

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



FILED

06/16/26

11:49 AM

R2604016

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 THE UTILITY REFORM NETWORK
ON THE ORDER INSTITUTING RULEMAKING**

Hayley Goodson
Managing Attorney
Email: Hayley@turn.org

Thomas Long
Outside Counsel
Email: tomjlong@sbcglobal.net

THE UTILITY REFORM NETWORK
360 Grand Avenue, #150
Oakland, CA 94610
Phone: (415) 929-8876

June 16, 2026

REPLY COMMENTS OF THE UTILITY REFORM NETWORK ON THE ORDER INSTITUTING RULEMAKING

In accordance with Ordering Paragraph 7 of the Order Instituting Rulemaking (OIR) and Rule 6.2 of the Commission's Rules of Practice and Procedure, The Utility Reform Network (TURN) submits these reply comments on the OIR.¹

1. SCOPE OF THE PROCEEDING

This section addresses the key threshold question of the issues that should be included in the scope of this case. TURN does not address parties' discussion of their substantive positions regarding how a particular issue should be resolved, as TURN expects an opportunity for substantive responses will be afforded in the course of the proceeding. Accordingly, TURN's silence on a substantive point should not be construed as agreement with that point.

1.1 The Opening Comments Show that the Commission Should Not Pursue Calculated Risk Tolerance Values

For a Risk Tolerance standard or framework to be useful to Commission GRC decision-making, TURN expects that the result of the Risk Tolerance effort would need to be a **calculated level of residual risk** (for each enterprise or RAMP risk) that would be deemed tolerable. TURN's opening comments raised three huge hurdles that need to be overcome in order to develop such calculated values: (1) determining whose risk tolerance should be measured; (2) addressing the problem that, in any population, risk attitude is highly variable; and (3) translating risk attitudes into a useful calculated value in a way that would be transparent and comprehensible to anyone other than utility experts.

¹ As with TURN's opening comments, these reply comments do not address SMJU Reporting.

No party's opening comments, including supplemental comments from Southern California Edison (SCE) and Pacific Gas and Electric Company (PG&E), should provide any confidence that these obstacles can be overcome. Parties such as the Sempra Utilities and SCE acknowledge the important threshold question of whose risk tolerance should be considered but fail to even suggest how that question should be resolved.² The Sempra Utilities also acknowledge that risk tolerance varies across stakeholder groups, but again do not explain how to address this challenge.³ Moreover, none of the parties advocating a Risk Tolerance standard or framework offer a roadmap that begins to explain how calculated values could be developed in a way that would be transparent and comprehensible to non-experts.

Thus, the opening comments only reinforce TURN's conviction that the wisest course for the Commission would be not to pursue a Risk Tolerance Framework or Standard designed to yield a numerical value that would indicate when residual risk has reached a tolerable level. In its opening comments, TURN referred to this as the pursuit of an "abstract" determination of Risk Tolerance, meaning divorced from real-world affordability concerns. But, following review of the opening comments and upon further consideration, TURN is skeptical that any effort to achieve a calculated level of tolerable risk would be fruitful, even if those calculations somehow included affordability considerations.

Thus, in Section 1.5, TURN recommends removing Risk Tolerance from the scope of issues in this case, to avoid miring the Commission and parties in a highly complex endeavor

² Sempra Utilities Opening Comments, p. 3; SCE Supplemental Comments, Appendix, p. 2.

³ Sempra Utilities Opening Comments, p. 3.

that is unlikely to advance the goal of focusing utility risk mitigation spending where it is most needed.

1.2 The Better Way to Improve the Balance Between Affordability and Risk Reduction Would Be to Replace the Risk Tolerance Issue with Proposals to Strengthen the Budget-Constrained Portfolio Optimization Measures Adopted in D.25-08-032

Removing the Risk Tolerance issue from this proceeding does not mean that the Commission should abandon efforts to better focus risk reduction spending in response to the affordability crisis. As stated in TURN's opening comments, TURN recommends that the scope of this case include improvements to the budget-constrained portfolio optimization framework adopted in D.25-08-032. This framework has the potential to illuminate how utilities can achieve optimal risk mitigation portfolios while meeting the critical goal of enabling affordable energy services. Possible improvements to this framework include, as noted in TURN's opening comments, constraining the utilities' ability to set the starting point for the budget constraints and expanding the portfolios to include all CPUC-jurisdictional spending.

