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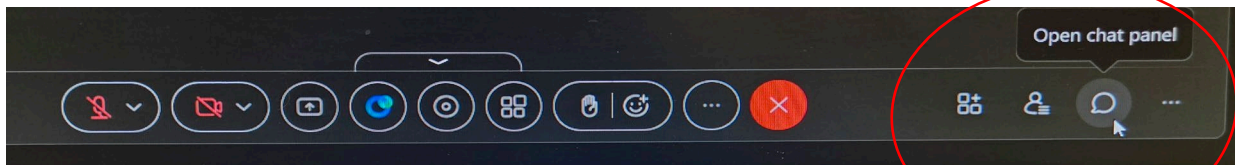
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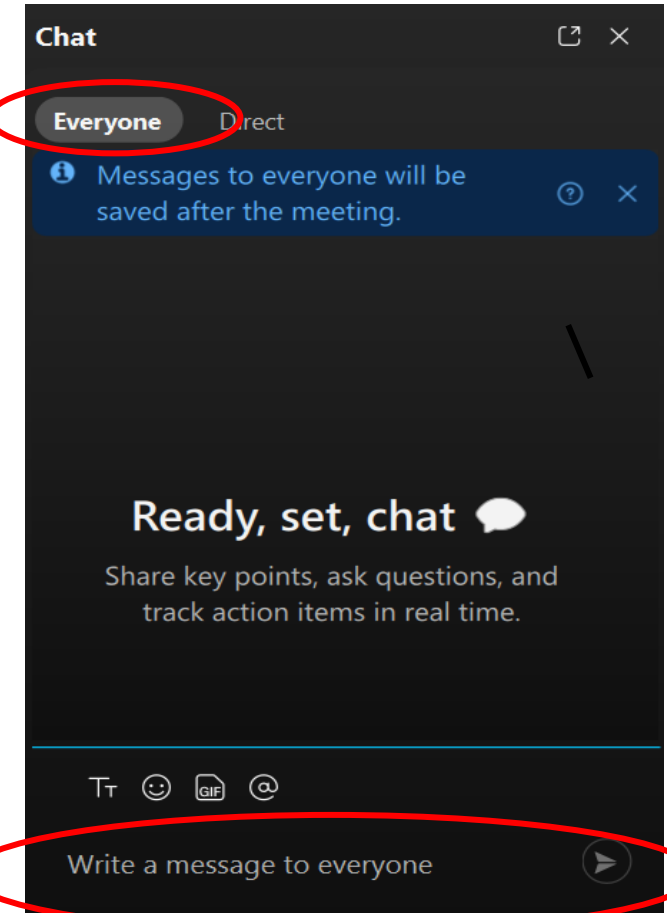
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2

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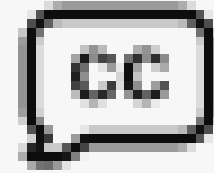


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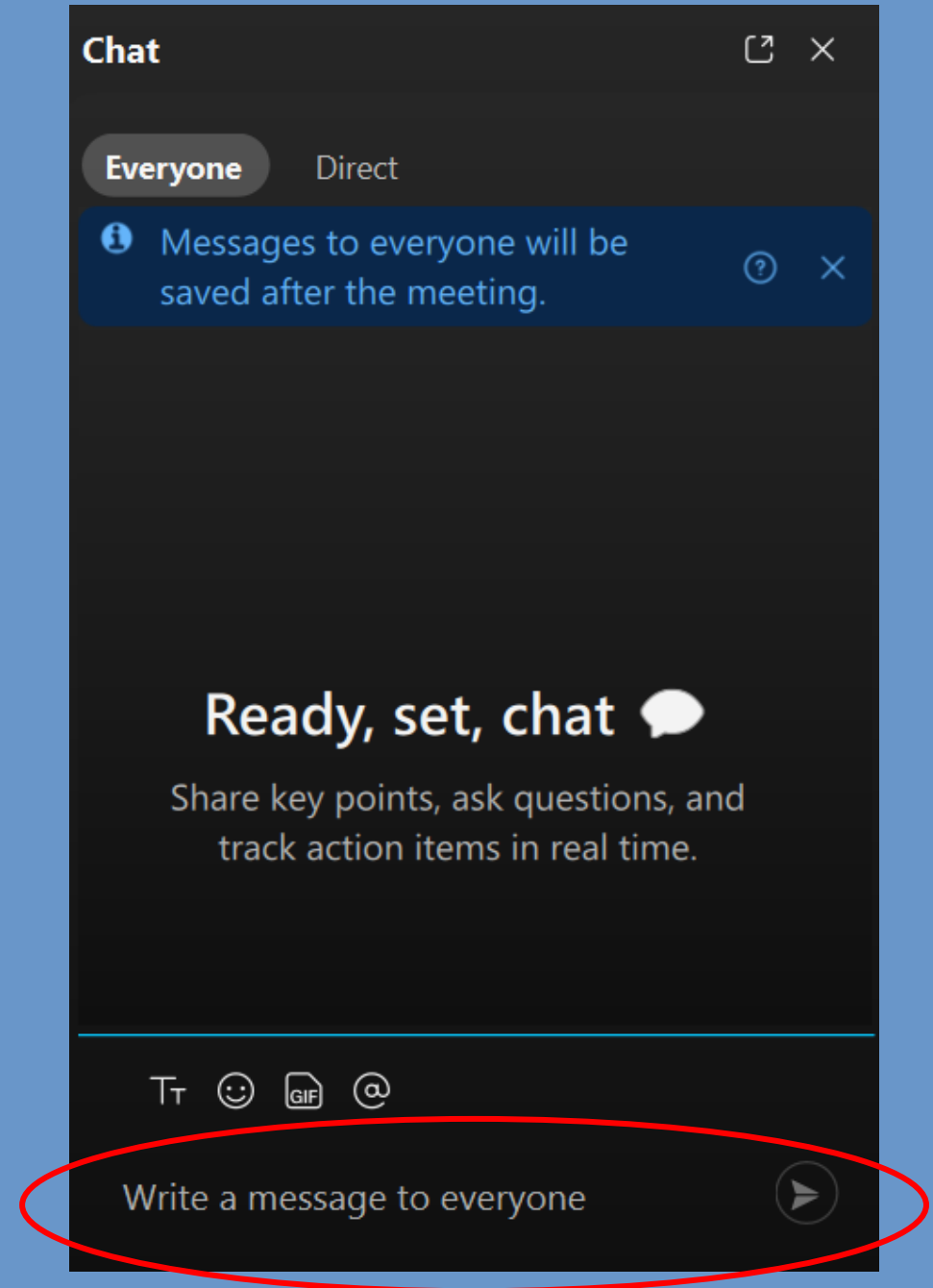
Questions?

