

DOCKETED	
Docket Number:	26-IEPR-03
Project Title:	Electricity and Gas Demand Forecast
TN #:	272220
Document Title:	Presentation - Electricity Rate Forecast Updates for the 2026 IEPR
Description:	2. Lynn Marshall, CEC
Filer:	Raquel Kravitz
Organization:	California Energy Commission
Submitter Role:	Commission Staff
Submission Date:	8/28/2026 7:56:58 AM
Docketed Date:	8/28/2026



Electricity Rate Forecast Updates for the 2026 IEPR

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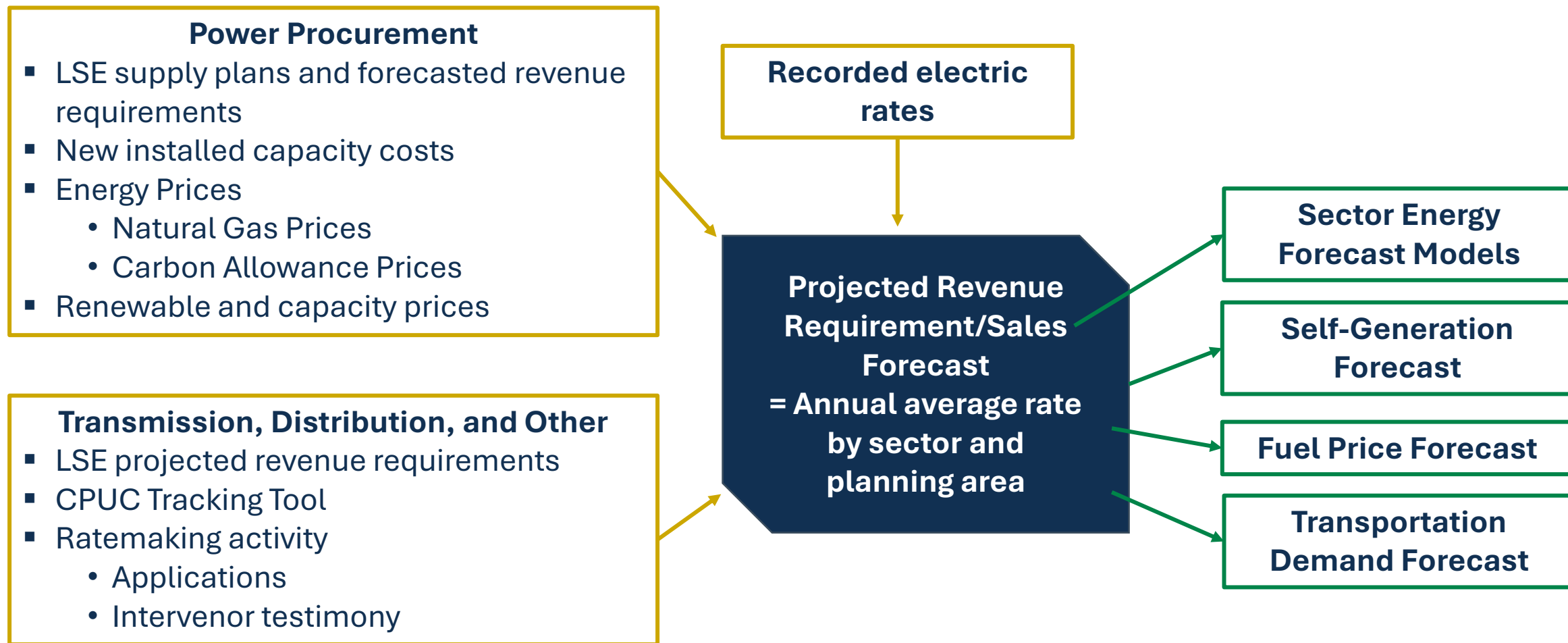
August 31, 2026