In Section 1.5 below, TURN recommends specific wording for inclusion of this issue in the scope of this case.

1.3 The RAMP Schedule and Process Issue Should Be Broadened to Include Changes to the RDF and Rate Case Plan to Support Implementation of SB 254

Mussey Grade Road Alliance (MGRA)⁴ and the Commission's Public Advocates Office (Cal Advocates)⁵ point out that Senate Bill (SB) 254, which became effective on January 1,

⁴ MGRA Opening Comments, pp. 4-5.

⁵ Cal Advocates Opening Comments, p. 17.

2026, adopts new requirements to align Wildfire Mitigation Plan (WMP) review before the Office of Energy Infrastructure Safety (OEIS) with the CPUC's RAMP and GRC processes. The new requirements include direction to file WMPs concurrently with the submission of the RAMP application.⁶ SB 254 thus affords new opportunities for coordination and consistency between WMP and RAMP filings. In addition, SB 254 requires the commission to consider the cost of implementing the utility's WMP in its GRC,⁷ which raises questions about the timing of the decision on the WMP in relation to the preparation and filing of the GRC.⁸ Moreover, as MGRA notes, SB 254 removes the Commission's "ratification" role with respect to WMP decisions, on which eligibility for intervenor compensation for WMP-related work was based.⁹

The new requirements of SB 254 should be considered as the Commission contemplates changes to the RAMP schedule and Rate Case Plan in this case. The utilities' opening comments raise timing concerns about integrating input from the SPD report and RAMP submission into their GRC filings, but such integration issues may also apply to the outcomes of OEIS's WMP review process. In addition, this proceeding provides a good opportunity for the Commission to address how it can continue to encourage intervenor participation in the WMP process, especially now that WMPs will be expressly considered in GRCs.

In Section 1.5 below, TURN proposes specific modifications to the RAMP Schedule and Process issue and associated questions to include the implementation of SB 254.

⁶ Public Utilities Code Section 8386(c).

⁷ *Id.*, Section 8386.4(a).

⁸ OEIS is directed to approve or deny a WMP within nine months of submission, but OEIS has discretion to extend this deadline as needed. *Id.*, Section 8386.3(a)(1)(A) and (3).

⁹ MGRA Opening Comments, p. 4.

1.4 The BCR Calculation Issue Should Be Broadened to Include a Uniform Default Requirement for Risk Scaling and Can Also Accommodate Issues Raised by Cal Advocates

Based on the opening comments, TURN recommends adding questions to the “Improvements to RDF BCR Calculations” issue, as discussed below.

1.4.1 The Commission Should Explore Whether to Adopt a Uniform Default Risk-Scaling Approach for BCR Calculations

MGRA and Cal Advocates advocate for this proceeding to examine whether to impose requirements on the risk-scaling functions that utilities have employed.¹⁰ These functions differ among the utilities and have the effect in many situations of increasing the calculated risk reduction benefits from a mitigation compared to non-scaled calculations. TURN agrees with MGRA and Cal Advocates that this issue should be expressly included in this proceeding, with a focus on whether the Commission should direct a uniform, default approach to risk-scaling in utility BCR calculations.

Currently, each of the different utility approaches to risk-scaling assumes that risk values should be scaled up to some extent based on an assumption that risk aversion is the only appropriate risk attitude to assume for this purpose. This questionable assumption serves the utility’s financial interest in that it has the effect of increasing BCR values compared to risk neutral scaling (which means no scaling multipliers), thereby making more programs appear cost-effective. To date, the CPUC has adopted a mostly laissez-faire approach, allowing the utilities’ RAMP and GRC presentations to feature their preferred BCR calculations based on risk aversion multipliers. If risk neutral values are presented at all, they are typically buried in the voluminous and complex workpapers.

¹⁰ MGRA Opening Comments, pp. 3-4; Cal Advocates Opening Comments, p. 6.

