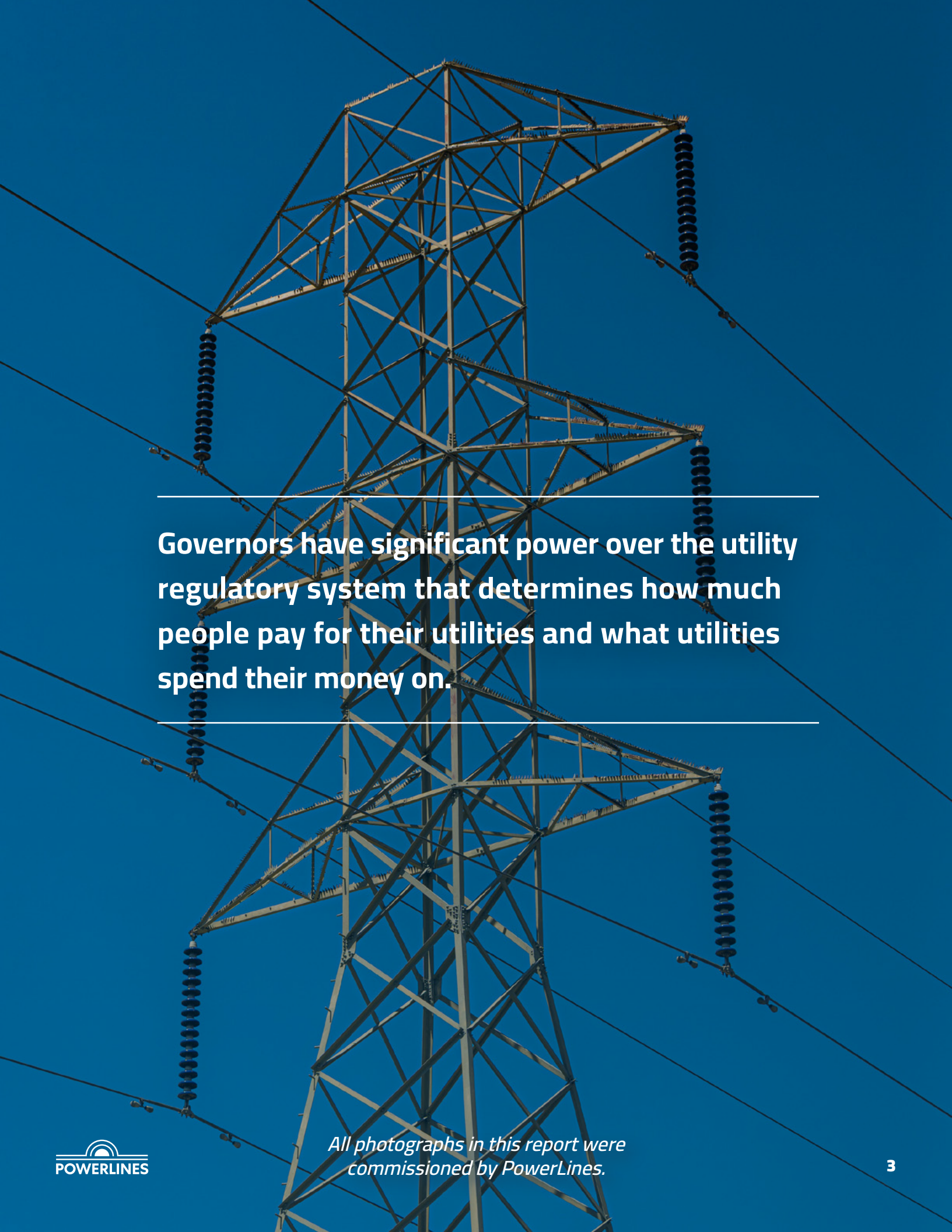
POWERLINES

Lowering Utility Bills and Growing the Economy

A PLAYBOOK FOR GOVERNORS

Contents

POWERLINES

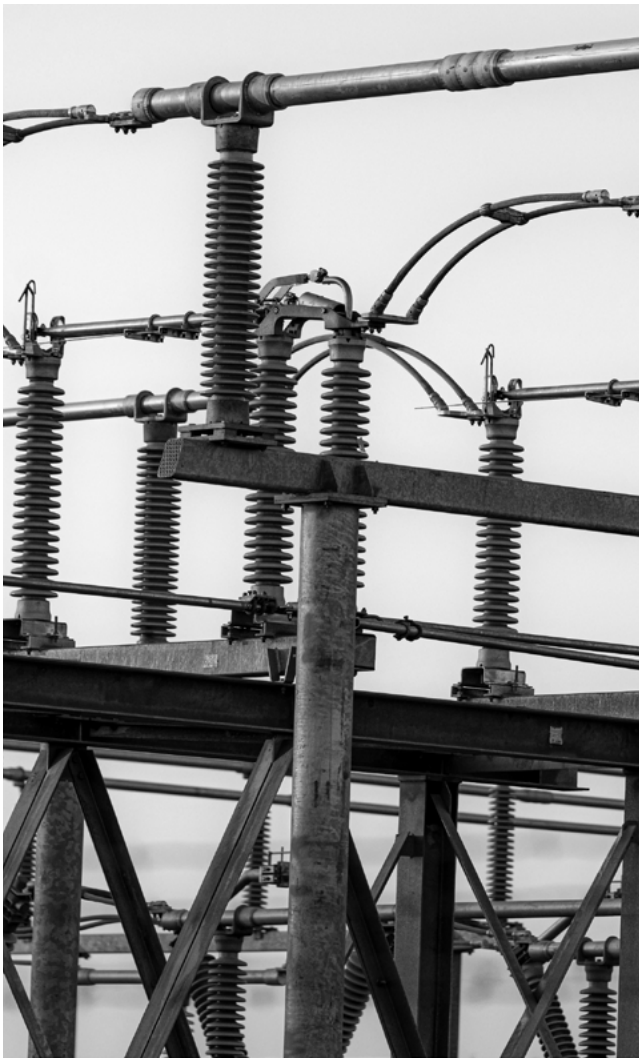


Governors have significant power over the utility regulatory system that determines how much people pay for their utilities and what utilities spend their money on.

All photographs in this report were commissioned by PowerLines.

ABOUT **POWERLINES**

PowerLines is a national nonpartisan energy consumer education nonprofit working to modernize the utility regulatory system for American energy consumers to lower utility bills and grow the economy.



WHO IS THIS **PLAYBOOK FOR?**

This playbook is for **Governors**, their **staff**, and **transition teams**, particularly those focused on energy policy, legislation, communications, and personnel appointments. The strategic tactics, policy pathways, and communications strategies identified in this playbook are designed to be relevant across many states. However, given the complexity of the U.S. grid and utility regulatory system, every state has slightly different circumstances and structures for their public utilities commission (PUC) or public service commission (PSC). Thus, different approaches that are state-specific may need to be taken.

Specific information is targeted to Governors in the 36 states where public utilities commissioners are appointed by the Governor.[1]

1 As of November 2024, most states (36) provide that the Governor appoints public utilities commissioners to terms ranging between four and six years. In two states, the state legislature appoints the commissioners; five states elect commissioners at-large; and five states elect commissioners by district. Two states provide for a mix of Governor and legislative appointments, and in the District of Columbia, appointments are made by the Mayor. **Utility Commissioners: How They're Selected, What They Do, and How They Impact Daily Life—DSIRE Insight**.

WHAT IS IN **THIS PLAYBOOK?**

This playbook identifies **strategic tactics** Governors can employ to lower utility bills. Those tactics include:

1. Build a strong working relationship with the PUC.
2. Leverage the bully pulpit to speak on behalf of consumers.
3. Prioritize PUC and related appointments through a consumer lens.
4. Create a utility affordability plan and release a targeted legislative agenda.
5. Hit the ground running with well-scoped, consumer-centric executive actions.
6. Engage with regional and federal stakeholders.

This playbook also introduces **policy pathways** that can form the foundation of a Governor's utility affordability plan, with opportunities for state legislative, regulatory, and executive action through six different pathways:

- Modernize the utility business model.
- Get more out of the grid.
- Improve grid planning.
- Address rising demand strategically.
- Provide relief to consumers.
- Strengthen utility regulation.

Finally, this playbook provides **communications strategies** for how Governors can effectively discuss utility affordability issues with constituents, media, policymakers, industry, and other stakeholders.

PowerLines is also available to provide specific state case studies and provide state-specific guidance applicable to differing state contexts, based on existing state laws and regulations, regional electricity market structures, and emerging needs and priorities.

Questions? Email contact@powerlines.org.

WHAT IS NOT IN **THIS PLAYBOOK?**

This playbook focuses on tactics and policies that can help lower utility bills and grow the economy. PowerLines focuses on policy and regulatory changes that center consumer interests. This playbook does not focus on specific technologies, including generation resources, as it identifies options to lower utility bills and grow the economy regardless of a state's generation mix.

The tactics and pathways in this playbook are not exhaustive, nor are they meant to be prescriptive—they represent a range of opportunities for building an agenda that can lower utility bills and grow the economy. Strengthening utility regulation is vital to that effort, but securing an affordable, reliable energy future for everyone demands a wider lens. Other pathways—creating new project financing tools and tax incentives, seeding workforce development, strengthening domestic manufacturing, to name a few—are equally valuable and necessary, but they fall outside this playbook's scope.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01 INTRODUCTION

The Problem

Rising utility bills are reaching a crisis moment for consumers, with over 80 million Americans, or nearly 1 in 3 Americans, struggling to pay their utility bills while foregoing basic necessities including food and healthcare to keep their lights on. In 2025, utilities requested a record $31 billion in rate increases and are planning to spend $1.4 trillion in capital expenditures through 2030.

Utility customers are feeling this squeeze. According to national polling conducted by Ipsos for PowerLines, more than 2 in 3 Americans report their electric or gas bill has increased over the past year, 3 in 4 are worried these costs will continue to climb, and 4 in 5 report feeling powerless over these costs. Cost concerns have hit the middle class. Nearly three-quarters of respondents whose household income is

more than $100,000 are worried about their utility bills increasing. With this backdrop, it should not come as a surprise that more than three-quarters of Americans want elected officials to exercise stronger utility oversight.

The factors that drive utility bill increases are diverse and vary widely by state and region, but a few common patterns have emerged in recent years. Utility spending on aging infrastructure, largely local transmission and distribution systems, has accelerated dramatically, with distribution spending alone making up 44 percent of all utility capital expenditures in 2023. Extreme weather, including severe cold snaps, hurricanes, wildfires, and other storms are also driving up costs, alongside inflationary pressures that hike up the price of labor and materials.

The utility industry faces a variety of competing pressures, and while utilities vary in terms of how they define their own priorities and approach emerging challenges, their decisions are ultimately downstream of state policy and regulatory oversight. This playbook outlines opportunities for states to modernize the utility regulatory system and better align its incentives and requirements with affordability goals.

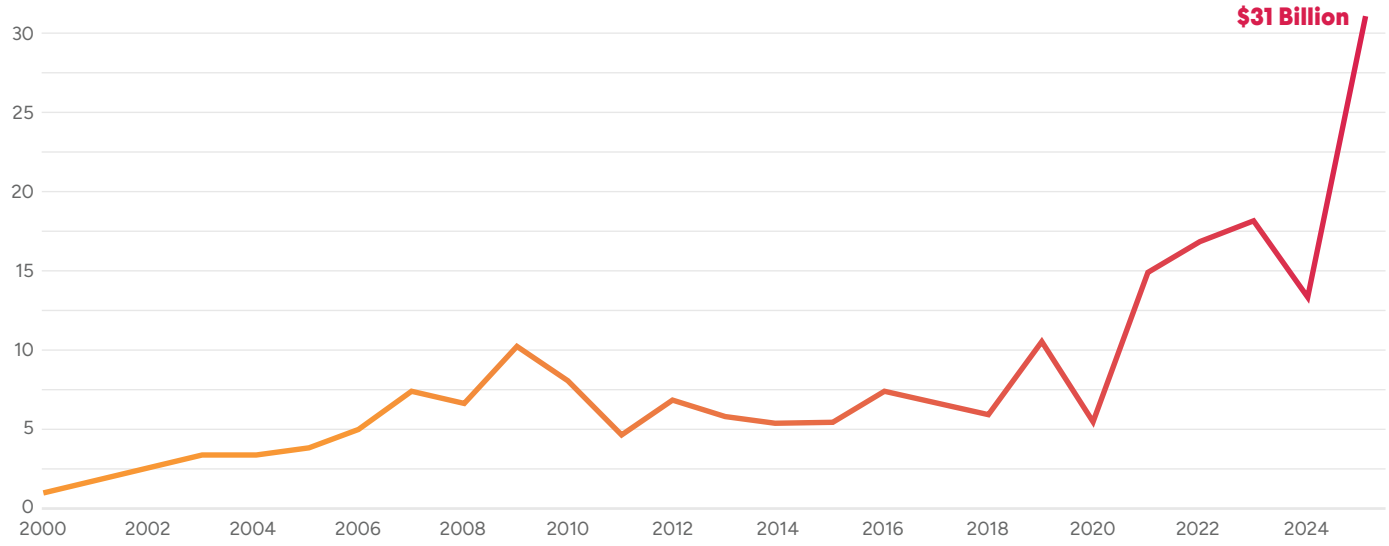
> It should not come as a surprise that more than three-quarters of Americans want elected officials to exercise stronger utility oversight.

The Solution: Utility Affordability and Economic Development

With utility rate increase requests totaling a record $31 billion in 2025, double the previous record, and PowerLines' analysis indicating utility capital expenditure projections in excess of $1.4 trillion through 2030, the issue is not going away.