Please type your questions in the chat box at any time during the presentation.

Please only submit questions that are relevant to the presentation and topics being presented.

Introduce Yourself

Say hi to all participants in the CHAT
include your name and organization



Electric Rates & You

Understanding the CPUC General Rate Case (GRC) Process



October 28, 2026



California Public
Utilities Commission

CPUC External Affairs Division

Local Government and Community Outreach Liaisons



- Build & Maintain relationships with community partners
 - Local Governments
 - Community Based Organizations
 - Other Stakeholders
- Provide education and information on CPUC policies and programs
- Encourage community partner engagement in the CPUC decision-making process
- Advance CPUC policies at the local and regional level

CPUC External Affairs Division

Local Government & Community Outreach



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Webinar Agenda

Welcome & External Affairs Overview:

- Hope Christman - Local Government and Community Liaison, External Affairs Division

GRC Overview and Phase 1:

- Jason Symonds – Supervisor, Electric General Rate Case Section, Energy Division

GRC Phase 2:

- Paul Phillips – Program & Project Supervisor, Electric Rates, Energy Division

Question & Answer Session

Engagement:

- Heather Iwamuro - Local Government and Community Liaison, External Affairs Division

Jason Symonds

**Supervisor, Electric General Rate Case Section
Energy Division
GRC Overview & Phase I: Revenue Requirement**



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Overview of Electric General Rate Cases (GRCs)

Energy Division – CPUC

October 2026



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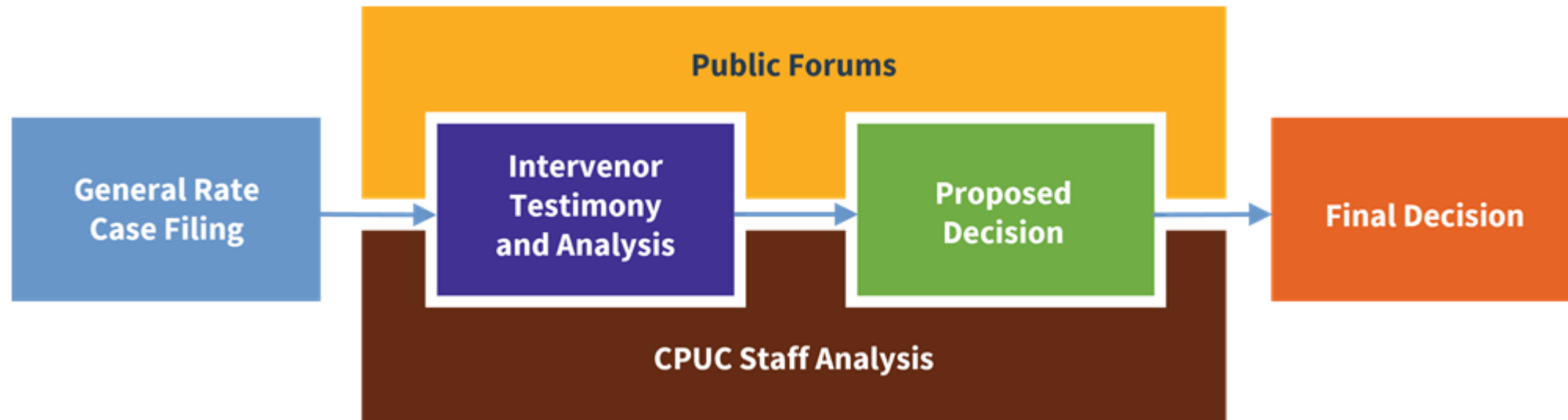
What is a General Rate Case (GRC)?

Publicly litigated proceeding:

- Regulated utility submits a request for the costs needed to provide safe and reliable electric service.

Results in CPUC Decision:

- CPUC reviews utility request, as well as party positions, CPUC staff analysis and public input, before issuing final decision to **approve/modify/deny request**.



GRCs have two phases



Phase I – "Bake the pie"

Establishes the **total revenue** the utility needs to provide safe, reliable service and meet legal and public policy requirements



Phase II – "Slice the pie"

Determines how **total revenue is allocated** among various customer groups, as well as how **rates are designed** to collect those costs

Electric Utilities that have GRCs at the CPUC

- **Large Investor-Owned Utility (IOU)**

- Pacific Gas & Electric (PG&E)
- Southern California Edison (SCE)
- San Diego Gas & Electric (SDG&E)

- **Key differences:**

- **4-year** GRC Cycles
- **Separate:** Phase 1 ; Phase 2
- **Cost of Capital:** separate proceeding

- **Small Multi-Jurisdictional Utility (SMJU)**

- Bear Valley Electric Services
- Liberty Utilities
- PacifiCorp

- **Key differences:**

- **3-year** GRC Cycles
- **Combine:** Phase 1 + Phase 2
- **Cost of Capital:** included in GRC

GRC Phase I- "Bake the Pie"

Revenue Requirement Calculation

GRC Phase 1: Scope of costs in GRCs



Utility-owned generation assets



Distribution infrastructure
(i.e. poles, transformers)



Operation and Maintenance costs
(i.e. vegetation management)



Wildfire prevention and safety
(i.e. undergrounding electrical lines)

These forecasted costs fall into two categories:

- **Capital Expenditures**
- **Operations and Maintenance**

Capital Expenditures vs. O&M

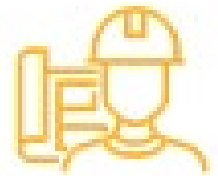


- **Capital Expenditures**

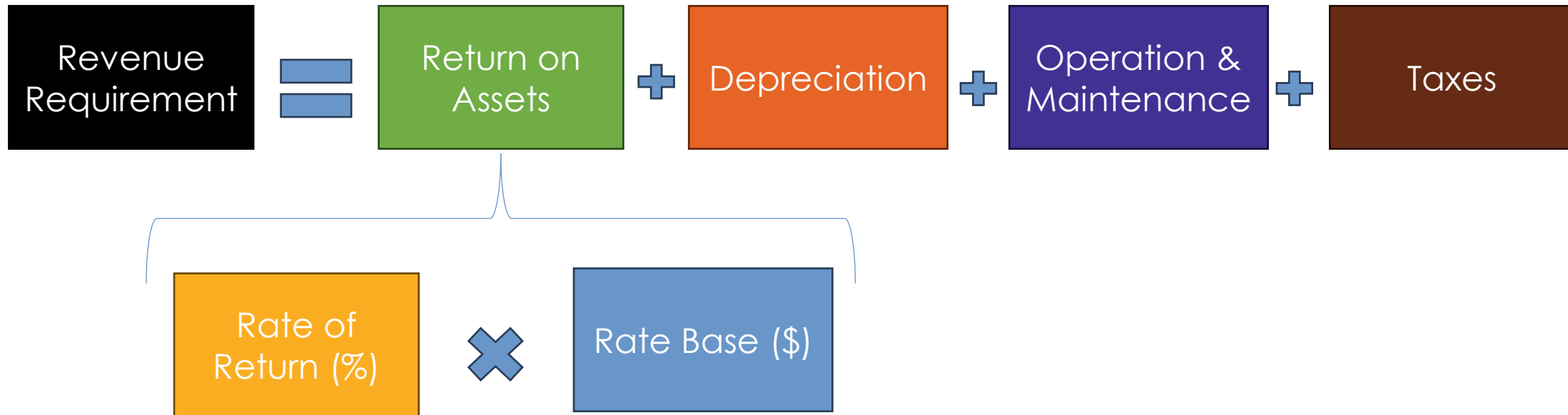
- Costs to build, upgrade, or replace long-lasting infrastructure, such as power lines, substations, and transformers.
- Utility gets to earn a “rate of return” on these assets to compensate them for financing these assets
- Also gets to recover “depreciation”, or the gradual recovery of the cost of utility assets over their useful lifetimes.

- **Operations & Maintenance (O&M) Expenses**

- Ongoing costs to run an asset or system and maintain it
- Pass-through costs (no return earned)



Transforming CapEx and O&M Costs into Revenue Requirement



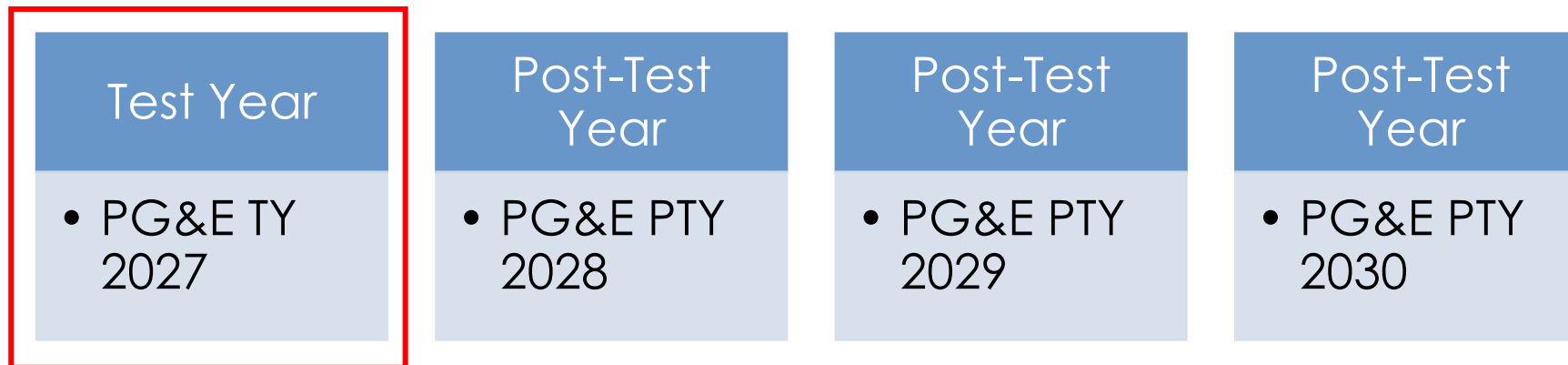
Return is the percentage utilities are allowed to earn on their Rate Base

(Approved by CPUC in separate proceeding)

Rate Base is the value (\$) of utility assets used to provide service to customers.

General Rate Case Cycle

- **Test Year (TY):** The primary year used to forecast utility costs and determine the revenue needed to operate, maintain, and invest in the electric grid.
- **Post-Test Year (PTY):** Additional years in which authorized revenue is adjusted for expected cost changes, reducing the need for annual rate cases while maintaining regulatory oversight.



Primary GRC Outcomes

1. Approve a revenue requirement (RRQ) for the Test Year (TY)
2. Approve RRQs for Post-Test Years (PTY)

Test Year	Post-Test Year	Post-Test Year	Post-Test Year
<ul style="list-style-type: none">• PG&E TY 2027 RRQ	<ul style="list-style-type: none">• PG&E PTY 2028 RRQ	<ul style="list-style-type: none">• PG&E PTY 2029 RRQ	<ul style="list-style-type: none">• PG&E PTY 2030 RRQ

Other Potential GRC Outcomes

3. Approve reporting, cost tracking, and other non-RRQ requirements

- Examples: annual progress reports, balancing or memorandum accounts

4. Order action in the next GRC (or in separate application)

- Examples: direct utilities to provide additional information in next GRC, direct utilities to file a separate application to the CPUC

5. Approve the scope, pace, and cost of proposed projects and programs

- Utilities still have discretion to redirect funding from one program to another