The RDF's current laissez-faire policy defeats comparability among utilities and begs the question of why the featured values should include multipliers based on risk aversion. The utilities and their shareholders may find it advantageous to strike a risk averse posture, but, as previously discussed, ratepayers' attitude toward risk is likely to be highly variable depending on factors such as income/wealth, proximity to risky utility facilities, and diverse personality traits. Even a risk-seeking attitude may be more prevalent than is often assumed, as evidenced by the ever-increasing popularity of online betting and prediction markets. Given the range of risk attitudes among ratepayers, TURN would recommend that default BCR values for all utilities not be scaled based on controversial assumptions about risk preferences, while allowing utilities to present their preferred scaled values in their workpapers.

In Section 1.5, TURN recommends an additional question to be added to the BCR Calculation issue to address whether the RDF should adopt a default risk scaling approach and, if so, what that approach should be.

1.4.2 The Commission Should Consider Adding a Question to the Improvements to BCR Calculations Issue to Capture Issues Raised by Cal Advocates

Cal Advocates proposes certain additional issues for this OIR that would seem to fit well under the preliminarily scoped BCR Calculations issue. They include: (1) improving the standardization of utility calculations of costs;¹¹ and (2) specifying improved granularity in risk and risk reduction calculations (i.e., less reliance on averages).¹² These are worthwhile issues that would promote the goal of increasing the uniformity and comparability of BCR calculations

¹¹ Cal Advocates Opening Comments, pp. 2-4.

¹² Cal Advocates Opening Comments, pp. 4-5.

across utilities and are arguably already included in the issues the OIR lists under this heading. The Sempra Utilities also support this goal and the consideration of other BCR calculation issues in this case.¹³ In Section 1.5 below, TURN proposes an additional question that would remove any doubt that issues such as those proposed by Cal Advocates are included in the OIR scope.

1.4.3 The Commission Should Keep the PVRR Issue in this Case

The Commission should reject the request of the Sempra Utilities and Southern California Edison (SCE) to remove the Present Value of Revenue Requirement (PVRR) issue (Question 7 on page 16 of the OIR) from the scope of this case.¹⁴ Both utilities present arguments for why, when the merits of the issue is considered, the Commission should not adopt such a potential requirement. However, other parties, including Cal Advocates¹⁵ and Energy Producers and Users Coalition/ Indicated Shippers (EPUC/IS),¹⁶ join TURN¹⁷ in arguing for basing costs on PVRR. In addition, PG&E supports the inclusion of this issue in this case.¹⁸ Given the array of positions on PVRR, this issue warrants deeper consideration in this proceeding. The Sempra Utilities and SCE have not provided any good reasons for refusing to even consider the adoption of a PVRR requirement.

¹³ Sempra Utilities Opening Comments, p. 7.

¹⁴ Sempra Utilities' Opening Comments, p. 6; SCE Supplemental Comments, p. 9.

¹⁵ Cal Advocates' Opening Comments, p. 20.

¹⁶ EPUC/IS Opening Comments, pp. 15-17.

¹⁷ TURN Opening Comments, p. 5.

¹⁸ PG&E Opening Comments, pp. 20-21.

1.5 Summary of TURN's Recommended Changes to the OIR Scope

Based on the discussion above, TURN recommends that the preliminary list of issues on page 16 of the OIR be modified as follows:

- With respect to the “Risk Tolerance” issues, TURN recommends that the Commission **remove this issue and replace it with the heading “Improvements to Budget-Constrained Portfolio Optimization.”** Under that heading, TURN recommends the following question:
 - **Should the Commission modify the elements of the budget-constrained portfolio optimization framework adopted in D.25-08-032, and, if so, how?**
- With respect to the “RAMP Schedule and Process” issues, TURN recommends that the heading be modified to read **“RAMP and Rate Case Plan Schedule and Process”**. TURN recommends the following question be added (to current questions 4 and 5) under that modified heading:
 - **What, if any, changes to the RDF and Rate Case Plan should be made to support the implementation of Senate Bill 254? What, if any, changes should be made to support continued intervenor participation in the review of WMPs now that WMPs will be expressly considered in GRC proceedings?**
- With respect to the “Improvements to RDF BCR Calculations” issues, TURN recommends that the following questions be added (to current questions 6 and 7) under that heading:
 - **Should the Commission adopt a uniform default requirement for the risk scaling used to calculate risk and risk reduction? If calculations are based on anything other than an unscaled (risk-neutral) approach, should the Commission adopt a uniform default method for risk scaling calculations, and, if so, what should that method be?**

