

**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)

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**JOINT REPLY 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**

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June 16, 2026

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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) submit these Reply Comments in response to Opening Comments.¹

These Reply Comments clarify issues among parties, while reinforcing the need for a disciplined scope and practical process in this proceeding. Specifically, to achieve the objectives set forth in the rulemaking, the Commission should (1) maintain a focused and manageable scope consistent with the OIR; (2) develop a risk tolerance standard as a safety-based construct and not conflate risk tolerance with affordability;² (3) proceed with a practical and sequential approach to developing the record; (4) consider the Risk Assessment Mitigation Phase (RAMP)

¹ Pursuant to Rule 1.8(d), SoCalGas has been authorized by SDG&E to sign and tender the document and make the representations stated herein. SoCalGas and SDG&E filed Opening Comments on June 8, 2026. Additionally, the following Parties filed Opening Comments: Southern California Edison Company (SCE), Pacific Gas and Electric Company (PG&E), The Utility Reform Network (TURN), the Public Advocates Office (Cal Advocates), Mussey Grade Road Alliance (MGRA), Energy Producers and Users Coalition and Indicated Shippers (EPUC/IS), Southwest Gas Corporation, Alpine Natural Gas Operating Company, Bear Valley Electric Service Inc, PacificCorp, Liberty Utilities, and West Coast Gas Company.

² See Rulemaking (R.) 20-07-013, Joint Reply Comments of SoCalGas and SDG&E to Administrative Law Judge's Ruling Providing Phase 4 Workshop #2 Questions for Party Comment (January 16, 2025) at 2-7; Joint Opening Comments of SoCalGas and SDG&E on Phase 4 Proposed Decision (August 14, 2025) at 5-6.

schedule with due consideration of downstream General Rate Case (GRC) requirements; and (5) modify the Benefit-Cost Ratio (BCR) methodology in a targeted manner, and refrain from adopting a requirement to calculate a present value revenue requirement (PVRR) as part of the RAMP.

At this early stage of the proceeding, establishing a clear and administrable scope and process that facilitates a robust record, including the more complex policy and methodological questions is paramount. Consistent with Opening Comments, SoCalGas and SDG&E reserve the right to further address these issues as the proceeding progresses.

II. REPLIES TO PARTIES

A. The Commission Should Maintain a Manageable Scope

1. The Commission Should Reject Proposals to Expand the Scope of this Proceeding

Cal Advocates proposes restructuring this proceeding into multiple phases and broadening the scope to include, among other things: a standard for quantifying risk and risk mitigation costs, granular locational assessment of risks, a unified framework for risk aversion, mandatory bill impact analysis, electric transmission-caused wildfire risk assessment, and a “time value of risk” requirement.³ Similarly, MGRA proposes additional scope related to the relationship between risk tolerance and risk attitude and Office of Energy Infrastructure Safety (OEIS)/Wildfire Mitigation Plan (WMP) integration into the RDF.⁴ SoCalGas and SDG&E disagree.

These proposals exceed the bounds of a reasonable scope for this proceeding and should be rejected at this time. The Commission established a narrow scope for the instant proceeding in the Phase 4 Decision (D.) 25-08-032. Specifically, the Commission stated: [w]e are persuaded that risk tolerance should be saved for a successor proceeding” and “[a] successor proceeding may discuss whether PVRR should be required to make BCR calculations more accurate and representative of the lifetime costs of [a Risk Reporting Unit (RRU)].”⁵ The Commission did not invite Parties to relitigate issues or broaden the scope of issues to be addressed in Phase 4.

³ See generally Cal Advocates Opening Comments on the Order Instituting Rulemaking to Refine the Risk-Based Decision-Making Framework for Electric and Gas Utilities (June 8, 2026) (Cal Advocates Opening Comments).

⁴ MGRA Response to Order Instituting Rulemaking to Refine the Risk-Based Decision Framework (June 8, 2026) (MGRA Opening Comments) at 3-5.

⁵ D.25-08-032 at 21, 121.

Widening the scope in this manner would cause undue delay and transform this proceeding into a broad reconsideration of numerous aspects of the RDF, many of which are either already under consideration in other proceedings or would require substantial additional record development. Such expansion would undermine efficient and timely resolution of the issues the Commission expressly identified for this proceeding.