Introduction



Rate Forecast Overview



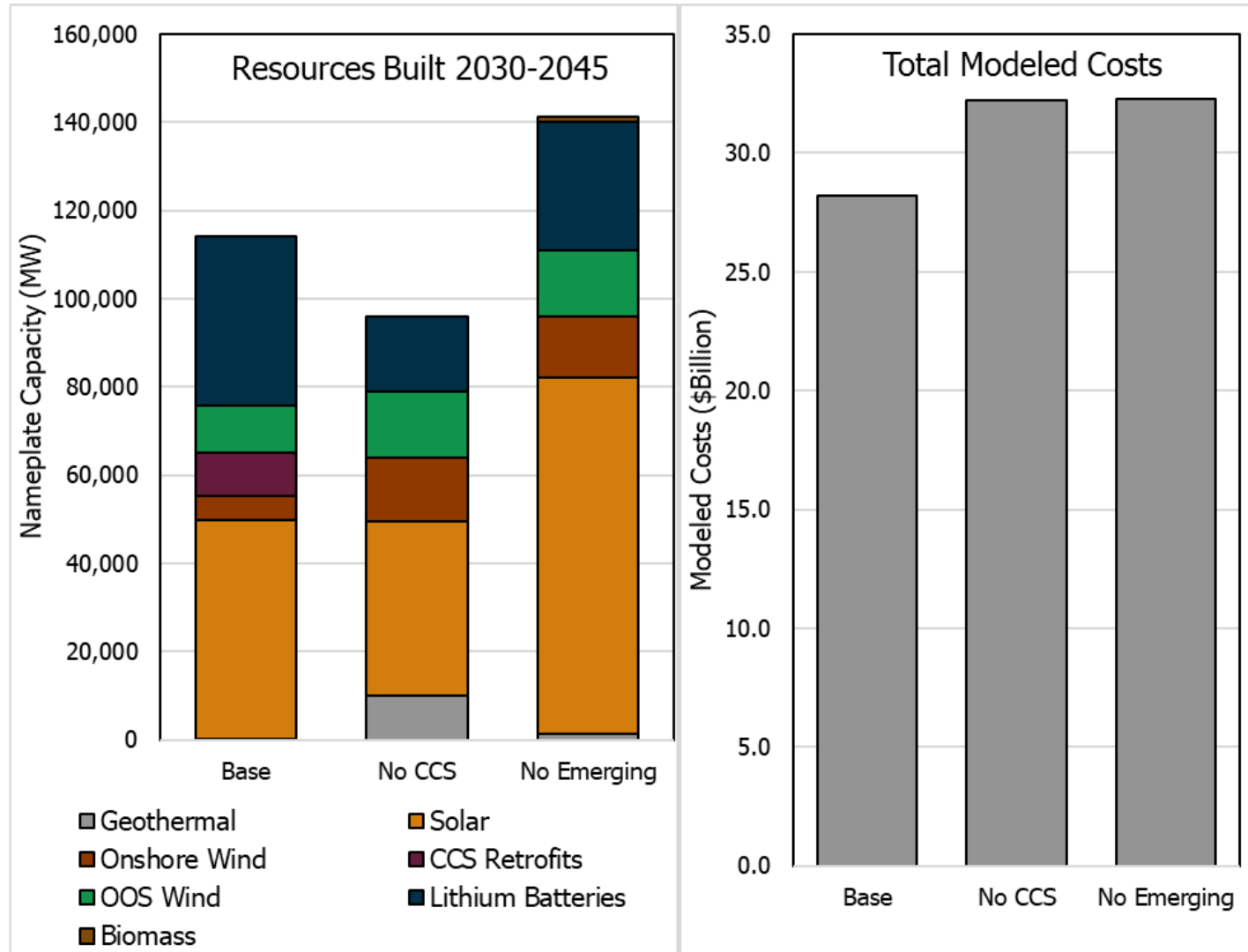


Inputs & Assumptions



Resource Procurement Costs

- For 2030-2045, incremental costs are derived from capacity expansion modeling for the 2026 **California Energy Resource and Reliability Outlook (CERRO)**.
 - Evaluated cost and reliability of various scenarios to meet California's clean energy targets.
- This rate forecast uses the “No Emerging Technologies Scenario”
 - Relies heavily on solar and storage to achieve GHG targets, post-2035.

