

Decision \_\_\_\_\_

**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.

Rulemaking \_\_-\_\_-\_\_

**ORDER INSTITUTING RULEMAKING  
TO REFINE THE RISK-BASED DECISION-MAKING FRAMEWORK  
FOR ELECTRIC AND GAS UTILITIES**

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**ORDER INSTITUTING RULEMAKING  
TO REFINE THE RISK-BASED DECISION-MAKING FRAMEWORK  
FOR ELECTRIC AND GAS UTILITIES**

**Summary**

The Commission initiates this rulemaking to consider ways to strengthen the risk-based decision-making framework that regulated energy utilities use to assess, manage, mitigate and minimize safety risks. The rulemaking will build on requirements for a utility risk framework initially adopted and developed in Application 15-05-002, et al., *Safety Model Assessment Proceeding*; Rulemaking (R.) 13-11-006, *Risk-Based Decision-Making Proceeding*; and R.20-07-013, *Order Instituting Rulemaking to Further Develop a Risk-Based Decision-Making Framework for Electric and Gas Utilities*. Our goal is to continuously improve the prioritization of safety by electric and gas utilities.

To accomplish this, the proceeding has four objectives. First, this proceeding will explore how the Commission should develop and incorporate risk tolerance into the Risk-Based Decision-Making Framework to improve the assessment of utility risk mitigation proposals in the General Rate Case. Second, this proceeding will consider modifying the schedule for the Safety Policy Division's (SPD) evaluations of Risk Assessment Mitigation Phase filings to allow for additional time for SPD to complete the evaluation, as well as other procedural milestones. Third, this proceeding will consider improvements to Benefit-Cost Ratio methodology adopted and revised in several decisions issued in R.20-07-013. Fourth, this proceeding will assess the feasibility of extending Risk Spending Accountability Reports filing requirements to Alpine Natural Gas Operating Company No. 1, LLC and West Coast Gas Company, Inc.

## 1. Background

The Commission adopted the initial Safety Model Assessment Proceeding (S-MAP), Risk Assessment Mitigation Phase (RAMP), and Risk Spending Accountability Reports (RSAR) requirements in Decision (D.) 14-12-025 in Rulemaking (R.) 13-11-006, *Rulemaking to Develop a Risk-Based Decision-Making Framework to Evaluate Safety and Reliability Improvements and Revise the General Rate Case Plan for Energy Utilities*. The Commission further refined RAMP and RSAR requirements and adopted Safety Performance Metrics (SPM) report requirements in D.19-04-020, *Phase Two Decision Adopting Risk Spending Accountability Report Requirements and Safety Performance Metrics for Investor-Owned Utilities and Adopting a Safety Model Approach for Small and Multijurisdictional Utilities*; and Application (A.) 15-05-002, et al., *the Safety Model Assessment Proceeding*. In D.18-12-014, *Phase Two Decision Adopting Safety Model Assessment Proceeding Settlement Agreement with Modifications*, the Commission adopted detailed and standardized requirements for a risk-based decision-making framework (RDF) for the investor-owned utilities (collectively, IOUs or utilities). D.18-12-014 also reviewed progress on the S-MAP Long-Term Roadmap adopted in D.16-08-018, *Interim Decision Adopting the Multi-Attribute Approach (or Utility Equivalent Features) and Directing Utilities to Take Steps Towards a More Uniform Risk Management Framework*.<sup>1</sup>

The predecessor of this rulemaking, R.20-07-013, *Rulemaking to Further Develop a Risk-Based Decision-Making Framework for Electric and Gas Utilities*,

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<sup>1</sup> D.18-12-014 at Sections 5-6.

continued the improvements to the RDF. D.21-11-009, *Decision Addressing Phase I, Track 1 and 2 Issues*, modified the SPMs adopted in D.19-04-020, directed Southern California Edison Company (SCE) to test approved transparency guidelines in its 2022 RAMP, adopted a S-MAP Revised Lexicon, and adopted other minor modifications to the RDF adopted in D.18-12-014.<sup>2</sup> D.22-10-002, *Decision Addressing Phase I Tracks 3 and 4 Issues*, refined certain reporting requirements for the RSAR and updated requirements for utility's RAMP and subsequent General Rate Case (GRC) filings.<sup>3</sup> D.22-12-027, *Phase II Decision Adopting Modifications to the Risk-Based Decision-Making Framework Adopted in Decision 18-12-014 and Directing Environmental and Social Justice Pilots*, replaced the "Multi-Attribute Value Function" adopted in D.18-12-014 with a Cost-Benefit Approach that includes standardized dollar valuations of Safety, Electric Reliability and Gas Reliability Consequences from Risk Events, and directed the IOUs to undertake Environmental and Social Justice Pilots (ESJ Pilots).<sup>4</sup> D.24-05-064, *Phase 3 Decision*, modified D.22-12-007 and required the IOUs to present benefit-cost ratios (BCR)<sup>5</sup> for each GRC post-test year rather than an aggregate BCR for the entire post-test year period, adopted additional requirements for BCR calculation, modified the Transparency Pilot Guidelines appended to D.21-11-009, identified best practices for tranche granularity when

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<sup>2</sup> D.21-11-009 at 2.