Instead, SoCalGas and SDG&E agree with SCE and PG&E to maintain the scope established by the Commission in the Phase 4 Decision. Specifically, SCE states that the Commission should prioritize risk tolerance and approach BCR issues primarily as discrete methodological clarifications rather than through broader structural changes,⁶ while PG&E similarly urges the Commission to preserve stability in the framework and limit changes to those shown to be necessary.⁷ In addition, TURN likewise recognizes that risk tolerance will be challenging to define and apply even within the existing scope of this proceeding.⁸ That complexity further supports maintaining a focused record, rather than expanding this proceeding to resolve multiple, distinct policy and methodological issues at the same time.⁹

2. The Commission Should Preserve a Practical Sequencing of Issues

SoCalGas and SDG&E continue to support a sequential and administrable approach. To enable timely and thoughtful development of a risk tolerance framework for California, which is a foundational policy issue of statewide importance that will likely have methodology implications, the Commission should avoid attempting to simultaneously address multiple methodological aspects of the RDF. SoCalGas and SDG&E reiterate that this proceeding is at an early stage and that the Commission should proceed deliberately.¹⁰ SoCalGas and SDG&E

⁶ SCE Opening Comments on Order Instituting Rulemaking to Refine the Risk-Based Decision-Making Framework for Electric and Gas Utilities (June 8, 2026) (SCE Opening Comments) at 6 (“[T]he focus of this rulemaking should be appropriately centered on risk tolerance, supported by a stable and transparent BCR framework, rather than continually reconsidering underlying BCR formulations.”).

⁷ PG&E Opening Comments on the Order Instituting Rulemaking to Refine the Risk-Based Decision-Making Framework for Electric and Gas Utilities (June 8, 2026) (PG&E Opening Comments) at 1-2, 8.

⁸ TURN Opening Comments on the Order Instituting Rulemaking to Refine the Risk-Based Decision-Making Framework for Electric and Gas Utilities (June 8, 2026) (TURN Opening Comments) at 1-5.

⁹ *Id.*

¹⁰ Opening Comments of SoCalGas and SDG&E on Order Instituting Rulemaking to Refine the Risk-Based Decision-Making Framework for Electric and Gas Utilities (June 8, 2026) (SoCalGas and

agree with SCE’s suggestion that underlying BCR methodologies should be sufficiently stable and well-defined before risk tolerance policy is finalized,¹¹ and PG&E, which similarly urges caution against frequent changes that would erode comparability across cycles.¹²

B. Risk Tolerance Should Not be Redefined to Conflate Risk with Affordability

1. Parties Improperly Propose to Integrate Affordability into Risk Tolerance

Cal Advocates, TURN, MGRA, and EPUC/IS ask the Commission to make affordability a central feature of risk tolerance. Cal Advocates states that affordability helps determine how much residual risk ratepayers can support and proposes linking risk tolerance to budget scenarios.¹³ TURN argues that risk tolerance should be rooted in affordability and suggests that the Commission should emphasize affordability benchmarks or standards rather than an abstract risk tolerance construct.¹⁴ MGRA argues that willingness and ability to bear the cost of risk mitigation should be included in risk tolerance.¹⁵ EPUC/IS likewise argues that the definition must explicitly incorporate affordability concerns.¹⁶

While affordability concerns remain an issue of critical importance, broad affordability considerations are not an appropriate element of a risk tolerance standard and fall outside the scope of the RDF OIR.¹⁷ Affordability should not be conflated with risk tolerance.¹⁸ Rather, a risk tolerance standard should establish the acceptable level of risk mitigation and residual risk from a safety and public policy perspective, with affordability determined based on consideration of risk

SDG&E Opening Comments) at 3 (noting “a separate, deliberative process [to] holistically advance [the RDF] is necessary. Incremental modifications without a comprehensive evaluation of the impact can create ambiguity and unintended consequences.”).

¹¹ SCE Opening Comments at 2-3.

¹² PG&E Opening Comments at 8.

¹³ Cal Advocates Opening Comments at 15-16.

¹⁴ TURN Opening Comments at 3.

¹⁵ MGRA Opening Comments at 6.

¹⁶ EPUC/IS Opening Comments at 5.

