORK
FOR ELECTRIC AND GAS UTILITIES**

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The Energy Producers and Users Coalition (EPUC)¹ and the Indicated Shippers (IS)² (jointly EPUC/IS) submit these reply comments pursuant to the May 7, 2026, *Order Instituting Rulemaking To Refine The Risk-Based Decision-Making Framework For Electric And Gas Utilities* (RDF OIR).³

I. INTRODUCTION

The RDF OIR continues the evolution of the Commission’s guidance to the large electric and gas utilities regarding the prudent and cost-effective mitigation of utility enterprise risks. These reply comments respond to opening comments filed by The Public Advocates Office of the California Public Utilities Commission (Cal Advocates), Mussey Grade Road Alliance (MGRA),

¹ EPUC represents the electricity end-use interests of the following companies in this proceeding: California Resources Corp., Chevron U.S.A. Inc., PBF Holding Company, Phillips 66 Company, and Tesoro Refining & Marketing Company LLC.

² The Indicated Shippers represent the natural gas non-core customer interests of the following companies in this proceeding: California Resources Corp., Chevron U.S.A. Inc., Marathon Petroleum Company LP, PBF Holding Company, and Phillips 66 Company.

³ *Order Instituting Rulemaking to Refine the Risk-Based Decision-Making Framework for Electric and Gas Utilities* (RDF OIR), R.26-04-016, May 7, 2026 at 25, Ordering Paragraph 7 (“any person may file reply comments within 40 days after the issuance of this order.”).

Pacific Gas & Electric (PG&E), Southern California Edison (SCE), Southern California Gas Company/San Diego Gas & Electric (Sempra Utilities) and The Utility Reform Network (TURN). Not every issue or topic raised by these parties or other parties that filed Opening Comments is addressed in this reply, which should not be interpreted as concurrence with the positions and viewpoints taken by those parties.

II. REPLY COMMENTS

A. Affordability

Affordability is the critical context within which the RDF OIR is set, as it “shapes what level of residual risk is realistic.”⁴ Bill impacts, whether for residential, commercial, electric generation, agricultural, or industrial customers, are now synonymous with rate affordability, as California utility rates continue to increase significantly year over year. The current RDF framework does not require the large utilities to quantify the bill impacts of selected risk mitigation spending in their Risk Assessment Mitigation Phase (RAMP) applications, which are filed every four years—one year in advance of each utility’s General Rate Case (GRC) filing.⁵ As a result, the impacts of utility risk mitigation spending on customer rate affordability only come to light during GRC proceedings, after each utility has evaluated, ranked, and selected its proposed risk mitigation projects and programs. It is important to reiterate that in 2024,

⁴ *The Public Advocates Office Opening Comments on the Order Instituting Rulemaking to Refine the Risk-Based Decision-Making Framework for Electric and Gas Utilities* (“Cal Advocates Reply Comments”), R.26-04-016, Jun. 8, 2026 at 15.

⁵ *Id.* at 8.

wildfire-related expenditures comprised 27% of PG&E’s revenue requirement; SCE’s and SDG&E’s were slightly lower, yet still substantial at 17%.⁶

Given the need for utilities to also make significant investments in maintaining system reliability, a more proactive and preemptive approach is required to balance the need for utility enterprise risk mitigation with customer rate affordability. That is the primary focus of this RDF OIR. The establishment of a durable yet flexible Risk Tolerance Framework to complement the existing RDF is paramount to ensuring that utility rates become and remain affordable.⁷ A Risk Tolerance Framework will inform utility and Commission decisions as to the pace, tapering, and eventual cessation of spending on mitigation of key utility enterprise risks, establishing the point “when we will stop” mitigating a specific risk.⁸

The quantitative metric that the utilities and the Commission will rely upon to inform those decisions is the Benefit-Cost Ratio (BCR), which must be as uniform, transparent, and mathematically sound as possible in both its calculus and treatment of data inputs. The further refinement and standardization of the BCR methodology must and should be done in this RDF OIR in tandem with the Commission’s efforts in the Joint IOU Electric Undergrounding Phase-1 Application (A.26-02-005).

Future utility rate affordability can be managed more effectively by establishing a Risk Tolerance Framework and refining and standardizing the BCR methodology used to

⁶ *Energy Producers and Users Coalition and Indicated Shippers Opening Comments on Order Instituting Rulemaking to Refine the Risk-Based Decision-Making Framework for Electric and Gas Utilities* (“EPUC/IS Opening Comments”), R.26-04-016, Jun. 8, 2026 at 3 (citing CPUC 2025 SB 695 Report at 2) (available at: [2025 Senate Bill 695 Report](#)).

⁷ RDF OIR at 9 (“...the balance between the level of risk management and rate affordability is a priority concern for the Commission.”).

⁸ EPUC/IS Opening Comments at 4.

comparatively evaluate alternative risk mitigation options. Parties to this proceeding are not aligned on the need, sequencing, and forums for making these recommended improvements. This reply illuminates issues and areas of misalignment, and recommends Commission actions to ensure the effectiveness and administrative efficiency of this RDF OIR.