Paul Phillips

**Program & Project Supervisor, Electric Rates
Energy Division
Phase II: Rate Design**

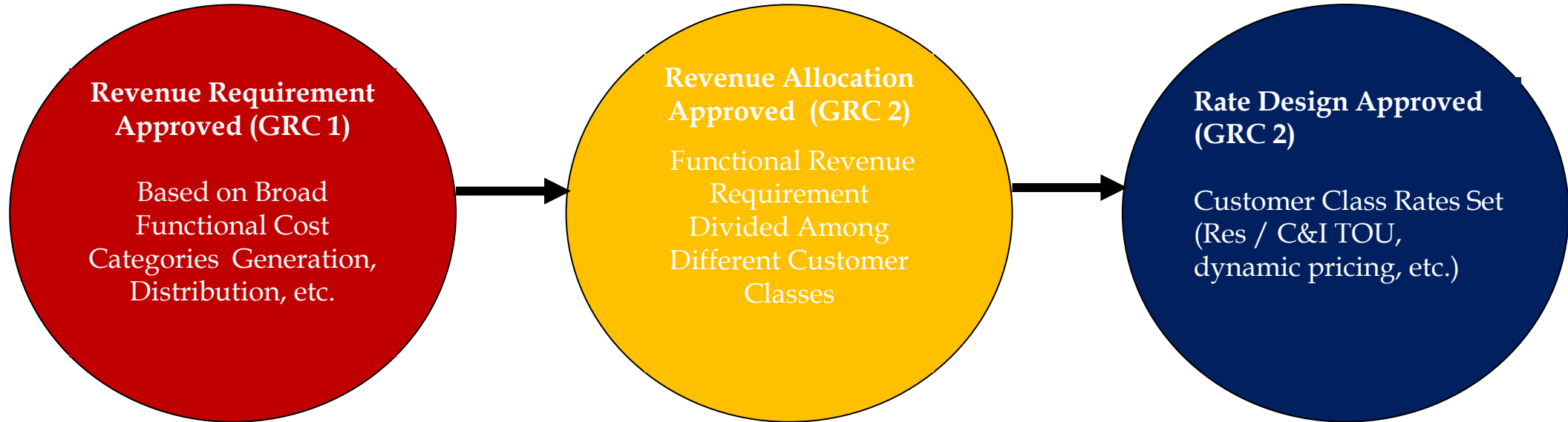


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GRC Phase II - “Slice the Pie” Revenue Requirement Allocation and Rate Design

How Electric Utility Revenue Requirements and Rates Are Determined

The CPUC sets **just and reasonable** rates that allow utilities to recover authorized costs and earn a fair rate of return

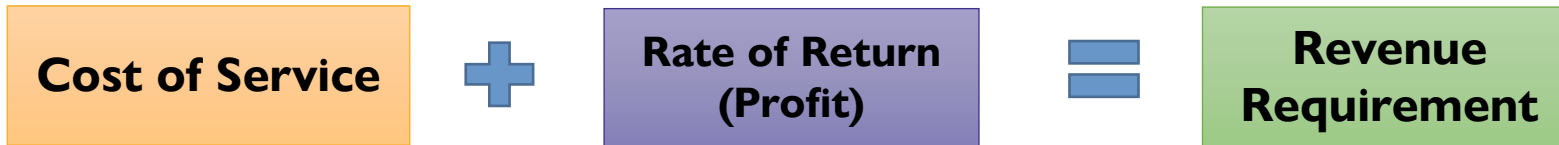


- **General Rate Case (GRC) Phase 1 proceedings:** Determines authorized revenue requirement, including operating expenses, depreciation, taxes, and return on rate base.
- **Energy Resource Recovery Account (ERRA) Forecast:** Determines rates necessary to recover forecast fuel and procurement costs, which are generally pass-through expenses.
- **Costs pursuant to legislative mandate:** Public Purpose Programs.
- **Regulatory Accounts Recovery:** CEMA, WMPMA, WMCE, etc.
- **GRC Phase II proceedings:** Evaluates marginal cost of service (the cost of providing an additional unit of electricity to meet customer demand) and allocates revenues based on cost causation by customer type and tariff.
- **Other Ratesetting proceedings:** For example, Rate Design Windows or Rulemakings that are categorized as ratesetting proceedings, such as the “NEM 3” proceeding.

Utility Costs, Rates, and Bills and Affordability

The SB 695 Report has a basic instructional section on electric costs, revenue requirement, and rates.

- ❖ **Cost of service** and **rate of return** are authorized in proceedings such as General Rate Cases and Cost of Capital proceedings and converted to **revenue requirement**.



- ❖ The authorized **revenue requirement**, for example the amount reported by the IOU at year-end for the AB 67 Report or on January 1 for the SB 695 Report, along with authorized **forecasted sales** are implemented in **rates** effective for the reporting date.



- ❖ Rates at system level are further subdivided into class rates and then into specific rate schedules, and then customer usage determines the volumetric part of the bill.



→ While legislators often hear from their constituents about their bills, only rates are regulated by the CPUC. For this reason, the SB 695 Report highlights cost and rate pressures relative to the rate of inflation as the key metrics of affordability.

Electric Rate Design Elements

A Spectrum of Complexity from Flat Charges to Real Time Pricing

■ Volumetric Charge (\$/kWh)

- Inclining block rates: Rate goes up for a higher block, or tier, of energy usage
- Time-of use (TOU) rates
- Dynamic or real-time pricing rates

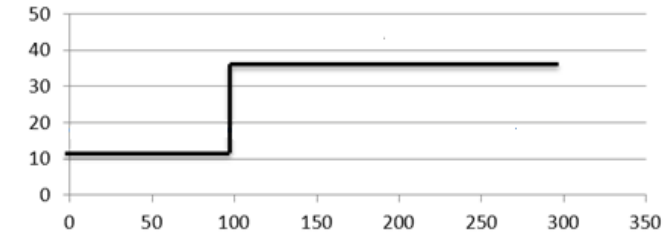
■ Demand Charges (\$/kW maximum demand)

- Reflect capacity cost
- Non-coincident (applies anytime)
- Coincident (only applies in peak or part-peak periods)