This is where Governors come in. The current environment presents a clear opportunity for Governors to advance leadership to lower utility bills. Governors have significant power over the utility regulatory system that determines how much people pay for their utilities and how utilities spend money. Governors have several tools and tactics at their disposal and can champion policy pathways that can provide near-term relief for utility consumers while tackling the structural reforms needed to center consumers in the system of utility regulation.

ELECTRIC AND GAS UTILITY RATE INCREASE REQUESTS SINCE 2000 (BILLION $)



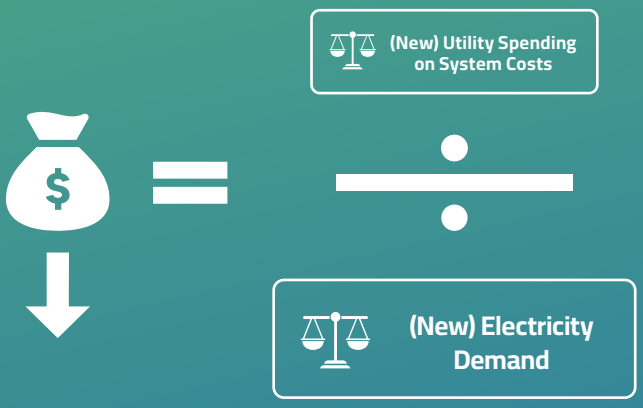
Source: Regulatory Research Associates; PowerLines

Governors set the agenda for the state from day one. Although Governors do not directly regulate utilities or set rates, they have the power to lead the legislative agenda, directly or indirectly control who serves as a utility regulator, and shape the state budget. All of these functions come with opportunities to contribute to decisions that lower consumer energy costs.

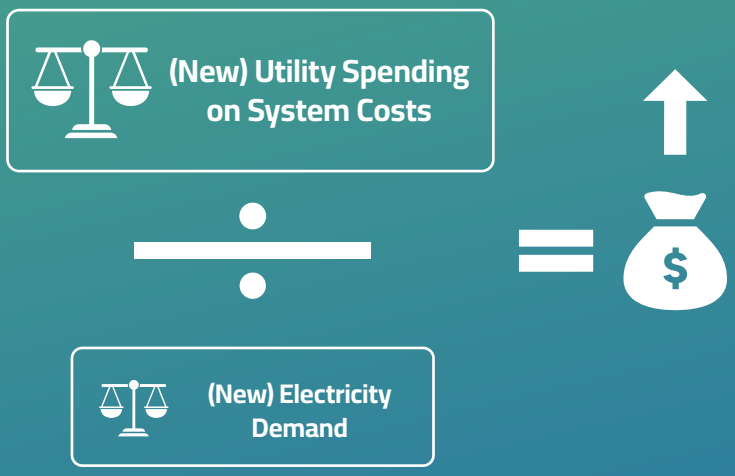
PowerLines' polling shows that people look to state leaders for protection from out-of-control utility cost increases. Governors are well positioned to provide that leadership, balancing affordability and economic growth. Championing utility affordability may be a newer role for some Governors. Historically, affordability and economic development were often treated as conflicting trade-offs. Today, they are mutually reinforcing. Governors can attract critical industrial and business growth while simultaneously putting downward pressure on utility costs. Cheap electricity unlocks economic growth.

Promoting both economic development and affordability is achievable, but only if the utility regulatory system is set up to do so. Regulators and utilities can leverage new demand for electricity to spread fixed system costs over more users, thereby lowering the per-unit price of electricity for all consumers—creating a blueprint to lower utility bills while growing the economy.

SCENARIO A:
PUCs require utilities to spend prudently and leverage new demand to spread costs over more users, putting downward pressure on rates.



SCENARIO B:
PUCs insufficiently scrutinize utility spending, which outpaces new demand, putting upward pressure on rates.



Three main expenses contribute to utility bills:

GENERATION
Power plants and other facilities that generate electricity.

TRANSMISSION
Larger-scale, high-voltage power lines that deliver electricity across long distances, from power plants to local substations.

DISTRIBUTION
Smaller-scale, low-voltage power lines that carry electricity from local substations to end-users.

Utilities 101

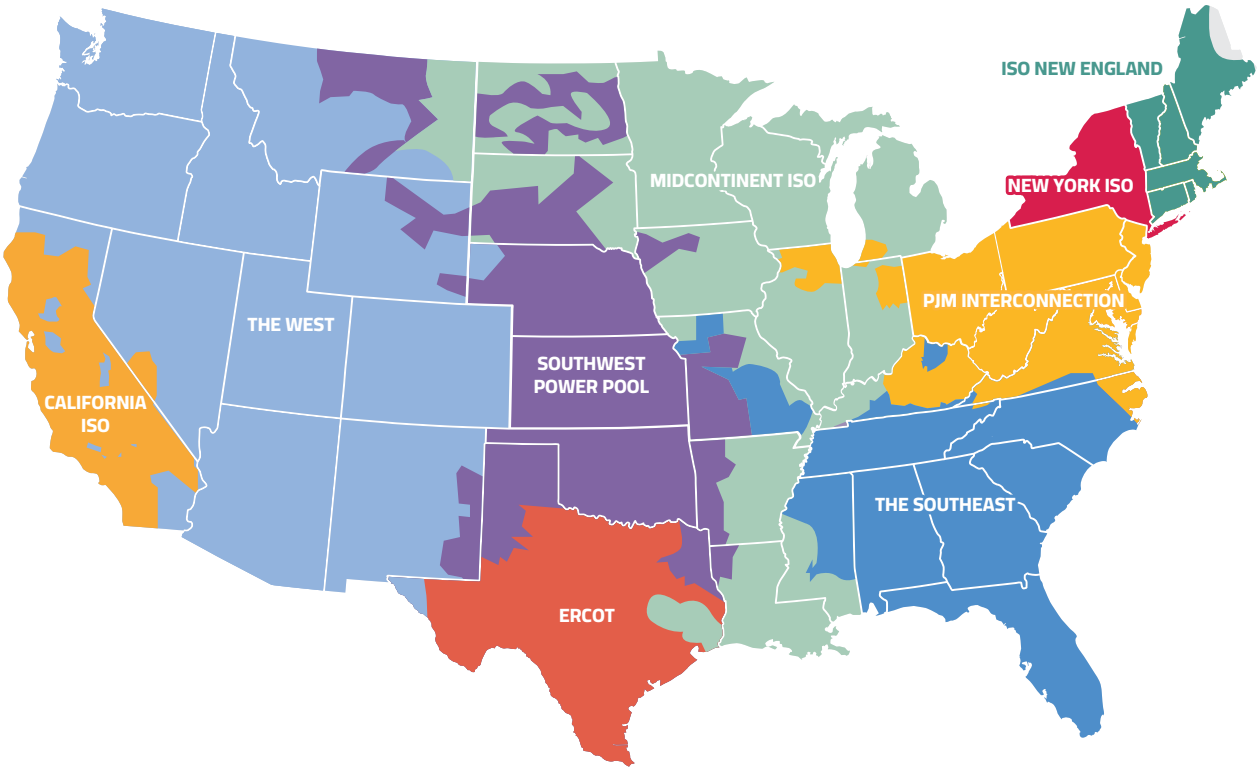
Approximately 70 percent of electricity and 95 percent of natural gas deliveries are provided by private, for-profit utilities in the United States known as "investor-owned utilities" or IOUs; the remainder of households and businesses are served by publicly or cooperatively owned utilities. In exchange for a guaranteed rate of return on shareholder investment, IOUs agree to be regulated and to be subject to "cost-of-service" regulation of their customer rates, usually by state public utilities commissions (PUCs) or public service commissions (PSCs).[2]

Cost-of-service regulation: PUCs are tasked with protecting the public interest by ensuring utilities charge just and reasonable rates for the services they provide. They exercise this authority through a formal legal process that determines the rate a utility can charge customers. Included in that process is a measure of how much it costs for the utility to provide its service, while also allowing the company to earn a profit on its capital investments. However, it is up to the PUC to determine whether the utility's spending is prudent; in other words, the PUC is charged with assessing whether the utility's investment decisions were reasonable at the time they were made, given the information available to the utility at that point in time.

Rate design: Utility rates are an output of the formal legal process described above and known as a "rate case." All customers within a customer class generally pay the same amount per unit of energy consumed, with the ultimate bill depending on individual monthly usage. While some states have adopted more innovative rate design options, generally, customers within a class pay the same amount regardless of income or ability to pay.

2 In some states, the PUC may maintain at least partial or limited regulatory jurisdiction over publicly or cooperatively owned utilities. In other jurisdictions, the publicly or cooperatively owned utilities are not regulated by the state PUC to any degree. PowerLines is available to provide additional context on a specific PUC's jurisdiction, as this varies significantly by state.

RTO/ISO OPERATING REGIONS



Source: PowerLines

Market structure: While there are some foundational principles in utility regulation, exactly how a PUC exercises its jurisdiction over electric and gas IOUs varies by state, and depends in part on how the regulatory landscape has evolved over time. Some states operate under "restructured" markets, wherein regulated utilities only own the poles and wires, and generation is often built and sold by independent power producers or procured through competitive markets administered by an independent system operator (ISO) or a regional transmission organization (RTO). Other states permit the IOUs to own generation, transmission, and distribution (these are "vertically integrated" utilities). RTOs and ISOs serve two-thirds of U.S. electricity customers, and their territories can include either vertically integrated utilities or restructured utilities (and sometimes both), depending on the state and region. As will be discussed later in this playbook, this distinction affects not just the jurisdiction of the PUC, but also the policy levers directly available to the Governor when contemplating different utility affordability strategies.

CapEx bias: Utilities are generally incentivized to spend money to build new power plants and power lines—comprising capital expenditures (CapEx)—over operational expenditures (OpEx), such as tree trimming or software-based system optimization technologies, even when such solutions may be more cost-effective. Utilities make money based on how much money they spend, not on how well they perform. Furthermore, because this return on investment (the return on equity, or ROE) does not vary according to what is built, or how successful these projects are, this can lead to a preference for capital-intensive projects even when an OpEx solution may have achieved the same performance result for consumers. This concept is referred to as CapEx bias.

Supply and demand: Additionally, because IOUs operate as monopolies, the traditional Economics 101 of supply and demand and subsequent effects on prices do not necessarily apply. Indeed, more supply of electricity resources could actually drive up prices, depending on how capital is spent and how those costs are allocated. Conversely, the addition of large energy users, like data centers, to the grid could drive prices down by providing a broader customer base over which to spread the fixed costs of maintaining the grid, depending on how these users are integrated into the existing regulatory structure. The pervasive CapEx bias described above coupled with the unique dynamics layered in from dealing with natural monopolies yields an outdated utility regulatory system and incentive structure.

> Utilities make money based on how much money they spend, not on how well they perform.

The PUC's Role

Utility Bills Breakdown

The complexity of utility bills often makes communicating about rising electricity costs challenging for public officials.[3] There are typically three major costs embedded in a customer's monthly electric utility bill: generation, transmission, and distribution. Bills may also include charges for programs such as low-income energy assistance and energy efficiency. Some states also have riders that charge a line item for things such as resilience or recovery measures, or for the construction of a specific power plant.

In traditional vertically integrated jurisdictions, state regulators approve proposed investments in power generation resources and how the costs of generation are allocated among different consumers (electric rates). In restructured jurisdictions, the price of power is determined by the competitive power market overseen by an RTO or ISO.

Generation: The role of state PUCs regarding electricity generation varies depending on whether the utilities remain vertically integrated and can own power plants or other generation, or whether the state utilities operate in a restructured market. States that have restructured their markets do not permit utilities to own generation assets; instead, the utilities participate in competitive wholesale energy markets to procure electricity on behalf of their customers, or customers shop for their supply from a competitive third-party supplier. Utilities that operate in vertically integrated states still can, however, participate in wholesale energy markets in addition to owning generation assets.

Competitive markets set wholesale power prices. Markets are administered by regional grid operators such as the PJM Interconnection, the Midcontinent Independent System Operator, the Southwest Power Pool, or ISO New England under Federal Energy Regulatory Commission (FERC) oversight.

Conversely, in states with vertically integrated utilities, the PUC typically provides oversight on the mix of generation resources. Under that authority, vertically integrated utilities typically submit an Integrated Resource Plan (IRP) to their PUC. An IRP is a non-binding, long-term planning document, usually covering 10 to 20 years, which outlines how a utility plans to meet future electricity demand reliably and at the lowest reasonable cost. The plan evaluates different generation and resource options, including how much power should be generated by utility-owned resources and how much should be purchased from the wholesale market. In some states, IRP processes include utilizing demand-side resources, such as energy efficiency and demand response, on an equal basis with generation to meet demand.

Increasingly, restructured states are also requiring utilities to submit IRPs to help inform broader state energy planning goals and to improve coordination of energy and other sectors. In these states, IRPs can help policymakers compare the costs and

3 In fact, overly complicated billing statements can be a starting point for a conversation between the Governor and the PUC, and later, the regulated utilities, which represents an entry point opportunity for Governors to engage on behalf of consumers.

