CPUC Fact Sheet
California Electric & Natural Gas Rates: Cost Drivers and Mitigation

Oct. 28, 2026

On Oct. 28, 2026, the California Public Utilities Commission (CPUC) issued two annual reports to the Governor and Legislature:

- Senate Bill (SB) 695 Report on Actions to Limit Utility Costs and Rate Increase
- Assembly Bill (AB) 67 Report on 2025 Electric and Natural Gas Utility Costs

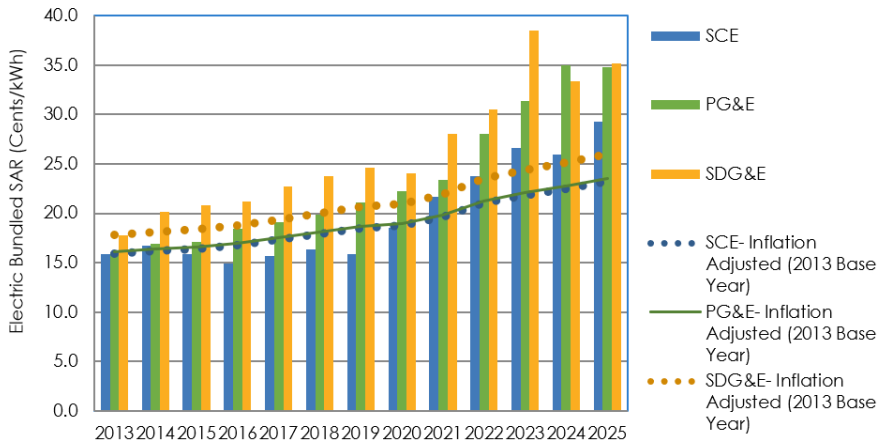
This fact sheet provides a high-level summary of the two reports, which offer a comprehensive look at trends, major cost drivers, affordability pressures, and efforts to contain costs.

Electric Rates Trend

Electric rates for customers of California's three largest investor-owned utilities (IOUs) - Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric (SDG&E) - have generally increased since 2017.

California's electric and natural gas costs and rates reflect many factors, including utility investments, wildfire mitigation, energy market conditions, and programs that shift costs among customers.

From 2020 through 2025, average electric rates for all customers that receive generation, transmission and distribution service (i.e., bundled) from PG&E, SCE and SDG&E have increased by about 9 percent per year, as illustrated in the graph below.



Electric Rate Changes in 2025

From year-end 2024 to year-end 2025, the following rate changes occurred across the three largest electric utilities:

- **PG&E:** down 0.1 cents per kilowatt-hour (¢/kWh) from 2024 to 34.8 ¢/kWh, due to lower generation-related costs and the full recovery of certain wildfire costs.
- **SCE:** up 3.4¢/kWh from 2024 to 29.3¢/kWh, driven largely by implementation of SCE's General Rate Case and increased distribution infrastructure spending.
- **SDG&E:** up 1.8¢/kWh from 2024 to 35.1¢/kWh, due to higher distribution, transmission, and Public Purpose Program costs which were largely offset by lower generation costs

Residential electric rates are projected to continue increasing faster than inflation through 2029, about 4 percent to 6 percent annually, compared with an assumed inflation rate of 3.2 percent.

Major Cost Drivers of Electric Rate Trend

1. Wildfire-Related Costs

Wildfire liability and mitigation spending has become a significant part of utility costs, particularly since 2019. Wildfire-related spending includes vegetation management, infrastructure hardening, covered conductors, undergrounding, and liability insurance premium costs to cover claims paid as a result of property losses.

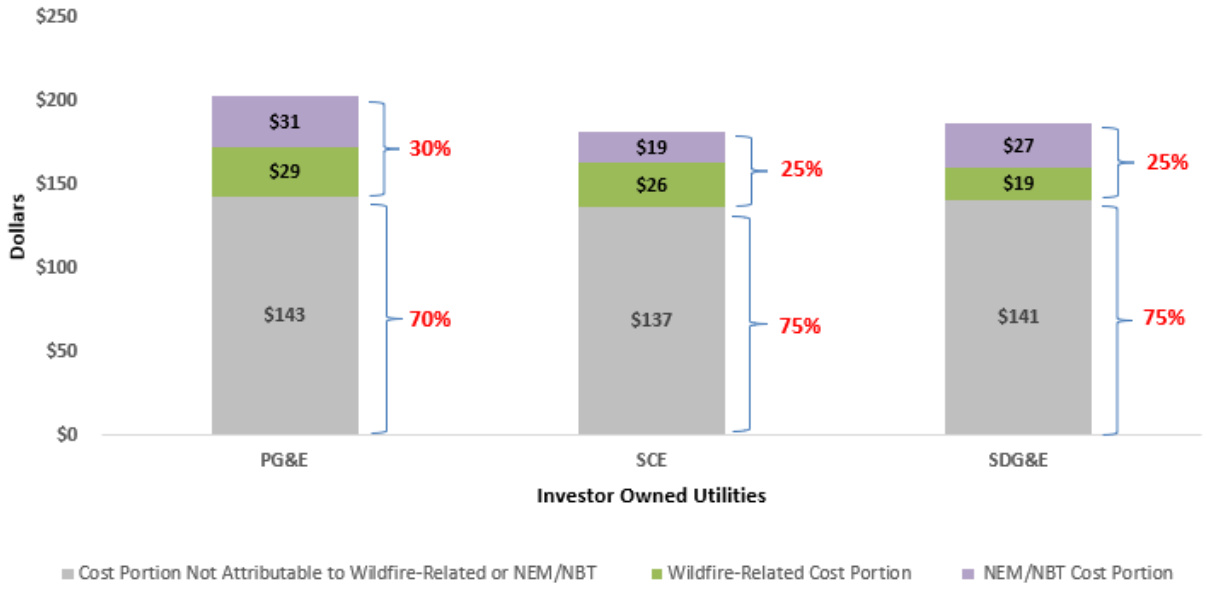
In 2025, wildfire-related costs accounted for:

