Appendix 3: Summary of Comments and Agency Response

H. EDU Allocation

H-1 2027-2030 Allocation

H-1.1a Multiple Comments: Keep 2027-2030 Allocation

For the electricity sector, it is imperative that CARB make minor modifications to the current Cap-and-Invest Regulation. Many utilities, such as BWP are facing higher load profiles due to increased development and electrification. BWP's load will increase significantly, post 2035. In order to maintain affordability, reliability and sustainability, BWP supports the continuation of allowance allocation for utilities at the current level, established in 2017. Reducing BWPs allowance allocation will have a detrimental impact on the ratepayer. At today's allowance clearing price, the savings from these allowances account for approximately 10% of the power resources budget. Reducing them or taking them away will lead to rate increases.

In 2017, CARB made a deliberate policy decision to establish fixed EDU allowance allocations for the 2021-2030 period (Table 9-4 of the current regulation) to incentivize early, voluntary greenhouse gas reductions. That structure was designed to provide certainty and encourage utilities to make long-term clean energy investments. More recently, the Legislature passed and the Governor signed AB 1207 to extend the Cap-and-Invest program through 2045, with the clear intent of stabilizing the program and protecting ratepayers. Assemblymember Irwin and Assemblymember Petrie-Norris, Chair of the Assembly Committee on Utilities and Energy, underscored this objective during the February 23, 2026, Joint Legislative Committee on Climate Change Policies hearing. (45d-BWP-215.1)

Comment:

Allowances allocated to EDUs like LADWP play a dual role. First, they have an important role in mitigating the compliance costs associated with the Cap-and-Invest Program that would otherwise be borne directly by electric ratepayers. Second, they provide an opportunity for entities like LADWP to invest in emission reduction activities (e.g., clean generation, electric transportation, etc.) which support the goals of the Program. As CARB notes in the Initial Statement of Reasons, the majority of these allowances are consigned to auction and have resulted in the return of over $23.8 billion back to Californians through bill credits or GHG emissions reduction programs.

For publicly owned utilities such as LADWP, allowance value is used directly for compliance as well as for programs that benefit customers directly, including energy efficiency investments, electrification incentives, and targeted affordability programs. Preserving the EDU allowance allocation is critical to protect ratepayers from the cost burden while continuing to drive emissions reductions.

OPA therefore recommends that CARB modify the proposed amendments to ensure that LADWP receives the emissions allowances originally specified in Table 9-4 for the 2027–2030 period.

The proposed revisions appear to reduce the number of allowances available to LADWP further than what would otherwise be fair to LADWP and its ratepayers. As a result, this reduction would unfairly and materially diminish the amount available to LADWP to support ratepayers and reduce GHGs while also undermining the financial assumptions that guided LADWP's investments in grid decarbonization. (45d-RACLA-224.1)

Comment:

RPU shares the concerns raised by the California Municipal Utilities Association regarding the proposed reduction in Electric Distribution Utility (EDU) allowance allocations for 2027–2030. The current 2021–2030 allocation framework provided publicly owned utilities with planning certainty and informed long-term procurement and decarbonization decisions. Revising those allocations midstream undermines that framework and creates unnecessary uncertainty for utilities that relied on the previously adopted rules. (45d-RPU-287.1)

Comment:

Changes, as currently proposed, that reduce the POU allowance allocation undermine regulatory certainty, as well as the core principles and intent of the program design. Independent from our fundamental objection to retroactively changing the agreed upon ten-year allocation schedule, we note that CARB's proposal to revise the 2027-2030 allocation overestimates the expected amount of zero emissions renewable energy in the EDU electricity supply forecast, which can result in allocating fewer allowances than are needed to protect ratepayers from the compliance cost of the program. (45d-SCPPA-357.2)

Comment:

CARB's proposal, as described above, risks undermining regulatory certainty by signaling that established Cap-and-Invest allocation structures may be modified in ways that materially affect electric ratepayers after utilities have already taken significant steps to decarbonize the grid. Regulatory stability is a foundational element of a well-designed program, particularly where compliance entities must make long-term capital investments based on expected program parameters. (45d-SCPPA-357.8)

Comment:

Roseville Electric Utility writes to express our strong opposition to CARB’s proposed amendments to the 2021-2030 Electrical Distribution Utility (EDU) allowance allocations. As proposed, CARB’s revisions would significantly reduce the established 2027–2030 EDU allocations, materially increase costs for publicly owned utility (POU) customers, and undermine the planning certainty that POUs relied on when making early clean-energy investments.

Allowance allocations to POUs are provided on behalf of POU ratepayers. Under the Program, POUs are regulated entities through their ownership of electric generation and through power purchase agreements that include emissions costs in the price of power. POUs must set rates based on the cost of service, and the primary source of funding comes from rates. If CARB reduces allowances to POUs, many POUs will be forced to raise rates to cover the loss of these allowance values. (45d-CR-365.1)

Comment:

MAINTAINING THE 2027-2030 EDU ALLOCATION IS ESSENTIAL TO PROTECTING RATEPAYERS

CARB has consistently recognized, since the Cap-and-Invest program was first adopted and in each subsequent rulemaking to update and amend the regulation, that EDUs are best situated to deliver the benefits of allowance value directly to the State’s retail customers, and EDUs supported the allowance allocation proposal because it would help “ensure that electricity ratepayers do not experience sudden increases in their electricity bills associated with the cap-and-trade regulation.” However, as currently proposed, the 2027-2030 allocation to EDUs offers no such ratepayer protection. Instead, the current staff proposal would upend the current vintage allocation, which should run through 2030. To correct this, CARB should continue the allocation of allowances from 2027-2030.

The EDU allowance allocation for vintage 2021-2030 was based on the 2015 California Energy Commission (CEC) Integrated Energy Policy Report (IEPR) data and projected to cover each EDU’s Program compliance costs. EDUs that received allowances have used the value of those allowances to invest in GHG reducing measures and compliance cost mitigation that directly benefit their electric customers, as a component of their capital investments in long-term planning. These investments provide not only near-term benefits in reduced electric bills but also form the basis for long-term carbon reducing strategies that are critical to advancing the state’s broader GHG emissions reduction objectives. While the Cap-and-Invest allowance value has played a significant part in the planning and funding structure. Because electricity rates are set based on these investments and funding structure, capital investments in emissions reducing technologies and renewable energy contracts are ultimately paid for by electricity ratepayers. Reductions in allowance value will alter the expected funding structure, likely necessitating a rate increase to cover the shortfall.

The allocation methodology ultimately adopted by CARB was subject to months of stakeholder discussions and meetings, and multiple rounds of comments. It was non-updating and based on cost burden, energy efficiency, and early action as defined by investments in renewable energy resources during the period 2007-2011. In the end, CARB concluded that the adopted approach

> "fairly apportions value to the electric distribution utilities in a way that compensates retail customers for their cost, providing transition assistance, while maintaining a strong incentive for distribution utilities to make investments toward lowering their emissions profile."

Similarly, in 2017, CARB stated that:

> Staff supports utilities' taking voluntary action to reduce GHG emissions from electricity generation. Given that EDU allowance allocation is based on cost burden, this is one of the reasons that ARB has opted to set fixed EDU allowance allocations for 2021-2030. Any changes that utilities make to reduce GHG emissions will reduce their GHG costs while not changing their allocations, thus resulting in a net benefit. This incentive is inherent to the Cap-and-Trade Program and applies in all sectors that see costs from the Program.

Reducing that allocation at this time is contrary to those very principles, placing a greater burden on retail electric customers and ultimately punishing those utilities that made capital investments to lower their emissions profile. (45d-NCPA-402.1)

Comment:

Changes to the 2021-2030 allocation – other than to update load forecasts for growth that was unanticipated or unknown at that time – undermines the certainty utilities need to make sound and long-term business decisions. In Appendix D, staff notes that "[I]n order to support the transition to lower-carbon electricity sources and to provide certainty to EDUs regarding ratepayer protection, CARB set the annual EDU allowance allocation in the Regulation multiple years ahead of time. Table 9-4 of the Regulation, which was adopted in the 2016 rulemaking, specifies the vintage 2021–2030 allowance allocations to each EDU." The background further notes that "when allowances are allocated in advance…there is a risk that the load projections will be too high or too low or that the supply projections would not reflect the actual generation mix." Based on this rationale, CARB proposes to revise the 2027-2030 allocation, the remaining four years of the current vintage 2021-2030 allocation previously adopted. However, modifying the allocation before the end of the current vintage allocations directly and adversely impacts the "transition to lower-carbon electricity sources" and undermines "certainty to

EDUs regarding ratepayer protection.” The “risk” that the current generation mix has changed not only should not override the public interest in regulatory certainty but is exactly what the EDU allowance value was intended to accomplish. Resource planning and ratepayer protection require regulatory certainty. EDUs must have confidence in allocations in order to fund GHG reducing investments, many of which are long-term investments.

Changes mid-vintage jeopardizes this certainty, penalizes utilities that made sound business decisions in capital investments to reduce emissions, and will have a significant chilling effect on future actions. It will also result in likely increases in electricity rates or decreases in other customer support programs offered by the EDUs to help customers electrify or reduce their electricity usage. (45d-NCPA-402.4)

Comment:

JUG Recommendation: CARB should reconsider its proposed changes to the 2027-2030 EDU allocation, which would come at significant cost to electricity customers and undermine the Program’s early action incentives. Instead, CARB should maintain the electricity supply and demand data underpinning the vintage 2021-2030 EDU allocation, and beginning with the 2027 allocation, implement a targeted update to the RPS assumptions to align with both the updated SB 100 procurement targets and the RPS portfolio balance requirements. CARB should not adopt any proposals that would “re-open” or wholesale recalibrate the 10-year allocation mid-stream...

As described above, CARB implemented a fixed 10-year allocation schedule based on forecasted costs of compliance to provide EDUs planning certainty, encourage voluntary additional GHG reductions, and protect ratepayers from Program costs. Changing the underlying forecast data, and therefore incentive structure, midstream—four years before it closes—would undercut that certainty, penalize early decarbonization actions, and raise electricity rates precisely when customers are being asked to electrify their vehicles, homes, and businesses. Increases to their electricity bills will certainly deter this electrification. The most recent electricity supply data will show that most utilities need fewer allowances for 2027-2030 than was forecasted when the 2021-2030 vintage was set because EDUs took additional steps to reduce their emissions, just as the set allowance allocation was intended to incentivize. Recalibrating the fixed allowance schedule at this time effectively punishes the utilities that made significant emissions reductions – undermining the program’s incentives and increasing cost pressures on electricity customers. Furthermore, any changes to the EDU allocation that puts upward pressure on electricity rates penalizes customers that made electrification investments of their own.

Reducing allowances to utilities at this time will weaken electrification momentum, risk backsliding on statewide GHG goals, and further exacerbate the state's electricity affordability crisis. (45d-JUG-404.3)

Comment:

CARB should not reduce the EDU allocation prior to 2031. Reducing the 2027-2030 allowance allocation to POUs will erase the financial benefit of early emissions reductions based on the promise of a fixed allocation through 2030 and eliminate a source of funding for POU investments to further reduce GHG emissions.

As discussed in LADWP's previous comment letters, retaining the existing allowance allocation to EDUs is essential to keep electricity affordable by protecting customers from the Cap-and-Invest program compliance cost, as well as provide a source of funding for investments in renewable energy, electric grid upgrades, and infrastructure to support electrification that otherwise would be paid for by ratepayers. The Cap-and-Invest program design effectively enables Publicly Owned Utilities (POUs) to achieve measurable Greenhouse Gas (GHG) emission reductions by investing the allowance value to reduce emissions while minimizing the cost impact to the POUs' customers and keeping electric rates affordable. This design is a "win-win" that helps the State achieve its GHG emission reduction goals while minimizing the additional cost borne by the ratepayers. LADWP asks CARB to preserve its previously established 2027-2030 EDU allowance allocation to the maximum extent possible because LADWP depends on that allowance value for its program budgets.

As part of the 2016-2017 rule amendments, CARB granted EDUs a fixed allocation for years 2021 through 2030 as an incentive to reduce GHG emissions from electricity generation without losing allowances. In response, vertically integrated POUs such as LADWP planned and financed clean energy investments, relying on expected allowance value to help offset costs and keep electricity rates affordable. For example, LADWP led the effort to replace the old coal-fired generating units at Intermountain Generating Station with two new hydrogen-ready combined cycle gas turbines one and a half years ahead of the power purchase agreement expiration date.

Despite the fixed allocation for years 2021-2030, CARB's proposed amendments include a recalculation of the EDU allocation for years 2027-2030 based on recent (2024) load and energy supply resource forecasts. LADWP's 2021-2030 allocation included allowances for LADWP's power purchase agreement with the coal-fired generating units at Intermountain Generating Station that was set to expire in June 2027. CARB's proposed updated allocation for LADWP, which is based on a lower load forecast and LADWP's portfolio of energy supply resources without coal, will reduce LADWP's allocation by 6.1 million allowances over the 2027-2030 period. In the absence of early action to replace the coal-fired units at Intermountain in 2025, LADWP would have received allowances based on coal in 2027. The difference in allocation between the coal and gas units is nearly 1.9 million allowances worth an estimated $113 million assuming an average price of $60 per allowance. Updating LADWP's allocation erases the financial benefit of taking action to replace the coal-fired units early, which is contrary to CARB's stated intent of granting a fixed allocation for 2021-2030 as an incentive to reduce emissions without losing allowances.

Reducing emissions early enabled LADWP to sell allocated allowances not needed for compliance and invest the value in GHG emission reduction projects and programs that benefit customers. The proposed amendments would cut LADWP's allocation by 6.1 million allowances over the 2027-2030 period, which means losing approximately $366.7M in allowance value based on CARB's estimated average allowance price of $60 over the 2027-2030 period. This lost allowance value will eliminate a source of funding for LADWP programs that reduce GHG emissions. Since 2017, using allowance value to fund GHG emission reduction programs has saved LADWP's ratepayers approximately $470 million. These programs cover different categories such as transportation electrification, renewable energy, and energy efficiency. Notable programs include Commercial Direct Install program which offers no-cost energy efficiency upgrades to small/medium-sized businesses, electric vehicle (EV) charger rebate programs for commercial and medium-duty and heavy-duty vehicles, Utility Built Solar Program, Solar Incentive Program, and the Community Emission Reduction Grants Program, which funds nonprofit organizations' emission reduction projects located in disadvantaged communities. To continue funding these GHG emission reduction programs at the same level and make up the lost value from the 6.1 million allowances, LADWP estimates a potential retail rate increase of approximately 3%. (45d-LADWP-408.1)

Comment:

SVP supports the continued allocation of allowances to the EDUs for the 2021-2030 vintage based on the 2015 California Energy Commission (CEC) Integrated Energy Policy Report (IEPR) data. (45d-SVP-411.2)

Comment:

SDG&E strongly opposes the proposed reduction in Electric Distribution Utility allowance allocation, which could increase electricity costs for SDG&E customers between 2027-2030…

When CARB adopted the EDU allowance allocations for 2021-2030, a decision to set fixed, multi-year allocations was made with the context that establishing fixed numbers would help provide regulatory certainty and would encourage EDUs to reduce emissions in their portfolios at a more aggressive rate than originally planned while still retaining the benefit of the established allocation. Unfortunately, the proposed 45-day regulatory update would significantly reduce allowance allocations for EDUs in the years leading up to 2030 – years for which a fixed allowance allocation was previously set.

For SDG&E, the proposed changes to EDU allocation would reduce allowances by 25% in 2027, and continue with a similar scale of reductions in the years that follow through 2030. These reduced allocations would result in relatively lower electric Climate Credits for return to customers, and SDG&E estimates that the impact of the reduction in Climate Credit alone could potentially translate to monthly electric utility bill increases of up to $3 per month between 2027 and 2030 when compared to the existing CARB regulation. At the same time, SDG&E customers may be experiencing higher rates due to higher pass-through GHG compliance costs resulting from expected increases in the price of allowances. The allowance allocation was initially provided to utilities with the recognition of its important role in protecting utility customers against spikes in the cost of compliance. However, the proposed reduction in EDU allocation erodes that protection and would have significant adverse impacts on electric utility customers, resulting in higher annual electric bills.

To address this concern, SDG&E offers its support for the proposal described by the Joint Utility Group (JUG) (provided below) to preserve the current, adopted allowance allocations as listed in Table 9-4 of the existing regulation through 2030. Acknowledging that the Renewables Portfolio Standard (RPS) has since been updated to 60%, SDG&E and the JUG believe a targeted update to incorporate the current RPS is appropriate, provided it incorporates the full flexibility afforded by the RPS statute.