¹⁷ *See* R.20-07-013, Joint Reply Comments of SoCalGas and SDG&E to Administrative Law Judge’s Ruling Providing Phase 4 Workshop #2 Questions for Party Comment (January 16, 2025) at 2-7; *see also* R.20-07-013, Joint Opening Comments of SoCalGas and SDG&E on Phase 4 Proposed Decision (August 19, 2025) at 5-6.

¹⁸ SoCalGas and SDG&E Opening Comments at 2.

tolerance and economic factors separately in subsequent decision-making. SoCalGas and SDG&E agree with SCE that “[a]ffordability considerations are more appropriately considered through established ratesetting proceedings such as General Rate Cases (GRCs),” a position also reflected in PG&E’s view that affordability should be addressed through the Commission’s existing GRC processes.¹⁹

Affordability is not a proxy for risk mitigation sufficiency. This distinction is important because TURN’s and Cal Advocates’ references to optimized, budget-constrained mitigation portfolios would, if adopted as part of the risk tolerance standard, allow affordability and budget constraints to determine the threshold for acceptable safety risk.²⁰

The Commission should instead first establish an independently-defined, safety-based risk tolerance standard; only after that standard is established should affordability and budget constraints be considered in evaluating optimized mitigation portfolios. This approach is consistent with SCE’s observation that framing safety and affordability as a tradeoff risks oversimplifying the relationship between the two, as proactive risk mitigation can reduce long-term costs by avoiding high-consequence events.²¹

In doing so, the Commission should recognize that the level of mitigation deemed affordable may not coincide with residual risk that is tolerable. Embedding affordability into the threshold standard would complicate this dynamic and obscure material threats to public, employee, and customer safety. It would also conflate distinct regulatory judgments that should be evaluated separately.

In addition, conflating risk tolerance and affordability could have broader policy implications, as it may result in acceptance of risk levels that are inconsistent with safety objectives and shift the consequences of that risk beyond ratepayers to government agencies, the broader economy, and the public at large. This outcome would undermine the purpose of establishing a clear and independent safety-based risk tolerance standard.

¹⁹ SCE’s Responses to Questions in Appendix A (June 11, 2026) (SCE Responses to Questions in Appendix A) Appendix at 1-2; *see also* Supplemental Comments of PG&E on Order Instituting Rulemaking to Refine the Risk-Based Decision-Making Framework for Electric and Gas Utilities (June 11, 2026) (Supplemental Comments of PG&E) at 4-5.

²⁰ TURN Opening Comments at 3-4, 8 and Appendix A at 23-24, 27; *see also* Cal Advocates Opening Comments at 16.

²¹ SCE Responses to Questions in Appendix A, Appendix at 2-4.

2. The Commission Should First Resolve Foundational Risk Tolerance Questions

SoCalGas and SDG&E reiterate support for the Commission to address foundational questions first, including whose risk tolerance is being measured and whether a broad statewide benchmark is appropriate (or even achievable in a meaningful way).²² Risk tolerance varies across stakeholder groups and these foundational questions must be addressed before proposals are finalized.²³ Consistent with MGRA's comments, the Commission should also incorporate the findings of the Joint IOU Risk Tolerance Survey, which can help inform the development of these foundational questions and align the process with recognized best practices for assessing risk tolerance.²⁴ This approach is also consistent with SCE's recommendation that the Commission utilize the results of the Commission-directed risk tolerance industry survey to inform key framework inputs—such as how organizations assess risk capacity, benchmark risk, and evaluate real-world risk behavior—before establishing prescriptive standards.²⁵ It also aligns with SCE's broader position that the Commission should prioritize development of a clear, realistic, durable, and consistently applied framework.²⁶ SoCalGas and SDG&E concur with PG&E that any Risk Tolerance Standard or framework for the RDF should be carefully considered through expert analysis, leverage mature industry standards, and align with the statutory obligation to prioritize safety of the public and employees.²⁷

3. The Commission Should Reject EPUC/IS' Proposal to Substitute a BCR Threshold for Risk Tolerance

EPUC/IS propose replacing everyday-risk or lifestyle benchmarks with an unscaled, risk-neutral BCR threshold of 1.0 or greater as the primary benchmark for determining whether mitigation measures are cost-effective and appropriate, with potentially higher thresholds based on utility execution performance.²⁸ The Commission should reject this proposal.