B. Substantive Questions

Risk Tolerance

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

Inclusion of affordability in the definition of Risk Tolerance is supported by Cal Advocates, EPUC/IS, MGRA, and TURN.⁹ Cal Advocates states that “[a]ffordability shapes what level of residual risk is realistic, and Risk Tolerance should reflect that constraint.”¹⁰ MGRA opines that “the definition of Risk Tolerance should include the willingness and ability to bear the cost of risk mitigation” and “should draw attention to the potential harm of high utility rates to vulnerable ratepayers.”¹¹ TURN remains “highly skeptical” that a Risk Tolerance Framework or Standard will be worth the effort if it is not “anchored in the affordability needs of vulnerable customers.”¹² Southwest Gas merely states that the definition does not need to be revised, but does not elaborate as to its reasoning.¹³

⁹ Cal Advocates Opening Comments at 15; EPUC/IS Opening Comments at 5; *Mussey Grade Road Alliance Comments on the Order Instituting Rulemaking to Refine the Risk-Based Decision Framework* (“MGRA Opening Comments”), R.26-04-016, Jun. 8, 2026 at 6; *Opening Comments of The Utility Reform Network on the Order Instituting Rulemaking* (“TURN Opening Comments”), R.26-04-016, Jun. 8, 2026 at 1.

¹⁰ Cal Advocates Opening Comments at 15.

¹¹ MGRA Opening Comments at 6.

¹² TURN Opening Comments at 1.

¹³ *Southwest Gas Corporation’s Comments on OIR to Refine The Risk-Based Decision-Making Framework For Electric and Gas Utilities* (“Southwest Gas Opening Comments”), R.26-04-016, Jun. 8, 2026 at 1.

PG&E¹⁴ and SCE¹⁵ address the question of risk tolerance and affordability in supplemental filings. PG&E argues that the definition of Risk Tolerance should not be updated to reflect affordability concerns, asserting instead that safety must remain the top priority; PG&E further posits that affordability tradeoffs should be addressed within the existing GRC framework and the Risk Decision Framework's (RDF) As Low As Reasonably Practicable (ALARP) approach.¹⁶ SCE does not agree that affordability should be considered within the RDF, arguing that while affordability is important, it should not be explicitly added to the definition of risk tolerance at this stage.¹⁷ Pushing affordability to the GRC allows utilities to submit inflated investment portfolios. Consequently, when the Commission adjusts the IOUs' investment levels due to affordability constraints, it must do so stripped of the original risk-benefit framework that shaped the utilities' initial investment designs.

The Sempra Utilities stridently disagree with the other commenters.¹⁸ The Sempra Utilities believe affordability is outside the scope of this RDF OIR and that “[a]ffordability should not be conflated with risk tolerance.”¹⁹ The Sempra Utilities further imply that there should be an impenetrable firewall between the Commission's efforts to establish a Risk Tolerance Framework or Standard and its efforts to address rate affordability.

¹⁴ *Supplemental Comments of Pacific Gas and Electric Company on Order Instituting Rulemaking to Refine the Risk-Based Decision Making Framework for Electric and Gas Utilities* (“PG&E Supplemental Comments”), R.26-04-016, Jun. 11, 2026 at 2-3.

¹⁵ *Southern California Edison Company's Responses to Questions in Appendix A* (“SCE Supplemental Comments”) R.26-04-016, Jun. 11, 2026 Appendix at 1.

¹⁶ PG&E Supplemental Comments at 1.

¹⁷ SCE Supplemental Comments at 1.

¹⁸ *Opening Comments of Southern California Gas Company and San Diego Gas & Electric Company on Order Instituting Rulemaking to Refine the Risk-Based Decision-Making Framework for Electric and Gas Utilities* (“Sempra Utilities Opening Comments”), R.26-04-016, Jun. 8, 2026 at 2-3.

¹⁹ Sempra Utilities Opening Comments at 2.

While affordability is an important consideration across several CPUC proceedings, it must not come at the expense of safety.

...

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. The Joint Utilities reiterate their Phase 4 Risk OIR position that conflating risk tolerance with consumer “affordability” poses a significant risk of obscuring material threats to public, employee, and customer safety within the RDF.²⁰

The Commission should reject the Sempra Utilities’ extreme position as imprudent, and disconnected from the current reality that risk mitigation spending is exacerbating the rate affordability crisis. Utility rates have only gone one way over the past several GRC cycles: significantly upward. The fact that wildfire-related spending alone represented 17% of SDG&E’s 2024 revenue requirement²¹ guts the Sempra Utilities’ strained argument for excluding rate affordability from the Commission’s efforts to establish a Risk Tolerance Framework or Standard. While not specifically stated, the position taken by the Sempra Utilities is tantamount to an “absolute zero-risk objective”²² that is “practicably unattainable and regulatorily imprudent.”²³

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

In response to this question, MGRA posits that any new RDF requirements addressing Risk Tolerance would be developed during this RDF OIR via an unspecified “vetting process,” including ratepayer bill and affordability impacts.²⁴ PG&E states that the follow-on GRC risk

²⁰ Sempra Utilities Opening Comments at 2-3 (citations omitted).

²¹ EPUC/IS Opening Comments at 3.

²² EPUC/IS Opening Comments at 2, 5, 7.

²³ EPUC/IS Opening Comments at 2, 7.

²⁴ MGRA Opening Comments at 6.

mitigation investment implications of establishing Risk Tolerance must be addressed in this RDF OIR.²⁵ The Sempra Utilities recommend a separate and distinct Risk Tolerance work stream that would impliedly result in a standalone Risk Tolerance framework that would not precipitate incremental revisions to the current RDF.²⁶

MGRA's "vetting process" may be interpreted to mean the Commission's solicitation of party comments and sponsoring of focused workshops as deemed appropriate. If this is correct, then EPUC/IS concur with MGRA, and recommend that Commission staff take the lead on proposing specific RDF language changes based upon stakeholder input received via comments and the workshops process.