A. Keep the 2027–2030 EDU Allocation Framework Intact

As described above, CARB implemented a fixed 10-year allocation schedule based on forecasted costs of compliance to provide EDUs planning certainty, encourage voluntary additional GHG reductions, and protect ratepayers from Program costs. Changing the underlying forecast data, and therefore incentive structure, midstream—four years before it closes—would undercut that certainty, penalize early decarbonization actions, and raise electricity rates precisely when customers are being asked to electrify their vehicles, homes, and businesses. Increases to their electricity bills will certainly deter this electrification. The most recent electricity supply data will show that most utilities need fewer allowances for 2027-2030 than was forecasted during the when the 2021-2030 vintage was set because EDUs took additional steps to reduce their emissions, just as the set allowance allocation was intended to incentivize. Recalibrating the fixed allowance schedule at this time effectively punishes the utilities that made significant emissions reductions – undermining the program's incentives and increasing cost pressures on electricity customers. Furthermore, any changes to the EDU allocation that puts upward pressure on electricity rates penalizes customers that made electrification investments of their own. (45d-SDGE-413.1)

Comment:

The Proposed Amendments also include reductions in the number of allowances allocated for 2027-2030 to many EDUs, which include investor-owned utilities (IOUs) and publicly owned utilities (POUs). As you are aware, IOUs are required to consign their allocated allowances and distribute the proceeds to their ratepayers as the Electric California Climate Credit. While questions about the method and frequency of Climate Credit distribution are reserved for the California Public Utilities Commission (CPUC), it is exclusively CARB's jurisdiction to determine how many allowances go toward to Climate Credit, which affects the total amount distributed to electric utility ratepayers on their utility bills.

The proposed changes in allowance allocation to IOUs would significantly reduce the total funds distributed through the electric California Climate Credit through 2030 relative to existing allowance allocation projections in the cap-and-trade regulation. Southern California Edison (SCE), for example, would be allocated 84.3 million allowances from 2027-2030 under the existing regulation. Under the Proposed Amendments, the number of allowances allocated to SCE would be reduced by 18% to 68.9 million allowances, which would translate to a significantly smaller Electric Climate Credit for SCE customers.

The number of allowances allocated to many POUs through 2030 would also be reduced. The Los Angeles Department of Water & Power (LADWP) would be allocated 18.4 million allowances from 2027-2030 under the proposal, a 25% reduction compared to their projected allocation of 24.5 million allowances under the current regulation. Many of the POUs have incorporated the allowance projections into their long-term planning processes, including investments in renewable generation resources, anticipating financial support from the allocated allowances. These public utilities may be challenged to account for the change in revenue from reduced allowance allocation, which may lead to rate increases when many customers are already struggling to pay their utility bills.

We are aware of CARB's justification for the proposed changes: that allowance allocation to EDUs was meant to compensate for the passthrough costs of cap-and-trade compliance on electric utility bills, and therefore the number of allowances allocated to EDUs should reflect the actual costs being passed through on utility bills. EDUs across California are providing much cleaner electricity now than in the early years of cap-and-trade, meaning that utilities have a lower compliance obligation that would be passed through to ratepayers, and fewer allowances allocated to utilities should still be able to cover that reduced compliance cost.

However, <u>we encourage CARB to think creatively about allowance allocation to EDUs and the Electric California Climate Credit, not about the original purpose of the</u>

allocation but of the additional positive impact that greater allocation to EDUs would provide. Rather than only covering Cap-and-Invest compliance costs in electricity, the Climate Credit could be leveraged to provide significant affordability benefit to California ratepayers on utility bills – supporting both household budgets across the state and enabling greater electrification. (45d-AMIrwin-435.2)

Comment:

We strongly encourage CARB to reconsider its approach to the 2027–2030 EDU allocations. Given the expectations CARB established in the 2016 rulemaking for the 2021–2030 period—and the central role of electric affordability in meeting California's climate and equity goals—we recommend that any updates to Table 9-4 (Table 9-3 in the Proposed Amendments) avoid reducing overall support for electric affordability.

In the 2016 rulemaking, CARB adopted a fixed 10-year EDU allocation to provide regulatory certainty for EDU ratepayers and to prevent reductions in support if electricity decarbonized faster than anticipated. The Proposed Amendments depart from that intent by revising EDU allocations for 2027–2030 midstream, despite CARB's acknowledgement that these revisions are not needed to meet overall allowance-removal targets: "The Proposed Amendments revised EDU allocation based on updated data using the existing methodology and are not impacted by the proposed updates to Program budgets, which impact state-owned allowances."

Nothing in the 2016 rulemaking suggested CARB would revisit the 2021–2030 allocations; rather, CARB emphasized stability and predictability. The 2016 rulemaking engendered important reliance interests on the part of PG&E and its customers in levels established by that rulemaking. In light of these reliance interests, we encourage CARB to reconsider its latest position. See, e.g., FCC v. Fox, 556 U.S. 502, 515 (2009). While the 2026 Initial Statement of Reasons (ISOR) notes that CARB, in 2018, responded to commenters by stating that EDU allocations "might" be revisited in a future rulemaking, that hypothetical statement does not diminish the reliance created by the 2016 decision or justify material mid-period changes. (45d-PG&E-445.2)

Comment:

SMUD opposes the proposed reduction of 2027-2030 EDU allocations, which would harm electricity affordability and undermine the program's market-based incentives. CARB's proposed amendments to the Cap-and-Invest regulation would recalculate the EDU allocation midstream, and at significant cost to electric utility customers. **For SMUD alone, the recalculated allocation schedule results in a cumulative loss of approximately 2.3 million allowances, or an estimated value of $75 million to $175 million, between 2027 and 2030 – value that SMUD will no longer have available to offset costs of compliance or renewable energy investments for its customers.** SMUD estimates that the average annual impact of this change is equivalent to a 1 to

2.5 percent rate increase each year over the four-year period, challenging SMUD's ability to maintain affordable rates while further reducing GHG emissions.

SMUD opposes CARB's proposed updates to the electricity supply and demand forecasts used to calculate the EDU allocation. The Cap-and-Invest Initial Statement of Reasons (ISOR) justifies this change by noting that "[r]ecent information from the California Energy Commission indicates that the existing total 2027-2030 EDU allocation may provide more allocation relative to the Program cost burden but leave some utilities that have seen increases in demand with fewer allowances than they need to address Program cost burden."

However, as described above, establishing a fixed 10-year allocation schedule based on forecasted future compliance costs was a policy decision to provide EDUs planning certainty and incentives for voluntary additional GHG reductions. Changing course before 2030 would effectively punish customers of utilities that made additional GHG reductions, increase regulatory uncertainty, and erode future confidence that incentives for voluntary action are reliable. Moreover, it would contravene the legislative direction in AB 1207 that CARB design the regulations in a manner that "encourages early action to reduce greenhouse gas emissions" and "continues elements of the current program design that protect state utility ratepayers, encourages decarbonization of the state's economic sector, and further enables Californians to affordably decarbonize and power their end uses." (45d-SMUD-447.2)

Comment:

CARB confronted a similar issue during the 2016 Cap-and-Invest rulemaking, observing that, when allowances are allocated in advance based on projected load and resulting cost burden, there is a risk that allocations will be too high or low. However, CARB elected to leave the 2013-2020 allocation schedule intact and incorporate updated forecast data into only the prospective 2021-2030 allowance allocation. SMUD urges CARB to take a similar approach within this rulemaking: retain the existing 2015 forecast data used to calculate the 2021-2030 allocation schedule for the remainder of the 2027-2030 period and incorporate the California Energy Commission's (CEC) 2024 Integrated Energy Policy Report (IEPR) forecasts into the 2031-2035 allocation. While, as the 2026 Cap-and-Invest ISOR notes, CARB previously indicated its desire to revisit data to incorporate the effects of transportation electrification, the proposed wholesale revision of the IEPR supply and demand forecast data is broader than that original scope. Moreover, notice of potential future action–which SMUD and the Joint Utilities Group (JUG) have been advocating against for years–does not obviate the harm to ratepayers that may be caused by this action. (45d-SMUD-447.4)

Agency Response:

Changes were made to utility allocation in response to these comments, though CARB did not return to the 2027-2030 allocations currently in the Regulation. Changes were made in the 15-day Amendments to incorporate the "effective RPS" as described in the Agency Response to comment H-1.2a. Moving to the "effective RPS" increased the RPS Factor Applied to Sales by 8-10% per year, resulting in an increase in allocation for the vast majority of EDUs from the 45-day Proposed Amendments. This change increases 2027-2030 allowance allocation for EDUs by about 54 million allowances, thereby increasing ratepayer protection and supporting electric bill affordability relative to the 45-day Proposed Amendments, while continuing to balance all Program priorities under more stringent annual allowance budgets from 2027-2030.

In the 2016 rulemaking, CARB set the future annual EDU allowance allocation in the Regulation multiple years ahead of time. Table 9-4 of the Regulation, which was adopted in the 2016 rulemaking, specifies the vintage 2021–2030 allowance allocations to each EDU. However, when EDU allowance allocation is calculated in advance based on projected supply, load, and resulting cost burden, as they were for the vintage 2021-2030 allocations, there is a risk that the load projections will be too high or too low compared to actual load, or that the supply projections would not reflect the actual generation mix of each utility. Depending on supply, load projections that are too low can result in under-allocation with respect to cost burden, and load projections that exceed actual load can result in over allocation. Recent information from the California Energy Commission indicates that the current total 2027-2030 EDU allocation may provide more allocation relative to the Program cost burden but leave some utilities that have seen increases in demand with fewer allowances than they need to address Program cost burden.

Additionally, in the 2018 Final Statement of Reasons (CARB 2018b), staff indicated plans to reevaluate post-2020 allocation to EDUs, including reevaluating allocation levels to incorporate the increased RPS requirement of 60% of retail sales in 2030, as mandated by SB 100 (De León, Stats. 2018, ch. 312), and the most recent information related to increased load due to electrification of the transportation sector pursuant to direction from Board Resolution 17-21 (CARB 2017a).

Keeping the 2021-2030 allocation, as is, would leave EDUs with increases in load or decreases in renewable supply behind, with fewer allowances than needed to protect their ratepayers from the costs of the Program and support affordability. CARB staff estimate that at least 30 EDUs see increases in energy to serve load between data used in the 2016 Rulemaking for the current allocation set and in this Rulemaking. Additionally, at least 35 EDUs had decreases in large hydroelectric or nuclear supply. Overall, 31 EDUs benefit from a total increase in allocation over 2027-2030 due to the 15-day Amendments from the current allocation.

It should also be noted that any allowances that are provided beyond the evaluated need to the covered entities in the Program reduces the amount of allowances made available for auction on behalf of the State, where the subsequent proceeds fund other important programs, such as transit, affordable housing and rebates to ensure low income households have access to clean technologies, including zero-emission vehicles.

Regarding early action, 2013-2020 allocations included a top-down component based on electricity sector-wide information and a bottom-up component based on utility-specific information, with the difference in emissions allocated among EDUs to reward utilities for early GHG-reducing activities and energy efficiency. In contrast, 2021-2030 EDU allocations are based solely on bottom-up calculations, and do not include credit for early action because those allowances were already provided during the 2013-2020 period. “Early action” refers to GHG-reducing actions which were taken before the Cap-and-Invest Program was implemented (CARB 2018b). For comments regarding maintaining the existing 2027-2030 allocations to avoid penalizing utilities that undertook earlier investments in decarbonization actions, see also Agency Response to comment H-4.2.

Finally, some commenters assert that a change in allocation will result in rate increases from the implementation of this program. Staff disagrees, as a change in rates is not possible for IOU customers, since they currently see a full GHG cost in their electricity rates. Decreasing allocation would reduce the climate credits to ratepayers, not change rates. Rates are based on a variety of factors and the allocation to utilities covers the costs of this Program, and is not meant to address broader factors that impact rates. Other utilities set their own rates without CPUC oversight and thus can design similar or customized methods of using their allocation in a way that mitigates against rate impact from the Program. For example, publicly owned utilities can still deposit allowances for compliance and could plan ahead for the decrease in allocation by saving some existing auction proceeds and returning auction proceeds to ratepayers as a credit or investing in other GHG reduction measures such as purchase of renewable energy that likewise mitigate the costs of the Program and support electric affordability.

H-1.1b Multiple Comments: Keep 2027-2030 Allocation

The City of Needles formally requests to preserve the previously adopted 2021 -2030 EDU allocation (table 9-4) to avoid mid-stream cuts that strip $752 million in allowance value from POUs (2027-2030).

If CARB insists on recalculating, apply the effective RPS (45%) to avoid under-calculating against emission-exposed load, and allow case-by-case load-growth adjustments. (15d-CN-25.2)

Comment:

While Roseville expressly recognizes the improvements made in the proposed 15-day regulations in comparison to the original 45-day package, Roseville is still concerned with the proposed cuts to our annual allocations over the next 4 years as provided in the Proposed Regulations.

Roseville respectfully urges CARB to maintain Roseville's allowance allocations as previously established for 2021-2030. The fixed 10-year Electrical Distribution Utility (EDU) allocation of allowances for 2021 to 2030, as established in the existing regulations, was intentionally designed to incentivize reductions in greenhouse gas (GHG) emissions from electricity generation while mitigating compliance-cost impacts for customers. While many utilities have been "made whole" because of the proposed 15-day changes (Roseville supports those outcomes), Roseville continues to be concerned with this mid-course change to the program and the uneven impacts that these proposed changes have placed on Roseville specifically. Based on CARB's revised EDU allocation table for 2027-2030, Roseville is estimated to lose approximately 170,329 allowances (approximately $5,359,097 in allowance value) when using the expected floor prices as a conservative estimate. These reductions along with the associated allowance value will ultimately be borne by our customers through rate increases and/or reduced utility programs and services.

Because utilities are in the "heavy lifting" phase of many of the long-term renewable energy, emission reduction and clean vehicle policies that have been established over the last two decades, there is a need for more support to avoid undue financial burdens on our customers in the near-term. Utility allowance allocations are an important ratepayer affordability function that CARB should preserve in this rulemaking, especially considering the simultaneous confluence of all these electric centric goals. Roseville is seeking CARB to "do no harm" in terms of implementing allowance allocations over the next four years; specifically, to maintain Roseville's allowance allocations as previously established in the existing regulations for the 2021-2030 period. (15d-CR-31.1)

Comment:

Electric Utility Allocations

While CCEEB recognizes that there are some components of the electrical distribution utilities (EDU) allocation methodology that have improved in the 15-day language, unfortunately, the updated 2027–2030 EDU allocations remain below the status quo for the majority of California ratepayers. This outcome runs counter to AB 1207's intent to maximize affordability as fewer EDU allowances ultimately mean less Climate Credit value returned to customers to provide needed affordability relief on electric bills. (15d-CCEEB-165.6)

Comment:

SMUD has long supported Cap-and-Invest as an important strategy for reducing GHG emissions that also incorporates ratepayer protections. SMUD greatly appreciates that the proposed 15-day amendments take important steps to protect electricity ratepayers from program compliance costs and mitigate the worst of the affordability impacts that would have resulted from the proposed 45-day amendments. Indeed, CARB's 15-day amendments notably reduce the direct losses to SMUD—estimated between $75 million to $175 million based on the 45-day amendments—to between $15 million and $36 million. While SMUD, on behalf of its customers, supports these important revisions, SMUD continues to urge CARB fully restore utility allocations to those set forth in the current regulation and further mitigate these impacts. Doing so would provide an even greater direct benefit to SMUD's customers and community and ensure the program's voluntary GHG reduction signals remain intact. (15d-SMUD-167.1)

Comment:

SMUD recommends CARB reverse the midstream changes to forecast data used to calculate the 2027-2030 EDU allocation.

SMUD remains concerned that updating the EDU allocation using new forecast data will undermine confidence that voluntary action incentives can be counted upon in the future. As detailed in SMUD's comments on the 45-day amendments, adopting a 10-year fixed allocation schedule was intended to provide EDUs with planning certainty and encourage voluntary GHG reductions; changing the fixed allocation midstream increases uncertainty and erodes confidence that such incentives are reliable. Moreover, by substituting in a new forecast midway through this allocation schedule, even with the more accurate "effective RPS" described above, CARB's 15-day amendments will result in material losses for SMUD and its customers.

For those reasons, SMUD continues to recommend that CARB retain the original forecast, which would reaffirm the importance of voluntary action, restore the original allocation, reverse potential harm to electric utility customers across the state, and align with CARB's policy of encouraging voluntary action to reduce GHG emissions. Importantly, it would also be consistent with the Legislature's clear focus on promoting and protecting electricity affordability. (15d-SMUD-167.3)

Comment:

Remaining Concerns with 2027–2030 EDU Allocations

While PG&E appreciates these substantial improvements, PG&E reiterates its concern that updating the EDU allocations through 2030 contradicts CARB's stated intent in establishing fixed, upfront 10-year allocations, undermines regulatory certainty, and penalizes electric customers for decarbonization that has occurred faster than expected. (15d-PG&E-199.4)

Comment:

ClimateBuild appreciates the increase in Electric Distribution Utility allowance allocation reflected in Appendix D-1 of the 15-Day Amendments. The revised values for 2027 through 2029 are higher than the January ISOR proposal and reflect a meaningful response to the substantial concerns raised in the 45-day record about the original methodology, including the Joint Utility Group's analysis identifying roughly $4.9 billion in allowance value at risk over 2027 through 2030 under the prior approach. We support the direction of that change.