<sup>3</sup> D.22-10-002 at 2.

<sup>4</sup> D.22-12-007 at 2.

<sup>5</sup> Cost-Benefit Ratio (CBR) and Benefit-Cost Ratio (BCR) are used interchangeably. D.25-08-032 revised CBR to BCR.

implementing the RDF, modified the risk scaling requirements of the RDF, and directed the IOUs to test integration of climate-based data into the RDF.

D.25-08-032, *Phase 4 Decision*, adopted several risk related requirements to the RDF including representation of Consequence of Risk Event as probability distribution, incorporation of Overall Residual Risk reporting, presentation of optimized risk mitigation portfolios with utility RAMP filings, and other risk related refinements; however, the decision declined to adopt a risk tolerance standard and delegated it to a successor proceeding.<sup>6</sup>

### **1.1. Risk-Based Decision-Making Framework**

The latest iteration of the RDF adopted in D.25-08-032 sets forth minimum requirements for IOU risk assessment models and the presentation of the results of these models in IOU RAMP filings.<sup>7</sup> In brief and general terms, the RDF requires the utilities to:

- **Build Cost-Benefit Approach:** This step outlines how to organize and display risk attributes or proxy attributes, or reasons why a utility would undertake a mitigation, that are measurable and can be monetized, as well as how to apply scaling functions to express different attitudes towards risks (more or less risk averse).
- **Identify Risks for the Enterprise Risk Register (ERR):** This step identifies the risks that a utility may face and is the starting point for identifying risks to be included in the RAMP filing.
- **Prepare the Risk Assessment and Risk Ranking for RAMP:** Using the cost-benefit approach, the utility will rank the

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<sup>6</sup> D.25-08-032 at 2, 21.

<sup>7</sup> See D.25-08-032 and, in particular, Attachment A, Appendix A for a full list of RDF requirements.

- risks included in the ERR and will identify the top 40% risks with a safety risk value greater than zero dollars, compute a monetized risk value, and finally identify the consequences and frequency of each risk event.<sup>8</sup>
- Select Enterprise Risks for RAMP: The analysis performed in the previous step will inform a preliminary selection of risks which the utility will present to stakeholders, including Commission staff, in a publicly noticed workshop. Based on feedback received, the utility will make its determination of the final list of risks to be addressed in its RAMP.
  - Analysis of Mitigation of Risks for the RAMP: The utility will calculate the level of risk before and after a proposed mitigation is applied and identify all assets and drivers associated with the risk event.<sup>9</sup> The utility will then combine assets or systems associated with the event into tranches, identify mitigations for each tranche and calculate the BCR for that tranche of assets.<sup>10</sup> The BCR is calculated by dividing the dollar value of mitigation benefit by the mitigation cost estimate. Finally, the utility will construct four optimized enterprise portfolios with differing budget scenarios, each showing the risk mitigation portfolios that result for each enterprise risk presented in the RAMP.

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<sup>8</sup> Risk event is an occurrence or change of a particular set of circumstances that may have potentially adverse consequences and may require action to address.

<sup>9</sup> For instance, for a wildfire risk event, the causes of wildfire, such as equipment malfunction, and the assets that could cause the wildfire, such as overhead wires and transformers.

<sup>10</sup> D.24-05-064 adopted a tranching method, but utilities are allowed to propose alternative methods.

## **1.2. Risk Assessment and Mitigation Phase Proceedings**

The RDF process is the vehicle that sets requirements for the RAMP filing. The objective of the RAMP is to provide the Commission with an opportunity to verify that a utility appropriately incorporated RDF direction. The process is initiated by the utility filing a RAMP application and hosting a workshop. Next, Safety Policy Division (SPD) staff issues an evaluation on the utility RAMP filing which is entered into the record of the RAMP proceeding. Parties have an opportunity to suggest modifications to a utility's proposed safety approach before that approach and related funding authorization requests are considered in the utility's GRC.<sup>11</sup>

D.22-10-002 established requirements for how utilities should reflect in their GRC applications the changes made to their risk model calculations based on recommendations for curing deficiencies identified in the RAMP filings. The aim of these combined activities is to ensure that the energy utilities prioritize safety in their GRC applications consistent with Public Utilities Code (Pub. Util. Code) Section 451.