- **Should the Commission adopt other requirements on how the utilities calculate the BCR numerator or denominator in order to improve BCR calculations and increase uniformity among utilities?**

2. SCHEDULE ISSUES

2.1 The Commission Should Not Fast Track BCR Calculation Issues in this Case to Address Matters that Are Already Under Consideration in Application 26-02-005

PG&E and SCE propose that the BCR Calculation issues be considered in the first track of this case before other issues.¹⁹ Notwithstanding the fact that the scope of the SB 884 Joint IOU Application (A.26-02-005) includes the related issue of a standardized methodology for calculating BCRs, PG&E states that it believes that the issue of BCR calculation requirements should not be addressed in A.26-02-005 and instead should be addressed here through a fast track that would yield a decision by the end of 2026.²⁰

TURN disagrees. A.26-02-005 is already well along in developing a record on the BCR calculation issues germane to that proceeding, including consideration of an SPD White Paper dated April 10, 2026, on which all parties have now had an opportunity to comment. The BCR methodology issue scoped in that proceeding is specifically tailored to the review of applications proposing 10-year electrical undergrounding plans pursuant to Senate Bill 884 (2022, McGuire) and accordingly includes consideration of “any refinements necessary to address wildfire mitigation and reliability impacts associated with PSPS[], EPSS, and other outage programs.”²¹ While PG&E may wish that BCR calculation requirement issues not be addressed in A.26-02-

¹⁹ PG&E Opening Comments, pp. 4-5; SCE Opening Comments, pp. 8-9.

²⁰ PG&E Opening Comments, pp. 4, 8-9.

²¹ *Assigned Commissioner’s Scoping Memo and Ruling*, A.26-02-005, p. 5.

005, they are included in the scope of that case and can be expected to be resolved there. As the OIR states, the methods considered in that case may inform work in this proceeding.²²

Accordingly, rather than fast-tracking BCR Calculation issues in this case, it makes more sense to construct a schedule that allows parties' proposals here to consider and address the decision in A.26-02-005, which is contemplated by November 19, 2026.²³

2.2 The Necessary Procedural Elements and Associated Schedule for this Proceeding Is Highly Dependent on Whether the Commission Elects to Pursue the Risk Tolerance Issue and, If So, How.

As discussed in Section 1.1, TURN recommends that the Commission remove Risk Tolerance from the scope of this case. TURN believes that the pursuit of calculated risk tolerance values will not be fruitful and will not be worth the considerable time and resource commitments that would be required. Instead, as noted in Section 1.2, to address the need to better focus risk reduction spending in response to the affordability crisis, TURN recommends a much more manageable issue, improvements to the budget-constrained portfolio optimization framework adopted in D.25-08-032. TURN believes this issue could be resolved with party proposals, a workshop, and opening and reply comments.

However, if the Commission elects to proceed with the Risk Tolerance issue, TURN reiterates its recommendation for the consideration of this issue to begin with the issuance of a complete Staff proposal that would accomplish all of the Commission's objectives for a Risk Tolerance standard or framework. MGRA and SCE also recommend beginning with a Staff

²² OIR, p. 14.

²³ *Assigned Commissioner's Scoping Memo and Ruling*, A.26-02-005, p. 10.

proposal.²⁴ As TURN stated in its opening comments, if Staff cannot develop such a proposal, that is a strong indicator that a Risk Tolerance standard or framework that would be useful to GRC decision-making does not exist. If Risk Tolerance is pursued, the schedule should allow SPD sufficient time to prepare and present a comprehensive proposal. Parties should then be permitted to present alternative proposals. Party proposals should be subject to discovery and all proposals should be thoroughly addressed in workshops. After sufficient time for workshops and discovery, parties should be given adequate time to submit opening and reply comments on what could be extremely complicated proposals.