The improvement should be understood for what it is. The 15-Day EDU allocation values for 2027 through 2029 remain below the levels of the existing regulation being amended by this proceeding. Electricity ratepayers will, on a comparative basis, see less of the program's carbon-signal cost absorbed by the protective EDU allocation mechanism than they do today. That outcome is occurring in the same period in which retail electricity rates are already among the highest in the nation, in which households are being asked to electrify space heating, water heating, and personal transportation, and in which the gas Climate Credit is being phased down through the NGS-to-EDU transition discussed below. The cost-stack is moving in one direction. That divergence sits in direct tension with § 38562(b)(7), which AB 1207 added precisely to require CARB to consider "the effect of these regulations on affordability" as a co-equal design factor alongside cost-effectiveness and leakage minimization. The protective allocation is moving in the opposite direction, even after the 15-Day improvements.

We want to flag the methodology question that animates much of the difference between the current allocation and the proposed one. The 2017 rulemaking adopted a fixed 10-year EDU allocation schedule for 2021 through 2030 in part because a fixed schedule rewards utilities that decarbonize faster than the forecast assumed. CARB's Final Statement of Reasons from that rulemaking is explicit on the rationale: voluntary reductions reduce compliance costs without changing allocations, creating a net benefit and incentivizing early action. Recalibrating mid-cycle to match faster-than-forecast emissions reductions inverts that logic. It claws back the very benefit the original design was meant to deliver. A program that revises allocation downward whenever utilities outperform sends a signal that early action is penalized, not rewarded. We recognize that the 15-Day Amendments soften that effect relative to the January proposal. They do not resolve it. (15d-CB-201.2)

Agency Response:

No changes were made in response to these comments. See Agency Response to comments H-1.1a, H-1.2a, and H-4.2.

H-1.1c Multiple Comments: Keep 2027-2030 Allocation

Hi. Good morning, Chair Sanchez and Board members. Susan Braun on behalf of the Power and Water Resources Pooling Authority. PWRPA appreciates staff's responsiveness with PWRPA's concerns in the 15-day amendments to shift to a multi-year input averaging, the revised RPS factor, and the deferral of post-2030 allocations are meaningful improvement. And PWRPA supports their adoption.

However, PWRPA respectfully urges the Board to go a step further and reinstate the 2027 to 2030 allocations that were established in 2018. While PWRPA saw and increase in allowances from the 45-day language to the 15-day language, the 15-day language still represents a roughly 50 percent decrease in allowances from what was established in 2018. Those allocations reflect PWRPA's actual compliance burden as a hydra-dependent utility whose load swings depending on drought conditions entirely outside of PWRPA's control.

More important, PWRPA's member agencies, public water districts serving agricultural and municipal customers made long-term infrastructure and financial decisions in direct reliance on those allocations. The gap likely translates directly into rate increases for water ratepayers. To conclude, PWRPA supports the 15-day language and asks the Board to reinstate the allocations established in 2018. (BH-PWRPA-120.1)

Comment:

Good morning, Chair Sanchez and CARB Board members. I am Amber Blixt with the City of Roseville's electric utility. Roseville recognizes and thanks CARB for the improvements made in the 15-day amendments to the Cap-and-Invest Regulation in comparison to the original January proposal. That said, the City of Roseville is still seeing a significant decrease in allowances in comparison to the existing regulation. Roseville stands to lose over 170,000 allowances or around a 14 percent reduction between 2027 and 2030, in comparison to the existing regulations.

Roseville would be remiss, on behalf of our customers and our community, if we did not note the proposed cuts to our allocations, which will unfavorably impact our community over the course of the next four years. We understand that CARB had to make difficult trade-offs in this rulemaking. Accordingly, we would like to work with CARB in future rulemakings to remedy these near-term impacts to our city. Roseville supports the comments made by the Northern California Power Agency and the California Municipal Utilities Association in this regard. Thank you for the opportunity to comment. (BH-CR-128.1)

Comment:

Good morning, Chair Sanchez and Board members. Derek Dolfie on behalf of the California Municipal Utilities Association on behalf of California's publicly owned electric utilities. The 15-days changes represent a meaningful improvement over the January proposal. Particularly the incorporation of the effective RPS and utility allowance allocations better reflects the real compliance costs and address earlier stakeholder concerns, and we support this proposal. Still, it's worth noting that, on average, electric utilities are losing allowances between 2027 and 2030, meaning a loss of protection for those communities we serve compared to the current regulation. That's why it's critical for us publicly in the utilities to maintain our allowances.

Furthermore, revised -- revising fixed allocations midstream undermines planning certainty and voluntary decarbonization efforts. While we support the adoption of 15-day changes, we do urge the Board to ensure that the next rulemaking ensures protection for electric utility customers by restoring the 2027 to 2030 allowance allocation for POUs losing allowances and establishing preset post-2030 allowance allocations that provide long-term planning certainty and incorporate the same effective RPS in these amendments. Thank you very much for your time. (BH-TCMUA-130.1)

Agency Response:

No changes were made in response to these comments. See Agency Responses to comments H-1.1a, H-2.2, and H-3.14.

H-1.2a Multiple Comments: Effective RPS

CARB determines the EDU allowance allocation based on several factors, including imposing a 5% deduction from the RPS target used to calculate the EDU allowances. CARB has previously noted that the "assumed amount of zero-emission electricity used to fulfill RPS requirements is *reduced by five-percent to reflect non-zero emission electricity which is used to firm and shape zero-emission RPS electricity* [emphasis added]" and further that this reduction "comes from the maximum percentage (15 percent) of allowed firmed and shaped power allowed in the RPS program (Senate Bill 350, Statutes of 2015)." Senate Bill 350 modified Public Utilities Code §399.16(c)(1) to permit up to 25% of RPS-eligible procurement from Product Content Categories (PCC) 2 or 3. PCC 2 and PCC 3 products retain a Cap-and-Invest compliance obligation under the Mandatory Reporting Regulation (MRR) and are not zero-emitting for allocation purposes.

The electric utilities do not know why CARB chose 5% out of the 15%, or how CARB concluded the maximum to be 15% when Senate Bill 350 allows up to 25%. The RPS program was designed this way to promote cost containment, and we believe the CARB regulation should recognize and mirror these RPS program provisions. Given the discrepancy between the proposed regulations and the existing RPS program, the EDU allowance allocation methodology in the proposed amendments does not provide EDUs sufficient allocations to cover the full cost burden of non-zero emissions power associated with the RPS compliance. The disparity will worsen over time because, as a utility's portfolio gets cleaner leading into 2045, the affordability provisions incorporated in the RPS program will become more critical to containing costs.

The solution is for CARB to adopt the JUG's recommendation to decrease the annual RPS targets by 25% in recognition that up to 25% of the total RPS-eligible procurement can come from renewable resources that are not treated as zero-emission under CARB's Cap-and-Invest program. Since these resources would have a Cap-and-Invest program compliance obligation, the EDU allocation methodology should decrease the assumed percentage of zero-emission RPS electricity by 25%. This 25% proportion, when applied to the 60% RPS mandate by 2030, would yield a 45% "Effective RPS" for 2030. (45d-SCEC-320.2)

Comment:

As such, SCPPA requests that CARB revise the Renewables Portfolio Standard ("RPS") targets used to estimate zero emission electricity in the EDU allocation calculation to the more realistic "effective RPS". The "effective RPS" recognizes that electricity associated with Portfolio Content Category ("PCC") 2 (15% of renewable requirements) and PCC 3 (10% of renewable requirements) RPS eligible procurement does not count as zero emission electricity supply under CARB's GHG emission reporting regulation, so allowances are needed to cover the Cap-and-Invest compliance obligation for RPS eligible PCC 2 and PCC 3 procurement. Therefore, the RPS targets in the EDU allocation calculation should be revised to exclude the non-zero emission PCC 2 and PCC 3 portions of the RPS eligible procurement, as illustrated in the table below.

Year	2027	2028	2029	2030	Notes
RPS target scenario	**% used to estimate zero emission RPS electricity in portfolio**				
SB 100 RPS target (CEC RPS regulation for POUs, section 3204)	52.0%	54.7%	57.3%	60.0%	From CEC regulation
CARB SB 100 RPS target used in Jan 2026 revised EDU allocation proposal (RPS target minus 5%)	47%	50%	52%	55%	Linear increase from 2020 RPS target of 33% to 2030 target of 60%, minus 5% to represent other electricity used to "firm and shape" zero-emissions electricity, rounded to the nearest whole percent.
"Effective RPS" excludes PCC 2 (firmed/shaped) + PCC 3 (unbundled) (RPS target x 75%)	39%	41%	43%	45%	RPS target multiplied by 75%, assumes only PCC 1 (directly delivered) counts as zero emission electricity. Excludes PCC 2 (15%) firmed/shaped electricity and PCC 3 (10%) unbundled renewable energy credits ("RECs").

(45d-SCPPA-357.3).

Comment:

Nevertheless, CARB previously signaled their intent to update the RPS target used in the EDU allocation calculation to align with Senate Bill 100 (SB 100). In revising the 2027-2030 EDU allocations to incorporate the 60% renewable portfolio standard (RPS) mandate, CARB should apply an "Effective RPS" in the allocation calculation to align with SB 100 and reflect more accurate assumptions about the potential emissions associated with RPS-compliant resources. These changes are needed to more accurately estimate the cost burden attributable to the Cap-and-Invest program. Specifically, the Effective RPS recognizes that not all RPS-eligible procurement is treated as zero-emission electricity under CARB's GHG emission reporting framework. Under California's RPS statute, up to 25% of an EDU's RPS-compliant procurement may be Portfolio Content Category (PCC) 2 or PCC 3 resources, which are electricity products that may carry a Cap-and-Invest compliance obligation and therefore should not be treated as zero-emitting for allocation purposes. Because these RPS-eligible electricity products may have emissions associated with them, additional allowances may be needed to cover the Cap-and-Invest compliance obligations for RPS-eligible PCC 2 and PCC 3 procurement. Thus, the effective RPS reduces the nominal RPS to account for the allowed PCC 2 and PCC 3 share of an EDU's RPS compliance. As we approach the RPS target of 60% in 2030 – and beyond – it will be more challenging for many POUs to procure enough renewable electricity to meet these targets, so it is important to ensure ratepayers are not burdened with GHG emissions compliance costs for PCC 2 and PCC 3 RPS eligible procurement.

The table below illustrates CMUA's specific revisions to the RPS targets used in the EDU allocation calculation to acknowledge that up to 25 percent of RPS-eligible procurement may have associated emissions. This will reflect an Effective RPS based on SB 100 targets and portfolio content assumptions.

Year	2027	2028	2029	2030	Notes
RPS target scenario	**% used to estimate zero emission RPS electricity in portfolio**				
SB 100 RPS target (CEC RPS regulation for POUs, section 3204)	52.0%	54.7%	57.3%	60.0%	From CEC regulation
CARB SB 100 RPS target used in Jan 2026 revised EDU allocation proposal (RPS target minus 5%)	47%	50%	52%	55%	Linear increase from 2020 RPS target of 33% to 2030 target of 60%, minus 5% to represent other electricity used to "firm and shape" zero-emissions electricity, rounded to the nearest whole percent.
"Effective RPS" excludes PCC 2 (firmed/shaped) + PCC 3 (unbundled) (RPS target x 75%)	39%	41%	43%	45%	RPS target multiplied by 75%, assumes only PCC 1 (directly delivered) counts as zero emission electricity. Excludes PCC 2 (15%) firmed/shaped electricity and PCC 3 (10%) unbundled renewable energy credits ("RECs").

(45d-TCMUA-368.3)

Comment:

Staff's proposal to update EDU allocation to address higher RPS mandates must properly reflect the scope of those program mandates. In the 2018 Rulemaking FSOR, "staff indicated plans to re-evaluate post-2020 allocation to EDUs, including re-evaluating allocation levels to incorporate the increased Renewable Portfolio Standard requirement of 60% of retail sales in 2030, as mandated by SB 100 (De León, Chapter 312, Statutes of 2018).” And accordingly, the proposed amendments “include updates to the EDU allocation from the vintage 2027-2030 allowance budgets to account for the more ambitious Renewable Portfolio Standard target for 2030 under SB 100.”

To accomplish this, staff proposes a methodology whereby the “RPS target was updated by applying a linear increase in RPS procurement from the 2020 RPS target of 33% to the 2030 target of 60%. For each year during 2021-2030, 5% was subtracted from that year’s expected RPS procurement to represent other electricity used to ‘firm and shape’ zero-emissions electricity, which was then annually rounded to the nearest whole percent.” Staff’s proposal, however, fails to account for all of the RPS-eligible resources an EDU may use to meet the RPS mandate. Updating the EDU allocation to reflect the current RPS mandate must reflect the actual, Effective RPS; doing otherwise unduly and needlessly impose emissions obligations on electricity that is delivered to California in full compliance with the state’s RPS mandates. Furthermore, utilizing the Effective RPS is consistent with CARB’s intention to recognize the legislative mandate for increased RPS requirements. *The rules governing the RPS program allow for non-zero resources within the program, and therefore those should be acknowledged in the allowance allocation*. This includes not just “firmed and shaped” resources, but unbundled renewable energy credits, as well. As noted above, retail electricity providers face increasing competition for RPS-eligible renewable resources, including competition from private entities. As availability of renewable resources become more constrained, and costs increase, it may become increasingly necessary for EDUs to rely on RECs and other non-zero RPS-eligible compliance instruments to meet the RPS mandate...

Even with the state’s objectives to increase renewable energy procurement and reach deep decarbonization, under the 60% RPS mandate EDUs may still be 100% compliant with their RPS obligation while serving up to 25% of their retail load with non-RPS resources; meaning that those resources would have a compliance obligation that adds to the EDU’s Cap-and-Invest program cost burden that is not recognized in the number of allowances allocated to the EDUs if CARB fails to recognize and adopt the Effective RPS. For 2030, recognizing the full scope of the RPS compliance obligation yields a 45% Effective RPS. The ability to meet the RPS obligation with up to 25% of Portfolio Content Category (PCC) 2 and 3 resources was recognized by the legislature when the program was designed and should likewise be recognized by CARB in the allowance allocation calculation. The Cap-and-Invest program should align to the greatest extent possible with other climate programs, and in particular when those other programs define and influence the policy direction of the Cap-and-Invest program as the RPS mandate does in this instance. (45d-NCPA-402.7)

Comment:

The JUG acknowledges CARB’s need to update the RPS assumptions used in the EDU allocation table to estimate the cost burden attributable to Cap-and-Invest. In 2018, SB 100 increased RPS targets to 60 percent by 2030, and an average of 60 percent for each compliance period thereafter. However, California’s RPS program requirements also permits up to 25% of RPS-compliant procurement to be PCC 2 or PCC 3. These PCC 2 and PCC 3 resources are products that may carry a Cap-and-Invest compliance obligation under the Mandatory Reporting Regulation (MRR) and thus are not zero-emitting for allocation purposes. The state’s RPS mandate expressly recognizes that not all of the resources used to meet the RPS compliance obligation need to be 100% zero emitting resources.

Thus, to fully reflect the statute in the EDU allocation, the methodology should include an “Effective RPS” that aligns with the important, built-in flexibility within the RPS program’s portfolio balance requirement and appropriately account for all RPS-compliant resources. This is especially important as achieving increasingly high RPS targets has become more challenging and costly for many utilities. To determine the Effective RPS, the nominal RPS is reduced by the value from multiplying the nominal RPS (i.e., 60% in 2030) by 25% to account for the allowed non-PCC 1 share of an EDU’s RPS compliance. For 2030, that yields a 45% Effective RPS. Applying an Effective RPS preserves customer protections built into the RPS program while aligning with SB 100’s flexibility in procurement portfolios. (45d-JUG-404.4)

Comment:

If revising the 2027-2030 EDU allocation is absolutely necessary, LADWP recommends applying the Effective RPS in the calculation to minimize the reduction in allocation.