## **1.3. Affordability of Rates**

The Commission is mandated to ensure Californians have safe, reliable, and affordable access to energy. Affordability is defined as "the degree to which

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<sup>11</sup> D.14-12-025 at 35-39. The current process has evolved since originally adopted, but its main milestones have remained: before the utility files a GRC Phase 1 application, the Commission staff evaluates the RAMP filing, and then parties comment on the Commission staff's evaluation.

a representative household is able to pay for an essential utility service charge, given its socioeconomic status.”<sup>12</sup>

The 2025 Senate Bill (SB) 695<sup>13</sup> Report notes that one of the largest contributors to rate increases is the increase in safety and reliability investments, in particular wildfire mitigation. Wildfire-related operational expenses (*e.g.*, vegetation management) and capital expenditures (*e.g.*, installing covered conductor or undergrounding portions of a distribution system) made up 27% of Pacific Gas and Electric Company’s (PG&E) and 17% of both SCE’s and San Diego Gas & Electric Company’s (SDG&E) total revenue requirement in 2024. In terms of bill impact, wildfire mitigation results in about \$250 to \$490 annual costs for bundled residential customers. Monthly wildfire mitigation represents on average 19% (PG&E), 17% (SCE), and 14% (SDG&E) of bundled residential bills as shown in Table 1.<sup>14</sup>

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<sup>12</sup> D.20-07-032 at Conclusion of Law (CoL) 1 and CoL 6.

<sup>13</sup> SB 695 (Kehoe), Stats. 2009, ch. 337.

<sup>14</sup> Commission’s 2025 SB 695 Report “2025 Senate Bill 695 Report, report to the Governor and Legislature on Actions to Limit Utility Cost and rate Increase Pursuant to Public Utilities Code Section 913.1” at 2. Based on typical customer usage of 500 kilowatt-hours (kWh) (PG&E climate zone X, SCE climate zone 9) and 400 kWh (SDG&E Inland climate zone). Available at: [https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2025/2025-sb-695-report\\_093025.pdf](https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2025/2025-sb-695-report_093025.pdf).

**Table 1 – PG&E, SCE, and SDG&E Wildfire-Related Portion of Average Monthly Bill, Bundled Residential Non-CARE<sup>15</sup> Customers (Year-End 2024)<sup>16</sup>**

	Total Monthly Bill	Wildfire Mitigation	Wildfire Liability	Total Wildfire-Related Portion (%)
PG&E	\$212	\$31	\$10	19%
SCE	\$159	\$17	\$10	17%
SDG&E	\$153	\$11	\$10	14%

Therefore, the balance between the level of risk management and rate affordability is a priority concern for the Commission.

#### **1.4. Small and Multi-Jurisdictional Utilities Risk Spending Accountability Reports Reporting**

Pub. Util. Code Section 591(a) directs the Commission to:

[R]equire an electrical or gas corporation to annually notify the commission, as part of an ongoing proceeding or in a report otherwise required to be submitted to the commission, of each time since that notification was last provided that capital or expense revenue authorized by the commission for maintenance, safety, or reliability was redirected by the electrical or gas corporation to other purposes.

D.14-12-025 adopted RSAR requirements for the large IOUs.<sup>17</sup> To establish compliance with Pub. Util. Code Section 591, the Commission directed the IOUs to include information on redirection of maintenance program spending in their annual RSARs as well as a requirement for Bear Valley Electric Service, Inc.

<sup>15</sup> California Alternate Rates for Energy.

<sup>16</sup> Commission's 2025 SB 695 Report at 38.

<sup>17</sup> D.14-12-025 at 43-48. The RSAR is an annual report that compares a utility's GRC projected spending to the actual spending on risk mitigation projects and explains discrepancies.

(BVES), PacifiCorp d.b.a. Pacific Power (PacifiCorp), Liberty Utilities (CalPeco Electric) LLC (Liberty), and Southwest Gas Corporation (SWG) to file RSARs in the applicable GRC proceeding where risk mitigation activities were authorized and in the current or most recent GRC at the time of its filing and continuing annually.<sup>18</sup> D.22-10-002 adopted modifications to the RSAR requirements and adopted a schedule for BVES, PacifiCorp, Liberty, and SWG to file RSARs.

## **2. Rulemaking Objectives**

This rulemaking has four objectives. The first objective is to consider incorporation of a risk tolerance standard into the RDF. The second objective is to improve the schedule and process for considering RAMP applications. The third objective is to further improve the BCR calculation. The fourth objective is to consider extending RSAR filing requirements to Alpine Natural Gas Operating Company No. 1, LLC (Alpine) and West Coast Gas Company, Inc. (WCG).

### **2.1. Risk Tolerance Standard**

The Commission in D.25-08-032 defined risk tolerance as “the maximum amount of overall residual risk remaining in a system managed by the utilities that is deemed acceptable to ratepayers after implementation of Controls and Mitigations, weighed against the costs needed for that incremental risk reduction.”<sup>19</sup> In addition, the Commission stated that “[t]he development of a risk tolerance standard will allow the Commission to answer the question of how

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<sup>18</sup> D.19-04-020 at 37, 50, Ordering Paragraph 13.

<sup>19</sup> D.25-08-032 at 9.

much risk reduction is sufficient, given the cost of that risk reduction, and allow the Commission to appropriately weigh safety and affordability.”<sup>20</sup>

This rulemaking will seek proposals to incorporate risk tolerance into the RDF with the main objective of improving decision making processes in GRCs.