TURN opposes PG&E's recommendation for evidentiary hearings on Risk Tolerance issues²⁵ as premature. If Risk Tolerance is included in the scope, requests for evidentiary hearings should be allowed once proposals of the Staff and the parties have been presented. The fact that PG&E is already making known its desire for evidentiary hearings should be another indication to the Commission of the heavy demands this issue could impose on party and Commission resources.²⁶

²⁴ MGRA Opening Comments, p. 8; SCE Supplemental Comments, pp. 3-4.

²⁵ PG&E Opening Comments, pp. 3-4.

²⁶ Because Risk Tolerance has the potential to consume considerable Commission and party resources and become the dominant issue in this proceeding, the Commission's as-yet unknown decision on whether and how to address Risk Tolerance will have a huge effect on the schedule. An option for the Commission to obtain better-informed input from the parties before finalizing a schedule for this case would be to first issue a ruling regarding the Commission's intentions for the scope of this case. With the uncertainty regarding scope resolved, that ruling could solicit detailed proposals from the parties regarding the schedule for addressing those issues. To enable the parties' scheduling proposals to be as useful as possible, it would be helpful for such a ruling to indicate: whether or not Risk Tolerance issues will be considered in this case; and if Risk Tolerance is to be included, the nature of such issues; whether SPD will be directed to provide a proposal; and how long SPD would need for such a task.

2.3 TURN's Recommended Sequence of Issues

As noted in Section 2.2, TURN's ability to provide detailed schedule proposals is limited by our objection to the inclusion of Risk Tolerance in the final proceeding scope and the associated uncertainty regarding whether and how Risk Tolerance may be considered in this case. In addition, the scope and nature of the RAMP Schedule and Process and BCR Calculation issues is uncertain because of modifications and additions to those issues proposed in opening comments. Absent such knowledge, here, TURN will offer more general schedule recommendations, focusing on the sequence of consideration of issues, rather than offering ill-informed suggestions regarding the timing needed for, as yet, uncertain tasks.²⁷

TURN recommends that the first issue to address should be the "RAMP and Rate Case Plan Schedule and Process" issues, as described in Section 1.5 above. These issues are now ripe for consideration and can be addressed through a workshop or other process to identify and discuss process and timeline changes resulting from SB 254, followed by opening and reply comments.

The next issue in the sequence should be the "Improvements to RDF BCR Calculations," as described in Section 1.5 above. The schedule should allow first for party proposals, as parties will not know exactly what is being proposed until proposals have been submitted. The proposals should be subject to discovery and followed by workshops. Two rounds of comments should be allowed with the time intervals for the comments dependent on the number and complexity of proposals under consideration.

²⁷ This discussion does not address SMJU Reporting.

The third issue in the sequence should be TURN’s recommended “Improvements to Budget-Constrained Portfolio Optimization” issue, as described in Section 1.5. This issue can be addressed through party proposals, discovery on those proposals, workshops, and two rounds of comments. Putting this issue third in the sequence would also allow the Commission and parties to benefit from the review and analysis of SCE’s RAMP submission in A.26-03-018, in which SCE presents the first utility response to the budget-constrained portfolio optimization requirements adopted in D.25-08-032.

If the Commission decides to take up Risk Tolerance, this should be the last issue addressed, to allow SPD time to develop a comprehensive proposal, as discussed in Section 2.2. The process should include, at a minimum, the SPD proposal, an opportunity for party proposals, discovery on party proposals, workshops and opening and reply comments. The time intervals for these steps would be dependent on the guidance the Commission provides regarding its expectations for the Risk Tolerance issue.

3. CONCLUSION

For the reasons set forth above, TURN requests that the Commission adopt the recommendations presented in TURN’s opening and reply comments regarding scope and schedule for this proceeding.

Dated: June 16, 2026

Respectfully submitted,

By: _____/s/_____
Thomas J. Long

Thomas J. Long, Outside Counsel
THE UTILITY REFORM NETWORK
360 Grand Avenue, #150
Oakland, CA 94610
Phone : (415) 929-8876
Email: tomjlong@sbcglobal.net