PG&E is also correct that that GRC investment and ratepayer cost impacts of establishing Risk Tolerance must impliedly flow from the RDF into the RAMP, and then into the GRC process. Contrary to the Sempra Utilities position, the Commission should keep Risk Tolerance and the highly-evolved RDF tethered together. This is because the RDF guides what risk mitigation activities end up in utility GRCs, and that is where utility risk mitigation spending collides head-on with rate affordability concerns. The RDF must ultimately reflect and provide guidance to the utilities on the entire risk mitigation workstream, from risk identification and quantification through utility GRC risk mitigation spending proposals.

PG&E supports the Commission adopting an explicit Risk Tolerance Standard or Framework rooted in matured probabilistic risk analysis, provided it utilizes portfolio optimization and aligns with statutory safety obligations.²⁷ SCE supports a flexible Risk

²⁵ PG&E Supplemental Comments at 5-6.

²⁶ Sempra Utilities Opening Comments at 3.

²⁷ PG&E Supplemental Comments at 3.

Tolerance Framework but opposes a rigid, mandated standard, arguing that individual utility risk capacities, system characteristics, and operational constraints must be respected.²⁸

EPUC/IS support adoption of a flexible Risk Tolerance Framework.

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

MGRA continues to advocate for the development of a risk tolerance framework.²⁹

Similarly, SCE also supports a Framework approach.³⁰ PG&E supports development of either a Framework or Standard.³¹ As EPUC/IS stated in Opening Comments, a flexible Framework is the preferred approach versus a rigid one-size-fits-all Standard,³² and the Commission should adopt a Framework construct for establishing Risk Tolerance. PG&E and SCE propose that a Risk Tolerance Framework be adopted.

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

Cal Advocates, EPUC/IS, MGRA, and TURN all commented on the feasibility of synthesizing risk mitigation, residual risk, and affordability, each proposing different touchstones for achieving this balance.³³ The Sempra Utilities state that this question is

²⁸ SCE Supplemental Comments at 2.

²⁹ MGRA Opening Comments at 7.

³⁰ SCE Supplemental Comments at 3.

³¹ *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* (“PG&E Opening Comments”), R.26-04-016, Jun. 8, 2026 at 6; But see PG&E Opening Comments at 1: “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” (emphasis added).

³² EPUC/IS Opening Comments at 6-7.

³³ Cal Advocates Opening Comments at 16; EPUC/IS Opening Comments at 7-8; MGRA Opening Comments at 7; TURN Opening Comments at 2.

presented outside the scope of this RDF OIR proceeding and reiterate that “risk tolerance should be defined independently of affordability considerations.”³⁴ The Commission should reject the Sempra Utilities’ viewpoint. The Commission should also reject MGRA’s viewpoint, as discussed further below.

Cal Advocates recommends optimizing the four RDF budget scenarios adopted in D.25-08-032 on the premise that “[b]y tying Risk Tolerance to these budget scenarios, cost becomes part of the risk prioritization process from the start and not an afterthought.”³⁵ TURN stresses that “what is most needed is an affordability benchmark or standard 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.”³⁶ MGRA states that “[t]he Commission’s goal should be to construct a mechanism that equitably distributes residual risk **and mitigation costs** among stakeholders, protecting groups that are particularly vulnerable to the risk itself or to the costs that mitigating the risk entails.”³⁷ Cal Advocates and TURN have it right.

The Commission should consider utilizing the RDF budget scenarios and a possible affordability benchmark, or both, in its development of a flexible Risk Tolerance Framework; as a means of finding equipoise between risk mitigation, residual risk, and affordability. As TURN aptly stated, “optimized portfolios inform the key question of how best to mitigate utility risk

³⁴ Sempra Utilities Opening Comments at 3.

³⁵ Cal Advocates Opening Comments at 16.

³⁶ TURN Opening Comments at 3.

³⁷ MGRA Opening Comments at 7 (emphasis added).

while meeting the critical goal of enabling essential energy services to be affordable and accessible to all Californians.”³⁸

The Commission should reject MGRA’s recommendation to shift costs between ratepayer classes, which would violate the time-honored regulatory principle of cost causation.³⁹ As stated in EPUC/IS Opening Comments: “risk tolerance mechanisms should rigorously conform to the regulatory principle of cost-causation and avoid reliance upon cost-shifting between ratepayer classes as a means of dealing with targeted rate affordability concerns.”⁴⁰ Gradualism or alternative financing may be possible means of dealing with rate impact equity concerns. The Framework needs to be uniform and applied uniformly to all ratepayer classes, since utility assets are not dedicated to one particular customer class; the risks to those utility assets is what is addressed in the RDF, RAMP, and utility GRC risk mitigation spending proposals. The Commission should adhere to its principle of cost causation.

PG&E states that risk tolerance should inform judgments regarding acceptable residual risk and mitigation BCRs via a framework like ALARP, while keeping rate affordability a separate GRC track.⁴¹ SCE emphasizes that trading off safety for short-term affordability is an illusory concept because catastrophic utility events ultimately cost ratepayers billions more after the fact than proactive mitigation.⁴² As discussed previously, the utilities’ proposal to isolate affordability considerations from the core calculation of risk mitigation targets is fundamentally

³⁸ TURN Opening Comments at 3.

³⁹ MGRA Opening Comments at 7.

⁴⁰ EPUC/IS Opening Comments at 7.

⁴¹ PG&E Supplemental Comments at 2, 5-6.