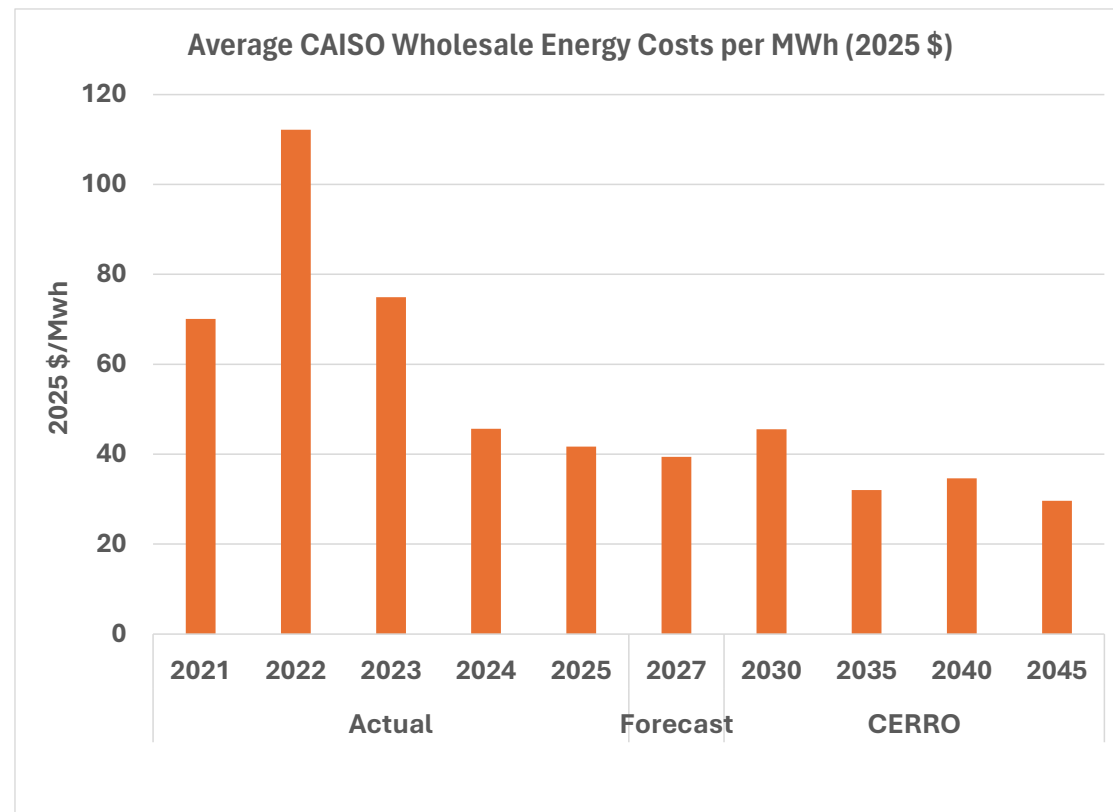


Source: CEC , Draft 2026 CERRO, #TN 271113



Wholesale Energy Costs

- Outlook for 2027 is continued low gas and energy prices.
- CERRO modeling uses the EIA natural gas price forecast, which projects flat natural gas prices.
- Total cost per MWh, including energy prices and ancillary services, increases slightly by 2030 then declines in real terms.
- Net effect of changes in capacity and energy costs are retail generation rates increasing by about 2% annually 2030-2045.

