

*Southern California Edison*  
*NDDR – NDDR*

**DATA REQUEST SET 2026 SB 695 Report IOU Recommendations to  
Limit Cost and Rate - Increases Part II**

**To: Energy Division**  
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**Response Date: 2/27/2026**

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**Question 01:**

This data request is issued regarding proposed recommendations of the electric and gas investor-owned utilities (IOU) to limit cost and rate increases consistent with the state's energy and environmental goals for reducing greenhouse gases, pursuant to Public Utilities Code Section 913.1 which requires the utilities to:

“...study and report to the commission on measures that they recommend be undertaken to limit costs and rate increases.”

In preparing your utility's response, the IOU should be as specific as possible in identifying and quantifying specific potential cost savings initiatives.<sup>1</sup>

Combined electric and gas utilities (PG&E and SDG&E) are to clearly indicate that their response(s) cover gas.

The data provided in the response will be included in its entirety in an appendix to the 2026 SB 695 Report.

**Response to Question 01:**

SCE appreciates the CPUC's request to identify measures that SCE recommends be undertaken to limit costs and rate increases to improve affordability for customers. SCE continues to focus on operational excellence, seeking to identify and execute ideas within its control and purview to achieve cost savings. For purposes of this response, SCE has not attempted to quantify such ongoing efforts, as SCE considers driving continuous improvement through operational efficiencies as a part of its core operational business practices. Those practices have helped SCE maintain the lowest system average rate (SAR) among the large California IOUs for many years, currently by a margin of about 20%. Additionally, SCE currently forecasts its SAR to track at or below forecast local inflation level for the next several years (subject to potential market price fluctuations, especially for fuel and purchased power).

As detailed below, SCE recognizes the need for important policy changes at the State level that can achieve further affordability benefits that are critically important for customers. For purposes of this response, SCE provides concrete recommendations that, if adopted, we expect will drive additional near-term and measurable affordability benefits. SCE also provides specific recommendations regarding actions the CPUC can take and/or help facilitate to realize the savings possibilities. Ideas are organized by category and include an estimate of potential savings in terms of dollars-per-year in revenue requirement (RREQ) and an estimated resulting reduction in the SAR.<sup>1</sup>

### **Updates to State Policies**

SCE recommends the CPUC provide support for the following reforms at the legislature to appropriately remove societal and non-energy-related costs from the electric bill. In addition, the CPUC could advocate for a greater allocation of Cap-and-Invest funds to maintain or increase the return directly to customers. SCE appreciates the CPUC's active engagement and participation to inform the legislature on the best way to shape and enact policy.

#### **Remove Rooftop Solar Incentives from Electric Rates**

In recent years, the CPUC has correctly and consistently recognized the significant financial burden Net Energy Metering (NEM) subsidies – which are currently funded through electric rates – have on non-participating customers. Funding legacy rooftop solar incentives through the state budget rather than electric rates would significantly reduce bills for non-solar customers.

Estimated Savings: \$2.4 billion-per-year reduction in revenue requirement (RREQ) resulting in significant bill relief for residential non-adopters, or a ~15% bill reduction for non-adopters if using 2025 rate levels. SAR reduction of 12%.

#### **Remove Public Purpose Programs from Electric Rates**

SCE strongly supports CARE, FERA and other income qualified programs that help customers to manage their bills and take advantage of clean energy programs. CARE is an important program that supports investor-owned utilities' low-income customers and should continue with a different funding source. Shifting Public Purpose Programs (PPP), including the CARE discount subsidy, to the state budget would reduce electric bills while funding programs through more progressive funding sources, which should be sustainable and durable to ensure stability and continuity of these important programs.

Estimated Savings: \$1.2 billion-per-year reduction in RREQ for moving the CARE discount subsidy to the state budget with sustainable funding and \$1 billion for moving other PPP to the state budget. Combined SAR reduction of 11%.

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<sup>1</sup> Assuming SCE total company revenue requirement of ~\$19.8B as of January 1, 2026.