⁴² SCE Supplemental Comments at 3.

flawed; it wrongly treats financial impact as a secondary, discretionary budget adjustment rather than a binding constraint on public willingness to accept risk. An evaluation framework such as ALARP only impacts the selection and prioritization of individual risk mitigation investments; it fails to ensure that the aggregate magnitude of spending contained within the final utility portfolios represents an affordable level of investment for consumers. Therefore, a transparent, mathematical framework that defines acceptable residual risk based on what ratepayers can realistically afford to pay up front, better ensures that the GRC budgets align with acceptable levels of risk reduction and customer affordability.

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?

MGRA recommends that the Commission's Safety Policy Division take the lead in developing a Risk Tolerance proposal and providing parties the opportunity to make alternative proposals.⁴³ The Sempra Utilities recommend "Commission-led guidance and guardrails" as a prerequisite to submission of party proposals.⁴⁴

In opening comments, EPUC/IS supported Commission direction on the development of Risk Tolerance proposals, recommending mandatory proposal submittals by the utilities complemented by specific questions to guide proposal evaluation.⁴⁵ The Commission should adopt the Sempra Utilities' recommendation to provide express guidance for proposal development. EPUC/IS can support MGRA's specific recommendation that all proposals include

⁴³ MGRA Opening Comments at 8.

⁴⁴ Sempra Utilities Opening Comments at 4.

⁴⁵ EPUC/IS Opening Comments at 8.

“mechanisms to protect particularly impacted stakeholders and ratepayers,”⁴⁶ provided that such mechanisms do not shift costs between ratepayer classes.

Both PG&E and SCE agree that the Commission should ask parties to develop risk tolerance proposals, with PG&E suggesting specific foundational guiding principles to prioritize safety and ensure transparency, and SCE emphasizing that the solicitation should occur after Commission Staff first establishes a common conceptual and analytical framework. As stated in the Opening Comments of EPUC/IS, the submission of risk tolerance proposals should be optional rather than mandatory for all intervening parties. This is the most pragmatic regulatory approach. By keeping proposals optional, the Commission secures high-quality input from technically capable parties while preserving the ability of other stakeholders to meaningfully participate through workshops and reply comments without being forced to engineer complex technical solutions.

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?

Cal Advocates, EPUC/IS, and TURN⁴⁷ all recommend reliance upon the existing RDF budget scenarios as a starting point for Risk Tolerance proposal development. The Commission should utilize the existing RDF budget scenarios as assumed constraints on the pace of risk

⁴⁶ MGRA Opening Comments at 8.

⁴⁷ Cal Advocates Opening Comments at 16; EPUC/IS Opening Comments at 9; TURN Opening Comments at 3-4.

mitigation spending to bound the establishment of Risk Tolerance and the potential timeline(s) necessary for its achievement.

PG&E states that parties should develop proposals based on specific guiding principles, noting that residual risk should be measured in “Natural Units” rather than monetized values, to avoid obscuring actual risks.⁴⁸ PG&E’s proposed approach should be rejected. Measuring residual risk strictly in “Natural Units” rather than monetized values improperly decouples the evaluation of residual risk from affordability and BCR methodologies. Without a common financial metric, parties cannot meaningfully weigh risk reduction against the ratepayer costs required to achieve it.

SCE agrees party proposals could be beneficial but believes the Commission should not require a single numerical threshold for acceptable residual risk, arguing that risk tolerance must interact dynamically with other operational factors.⁴⁹ Without a firm, quantitative benchmark for acceptable residual risk, however, the entire RDF remains a subjective exercise. Utilities can continue to treat risk tolerance as a flexible “consideration” alongside funding, labor, and execution constraints, giving them the leeway to adjust their spending targets to favor high-capital projects over lower-cost, higher-benefit alternatives.

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?

⁴⁸ PG&E Supplemental Comments at 6.

⁴⁹ SCE Supplemental Comments at 4-6.

TURN reiterates its recommendation that SPD take the lead in developing a comprehensive Risk Tolerance proposal, springboarding off its earlier work in R.20-07-013 and the party comments received.⁵⁰ “By comprehensive, TURN means a proposal that provides 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.”⁵¹ This recommendation is reasonable.

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?

EPUC/IS reiterate their position taken in opening comments that the Commission should not solicit proposals on “common risks,” which are lifestyle risks unrelated to the utility enterprise risks at issue in the RDF.⁵² The Sempra Utilities recommend that the Commission consider multiple common risk benchmarks.⁵³ MGRA suggests that, for the electric utilities, third-party professional opinion may be useful and in any case all benchmark proposals should be subject to review and data requests.⁵⁴ Conflating common, lifestyle risks with utility enterprise risks will dilute the focus of this RDF OIR and the establishment of a flexible yet durable Risk Tolerance framework that should be focused solely on mitigating utility enterprise risks. The distinction between lifestyle risks and utility enterprise risks comes down to three main factors: choice, scale, and accountability. Conflating the two in a regulatory proceeding

⁵⁰ TURN Opening Comments at 4.

⁵¹ *Id.*

⁵² EPUC/IS Opening Comments at 10-11.

⁵³ Sempra Utilities Opening Comments at 4.

⁵⁴ MGRA Opening Comments at 10.

creates a false equivalence, because how an individual manages personal risk is fundamentally different from how a regulated monopoly must manage public infrastructure risk.

A durable Risk Tolerance framework should inform decisions regarding when to taper or stop further investment in reduction of utility enterprise risks, which impacts rates paid by all utility ratepayers. The Commission may determine, for policy reasons, that a specific subset of utility customers (e.g., disadvantaged communities) should be prioritized higher in the BCR merit order stack for implementation of risk mitigations. This would prioritize risk mitigations in those customers' geographic areas higher than the priority the mitigation BCRs would otherwise indicate. In that scenario, the utility has the option of proposing out-of-merit-order risk mitigations in its GRC, and possibly as early as its RAMP application, for approval by the Commission. This approach would leave the broader risk tolerance framework intact and unchanged as total risk mitigation investment is tapered and ultimately stopped.