In the EDU allocation calculation, the RPS target is used to estimate the amount of zero emission renewable electricity. To accurately estimate the EDU's expected emissions, including GHG emissions assigned to imported firmed-and-shaped RPS eligible electricity, LADWP recommends that CARB apply the "Effective RPS" instead of the RPS target minus five percent (5%), as currently proposed. The Effective RPS reflects the fact that up to twenty-five percent (25%) of the RPS-eligible electricity (i .e. Portfolio Content Category (PCC) 2 and PCC3) is not treated as zero emission under CARB's GHG emission reporting regulation and therefore has a GHG emission compliance obligation that requires allowances to protect electricity ratepayers from the Cap-and-Invest program compliance cost burden. As shown in Table 1 below, the Effective RPS is based on the portfolio balance requirements in the California Energy Commission's (CEC) RPS regulation for POUs. If CARB must update the 2027-2030 EDU allocation, LADWP recommends replacing CARB's proposed RPS target minus 5% with the "Effective RPS" shown in Table 1 above. CARB's proposed 5% deduction based on the 2020 RPS target of 33 percent (33%) does not represent the amount of firmed/shaped electricity based on the SB 100 RPS target of sixty percent (60%). Applying the "Effective RPS" will provide a better estimate of the amount of firmed-and-shaped and zero emission RPS eligible electricity for purposes of calculating the EDU allocation. (45d-LADWP-408.2)

Comment:

That allocation should be updated for 2027-2030 to reflect the 60% renewable portfolio standard (RPS) effective requirements (see NCPA, Joint Utilities Group comments regarding effective RPS). (45d-SVP-411.3)

Comment:

The JUG acknowledges CARB's need to update the RPS assumptions used in the EDU allocation table to estimate the cost burden attributable to Cap-and-Invest. In 2018, SB 100 increased RPS targets to 60 percent by 2030, and an average of 60 percent for each compliance period thereafter. However, California's RPS also permits up to 25% of RPS-compliant procurement to be Portfolio Content Category (PCC) 2 or PCC 3. These PCC 2 and PCC 3 resources are products that may carry a Cap-and-Invest compliance obligation under the Mandatory Reporting Regulation (MRR) and thus are not zero-emitting for allocation purposes. The state's RPS mandate expressly recognizes that not all of the resources used to meet the RPS compliance obligation need to be 100% zero emitting resources.

Thus, to fully reflect the statute in the EDU allocation, the methodology should include an "Effective RPS" that aligns with the important, built-in flexibility within the RPS program's portfolio balance requirement and appropriately account for all RPS-compliant resources. This is especially important as achieving increasingly high RPS targets has become more challenging and costly for many utilities. To determine the Effective RPS, the nominal RPS is reduced by the value from multiplying the nominal RPS (i.e., 60% in 2030) by 25% to account for the allowed non-PCC 1 share of an EDU's RPS compliance. For 2030, that yields a 45% Effective RPS. Applying an Effective RPS preserves customer protections built into the RPS program while aligning with SB 100's flexibility in procurement portfolios. (45d-SDGE-413.2)

Comment:

Another potential improvement would be for CARB to acknowledge that not all procurement eligible for the RPS is treated as zero emissions under the cap-and-invest program. Specifically, portfolio content category 2 and 3 can satisfy RPS requirements, but may still have emissions with compliance obligations. Therefore, the compliance cost burden approach may implicitly assume a larger share of fully zero-emitting resources than is required under statute. (45d-CPC-440.7)

Comment:

SMUD recognizes that limited updates to the EDU allocation may be warranted – for example, revising the Renewables Portfolio Standard (RPS) targets that are built into the cost burden calculation. However, CARB can accomplish this update and mitigate impacts on electricity affordability by better aligning its calculation assumptions with RPS program requirements. While many RPS resources are GHG-free, some do have associated emissions (e.g., firmed-and-shaped imports from out of state). EDUs may therefore incur Cap-and-Invest compliance obligations for some RPS-compliant resources.

Currently, the allocation calculation assumes that EDUs must meet increasing RPS targets that culminate in 50 percent of retail sales by 2030, but then adjusts that assumption downward by 5 percent–resulting in an “effective” RPS of 45 percent. A 45 percent effective RPS implies that up to 10 percent of an EDU’s RPS-compliant generation may have associated emissions. Use of an effective RPS enables EDUs to receive allowances to cover Cap-and-Invest compliance obligations for RPS-compliant resources. However, under RPS program requirements, up to 25 percent of RPS-compliant generation may have associated emissions – significantly higher than the current 10 percent assumption. SMUD recommends, therefore, that when CARB updates the RPS targets used in the EDU allocation calculation, it should also recognize that 25 percent of RPS resources may have associated emissions and make conforming updates to the “effective” RPS (for example, adjusting from 60 percent in 2030 to 45 percent in 2030). This, in turn, ensures that EDUs are allocated allowances to cover the full cost burden attributable to Cap-and-Invest. (45d-SMUD-447.5)

> **Agency Response:**
>
> Changes were made in response to these comments. The “RPS Factor Applied to Sales” was updated in the 15-day Amendments to reflect the California Energy Commission (CEC) Interim Renewable Portfolio Standard Targets per California Code of Regulations Section 3204(a)(5)-(6), minus 25% to represent allowable non-Portfolio Category Content 1 (PCC 1), i.e. PCC 2 and PCC 3, electricity. The RPS Factor Applied to Sales was updated in the 15-day Amendments to 39%, 41%, 43%, and 45% in 2027, 2028, 2029, and 2030, respectively to account for emissions associated with the use of these renewable resources. This change represents an increase in the RPS Factor Applied to Sales by 8-10% each year compared to the 45-day Proposed Amendments, thereby increasing allocation to EDUs.

H-1.2b Multiple Comments: Effective RPS

Incorporating the “Effective RPS” in the Updated 2027-2030 EDU Allowance Allocation SCPPA recognizes and sincerely appreciates that CARB responded to our request by incorporating the “effective RPS” in the “RPS factor applied to sales” element of the updated EDU allocation calculation. This revision directly addresses a core concern raised in SCPPA’s March 9, 2026 comments, where we requested that the RPS targets used in the EDU allocation calculation be revised to exclude the portion of RPS-eligible procurement that does not count as zero-emission electricity under CARB’s Mandatory Reporting Regulation (“MRR”). By accounting for the fact that Portfolio Content Category (“PCC”) 2 and PCC 3 RPS eligible products are not treated as zero-emission electricity in CARB’s GHG reporting framework, the revised “RPS factor applied to sales” substantially improves the calculation of expected GHG emissions for allowance allocation purposes. This change mitigates the risk that POUs would receive materially fewer allowances than are needed to protect customers from Cap-and-Invest compliance costs based on the updated EDU allowance allocation presented in the 45-day draft regulations. The EDU allocation in the 15-day draft regulations better preserves the intended ratepayer protections and supports continued investment in renewable energy, energy efficiency, and electrification programs.

SCPPA has consistently emphasized that regulatory certainty is foundational to a well-functioning carbon market, particularly for POUs that must make long-term capital investments based on expected program parameters. The incorporation of the effective RPS into the updated 2027-2030 EDU allocation methodology represents a meaningful step toward restoring that certainty and honoring the expressed intent of AB 1207 to strengthen ratepayer protections and leverage the Cap-and-Invest program to support affordable decarbonization and electrification. We therefore wish to clearly state our support for, and appreciation of, CARB’s decision to incorporate the “effective RPS” into the “RPS factor applied to sales”. To maintain consistency, SCPPA further requests that CARB carry this methodology forward and apply the “effective RPS” framework for EDU allowance allocation beyond 2030, including the post-2030 period. (15d-SCPPA-39.1)

Comment:

PWRPA SUPPORTS THE 15-DAY AMENDMENTS TO THE 2027-2030 EDU ALLOCATION… Updated RPS Factor. The RPS Factor Applied to Sales has been revised to reflect the CEC Interim Renewable Portfolio Standard Targets minus 25% to represent allowable non-PCC1electricity, producing factors of 39/41/43/45% for 2027-2030 instead of 47/50/52/55% under the 45-day proposal. (15d-PWRPA-47.2)

Comment:

SCE Supports CARB’s Adoption of Effective RPS and Other Changes to Improve Electric Affordability… The 15-day amendments note that CARB adjusted the RPS Factor Applied to Sales “to reflect the California Energy Commission (CEC) Interim Renewable Portfolio Standard Targets… minus 25% to represent allowable non-Portfolio Category Content 1 (PCC1) electricity.” SCE appreciates that CARB adopts for the 2027-2030 period the Joint Utility Group's proposal to use an effective RPS in the EDU allowance allocation methodology. This change is an improvement in that it accurately represents SB 100's flexibility in utilities' procurement portfolios and augments electric affordability compared with the 45-day amendments. When CARB considers the EDU post-2030 allowance allocations in a subsequent rulemaking, SCE recommends that CARB continue its application of the effective RPS to post-2030 EDU allowances. (15d-SCEC-99.2)

Comment:

NCPA fully supports and appreciates CARB's proposal to modify the EDU allocation proposed in the 45-Day Language to better account for RPS-eligible procurement that may incur a Cap-and-Invest Program compliance obligation. This is an important step in recognizing the direct link between the electric utilities' compliance costs and impacts on electricity rates. This change – referred to as the Effective RPS by the Joint Utility Group (JUG) and individual electrical distribution utilities – is essential in ensuring that electricity customers are afforded some protection from rising electricity rates due in part to the increasing costs of regulatory compliance. This RPS modification is an important step in the right direction, however, it is but one element of a comprehensive proposal that the electric utilities put forth to protect electricity ratepayers. (15d-NCPA-104.2)

Comment:

Incorporating this "effective RPS" into the EDU allocation is constructive and addresses some stakeholder concerns raised by many electric utilities, including Joint Public Power and the Joint Utilities Group, about the adverse impacts on electricity ratepayers that would have resulted from the initial proposal in the 45-day language. (15d-CMUA-133.1)

Comment:

CCEEB acknowledges and appreciates CARB's decision to include an "effective renewable portfolio standard (RPS)" approach in the EDU allocation methodology which better reflects the operational realities and compliance flexibility embedded in the RPS statute. Though this change does not counterbalance the negative impacts of other changes to EDU allocation methodology, it provides a helpful improvement to what otherwise would be an even more significant reduction to the California Climate Credit. (15d-CCEEB-165.7)

Comment:

SMUD strongly supports the incorporation of the "effective RPS" within 2027-2030 electric utility allocations.

The proposed 15-day amendments to the Cap-and-Invest regulations update the "[Renewables Portfolio Standard] RPS Factor Applied to Retail Sales" used in calculating the 2027-2030 EDU allocation. Specifically, the updated factor, or effective RPS, now accounts for the fact that up to 25 percent of RPS procurement may be from non-Portfolio Content Category 1 resources and therefore may incur Cap-and-Invest compliance obligations.

SMUD strongly supports this change, which is consistent with both the longstanding cost containment structure for EDU allowance allocations and the RPS statutory framework. Moreover, incorporating this more accurate effective RPS, in tandem with RPS updates from Senate Bill 100, substantially reduces the harm to electricity ratepayers that would have been caused by the 45-day changes to EDU allocations. Under that prior proposal, CARB’s recalculation of 2027-2030 EDU allocations would have reduced SMUD’s allocation by approximately 25 percent, a cumulative loss of $75 million to $175 million for SMUD’s ratepayers. The addition of the effective RPS substantially reduces those cuts to approximately 5 percent, or $15 million to $36 million in total. (15d-SMUD-167.2)

Comment:

SDG&E supports changes to the EDU allocation methodology to align the “effective” Renewables Portfolio Standard (RPS) assumptions with state law.

As was discussed in previous comments, SDG&E and the Joint Utility Group (JUG) encouraged a targeted update of the underlying assumptions in the EDU allowance allocation methodology to incorporate the increased RPS targets to 60% by 2030. CARB’s proposed changes acknowledge that state RPS statute allows for up to 25% of RPS-compliant procurement to consist of resources that may carry a Cap-and-Invest compliance obligation under the Mandatory Reporting Regulation (MRR) and thus are not zero-emitting for allocation purposes. SDG&E supports this change as an appropriate update to align with existing law. It creates a positive impact on the allowance allocation for EDUs, helping to counteract other pressures that reduce the allocation. It does not, however, offset those impacts entirely. (15d-SDGE-194.3)

Comment:

While the 15-Day Changes still reduce EDU allocation relative to the current regulation, PG&E appreciates that CARB’s revisions make substantial improvements to the proposed 2027-2030 EDU allocation to better reflect the critical role of electricity affordability in decarbonization compared to the January 45-Day draft… PG&E supports CARB’s updates to implement an “effective RPS” in the EDU allocations going forward that aligns with statutory direction for the RPS program. This approach is consistent with the important, built-in flexibility within the RPS program’s portfolio balance requirement and appropriately accounts for all RPS-compliant resources. This is especially important as achieving increasing RPS targets has become more challenging and costly for many utilities. (15d-PG&E-199.1)

Agency Response:

No changes were made in response to these comments. Thank you for the support. Regarding the “effective RPS” in post-2030, in response to public comments CARB is no longer proposing to set post-2030 EDU allocation in this rulemaking. See Agency Response to comment H-2.2.

H-1.2c Multiple Comments: Effective RPS

B. The RPS Methodology Gap… Separately, the Proposed Amendments apply an RPS percentage that does not align with the allowable use of PCC 2 and PCC 3 resources. CARB applies the statutory SB 100 RPS floor of 60 percent by 2030, minus 5 percent for firm-and-shape, leaving a 55 percent net zero-carbon share. The residual 45 percent is attributed to fossil fuel compliance costs. However, California's RPS statute explicitly permits up to 25 percent of RPS-compliant procurement to come from Portfolio Content Category 2 or 3 resources. PCC 2 and PCC 3 products retain a Cap-and-Invest compliance obligation and are not zero-emitting for allocation purposes. The Joint Utility Group's proposed correction, reducing the nominal RPS percentage by 25 percent to derive an Effective RPS, is well-grounded in the methodology's own logic. For 2030, that calculation produces an Effective RPS of 45 percent rather than the current 55 percent net... Recommendation 2b: Adopt the Effective RPS approach proposed by the Joint Utility Group for EDU allocation calculations, applying a 25 percent reduction to the nominal RPS target to reflect the statutory flexibility that permits up to 25 percent of RPS-compliant procurement from PCC 2/3 resources. For 2030, the Effective RPS is 45 percent. (BH-MCAA-1.4)

Agency Response:

No changes were made in response to these comments, as CARB adjusted the “effective” RPS approach in the 15-day Amendments. See Agency Responses to comments H-1.2a.

H-1.3a Multiple Comments: Use 2024 IEPR Data

While SCE agrees with the JUG that maintaining reliance on the original 2015 IEPR data for 2027-2030 is most beneficial for the Climate Credit, CARB’s proposal to use the 2024 IEPR data as the foundation for EDU allocations is appropriate because the IOUs conform their planning processes to the 2024 IEPR. Conversely, it would not be appropriate to use the 2025 IEPR data given that it would be inconsistent with the forecasts that utilities are currently using for resource planning. Additionally, the electric sector is subject to numerous planning processes that are interlinked and interdependent. The IOUs are currently operating under state plans, such as the CAISO’s Transmission Planning Process and the CPUC’s Integrated Resources Plan, that are using the 2024 IEPR. We believe it is appropriate for CARB to align the IEPR data used with these other core planning processes to ensure that the allocation methodology maintains the same assumptions and inputs that are driving investments on the grid and power purchases in our business at this time. (45d-SCEC-320.3)

Comment:

NCPA understands that CARB is seeking to update the Program to reflect the most recently available information on utility load growth and resources, reflected in publicly available reports submitted to the California Energy Commission, as outlined in Appendix D. Doing so, however, would upend the 2021-2030 allocation commitment that EDUs relied upon in making their GHG emissions reduction investments and strategies. Should CARB determine, contrary to good public policy to update the EDU allocation, load growth should be distinguished from changes in resource mix.

Should the EDU allocation be based on updated data, NCPA urges CARB to use the 2024 IEPR forms and information, rather than the 2025 IEPR scheduled to be adopted later this month. To be clear, NCPA feels very strongly that the allowance allocation for 2027-2030 should not be updated beyond the Effective RPS discussed above. Any update, however, should reflect the 2024 IEPR, rather than the 2025 IEPR and also include the Effective 60% RPS, in order to help mitigate the adverse impacts ensuing to electricity ratepayers from an update to the EDU allocation for 2027-2030. While utilizing the 2024 IEPR – rather than retaining the 2015 data – still compromises utility investments and long-term capital planning decisions, the 2024 IEPR data has been deemed more accurate than the projected 2025 IEPR. As demonstrated by the Single Forecast Set Agreement submitted in the CEC’s 2025 IEPR docket, the 2025 IEPR demand forecasts have not been finalized, and are not being currently relied upon by the CEC, the California Public Utilities Commission (CPUC), and the CAISO for long-term planning. (45d-NCPA-402.10)

Agency Response:

Changes were not made in response to these comments. CARB agrees with the commenters that updates to the EDU allocation should use 2024 IEPR data, which is the data source that was used in the 45-day Proposed Amendments. Additionally, see Agency Response to comment H-1.1a.

In one instance, data from the 2025 IEPR Electricity Resource Plans was used for Lathrop Irrigation District, a new EDU, because 2024 IEPR Electricity Resource Plans were not available for that utility.

H-1.3b Comment:

SCE also appreciates that CARB has elected to use resources and load information from the CEC 2024 Integrated Energy Policy Report in the EDU allowance allocation methodology. This action was necessary and appropriate to align with other critical energy planning processes, namely the California Independent System Operator’s

Transmission Planning Process and the CPUC's Integrated Resources Planning process. (15d-SCEC-99.3)

Agency Response:

No changes were made in response to this comment. Thank you for the support.