- 25.4% of PG&E's total electric revenue requirement (the amount a utility is authorized to collect from customers to provide safe and reliable service)
- 13.7% of SCE's total electric revenue requirement
- 18.3% of SDG&E's total electric revenue requirement

2. Rooftop Solar Subsidies

Costs associated with rooftop solar programs (including adjusted costs from the state's Net Energy Metering (NEM) and Net Billing Tariff (NBT) programs) are another significant factor affecting rates for customers who do not have rooftop solar. Customers without rooftop solar currently pay an estimated $8.3 billion each year to subsidize customers with rooftop solar due to the grid costs that rooftop solar customers avoid paying and the overpayments they receive for the exported energy they send to the grid.

Together, wildfire-related costs and rooftop solar subsidies account for approximately $45 to $60 of a typical monthly residential electric bill, or roughly 25 percent to 30 percent of the bill for customers without rooftop solar. The graph below shows this percentage based on the monthly average electric bill for residential customers without rooftop solar.



Natural Gas Rates Trajectory

Natural gas utility costs increased 5 percent to 7 percent across PG&E, Southern California Gas Company

(SoCalGas), and SDG&E between 2024 and 2025. The increases were primarily driven by higher natural gas transportation costs approved in General Rate Cases.

Natural gas rates have not followed the same pattern at every utility. PG&E's system average rate for residential natural gas customers has increased over the past five years but remained relatively stable from 2023 through 2025. SoCalGas and SDG&E rates peaked in 2023 and were lower in 2025 than at those peaks.

Bill Credits, Assistance, and CPUC Advocacy Help Offset Affordability Pressures

Several programs helped reduce customer bills in 2025:

- $1.62 billion in Cap-and-Invest electric bill credits
- $971 million in Cap-and-Invest natural gas bill credits
- Continued assistance through income-qualified programs such as California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance (FERA), which collectively provided $2.6 billion in benefits to over 3 million low-income households in 2025

The CPUC is Working to Contain Costs

The CPUC primarily addresses utility cost containment through General Rate Cases (GRCs). GRCs establish a utility's authorized revenue requirement every four years based on what the CPUC determines are the lowest just and reasonable rates. This determination follows a public and transparent process involving input from many stakeholder groups, including consumer, business and environmental advocates. The public also participates throughout the proceeding and can submit written public comments through the proceeding's online Docket Card.

The CPUC also pursues cost-containment measures through other proceedings and rulemakings, including:

- Studying how electrification will affect future distribution costs
- Piloting neighborhood decarbonization zones as potentially lower-cost alternatives to replacing natural gas infrastructure
- Advocating for lower transmission costs at the Federal Energy Regulatory Commission (FERC)
- Scrutinizing utility spending and investments outside of the GRC through regulatory proceedings

As mentioned above, the CPUC also advocates before FERC for lower transmission costs in litigated proceedings. Since 2017, this advocacy has generated more than $6 billion in savings for California customers, including almost $845 million in savings from two recent PG&E transmission rate cases.

Looking Ahead

California's utility rates reflect the costs of maintaining a safe, reliable energy system while the state undergoes significant changes in its energy system. Wildfire mitigation, rooftop solar-related cost shifts, utility infrastructure investments, energy market conditions, and other programs all contribute to customer rates. The CPUC continues to balance these needs with its responsibility to ensure that utility rates are just and reasonable, while pursuing opportunities to reduce costs and protect affordability for California customers.

More Information

- SB 695 Report
- AB 67 Report
- Electric Affordability Webpage
- Prior CPUC Legislative Reports
- Understanding Electric Rates
- What is a General Rate Case?
- CPUC Featured Story: Understanding How the CPUC Processes a General Rate Case