As proposed, the rulemaking will entertain proposals that should:

- Build upon previously adopted direction for portfolio optimization and budget scenario development, as well as Residual Risk<sup>21</sup> to express how much unmitigated risk is left in the utility system that ratepayers would be expected to tolerate for each portfolio;
- Propose an approach to quantifying risk tolerance that represents California ratepayers; and
- Identify necessary modifications for incorporation of recommendations into the RDF.

Ultimately, the purpose for considering a risk tolerance standard is to allow the Commission, in a utility GRC Phase 1 proceeding, to better assess trade-offs between risk mitigation and affordability as well as the progress the utilities are making towards mitigating risk.

## **2.2. Risk Assessment Mitigation Phase Application Schedule and Process**

In D.20-01-002, the Commission adopted a revised GRC application filing schedule (Rate Case Plan) that transitioned the three-year GRC cycle to the

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<sup>20</sup> D.25-08-032 at 10.

<sup>21</sup> Residual Risk is the risk remaining after application of Mitigations, including Mitigations classified as Controls for a given GRC cycle. D.25-08-032, Appendix A at A-6.

four-year GRC cycle, which included a filing deadline for the RAMP evaluation.<sup>22</sup>

**Table 2 — Adopted revised GRC Phase 1 Application Filing Schedule Effective June 30, 2020<sup>23</sup>**

Date	Days	Event
<b>Test Year minus-3</b>		
May 15	Day 0	Utility files application to initiate its RAMP proceeding
By September 1	~Day 110	SED files and serve report on utility's RAMP submission.
By November 15	~Day 184	Opening comments on RAMP submission and the SED report
By December 1	~Day 200	Reply Comments

Since the adoption of this revised schedule, the RAMP requirements have become more complex and produce more data to be reviewed. SPD staff has found that 110 days is not enough time to complete a thorough and detailed evaluation of a RAMP report and associated workpapers. Since 2020, the Commission has granted SPD more time to complete its evaluation report for every RAMP filed. In Sempra's 2021 RAMP (A.21-05-011/A.21-05-014), the due date was extended to November 5.<sup>24</sup> In SCE's 2022 RAMP (A.22-05-013), the due date was extended to November 10.<sup>25</sup> In PG&E's 2024 RAMP (A.24-05-008), the due date was extended to November 8.<sup>26</sup> In Sempra's 2025 RAMP

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<sup>22</sup> At the time, the risk assessment section was part of the Commission's Safety and Enforcement Division (SED), so the schedule refers to SED rather than SPD.

<sup>23</sup> D.20-01-002 at 49.

<sup>24</sup> A.21-05-011 and A.21-05-014, E-Mail Ruling Modifying the Procedural Schedule at 2.

<sup>25</sup> A.22-05-013, E-Mail Ruling Revising the Procedural Schedule at 2.

<sup>26</sup> A.24-05-008, Assigned Commissioner's Scoping Memo and Ruling at 3-4.

(A.25-05-010/A.25-05-013), the due date was extended to October 10.<sup>27</sup> In the examples above, the Commission has generally granted extensions to SPD of about two months.

This rulemaking will consider modifying the schedule for SPD's evaluation of utility RAMPs to allow additional time, starting with PG&E's 2028 RAMP application. This rulemaking will also address the role of informal comments by parties, including if informal comments should continue to be provided. Informal comments are normally filed after RAMP applications are filed; however, these are not part of the adopted Rate Case Plan.

### **2.3. Benefit-Cost Ratio Methodology Updates**

The RDF does not provide explicit direction on how operations and maintenance (O&M) expenses should be treated in BCRs. Each utility has applied a unique approach to treating O&M expenses. Lack of clear standardization of methods leads to inconsistent treatment of O&M costs in utility filings, increases staff and parties' time for scrutinizing different approaches, and reduces transparency in the GRC process. Clarification to the RDF methodology would address the inconsistency that is sometimes evident in RAMP evaluations.

In addition, the RAMP Data Template and Guidelines, as adopted in Appendix D to D.25-08-032, introduced an optional Present Value Revenue Requirement (PVRR) field to capture the financial information the utility used in its GRC and long-term planning to evaluate the cost implications of investments or programs over the life of the asset. In D.25-08-032, the Commission recognized

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<sup>27</sup> A.25-05-010 and A.25-05-013, Assigned Commissioner's Scoping Memo and Ruling at 5.

that a PVRR will make BCR calculations more accurate and representative of the lifetime costs of a risk reporting unit<sup>28</sup> and suggests a successor proceeding discuss whether a PVRR metric should be required in BCR calculations.<sup>29</sup>

This rulemaking will consider necessary improvements to these two aspects of BCR calculation to increase transparency and improve assessment of risk mitigations that are part of the RAMP.