H-1.4 Multiple Comments: Accounting for Load Growth

Finally, SCPPA recognizes that some POUs may be experiencing substantial load growth, for example, from new and emerging technologies within their service territories. SCPPA acknowledges scenarios where load growth may cause a POU to not be allocated enough allowances to meet compliance and thus urges CARB to preserve the option to update those forecasts as necessary on a case-by-case basis. (45d-SCPPA-357.5)

Comment:

Finally, some POUs may be experiencing substantial load growth above and beyond the load forecast used to calculate the existing Table 9-4 allocations, including from new and emerging technologies within their service territories. CMUA recommends that CARB preserve an option to update forecasts for those POUs that experience significant load growth on a case-by-case basis. (45d-TCMUA-368.5)

Comment:

NCPA notes that in rare instances, some of the state's utilities have seen unique and extensive load growth as a result of data centers and other extreme development that was not and could not have been foreseen in 2015. For example, data centers alone resulted in the CEC adjusting the City of Santa Clara's Silicon Valley Power (SVP) load forecast between 2022 and 2023 to add just under 5,000 gigawatt hours of additional demand by 2040. These impacts on load growth, such as the one being experienced in the SVP service territory can – and must be – distinguished from updates to the allocation that reflect investments in cleaner resources. CARB has the ability and the precedent to recognize that there is load growth that was not contemplated as part of that design, such as data centers, and adjust allocation accordingly. In these instances, when utilities come forth with demonstrable evidence of their unforeseen load growth, CARB should utilize the 2024 IEPR demand forecast and proposed allocation that it has already incorporated into its rulemaking package. (45d-NCPA-402.9)

Comment:

As more fully addressed herein, SVP urges CARB to utilize the demand forecast set forth in the 2024 IEPR to substantiate load growth that was not included in the 2015 IEPR to justify additional allowance allocation for 2027-2030... However, as CARB has done in the past, SVP urges CARB to recognize the load growth that was not reflected in the 2015 IEPR data or past information provided to CARB.... As it has since the beginning of the Cap-and-Trade, now Cap-and-Invest program, SVP is facing extreme load growth that directly impacts the demand forecasts that the CEC has relied on in its IEPR. In 2017, SVP presented to CARB updated load forecast data that addressed why the EDU allocation for SVP did not fairly and accurately calculate the projected cost burden for SVP which was used to determine the appropriate number of allowances to allocate to cover the utility's cost burden, thus warranting a revision to the allowance allocation initial proposed by CARB. While SVP believes that the vintage 2021 to 2030 allowance allocation should be maintained, as it did in 2017, SVP continues to see significant load growth from large scale data centers and urban development within its service territory. For example, data centers alone resulted in the CEC adjusting SVP's load forecast between 2022 and 2023 to add just under 5,000 gigawatt hours of additional demand by 2040. SVP shares information with the CEC regularly, and in 2024, submitted an Updated Load Forecast Separated by Project Groups (Form 1.5b) to the CEC detailing total anticipated load growth. Consistent with the memorandum of understanding used by the energy regulatory agencies, SVP submitted this as part of its commitment to continually informing the CEC of its load growth and reflects even greater anticipated growth than what was ultimately included in the 2024 IEPR. This information demonstrates the extent and type of the load growth that SVP is experiencing, further underscoring the unique nature of the utility's load projections.

SVP urges CARB to take into account these unique circumstances, and update SVP's 2027-2030 allocation to reflect this surge in load growth. For purposes of recognizing the extreme load growth that has occurred in SVP's service territory, SVP asks that CARB utilize the demand forecast set forth in the 2024 IEPR and allocate additional allowances to SVP for the 2027-2030 period. SVP's request is not inconsistent with support for retaining the current EDU allocation for 2027-2030 that was based on the 2015 IEPR because of the extenuating and ongoing growth that SVP has experienced over the last decade. Furthermore, these impacts on load growth, can – and should be – distinguished from updates to the allocation that reflect investments in cleaner recourses. CARB has the ability and the precedent to recognize that there is load growth that was not contemplated as part of that design, such as data centers, and adjust allocation accordingly. (45d-SVP-411.1)

Comment:

To the extent that CARB is concerned that some individual utilities with unexpected and significant load growth (e.g., due to data centers or significant transportation electrification) may be under-allocated, CARB should consider updates for just those individual utilities – without wholesale revisions to the allocation schedule that would harm customers of other utilities. (45d-SMUD-447.3)

Agency Response:

No changes were made in response to these comments. CARB staff decline to only make updates to the EDU allocation utility-by-utility based solely on load growth. CARB staff estimate that at least 30 EDUs saw increases in energy to serve load between data used in the current allocation set in the 2016 Rulemaking and in this Rulemaking. Additionally, at least 35 EDUs had decreases in large hydroelectric or nuclear supply. Overall, 31 EDUs benefited from a total increase in allocation over 2027-2030 due to the 15-day changes from the current allocation. By only making changes for load growth, the EDUs that saw declines in zero-emission supply would not have sufficient allocation to cover the costs of compliance associated with the Program and allocation would thus be insufficient to protect ratepayers and support electric affordability.

H-1.5 Comment:

If CARB determines that reopening the EDU allocation is unavoidable, PG&E supports a focused update limited to the two specifically referenced elements of the calculation from the 2018 statements (increased Renewable Portfolio Standard (RPS) target and upward load growth), consistent with the recommendations in the Joint Utility Group comment letter. We also support the JUG's proposed modifications to the RPS Adjustment to avoid potential double counting when applying an updated "Effective RPS". (45d-PG&E-445.3)

Agency Response:

Changes were made in response to this comment. See the Agency Response to comment H-1.2a regarding changes to the RPS Factor Applied to retail sales. For changes made regarding the RPS adjustment, see the Agency Response to comment L-1.2. Regarding only making updates for increasing load growth, changes were not made, see the Agency Response to comment H-1.4.

H-1.6 Multiple Comments: Early Action for Coal Retirement

Request to Preserve Allowances and Recognize Early Action Linked to Early Coal Retirement… At the same time, SCPPA reiterates that many POUs are making substantial investments in decarbonization. These investments were supported by, and in some cases relied upon, the fixed 2021-2030 EDU allowance allocation schedule adopted in 2017 and codified in Table 9-4 of the existing regulation. The 2017 Final Statement of Reasons (FSOR) explained that fixed EDU allocations for 2021-2030 were intentionally designed to create a durable incentive for early, voluntary GHG reductions, stating: "Given that EDU allowance allocation is based on cost burden, this is one of the reasons that ARB has opted to set fixed EDU allowance allocations for 2021-2030. Any changes that utilities make to reduce GHG emissions will reduce their GHG costs while not changing their allocations, thus resulting in a net benefit." This policy commitment was central to POUs' decisions to accelerate investments in renewable and zero-carbon resources and to complete the transition away from coal ahead of the contract expiration date.

Collectively, SCPPA Members who are facing reductions in their allowance allocation stand to lose approximately $212 million in allowance value over the next four years, with reductions mostly concentrated in 2027 and disproportionately impacting six SCPPA Members that were participants in the Intermountain Power Project ("IPP"). These six SCPPA Members elected to retire the two coal-fired generating units at Intermountain Generating Station 1.5 years early, resulting in significant GHG emissions reductions prior to the contract expiration date in June 2027. These decisions were made in good-faith reliance on the fixed 2021-2030 EDU allowance allocations and on CARB's explicit recognition that early emission reductions would be rewarded by not changing the allocations, thus enabling the EDU to sell allowances to help recoup project costs over time. To preserve the integrity of that policy commitment, SCPPA respectfully requests that CARB ensure these six SCPPA Members are made whole by providing a supplemental allowance allocation commensurate with this early retirement of the coal units. This early action supplemental allowance allocation can be calculated by entering the original 2027 megawatthours (MWh) from coal in cell B6 of "Attachment B: April 2026 2027-2030 EDU Allocation Calculations Spreadsheet," consistent with the coal-related MWh values that were originally accounted for in the Table 9-4 allocation. These entries would effectively restore the early action GHG allowances that have been proposed to be removed through the incorporation of updated S-2 generation information.

We offer this request in a constructive spirit, recognizing and commending the important progress embodied in applying the "Effective RPS" in the updated EDU allocation as part of the April 14 proposal, but also because we are invested in the success and effectiveness of the Cap-and- Invest program. Based on SCPPA Member's experience with the Cap-and-Invest program, regulatory stability is critical to ensure benefits of the program from both a climate and ratepayer affordability perspective. For the program to stimulate early GHG reduction investments, a POU must have confidence that their allocated allowances will not be subsequently reduced. If this rulemaking sets a precedent that allocated allowances are subject to future reductions, that could discourage early action out of concern that a subsequent claw back of allocated allowances would erase the financial benefit of early emission reductions that would help offset the cost burden of the investment to ratepayers. As such, in this current rulemaking, we urge CARB to protect electric ratepayers by preserving the allowances (and financial benefit) for POUs who took early action (retired coal units early) in good faith reliance on the incentive associated with the fixed 2021-2030 allocations in Table 9-4. (15d-SCPPA-39.2)

Comment:

However, one of LADWP's remaining primary concerns with CARB's proposed amendments is the loss of allowances due to updating the EDU allocation based on recent load and electricity supply forecasts within the 2021-2030 period for which EDUs were given a pre-set, fixed allocation. The pre-set allocation provided multi-year predictability needed to plan and invest towards the decarbonization of the electricity supply. Notably, replacing the pre-set allocation with an updated allocation penalizes EDUs that took action to reduce GHG emissions early. Early emission reductions are important to avoid the most severe impacts of climate change, so should be rewarded not penalized. While applying the Effective RPS helps to reduce the impact of updating the EDU allocation, it is not sufficient to offset a large loss of allowances to LADWP in 2027 due to the early retirement of coal-fired generating units…

LADWP appreciates that CARB incorporated the "Effective RPS" into the updated EDU allocation calculation, as requested by LADWP and other stakeholders in comments on the 45-day proposal. Applying the Effective RPS results in a more realistic estimate of RPS-eligible electricity that counts as zero emission under CARB's GHG emission reporting regulation and a more realistic estimate of expected emissions subject to the Cap-and-Invest compliance obligation, for allowance allocation purposes.

However, incorporating the Effective RPS into the updated allocation calculation is still insufficient to fully offset the allowance reduction associated with updating the EDU allocation based on the recent forecasts. In the 15-day proposal, LADWP's updated allocation for years 2027-2030 is a ten percent reduction which translates to a loss of 2.5 million allowances relative to the original pre-set allocation in Table 9-4. The largest impact hits in a single year (2027), associated with early retirement of the coal-fired generating units.

During the 2016-2017 rulemaking, CARB established a pre-set 2021-2030 EDU allocation as an incentive for EDUs to reduce emissions early. In the Final Statement of Reasons, CARB stated "Given that EDU allowance allocation is based on cost burden, this is one of the reasons that CARB has opted to set fixed EDU allowance allocations for 2021-2030. Any changes that utilities make to reduce GHG emissions will reduce their GHG costs while not changing their allocations, thus resulting in a net benefit." In response to the promise of a fixed 10-year allocation, LADWP and other publicly owned utilities (POUs) took action to reduce emissions early. LADWP is one of six California POU participants in the Intermountain Power Project (IPP) that chose to retire two coal-fired generating units in 2025, one-and-a-half years in advance of the contract expiration date. The fixed 2021-2030 allocation included allocated allowances for the coal-fired units through June 2027 based on the power purchase agreement expiration date as recognized by CARB during the 2016-2017 rulemaking.

In the current rulemaking, CARB recalculated the 2027-2030 EDU allocation using a recent load and electricity supply resources forecast that does not include electricity supply from the coal-fired generating units beyond 2025. As a result, LADWP's 2027 allocation was reduced by 1.9 million allowances. The loss of allowance value in that single year is significant and sets a precedent of uncertainty for future investment to reduce emissions early.

LADWP was planning to use the value of those allowances to offset the incremental cost associated with decarbonization investments, including replacement resources needed to transition away from the IPP coal-fired generating units, thereby reducing upward pressure on customer rates. Since the updated EDU allocation reduces the financial benefit of taking early action to reduce GHG emissions, LADWP requests that CARB provide early action credit in the form of a one-time supplemental allowance allocation to make the IPP participants whole. Retiring the coal-fired generating units early is a discrete action that significantly reduces GHG emissions early and contributes toward achieving the State's GHG emission reduction goals within targeted timeframes. A simple way to provide a supplemental allowance allocation is to adjust the coal megawatt-hours (MWh) for year 2027 in the "Attachment B 2027-2030 EDU allocation" spreadsheet posted April 14, 2026, from zero to the previous value from the "Post 2020 EDU Allowance Allocation spreadsheet" posted April 13, 2017. This adjustment is illustrated below. (15d-LADWP-177.1)

Agency Response:

No changes were made in response to these comments. See Agency Response to comment H-4.2.

H-1.7 Multiple Comments: Early Investments

We appreciate CARB's recognition of the importance of addressing ratepayer affordability and the proposed changes to modify the electrical distribution utility (EDU) allocation to align with the state's renewable portfolio standard (RPS) requirements. At the same time, we understand that some stakeholders believe that allowance value would better serve Californians if the proceeds from the sale of the allowances provide financial support for the greenhouse gas reduction fund (GGRF). We disagree with this assertion. Since Program inception, allowance allocation to electric utilities for the benefit of electricity customers has been the most direct and immediate way for CARB to benefit California consumers. That relationship has not changed and in today's environment is more important than ever. As more fully set forth herein, NCPA urges CARB to further modify the EDU allocation to account for capital investments in early actions made in reliance on the 2021-2030 EDU allocation CARB approved. These changes are absolutely necessary to protect all electricity ratepayers and help make electricity more affordable for California's residents and businesses. (15d-NCPA-104.1)

Comment:

The proposal to incorporate the Effective RPS provides greater electricity ratepayer protection than the 45-day proposal, however, it still falls short of protecting all utility customers. The Effective RPS alone does not adequately address capital investments in early actions, nor recognize the utilities' actions in compliance with the express direction of CARB to invest in emissions reductions... Ensuring that the EDU allocation better aligns with the RPS program and accounts for RPS procurement that may have a Cap-and-Invest program compliance obligation is essential to protecting electricity ratepayers. But alone, it is not enough...

The Effective RPS alone does not protect ratepayers from utility reliance on the very direction provided by this Board to the POU and cooperative EDUs when approving the current vintage allowance allocation. CARB should, at a minimum, maintain the 2021-2030 vintage EDU allocation commitment that is part of the current regulations. Failure to do so penalizes those that took early action to reduce emissions and made financial commitments based on the Board approved EDU allocation. Furthermore, reductions to the allocation of allowances before the end of the 10-year period also disincentives future early actions a utility might take to proactively reduce carbon emissions. NCPA remains concerned that changes to previously-approved allowance allocations to the EDUs compromises and undermines regulatory certainty at a time when electric utility reliance on statewide regulations is increasingly important in light of extreme changs in federal policies...

NCPA supports the proposed changes to the EDU allocation that would accelerate the restriction and limit the eligibility to claim the RPS adjustment to Portfolio Content Category 0 RECs after December 31, 2026, instead of after December 31, 2030 in tandem with the proposed modification of the EDU allocation to "better account for RPS-eligible procurement that may incur a Cap-and-Invest Program compliance obligation." It is important that this proposed change not be seen in isolation, however, and that changes to the RPS adjustment are part of the broader EDU allocation modifications. (15d-NCPA-104.3)

Comment:

NCPA urges the Board to adopt those changes that would utilize the Effective RPS, but to also direct further revisions that acknowledge the importance of EDU reliance on the previous allocation approved by this Board for 2021-2030 in making capital investments in early actions to reduce greenhouse gas emissions. (15d-NCPA-104.6)

Comment:

Even with the improved effective RPS, updating midstream undermines the regulatory certainty on which POUs relied when making early clean energy investments and long-term procurement decisions. Such changes are contrary to CARB's intent that POUs and cooperatives reduce emissions, thereby lowering their compliance obligations, in order to use the remaining allowance value to support further GHG-reducing investments and customer affordability programs. Altering the fixed allocation framework during the established allocation period weakens that incentive structure, penalizes utilities that acted early to reduce emissions, and discourages further early action to reduce emissions. Accordingly, in the interest of maintaining affordability for electric customers, we encourage CARB to keep the original Table 9-4 allocation as a minimum allocation to keep EDUs whole. (15d-CMUA-133.3)

Comment:

CARB's 15-Day Changes make meaningful improvements over the January 2026 proposal, and we appreciate CARB's responsiveness to stakeholder concerns regarding affordability, implementation, and regulatory clarity. That said, while the effective RPS generally improves EDU allocations, and thus customer benefits, the impact across utilities is varied and muted by the mid-transition update of the underlying resource and load information, which undercuts Program certainty and early action investments. Joint Public Power urges CARB to ensure that protecting ratepayers remains a focal point as changes to the Program are developed. (15d-CMUA-133.8)

Agency Response:

No changes were made in response to these comments. See Agency Responses to comments H-1.1a and H-4.2.

