
Electricity Affordability Reform

Center for Law, Energy, & the Environment

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Senate Energy, Utilities and Communication Committee
March 3, 2026

UC Berkeley Center for Law, Energy
& the Environment

ABOUT CLEE

The Center for Law, Energy, & the Environment (CLEE) believes solving our most pressing environmental challenges requires actionable research, training, and engagement to accelerate the implementation of solutions.

CLEE tackles climate change and other environmental challenges at the local to global scale through the development and implementation of equitable and effective legal and policy solutions. Our expert staff leverages the world's leading public research university to engage community leaders, government, business, and other stakeholders; to lead timely and practical research initiatives; and to train leaders to take action on our most pressing environmental problems.

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CLEE Electricity Affordability Convening - December 2025

- Gathering of experts (academic, advocates, former government, practitioners)
- Identified major issues related to electricity affordability in California
- Specific proposals today informed by the discussion, but not attributable to anyone other than CLEE
- Report on convening is in progress - Identified three broad areas to review

1. Wildfire Related Expense

1. Regulatory Capacity Constraints

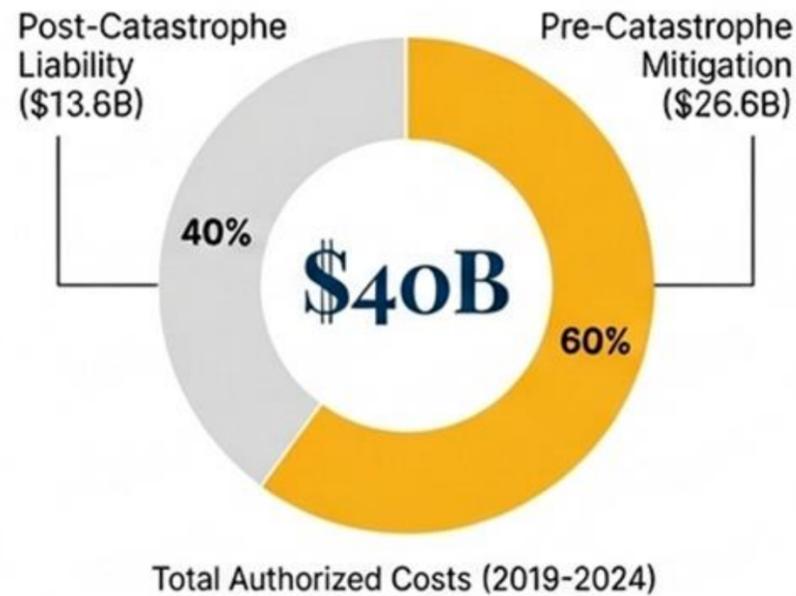
1. Utility Business Model Reform

Proposal #1: Wildfire Capital Expenditure Return on Equity

The Economic Burden: Wildfire Costs and the Shift to Capital Expenditures

Current regulatory incentives turn safety investments into long-term profit centers.

The Situation



Consumer Impact: Wildfire costs drive annual bill increases of \$250-\$500 per household.

The Pivot: OpEx vs. CapEx



Immediate Rate Spike



Pass-through cost.
No Profit.



Decades of Payments



\$1 Billion
Investment



\$3 Billion
Total Cost to
Ratepayers

Financing costs can
triple the expense
over the asset's life.

The Profit Mechanism (ROE)

Utility	Debt Cost	Equity Return (Profit)	Total Cost of Capital
PG&E	5.04%	9.98%	7.61%
SCE	4.71%	10.03%	7.59%
SDG&E	4.59%	9.93%	7.41%

Shareholders earn
~10% profit on
safety assets.

Proposal #1: Wildfire Capital Expenditure Return on Equity

Policy Resolution: Authorizing a ‘Split ROE’ for Wildfire Mitigation

The Proposal: A Specific Lower Rate for Safety Assets

Regulators could authorize a split Return on Equity (ROE) with a lower rate of return specifically for Wildfire Capital Expenditures. This applies only to wildfire management plans, separating safety investments from standard utility profit models.



Stop Crisis Profiteering

Shareholders should not extract monopoly profits from the climate crisis. This strikes a fair balance between necessary financing and protecting ratepayers.



Lower Risk = Lower Return

Wildfire mitigation reduces catastrophe liability risk. A safer grid is a safer investment, justifying a lower return without harming credit ratings.



Combat “Goldplating”

Lowering the profit margin on CapEx ensures utilities choose undergrounding because it is safer, not just because it yields the highest shareholder earnings.



Cheaper “Mortgage” Rates

While shifting to CapEx avoids OpEx volatility, a Split ROE lowers the long-term financing costs that ratepayers must service for decades.

THE RESULT: Immediate rate relief as OpEx falls off the books, combined with sustainable long-term infrastructure funding that prevents generational rate lock-in.

Proposal #2: CPUC Independent Investigative Unit

The Structural Deficit: Information Asymmetry & The Reactive Trap

Current General Rate Case (GRC) proceedings are buried in paper.

10,000+

Pages of testimony & technical docs per case

1,300

Annual advice letters filed

300

Balancing accounts maintained

“Parties face an uphill battle challenging the utility’s accounting records... Because it initiates the rate case and generates the information needed for the PUC to approve a rate, the utility is inherently advantaged.”

— HARVARD LAW REPORT (2025)

Proposal #2: CPUC Independent Investigative Unit

The Policy Solution: A Proactive Investigative Unit

A specialized team operating outside the General Rate Case constraints.



THE MECHANISM

Focused on fact-finding, root cause analysis, and reporting (like a Civil Grand Jury).

Precedents include the San Bruno Commission and FERC Enforcement.

Produces informational reports with no rate-setting authority, preserving due process.

STRATEGIC BENEFITS

- **Proactive:** Affirmatively searches for waste, fraud, and abuse.
- **Unrestricted:** Leverages existing CPUC authority without rigid deadlines.
- **Deep Expertise:** Senior analysts conduct 'deep dives' into missed issues.

NotebookLM

CLEE - Next Steps

- We welcome feedback.
- These proposals are a work in progress.
- We continue to work on additional topics.

Additional Areas of Research

- Community Hardening and Funding
- Role of Insurance and Electric Rates
- Alternative Financing of Infrastructure
- General Rate Case (GRC) Reform
- Memorandum / Balancing Account Reform
- Quasi-Judicial vs Policy Role of Agencies

Thank you!

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