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?

PG&E suggests utilizing a simple and readily available benchmark similar to the Nuclear Regulatory Commission's quantitative safety objective based on general U.S. population accident data. However, relying on a broad Nuclear Regulatory Commission-style benchmark based on general U.S. population accidents is fundamentally inappropriate for a state-regulated utility framework. Artificially tying a utility's safety spending to generic national accident statistics undermines the state's specific equity concerns and ignores the unique, localized vulnerabilities of California's communities and topography.

SCE emphasizes that any calculation must first define whose risk tolerance is being reflected and account for the fact that society and lawmakers consistently reject “risk-neutral” metrics for low-probability, high-consequence utility events. While it is true that lawmakers and the public heavily scrutinize low-probability, high-consequence events, allowing a utility to entirely dismiss “risk-neutral” benchmarks in favor of maximizing “tail risk” mitigation, is an open invitation for unchecked capital spending. Regulatory policy must utilize balanced, objective risk calculations to prevent emotion-driven or politically reactive investments that ultimately trigger severe ratepayer affordability crises.

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?

MGRA states that “[w]hile comparisons may be enlightening and interesting and serve to provide context, useful risk factors will be related as closely as possible to the risks being considered by the utilities.”⁵⁵ EPUC/IS agree in principle with MGRA, and recommend that benchmarks for common, lifestyle risks not be developed as they focus on residual, non-utility risk and not utility enterprise risk, as stated in EPUC/IS opening comments as discussed above in Question 6.

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?

⁵⁵ MGRA Opening Comments at 11-12.

MGRA stated in Opening Comments that “as the benchmark risks become less like the risks being mitigated by utilities they also may become less directly applicable. Ideally, the benchmarks can provide a useful comparison but without showing direct applicability to a certain risk problem they should not be used to set Risk Tolerance standards.” EPUC/IS agree in principle with MGRA, and recommend that non-utility risk benchmarks not be developed or used in this RDF OIR. Rather, the Commission should establish a durable Risk Tolerance framework that utilizes cost-effectiveness and affordability as its key metrics for establishing Risk Tolerance.

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

A common risk benchmark should not be developed and utilized in this RDF OIR.⁵⁶ If the Commission ultimately chooses to utilize a common risk benchmark in setting utility Risk Tolerance Standard(s), that benchmark(s) should be uniformly applicable statewide.⁵⁷

RAMP

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

Cal Advocates and non-utility stakeholders overwhelmingly agree that the current 110-day timeline for review and report-out on utility RAMP applications is insufficient to provide a meaningful opportunity for stakeholder input and incorporation by Staff into its final work product.⁵⁸ PG&E recommends retention of the current 110-day schedule, finding it provides a

⁵⁶ EPUC/IS Opening Comments at 10-11.

⁵⁷ MGRA Opening Comments at 12.

⁵⁸ Cal Advocates Opening Comments at 16-18; EPUC/IS Opening Comments at 13; MGRA Opening Comments at 13; TURN Opening Comments at 5.

reasonable opportunity for stakeholder input, and reduces the risk that utilities may not have sufficient time to incorporate any newly requested risk analysis into subsequent GRC filings.⁵⁹ SCE is amenable to schedule changes and shares PG&E’s concern about utilities having sufficient time to incorporate any changes into GRC filings.⁶⁰

Given the maturity of the RDF, and Commission’s recent history of granting requested extensions of the RAMP schedule to a fulsome review of RAMP applications by staff, and opportunities for informal and formal comment, the Commission should formally lengthen the schedule. Since 2021, schedule extensions have been requested for a utility’s GRC filing.⁶¹ Utility concerns about changes to BCR methodology can be avoided and effectively managed by the Commission’s sensitivity to the timing of issuance of such changes to the RDF. The joint proposal put forth by all intervenors in the 2025 Sempra RAMP proceeding (A.25-05-010) should be adopted, despite being rejected by the Administrative Law Judge in that proceeding.⁶² Such extensions have never delayed the timely filing of utility GRCs.

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

As stated in EPUC/IS opening comments,⁶³ and supported by commenting parties,⁶⁴ the practice of providing opportunity for informal comments should be retained as part of a revised

⁵⁹ PG&E Opening Comments at 1, 7.

⁶⁰ Southern California Edison Company's Opening Comments on Order Instituting Rulemaking to Refine the Risk-Based Decision-Making Framework for Electric and Gas Utilities (“SCE Opening Comments”), R.26-04-016, Jun. 8, 2026 at 3-4

⁶¹ MGRA Opening Comments at 13.

⁶² *Id.*

⁶³ EPUC/IS Opening Comments at 13-14.

⁶⁴ Cal Advocates Opening Comments at 18; MGRA Opening Comments at 14; TURN Opening Comments at 5.

and extended RAMP review schedule. Informal comments provide important analysis and additional perspectives which staff can consider when drafting its report.⁶⁵

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?

Cal Advocates states that “rather than focus on past treatment of O&M costs, it is more important to examine whether the handling of avoided O&M costs is grounded in economic theory, supported by academic cost-benefit analysis literature, and consistent with existing federal and State government guidance.”⁶⁶ PG&E would limit additional changes to BCR methodology to those necessary for consistency and comparability across GRC cycles,⁶⁷ and continues to advocate for inclusion of avoided O&M expense in the BCR calculus as included in Net O&M.⁶⁸ Likewise, SCE would surgically circumscribe BCR changes to “discrete methodological clarifications, such as the treatment of O&M savings...”⁶⁹ and include O&M Savings in the BCR denominator.⁷⁰ SCE claims that past Commission decisions on RDF development support this treatment.⁷¹ The Sempra Utilities state that a review of past RAMP

⁶⁵ TURN Opening Comments at 5.