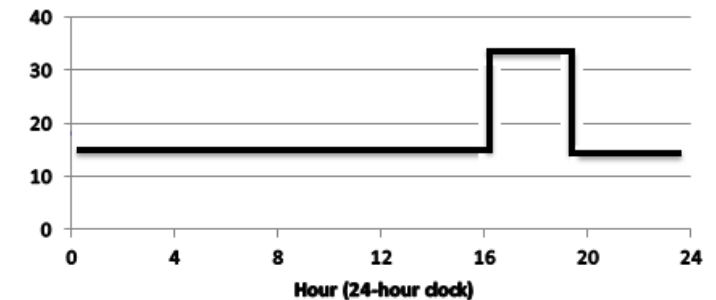
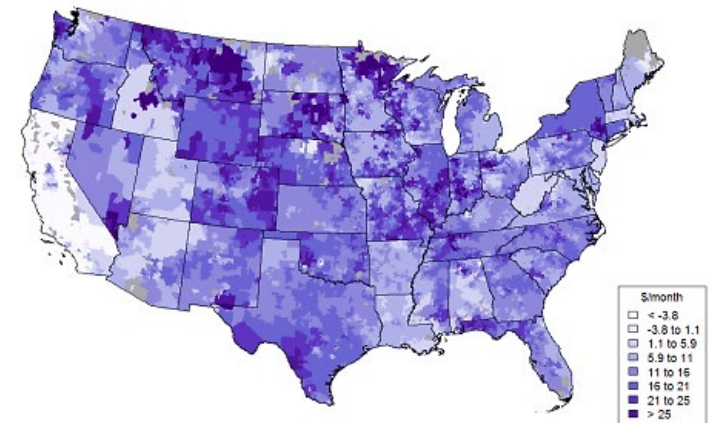
■ Assorted Fixed Charges (\$/month)

- Includes customer and other costs that don't vary with usage.
- California was an outlier before the **Base Services Charge (\$24.15)** was authorized in 2024