On February 9, 2026, PG&E, SCE and SDG&E filed A.26-02-005 *“Joint Application of Pacific Gas and Electric Company (U39E), Southern California Edison (U338E) and San Diego Gas & Electric Company (U902E) Requesting Commission Approval of Proposals for a BCR Calculation Methodology, Audit Methodology, and Cost Recovery Conditions as Specified in Resolution SPD-37.”*

As noted in the application, “[t]he processes, methodologies, cost recovery conditions and other considerations addressed in this proceeding apply only to a [SB] 884 10-year undergrounding program and are not applicable to other programs or proceedings.” Still, methods considered in A.26-02-005 may inform work in this proceeding.

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<sup>28</sup> A risk reporting unit is a Commission jurisdictional effort within Electric Operations or Gas Operations that simultaneously removes or mitigates the risk associated with a group of contiguous assets or systems that exhibit high levels of risk. D.25-08-032, Appendix A at A-7.

<sup>29</sup> D.25-08-023 at 121.

**2.4. Extending Risk Spending Accountability Reports Filing Requirements to Alpine Natural Gas Operating Company No. 1, LLC and West Coast Gas Company, Inc.**

D.22-10-002 established RSAR filing requirements for BVES, PacifiCorp, Liberty, and SWG but did not name the other small and multi-jurisdictional utilities (SMJUs): Alpine, and WCG. As there is no explicit requirement for these utilities to file RSARs, filing is optional. So far, neither Alpine nor WCG have filed RSARs. There may be legitimate reasons to not require these utilities to file RSARs. However, requiring reporting would comply with Pub. Util. Code Section 591, and would provide transparency and accountability in utility safety program spending.

This rulemaking will consider the benefits and barriers of extending reporting requirements adopted in D.22-10-002 to all SMJUs operating in California.

**3. Preliminary Scoping Memo**

This rulemaking will be conducted in accordance with Article 6 of the Commission's Rules of Practice and Procedure (Rules). As required by Rule 7.1(d), this OIR includes a preliminary scoping memo as set forth below and preliminarily determines the category of this proceeding and the need for hearing.

In response to this OIR, parties will have the opportunity to provide comments on the preliminary schedule, issues, category, and need for hearing, as set forth below. After a prehearing conference, the assigned Commissioner will

issue a Scoping Memo and Ruling that will establish the issues and procedural path in greater detail.

### **3.1. Preliminary Scoping Issues**

The preliminary list of issues for the scope of this rulemaking are as follows:

#### **Risk Tolerance**

1. Should the Commission adopt a Risk Tolerance Standard or Framework for the RDF? If so, what standard or framework should the Commission adopt?
2. How should a Risk Tolerance Standard or Framework inform risk mitigation investments in GRC Phase 1 applications?
3. Should the Commission, and if so how, adopt a benchmark that reflects the level of common risks California utility customers face in their everyday lives? How should this benchmark inform risk mitigation investments in GRC Phase 1 applications?

#### **RAMP Schedule and Process**

4. Should the Commission modify the Rate Case Plan to allow the SPD more time to complete its evaluation of a utility's RAMP application?
5. Should the structure of the formal schedule allow parties the option to provide informal comments on RAMP filings in addition to formal comments on RAMP filings and SPD evaluation report?

#### **Improvements to RDF BCR Calculations**

6. Should the Commission adopt a standard method to treat O&M expenses in the calculation of BCRs?
7. Should the Commission require BCR calculations to be based on an estimated ratepayer PVRR in the RDF?

**SMJU Reporting**

8. Should the Commission require Alpine and WCG to file RSAR reports based on the requirements for other utilities in D.22-10-002?

**3.2. Preliminary Schedule**

The preliminary schedule for this proceeding is presented below.

<b>Event</b>	<b>Date</b>
Comments on OIR filed and served	30 days after OIR issued
Replies on OIR filed and served	40 days after OIR issued
Prehearing Conference held	Within 60 days after OIR issued
Scoping Memo	Around 90 days after OIR issued
Comments on Scoping Memo and replies filed and served	Q3 2026
Ruling Seeking Party Proposals on Risk Tolerance	Q3 2026
Workshop(s)	Q3-Q4 2026
Party Risk Tolerance Proposals	Q4 2026
Ruling on BCR Modifications	Q1 2027
Comments on Ruling on BCR Modifications	Q1 2027
Replies on Ruling on BCR Modifications	Q1 2027
Comments on Risk Tolerance Party Proposals	Q1 2027
Replies on Risk Tolerance Party Proposals	Q1 2027
Proposed Decision	Q2 2027
Final Decision	Q2 2027

The assigned Commissioner or the assigned Administrative Law Judge (ALJ) may change the schedule to promote the efficient and fair administration of this proceeding.

It is the Commission's intent to complete this proceeding within 18 months of the date this decision is adopted in accordance with Pub. Util. Code Section 1701.5(b).

Notice of workshops and public meetings in this proceeding will be served to the service list of this proceeding and posted on the Commission's Daily Calendar. The public will be informed if a decision-maker or advisor may be present at those meetings or workshops.

