



MAKING CALIFORNIA'S ELECTRICITY CHEAPER

AN AFFORDABILITY AGENDA FOR THE GOLDEN STATE

FACT SHEET

SEPTEMBER 2026

This affordability agenda for California is a product of GridLab and Energy Innovation, jointly developed with input from 20 California energy experts convened to develop solutions over a two-day in-person workshop held in January 2026. These recommendations go beyond the workshop and reflect only the views of the report authors, not the workshop participants themselves. Together, these recommendations address long-term, structural barriers to rate reductions that require urgent and sustained leadership from California's leaders.

Why are California's electricity rates so high?

Between 2000 and 2024, California's real (inflation-adjusted) electricity rates rose more than 50%, due to four causes.

- **Distribution costs** (the largest and fastest-growing component), which nearly doubled from 2003–2024, driven by advanced metering and smart-grid investment (2008–11); wildfire mitigation and liability costs (2020–24); and higher returns on investments (2023–2024). California's utilities have far higher costs to build distribution lines than their peer utilities in other states.
- **Generation costs** (the next largest component of costs) rose 40% from 2012–2024. Though the explanatory factors are less clear, causes likely include early RPS compliance costs (2012–2014), legacy contract obligations as load shifted to CCAs, and rising resource adequacy costs since 2019.
- **Transmission costs** (a smaller but still significant cost driver) tripled from 2003–2023. Roughly half of this investment is for self-approved repair and replacement projects that are outside CAISO/FERC review; large policy-driven projects, such as the Sunrise Powerlink, and wildfire O&M have also contributed. The cost of building transmission lines is also higher in California than in peer utilities in other states, though this difference is not as large as for distribution.
- **Systemic drivers** put upward pressure on all these categories of utility costs. For example, California's strict liability rules for utility-caused wildfires pushes utilities and regulators toward costly ignition prevention solutions. Utilities receive regulated rates of return that incentivize utility capital spending. Ratepayer-funded public purpose programs comprise about 4–6% of total revenue requirements. Inflationary pressures have increased costs across the board. Additionally, falling system utilization (60% to under 50% since 2000) raises volumetric (per-kWh) rates.

Why do wildfires have such a high impact on California rates, and can this problem be solved?

California's investor-owned utilities spend nearly \$9 billion per year on wildfire-related costs, mostly reducing utility-caused ignition. This problem is not intractable. The paper proposes a combination of solutions — ratepayer-backed securitization, where capital investments for wildfire mitigation are funded through public bonds to finance them off the utility balance sheet; alternative funding streams that diversify funding away from ratepayers and towards taxpayers and other beneficiaries through state/municipal wildfire bonds, insurance-funded mechanisms, and property tax revenues; and a holistic state-wide cost-effectiveness framework across agencies and utilities to measure the cost-effectiveness (cost per avoided ignition) of community-scale risk mitigation versus expensive utility-scale ignition reduction.

How does this paper propose to stabilize and ultimately reduce California's electricity rates?

The paper proposes two classes of solutions—one on reducing overall utility costs and regulatory reforms, while the second focuses on the distribution of costs across ratepayers. These include the following:

- Reduce regulatory overhead by reflecting on and remedying regulatory complexity at the California Public Utility Commission (CPUC); and improving permitting regimes to lower infrastructure costs and remove barriers to third party service providers.
- Improve transparency and trust by creating standard templates for aggregate cost reporting and tracking that facilitate more effective cost oversight; and create a transparent framework for measuring the cost-effectiveness of wildfire risk mitigation spending across agencies and electric utilities.
- Align utility incentives with affordability by putting investor-owned utilities on a budget; tying financial performance to affordability targets; and limiting excess utility profits.
- Adjust rates to reflect modern priorities for the electricity system including improved utilization, electrification, and equity.
- Rebalance wildfire mitigation costs away from ratepayers toward beneficiaries through expanded ratepayer-backed securitization and tax revenues, municipal bonds and insurance-funded mechanisms.
- Reduce financing costs by changing the utility's debt-to-equity ratio; and leverage public financing and ratepayer-backed securitization to finance large investments with low-cost capital.
- Encourage customer flexibility by combining state electrification incentives with program and rate designs that make electrification affordable and flexible; and leverage flexible large loads to improve utilization.

Are these unique ideas, or do they build off of existing proposals?

The proposals were not created in a vacuum; they extensively build off, scale, and refine existing legislative, regulatory, and policy proposals, such as SB 254 (on wildfire mitigation); SB 695 and AB 3264 (the report suggests going beyond reporting already required under these); and the CPUC's income-based fixed-charge. Many of the solutions were informed by a two-day, Chatham-House-Rules workshop of 20+ California electricity experts convened by GridLab and Energy Innovation. Some of the solutions, namely on permitting-reform, are less represented in existing proposals.

The report's solutions also align with complementary assessments, including recent timely work by UC Berkeley's Center for Law, Energy, & the Environment. This report suggests several important reforms to address rising rates, including limiting the use of single-issue rate-making mandates and tracking accounts, reducing rates of return on wildfire expenditures, increasing public funding of capital expenditures, and longer-term governance reform of the CPUC.

How do these solutions respond to California's unique circumstances that led us to such high electricity costs?

The solutions are directly responsive to four key circumstances that have led to high electricity costs and rates — wildfire risk and inverse condemnation; California's above-peer distribution/transmission costs; California's regulatory complexity; and California's declining grid utilization (which contributes to higher volumetric rates). It also seeks to address institutional barriers that make it difficult for regulators to effectively control costs, including lack of utility transparency and regulatory complexity.

Tackling this rate crisis will require coordinated leadership between the incoming governor, legislature, CPUC, utilities, and civil society. Recent history indicates this may be difficult as trust and collaboration between these institutions has not always been high. The conventional approach in California has been to continue layering on legislative mandates to fix growing problems, but now the resulting complexity of this approach is among the largest challenges for CPUC, exacerbating the potential for regulatory capture. To reclaim and fix spiraling increases in rates will require collaboration and leadership between these different actors.

