



#### Our Mission

We're working to rapidly reduce climate pollution at scale, starting in California.

#### Board of Directors

Lokelani Devone, Chair  
Venise Curry, MD, Vice Chair  
Elliot Hinds, Treasurer  
Jean S. Fraser, Secretary  
Susan Longville  
Mary Luévano  
Steven A. Nissen  
Carl Mears, PhD  
Susan Thomas  
Lisa Whitescarver

#### Executive Staff

Ellie Cohen, Chief Executive Officer  
Lois Downy, Chief Financial Officer  
Lauren Bourke, Chief Development Officer  
Barry Vesser, Chief Operations Officer

#### Strategic Advisors

Peter Barnes, Co-founder, Working Assets  
Rick Brown, TerraVerde Renewable Partners  
Jeff Byron, Former CA Energy Commissioner  
Joe Como, Former Director, CA Office of Ratepayer Advocates  
Ann Hancock, Chief Strategist & Co-Founder, The Climate Center  
Hunter Lovins, President, Natural Capitalism Solutions

#### Science & Technical Advisors

Fred Euphrat, PhD  
Daniel M. Kammen, PhD  
Lorenzo Kristov, PhD  
Alexandra von Meier, PhD  
Edward C. Myers, M.S.Ch.E.  
Greg Thomson, Green Solutions & Technologies  
Mathis Wackernagel, PhD  
Ken Wells, E.I.T.  
Ai-Chu Wu, PhD

#### Contact

[theclimaticenter.org](http://theclimaticenter.org)  
1275 4th Street #191  
Santa Rosa, CA 95404  
707-525-1665

Senator Anna Caballero  
Chair, Senate Energy, Utilities and Communications Committee  
1021 O Street, Suite 7620  
Sacramento, CA 95814

May 14th, 2025

#### RE: SB 500 (Stern) – The Climate Center – SUPPORT

Dear Chair Caballero,

I am writing to express The Climate Center's support for SB 500 (Stern).

The Climate Center is a climate and energy policy nonprofit working to rapidly reduce climate pollution at scale. We are a think-tank/do-tank working collaboratively for accelerated, equity-centered, labor-friendly climate policy in California. We know that as goes California, so goes the world. With the climate crisis rapidly worsening, we engage in cross-sector coalitions to enact bold, science-based policy that sparks innovation and channels market forces for speed and scale GHG reductions to benefit everyone.

Electrification of fossil-fuel-using activities is a key requirement for reducing GHG emissions, but the growing electricity affordability crisis threatens those efforts. Addressing affordability now demands a thorough examination of all causal factors and possible solutions, including investigating what form of utility compensation structure would best serve California ratepayers. In recent years, IOUs have seen their profits rise, primarily because they earn a generous return on infrastructure investments, such as building power lines and undergrounding to reduce wildfire risks. Meanwhile, ratepayers have been experiencing a relentless increase in their electricity bills.

A recent report noted<sup>1</sup>: "There is an inherent tension in the cost of service-based utility regulatory model. As investor-owned businesses, IOUs seek to maximize their profits, which often runs headlong into regulators' goal of achieving just and reasonable rates. ... a root cause of this problem: excessive utility rates of return allowed by utility commissions in setting customer prices."

---

<sup>1</sup> See <https://www.economicliberties.us/our-work/rate-of-return/#>

We are at a pivotal time when California must address not only the climate crisis but also the affordability crisis.

SB 500 takes a needed first step by requiring that CPUC evaluate metrics that encourage electrical corporations to propose the most cost-effective solutions for safe and reliable electrical service. The current 'cost of service' regulation uses a cost-plus methodology to compensate the investor utilities, meaning they earn a guaranteed rate of return on how much they spend on capital investments, and this ensures cost recovery and the financial viability of a utility. High electricity prices are a direct consequence of the cost inefficiencies that are exacerbated by this cost-plus approach.

SB 500 will require the CPUC to evaluate approaches that prioritize performance metrics and financial performance-based incentives that

- Incentivize the utility to use non-wire alternatives like distributed energy resources, or virtual power plants when they will help meet load growth;
- Opt for the lowest cost alternatives when transmission and distribution upgrades are needed;
- Support the right balance between improving transmission and distribution system safety and cost effectiveness.

This bill takes the right approach to long term affordability. If we want to keep electricity costs affordable we need to incentivize the utilities by ensuring that they are compensated based on the performance against criteria that produce affordability. Otherwise they will always be incentivized to continue to build large costly transmission infrastructure to accommodate more demand, since they earn a guaranteed profit by doing so.

For these reasons, we strongly urge you to do all you can to move SB 500 through your Committee and the California Senate. Thank you for your leadership on this important issue.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Ellie Cohen', with a long, sweeping horizontal line extending to the right.

Ellie Cohen, CEO  
The Climate Center

cc: Senator Stern