H-1.8 Comment:

EDU ALLOWANCE ALLOCATION: PRESERVE THE FRAMEWORK, CORRECT THE METHODOLOGY

The allowances allocated to electrical distribution utilities are the primary mechanism through which the Cap-and-Invest program protects electricity ratepayers from compliance cost passthrough. The Proposed Amendments contain methodology choices that appear to undercut that objective in two distinct and compounding ways: abandoning the fixed 10-year allocation framework mid-cycle and applying an RPS percentage that does not align with the compliance flexibility provided in the RPS statute.

A. The Allocation Design Intent: Incentivizing Decarbonization… In 2017, CARB deliberately adopted a fixed 10-year allocation schedule for 2021-2030, to provide regulatory certainty, encourage voluntary GHG reductions, and protect ratepayers from compliance cost passthrough. CARB's own Final Statement of Reasons for that rulemaking stated explicitly that fixed allocations were chosen because voluntary reductions would reduce compliance costs without changing allocations, creating a net benefit and incentivizing early decarbonization.

The proposed amendments penalize that success. Because EDUs have reduced emissions faster than the original forecast assumed, the updated data now shows they need fewer allowances. CARB proposes to respond by cutting the allocation to match. This inverts the program's logic: the fixed-allocation structure was designed so utilities would keep the benefit of their over-compliance. Recalibrating mid-cycle claws back that benefit and eliminates the incentive for the next round of voluntary action.

As the Joint Utility Group has documented, the proposed reduction amounts to an estimated loss of $4.9 billion in allowance value over 2027-2030, based on a $60 per allowance price assumption. For 2027 alone, the proposed cut represents a 39 percent reduction in total EDU allowances, a $1.6 billion reduction in a single year. At a moment when electricity rates are rising and customers are being asked to electrify their homes and vehicles, this reduction in the primary protective mechanism available to offset those pressures is particularly ill-timed...

Recommendation 2a. Work with utilities and the CPUC to ensure that EDU allowance allocation methodology continues to incentivize voluntary decarbonization and protect electricity ratepayer affordability. Any revision to the existing allocation framework should preserve the design intent of the 2017 rulemaking: that utility customers retain the benefit of over-compliance, that ratepayers are protected from compliance cost passthrough, and that the program does not penalize early action. CARB should not finalize a methodology that reduces allocation relative to current Table 9-4 levels without demonstrating that the revised approach meets these objectives. (BH-MCAA-1.3)

Agency Response:

No changes were made in response to this comment. See Agency Responses to comments H-1.1a, H-1.2a, and H-4.2.

H-1.9 Multiple Comments: Support for 2027-2030 Proposed Allocation

Several 15-day revisions addressed our April recommendations, for which we are grateful: EDU allowance allocations for 2027–2030 were increased for most utilities, stabilizing the California Climate Credit and addressing a portion of the $4.9 billion gap the Joint Utility Group documented. (BH-CPSC-5.2)

Comment:

Good morning, Chair and members of the Board. Adam Smith, Southern California Edison, in strong support for the package in front of you. We think the overall proposal strikes the right balance between affordability and stringency to keep us on track for our shared climate goals. Specifically, we think CARB staff satisfied two important legislative directives. They did a great job focusing on affordability in the electric sector and beyond. And specifically for utilities, CARB's methodology meets the legislative mandate to cover the anticipated emissions necessary to reliably serve our customers.

The totality of this package will save electric customers billions of dollars, as you've seen in the staff presentation through the climate credit that they receive. You're voting today on the most direct and substantial affordability action for electric customers this year and likely for years to come. As you know, the electric sector is at the absolute center of the State's climate strategy. You see it in the Scoping Plan. And that means that bills that electric customers pay every month are critical to funding this strategy. We need to keep those bills as affordable as possible to achieve the transition. And in plain language, the proposal before you does this. Through the Climate Credit our customers see California's climate policy directly reducing their bills, the Cap-and-Invest Program directly reducing their bills. The State is also, as you heard, now moving the Climate Credit to the hottest months of the year when bills are often the highest. So the bill relief you're voting on today is going to directly help customers and families at the time they need it the most.

To close, SCE serves over five million electric customers across the bottom half of the state. I think you guys know that. Our customers need this regulatory package. There will no doubt be a lot of folks here today, and I didn't want to send the invite out to all our five million customers. That would be too much. But you can be sure there will be five million thank yous when they receive the Climate Credit this summer. That's why we support the package and we urge you too. Thank you. (BH-SCEC-116.1)

Agency Response:

No changes were made in response to these comments. Thank you for the support.

H-1.10 Multiple Comments: Support for 2027-2030 Proposed Allocation with Remaining Concerns

Good morning, Chair Sanchez and members of the Board. My name is Katharine Larson and I am with the Sacramento Municipal Utility District. We are Sacramento's local publicly owned electric utility. SMUD supports the 15-day changes to electric utility allocations, which are crucial for electricity affordability. These amendments align better with the RPS program, and as a result, they ensure that customers will be better protected from Cap-and-Invest costs. The allowances that SMUD receives directly benefit our customers and community by helping us keep rates low and affordable and reduce greenhouse gas emissions.

SMUD is still seeing a net loss in allowances and our customers too as a result. However, the impact is much improved relative to the January proposal. We encourage the Board to approve these amendments today. And we also encourage CARB in the next rulemaking to ensure that the important electricity affordability protections are continued after 2030. (BH-SMUD-117.1)

Comment:

Good morning. Fariya Ali on behalf of Pacific Gas and Electric. We have long supported this program and we support your adoption of these amendments today. We believe they strike a careful, if unpopular, balance between program stringency and affordability. Electricity affordability remains one of the top priorities for California households, as highlighted in the signing of AB 1207 by the Governor and the Legislature.

Utility allowances for the benefit of utility customers, including low-income and disadvantaged customers, are the most direct and transparent path for addressing affordability for households. The 15-day amendments provide more allowances to customers than the January proposal. But as highlighted by my other utility colleagues, the electric sector is still seeing a significant overall reduction. Our customers are sharing in the impacts of a tightening program.

While there are many other very important programs that are also seeing impacts, further reducing utility customer allowances is not the right solution for addressing those impacts, and it would not reflect California household's top concerns.

Affordable electricity is crucial for enabling the state's decarbonization goals and approving these amendments today will cement Cap-and-Invest's role in helping to achieve cost effective greenhouse gas reductions. Thank you. (BH-PG&E-132.1)

Comment:

Good afternoon, Chair Sanchez and Honorable Board members. My name is Katherine Rubin, Director of Corporate Environmental Affairs with the Los Angeles Department of Water and Power, LADWP. The allocation to publicly owned electric utilities, such as LADWP helps us to decarbonize the electricity supply while keeping electricity affordable. The LADWP appreciates that CARB applied the effective RPS and the electric utility allocation and restored 90 percent of our allocation for years 2027 to 2030. While the April proposal is a significant improvement compared to the January proposal, our updated allocation is still 2.5 million allowances lower than the original allocation, which will affect affordability for LAWDPs ratepayers. Our emission reduction due to early retirement of coal-fired generating units was not credited as an early emission reduction when the fixed 10-year allocation was updated midstream. Going forward, we want to emphasize the importance of having a preset allocation to protect electricity ratepayers and support decarbonizing the electricity supply to achieve the State's clean energy goals. Decarbonizing the electricity supply will require substantial capital investments with long-term planning horizons, that depend on certainty around cost assumptions and funding streams, including allowance value.

We encourage CARB to move forward with the 15-day changes and urge CARB to ensure a post-2030 allocation that provides the certainty necessary to plan for and finance clean energy investments while protecting ratepayer affordability during the transition to a carbon-free grid. Thank you for your consideration and the opportunity to comment today. Thank you. (BH-LADWP-277.1)

Comment:

Madam Chair and Board members, Sarah Taheri on behalf of San Diego Gas and Electric, or SDG&E. SDG&E has long supported the Cap-and-Invest Program as a cost effective means of achieving emissions reductions and we would urge your support of this program and the adoption of the regulation before you today. I do want to provide some commentary specifically on the area of electric utility and natural gas supplier allowance allocations, the two elements of the program that most directly impact energy affordability for our customers. The program costs and benefits here are entirely passed through to our customers, meaning our customers bear the compliance cost of the program, including the increases that may result from increases in price, but they also benefit from the very important, immediate and transparent impacts of the California Climate Credit. With that concept top of mind, affordability top of mind, we've consistently raised concerns about reductions to the utility allocations in the context of this program design. Specifically on electric, today's proposal is an improvement from where we were in January with the initial proposal, but it still reduces SDG&E's allocation compared to the current regulation. (BH-SDGE-127.1)

Comment:

Good morning. My name is Susie Berlin and I am representing today the Northern California Power Agency and Golden State Power Cooperative, publicly owned utilities and electric cooperatives. GSPC and NCPA members are committed to providing safe and reliable electricity service to their customers with electricity affordability being paramount. Allowance allocation for the benefit of electricity customers remains one of the most direct and impactful ways to help mitigate rising electricity costs, while supporting the State's climate objectives. We appreciate that the proposed amendments continue to recognize the pivotal role that the State's electric utility customers play in State decarbonization efforts and the value of those allowances to the customers and communities we serve. We thank staff for their ongoing engagement with us and the 15-day changes that better align the allocation with the renewable portfolio standard requirements. Notably the 15-day changes reduce the allowance cuts to electricity customers compared to the 15-day package. However, it is still important to note that there are utilities that will be left with substantially less allowances than they would have received under the current regulation. These cuts undermine regulatory certainty for many and risk long-term plans for emissions reductions that may be adversely impacted by regulatory changes midstream. Looking forward, we urge the Board to direct staff to continue working with the electric utilities in developing the post-2030 allowance allocations for the benefit of electricity customers and to ensure that utility customers receive allowances to cover program compliance costs, address upward pressure on energy affordability, and deliver the regulatory and planning certainty necessary to maximize emissions reductions for the direct benefit of utility ratepayers. We thank staff for all the work on the proposed amendments and we thank the Board for their consideration of the important role that electricity customers pay -- play and pay. Thank you. (BH-NCPA+GSPC-150.1)

Comment:

Hello, Board members. My name is Elisabeth de Jong and I'm here on behalf of the Southern California Public Power Authority representing 12 local public owned electric utilities -- The 15-day changes are a significant improvement to the electric utility allocation. It's important those regulations not result further reductions. POUs must retain flexibility in using allowance value to invest in renewables and support both electricity affordability and GHG reductions. SCPPA appreciates that CARB responded to our recommendations to align with RPS requirements through an updated effective RPS in calculating the electric utility allocation. Collectively, SCPPA members facing reductions in their allowance allocations still stand to lose approximately $212 million in allowance value over the next four years. Updating the fixed 10-year allowance allocation midstream undermines the regulatory certainty that supported early action to reduce GHG emissions. For example, six SCPPA members in the Intermountain Power Project in Utah chose to retire the IPP coal units early resulting in significant emissions reductions ahead of contract expiration, with the expectation that the fixed allowance allocation would help offset those project costs.

SCPPA supports the 15-day changes today. However, we do urge that CARB recognize that midstream changes affect long-term cost management and resource planning for POUs. As utilities plan their clean energy investments, a fixed allowance allocation will be needed to ensure regulatory certainty. The effective RPS, as included in the proposal, should be applied to post-2030 allowance allocations. We look forward to working collaboratively with CARB for the upcoming rulemaking to address the utility allowance allocation post-2030. Thank you. (BH-SCPPA-131.1)

Agency Response:

No changes were made in response to these comments. Thank you for the support. To the extent a further response is necessary, see Agency Responses to comments H-1.1a and H-2.2.

H-2 Post-2030 Allocation

H-2.1 Comment:

SCE noticed a technical error in the post-2030 EDU allocation calculations. According to SB100 and SB1020, a certain percentage of retail sales come from clean resources. However, in CARB's formula for years 2031-2035, in the '2027-2035 Allocation' worksheet, there are two instances where the clean target is being multiplied by an EDU's energy to serve load. To align with state law, we request that CARB change these two references to an EDU's retail sales in alignment with state law. (45d-SCEC-320.8)

Agency Response:

No changes were made in response to this comment. In the 15-day Amendments, CARB removed the proposed post-2030 EDU allocation in this rulemaking. This change was made in response to public comments that requested additional time to further develop the methodology for the post-2030 EDU allocation. Post-2030 allocation will be addressed in a future rulemaking, see Agency Response to comment H-2.2

Regarding the two instances in the 45-day post-2030 EDU allocation where the "clean target" is being multiplied by energy to serve load, this portion of the proposed calculation would have provided a pathway for EDUs that were projected to have fully renewable or zero-carbon supply to still receive allocation to cover 5% of its energy to serve load using natural gas, as described in Appendix D-1 of the ISOR.

H-2.2 Comment:

Without confidence in post-2030 allowance allocation, POUs cannot reliably incorporate projected allowance value into financial planning, procurement decisions, or long-term resource strategies. This uncertainty increases financial risk, weakens incentive structures intended to support early emissions reductions, and ultimately may discourage accelerated decarbonization efforts. The implications extend beyond the electricity sector. Entities investing today through reliance on long term program incentives – such as those anticipating manufacturing decarbonization allowances – must be able to trust that the regulatory framework in place at the time of investment will remain durable. If stakeholders lack confidence that the allowance allocation will not change over a 10–12-year horizon, investment decisions may be delayed, scaled back, or repriced to account for added regulatory risk. Additionally, SCPPA requests that the effective RPS, described above, be applied when calculating the EDU allocation for 2031-2035.

For these reasons, SCPPA urges CARB to acknowledge the 2031-2035 allowance allocation as a minimum amount of allowance allocation to preserve long-term regulatory certainty and protect electric ratepayers from unintended financial consequences. (45d-SCPPA-357.9)

Agency Response:

No changes were made in response to this comment. In the 15-day Amendments, CARB removed the proposed post-2030 EDU allocation in this rulemaking. This removal was in response to public comments that requested additional time to further develop the methodology for the post-2030 EDU allocation, such as comments in H-2.4 and H-2.8. Post-2030 allocation will be addressed in a future rulemaking in order to provide sufficient time for this work and in light of significantly more stringent allowance budgets and the need for more public discussion on where to direct post-2030 allowance value across industrial allocation, the climate credit, or state auctions.

H-2.3 Comment:

For determining EDU allocations in 2031-2035, CARB should continue using the Effective RPS approach, as outlined above. Applying the Effective RPS when calculating the EDU allocation will better align the allocation with the expected GHG emission compliance obligations and avoid unnecessary cost shift to electric ratepayers.

A fixed allocation for 2031-2035 will provide POUs with clear, stable expectations regarding their allowance allocations. As noted above, the EDU allocation is central to long-term capital planning and procurement decisions. If POUs cannot rely on allowance allocations remaining fixed at the levels established in the regulation, that uncertainty increases financial risk, undermines the incentives for early emission reductions, and may slow decarbonization investments if POUs cannot count on funding from the reduce-and-invest cycle. As a result, POUs will not be able to reasonably incorporate projected allocation value into financial planning, procurement strategies, or long-term resource decisions.

CMUA therefore urges CARB to preserve an EDU allowance allocation framework that protects ratepayers, provides certainty for long-term resource planning, rewards early GHG emissions reductions, and avoids financial consequences for POU decarbonization investments. (45d-TCMUA-368.6)

Agency Response:

No changes were made in response to this comment. Post-2030 EDU allocation will be addressed in a future rulemaking. See Agency Response to comment H-2.2.

H-2.4 Comment:

NCPA believes that the concepts that CARB has proposed for post-2030 utility allocations could provide regulatory certainty and alignment with both Program and statewide policy objectives. However, the final allocation table for 2031-2035 must be supported by the necessary data to provide regulatory certainty when it is adopted. The record has not yet been developed to do so at this time. Irrespective of the methodology used for the 2031-2035 allocation, CARB must reflect the Effective RPS, as increasing competition for non-GHG emitting resources will continue to place upward pressure on resource commitments. Furthermore, the final post-2030 allocation would benefit from a more thorough assessment of how allowance allocations can be used to provide significant affordability benefits to electricity ratepayers, looking beyond merely covering Program compliance costs.

Given the importance of the utility allowance allocation, and the role that allocation plays in helping to protect ratepayers from increasing electricity costs that jeopardize the state's decarbonization efforts, NCPA urges CARB to include updated data, including the most recent information from utility Integrated Resource Plans and CEC demand forecast information. Updated information that accurately captures the impacts of a fully operational EDAM is not yet available. Additionally, utilities are currently facing uncertainties associated with renewable resource availability and development, including delays from federal policies. The proposed framework set forth in the draft amendments can form the basis for more robust stakeholder engagement and benefit from additional information. In light of all of these factors, it would be prudent to provide additional time to fully assess the post-2030 proposals to ensure that the stated objectives will in fact result. (45d-NCPA-402.12)

Agency Response:

Changes were made in response to this comment. See Agency Response to comment H-2.2.