Inclining Block Rates



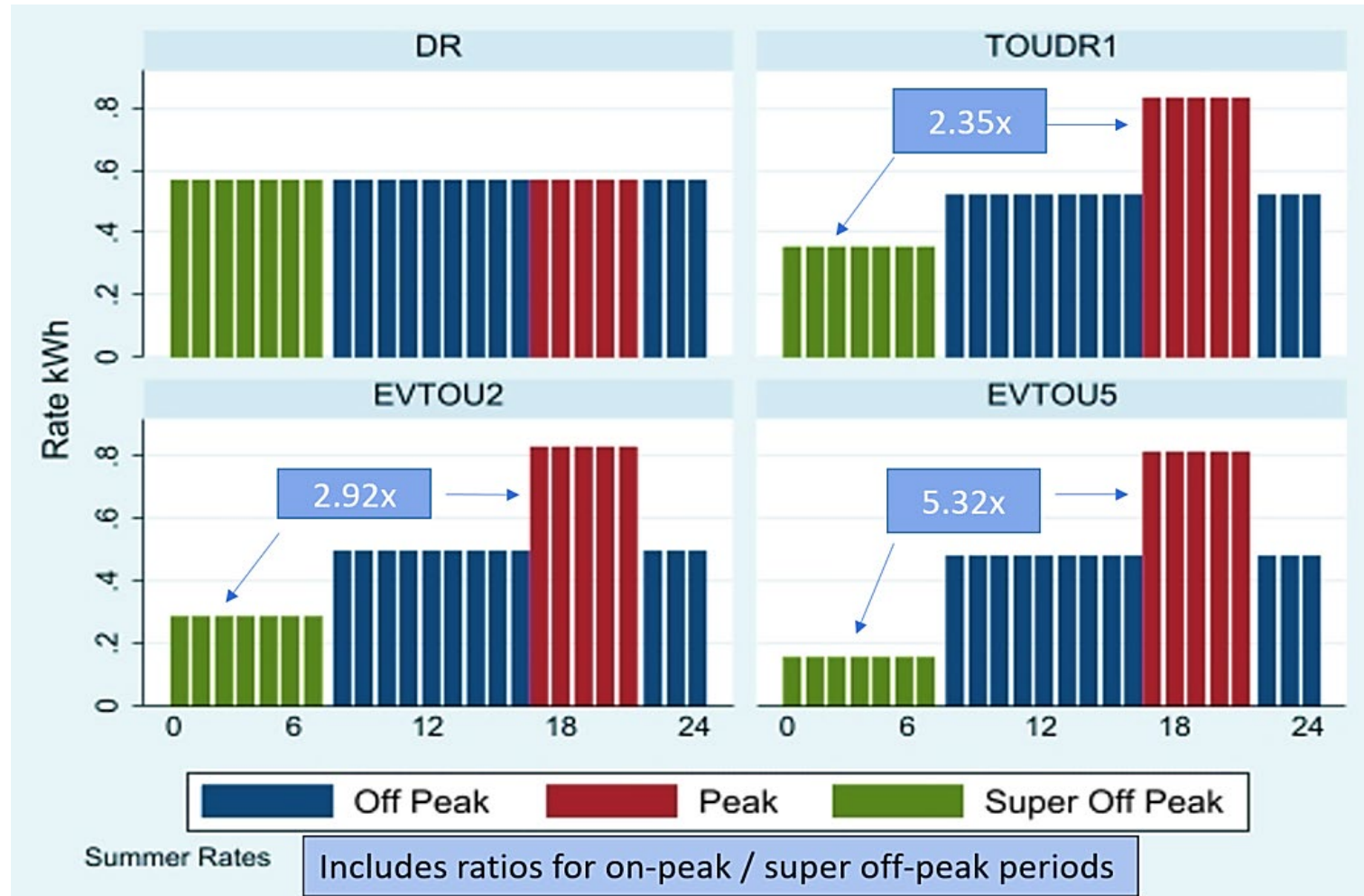
Time-of-Use Rates



The Fundamentals of Electric Time of Use (TOU) Rates

SDG&E Illustrative Example:
Summer Pricing as of January 1, 2023

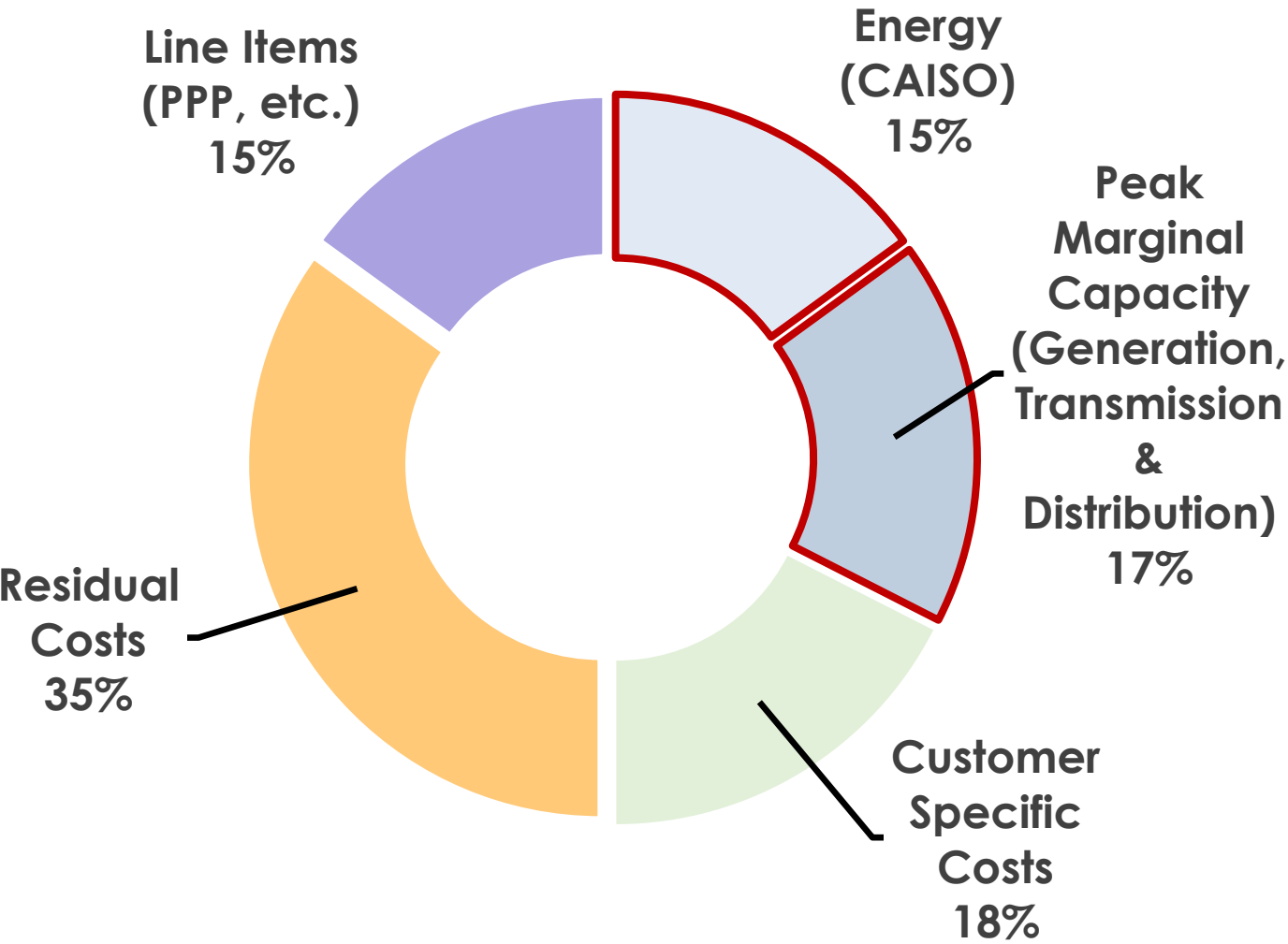
- TOU Rates are volumetric rates (in \$/kWh) that vary by season, day-type, and time of day (usually 2 or 3 periods per day).
- Generally, TOU pricing is intended to reflect the tendency of certain groups of hours to be high- or low-cost hours, providing a **price signal** to shift load.
- Most TOU rates have peak periods from 4 pm – 9 pm or 5 pm - 8 pm.



Dynamic Rates & Real Time Pricing Basics

- Dynamic rates send price signals, sometimes at short notice, to reduce usage in response to grid conditions.
- **Critical Peak Pricing (CPP)** is a form of dynamic pricing.
 - Participating customers get discounted rates in exchange for shifting loads during critical peak hours.
 - Event hours called up to one day in advance.
 - “*Critical Consumption Pricing*” would incentivize consumption when overgeneration is high.
- **Real Time Pricing (RTP)** rates are price signals that reflect wholesale electric system conditions on an hourly (or less) basis.
 - RTP could be based on generation prices (temporal), transmission and distribution prices (locational), or other factors, such as the prior day’s temperature.

What Goes Into California's Residential Electric Rate

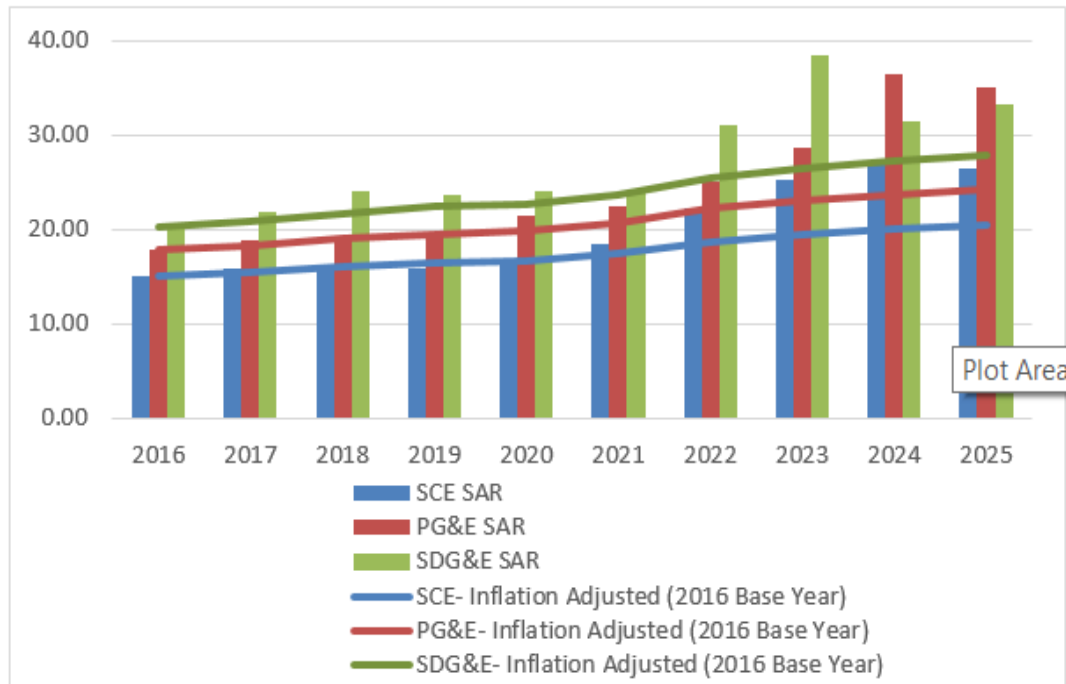


Category	%	Avg Rate (cents/kWh)
Total Marginal or Avoidable Peak Costs	32%	13
Customer Specific Costs	18%	7
Residual Costs (incl. Above Market Gen, Wildfire, Etc.)	35%	14
Line Items (Flat Surcharges)	15%	6
Total	100%	40