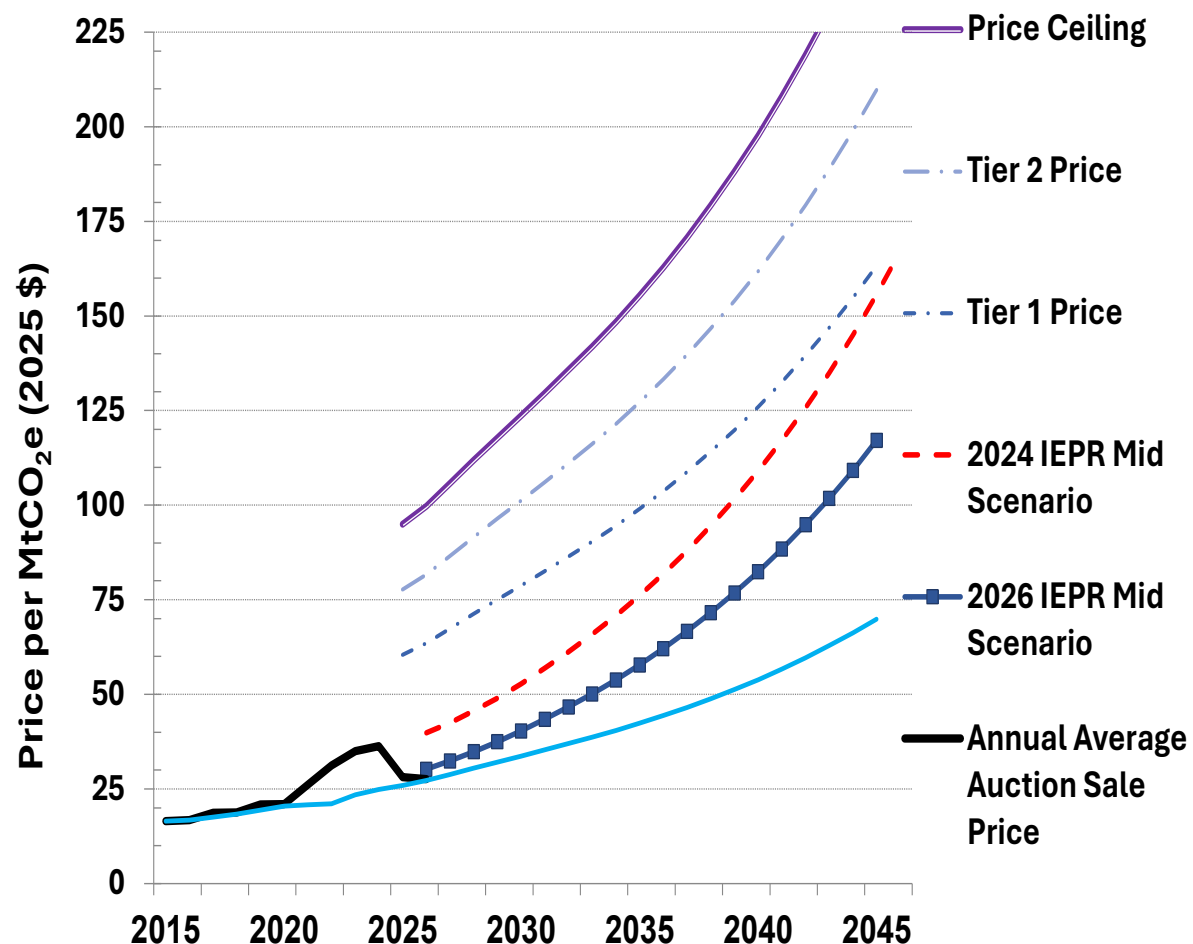


Source: CEC Staff and CAISO 2025 Annual Report on Market Issues & Performance



Preliminary GHG Allowance Price Scenario

- GHG prices are an element of natural gas generation fuel prices, so are an input into CERRO modeling.
- Previous GHG price forecast assumed prices would begin to approach the Tier 1 price by forecast end point.
- Recently revised Cap and Invest regulations, while reducing allowance supply, also add compliance strategies for industrial facilities.
- Preliminary mid-case for the 2025 IEPR assumes a 2050 price half-way between floor and Tier 1.
- Preliminary forecast workbook will be docketed in 26-IEPR-03.



Source: CEC



Distribution Grid Upgrades to Support Electrification

Transportation and building electrification will drive distribution grid upgrades beyond historical levels of investment.

- CPUC Public Advocates Office studied the costs of upgrading the distribution grids of the three largest investor-owned electric utilities (IOUs)
 - Distribution Grid Electrification Model 2025 (DGEM 2025), modeled nine scenarios varying by degree of building electrification (BE) adoption and electric vehicle (EV) charging behaviors
 - DGEM 2025 estimates the total cost of upgrading the grid by 2040 to be approximately \$25 billion in the central scenario.
 - DGEM 2023, used for the 2025 IEPR rate forecast, projected \$26 billion in grid upgrades by 2035. DGEM 2025 estimates \$14 billion for that year under the same assumptions, driven primarily by updated infrastructure cost data.
- Staff estimated revenue requirements from 2025 DGEM central scenario capital costs for the 2026 IEPR planning scenario, using recently adopted rates of return.
 - Forecasted revenue requirements are less than half of 2025 rate forecast estimates.