### **3.3. Opportunity for Comments**

Pursuant to Rule 1.4(a)(2), all entities and persons that submit comments on this OIR will automatically become parties to this rulemaking.

This OIR requests comments on the substantive questions in Appendix A relating to Risk Tolerance, BCR Modifications, RAMP Schedule/Process, and SMJU Reporting.

This OIR also solicits party comments on the following scoping and procedural questions:

- a. Whether changes to the preliminary scope of issues should be made;
- b. Whether there are objections to the preliminary categorization of this proceeding;
- c. Whether evidentiary hearings are needed;
- d. Whether to hold workshop(s) on any of the following topics: Risk Tolerance, BCR Modifications, RAMP Schedule/Process, and/or SMJU Reporting; and

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

### **3.4. Categorization and Need for Hearing**

Rule 7.1(d) requires that an OIR preliminarily determine the category of the proceeding and the need for a hearing. We preliminarily determine that this proceeding is quasi-legislative as defined in Rule 1.3(f). This preliminary determination is not appealable, but shall be confirmed or changed via ruling by the assigned Commissioner. The assigned Commissioner's determination as to category is subject to appeal pursuant to Rule 7.6.

We anticipate that the issues in this proceeding may be resolved through a combination of filed comments and workshop(s), and that evidentiary hearings will not be necessary. Any person who objects to the preliminary hearing determination shall state the objections in their comments on this OIR. The assigned Commissioner will determine the need for hearing in the scoping ruling.

## **4. Respondents**

Alpine, BVES, Liberty Utilities (CalPeco Electric), PacifiCorp, PG&E, SCE, SDG&E, Southern California Gas Company, SWG, and WCGC are named as respondents to this proceeding.

Respondents are parties to the proceeding (*see* Rule 1.4(d)). Within 15 days of the effective date of this OIR, each respondent shall inform the Commission's Process Office of the contact information for a single representative; other representatives and persons affiliated with the respondents may be placed on the Information Only service list. The request must be sent to the Commission's

Process Office by email ([Process\\_Office@cpuc.ca.gov](mailto:Process_Office@cpuc.ca.gov)). Please include the Docket Number of this rulemaking in the request.

## **5. Service of Order Instituting Rulemaking**

This OIR shall be served to all proceeding respondents. In the interest of broad notice, this OIR will also be served on the official service lists for the following proceedings:

- (a) R.20-07-013: Order Instituting Rulemaking to Further Develop a Risk-Based Decision-Making Framework for Electric and Gas Utilities.
- (b) A.25-05-009: Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2027 (U 39 M).
- (c) A.23-05-010: Application of Southern California Edison Company (U 338-E) for Authority to Increase Its Authorized Revenues for Electric Service in 2025, Among Other Things, and to Reflect That Increase in Rates.
- (d) A.22-05-015/016: Application of Southern California Gas Company (U904G) for Authority, Among Other Things, to Update Its Gas Revenue Requirement and Base Rates Effective on January 1, 2024.
- (e) A.22-08-010: Application of Bear Valley Electric Service, Inc. (U913E) for Authority to, Among Other Things, Increase Rates and Charges, and Authorized Revenues, for Electric Service Effective January 1, 2023.
- (f) A.24-09-010: Application of Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authority to Among Other Things, Increase Its Authorized Revenues for Electric Service, Establish Marginal Costs, Allocate Revenues, and Design Rates, as of January 1, 2025.

- (g) A.22-05-006: In the Matter of the Application of PacifiCorp (U901E), for an Order Authorizing a General Rate Increase Effective January 1, 2023.
- (h) A.24-05-002: Application of West Coast Gas Company to Revise Its Gas Rates and Tariffs (U910G).
- (i) A.25-05-010/013: Application of Southern California Gas Company (U904G) to Submit Its 2025 Risk Assessment and Mitigation Phase Report.
- (j) A.24-05-008: Application of Pacific Gas and Electric Company (U 39 M) to Submit Its 2024 Risk Assessment and Mitigation Phase Report.
- (k) A.22-05-013: Application of Southern California Edison Company (U338E) Regarding 2022 Risk Assessment Mitigation Phase.
- (l) A.26-02-005: Joint Application of Pacific Gas and Electric Company (U39E), Southern California Edison (U338E) and San Diego Gas & Electric Company (U902E) Requesting Commission Approval of Proposals for a BCR Calculation Methodology, Audit Methodology, and Cost Recovery Conditions as Specified in Resolution SPD-37.

Other than respondents, service of the OIR does not confer party status or place any person who has received such service on the official service list for this proceeding. Instructions for obtaining party status or being placed on the official service list are given below.

## **6. Addition to Official Service List and Subscription Service**

Addition to the official service list is governed by Rule 1.9(f). Upon request, any person will be added to the "Information Only" category of the official service list. Any person intending to make such a request should do so promptly in order to ensure timely electronic service of all comments and other

documents and correspondence in the proceeding. (*See* Rule 1.9(f).) The request must be sent to the Process Office at [process\\_office@cpuc.ca.gov](mailto:process_office@cpuc.ca.gov)) or letter (Process Office, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, California 94102). Please include the Docket Number of this rulemaking in the request.