A BCR is a decision-support tool within the RDF, not a substitute for determining

²² SoCalGas and SDG&E Opening Comments at 3.

²³ *Id.*

²⁴ MGRA Opening Comments at 8.

²⁵ SCE Responses to Questions in Appendix A, Appendix at 5.

²⁶ SCE Opening Comments at 3.

²⁷ PG&E Supplemental Comments at 4.

²⁸ EPUC/IS Opening Comments at 10-11.

acceptable residual risk. As previously acknowledged by the Commission, it should not be considered deterministic.²⁹ The BCR solely accounts for one factor in a utility's proposed mitigation and control programs selection process, and prudent decision-making may ultimately require consideration of additional factors. Moreover, elevating a BCR threshold to a rigid proxy for risk tolerance would fundamentally misapply the metric by conflating economic efficiency with acceptability of risk. Because the RDF requires BCRs to be presented in expected value terms, they may underestimate the importance of mitigating low probability, high consequence risk events, leading to underinvestment in measures that address catastrophic risk while favoring those that produce incremental improvements to more frequent, lower impact risks. This approach may further result in eliminating mitigation activity that is mandated by other agencies thus putting the utilities out of compliance and customers at unnecessary and avoidable risk. In addition, the BCR does not capture other elements of the RDF such as equity considerations or any societal aversion to severe or irreversible harm. Risk tolerance is ultimately about acceptable risk exposure, and not whether mitigation is cost-justified on an average basis.

As noted previously, a BCR is one analytical input among several considerations within the RDF—not the sole determinant of mitigation selection or risk tolerance.³⁰ Risk tolerance must instead be established independently so that safety-driven outcomes are not subordinated to a single cost-efficiency metric.

C. The Commission Should Use a Practical Process to Develop the Record on Risk Tolerance

1. Workshops are Appropriate; Party Proposals Should Follow After Commission Guidance

SoCalGas and SDG&E recommend that workshops be held on risk tolerance and that the Commission first provide guidance and guardrails before requesting risk tolerance proposals.³¹ TURN, MGRA, and Cal Advocates also support workshops on risk tolerance, although they differ as to the substance and staffing of proposals.³² SoCalGas and SDG&E also

²⁹ See, e.g., D.22-12-027 (Risk OIR Phase 2 Decision) at 26; D.25-08-032 (Risk OIR Phase 4 Decision), Appendix A, Risk-Based Decision-making Framework, Row No. 26 at A-21–A-22.

³⁰ SoCalGas and SDG&E Opening Comments at 7; see also D.25-08-032, Appendix A, Risk-Based Decision-Making Framework, Row No. 26 at A-21–A-22.

³¹ SoCalGas and SDG&E Opening Comments at 2.

³² See TURN Opening Comments at 6; MGRA Opening Comments at 5; Cal Advocates Opening

agree with SCE that “[t]hese workshops should be designed with a formal and structured format that allows all parties to meaningfully prepare and participate, present proposals, leverage third-party experts as warranted, and engage in substantive discussion.”³³ General consensus among the parties supports the Commission using a workshop-based process at this stage.

2. The Schedule Should Preserve Flexibility for Hearings, if Needed

PG&E suggests that evidentiary hearings are necessary to develop a formal record for risk tolerance, whereas SCE states that evidentiary hearings may ultimately be warranted if material factual disputes develop.³⁴ SoCalGas and SDG&E agree with PG&E and SCE that risk tolerance is a complex and consequential issue requiring a robust record, and that the schedule should preserve flexibility for hearings, if needed.

D. The RAMP Schedule Should Be Revisited Carefully

1. The Current RAMP Schedule Warrants Review, But Changes Should Remain Practical and Cognizant of GRC Timing

Regarding the RAMP schedule and process, Cal Advocates, TURN, MGRA, and EPUC/IS generally support extending deadlines and preserving time for meaningful informal comments.³⁵ SoCalGas and SDG&E similarly support a comprehensive discussion of the RAMP schedule and the downstream effects any changes would have on the GRC, including the need to provide utilities sufficient time to integrate RAMP outcomes into the GRC.³⁶ SCE prudently cautions, however, that continued extensions could hinder IOUs’ ability to incorporate changes into their GRC applications.³⁷

SoCalGas and SDG&E maintain that a deliberate and careful review of the remaining proceeding schedule is important. Any proposed schedule should account for the practical constraints associated with developing GRC testimony and workpapers, internal governance, and the need for a party with the burden of proof to have adequate drafting time.