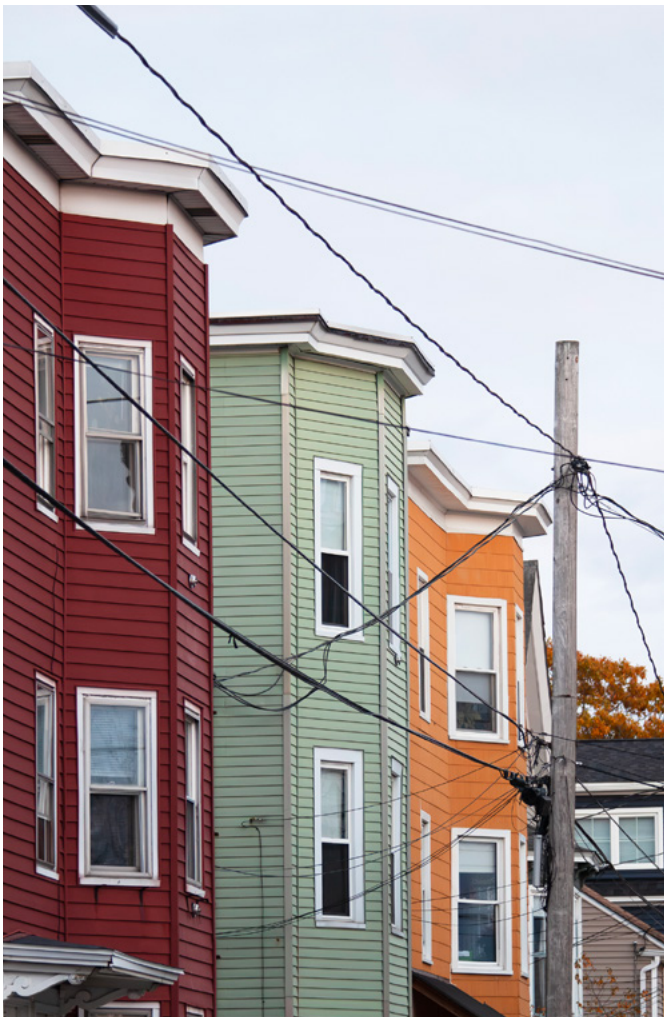
benefits of different future energy scenarios and guide decisions about supporting new generation resources. In the aggregate, whether restructured or vertically integrated, most states require some form of integrated resource planning.

For a deeper dive into the differences of each U.S. electricity market, we recommend this resource from the National Governors Association entitled "Electricity Markets - 101."

Transmission: Oversight of the transmission system is shared between the Federal Energy Regulatory Commission (FERC), regional grid operators, utilities, and PUCs, with authority varying depending on how a state's electricity market is structured. FERC exercises jurisdiction over transmission planning and transmission rates across the lower 48 states, with the exception of the Electric Reliability Council of Texas (ERCOT) footprint, a power market that operates across most of the state. In regions with organized wholesale electricity markets, transmission planning is generally managed by RTOs or ISOs, which are regulated by FERC. In regions without RTOs or ISOs, including areas in the Northwest, Southeast, and most of the West, except for California, utilities typically remain vertically integrated and retain greater control over transmission planning. Utilities in these regions may also provide transmission planning information to state public utilities commissions through IRP proceedings, but generally have not engaged in robust regional planning initiatives.

One area where state PUCs maintain significant authority is transmission siting. The majority of state PUCs exercise either primary authority or some authority over transmission siting.

Distribution: A state PUC's most direct regulatory authority is over the local distribution system: the poles, wires, and infrastructure that deliver electricity to homes and businesses. PUCs are responsible for determining how these system costs are divided among customer classes, from residential and commercial customers to large industrial users, and for approving the rates customers pay, through regulatory proceedings known as "rate cases." Increasingly, PUCs are also opening broader policymaking dockets and investigations on distribution and grid modernization planning requirements.



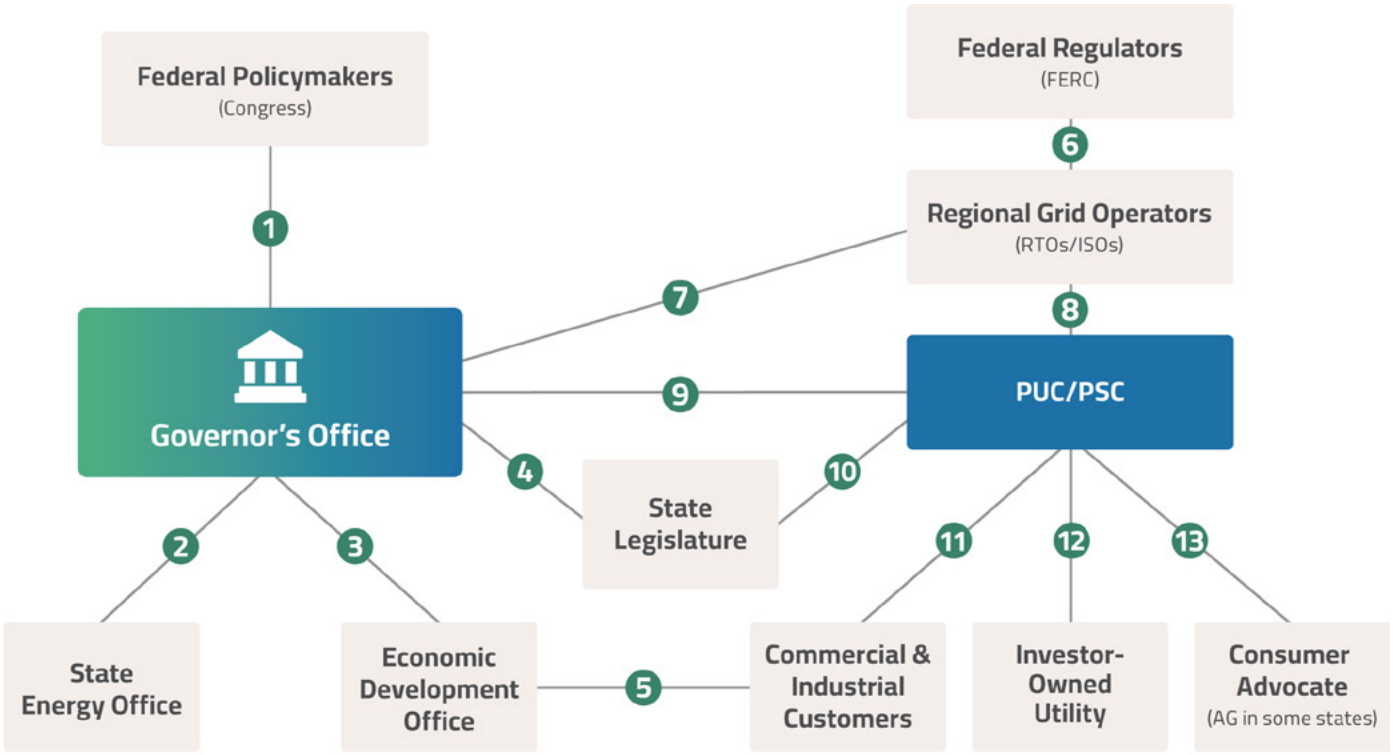
Consumer Protection

A PUC's mission is to ensure that a utility's rates are "just and reasonable" and that a utility acted "prudently." Only those costs and actions determined by the PUC to be prudent are allowed to be recovered through customer rates. This puts the PUC in a delicate position of needing to ensure just and reasonable rates charged to consumers while determining the prudency of costs incurred by the utility, and allowing the utility to earn a reasonable profit.

Importantly, a PUC is not necessarily statutorily meant to be a consumer advocate. The role of a consumer advocate in many states is filled by an independent agency (e.g., office of the consumer advocate) or sometimes a division of the state's office of the attorney general. However, some states do not have a consumer advocate.

Additionally, PUCs operate in a quasi-judicial manner, guided by statutes and legal precedent, and their decisions can be challenged in the courts. The PUC commissioners must reach their decisions based on the evidence presented in specific proceedings, not because of exerted political or public pressures.

A Governor's Energy Policy Ecosystem



1. Congress can pass laws that directly or indirectly impact states.
2. Governors oversee the state energy office.
3. Governors oversee economic development activities for the state.
4. Governors can drive a state's legislative agenda.
5. The state's economic development office coordinates with commercial and industrial customers that represent economic development opportunities.
6. The Federal Energy Regulatory Commission (FERC) is the federal regulator of interstate transmission lines and pipelines that oversees the RTOs/ISOs, which serve as regional grid operators and electricity markets.
7. Governors can engage with the regional grid operators known as regional transmission organizations (RTOs) and independent system operators (ISOs) around key issues that impact their state. Formal RTO/ISO governance structures vary by region, as do pathways for Governors to engage with them.
8. In restructured states, RTOs/ISOs serve as the region's grid operator and often conduct transmission and generation planning and development upstream of a PUC's direct authority.
9. In most states, Governors appoint the PUC commissioners. In all states, there should be an independent but healthy relationship between the Governor and PUC.
10. The state legislature passes laws that establish the policy and regulatory framework by which the PUC operates.
11. Commercial and industrial customers often intervene in PUC proceedings to advance their interests as electricity customers.
12. PUCs regulate the investor-owned utilities. They generally do not regulate municipal utilities or rural electric co-operatives.
13. Consumer advocates often intervene in PUC proceedings to represent the perspective of residential and/or small business consumers. In some states, the consumer advocate office is housed within the AG's office.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02

STRATEGIC TACTICS: A GOVERNOR'S LADDER OF ENGAGEMENT

There are six specific tactics that a Governor may consider when looking to lower utility bills, comprising a "ladder of engagement." These tactics also set the stage for successful implementation of subsequent policy initiatives. Each tactic requires the involvement of different players and a different execution timeline.

The First 100 Days

The first 100 days of any Governor's term sets the tone of the Administration. Whereas in the past, utility regulation may have been far down a Governor's list of priorities, the current context of rising utility bills, an aging grid, and rising electricity demand means consumers may expect prompt action from new Governors. The first three rungs on the ladder of engagement can and should be fully ascended in the first 100 days. Doing so will position the Administration well to climb the remaining rungs, providing the scaffolding needed to pursue chosen policy pathways without delay.

LADDER OF ENGAGEMENT

1

Tactic

Build a strong working relationship with the PUC.

Who's Involved?

Governors and their staff (general counsel, chief of staff, policy, legislative, communications, and constituent services); PUC chair/commissioners and senior staff.

Timeline

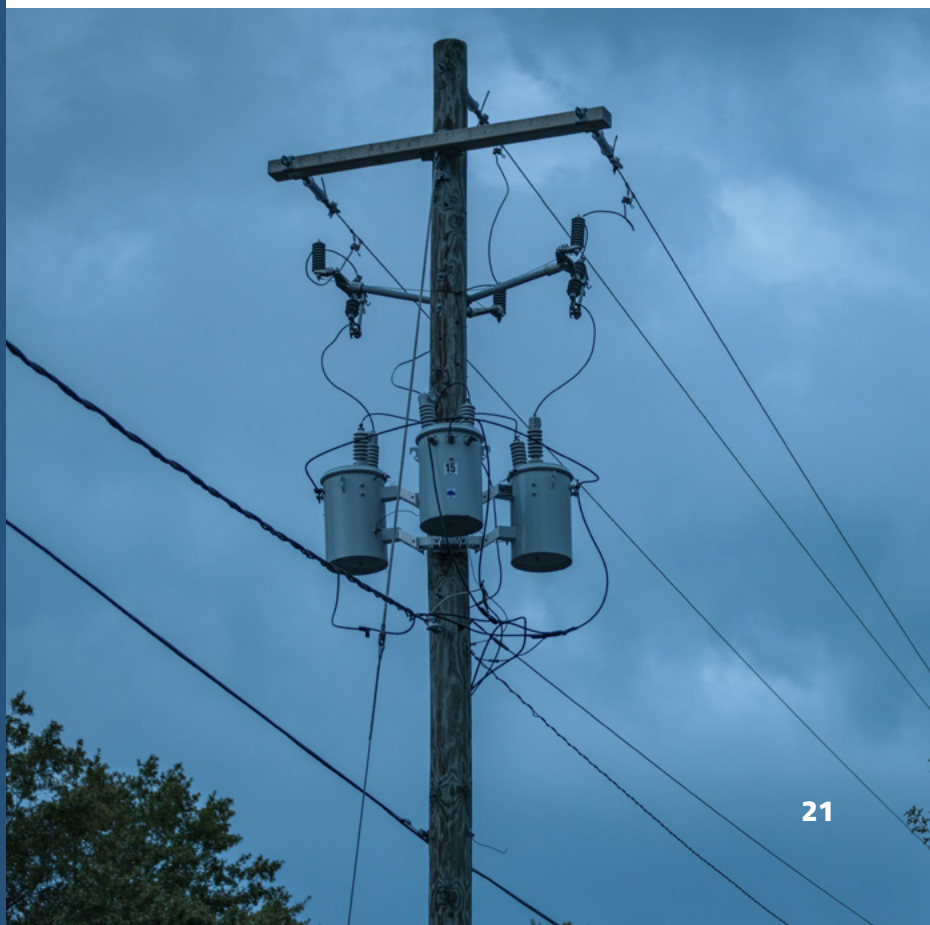
Several initial meetings, with follow-ups as needed; transition into a regular cadence once channels are established (e.g., quarterly, semi-annually).

Background

State Regulatory Authority and Jurisdiction

Every state has a PUC, or similarly named regulatory body. The scope of these bodies varies state by state. Sometimes these bodies are created by the state constitution; other times they are created by the state legislature as an agency within the executive branch. The PUC's most prominent power—setting utility rates—is usually granted by the legislature. Generally, the PUC's jurisdiction extends to the regulation of investor-owned monopoly utilities in the electric, natural gas, and water sectors. Some state PUCs also govern transportation, water systems, and telecommunications, among other things.

Understanding the scope and jurisdiction of the state's public utilities commission is imperative to advancing a utility affordability agenda, as this traditionally independent agency can be a key partner to implementation and enforcement.