Other Updates for 2026 IEPR

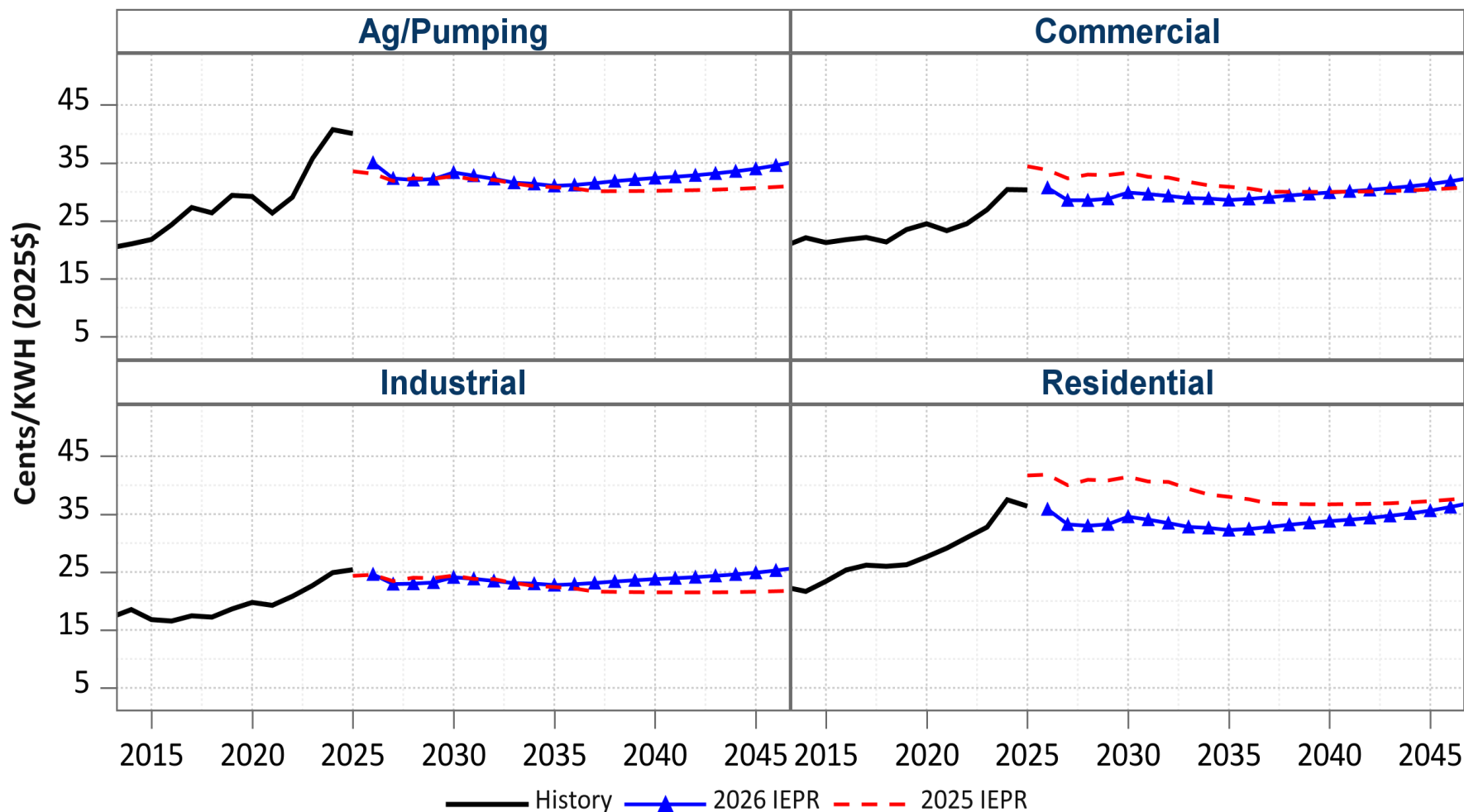
- Growth in transmission revenue requirements were estimated from CPUC Transmission Process Review reports and utility five-year capital plans.
 - IOUs report project-level data including actual and planned capital expenditures for both high and low voltage Transmission Access Charge projects.
- Revised incremental costs of transmission upgrades to support data centers
 - Based on facility cost data from PG&E, upgrades are assumed to cost \$700,000 per MW, down from \$1 million per MW in 2025 IEPR.
 - Not all data centers trigger transmission upgrades.
- After current or proposed GRC period, GRC distribution escalates at 6% nominal annually through 2030, then 5.5%, plus wildfire mitigation cost recovery.
- June 2026 CPUC Energy Division Utility Cost & Rate Tracking Tool data
- Electricity sales projections from the California Energy Demand (CED) 2025 Planning Scenario