⁶⁶ Cal Advocates Opening Comments at 18-19.

⁶⁷ PG&E Opening Comments at 9; see also SCE Opening Comments at 10.

⁶⁸ PG&E at 8. PG&E’s rationale is premised on creating a “pure risk reduction benefit” in the numerator of the BCR calculation. See also p.9: (“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.”).

⁶⁹ SCE Opening Comments at 6.

⁷⁰ SCE Opening Comments at 9-10.

⁷¹ SCE Opening Comments at 10, fn. 8, referencing D.14-12-025, D.22-12-027, and D.25-08-032.

filings is not necessary, as the issue of O&M savings has already been dealt with via the Commission's guidance on "Net O&M."⁷²

The Commission should reject the utilities' recommendations to ignore past problems experienced by staff and other governmental agencies regarding the treatment of O&M expenses in BCR calculations, particularly the treatment of avoided O&M (O&M Savings). PG&E's claim that accounting for O&M Savings in the BCR numerator "would convolute the calculated mitigation risk reduction by combining cost elements, i.e., avoided costs and mitigation program savings, in the numerator" and "produce misleading results" is hyperbole.⁷³ Likewise, SCE's claim that past Commission decisions and practice support treatment of O&M Savings in the denominator to ensure a "risk reduction per dollar spent"⁷⁴ metric is inaccurate. None of the cited Commission decisions (D.14-12-025, D.22-12-027, and D.25-08-032) expressly require or even suggest that O&M Savings be lumped together with other "costs" in the denominator of the BCR calculation. Given the current rate affordability crisis, getting the BCR calculus corrected now is an imperative to ensure that any future risk mitigation spending proposed in utility GRCs will deliver the most risk reduction value for the dollars spent.

The RDF should be further refined to include express requirements for the treatment of utility O&M costs and savings, and other critical BCR inputs and calculations. O&M savings should be reflected in the numerator of the BCR calculation, as those savings are speculative

⁷² Sempra Utilities Opening Comments at 6. EPUC/IS presume SCE is referring to Commission guidance issued in Resolution SPD-37 regarding treatment of Net O&M for purposes of utility Electric Undergrounding Program applications.

⁷³ PG&E Opening Comments at 2.

⁷⁴ SCE Opening Comments at 10 and fn. 8.

unless and until proven to have been realized for the benefit of ratepayers, as measured over time. Benefits belong in the BCR numerator. This comports with the treatment of O&M Savings recommended by staff and other governmental agencies, as explained by Staff in its recent BCR white paper, to avoid positive bias and other problems inherent with including O&M savings in the BCR denominator.⁷⁵ O&M savings are speculative and likely difficult to measure, which makes them a ratepayer benefit that may or may not be realized by the sponsoring utility's risk mitigation activities. Therefore, O&M Savings should be properly treated as a benefit in the BCR numerator.

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

Cal Advocates aptly states that “SPD demonstrates that the Sempra utilities’ proposed formulation can produce analytically unstable and economically nonsensical outcomes, including negative and undefined BCR values” and creates a bias that produces larger BCR values.⁷⁶ The Commission should build off of the learnings gleaned from other governmental agencies and Commission staff and adopt the best practice of including O&M Savings in the BCR numerator.⁷⁷

⁷⁵ Cal Advocates Opening Comments at 19 (“SPD demonstrates that the joint utilities’ proposed formulation can produce analytically unstable and economically nonsensical outcomes, including negative and undefined BCR values. SPD further demonstrates that that for all the provided examples, this formulation produced larger BCRs relative to alternative formulations that treat avoided O&M as a benefit in the numerator”) (citations omitted).

⁷⁶ Cal Advocates Opening Comments at 19, referencing California Public Utilities Commission, Safety Policy Division. *Staff White Paper on Benefit-Cost Ratio Methodology: CPUC Senate Bill 884 Application 26-02-005*. April 10, 2026 (“BCR Whitepaper”).

⁷⁷ See BCR Whitepaper at 6: “Although these BC[R] methodologies align on many core principles, they diverge in one key aspect: the treatment of avoided costs (i.e., cost savings). This distinction is critical: categorizing avoided costs as a benefit (in the numerator) rather than subtracting them from costs (in

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

Intervening parties strongly support adoption of a standard method for calculating a PVRR metric or multiplier.⁷⁸ TURN makes the case for utilizing PVRR to represent total costs in the BCR denominator:

With respect to capital costs, rates are based on utility revenue requirements, not direct capital costs. Over the life of an asset, total revenue requirements will significantly exceed direct costs due to utility rate of return components, taxes, salvage values, and other loaders. As a result, total lifetime revenue requirement is a more accurate representation of utility costs. From lifetime revenue requirement, PVRR should be calculated using the same discount rate that is used for the numerator (benefits) of the BCR calculation, in order not to bias the calculation.⁷⁹

The Commission should adopt Cal Advocates' recommendation to hold a workshop on the topic that includes a presentation by PG&E on its CHARGE tool.⁸⁰ The Commission may also order staff to draft a whitepaper addressing PVRR methodology options, akin to its recent BCR Whitepaper.⁸¹

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?