Action Items

☐ Schedule Initial Overview Meeting(s) With the PUC

Early in a Governor's term, the Governor and appropriate staff, including policy, legislative, communication, and constituent service representatives, should consider scheduling a series of meetings with members of the public utilities commission and its staff to understand how the commission operates—the first step in the ladder of engagement.

Topics the Meetings Could Cover:

- General overview of whether the state is restructured or vertically integrated, whether it participates in an RTO/ISO, whether and how it regulates municipally and cooperatively owned utilities, and whether the PUC has established planning processes for generation, distribution, and transmission, and if so, on what interval
- General overview of the workflow of the PUC (e.g., average number of active cases, staff assignments, use of hearing officers) and any emerging needs for additional capacity
- Description of the type of proceedings that the PUC can convene (e.g., rulemaking, administrative, contested)
- Explanation of how the agenda for the PUC is set and who sets it
- Explanation of how PUC decisions are crafted (e.g., through open meetings, by staff behind closed doors)
- Overview of the PUC customer complaint resolution process, including relevant contact information and recent statistics
- Description of the PUC's engagement with the legislature, including examples of legislation the PUC has requested or testified on in prior sessions
- Overview of whether and how the PUC engages with the media, including recent example press releases, if applicable
- Information regarding the most recent rate increase requests filed by regulated utilities, and whether there is any information available regarding the timing of future rate increase applications

☐ Establish Regular Check-Ins

The PUC should not be kept at arm's length; yet, its independence in decision-making must be recognized and maintained. In other words, the PUC commissioners should be provided the necessary space to reach decisions based on the evidence presented in the proceeding, not on the basis of political pressure exerted behind closed doors.

This does not mean that communication between the PUC and the Governor should be non-existent or take place solely through public forums. The Governor should establish regular check-ins—at least with the chair of the PUC.[4] These check-ins should not be used to attempt to direct specific PUC actions in specific dockets. Instead, the Governor and their staff can communicate interest in broad policy areas, discuss potential legislative concepts and budget needs, and exchange information about current and future customer protection issues such as extreme weather protocol. From the outset, both parties should clearly agree on how often they will communicate and through what channels in order to support a shared understanding of roles, priorities, and emerging developments.[5]

Considerations

Ex Parte Communications

Public utilities commissions are unique entities in state government because they straddle executive, legislative, and judicial functions and responsibilities. Since much of the work of a PUC is quasi-judicial in nature, private discussions between a party in a pending case and the commissioners and their staff, called ex parte communications, are restricted by law. This prohibition precludes PUC decision-makers from discussing a contested[6] matter that is pending, or will be pending, without the presence or participation of all parties involved in the proceeding, including discussions with the Governor and their staff, as well as with other elected officials.

If, for example, a Governor's office wants to weigh in on a utility's rate increase request, they generally must do so by submitting a public statement through the official docketed proceeding, or by advocating through the state energy office that may intervene as a participant in the docket.

However, restrictions on ex parte communications typically do not apply to meetings or discussions on general priorities or opportunities for future programs, policies, and legislative initiatives.

4 Note that most jurisdictions place limitations on meeting with a quorum of PUC commissioners without public notice and opportunity to participate.

5 While this recommendation may be more directly applicable to the dynamics between Governors and appointed PUC commissioners, nothing precludes Governors from initiating similar communication channels in states where PUC commissioners are elected.

6 Jurisdictions often limit the restriction on ex parte communications to dockets that affect the "rights and duties" of the regulated utilities, such as rate case applications and the consideration of civil penalties. Other broader investigations and policy dockets may not be subject to the same strict communication rules.

Importance of Governor's Staff

Issues related to the PUC will be one part of a broad portfolio of issues managed by the primary executive staff contact assigned to the PUC. The assigned staff might change frequently, so building trust and credibility between PUC commissioners and staff and the Governor's office should be a high priority for both parties. PUC commissioners and staff should hear about relevant events from the Governor's office rather than from interested parties or the news media. PUC commissioners and staff are focused on making sure they are informed before having to discuss an issue with anyone outside of their agency. The Governor's office can enhance the PUC's trust by keeping PUC commissioners and staff informed. This creates the relationship needed to effectively deal with emergency situations.

Think of the PUC as a Resource, and Be a Resource to the PUC

Indeed, PUC commissioners may prove invaluable resources to Governors, particularly during emergency events where timely access to utility restoration information and resource availability are critical to statewide emergency management efforts. Governors may prove equally invaluable to PUCs in providing strategic support regarding emerging political and communications challenges, as PUC commissioners are being called on to make increasingly controversial decisions. By understanding the role of the PUC in the state's energy ecosystem, appointing qualified commissioners who can implement state energy policies, and establishing clear communication channels, the Governor can empower commissioners to make affordability-focused decisions and defend the PUC against powerful interests, without having to own every decision the PUC makes.

2

Tactic

Leverage the bully pulpit to speak on behalf of consumers.

Who's Involved?

Governors and their staff (communications).

Timeline

Ongoing.

Background

The Opportunity

What Governors discuss gets done. Governors are well-positioned to command attention from the media, the legislature, utilities, and the public. Doing so can bring attention to and escalate the urgency of addressing issues prioritized by constituents. The Governor's voice is a critical component of the broader discourse—whether it is to elevate their own solutions or to clearly articulate the challenges facing constituents.

Action Items

- [ ] **(Prepare To) Seize the Bully Pulpit**

Some moments to leverage the Governor's bully pulpit are predictable, based on the legislative calendar or anticipated timelines for key PUC decisions. Other high-profile moments—such as when a utility files for a rate increase request—should be anticipated and planned for even when the exact timing is unknown. Using the information that a Governor has gained from regular briefings with their PUC (Tactic 1), staff can track whether regulated utilities will file for certain proceedings.

Whether the event is expected or not, preparation matters. Talking points and strategy should be planned in advance to address rate filings, constituent complaints, and events that could precipitate an increase in bills, such as storm damage. Ensuring strong coordination between the communications and policy teams is also critical, given the technical complexity of these issues. Conducting a cross-briefing or training can be valuable.

Suggestions for how to talk about the utility bill crisis are available in **Section 4** of this playbook.

3

Tactic

Prioritize PUC and related appointments through a consumer lens.

Who's Involved?

Governors and senior staff; appropriate legislative leaders.

Timeline

Developing a pipeline of candidates should be conducted on a continuous basis as PUC commissioner appointments are generally staggered and may be subject to political party requirements.

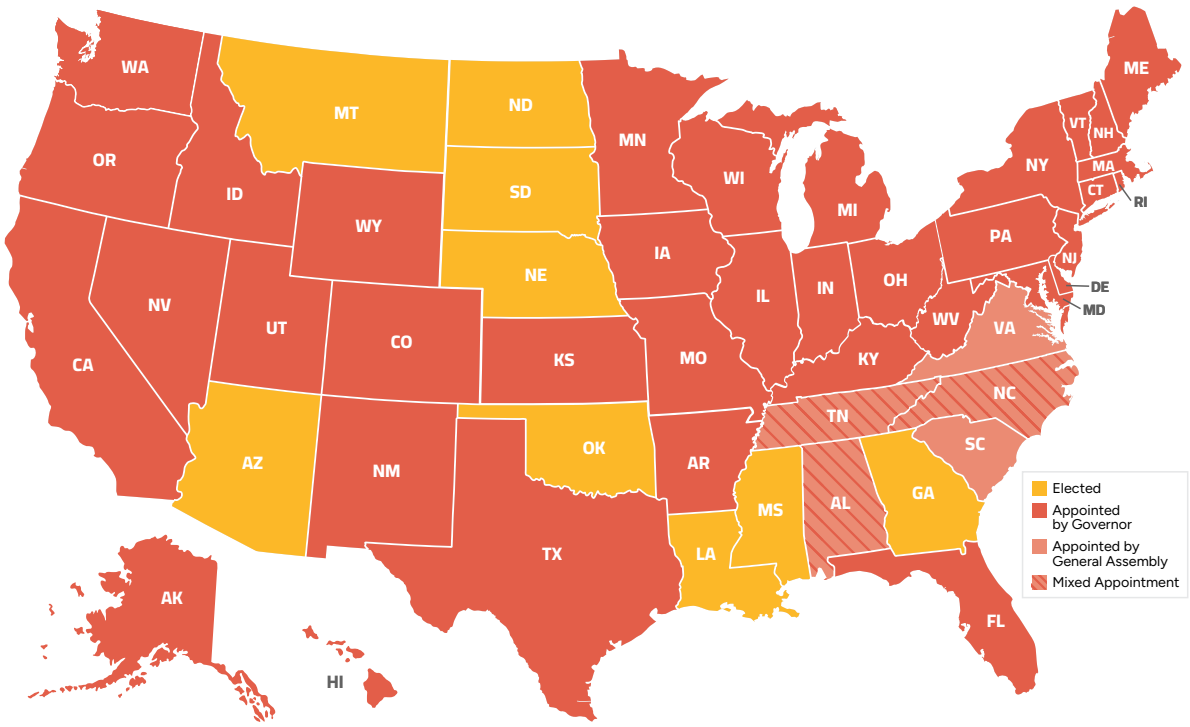
Background

What's at Stake: PUC Commissioner (and Chair) Appointments

PUC commissioners are essentially the Supreme Court justices of energy, and the importance of their roles should be treated as such. In states where the Governor appoints PUC commissioners, the individual can usually be removed only for serious misconduct. In 29 jurisdictions, these commissioners serve staggered terms of six years, with the second-most common term spanning four years.

The Governor's ability to appoint commissioners and, in some states, the PUC chair, is an opportunity to set priorities. Governors can proactively search for and evaluate candidates ahead of vacancies. A Governor should identify potential public utilities commissioners able to pressure-test a utility's proposals and assumptions, consider a wide range of perspectives, pursue best practices from other jurisdictions, initiate and implement reforms, and champion affordability for consumers.

SELECTION METHOD OF STATE PUC COMMISSIONERS



Source: PowerLines

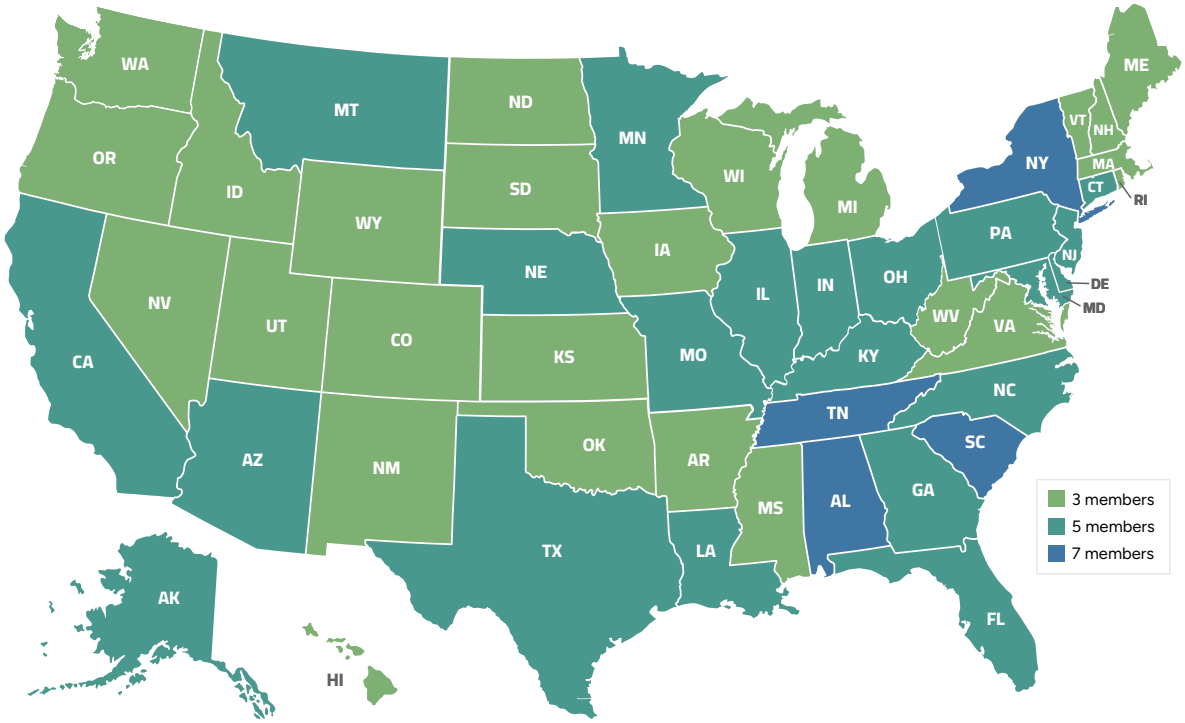
Action Items

☐ Develop PUC Appointment Pipeline

Developing a pipeline for PUC appointments is critical to maintaining uninterrupted regulatory oversight. Many proceedings are bound by statutory deadlines, and deadlocks because of commissioner vacancies may result in matters being resolved in ways that harm the public interest. Additionally, many states also require political balance in the membership of the PUCs. Because many states limit same-party representation (e.g., three of five), the pipeline should also reflect political balance.

Beyond reflecting political balance in the development of a PUC appointment pipeline, Governors should also consider what core competencies and constituencies are represented by sitting commissioners and which may be lacking. Some states codify in law parameters that must be observed in the selection process, such as reflecting geographic diversity in the appointments (i.e., commissioners represent different areas of the state, or come from rural, suburban, and urban locales). Others may require that the full complement of commissioners possess experience in fields such as economics, engineering, law, accounting, finance, utility regulation, public or government administration, and consumer advocacy.