Electric Utility Rates Continue to Outpace Inflation Due to Multiple Cost Pressures

The SB 695 Report present rates for bundled customers—who take both generation and delivery services—since rates for unbundled customer generation taken from providers such as a Community Choice Aggregator (CCA) are not regulated by the CPUC

PG&E, SCE, and SDG&E January 1 Bundled System Average Rate, Nominal and Inflation-Adjusted Comparison (cents/kWh)



- ❖ Beginning in 2021, rate increases for the three major electric IOUs' bundled customers began to outpace inflation.
- ❖ The largest contributors to recent rising electricity rates are wildfire risk reduction costs and Net Energy Metering (NEM) costs.
- ❖ **In 2024, wildfire-related costs accounted for about \$21 - \$41 of a typical residential customer's monthly electricity bill.**
- ❖ Once wildfire-related costs are removed, the remaining distribution system costs have risen at an annual average of approximately 11 percent since 2019.
- ❖ **Residential customers without rooftop solar NEM paid about \$19 - \$32 extra per month in 2024 than they would have paid if the NEM program didn't exist.***

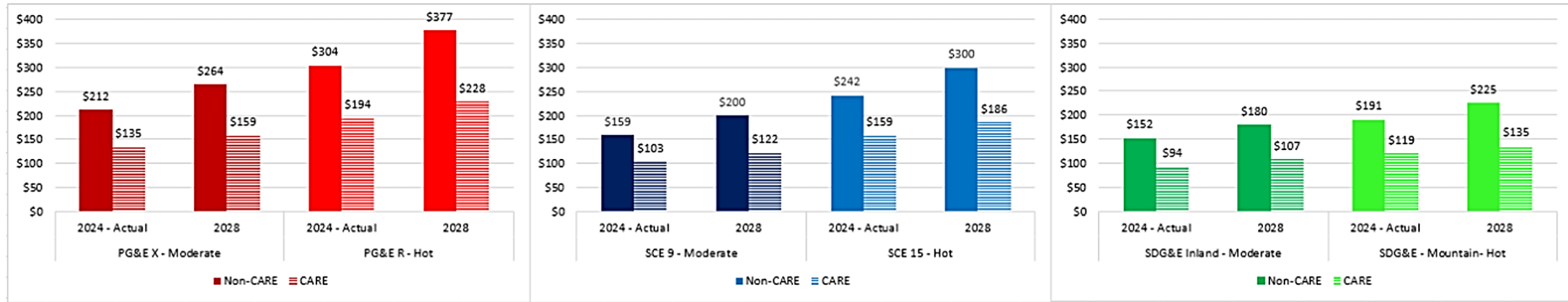
**The draft 2026 SB 695 Report adjusts the NEM cost portion for wildfire-related cost duplication and shows the additive effect of these two cost portions.*

What's the narrative over the next few years?

Even though there have been some recent rate decreases due to removal from rates of large wildfire-related revenue requirements, rates will continue to outpace inflation over the next few years due primarily to wildfire-related costs and NEM.

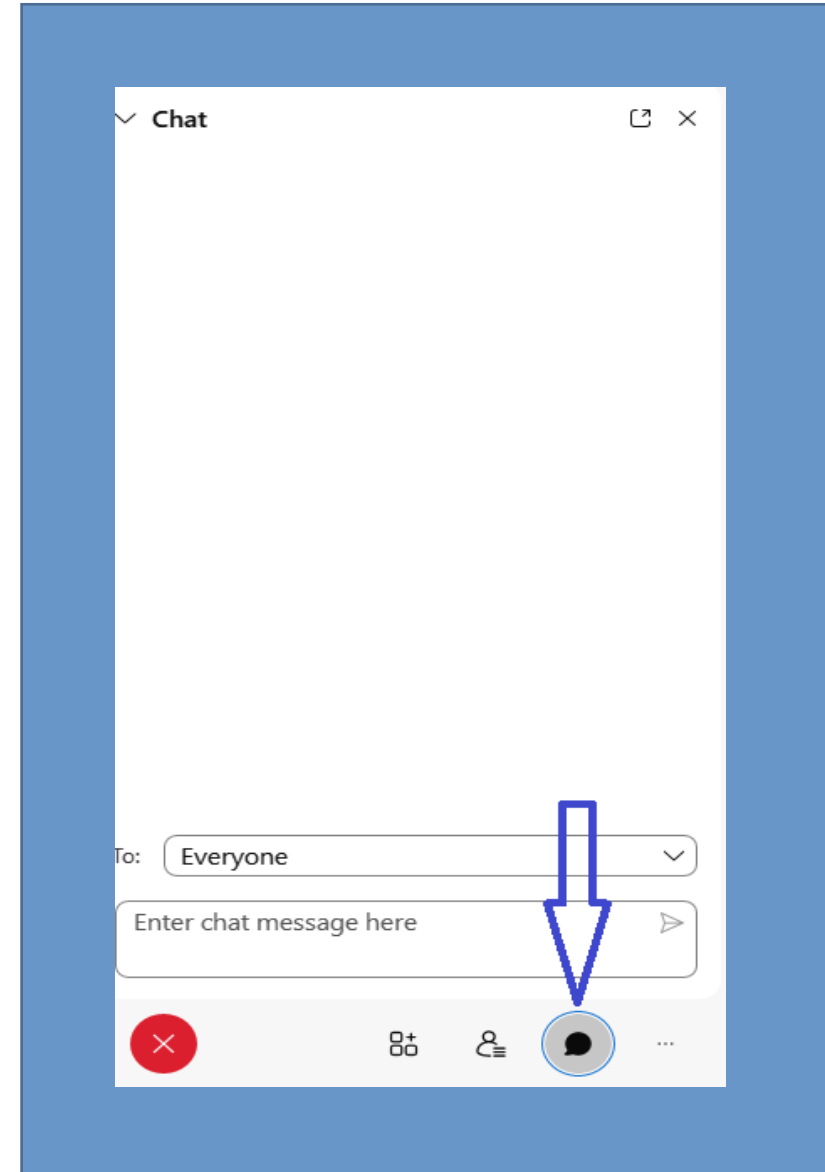
Bill Trends by IOU: Moderate vs Hot Climate Zones