Forecast Results



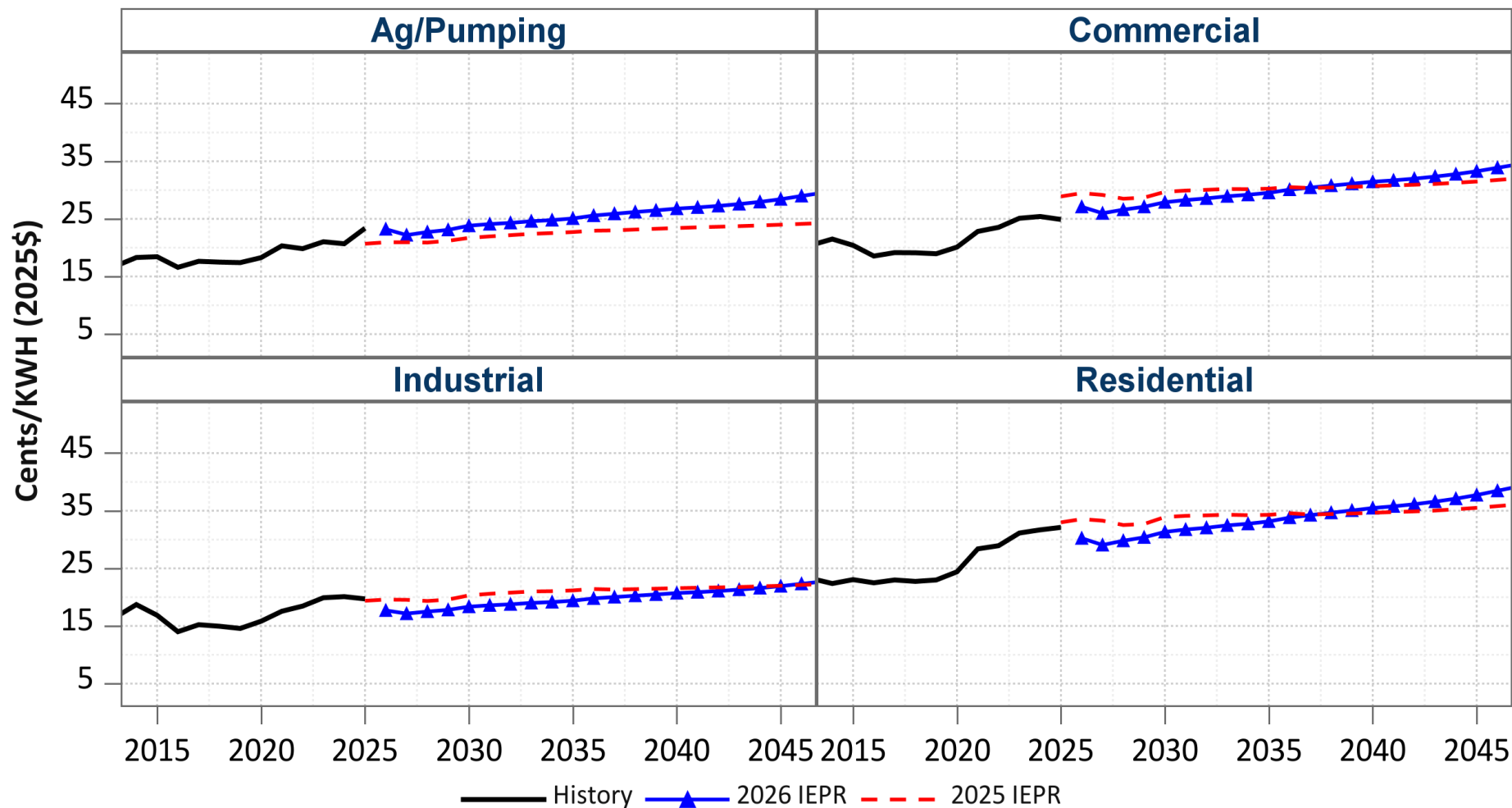
PG&E Planning Area Rates



- Catastrophic event cost recovery has declined in recorded rates.
- Initially, rapid growth in electricity sales offsets growth in revenue requirements.
- Mid-forecast, generation rates begin to increase and growth in demand slows.