## **Reallocation of California Climate Credits**

Reallocating allowance allocations through the Cap-and-Invest program so that electric IOUs, at a minimum, maintain the current level of utility allowance allocations, would help provide meaningful and direct bill support to customers. Increasing electric IOU allocations would assure the total value of climate credits delivered to customers does not fall below existing levels, thereby continuing to provide similar levels of benefits to customers. Additionally, SCE recommends CARB authorize an incremental 10% electric IOU allocation, as an additional affordability lever, to support an increase in Climate Credits that would be distributed to income-qualified customers.

Estimated Savings: \$50 million-per-year offset to RREQ from the additional external credit. SAR reduction of 0.2%.

## **System Planning**

### **Resource Adequacy: Setting Planning Reserve Margin to Meet Industry Standards for Reliability**

Transitioning Integrated Resource Planning (IRP) from Effective Load Carrying Capacity (ELCC) to Slice of Day methodology would align IRP and Resource Adequacy proceedings and reduce overall resource costs while maintaining reliability.

The Commission should adopt a planning reserve margin based on a Slice of Day analysis that incorporates all available resources, realistic import and export assumptions and more robust solar, wind, and battery accreditation methodology. These steps would reduce the necessary planning reserve margin while maintaining the industry standard for reliability. SCE's 2025 analysis showed that a planning reserve margin of 15.5% met the industry standard, whereas the Commission adopted an 18% planning reserve margin. Going forward, in the IRP process the CPUC can advocate for and adopt a planning reserve margin that more closely aligns with actual system reliability requirements.

Estimated Savings: \$100 million-per-year offset to RREQ if margin reduced from 18% to 15.5%. SAR reduction of 0.5%.

### **CAISO: EDAM Expansion**

Expansion of the Extended Day-Ahead Market (EDAM) would improve regional coordination and lower procurement costs for bundled customers. It is assumed there could be \$1B of annual savings statewide, of which approximately 20% would be realized by SCE's customers.<sup>2</sup>

SCE appreciates the CPUC's continued support and engagement to encourage wide regional

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<sup>2</sup> "An Expanded EDAM yields \$1,077 million per year in economic benefits to California compared to the "Status Quo" scenario..." *Fact Sheet: Updated Day-Ahead Energy Markets Impact Study*. California Energy Commission. May 2025.

participation to create a larger, single market to maximize benefits to all customers.

Estimated Savings: Assumed \$200 million annual savings to SCE customers. Estimated SAR reduction of 1.0%.

### **Customer Programs, Load Growth & Demand Flexibility**

#### **Energy Efficiency Program Cost Reductions**

Refocusing energy efficiency programs on cost-effective offerings and reducing overall program spending would lower customer bills. SCE filed a Mid-Cycle Advice Letter (MCAL) reducing revenue collection for 2026 to \$240 million and 2027 to \$260 million, returning approximately \$500 million to customers. Building on those reductions, SCE's upcoming Energy Efficiency application proposes an additional reduction in the overall EE portfolio budget, specifically a 40% reduction, from approximately \$1.67 billion for the 2024–2027 period to \$997 million, while still achieving important Commission goals.

Estimated Savings: \$150 million per year. SAR reduction of 0.8%.

#### **CARE Program Reform**

For over two decades, SCE has strongly supported CARE, FERA and other low-income programs that help customers to manage their bills. CARE is an important program that supports our low-income customers and should continue. However, CARE subsidies are nearly \$1 billion annually, and it is funded entirely by non-participating customers through increased electricity rates. SCE recommends modifications to the CARE program that enhance the integrity of the program and align the discount with statutory limits. Implementing these recommendations would yield significant bill savings to non-participating customers while assuring substantial financial relief to eligible customers.