The Sempra Utilities insist that development of a PVRR metric or multiplier is outside the scope of this proceeding, arguing that it will “not provide sufficient precision or reliability” and that such calculations must be produced in a utility’s approved GRC Results of Operations

the denominator) can significantly alter a project's BCR, affecting project prioritization and decision-making, especially under constrained budgets” (available at:

<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M604/K545/604545276.PDF>).

⁷⁸ Cal Advocates Opening Comments at 20; EPUC/IS at 15; TURN at 5-6.

⁷⁹ TURN Opening Comments at 5-6.

⁸⁰ Cal Advocates Opening Comments at 21.

⁸¹ *Ibid.*

model.⁸² EPUC/IS recommend that the Commission reject the Sempra Utilities' argument and convene a workshop on the topic of establishing a PVRR metric or multiplier and vet this question of PVRR calculation veracity within that workshop context. From a simplistic viewpoint, all BCR and PVRR calculations will be based upon estimates, unless and until the associated risk mitigation asset is placed in service and becomes used and useful to utility ratepayers. EPUC/IS recommend that any adopted PVRR metric methodology be economically sound and repeatable, and consistently applied across the jurisdictional utilities.

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

The Commission should reject the Sempra Utilities' argument that this topic is outside the scope of this proceeding.⁸³

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?

The Commission should reject the Sempra Utilities' argument that this topic is outside the scope of this proceeding.⁸⁴

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?

Cal Advocates recommends that:

⁸² Sempra Utilities Opening Comments at 6.

⁸³ *Ibid.*

⁸⁴ *Ibid.*

“[T]he PVRR metric or multiplier be calculated and applied at the most granular level that is available at the time it is generated. This would best fulfill the goal of making BCRs “more accurate and representative of the lifetime costs of a risk reporting unit” and thus capturing the true costs of capital investments to ratepayers when comparing alternative mitigations.⁸⁵

EPUC/IS support Cal Advocates’ recommendation, and further recommend that the Commission reject the Sempra Utilities’ argument that this topic is outside the scope of this proceeding.

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

TURN opines that, “from lifetime revenue requirement, PVRR should be calculated using the same discount rate that is used for the numerator (benefits) of the BCR calculation, in order not to bias the calculation.”⁸⁶ EPUC/IS concur with TURN that symmetry between the discount rate used in the numerator and denominator is paramount, especially if the PVRR or BCR calculation in question includes risk-scaling.

The Commission should reject the Sempra Utilities’ argument that this topic is outside the scope of this proceeding.⁸⁷

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?

⁸⁵ Cal Advocates Opening Comments at 22, referencing RDF OIR at 14, citing to D.25-08-023 at 121.

⁸⁶ TURN Opening Comments at 6.

⁸⁷ Sempra Utilities Opening Comments at 6.

Intervening parties strongly recommend that PVRR be used for quantifying costs in BCR calculations.⁸⁸ PG&E generally opposes making any changes to the RDF BCR calculation methodology: “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.”⁸⁹ SCE admits that PVRR represents a more accurate quantification of long-term life-cycle costs, but opposes modification of the RDF and recommends that any such changes to the BCR calculation methodology be made in the Rate Case Plan or GRC proceedings.⁹⁰

EPUC/IS recommend that the Commission proceed with modification of the RDF, RAMP data templates, and other Commission guidelines to expressly require that costs associated with capital projects be based on estimated PVRR. Material refinements to the BCR calculation methodology are needed now, and should be made as expeditiously as feasible to enable incorporation into PG&E’s next RAMP application to be filed in 2028.

The Commission should also reject the Sempra Utilities’ argument that this topic is outside the scope of this proceeding.⁹¹

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

Both Cal Advocates and EPUC/IS identified risk-scaling as an important component of the BCR methodology that must be addressed in this RDF OIR.⁹² Risk-scaling methodology must

⁸⁸ Cal Advocates Opening Comments at 23; EPUC/IS Opening Comments at 16; TURN Opening Comments at 5.

⁸⁹ PG&E Opening Comments at 8.

⁹⁰ SCE Opening Comments at 6.

⁹¹ Sempra Utilities Opening Comments at 6.

⁹² Cal Advocates Opening Comments at 23; EPUC/IS Opening Comments at 16-17.

be consistent across the utilities to ensure that BCRs accurately portray ratepayer risk preferences, and not merely those of the utilities.⁹³ The Sempra Utilities also support standardization of risk-scaling methodology.⁹⁴ PG&E agrees that this RDF OIR is the appropriate venue for modifying BCR methodology, but would limit any changes to those “correcting a technical flaw.”⁹⁵

Indeed, all risk mitigation projects should be evaluated and compared on a risk-neutral basis first, with any risk-scaling being an alternative calculation for Commission consideration and comparison. This comparison will become more critical over time, as the Utilities approach any adopted Risk Tolerance Framework endpoints or Risk Tolerance Standards. Standardization of both risk-neutral and risk-scaling BCR calculations is imperative to ensure risk mitigation decisions are optimized.

SMJU Reporting

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

EPUC/IS have no immediate comment on barriers to extending RSAR requirements to Alpine and WCG at this time, but reserve the right to comment on this issue as subsequent opportunities for party input arise in this proceeding.

C. Scoping and Procedural Questions

(1) Whether changes to the preliminary scope of issues should be made

⁹³ Cal Advocates Opening Comments at 23.

⁹⁴ Sempra Utilities Opening Comments at 7.

⁹⁵ PG&E Opening Comments at 8.