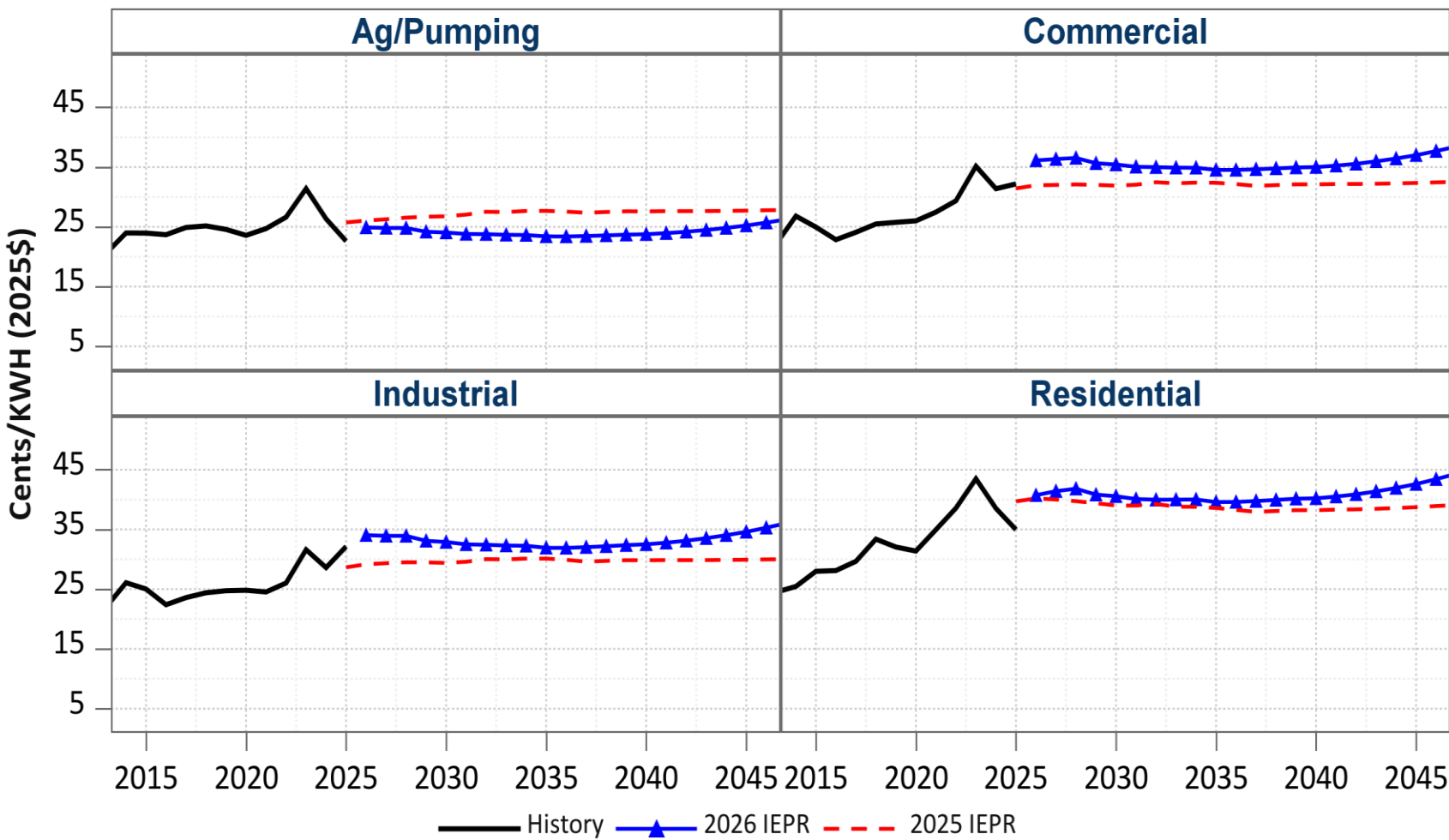
SCE Planning Area Rates



Distribution costs, including self insurance and advanced metering investment, are higher, offset in the near term by lower procurement costs.



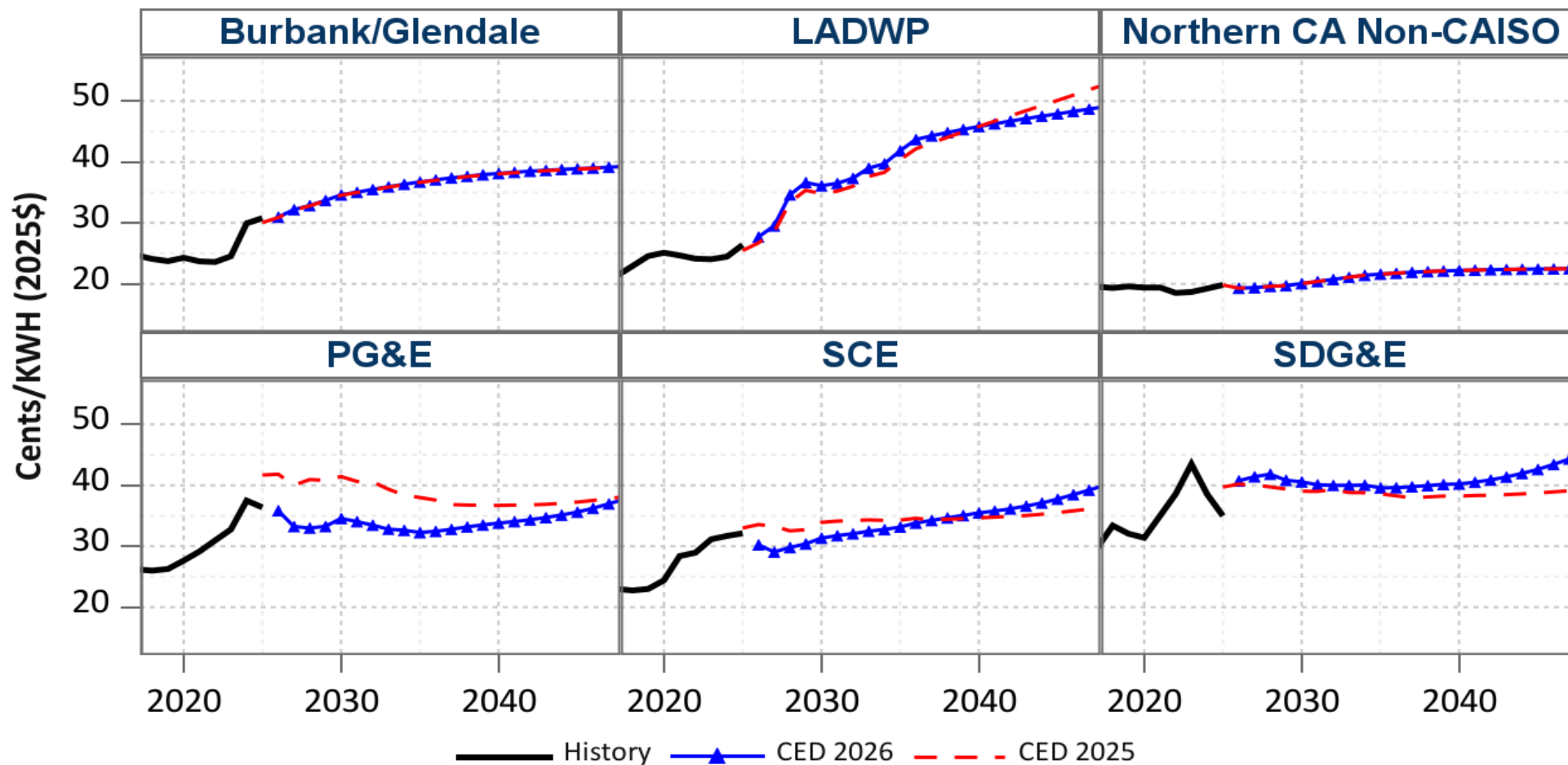
SDG&E Planning Area Rates



- 2027 rates are higher due to revenue shortfalls.
- SDG&E's 2028 General Rate Case request would increase rates 5-8% in 2028