Figure 24: PG&E, SCE, and SDG&E Current and Projected Residential Average Monthly Bills, Year-End 2024 – Year-End 2028 Typical Customer Living in a Moderate and Hot Climate Zone



Q&A

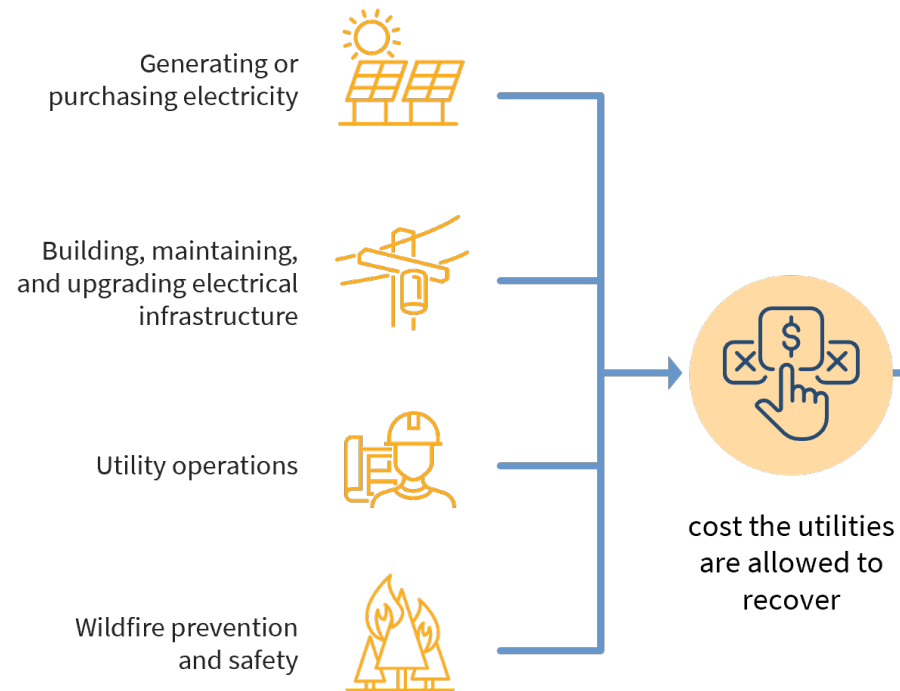
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- Please avoid using acronyms



The GRC Process

PHASE 1

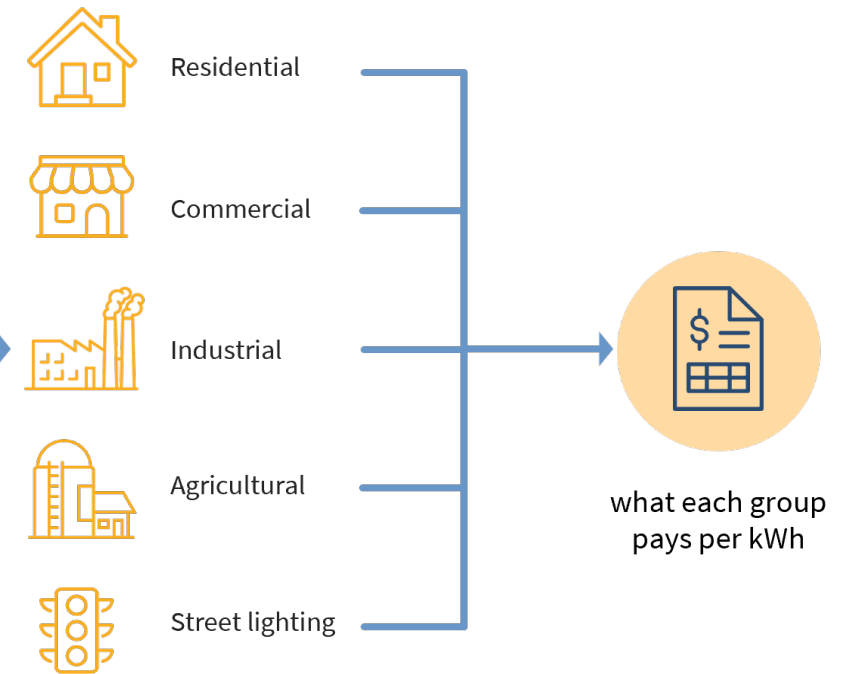
Determines **total costs to operate and invest** in the electric system, called *revenue requirement*.



Approved Revenue Requirement

PHASE 2

Determines **how the revenue requirement is divided** between customer classes and how rates are designed.



Heather Iwamuro

**Local Government and Community Liaison
External Affairs Division
Engagement**



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Engaging with the CPUC

Engagement with the CPUC helps shape decisions that impact daily life in California.



Why Participation Matters

- CPUC decisions impact daily life
- Ensure decisions are well-informed and reflect all Californians
- Foster transparency
- Stay informed

Participating in CPUC Meetings

Opportunities to Listen, Learn and Comment

- Public Forums or Public Participation Hearings (PPH)
- Workshops and Webinars
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- Other Public Forums such as formal hearings, prehearing conferences
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Providing Written Comments

Online

Add a comment by selecting the "Add Public Comment" tab. Search for a specific proceeding at [CPUC Proceeding Information](#).

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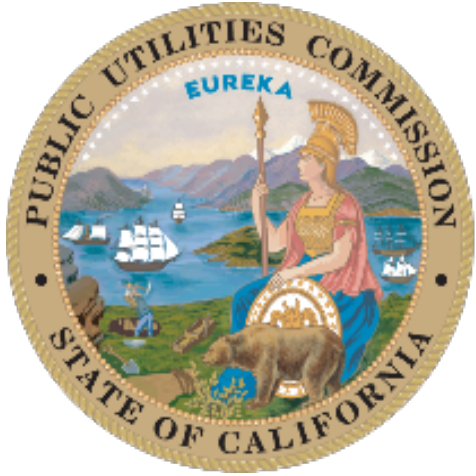
You can mail your comment to the CPUC Public Advisor's Office located at 505 Van Ness Avenue, San Francisco, CA 94102.

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Local Government & Community Outreach, External Affairs Division
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