A key factor in the elevated CARE enrollment is the use of categorical eligibility pathways, which allow applicants to self-certify by checking boxes indicating participation in other public assistance programs. While these pathways have improved access for vulnerable populations, there are currently insufficient safeguards in place to ensure that only customers that are qualified to receive CARE benefits can enroll in the program, which results in increased cost shifts to non-participating customers. As a result, in its 2028-2033 Income Qualified Programs Application (A.26-01-005), SCE proposed an upfront eligibility requirement, which would require applicants to confirm income qualifications or participation in public assistance programs prior to receiving CARE or FERA benefits. This effort would minimize cost shifts to non-participating customers by working to ensure that the CARE discount is properly directed to the customer base that is in most need. SCE estimates that the transition to upfront eligibility would reduce program subsidies by approximately \$686 million between 2028-2033, primarily by decreasing ineligible participation and enhancing operational efficiency.

SCE also recommends that the CPUC undertake a review of IOUs' CARE discount levels, which have grown, or will soon grow significantly, resulting from calculation changes from AB 205 and the implementation of the residential Base Services Charge (BSC) approved by D.24-05-028. AB 327 codified that the total effective CARE discounts should be maintained between 30%-35%. As of 2026, SCE's effective CARE discount has grown from a long established and transparent 32.5% to over 40% as a result of derivative changes from AB 205, which the legislature could not have known prior to its passage.

Estimated Savings: \$290M per year (if returning to statutory maximum discount of 35%). SAR reduction of 1.5%.

### **Load Growth from Light-Duty Vehicle Electrification**

Accelerated EV adoption would increase electricity sales and improve system utilization, reducing average rates. A 2024 study from Synapse found that between 2010 and 2021, "EV drivers in California contributed approximately \$2.2 billion more than their associated costs, driving rates down for all customers. When we also include utility expenditures for EV programs, EV owners have contributed approximately \$1.8 billion more in revenues than in costs."<sup>3</sup>

The CPUC can help achieve this in several ways, including through improved rate design, by reducing off-peak rates and by increasing the BSC, which can materially reduce marginal kWh rates of charging. It has been found that a \$0.01/kWh (~3%) decrease in rates can lead to about a 2% increase in electric vehicle sales.<sup>4</sup> Increasing the BSC from \$24/mo. today, as approved by D.24-05-028, to \$50/mo. would reduce kWh rate levels by ~10%.

### **Load Growth from Data Centers**

Interconnecting large data centers would increase sales and spread fixed system costs over more load, lowering average rates. SCE recommends the CPUC open a new OIR considering large loads and engage in the legislative process, as appropriate, to ensure these loads will not increase costs to existing customers and instead drive cost savings for existing customers.

### **Load Management Opportunities**

There are various opportunities to improve customer load shapes and overall grid utilization leading to lower and/or avoided costs associated with procurement, resource adequacy and infrastructure upgrades. Measures including demand response programs, dynamic rates and Distributed Energy Resources (DER) orchestration (i.e., direct communication with customer DERs, potentially via an aggregator). Each of these three strategies (demand response, dynamic rates, orchestration) offers a distinctive set of benefits. All three strategies are necessary to maximize the value of customer load management and achieve the full suite of benefits, including energy and capacity cost reductions,

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<sup>3</sup> *Electric Vehicles Are Driving Rates Down for All Customers*. Synapse Energy Economics Inc. May 2024.

<sup>4</sup> J. Bushnell, E. Muehlegger, D. Rapson, *Do Electricity Prices Affect Electric Vehicle Adoption?* May 2021 available at <https://escholarship.org/uc/item/5f80503b>

system reliability and resiliency during system emergencies, increased grid utilization and T&D deferrals, outage mitigation, etc. Depending on specific circumstances, such measures could be targeted to new large loads or offered to the existing customer base. SCE recommends the Commission support all three strategies with the objective of identifying which strategies are most effective in various use cases.

### **Potential Reforms to Arrearage Management**

SCE is committed to supporting bill protections for customers and understands the role these protections play in assuring energy access for the most vulnerable customers. Bill protections have evolved through recent years and have become complex, layered and challenging for the utilities to implement while still maintaining integrity in the programs for the customers that really need it. SCE's arrearages have grown from \$328M in 2020 to \$662 in 2025, putting additional pressure on rates for customers overall. Different levers should be considered to help maintain the integrity of the protections while also reducing the arrearage amounts.