H-2.5 Multiple Comments: Post-2030 allocation calculation data and assumptions

The JUG appreciates CARB's intention to provide important ratepayer protections for EDU customers beyond 2030 via proposed post-2030 EDU allocations. JUG members conditionally support moving forward with CARB's proposed EDU allocation framework for 2031–2035 if it incorporates two critical elements: (1) Effective RPS (as shown above), ensuring the allocation does not assume zero-emission for RPS products that still incur compliance obligations; and (2) use of the demand/supply outlooks from the 2024 IEPR, with a path to utility-provided updates and commensurate upward adjustments to allocations for significant, verifiable load growth. Use of the 2024 IEPR forecast aligns with the approach being taken by the California Public Utilities Commission (CPUC) and California Independent System Operator (CAISO) to use the

2024 IEPR for purposes of integrated resource planning and bulk system transmission planning proceedings.

The framework proposed by CARB should help toward achieving electricity affordability. Conceptually, the proposals also provide regulatory certainty to the utilities while aligning allocations to policy evolution and updated system needs. The JUG urges CARB to fully explore the implementation of the proposed framework to ensure it delivers on the stated objectives. (45d-JUG-404.6)

Comment:

PG&E conditionally supports CARB’s proposed EDU allocation framework for 2031–2035 if it incorporates two critical elements: (1) Effective RPS (as outlined in the Joint Utility Group comment letter); and (2) use of the demand/supply outlooks from the 2024 IEPR, with a path to utility-provided updates for significant, substantiated load growth. The post-2030 framework proposed by CARB, with the modifications outlined above, would be appropriately grounded in California’s clean energy statutes and would help support electricity affordability. (45d-PG&E-445.6)

Comment:

SMUD appreciates CARB’s continuation of EDU allocations after 2030 for the benefit of electric ratepayers. SMUD believes it is reasonable for CARB to use updated data from the CEC’s 2024 IEPR forecasts to calculate prospective allocations for the 2031-2035 period. SMUD cautions against incorporating the CEC’s 2025 IEPR data, as the utility- and balancing authority area- specific forms were released only recently, with limited time for review and vetting. Moreover, the joint decision by the CEC, CPUC, and CAISO to rely on the 2024 IEPR for integrated resource planning and transmission planning underscores some uncertainties associated with the 2025 IEPR.(45d-SMUD-447.8)

Comment:

However, CARB’s proposed methodology for calculating the allocations assumes just a 5 percent adjustment to the RPS target (a 55 percent effective RPS). As described above, the RPS program requirements–which continue past 2030–allow up to 25 percent of RPS-compliant procurement to have associated emissions. CARB should therefore use the same “effective” RPS of 45 percent to calculate EDU allocations after 2030. (45d-SMUD-447.9)

Agency Response:

No changes were made in response to these comments. See Agency Response to comment H-2.2.

H-2.6 Comment:

LADWP supports CARB's proposal to establish fixed EDU allocations through the vintage 2031-2035 allowance budgets with the following changes:

> 1) Use the Effective RPS to estimate the quantity of zero emission renewable energy in the EDU's electricity supply, which will provide a more accurate estimate of expected GHG emissions that are subject to the Cap-and-Invest compliance obligation. In Appendix D-1, Table 2, LADWP recommends updating the "RPS Target%" and "RPS Target+ Zero-Carbon Trajectory in 2035" to use the Effective RPS.
>
> 2) The "Maximum RPS and Zero-Carbon Energy" in cell M6 of the "2027-2030 Allocation" tab in Appendix D-2 should be revised from 95% to 85%. (45d-LADWP-408.4)

Agency Response:

No changes were made in response to this comment. See Agency Response to comment H-2.2.

Regarding the number in cell M6 of the “2027-2035 Allocation” tab in Appendix D-2, this number was used in the proposed calculation to provide a pathway for EDUs that were projected to have fully renewable or zero-carbon supply to still receive allocation to cover 5% of its energy to serve load using natural gas, as described in Appendix D-1 of the ISOR.

H-2.7 Comment:

Further, SDG&E supports CARB’s recognition of the continued need for customer protections post-2030 and the agency’s intent to provide regulatory certainty beyond that date. SDG&E looks forward to continuing engagement in this area. (45d-SDGE-413.12)

Agency Response:

No changes were made in response to this comment. See Agency Response to comment H-2.2.

H-2.8 Comment:

The proposed amendments establish a post-2030 methodology for EDU allocations that reflect SB 100 and SB 1020 clean electricity targets. The Initial Statement of Reasons (ISOR) describes assumptions about reaching 90 percent zero-carbon electricity by 2035, deducting five percent for firm and shape, and attributing the remainder to natural gas generation for emissions-factor purposes. Aligning allocation methodology with statutory clean energy targets is logical. However, the public impact of that methodology must be considered carefully. If allowance value flowing to EDUs declines sharply while allowance prices rise under a tightening cap, consumers may perceive the program as increasing costs while reducing visible ratepayer protection. That perception is avoidable. (45d-CBC-446.6)

Agency Response:

Changes were made in response to this comment. See Agency Response to comment H-2.2.

H-2.9 Comment:

Needles will not be able to financially meet the proposed amendments to the regulation for the California Cap on GHG and Market-Based Compliance Mechanisms. Post 2030, the City of Needles is requesting;

1) Use the effective RPS for 2031-2035 allocations and maintain a fixed five-year schedule to support planning certainty.

2) A fixed allocation for 2031 -2035 will provide POUs with clear, stable expectations of allowance allocations. (15d-CN-25.3)

Agency Response:

No changes were made in response to this comment. See Agency Response to comment H-2.2.

H-2.10 Comment:

Support Renewables Transition with post-2030 Allowance Allocation… SCPPA acknowledges that the current 15-day draft regulation removes the specific 2031-2035 EDU allowance allocation and indicates that CARB will address post-2030 EDU allocation in a future rulemaking, in part to allow additional time to further develop the allocation methodology with stakeholders. While we appreciate CARB's willingness to continue to engage stakeholders on methodology design, we reiterate that regulatory certainty is essential for POUs that must plan, finance, and procure long-lead-time and long-lived clean energy resources to achieve SB 100 and local clean energy targets.

Without a clear, durable framework for post-2030 allowance allocation, POUs cannot reliably incorporate projected allowance value into financial planning, procurement strategies, or long-term resource plans, increasing financial risk and potentially slowing the pace of grid decarbonization. Accordingly, SCPPA respectfully urges CARB, as it refines the post-2030 EDU allocation methodology to 1) explicitly prioritize regulatory stability and ratepayer protections as design criteria; 2) provide sufficient lead time and clear signaling so that POUs can integrate post-2030 allocation assumptions into their long-term planning; and 3) ensure that any future EDU allocation structure continues to support the renewables and zero-carbon transition without retroactively weakening incentives for early action or imposing cost burdens on customers. (15d-SCPPA-39.4)

Agency Response:

No changes were made in response to this comment. See Agency Response to comment H-2.2.

H-2.11 Comment:

REQUESTS FOR THE POST-2030 RULEMAKING… The methodological improvements CARB adopted for 2027-2030 should serve as a foundation for the post-2030 approach. PWRPA respectfully requests that CARB consider the following principles in developing the post-2030 EDU allocation methodology. PWRPA places these on the record now so that the evidentiary foundation established by the 45-day Comments and supporting attachments is available as the future rulemaking proceeds.

A. A Longer Lookback Period Is Needed for Hydro-Dependent EDUs

The 15-Day Amendments use a three-year lookback period (2022-2024) for PWRPA's inputs. While this is a meaningful improvement over a single-year snapshot, a longer lookback period is needed to capture the full range of PWRPA's hydrological variability. As demonstrated in the 45-day Comments, even using an overstated 55% RPS Factor for all years, PWRPA's annual allowance need varied by a factor of twelve over the 2015-2024 decade — because its compliance burden is structurally driven by multiple factors outside PWRPA's control, including hydrology, inflows, federal and state regulatory constraints on Central Valley Project ("CVP") operations, Endangered Species Act biological opinions, flood control operations, water temperature management protocols, and Bureau of Reclamation operational decisions.

The three-year lookback period captures only a fraction of this variability. A 10-year lookback period, as PWRPA proposed in its 45-day Comments, would span a full hydrological cycle including critically dry, dry, below normal, above normal, and wet water years. At minimum, a 7-year lookback period would be consistent with the approach the Legislature has already mandated for PWRPA's RPS procurement obligation under Cal. Pub. Util. Code § 399.30(i), which requires averaging load for RPS compliance over the previous seven years precisely because of PWRPA's annual volatility.

CARB already uses a 10-year average of large hydroelectric supply for WAPA, which receives power from the same Central Valley Project system as PWRPA. Consistent treatment requires that a comparable multi-year lookback period be applied to PWRPA in the post-2030 allocation.

B. Hydrological Variability Should Be Expressly Considered in the Methodology

PWRPA's 45-day Comments and eleven supporting constraint analyses demonstrate that PWRPA's compliance burden is fundamentally different from other EDUs. PWRPA's electrical load moves inversely to its hydro supply: in drought years, surface water curtailments force reliance on groundwater pumping, which increases electrical demand precisely when zeroemission hydro supply is at its lowest. This inverse correlation (−0.60 between Large Hydro and Energy to Serve Load; −0.83 between Large Hydro and the Allocation Factor) means that any methodology using standardized assumptions about supply and load will systematically understate PWRPA's compliance costs.

PWRPA respectfully requests that the post-2030 methodology include a mechanism—such as multi-year output-level averaging, an alternate data source provision, or a volatility adjustment—that accounts for the structural characteristics of hydro-dependent EDUs whose supply and load are inversely correlated.

C. Climate Change Should Inform Future Allocation Levels

PWRPA's 45-day Comments documented that DWR modeling projects higher frequency of critical and below-normal water years and greater precipitation volatility under climate change. These projections suggest that PWRPA's compliance burden will increase over time as drought conditions become more frequent and intense. The post-2030 methodology should account for this trend rather than assume that historical conditions will remain static. The eleven constraint analyses and supporting data submitted with PWRPA's 45-day Comments provide an empirical foundation for this assessment. (15d-PWRPA-47.5)

> **Agency Response:**
> No changes were made in response to this comment. This comment is directed at the future rulemaking where CARB will consider post-2030 allocation and therefore no response is necessary here. Nevertheless, to the extent a response is necessary, see Agency Response to comment H-2.2.

H-2.12 Multiple Comments: Support Removal of post-2030 Allocation

PWRPA SUPPORTS THE DELETION OF TABLE 9-4 AND DEFERRAL OF POST-2030 ALLOCATION…PWRPA supports the deletion of Table 9-4, which would have established post-2030 EDU allocations. Deferring post-2030 allocation to a future rulemaking is appropriate and responsive to comments from PWRPA and other parties. This additional time will allow CARB to develop a methodology that accounts for the distinct operational characteristics of different EDUs and ensures that the allocation fulfills its statutory requirements to minimize impacts on ratepayers. (15d-PWRPA-47.4)

Comment:

NCPA supports CARB's proposal to set the post-2030 EDU allocation in a future rulemaking. Doing so will allow stakeholders sufficient time to work with CARB on a methodology for post-2030 allocations that ensures the EDUs are able to continue to play a pivotal role in the state's GHG emissions reduction goals without unduly burdening electricity ratepayers or compromising energy reliability and affordability. (15d-NCPA-104.4)

Agency Response:

No changes were made in response to these comments. Thank you for the support.

H-2.13 Multiple Comments: Post-2030 Allocation Requests

In setting the post-2030 allocation, NCPA urges CARB to keep in mind these two essential elements – affordability and reliability. CARB must also ensure that the final methodology reflects not only the "Effective RPS" that better aligns allocations with the state's RPS program – but also capital investments in early actions. NCPA urges CARB to begin meaningful discussions with stakeholders on this topic sooner, rather than later, in order to ensure that all impacted entities have sufficient time to plan for emissions reductions investments without unduly burdening their ratepayers. (15d-NCPA-104.5)

Comment:

Joint Public Power supports the proposal to defer a comprehensive assessment of post-2030 allocation to a subsequent rulemaking. In that rulemaking, Joint Public Power supports the use of an effective RPS approach in the EDU allocation methodology so that allocations more accurately reflect the emissions and compliance obligations associated with RPS-compliant procurement, rather than assuming all RPS-eligible resources are zero-emitting. Further, Joint Public Power encourages CARB to coordinate closely with stakeholders ahead of setting finalized allocation values to help ensure that the post-2030 allocations are transparent, durable, and closely aligned with ratepayer affordability objectives and resource planning needs. Once the post-2030 allocations are adopted using the effective RPS framework, they should remain fixed for the duration of the applicable period. The Program must provide regulatory certainty for affected stakeholders or risk disincentivizing utility proactive decarbonization efforts. POUs make long-lead procurement, financing, and infrastructure decisions based in part on expected allowance value. If those allocations can later be revised downward after utilities have relied upon them, the Program will cease to provide the planning certainty necessary to support timely and cost-effective decarbonization investments. (15d-CMUA-133.4)

Comment:

Post-2030 EDU Allowance Allocation and Need for Regulatory Certainty… LADWP understands that CARB plans to address the post-2030 EDU allocation in a future rulemaking. As CARB contemplates the post-2030 EDU allocation methodology, LADWP recommends that CARB consider the following:

1) Continue to apply the “Effective RPS” to ensure a realistic estimate of zero emission RPS-eligible electricity when calculating expected emissions for allocation purposes.

2) The importance of cost predictability for the longer-term investments that will be needed to meet LADWP’s decarbonization goals. Cost predictability is essential for resource, budget, and financial planning within an operating environment that is already complex and subject to multiple external forces. While future carbon prices will fluctuate, maintaining a fixed EDU allocation framework provides utilities with the certainty needed to manage transition costs, preserve affordability, and make timely long-term investments in decarbonization.

3) A predictable allowance allocation (or at minimum a guaranteed forward allocation floor) is essential for LADWP to plan for and finance clean energy investments as part of our long-term resource plan. Under the LA100 Plan, the transition to a carbon-free electricity supply requires large, multi-year capital commitments for renewable generation, transmission upgrades, energy storage, clean firming and dispatchable resources, and grid modernization. These investments have long-term planning horizons and depend on reasonable certainty around cost assumptions and available funding streams. A pre-set, fixed EDU allocation provides value in several ways:

- Planning certainty: A stable allowance allocation provides greater confidence in long-range resource planning and portfolio optimization, which is necessary for implementing LA100 Plan investments on schedule.
- Investment support: Allowance value can help offset transition costs and provide funding that can be reinvested into clean energy programs, reducing reliance on customer rate increases to finance decarbonization.
- Avoiding re-optimization and delay: If CARB periodically recalculates allocations, it changes underlying GHG price and funding assumptions that informed prior planning decisions, potentially requiring LADWP to revisit resource plans, re-optimize portfolios, and delay implementation of major investments.
- Affordability: Predictable allocation support helps maintain progress toward higher renewable and zero-carbon targets in a cost-effective manner, consistent with LA100’s objective of achieving decarbonization while managing customer bill impacts.

For these reasons, LADWP requests that CARB provide a fixed post-2030 allocation, or at minimum a multi-year guaranteed allocation horizon, that provides sufficient certainty for utility-scale clean energy investment planning. (15d-LADWP-177.2)

Comment:

Removing the post-2030 EDU allocation values from Appendix A-1 and deferring them to future rulemaking leaves electricity ratepayers without a forward-looking signal of the protective allocation they will receive during the steepest phase of the cap decline. The Standard CAF in the prior 45-day proposal dropped from 0.494 in 2031 to 0.348 in 2032, a single-year reduction of roughly thirty percent. Even under the more moderate trajectory contemplated in the 15-Day package for 2027 through 2030, the post-2030 cliff is the period in which protective allocation matters most for ratepayer affordability. The forward signal cannot be left blank, particularly given that § 38562(b)(7) binding affordability directive. We request that CARB commit to the next Cap-and-Invest rulemaking including post-2030 EDU allocation values calibrated to maintain the protective-allocation function during the post-2030 period of accelerated cap decline. The commitment does not require resolving the methodology in this rulemaking. It does require acknowledging that the post-2030 gap is temporary and will be closed before the 2031 budget year. (15d-CB-201.3)

Agency Response:

No changes were made in response to these comments. This comment is mostly directed at the future rulemaking where CARB will consider post-2030 allocation and therefore no response is necessary here. Per Board Resolution 26-7, CARB will begin a public process no later late July 1, 2028, to evaluate and propose future amendments. Nevertheless, to the extent a response is necessary, see Agency Response to comment H-2.2. See Agency Response to comment O-5.4a regarding cap adjustment factors.

H-2.14 Multiple Comments: Begin Work on Post-2030 Allocation Immediately

CARB should begin work on post-2030 allowance allocation issues as soon as possible. Many business decisions—such as long-term capital investments, contracts, and compliance strategies—extend well beyond 2030. The lack of clarity about future allocation rules makes it harder to plan responsibly today. While we agree that any changes should go through a thorough and well-supported process, providing early direction or outlining potential approaches would give regulated entities much-needed certainty. Starting this conversation now would support stable markets, smoother compliance planning, and stronger long-term performance of the program overall.