MGRA recommends that the relationship between risk attitude and Risk Tolerance be defined in this current phase of the RDF OIR.⁹⁶ MGRA would also address “risk attitude” or scaling in in the current or future phase of this RDF OIR proceeding and recommends that standards for utility development of risk aversion functions be an output of this RDF OIR.⁹⁷ The Commission should consider MGRA’s recommendation so long as it does not detract from the Commission’s focus on affordability being the critical context for this first phase of the RDF OIR.

Cal Advocates proposes to divide the rulemaking into multiple phases.⁹⁸ Phase I would consider the primary issues identified in the OIR: Risk Tolerance, BCR Modifications, RAMP schedule and process, and SMJU reporting.⁹⁹ Phase 2 would address RDF modifications to require cost-effective mitigation alternatives and an analysis and forecast of ratepayer bill impacts for alternative risk mitigation programs.¹⁰⁰ Lastly, Phase 3 would assess electric transmission-caused wildfire risk to the public and consider the time value risk related to risk mitigation implementation timelines.¹⁰¹ Cal Advocates’ proposed structure is reasonable, and would allow parties sufficient opportunity to focus participation on important modifications to the RDF process. The Commission should prioritize issues in Phase I for implementation in PG&E’s 2028 RAMP application.

(2) Whether evidentiary hearings are needed

⁹⁶ MGRA Opening Comments at 3.

⁹⁷ MGRA Opening Comments at 4.

⁹⁸ Cal Advocates Opening Comments at 1.

⁹⁹ *Id.* at 2.

¹⁰⁰ *Id.* at 7-8.

¹⁰¹ *Id.* at 8-11.

SCE believes hearings may be necessary on the risk tolerance issue and suggests that the Commission structure the procedural schedule to allow for hearings if proven necessary to resolve factual disputes.¹⁰² PG&E strongly supports hearings on the Risk Tolerance topic and finds that a “workshop process is not suitable for determining the acceptable level of safety risk... given the impact on customers and the public and the possibility of legal challenges if such risk events do occur.”¹⁰³

If a Risk Tolerance Framework is pursued, instead of a Risk Tolerance Standard, then hearings should not be necessary. If a Standard is pursued, then a Staff proposal will be absolutely necessary and there is a risk that, due to the time and expense involved in sponsoring testimony, the only risk tolerance proposals proffered may well be those proposed by the utilities.¹⁰⁴ EPUC/IS support requiring Staff to make a Risk Tolerance Framework proposal, and for utilization of the workshop process to establish that framework, similar to how the current much as was done to create the RDF we have today.¹⁰⁵

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

MGRA believes workshops will be necessary for addressing Risk Tolerance and may also be appropriate for significant BCR modifications.¹⁰⁶ SCE also supports workshops, and recommends that they be phased to address BCR issues first before broaching Risk

¹⁰² SCE Opening Comments at 7-8.

¹⁰³ PG&E Opening Comments at 3.

¹⁰⁴ TURN Opening Comments at 4.

¹⁰⁵ See D.25-08-032, *Phase 4 Decision*, R.20-07-013, Aug. 29, 2025 at 5-7 (discussing different workshops throughout the proceeding which culminated into the current RDF).

¹⁰⁶ MGRA Opening Comments at 5.

Tolerance.¹⁰⁷ PG&E is adamant that workshops and a comment process will be necessary to address the BCR issues that may inform a subsequent ruling,¹⁰⁸ and recommends that all BCR-related issues be dealt with in this RDF OIR and not in A.26-02-005.¹⁰⁹ TURN finds that workshops may not be necessary, but counsels that a staff proposal and workshop(s) will be necessary if the Commission's analysis on the Risk Tolerance issue does not focus on rate affordability.¹¹⁰ The Sempra Utilities support workshops on the Risk Tolerance issue.¹¹¹

EPUC/IS concur that workshops will likely be required, for both the Risk Tolerance and BCR issues, and recommend that the procedural schedule be structured accordingly. The schedule must allow sufficient time for both pre- and post-workshop stakeholder comments and proposal. EPUC/IS oppose PG&E's recommendation that all BCR-related issues be dealt with in this RDF OIR, and not in A.26-02-005. PG&E's proposed procedural schedule (shown below) is unrealistic with respect to the BCR update tasks that will likely be set forth in a forthcoming Scoping Memo and Ruling. Given that PG&E has not yet filed its first 10-year Electric Undergrounding Plan, prompt near-term progress in A.26-02-005 on the BCR issues is absolutely necessary.

¹⁰⁷ SCE Opening Comments at 8-9.

¹⁰⁸ PG&E Opening Comments at 5.

¹⁰⁹ PG&E Opening Comments at 9.

¹¹⁰ TURN Opening Comments at 6-7.

¹¹¹ Sempra Utilities Opening Comments at 2.

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 states that “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.” As discussed previously, treating avoided O&M expenses as a cost offset in the denominator causes severe mathematical instability, such as negative or infinite BCRs, when project savings exceed capital costs. Instead, placing these savings in the numerator as an economic benefit aligns with standard public policy frameworks and ensures a stable, transparent metric for evaluating total project value.

III. CONCLUSION

For the reasons set forth in these Reply Comments, the Energy Producers and Users Coalition and the Indicated Shippers respectfully request that the Commission adopt the proposed recommendations set forth herein. The Commission should avoid adopting a rigid, one-size-fits-all risk tolerance Standard, but rather a flexible Framework coupled with

transparent, utility-specific accountability mechanism. By mandating the use of unscaled, risk-neutral BCRs, standardized PVRR calculations, and formalizing expanded RAMP review schedules, the Commission can establish a balanced regulatory process. This balanced process will create a safe and reliable utility system while also addressing the pressing affordability realities facing California utility ratepayers.

Respectfully submitted,

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June 16, 2026