NUMBER OF PUC COMMISSIONERS



Source: PowerLines

It is important for consumer voices to be represented in the process of selecting PUC commissioners. As such, Governors and their teams should strive to solicit input on potential candidates from a variety of stakeholders, and may even consider providing an opportunity for candidates to self-identify through a structured nomination process. Governors may also consider establishing a selection committee to identify or narrow down a potential candidate pool.

☐ Track Related Appointments

Tracking and prioritizing related appointments at adjacent agencies, boards, and ad hoc task forces is another opportunity to advance priorities. Depending on the state, the Governor may also appoint the consumer advocate (or consumer counsel) who represents utility customers in front of the PUC, members of state siting councils overseeing power facilities and transmission lines, state energy office leadership, and boards overseeing energy program spending.

4

Tactic

Create a utility affordability plan and release a targeted legislative agenda.

Who's Involved?

Governors and their staff (policy, legislative, legal, communications); PUC leadership; state energy offices; relevant legislative leaders.

Timeline

6-12 months to develop a robust portfolio and roll-out to key constituencies.

Action Items

- [ ] **Craft a Utility Affordability Plan, Now**

The current environment presents a clear opportunity for Governors to lower utility bills and advance economic development through both strategic engagement with their PUCs and by crafting a utility affordability plan. The Policy Pathways section of this document gives Governors a range of options that states can advance to create an affordability plan, some of which may be achievable within a PUC's existing ambit. A Governor's visible leadership can be critical to spurring action by either the legislature or the PUC on the issue of utility affordability.

- [ ] **Leverage the PUC Commissioners In Vetting the Plan**

The implementation of any utility affordability plan may succeed or falter depending on personnel appointments at the PUC and other key agencies. Governors can leverage existing PUC commissioners' expertise to spot any regulatory or practical hurdles for implementing the plan. PUC commissioners can also provide insight as to why rates may have increased over time. While Governors can and should solicit ideas from other stakeholders, including the utilities, it is the PUC that may be best positioned to foresee potential implementation hurdles and suggest alternative approaches to reaching policy objectives.

5

Tactic

Hit the ground running with well-scoped, consumer-centric executive actions.

Who's Involved?

Governors and their staff (policy, legislative, legal, communications); PUC leadership; executive branch agencies (social services, housing, transportation); relevant legislative leaders.

Timeline

Initial executive action within the first 100 days; ongoing as appropriate.

Action Items

Executive orders offer a complementary path to legislative action and can establish the necessary groundwork for a successful and comprehensive legislative session agenda.

☐ Direct a Report Examining State-Specific Drivers of Rate Increases

While the U.S. Department of Energy's Lawrence Berkeley National Laboratory (LBNL) recently released a detailed report and update regarding retail electricity price trends and drivers, the study did not analyze drivers in each individual state.[7] Governors may consider a state-specific report that would provide context on drivers for retail electric rates to help shape the Governor's Utility Affordability Plan. Such a report would also provide useful evidence for advancing or rejecting specific energy policies. The directive for the PUC to undertake a state-specific report can be issued via executive order, as a standalone item, or as part of a larger package of reform items. In crafting this directive, the Governor's office could consult with the PUC on what types of outputs are feasible with available time, resources, and options for synthesizing existing information. An executive order requesting such a report may articulate a policy statement, report scope, timeline, and stakeholders that should be leveraged through the process without infringing on a PUC's independence. As a complement or an alternative to a report process, a Governor could also direct a PUC to open a proceeding that calls on utilities to present their findings on affordability challenges and potential responses and provide an opportunity for comment from interested stakeholders.

7 Ryan Wiser, Galen Barbose, Will Gorman, Eric O'Shaughnessy, Sydney Forrester, Paul Donohoo-Vallett, Peter Cappers, Jeffrey Deason, Ryan Hledik, and Long Lam, "Retail Electricity Price Trends and Drivers: Data Update - 2026 Edition," Lawrence Berkeley National Laboratory and The Brattle Group (April 2026), emp.lbl.gov/sites/default/files/2026-03/Retail%20Price%20Trends_2026%20edition.pdf.

☐ Launch a Utility Affordability Task Force

A utility affordability task force could be a particularly effective vehicle for advancing or informing the Governor's Utility Affordability Plan and can be launched through an executive order. The assembled blue-ribbon panel of experts could include a broad swath of invested stakeholders, and bring attention to solutions that are working in other jurisdictions. The task force could work in parallel, or in conjunction with, the PUC on an investigation into more concrete topics, such as potential reforms to the utility regulatory system.

☐ Consider Other Executive Orders as a Tool

Other examples of complementary directives in executive orders include:

- Establishing an energy affordability czar or position to coordinate across agencies to improve policies and programs, which could be represented by one of the Governor's existing senior staff
- Directing the PUC to conduct an assessment of the state's utility business model including potential policy measures to address issues
- Strengthening state energy assistance programs and improving energy affordability and bill stability for low-income households
- Modernizing rate case proceedings to give the PUC better oversight into utility spending, including stricter budgeting requirements for utilities and/or reviews on certain customer bill charges
- Directing the PUC to conduct management audits of regulated utilities
- Directing the PUC to investigate whether utilities should be required to consider grid enhancing technologies and other efficient solutions
- Directing the PUC and energy-adjacent agencies to assess opportunities to provide near-term bill credits to consumers as a way to offset short-term price spikes while longer-term structural reforms are underway
- Directing a review of procurement practices for state agency energy supply needs
- Providing more transparency to consumers on eligibility for and access to utility, state, and federal energy assistance programs
- Convening technical workshops or blue-ribbon panels with specific deliverables

PowerLines can provide examples of previous executive orders upon request.

6

Tactic

Engage with regional and federal stakeholders.

Who's Involved?

Governors and their staff (policy, legal, federal); PUC leadership; other state agencies (e.g., consumer counsel; state energy office); attorney general's office.

Timeline

3-6 months for initial assessment; ongoing.

Background

Understanding the Regional Grid Operator Structure (Where Applicable)

Approximately two-thirds of the U.S. population is served by an RTO or an ISO, which coordinates, controls, and monitors a multi-state grid. Portions of the country not served by an RTO or ISO primarily include areas in the Northwest, Southeast, and most of the West, except for California, where vertically integrated utilities manage their own generation, transmission, and distribution.

States have increasingly raised concerns about the lack of state and consumer representation in the RTOs and ISOs. Others argue that RTOs and ISOs are indispensable for advancing the industry—particularly from a competition and regional transmission planning standpoint.[8]

Action Items

- [ ] **Consider Opportunities to Collaborate With Other States Served by the Same Regional Grid**

In September 2025, Governors from the 13 states served by PJM Interconnection (the RTO serving all or part of 13 mid-Atlantic states and the District of Columbia) announced the PJM Governors' Collaborative to advance "greater state and consumer representation" in grid governance in order to provide affordable, safe, and reliable electricity. Governors in other RTO/ISO regions can build on this model to pursue market reforms to reduce costs and improve accountability.

8 Peskoe, Ari, "Is the Utility Transmission Syndicate Forever?" Energy Law Journal (Jan. 21, 2021), available at: ssrn.com/abstract=3770740.

Use Convening Authority to Consider Collaborative Intervention Opportunities at FERC

Governors should facilitate collaboration between states by encouraging dialogue between energy policy and regulatory agencies—both within their own states and across state lines. This dialogue can help identify opportunities to advocate for shared state interests before federal agencies such as FERC and the U.S. Department of Energy.

Unlike at the state level, FERC proceedings have no designated statutory party to represent consumer interests.[9] This is consequential because transmission costs are a key driver of retail electricity price increases. PUCs are already managing a heavy and growing caseload; intervening in FERC proceedings adds additional work. Partnering with other states, and with other agencies within a state such as a consumer advocate's office, the attorney general, and the Governor's energy office, can help manage limited resources. The convening power of Governors is well suited to this task.

9 Although, FERC does have a rule that allows third parties to intervene (18 C.F.R. § 385.214) or file a complaint (18 C.F.R. § 385.206).

03

POLICY PATHWAYS TO LOWER UTILITY BILLS AND GROW THE ECONOMY

This playbook outlines policy options available to Governors that address the structural flaws in the utility regulatory framework while highlighting options that can provide immediate consumer relief and ensure economic growth potential. The pathways presented below are intended to provide a menu of options and to serve as a resource to inform state-specific decision-making.

The six pathways provide a menu of policy options for consideration. Some of these policy options may require new state legislation, while others can be undertaken by the PUCs through a rulemaking, a policy docket, or another initiative. Governors can champion these initiatives by advancing legislation as part of their own legislative agenda, or by directing the state energy office to develop or support legislative efforts aligned with the intent of the underlying policy.

PowerLines can assist with state-specific assessments, upon request.

Policy Pathways

Modernize the Utility Business Model

Pursue reforms to the utility business model to align utility incentives with the public interest; address investor-owned utilities' preference for capital expenditures over operational efficiencies (CapEx bias).

Pathways

- Realign utility incentives with customer interests
- Review utility financing mechanisms
- Streamline data sharing
- Share fuel cost risk
- Review utility bill taxes and program funding sources

Get More Out of the Grid

Improve efficiency of the existing grid; gain visibility into grid planning data to ensure future appropriate investments.

Pathways

- Increase transparency of distribution system data
- Reform rate design
- Incentivize technology adoption
- Optimize grid infrastructure utilization
- Identify surplus interconnection potential

Improve Grid Planning

Review and update grid planning protocols to ensure that infrastructure and assets are appropriately identified, cost-effectively integrated into existing systems, and efficiently used.

Pathways

- Improve demand forecasting and planning
- Support cost-effective transmission planning
- Reform state-level siting and permitting policies

Address Rising Electricity Demand Strategically

Develop policies for how utilities plan for new large load customers, such as data centers and manufacturing facilities, to ensure they benefit and don't burden existing consumers.

Pathways

- Address demand speculation
- Reform financial recovery
- Protect consumers while advancing economic growth
- Incentivize large loads to flexibly manage their demand

Provide Relief to Consumers

Provide near-term relief opportunities to help consumers manage their utility bills.

Pathways

- Reduce risk of utility disconnections
- Offer targeted financial credits
- Improve assistance programs
- Update utility rate design
- Improve program delivery

Strengthen Utility Regulation

Ensure the PUC and consumer advocate have adequate resources to fully scrutinize rate increases and pursue changes in the process to allow more parties to participate in PUC proceedings.

Pathways

- Strengthen state capacity and increase funding
- Standardize ethics
- Expand public access
- Reform rate case processes
- Strengthen enforcement

POLICY PATHWAY 1: Modernize the Utility Business Model.

Under the traditional utility business model, investor-owned utilities earn a profit through a guaranteed return on equity (ROE) for any capital expenditures, such as poles, wires, substations, and power plants, as approved by the PUC. That model can encourage utilities to favor large construction projects, even when a cheaper operating solution or technology upgrade could achieve similar operating performance. Reforms should realign utility incentives with the public interest, without slowing necessary investments.

A. Realign utility incentives with customer interests: reduce the financial bias toward large capital investments.

There are multiple options that a state could consider to address the issue of a utility's financial bias toward capital expenditures, such as ratemaking tools that consider total expenditures (e.g. TotEx ratemaking), balancing returns for capital and operational spending and reducing a bias for capital-intensive projects over potentially cheaper alternatives; evaluate utilities based on their performance; or share a portion of cost savings generated from certain measures between consumers and utilities.

Historically, these mechanisms, including revenue decoupling, have been a popular way to encourage energy efficiency and demand-side management programs, since they offset the lost revenue and foregone investment returns a utility gives up when it helps customers use less energy. The mechanisms can also be expanded to encourage deployment of advanced grid technologies or other non-traditional, non-wires alternatives.

While PUCs may possess the inherent authority to undertake such reforms, legislative and executive support could accelerate adoption and provide needed guidance.

B. Review utility financing mechanisms: examine ROE, capitalization structure, and public financing best practices to optimize for affordability.

Governors can consider multiple options that are emerging as best practices for reviewing utility financing mechanisms. For example, Governors can advance legislation that provides clear guidance on how regulators set the amount of money utilities earn on their capital investments, or the ROE, and how utility investments are financed, including the balance between debt and equity. The capitalization structure of the utility (the amount and type of equity and debt that the utility leverages), as well as the ROE authorized by state PUC commissioners through a rate proceeding, are powerful determinants of the overall rates that customers pay for utility services.

Governors can also support legislation that considers different rates of return for differing types of investments to encourage projects that save customers money or advance other state priorities. For example, states can pass legislation to restrict the use of contemporaneous cost recovery mechanisms for locally planned transmission projects that escape traditional regulatory review unless the utility accepts certain conditions, such as agreeing to transparency requirements as well as acceptance of the state-authorized ROE (versus the FERC-designated ROE for transmission, which is usually higher). Such an effort would signal the state's preference for high-voltage transmission projects that are regionally planned and undergo a more robust review, and/or level the playing field with local distribution grid projects.

PUCs can be directed to limit the use of expedited cost-recovery mechanisms, such as trackers or riders, for projects that prioritize transparency measures and cost-savings strategies. Also, because such mechanisms lower a utility's financial risk, regulators can consider allowing lower returns on investments recovered through them.

Governors can champion these initiatives by advancing legislation as part of their own legislative agenda, or by directing the state energy office to develop or support legislative efforts aligned with the intent of the underlying policy.

C. Streamline data sharing: improve accessibility of customer energy-use data so customers, regulators, and third-party providers can make better decisions about how electricity is used.

As of 2022, electric utilities had deployed approximately 119 million advanced—or smart—meters across the United States, representing 72 percent of all electric meters. These meters measure and record electricity usage hourly, or more frequently, with many providing more detailed, or even instant, information. Governors can work to remove regulatory or statutory barriers that limit access to this data by customers, third parties, and public entities, as long as such data sharing includes strong privacy protections and clear rules around customer consent.