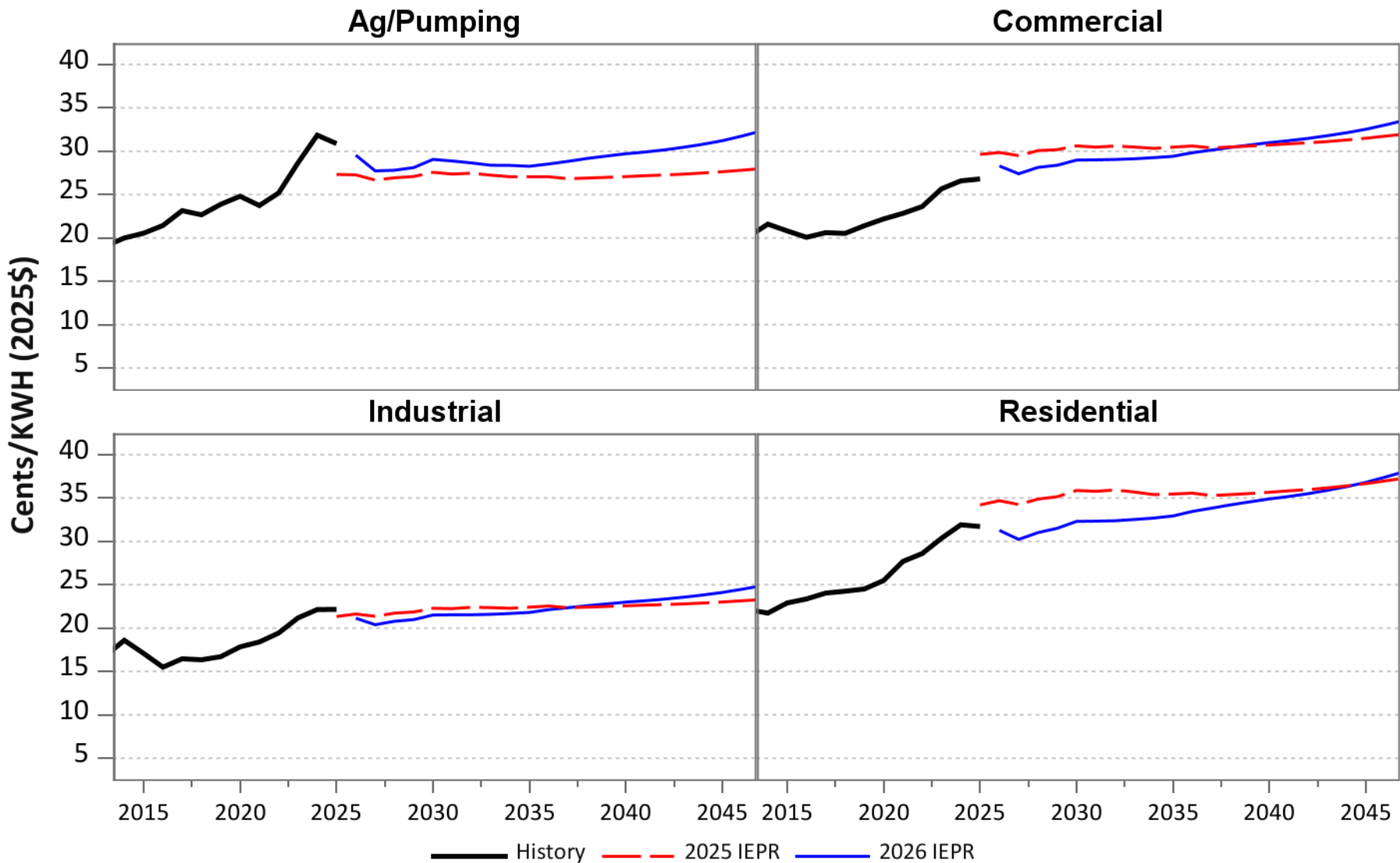
Residential Rates by Planning Area



Source: CEC Staff



Statewide Average Retail Rates



Transportation forecasts use statewide average rates.



Key Uncertainties

- Wildfire risk management
 - Future utility costs are hard to forecast and control.
 - Current regulatory environment does not well align IOU incentives with the most cost-effective statewide strategies.
- Load growth and cost recovery
 - If load growth slows, rate impact of capital investment will be higher.
- Long term transmission build out costs uncertain.



Questions?



Thank You!

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