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Assembly Committee on Utilities and Energy, Oversight Hearing
October 28, 2026 • State Capitol, Sacramento, 1021 O Street, Room 1100

Lower Risk to Increase Credit Ratings to Benefit Ratepayers

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Policy makers face a difficult choice on wildfire reform package.

1) **Treat utility executives and shareholders as a special interest group that need protection.**
2) **Protect the public interest by standing with California residents and businesses that need ratepayer relief to keep the lights on, keep operating in the state, and meet climate goals.**

PG&E wants you to sympathize with shareholder interests by Telling Half Truths.

1) **Lower utility credit ratings = higher borrowing costs passed to ratepayers.**
2) **Best way to increase credit ratings is to cap shareholder liability.**
3) **Make residents and businesses 100% responsible for costs that exceed the cap.**

What PG&E forgot to tell you—Utility credit ratings are based on risk.

— **Reducing risk is a better way to increase credit ratings and reduce ratepayer costs.**

1) **Reduce Debt/Equity Ratio.**
2) **Limit payouts from the Wildfire Fund.**

Reduce Risk #1: Reduce Debt/Equity Ratio to increase PG&E credit rating .

1) **The higher a company's debt/equity ratio, the higher risk it is deemed by the market.**
   a) **The Commission authorizes a 48% debt/52% equity ratio for California IOUs.**
   b) **PG&E's actual debt-to-equity ratio based on GAAP is much higher than authorized, due to CPUC exemptions and waivers (54%-58% debt/42%-46% equity)**
2) **The market values risk based on actual GAAP ratios, not CPUC authorized ratios.**
   a) **Thus, PG&E's cost of debt is higher than it would have been if its GAAP debt-to-equity ratio is same as authorized debt-to-equity ratio. For example, PG&E's long-term debt of 5.04% is 45 basis points higher than SDG&E borrowing rate of 4.59%.**
3) **End exemptions and waivers for PG&E.**
   a) **Mandating that its actual debt-to-equity be in compliance with its authorized debt-to-equity, would result in lower cost of financing capital projects.**
4) **PG&E should be required to issue more equity.**
   a) **PG&E management/shareholders have been doing everything possible to avoid issuing equity in order to avoid dilution of share value.**
   b) **Credit agencies have expressly stated that issuing additional equity would likely strengthen PG&E's credit rating, would result in lower financing costs.**

Reduce Risk #2: Limit payouts from the Wildfire Fund

SB 254 Wildfire Study Report Provides a Policy Roadmap

1) **Invest in wildfire risk reduction to reduce ignition and spread of fires.**
2) **Protect utility ratepayers from unlimited wildfire liability, and increased borrowing costs.**
3) **Establish the state as the wildfire insurer of last resort.**

Invest in wildfire risk reduction to reduce ignition and spread of all wildfires.

1) **Declare state of emergency, and shut down transmission lines, ahead of windstorms.**
    a) **Windstorms predicted 3 days in advance: 2017 in Nor Cal, and 2025 in So Cal.**
2) **Invest in Cal FIRE vegetation management in high fire risk zones.**
    a) **Prescribed burns, vegetation thinning, fire breaks.**
3) **Provide homeowner incentives to create defensible space around their properties.**
    a) **Private insurers can follow lead discounts offered by FAIR plan.**
4) **Restore external party participation in CPUC wildfire investigations.**
    a) **Include TURN and Public Advocates Office in process to investigate, fine, and remedy utility practices that lead to wildfires.**

Protect utility ratepayers from unlimited wildfire costs. Protect Wildfire Fund.

1) **Protect the Wildfire Fund from double dipping from insurance companies who have already collected premiums from policy holders, set limits on attorney fees, eliminate selling of subrogation claims.**
2) **Set a cap on how much a utility can be collected per incident, or per utility, for lifetime of Wildfire Fund through 2045, with shareholders covering the remainder.**
3) **Restore the negligence standard that requires utilities to demonstrate prudence, when utility equipment ignites a wildfire, in order to be eligible to collect from Wildfire Fund.**

Establish the state as the wildfire insurer of last resort.

1) **Create a State sponsored insurance plan for all wildfires.**
    a) **Make property insurance mandatory, just like automobile insurance.**
2) **Explore revenue options to set up a $36 billion Windy Day Fund.**
    a) **Wildfire bonds, second home assessments, tax assessments or increases.**

Adopt Ratepayer-Centered Risk Reduction that Increases Utility Credit Worthiness

1) **Reject shareholder-centered strategies that expose ratepayers to unlimited costs.**
2) **Adopt public interests of residents and businesses over shareholder special interest.**

Release Wildfire Reform bill language at least 30 days before you vote on it

1) **The public deserves a fair chance to participate in a democratic decision making process that will dig into their pockets for decades to come.**

From: **David Cheng** dcheng@turn.org
Subject: Re: INVITATION: Asm U&E hearing - next Wednesday (10.28) -1:30pm - Utility Investments
Date: October 28, 2026 at 5:26 AM
To: Mark Toney mtoney@turn.org

Hi Mark,

In December 2024, PG&E issued $1 billion of common equity and $1.4 billion of mandatory convertible preferred stock. This was viewed as a positive by credit rating agencies – in revising PG&E's outlook to positive from stable, S&P noted that its rating reflected PG&E stronger balance sheet from the *issuance of common stock and the mandatory preferred stock*, along with reimbursement form the wildfire fund. (December 3, 2024, S&P, "PG&E Corp. Outlook Revised to Positive on Stronger Balance Sheet And Wildfire Fund Payments")

More generally regarding the utility sector, in a 2023 report, S&P discussed leverage and credit quality in the current high capital spending and 9%-10% compound annual rate base growth environment:

…many [utilities] have adopted policies that target a level of financial leverage that is just above the downgrade thresholds we communicate in our research reports. This is typically manageable but persistently high capital spending has begun to test the ability of management teams to maintain ratings while pursuing historically higher growth spending… The capacity and willingness to take actions to offset the potential deterioration of the balance sheet will therefore be a key focal point if capital spending continues to grow. Companies will have to consider tough tradeoffs between good capital projects, shareholder rewards, and balance sheet strength. (Sept 12, 2023, S&P, "Record CapEx Fuels Growth Along with Credit Risk for North American Investor-Owned Utilities")

Translation: a key action that management can take to strengthen the balance sheet, and one way to do that is to increase equity capitalization by raising equity.

In 2025, S&P again stated, "Without significantly more common equity issuance, we expect the industry's financial measures will continue to weaken, albeit gradually, supporting our negative outlook." (January 14, 2025, S&P, "North America Regulated Utilities: Capex and climate change pressures credit quality")

Hope that helps.

David

From: Mark Toney <mtoney@turn.org>
Date: Tuesday, October 27, 2026 at 11:53 PM
To: David Cheng <dcheng@turn.org>
Subject: Re: INVITATION: Asm U&E hearing - next Wednesday (10.28) -1:30pm - Utility Investments