Making this information easier to access can help customers lower their bills, support new tools and services that reduce energy use during high-cost periods, and give regulators a clearer picture of whether new infrastructure is truly needed. Over time, this can help shift utility incentives toward improving system performance and delivering customer savings, rather than relying mainly on investments in new infrastructure.

D. Share fuel cost risk: reduce risk for customers of volatile fuel costs by creating fuel cost sharing requirements and incentivizing utilities to spend less on fuel.

In states with vertically integrated utilities, where utilities directly own power generation assets, fuel costs are generally passed through to customers through a mechanism often referred to as a fuel adjustment clause. Utilities build an expected amount of fuel spending into customer rates. If actual costs are higher or lower than projected, customers are later charged or credited for the difference through a true-up process. Because these costs are largely treated as pass-through expenses, utilities have weaker financial incentives to aggressively control, hedge, or minimize fuel costs to avoid fluctuation than they do for capital investments on which they earn a return.

States can adjust the parameters of fuel cost sharing mechanisms to account for the level of cost sharing between customers and utility shareholders, address how the annual amount is determined by regulators, and/or establish incentives to spend less on fuel.

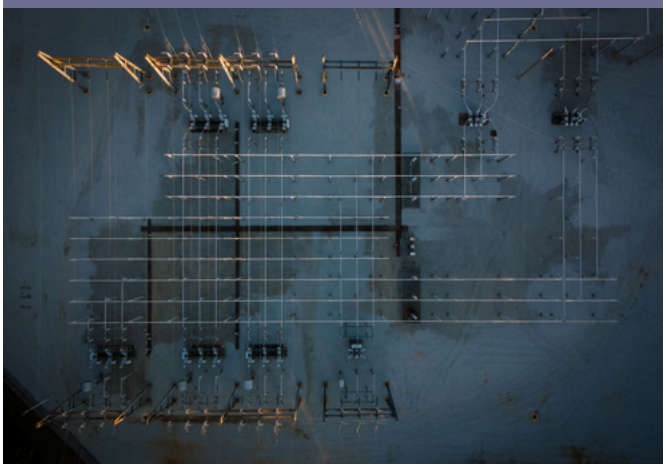
E. Review utility bill taxes and program funding sources: direct a study on taxes collected through utility bills and the funding source for energy policy programs.

Traditional utility regulation provides that taxes assessed to the regulated utility on the consumption or sale of the utility service are treated as a pass-through to the customer. These can include taxes on property, sales, gross earnings, and more. Separately, energy policy programs may be funded, at least in part, through miscellaneous charges on a customer's monthly bill. Generally, utility rates tend to be structured more regressively than state and federal tax codes, and fees added to monthly utility bills can present an ongoing budgeting challenge for many households, particularly when the fees are assessed on a volumetric basis (i.e., a rate multiplied by the individual's energy usage).

Governors can support legislation to commission an independent study to identify and quantify these areas, and to provide best practices from other states and countries. The study's outputs may provide useful data in subsequent legislative sessions when assessing whether some revenues are better collected through other vehicles, and whether some policies may be more appropriately funded from other sources, which should also be fully assessed if this option is pursued. There are trade-offs to reducing or eliminating taxes assessed on a utility bill, or shifting programmatic funding to an alternative vehicle (other than through customer utility bills), which should also be fully assessed.

POLICY PATHWAY 2: Get More Out of the Grid.

Investment in the country's aging infrastructure will be needed. However, the grid is currently used inefficiently—operating at 50 percent utilization—and there is a need to quickly unlock more electrons to power new demand. Improving the efficiency of the grid could help spread fixed system costs over more users, lowering electricity costs for all consumers while delivering more electricity more quickly. Whether considering policies that incentivize the adoption of cost-effective advanced grid technologies, or enhancing transparency and access to customer usage data, distribution system data, and load forecasting models, there are a number of policy pathways that would ensure utilities are using existing assets efficiently while gaining visibility into grid planning data to inform appropriate investments moving forward. Building smart enables building more.



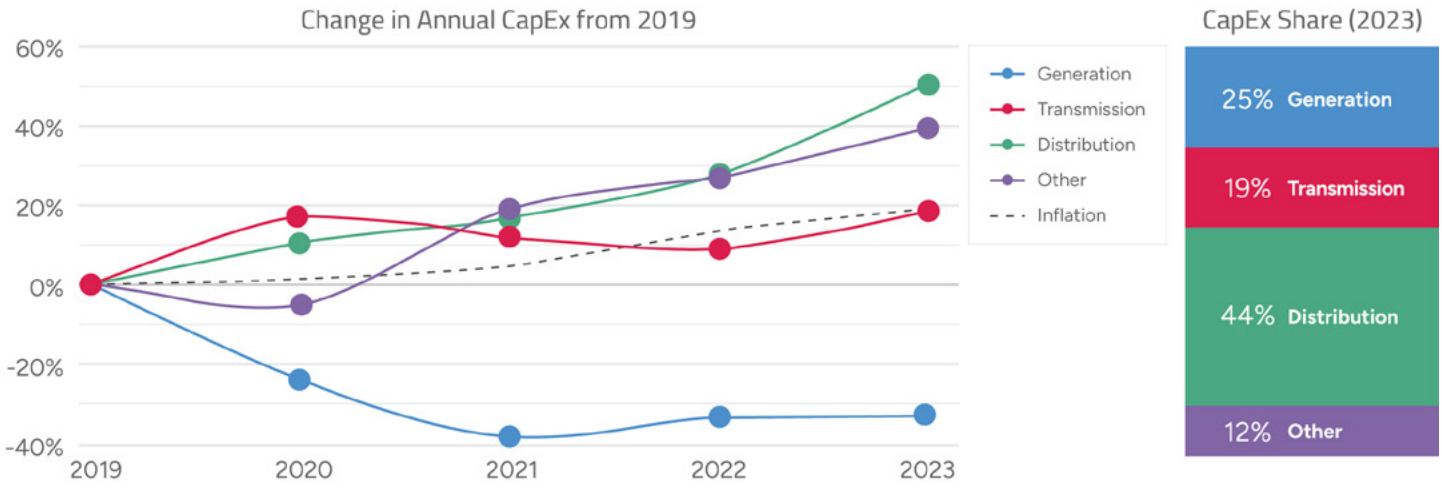
A. Increase transparency: ensure grid investments are cost effective by making utility spending and system data more transparent.

Distribution spending currently represents the largest source of all utility CapEx, comprising 44 percent of the total in 2023.[10] As one option to address this, Governors could prioritize legislation requiring utilities to show, in plain terms, where they are spending money on the grid, why those investments are needed, and how they will improve reliability and/or lower costs. If pursued, this legislation should include disclosure of anonymized distribution system data through means such as load and hosting capacity maps or tools. Such data can be made public, when possible, but available to government agencies and researchers at a minimum.

B. Reform rate design: update utility rates to encourage customers to use electricity more evenly throughout the day to lower costs and improve reliability.

Governors could support legislation requiring utilities to develop and offer time-varying rate options to incentivize customers to shift some electricity use away from peak-demand periods. Reducing peak demand can help avoid expensive investments in new infrastructure that customers ultimately pay for through their bills. Any legislation could also require customer education components that coincide with the launch and implementation of time-varying rate options, so households and businesses understand how the rates work and how they can benefit.

10 Cappers, P., Forrester, S., & Satchwell, A. (2025). Retail Electricity Price and Cost Trends: 2024 Update. Lawrence Berkeley National Laboratory.



Source: Lawrence Berkeley National Lab

C. Incentivize technology adoption: support technologies that make the existing grid more efficient and flexible, helping more electricity move across the system.

These technologies include suites of options known as grid-enhancing technologies, non-wires alternatives, distributed energy resources (DERs), and more. These tools can often reduce customer costs by easing congestion, allowing lower-cost electricity to reach customers, improving reliability, and getting more out of the grid. Several states have already taken legislative or regulatory action to advance these technologies. In states that already have such legislative or regulatory levers, Governors can prioritize effective implementation of these policies.

Governors can also prioritize effective implementation of federal policies intended to modernize and address market inefficiencies that have served as barriers to technological innovation and uptake. FERC Order 2222, issued in 2020 and updated in 2021, directs regional grid operators to allow the aggregation of DERs (e.g., battery storage, energy efficiency) for the purpose of participating in organized markets. Individually, these resources may be too small to meet market thresholds; when combined, the aggregated resources can meet minimum size and performance requirements. State-level restrictions on demand response or DER participation in wholesale markets can be a barrier and, as such, could be assessed by states to ensure that the increased grid flexibility and enhanced competition expected from Order 2222 fully materializes.

D. Optimize grid infrastructure utilization: track and push for efficient use of the existing grid through published and transparent metrics.

In many cases, the lowest-cost way to meet new electricity demand is to better utilize existing grid infrastructure that customers are already paying for in monthly utility bills. Governors could advance legislation requiring regulated utilities to develop utilization metrics for their distribution and

transmission systems. These metrics would give regulators a clearer basis for evaluating whether utilities are making full use of existing assets before approving major new infrastructure investments. The metrics, however, are intended as just one data point of many to consider when designing policies to get more out of the grid.

E. Identify surplus interconnection potential: locate areas of the grid where new resources could connect using existing infrastructure.

The grid is not a static asset; new resources are constantly looking to connect, while others reach the end of their useful life or otherwise seek to disconnect. For instance, if a 500-megawatt power plant is retired or goes offline, the infrastructure (i.e., the poles and wires) that served that plant, will remain. Building new resources near that existing infrastructure—whether it's a new 500-megawatt power plant or a handful of smaller resources at or below that capacity—is a strategic way to seamlessly integrate new energy sources without needing to pay for expensive new grid components.

Governors can advance legislation or support regulatory action to identify surplus interconnection potential within their state, as a way to both speed up the deployment of new electricity supply and improve overall grid reliability.

> There are significant opportunities to improve the efficiency of the grid, unlocking additional electrons and spreading fixed costs of the grid over more users, thereby lowering per-unit electricity costs for all consumers.

POLICY PATHWAY 3: Improve Grid Planning.

Between 2019 and 2024, capital investment in the transmission and distribution system was a primary driver of rate increases across regions, particularly in the West (transmission CapEx) and Southeast (distribution CapEx).[11] While some of this spending may have been used for needed updates and upgrades to the grid, the lack of organized and transparent grid planning practices means that regulators and the public may not be fully aware of utility decision-making. This may result in inflated spending on the grid without a clear performance premium or the foregoing of needed investments (e.g., vegetation management). Going forward, rising electricity demand will raise the stakes for finding cost-effective options across generation, transmission, and distribution to meet new needs. Policy changes and updated planning provisions can improve the cost-effectiveness of any new investments to save consumers money.

11 Ryan Wiser et al. "Recent Retail Electricity Price Trends: What Do We Know … or Think We Know?" LBNL and The Brattle Group (Oct. 2025), eta-publications.lbl.gov/sites/default/files/2025-10/presentation_retail_price_trends_drivers.pdf.

A. Improve demand forecasting and planning: require utilities to use stronger long-term planning processes.

An integrated resource plan (IRP) is where a utility shows how it expects electricity demand to change over a defined time horizon and how it plans to meet that demand.

Effective IRP legislation holds utilities accountable for responsibly handling load growth; ensures robust stakeholder engagement throughout the IRP process; and extends authority to the PUC to review, modify, and continuously monitor implementation of the IRP and to determine whether the proposed resource portfolio is reasonable.

IRPs could include: robust stakeholder engagement opportunities; transparent utility data and assumptions about existing and future demand; multi-scenario planning to consider a range of future electricity demand possibilities; holistic consideration of all resource options to meet demand, including supply-side, demand-side, and grid technologies; and regular evaluation by the PUC to review utility modeling. To identify the lowest-cost solutions for meeting demand, regulators can require utilities to consider all available resource options through competitive, all-source requests for proposals without favoring utility-owned generation over other ownership models.

Strong planning requirements are especially important as utilities forecast growing demand from data centers and other large customers. To advance this objective, states could establish clear standards for determining when a proposed project can be included in a utility's load forecast. If this option is pursued, utilities could also be required to distinguish between speculative proposals and projects that have made firm financial or contractual commitments. This can help prevent customers from paying for infrastructure built to serve demand that may never materialize.

B. Support cost-effective transmission planning: reform state oversight provisions to ensure robust scrutiny of non-regional transmission projects.

States can work to close gaps in PUC oversight that result in non-optimal spending. For transmission investments, projects that cross multiple utility territories often receive more robust review from regional grid operators and federal regulators, while transmission projects within a single utility territory are often less scrutinized because there may not be a formal review process. State legislation can require more upfront proposals from utilities to justify any planned investments in single-utility transmission (i.e., non-regional transmission projects), and empower PUCs to ensure utility consideration of alternatives, such as upgrading existing lines rather than building new ones, or coordinating on multi-utility projects rather than pursuing piecemeal spending.

States can also engage in processes managed by regional grid operators and by FERC to plan for broader transmission system needs and ensure that investments are cost-effective and coordinated.

C. Cut red tape: reform interconnection queues and address siting and permitting roadblocks.

Interconnection queues, which are the waiting line for power plants, storage projects, or other energy resources seeking permission to connect to the grid, represent prime candidates for reform opportunities. In certain areas of the country served by regional grid operators, the transmission-level interconnection queue is managed by ISOs or RTOs; elsewhere, and at the distribution level, the interconnection queue is managed by the incumbent utility.

