



NARUC Members-Only Workshop: How to Advance Affordability in an Era of Increasing System Costs | Actions Share-Out

During the workshop, participants heard from two panels of PUC staff, many of whom participated in the recent [Reg Lab cohort](#) on cost containment, and a commissioner who shared the main drivers of rising costs in their states, as well as emerging strategies and actions to manage these costs and improve customer affordability. Participants self-selected into tables organized by cost driver – including load growth, misaligned incentives, transmission and distribution (T&D) spending, extreme weather and resilience, and cost allocation and rate design. In these breakout discussions, participants explored how their table’s designated cost driver is showing up in their state and identified practical strategies and actions their commissions could take to help contain costs.

RMI synthesized contributions from the discussion for consistency and clarity.

Key Challenges & Questions for Cost Containment

Cost Driver	Key Challenges & Questions
Load Growth	<ul style="list-style-type: none">• Rapid and uneven demand growth from data centers and beneficial electrification creating uncertainty around who bears risk and how to plan• Need to right-size infrastructure and ensure investments are necessary and deliver measurable benefits• Affordability pressures mounting, requiring more scrutiny into any new investments – “only so much you can squeeze from the rate base”• Greater need for credible, forward-looking load forecasts• Questions raised: How can commissions track and verify benefits from grid modernization? How should costs and risks of large new loads be allocated? What tools ensure electrification investments provide real ratepayer value?
Transmission & Distribution (T&D) Spending	<ul style="list-style-type: none">• T&D and modernization investments driving some of the largest capital cost growth – inflation and policy mandates compounding the impact on bills• Concerns about unnecessary or poorly justified projects and heavy reliance on cost trackers that limit prudence review



	<ul style="list-style-type: none">• Need to ensure that planning processes prioritize least-cost resources and deliver measurable benefits for ratepayers• Questions raised: How can commissions better separate essential from excessive capital spending? What tools can commissions use to ensure ratepayers realize the intended benefits from grid and T&D investments? How can forward-looking investments be balanced with affordability today?
Extreme Weather & Resilience	<ul style="list-style-type: none">• Wildfires, storms, and heat events escalating both physical and financial risks – including rising insurance and liability costs• Difficult to quantify the benefits of proactive resilience investments and defining prudence before events occur• Need for better coordination across agencies and states, stronger planning tools, and more systematic learning from past events• Capacity constraints at commissions and utilities limiting ability to take proactive action• Questions raised: How can commissions evaluate whether resilience investments are cost-effective as extreme weather risks increase? How can commissions and agencies strengthen coordination and information sharing on resilience planning across states?
Misaligned Utility Incentives	<ul style="list-style-type: none">• Persistent capital bias in utility earnings – profitability tied to spending, not savings or performance• Performance-based regulation (PBR) viewed as promising but may be difficult to design and implement effectively• Alternative cost recovery mechanisms (e.g., cost trackers) can blunt cost containment incentives• Questions raised: How can PBR, including earnings-sharing mechanisms, be used motivate least-cost solutions? How might states best balance short-term rate stability with long-term cost control?
Cost Allocation & Rate Design	<ul style="list-style-type: none">• Central focus on fairness and affordability – who pays, and what constitutes a “fair share,” particularly with new large loads and income disparities• Strong concern about transparency and redaction in filings; states want clearer visibility into cost drivers• Need for customer assistance programs tied to measurable outcomes such as reduced bad debt• Questions raised: How can rate design promote equity without shifting unsustainable energy burdens? How can assistance programs be designed to both protect vulnerable customers and lower overall system costs?



Strategies & Actions Regulators Can Take to Advance Cost Containment

Participants highlighted the following actions during the discussion. See the [Regulatory Actions Menu](#) for a full list of potential actions that commissions can take to support cost containment.

Category	Action
Strengthen planning and evaluation of utility investments to support cost containment	<ul style="list-style-type: none">• Require utilities to demonstrate the need, timing, and potential alternatives for proposed investments in planning• Require utilities to quantify expected benefits and report realized outcomes post-investment• Hire independent consultants to audit utility investment decisions
Realign utility incentives and cost recovery with cost containment	<ul style="list-style-type: none">• Learn from other states' more comprehensive performance-based regulation frameworks that more fundamentally reshape utility incentives• Consider potential reforms to ROEs that may be needed, particularly when cost trackers and other mechanisms are in place that reduce utility risk• Reassess cost trackers/riders to ensure adequate risk-sharing and transparency• Implement cost caps or earnings-sharing mechanisms where appropriate to avoid inappropriate utility overearning• Encourage non-wires alternatives (NWA), demand response, and energy efficiency programs where they reduce total system costs
Increase transparency and stakeholder engagement	<ul style="list-style-type: none">• Require clearer, standardized cost and performance data in filings• Establish stricter confidentiality standards to limit over-redaction• Use commission guidance, technical workshops, and other informal "soft power" venues to signal priorities and inclinations for cost containment outside of formal proceedings• Invite non-traditional participants to share perspectives on affordability in workshops



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	<ul style="list-style-type: none">• Facilitate internal coordination across dockets (e.g., planning and rate cases) to ensure consistent use of information
Support comprehensive affordability	<ul style="list-style-type: none">• Issue a policy statement to indicate commission priorities for a comprehensive affordability strategy, linking cost containment with protections for vulnerable customers• Establish reporting requirements for utilities on energy burden, arrearages, disconnections, and bad debt to better understand how increasing costs impact customer affordability• Convene a working group to design or refine customer assistance programs that reduce arrearages and bad debt while supporting systemwide cost containment
Support cost-effective resilience investments	<ul style="list-style-type: none">• Build commission capacity and staff expertise to evaluate the cost-effectiveness of storm cost recovery proposals and proactive resilience investments• Promote cross-agency learning and peer-sharing on emerging tools to evaluate the costs and benefits of resilience investments amid increasingly frequent extreme weather