Persons who file responsive comments to this OIR will automatically become parties to the proceeding (*see* Rule 1.4(a)(2)) and will be added to the “Parties” category of the official service list upon such filing.

In order to assure service of comments and other documents and correspondence in advance of obtaining party status, persons should promptly request addition to the “Information Only” category as described above; they will be removed from that category upon obtaining party status.

Persons may monitor the proceeding by subscribing to receive electronic copies of documents in this proceeding that are published on the Commission’s website. There is no need to be on the official service list in order to use the subscription service. Instructions for enrolling in the subscription service are available on the Commission’s website at <http://subscribecpuc.cpuc.ca.gov/>.

## **7. Filing and Service of Comments and Other Documents**

Filing and service of comments and other documents in the proceeding are governed by the Commission’s Rules. Parties are instructed to only serve documents on the assigned Commissioner, advisors to the assigned Commissioner, and the assigned ALJ by electronic copy and not by paper copy, unless specifically instructed to do otherwise.

When serving any document, each party must ensure that it is using the current official service list on the Commission's website.

This proceeding will follow the electronic service protocol set forth in Rule 1.10. All parties to this proceeding shall serve documents and pleadings using electronic mail whenever possible, transmitted no later than 5:00 p.m. on the date scheduled for service to occur.

When serving documents on Commissioners or their personal advisors, whether or not they are on the official service list, parties must only provide electronic service. Parties must not send hard copies of documents to Commissioners, their personal advisors, or the ALJ unless specifically instructed to do so.

Persons who are not parties but wish to receive electronic service of documents filed in the proceeding may contact the Process Office at [process\\_office@cpuc.ca.gov](mailto:process_office@cpuc.ca.gov) to request addition to the "Information Only" category of the official service list pursuant to Rule 1.9(f).

The Commission encourages those who seek information-only status on the service list to consider the Commission's subscription service as an alternative. The subscription service sends individual notifications to each subscriber of formal e-filings accepted by the Commission. Notices sent through subscription service are less likely to be flagged by spam or other filters. Notifications can be for a specific proceeding, a range of documents and daily or weekly digests.

**8. Receiving Electronic Service from the Commission**

Parties and other persons on the service list are advised that it is the responsibility of each person or entity on the service list for Commission proceedings to ensure their ability to receive emails from the Commission. Please add “@cpuc.ca.gov” to your email safe sender list and update your email screening practices, settings and filters to ensure receipt of emails from the Commission.

**9. Intervenor Compensation**

Intervenor compensation is permitted in this proceeding. Pursuant to Pub. Util. Code Section 1804(a)(1), a customer who intends to seek an award of compensation must file and serve a notice of intent to claim compensation within 30 days after the prehearing conference.

**10. Public Advisor**

Any person interested in participating in this proceeding who is unfamiliar with the Commission’s procedures or has questions about the electronic filing procedures is encouraged to obtain more information at <https://www.cpuc.ca.gov/about-cpuc/divisions/news-and-public-information-office/public-advisors-office> or contact the Commission’s Public Advisor at 1-866-849-8390 or 1-866-836-7825 (TTY), or send an email to [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov).

**O R D E R**

**IT IS ORDERED** that:

1. This Order Instituting Rulemaking is adopted pursuant to Rule 6.1 of the California Public Utilities Commission’s Rules of Practice and Procedure.
2. The preliminary categorization of this rulemaking is quasi-legislative.

3. The preliminary determination is that hearings are not needed.
4. The preliminary scope of issues is as stated above in Section 3 and is adopted.
5. The preliminary schedule for this rulemaking is as stated above in Section 3 and is adopted.
6. Alpine Natural Gas Operating Company No. 1, LLC, Bear Valley Electric Service, Liberty Utilities (CalPeco Electric), Inc., Pacific Gas and Electric Company, PacifiCorp d.b.a. Pacific Power, San Diego Gas & Electric Company, Southern California Edison Company, Southern California Gas Company, Southwest Gas Corporation, West Coast Gas Company, Inc., are respondents to this Order Instituting Rulemaking.
7. Respondents to this Order Instituting Rulemaking shall and any other person may file comments responding to this Order Instituting Rulemaking within 30 days of the issuance of this order, and any person may file reply comments within 40 days after the issuance of this order.
8. The Executive Director will cause this Order Instituting Rulemaking to be served on all respondents and on the service lists for the following Commission proceedings:
  - (a) Rulemaking 20-07-013: Order Instituting Rulemaking to Further Develop a Risk-Based Decision-Making Framework for Electric and Gas Utilities.
  - (b) Application (A.) 25-05-009: Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2027 (U 39 M).