Comments at 14.

³³ SCE Opening Comments at 8.

³⁴ PG&E Opening Comments at 1.

³⁵ See Cal Advocates Opening Comments at 18; TURN Opening Comments at 5; MGRA Opening Comments at 14; EPUC/IS Opening Comments at 13.

³⁶ SoCalGas and SDG&E Opening Comments at 5.

³⁷ SCE Opening Comments at 3.

E. The Commission Should Focus Its Approach to BCR Issues and Should Not Require PVRR Calculations in the RAMP

1. The Commission Should Preserve Methodological Stability and Avoid Repeated Changes

SoCalGas and SDG&E support examining other industries' approaches to O&M treatment but caution against unnecessary methodological changes and note that BCRs should remain a transparent decision-support tool.³⁸ SCE similarly recommends that the Commission first establish a stable BCR methodology and avoid continual changes that undermine apples-to-apples comparisons.³⁹ PG&E likewise urges the Commission to preserve stability and entertain changes only where necessary to correct a demonstrated flaw.⁴⁰ As such, SoCalGas and SDG&E encourage the Commission to keep any BCR modifications focused to achieve Phase 4 objectives and justified by a clear deficiency.

2. The Commission Should Reject Mandatory Estimated PVRR in RAMP

Cal Advocates, TURN, and EPUC/IS all support, in varying degrees, calculation of PVRRs as a component of BCR calculations.⁴¹ Cal Advocates proposes a standard PVRR calculation methodology along with a workshop, TURN supports using lifetime revenue requirement/PVRR in the denominator, and EPUC/IS proposes a standardized PVRR approach using the utility's current weighted average cost of capital.⁴²

SoCalGas and SDG&E disagree. As explained previously, a PVRR derived from estimates does not provide sufficient precision or reliability for decision-making at the RAMP stage, and full revenue requirement modeling already takes place through the GRC process.⁴³ SCE agrees and argues that incorporation of mandatory PVRR calculations in the RDF would introduce broader ratemaking and cost allocation issues already scoped to be addressed in Rate Case Plan and GRC

³⁸ SoCalGas and SDG&E Opening Comments at 6-7.

³⁹ SCE Opening Comments at 4.

⁴⁰ PG&E Opening Comments at 1-2, 8.

⁴¹ See Cal Advocates Opening Comments at 20; TURN Opening Comments at 5; EPUC/IS Opening Comments at 15.

⁴² See Cal Advocates Opening Comments at 21; TURN Opening Comments at 5-6; EPUC/IS Opening Comments at 15.

⁴³ SoCalGas and SDG&E Opening Comments at 6.

processes.⁴⁴ PG&E likewise cautions that such changes should be evaluated against the value of comparability and not adopted casually.⁴⁵

3. With Respect to O&M Treatment, SoCalGas and SDG&E Align in Part with PG&E and SCE on Preserving a Cost-Based Denominator Structure

PG&E supports the current standard methodology for treatment of O&M expenses in the BCR calculation.⁴⁶ Specifically, the methodology places all resource costs, including net O&M, in the denominator with risk reduction benefits reflected in the numerator.⁴⁷ SCE similarly supports standardized treatment of net O&M costs in the denominator alongside capital expenditures.⁴⁸ To the extent the Commission addresses O&M treatment in this proceeding, SoCalGas and SDG&E align generally with PG&E and SCE that any such discussion should preserve a clear, transparent, and comparable methodology and avoid analytically unstable changes.

IV. CONCLUSION

SoCalGas and SDG&E appreciate the opportunity to respond and urge the Commission to consider these Reply Comments when determining the scope of the instant proceeding. SoCalGas and SDG&E look forward to further participation in this proceeding.

DATED this 16th day of June 2026, at Los Angeles, California.

Respectfully submitted,

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⁴⁴ SCE Opening Comments at 6.

⁴⁵ PG&E Opening Comments at 4, 10.

⁴⁶ *Id.* at 8.

⁴⁷ *Id.*

⁴⁸ SCE Opening Comments at 9.