> Strong planning requirements are especially important as utilities forecast growing demand from data centers and other large customers.

Interconnection queues managed by grid operators require significant reform to address the need for new generation. States can advocate for the adoption of "connect and manage" agreements—similar to the approach piloted by ERCOT, which allows energy generators to connect to a transmission line with fewer detailed studies. In exchange for connecting faster, generators may need to reduce, or curtail, output if the grid becomes constrained if there are reliability issues.

State siting and permitting roadblocks could also be addressed by these efforts. To unlock all generation resources and critical grid upgrades, Governors can prioritize several reforms in state government, such as the creation of a "one-stop shop" for permitting major projects, rather than forcing developers to navigate processes across multiple state and local agencies. Governors can also direct state agencies to establish firm, enforceable timelines for review processes. This could include setting deadlines and requiring agencies to publicly report timeline performance. At the legislature, Governors can advance efforts to establish clear, objective standards for community input.

POLICY PATHWAY 4: Address Rising Electricity Demand Strategically.

As data centers and large manufacturing facilities seek to connect to the grid, states need policies that promote economic growth coupled with innovative solutions that reduce costs for existing customers. It is important that any solutions include policies that address interconnection queue reform, load flexibility, load forecasting, and cost allocation principles for new customers ("pay their fair share").

The experience of PJM Interconnection, the nation's largest regional grid operator, illustrates the stakes. Data center growth in Northern Virginia's Data Center Alley has been associated with an 800 percent spike in PJM capacity auction prices and a projected 20 percent surge in consumer electricity bills in 2025.

However, in many situations, large load customers can actually help lower bills by spreading the fixed costs of maintaining the grid across a broader customer base.

Whether rising demand raises or lowers costs for existing customers depends largely on the decisions that utilities and their regulators make. Policymakers have a key role to play in setting the rules by which they operate.

A. Address demand speculation: reduce stranded asset risk through the adoption of best practices for load forecasting.

Historically, utility load forecasts have been inflated, as shown in the differences between forecasted load and the actual electricity used over time. Utilities have an incentive to inflate load forecasts to justify building new infrastructure because they earn a return on all capital investment. Policy action can be taken to strengthen load forecasting and grid planning practices, utility incentive structures, and transparency.

Additionally, utilities use large load interconnection requests as an input into load forecasts, but many data center requests are speculative or duplicative. When those speculative requests get treated like real future demand, forecasts get inflated. States could enact stricter entry requirements for data center requests to improve the accuracy of load forecasts. Ultimately, before a project gets treated as real in planning, the utility and regulator should know who is behind it, where it is, how much load is being requested, when it will ramp, how firm the load is, whether it is duplicative, and what infrastructure is needed.

The data center industry increasingly recognizes that speculative and duplicative load requests are distorting utility planning. The emerging area of alignment is around a better intake process: transparent queues, standardized application requirements, project maturity screens, and load ramp schedules that separate real projects from paper projects while protecting consumers from overbuilding. Greater data transparency will help, as large load customers have often had challenges accessing reliable pricing estimates from utilities for connecting to the grid at various entry points.

States can standardize the criteria utilities use to incorporate proposed data centers into load forecasts, as well as methods for verifying that sufficient generation capacity is planned to service new data center loads. Because regulators operate with mandates to keep rates "just and reasonable," many actions to improve load forecasting can be carried out through regulatory activity without new legislation.

B. Reform financial recovery: reform rules that allow utilities to charge customers for projects before they are completed.

Construction Work in Progress (CWIP) allows utilities in some states to begin charging customers for infrastructure before it is finished and providing service. That can shift more financial risk to customers, especially when projects are built in anticipation of future demand from data centers or other large users.

States could consider reforming or repealing statutory authorization for CWIP, which runs counter to traditional utility regulatory principles that require a project to be in service before customers are charged for it. Reform options include making CWIP approvals conditional on performance, schedule, and budget benchmarks, or including automatic claw-back provisions that recover customer payments when projects are abandoned or costs exceed predetermined thresholds. Limiting or eliminating CWIP's early recovery privileges would ensure that the next generation of energy investment is driven by efficiency and prudence rather than by an accounting rule that rewards spending for its own sake. As an additional option in lieu of reforming CWIP, states could also revisit the conditions for using other financial tools instead, such as Contribution in Aid of Construction (CIAC). Large load customers may be able to provide upfront funding commitments that can be routed through CIAC as an option for getting infrastructure builds underway.

C. Protect consumers while advancing economic growth: reduce stranded asset risk through the development of large-load tariffs with consumer protections.

In order to limit electricity price increases associated with new electricity demand, utilities could fully justify the use case and justification for constructing all generation, transmission, and distribution infrastructure before costs are moved into consumer

rates. As a guiding principle, large load customers should be required to pay their own way and have the flexibility to manage their costs by procuring their own generation or by building their own grid upgrades before turning to a utility to build infrastructure and address potential defaults through tariff design.

If utilities build infrastructure for very large new loads, policies can ensure the financial risk is not shifted to other consumers. For example, several states are developing large load tariffs—a specialized rate structure for very large electricity users, such as data centers. Such tariffs reduce the incentive for large load customers to submit speculative projects in multiple utility territories. These tariffs can require long-term service commitments, payment obligations, robust collateral or credit requirements, and mandate that the customer pay the full cost for any network upgrades driven by the project. States could also consider or evaluate whether provisions commonly referred to as "bring your own power," off-grid solutions, or self-supply alternatives are an appropriate option to include in their consumer protection toolkits.

D. Incentivize large loads to flexibly manage their demand: advocate for greater load shifting by data centers and large loads, and reward actions that promote demand flexibility.

Governors can also advocate for incentives or requirements that prioritize demand flexibility, so that large loads can shift their usage away from peak hours to avoid overstraining the grid. Policies in this vein, which can be pursued in part through the adoption of large-load tariffs, can require or encourage large load customers to identify how much of their electricity demand must be served 24/7 on

a fully firm basis and how much can be classified as flexible, shiftable, or interruptible under defined grid conditions. Potential incentives for customers to offer verified flexibility can include lower interconnection costs, faster service, and access to better tariff options. Policy options described elsewhere in this playbook that are intended to encourage more transparent utility system data could also assist large load customers in improving their flexibility offerings.

In the data center context, this means data centers can help manage load growth by making some of their demand dispatchable, shiftable, or reducible when the grid is under stress. The goal is to ensure that large loads pay for the firm capacity they require while rewarding large load customers that reduce their peak impact, help defer grid upgrades, and make better use of existing infrastructure.

> Whether rising demand raises or lowers costs for existing consumers depends largely on the decisions that utilities and their regulators make. Policymakers have a key role to play in setting the rules by which they operate.

POLICY PATHWAY 5: Provide Relief to Consumers.

States can provide near-term relief through bill rebates, credits, or offsets, especially when the funding does not divert money from other programs already paid for through utility bills, and by improving assistance programs. Near-term relief measures should be pursued in tandem with longer-term reforms discussed elsewhere in this playbook. States can also pursue innovative rate designs that provide relief to vulnerable consumers. Strengthening consumer protections, including limiting utility shut-offs for customers who fall behind on their bills during periods of extreme heat or cold, can provide other forms of meaningful relief.

A. Reduce risk of utility disconnections: review late fee and utility service termination and collections practices to ensure adequate customer protection measures are in place.

States could review existing laws, regulations, and PUC practices governing utility disconnection and collections efforts and pursue reforms as needed. If a customer does not pay their utility bill in full and on time, a process begins that can culminate in disconnection. Utilities may also pursue collections practices to recover unpaid amounts, up to and including by seeking court judgments for wage garnishments. Consumer-forward regulations can include: restrictions on utility shut-offs in periods of extreme temperatures or peak summer and winter months; protections to tenants limiting when a landlord can disconnect power; and restrictions on shut-offs for high-risk customers, including people with serious illnesses or electricity-dependent medical devices and certain other high-risk customers.

B. Offer targeted financial credits: provide bill rebates, credits, and/or offsets where feasible and fiscally responsible while long-term reforms are underway.

Providing targeted bill rebates, credits, or offsets can help shield customers from short-term price spikes—as long as it is paired with structural system reforms. Preferably, the funding for these short-term bill credits should come from a different source than consumers' utility bills. Governors could identify potential funding sources, or direct their state energy offices to develop options, and then submit a recommendation to the PUC for implementation.

C. Improve assistance programs: expand funding and eligibility criteria, strengthen consumer education and outreach, and improve data-sharing and collaboration between state agencies, such as departments of social services and utilities.

Many households that struggle to keep up with their utility bills miss out on assistance that could help. Some do not qualify for existing programs, while others do not know assistance is available. Utilities spend significant time identifying customers eligible for such programs, even though state agencies already collect much of the same income data for programs such as the Low-Income Home Energy Assistance Program (LIHEAP). By improving data-sharing with utilities, simplifying applications, and coordinating outreach, states can make it easier for households that need assistance to receive support. Governors could also consider pairing bill assistance with programs that can help lower future costs, such as energy efficiency upgrades, peak-time rebates, and plans that help customers pay down overdue utility bills over time.

D. Update utility rate design: establish rate options that reduce the disproportionate energy burdens of low- and fixed-income households.

Although all residential customers within a utility's service territory generally pay the same rates for electricity service, utility bills often consume a much larger share of income for low- and fixed-income households than for higher-income households. Utility affordability programs that focus on providing rate design options such as a payment plan or discount rate for eligible customers are increasingly used by states to reduce energy burden and the share of income spent on energy bills. For example, a percentage of income payment plan (PIPP) limits the electric and gas bills of an eligible household (e.g., a household with income less than 175 percent of the federal poverty level) to a set share of its gross household income. Some programs may also allow customers to earn credits toward overdue balances by making on-time monthly payments.

E. Improve program delivery: review whether competitively bid, third-party providers are a more cost-effective option than utility-led billpayer-funded programs.

PUCs are often constrained by statute in who they can regulate and direct. In most states, it is limited to utilities, and where retail competition exists, retail energy suppliers. As a result, when a PUC creates or oversees a program, such as energy efficiency or behind-the-meter battery storage, statutes may dictate either explicitly or implicitly that the regulated utility administers the program. While in some cases this may make sense, in others, a competitively selected third-party administrator may be more cost-effective and yield better results. Governors can back legislation that explicitly allows the PUC to select a third-party administrator for a certain program.

POLICY PATHWAY 6: Strengthen Utility Regulation.

PUCs are facing increasingly complex and broad issues, yet the staffing and resources often don't keep pace. Additionally, legal, technical, and procedural requirements make oversight opaque, limiting participation to the well-funded and well-staffed participants. Focusing on policies that lower barriers to participation will result in more balanced, robust decision-making by a commission.

A. Increase funding: appropriately resource public utilities commissions and state consumer advocate offices.

Appropriate staffing and resourcing of the state's public utilities commission and the entity that represents utility customers (often known as the consumer advocate) is crucial to delivering pro-consumer outcomes. About a quarter of PUCs have annual budgets under $10 million, and the vast majority have budgets under $35 million. Yet single rate cases can run 20,000 pages and encompass more than $1 billion in revenue requests. For consumer advocates, lack of funding means they cannot participate in as many proceedings. Understaffed PUCs are less likely to have the bandwidth to fully scrutinize utility investments and may be more likely to defer to utility requests as a result. States can also support the creation of an independent transmission monitor to properly evaluate the cost-effectiveness of transmission investments, especially in restructured markets. While states can and should continue to task PUCs with implementing policy priorities, they should also ensure PUCs have resources for successful implementation. Ensuring PUCs and consumer advocate offices are adequately staffed and funded is one of the highest-return investments a Governor can make for utility consumers. In a majority of states, PUCs are funded by assessments paid for by regulated utilities, passed through to customers. Thus, the increased cost of appropriately funding the PUC is borne by customers, who stand to benefit the most from the additional resources.

> Ensuring PUCs and consumer advocate offices are adequately staffed and funded is one of the highest-return investments a Governor can make for utility consumers.

Regardless of its size, structure, or commissioner term, PUCs need robust consulting budgets, modern docketing systems, and more robust processes and stakeholder engagement. Such investments return dividends by providing appropriate scrutiny of utility spending requests.

B. Standardize ethics: establish good governance policies for public utilities commissions and regulated entities.

Given the technical and high-stakes nature of PUC decisions, states could adopt strong governance policies to guard against regulatory capture, which can occur when a regulatory agency becomes more aligned with the interests of the industry it oversees than the public interest. Good governance policies to maintain a balance of those interests could include ethics provisions on stakeholder interactions as well as limitations on the ability of a PUC commissioner or senior staff to work at a regulated utility before or after their tenure at the commission. Enacting or revising revolving door policies and strong ethics laws for both incoming and outgoing commissioners (and senior staff) are critical to avoid even the perception of bias or regulatory capture. Establishing or supporting the development of robust training opportunities specific to the commissioner role could also be prioritized as a retention and recruitment method.

C. Expand public access: make PUC proceedings easier for the public and stakeholder groups to understand and participate in.

PUCs make decisions that affect essential services, including electricity, gas, water, and in some states, transportation. Yet participation in proceedings before PUCs is often minimal because the issues are technical, the legal process can be difficult to navigate, and information is often not easy to access. Other states have made proceedings more accessible by publishing plain-language materials, translating key documents, improving online docket systems, and holding public comment hearings at times and locations that are easier for working families and community members to attend.

D. Reform rate case processes: make utility rate cases more transparent, consistent, and easier to review.

A rate case is almost always initiated by the utility and can be driven by rising operating costs, infrastructure investments, or other expenses. After the rate case application is received, it kicks off a lengthy evidentiary process involving documents, testimony, expert analysis, and legal deadlines. As rate cases become more complex and larger, states could consider reforms that make the process more efficient and accountable.