- (c) A.23-05-010: Application of Southern California Edison Company (U 338-E) for Authority to Increase Its Authorized Revenues for Electric Service in 2025, Among Other Things, and to Reflect That Increase in Rates.
- (d) A.22-05-015/016: Application of Southern California Gas Company (U904G) for Authority, Among Other Things, to Update Its Gas Revenue Requirement and Base Rates Effective on January 1, 2024.
- (e) A.22-08-010: Application of Bear Valley Electric Service, Inc. (U913E) for Authority to, Among Other Things, Increase Rates and Charges, and Authorized Revenues, for Electric Service Effective January 1, 2023.
- (f) A.24-09-010: Application of Liberty Utilities (CalPeco Electric) LLC (U 933-E) for Authority to Among Other Things, Increase Its Authorized Revenues for Electric Service, Establish Marginal Costs, Allocate Revenues, and Design Rates, as of January 1, 2025.
- (g) A.22-05-006: In the Matter of the Application of PacifiCorp (U901E) for an Order Authorizing a General Rate Increase Effective January 1, 2023.
- (h) A.24-05-002: Application of West Coast Gas Company to Revise Its Gas Rates and Tariffs (U910G)
- (i) A.25-05-010/013: Application of Southern California Gas Company (U904G) to Submit Its 2025 Risk Assessment and Mitigation Phase Report.
- (j) A.24-05-008: Application of Pacific Gas and Electric Company (U 39 M) to Submit Its 2024 Risk Assessment and Mitigation Phase Report.
- (k) A.22-05-013: Application of Southern California Edison Company (U338E) Regarding 2022 Risk Assessment Mitigation Phase.
- (l) A.26-02-005: Joint Application of Pacific Gas and Electric Company (U39E), Southern California Edison (U338E)

and San Diego Gas & Electric Company (U902E)  
Requesting Commission Approval of Proposals for a BCR  
Calculation Methodology, Audit Methodology, and Cost  
Recovery Conditions as Specified in Resolution SPD-37.

9. Any party that expects to claim intervenor compensation for its participation in this Rulemaking must file its notice of intent to claim intervenor compensation within 30 days of the prehearing conference, or if no prehearing conference is held, within 30 days after the issuance of the scoping ruling.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.

# APPENDIX A

## Appendix A – Substantive Questions

### Risk Tolerance

1. Should the definition of Risk Tolerance be updated to reflect affordability concerns?
2. What Risk Tolerance requirements should the Commission incorporate into the RDF to improve the assessment of utility risk mitigation proposals in the GRC?
3. Should the Commission adopt a Risk Tolerance Standard or a Framework?
4. How should Risk Tolerance capture the relationship between acceptable level of risk mitigation, tolerance for unmitigated risk, and affordability of rates?
5. Should the Commission ask parties to develop Risk Tolerance proposals? If so, what guidance should the Commission provide to parties to develop Risk Tolerance proposals?
  - 5.1. What specific issues and questions must parties address in their Risk Tolerance proposals?
  - 5.2. Should Risk Tolerance proposals build upon previously adopted direction for portfolio optimization and budget scenario development to express how much Residual Risk is acceptable to ratepayers in the utility system after application of risk mitigation activities for each portfolio?
  - 5.3. Should proposals explain how the benchmark of common risks and the Residual Risk remaining in a utility's system be used to determine a tolerable level of Residual Risk in a utility's system?
  - 5.4. What additional methods, inputs, data sets, *etc.*, if any, should the Commission adopt to support the determination of a Risk Tolerance Standard or Framework?
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?

7. How should a benchmark that reflects the level of common risks California utility customers could be reasonably expected to tolerate in their daily lives be calculated?
  - 7.1. What common risk factors (*e.g.*, motor vehicle accidents, commercial and/or private airplane accidents, violent assaults, drownings, housefires, *etc.*) should be included in this benchmark and how should these factors be accounted for?
  - 7.2. What data sources should be used to calculate this benchmark?
  - 7.3. How should the Commission use this benchmark to determine whether the Residual Risk remaining in a system managed by utilities after implementation of Controls and Mitigations is acceptable to ratepayers?
  - 7.4. How often should this benchmark be calculated and updated?
  - 7.5. Should this benchmark be representative of all California utility customers or representative of each utility's customers?
8. What other additional considerations should the Commission take into account with regards to the incorporation of a Risk Tolerance Standard or Framework?

### **RAMP**

9. Should the Commission also modify the due dates for filing opening and reply comments on RAMP submission and the SPD report?
10. How should the formal schedule account for the optional informal comments?

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

13. Should the Commission adopt a standard method for calculating a PVRR metric or multiplier?
  - 13.1. If so, what requirements should this standard method include and what costs (*e.g.*, rate of return, taxes, *etc.*) should the PVRR metric or multiplier account for?
14. Should the Commission examine how PG&E calculated its PVRR multiplier to estimate costs in its 2024 RAMP?
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?
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?
17. Which interest rate or rates should be used to calculate the PVRR metric or multiplier?
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?
19. Should the Commission address other outstanding issues relating to BCR methodology and/or calculation? If so, which ones and why?

### **SMJU Reporting**

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

**(END OF APPENDIX A)**