Reforms could include setting clearer rules for when and how often utilities may file rate cases, such as limiting filings to once per year or preventing multiple utilities from filing major rate requests within the same short window. States can also require more consistent documentation for proposed expenses, including clearer standards for how utilities adjust test-year costs or use inflation assumptions.

PUCs could also have tools to address excessive filing errors or improper requests, such as attempts to recover costs prohibited by law (e.g., in some states, lobbying expenses). Accountability measures could include fines or restarting procedural deadlines, sometimes called "shot clocks," when major errors delay the commission's review.

E. Strengthen enforcement: ensure that public utilities commissions have effective enforcement tools and that penalties are not passed through to customers.

PUCs generally have authority to enforce state laws, regulations, and commission orders against regulated utilities. Depending on state law, this may include issuing civil penalties, requiring customer credits or reimbursements, or ordering corrective actions to prevent similar violations in the future. These enforcement tools and measures only work if the utilities, not customers, bear the cost of the violations, meaning that they are not recovered through customer rates.

04

COMMUNICATIONS STRATEGIES: TALKING ABOUT UTILITY BILLS

The Governor has a powerful platform to shape how utility issues are understood in their state, all while connecting it to the priorities Governors are already advancing. This framework is designed to help them tailor their message to different audiences—whether they are speaking with consumers, business leaders, legislators, or regulators—while maintaining a consistent and credible focus on affordability, modernization, and economic growth.

WHY GOVERNORS SHOULD TALK ABOUT THIS

Americans Are Struggling to Pay Their Energy Bills.

Nationwide, electricity and gas are now the fastest drivers of inflation. Utilities requested a record $31 billion in rate increases in 2025, much of which is being passed on to consumers. Consumers feel the pressure: 4 out of 5 people say they feel powerless over their utility bills.

Consumers Are Demanding Change.

Rising utility bills are no longer an issue politicians can afford to ignore. Media coverage of utility bills is growing, as is in-depth reporting of the growing utility affordability crisis. Recent polling shows that less than a third of consumers (29 percent) believe their state government is doing a good job protecting their interests when it comes to utility regulation. More than three-quarters (76 percent) of consumers want their government officials to provide stronger oversight of utility companies.

HOW GOVERNORS CAN TALK ABOUT THIS

Anchor the Issue in Key Economic Priorities.

Constituents are experiencing rising utility bills that are straining household budgets and business operations, with these costs outpacing inflation; as such, any broader conversation about affordability should include utility bills. When Governors speak about affordability, they can naturally connect it to a broader agenda—jobs, economic development, investment, and energy priorities. Lower and more predictable energy costs strengthen local economies and make the state more attractive to business. **Affordable electricity drives economic growth.** They are not trade-offs.

Balance Urgency With a Longer-Term Vision.

It is important to acknowledge the immediate strain that high utility bills place on households, including the need for short-term relief and consumer protections. At the same time, Governors should reinforce that lasting affordability requires structural improvements to how the system operates—otherwise any short-term rate relief is just a band-aid. **Positioning near-term actions as part of a broader, long-term strategy helps avoid the perception of temporary fixes and builds confidence in a durable solution**.

Explain the System in Accessible Terms and Why Accountability Matters.

Utility regulation is complex, but Governors can help demystify it by explaining who makes decisions and how those decisions affect bills. Public utilities commissions play a central role in overseeing utility spending and approving rate changes, yet they often operate outside of public awareness. **Governors can use their voice to underscore the importance of accountability, transparency, and strong consumer representation in these processes, without needing to delve into technical detail**.

Reframe the Problem as One of Incentives and Modernization.

A helpful way to discuss the underlying challenge is to focus on how the system is designed. Utilities have historically been incentivized to invest in new infrastructure, which can drive up costs over time. **Governors can introduce the idea that modernizing these incentives—so that utilities are also rewarded for efficiency and better use of existing infrastructure—can lower costs while maintaining reliability**. This framing keeps the focus on practical improvements without getting too into the weeds on specific systemic fixes.

Put Consumers First.

While there are many contributors to rising costs, constituents are interested in knowing that their elected leaders are advancing solutions. Framing the approach around modernizing the system to restore balance—ensuring the system works as intended for consumers—can resonate across political lines and be more effective than emphasizing fault with any particular party. **The original purpose of utility regulation was to advance the public interest through affordable, reliable energy for consumers. Always put consumers at the center of messaging.**

Highlight Opportunities Alongside Challenges, Especially With Growing Demand.

As states navigate issues like data center expansion and increased energy demand, Governors have an opportunity to shape how these developments are understood. Regulators and utilities can leverage rising demand from new large-scale customers to spread fixed costs over more users, lowering the price all consumers pay; however, this comes down to the decisions that PUCs and utilities make. **Framing growth as an opportunity to improve affordability, if managed well, can align economic development and consumer interests**.

Humanize the Issue.

Keep the focus on people. Highlight how high utility bills affect families, seniors, and small businesses, and lift up real stories and anecdotes to make the issue tangible. Centering these experiences shows urgency and builds trust that solutions are focused on consumers.

Example Talking Points

States face different contexts. However, as a template framework for communications, Governors can talk about how:

> "Electricity is the new eggs. [STATE RESIDENTS] have seen XX percent increases in their utility bills over the last XX years. Rising electricity costs are essentially a tax on consumers. It's too much. [Tell a specific story of a consumer struggling to pay the bills]."

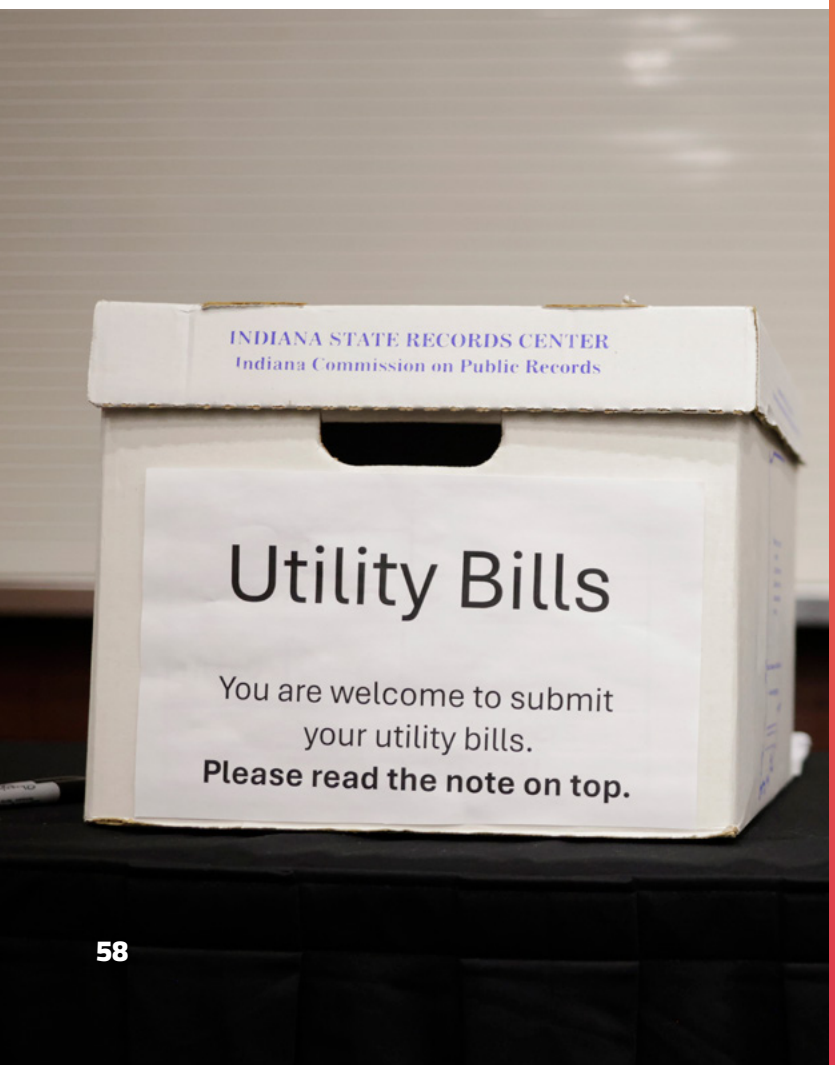
> "The spotlight is now shining on state PUCs, essentially the Supreme Court Justices of Energy: 200 people who oversee $200 billion each year in utility spending. They regulate how utilities make their profits, and we expect them to hold utilities accountable to making smart, affordable improvements in their infrastructure spending."

> "I've let the state public utilities commissioners, the utility, and our regional energy supplier know: it's past time to put the consumer first."

> "Here are a few key actions I'm taking to lower utility bills…"

Elevating Consumer Impact through the Bully Pulpit

Governors have the ability to draw attention to rising utility costs in a way few others can. When they highlight rising utility bills—especially during moments like rate cases or major regulatory decisions—they help ensure that consumer impacts are front and center. Even without engaging in technical proceedings, this kind of public attention from a Governor's office can help ensure that consumer interests remain central in processes that are often technical and opaque.



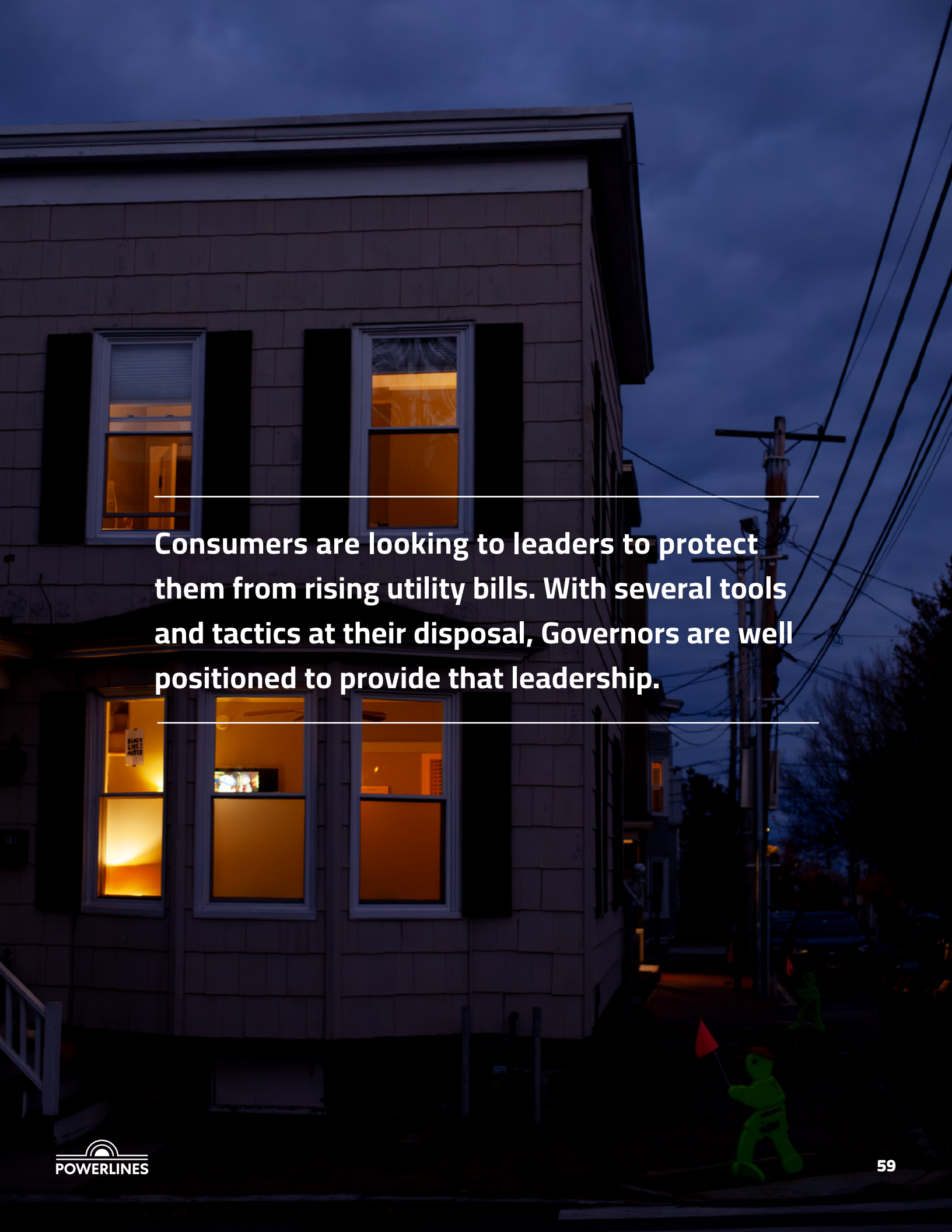
Examples of Tactical Options:

Hold a "bring your bill" town hall to hear from constituents about their rising bills. Invite issue experts to help explain the choices before regulators and the utility. Partner with a media outlet to co-host or stream or air it live.

Collect constituent stories about rising utility bills and share them on social media, interviews, and speeches, setting up a handful of solutions each time. Set up an intake form on a state website to make it easy, ensuring personally identifiable information is protected.

Provide comment or conduct interviews during moments like rate cases or major regulatory decisions. Put details of advocacy in writing in a letter to the regulatory body or utility.

To highlight immediate assistance available to pay bills, work with local radio, TV, podcasts, and social media influencers to share details on how to access those resources. In any live appearance by the Governor, highlight long-term solutions they are advocating for as well.



Consumers are looking to leaders to protect them from rising utility bills. With several tools and tactics at their disposal, Governors are well positioned to provide that leadership.

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