In considering post-2030 market design issues, SDG&E urges CARB to ensure that an appropriate level of protections for energy consumers continues. The utility allowance allocations are critical for mitigating cost increases for electric consumers, an action that will be imperative in the 2030-2045 timeline as deep decarbonization activity occurs across economic sectors. (15d-SDGE-194.7)

Comment:

Post-2030 Allocations… PG&E understands CARB's reasons for deferring its determination of post-2030 allowance allocations to a future rulemaking. This is unfortunate, as the lack of regulatory certainty about 2031-2035 EDU allocations will make it more challenging to determine the best long-term approach for returning IOU allocated allowance value to customers in the CPUC's Climate Credit Proceeding. Any direction that CARB can provide in this rulemaking to reaffirm its commitment to continuing strong support for electric affordability and associated decarbonization through EDU allocations post-2030 would be helpful as the CPUC evaluates longer-term climate credit design options. Regardless, PG&E believes the post-2030 approach CARB initially developed through this rulemaking is a strong starting point for CARB's future rulemaking and would be further enhanced by incorporating the effective RPS change implemented for the 2027-2030 EDU allocations. (15d-PG&E-199.6)

Agency Response:

No changes were made in response to these comments. This comment is directed at a future rulemaking where CARB will consider post-2030 allocation, and therefore no response is necessary here. Per Board Resolution 26-7, CARB will begin a public process no later late July 1, 2028, to evaluate and propose future amendments. Nevertheless, to the extent a response is necessary, see Agency Response to comment H-2.2.

H-2.15 Comment

Near-term rulemakings will be needed to resolve outstanding issues… While the 15-day amendments to Cap-and-Invest and MRR, respectively, provide many important updates and clarifications, there are additional issues left unresolved: post-2030 EDU allowance allocations, a correction mechanism for outstanding emissions and allowance withholding to address potential errors, and emissions accounting for facilities equipped with CCS. As described by SMUD, other electric utilities, the Joint Utility Group, and other industry associations and coalitions in prior comment letters, these issues are pressing, with the potential for material impacts on EDU ratepayers and EDU planning and investment decisions that are being contemplated now. If CARB does not address these issues within the current rulemakings, it will be critical to open, and complete, timely successor rulemakings well in advance of 2030. (15d-SMUD-167.7)

Agency Response:

No changes were made in response to this comment. This comment is directed at a future rulemaking, and therefore no response is necessary here. Per Board Resolution 26-7, CARB will begin a public process no later late July 1, 2028, to evaluate and propose future post-2030 amendments. Nevertheless, to the extent a response is necessary, see Agency Response to comment H-2.2, Agency Response to comment M-1.5, and Agency Response to comment S-3.1a.

H-3 Utility-Specific Details of Allocation Calculations

H-3.1 Comment:

Trinity Public Utilities District is a non-profit publicly owned electric utility that meets the definition of an electric utility in California. Trinity Public Utilities District believes that we should receive allowances as part of this program. (45d-TPUD-1.1)

Agency Response:

Changes were made in response to this comment. Staff added Trinity Public Utilities District as an electrical distribution utility (EDU) that receives free allocation according to Table 9-3 in the 15-day Amendments.

H-3.2 Comment:

LID has reviewed the proposed amendments to the Cap-and-Trade Regulation language and requests modifications to Tables 9-3 and 9-4. LID qualifies as an Electrical Distribution Utility ("EDU") per the definition of an EDU in Section 95802 of the Cap-and-Trade Regulation. However, LID is not included in Tables 9-3 or 9-4 of the Proposed Regulation Order, which list annual allowances allocated to each EDU from 2021 through 2030 and from 2031 through 2035, respectively… LID respectfully requests that CARB modify Tables 9-3 and 9-4 in the Cap-and-Trade Regulation to include LID, making LID an eligible resource to receive free allocation of allowances. (45d-LID-21.1)

Agency Response:

Changes were made in response to this comment. Staff added Lathrop Irrigation District as an electrical distribution utility (EDU) that receives free allocation according to Table 9-3 in the 15-day Amendments. Lathrop was not added to Table 9-4 because in the 15-day Amendments CARB removed the post-2030 EDU allocation proposal. See Agency Response to comment H-2.2.

H-3.3a Comment:

PacifiCorp strongly encourages CARB to modify the allowance calculation to more accurately forecast the Company's expected allowance obligation and minimize – if not eliminate – costs to retail electricity customers. The ISOR's proposed 2027-2030 allocation adjusts PacifiCorp's allowance calculation methodology, and the new methodology ignores the unique circumstances and compliance obligations of multistate utilities serving load in California - like PacifiCorp.

CARB's electric distribution utility (EDU) allocation methodology document notes that PacifiCorp's proposed allocation calculation now follows the same methodology as all other EDUs, but did not provide a reason for the change away from PacifiCorp's unique allocation methodology. PacifiCorp's unique methodology exists – and should continue to exist – due to the unique circumstances and compliance obligations of the Company, none of which have changed since the 2016 allocation. (45d-PC-295.1)

Agency Response:

No changes were made in response to this comment. PacifiCorp's calculation methodology was not changed. In the 45-day Proposed Amendments, CARB transitioned PacifiCorp's allocation methodology to follow the same methodology as all other EDUs to standardize the EDU allocation calculation. However, in the 15-day Amendments, the "RPS Factor Applied to Sales" was changed to reflect the California Energy Commission (CEC) Interim Renewable Portfolio Standard Targets per California Code of Regulations Section 3204(a)(5)-(6), minus 25% to represent allowable non-Portfolio Category Content 1 (PCC 1) electricity. The amount of solar, wind, and renewables in PacifiCorp's projected energy mix in its 2025 Integrated Resource Plan Update is nearly identical to the revised RPS Factor Applied to sales, which ranges from 38-50%, as compared to the revised RPS Factor Applied to sales of 39-45% in the 15-day Amendments (PacifiCorp 2025). Thus, changes to PacifiCorp's calculation methodology are not warranted.

H-3.3b Comment:

PacifiCorp appreciates CARB's modifications to the allowance calculation, which more accurately forecast the company's expected allowance obligation and reduce costs to retail electricity customers. (15d-PC-84.1)

Agency Response:

No changes were made in response to this comment. Thank you for the support.

H-3.4 Comment:

PacifiCorp appreciates CARB's continued recognition of PacifiCorp's differing procurement processes by utilizing the Company's Integrated Resource Plan (IRP) as the basis for its allowance calculation. However, CARB should use the Company's IRP released in 2025 ("2025 IRP") or the forthcoming update ("2025 IRP Update") as the basis for the Company's allowance allocation as they are the most recent – and accurate – information available on PacifiCorp's forecasted generation mix... The 2025 IRP is a more accurate and current reflection of the resources PacifiCorp expects to serve its retail customers in 2027 and beyond... CARB should use the 2025 IRP or 2025 IRP Update as the basis for the Company's allowance allocation as that is the most recent – and accurate – information available on PacifiCorp's forecasted generation mix, creating a more accurate allowance allocation that more closely resembles the expected compliance obligation the Company will face to serve its retail customers. (45d-PC-295.2)

Agency Response:

Changes were made in response to this comment. The allocation calculations in the 15-day Amendments for PacifiCorp were updated to use PacifiCorp’s 2025 Integrated Resource Plan Update data for energy to serve load, retail sales, and coal and large hydroelectric supply.

H-3.5 Comment:

CARB should adjust PacifiCorp's Renewable Portfolio Standard (RPS) Adjustment Factor Applied to Sales to accurately reflect the resources and emissions PacifiCorp expects to serve its California retail load with… However, this recognition does not translate to the allowance allocation methodology for all EDUs. The ISOR does not reference or deliberate the importance of PCC-3 unbundled RECs for small or multistate utilities.

Public Utilities Code Section 399.17(b) allows small and multistate utilities like PacifiCorp to meet RPS procurement requirements “notwithstanding any procurement content limitation in Section 399.16.” Section 399.17(b) was confirmed by the CPUC in D.11-12-052, where the Commission concluded that PacifiCorp is “not subject to the requirements and limitations [on] the use of procurement in each portfolio content category.” PacifiCorp can satisfy the entirety of its RPS procurement requirements using any Portfolio Content Category (“PCC”) category, including PCC-3, which allows the use of unbundled renewable energy credits (“RECs”). However, when PacifiCorp uses PCC-3 unbundled RECs to meet its RPS compliance obligation, the underlying electricity serving customers will typically carry an emission obligation. CARB did not recognize this unique compliance pathway for PacifiCorp’s in the ISOR or the allocation methodology appendix.

PacifiCorp appreciates the complexity around the RPS Adjustment and CARB’s aim to allocate an accurate number of no cost allowances. In spite of that, the Company does not use the RPS Adjustment because PacifiCorp serves its California customers with energy from its BAA, allocates energy and resources based on a cost-allocation methodology, and does not operate its system in a way that meets CARB’s definition of “directly delivered electricity.” PCC-3 RECs do not present the implementation challenges associated with the RPS Adjustment identified in the ISOR. PacifiCorp retires its PCC-3 RECs before submitting its annual RPS compliance report to the CPUC, ensuring the Company cannot claim PCC-3 REC usage without completing corresponding retirements. Further, PCC-3 RECs are subject to long-term procurement requirements to ensure a utility is appropriately planning its RPS compliance. Therefore, PacifiCorp's use of PCC-3 RECs for RPS compliance, subject to long-term procurement requirements, provides the CPUC, and CARB, with a level of certainty regarding PacifiCorp's planned reliance on PCC-3 RECs as a RPS compliance pathway.

Per PacifiCorp's most recent RPS compliance report, 36% of RECs retired for 2021-2024 RPS compliance were unbundled RECs and 30% of RECs expected to be retired for 2025-2027 RPS compliance will be unbundled RECs. The updated EDU allocation methodology provides a 5% reduction in the RPS Factor, but PacifiCorp would need this reduction to be increased to 15% to match the unbundled PCC-3 RECs the Company used for RPS Compliance Period 4 and forecasts to use for Compliance Period 5.

Further, CARB's Post-2030 allocation calculation assumes that all zero-carbon trajectory resources will be met with zero-emission electricity. However, this is not certain as the CPUC has not determined Reliable and Clean Power Procurement Program (RCPPP) compliance, which may or may not include a Clean Energy Standard on top of the RPS. PacifiCorp and others filed comments requesting RPS procurement requirements enshrined in Public Utilities Code Section 399.17(b) also apply to the RCPPP. While it is impossible to know the outcome at this time, the prudent approach would be for CARB not to assume all these obligations will be met with zero-emission energy and allocate allowances to better protect customers in small service areas that could see large cost swings based on the outcome of the RCPPP. PacifiCorp has three potential remedies to correct this issue: 1) adjust PacifiCorp's RPS Factor Applied to Sales to mimic PacifiCorp's actual renewable energy procurement forecast in its 2025 IRP; 2) use the existing allocation methodology, which relies on IRP data for expected renewable energy used to serve customers or 3) increase the RPS Factor Applied to Sales reduction from 5% to 15% to better reflect PacifiCorp's expected emissions obligation using the Company's most recent RPS Forecast.

PacifiCorp also supports a fourth remedy proposed by the California Joint Utilities Group, which proposes CARB maintains the existing 2027-2030 allocation with some adjustments that includes increasing the 5% non-zero emission reduction. (45d-PC-295.3)

Agency Response:

Changes were made in response to this comment. The RPS Factor Applied to Sales was updated for all EDUs. See Agency Response to comment H-1.2a regarding the "effective" RPS. Staff declines to make specific updates to the RPS Factor Applied to Sales based on utility-by-utility basis as a uniform incentive to procure zero-emission resources is appropriate for all EDUs. CARB uses the same approach for the natural gas and coal emission factors, in which one value is consistently applied. Using a consistent approach to calculate EDU allocation sends a consistent signal to all EDUs to reduce emissions and reduces administrative complexity. See also Agency Response to comment H-1.4 and H-3.3a.

H-3.6 Comment:

CARB's EDU methodology document uses static emission factors to calculate expected obligations from coal and natural gas emissions. However, PacifiCorp serves its six-state system and customers with its own coal and natural gas generation and those resources may have higher emission factors than those listed in the methodology document.

For example, CARB uses Intermountain Power Plant's (IPP) emissions factor to calculate anticipated coal emissions, and thus allowances, in the allowance calculation spreadsheet. PacifiCorp does not purchase specified coal generation from IPP and PacifiCorp's owned coal generation emission factors are significantly higher than CARB's calculated IPP emission factor. Eight of PacifiCorp's 10 coal generation facilities that served California customers in 2024 had higher emission factors than IPP emission factor, some with emission factors 30% higher. (45d-PC-295.4)

Agency Response:

No changes were made in response to this comment. CARB has always used the emission factor for Intermountain Power Plant as a representative coal plant to calculate coal emissions in the allocation to all EDUs, including PacifiCorp. CARB uses the same approach for the natural gas emission factor and for the RPS factor applied to sales, in which one value is consistently applied to all utilities. Using a consistent approach to calculate EDU allocation sends a consistent signal to all EDUs to reduce emissions and reduces administrative complexity. In the current Table 9-4, the emission factor for Intermountain Power Plant was used to calculate the allocation to PacifiCorp. The update to 2027-2030 allocation in new Table 9-3 continues this same methodology.

H-3.7 Comment:

The proposed EDU allocation methodology uses historical Power Content Label data with forecasted S-2 data, which leads to inaccuracies in the EDU allowance allocation. Over the last few years, including 2021 to 2023, SCE has offered load-serving entities (LSEs) (e.g., Community Choice Aggregators (CCAs) and Electric Service Providers (ESPs)) in its service area the option to receive GHG-free energy from SCE's large hydro and nuclear resources. The transferred GHG-free energy can be claimed on the LSE's Power Content Label. However, in SCE's S-2 data, SCE's large hydro and nuclear supply is fully claimed by SCE. This leads to double-counting of the same resources in CARB's proposed EDU allocation methodology. As an example, the average 2027-2029 nuclear energy in CARB's EDU allocation workbook is about 28.8 million MWhs. However, the average historical production (2021-2025) of Diablo

Canyon and California's share of Palo Verde is only about 26.3 million MWhs. The difference is likely driven by the double-counting issue noted earlier. CARB may be able to use non-public information to determine the 2027-2030 large hydro and nuclear supply to address this matter. To ensure that these resources are properly accounted for, SCE recommends that CARB allow utilities to review changes to the methodology and EDU allowance allocations in these areas. (45d-SCEC-320.9)

Agency Response:

Changes were made in response to this comment. In the 15-day Amendments, updates were made to the large hydroelectric supply for Pacific Gas and Electric Company, Southern California Edison, and San Diego Gas & Electric Company using the CEC Power Content Label data to prevent double counting of resources with Community Choice Aggregators. Updates to the nuclear supply for Southern California Edison and San Diego Gas & Electric were also made using the CEC Power Content Label data to prevent double counting of resources with Community Choice Aggregators. Updates were made to Diablo Canyon Nuclear Power Plant as explained in Agency Response to comment H-3.9a.

H-3.8a Comment:

PWRPA requests that CARB issue 15-day amendments adjusting PWRPA's allowance allocation baseline from the current single-year figure of 7,093 allowances to 27,121 allowances which is a representative 10-year (2015–2024) historical average calculated using the outputs of CARB's own Appendix D-2 methodology, populated with PWRPA's actual CEC Power Source Disclosure ("PSD") data. Attachments 5 through 15 to these Comments are a revised Appendix D-2 and PWRPA's PSDs for 2015 through 2024... PWRPA has the right to receive hydroelectric energy ("Base Resource" or "BR") from the Western Area Power Administration ("WAPA") under Contract 21-SNR-02613. The Base Resource varies considerably year-to-year. It is the residual output of Central Valley Project ("CVP") generation after all prior-right deductions: BR = (Gross CVP Generation − Project Use − First Preference − Reserves/Losses) × Customer BR%. PWRPA does not dispatch or control this resource. The quantity of zero-emission hydroelectric energy available to PWRPA in any given year is determined entirely by a multi-layer of factors outside PWRPA's control including hydrology, federal and state regulatory constraints on CVP operations, Endangered Species Act ("ESA") biological opinions, flood control operations, Shasta temperature management protocols, Bureau of Reclamation operational decisions and the like.

Critically, PWRPA's electrical load moves inversely to its hydro supply. In drought years, surface water deliveries to its public agency customers are curtailed, forcing reliance on groundwater pumping—which increases electrical demand precisely when hydro supply is at its lowest. In wet years, abundant surface water reduces pumping at the same time hydro supply peaks. The empirical data confirms this: over the 2015–2024 period, the correlation between Large Hydro and Energy to Serve Load is −0.60 (strong negative), and between Large Hydro and the Allocation Factor is −0.83 (very strong negative). In other words, load variability is a structural feature of how PWRPA's system operates.

The result is that, using the Appendix D-2 methodology with a 55% RPS in all years, PWRPA's annual allowance need would have ranged from 6,511 to 78,196 over the past decade—**a factor of twelve**. PWRPA is not aware of any other EDU in the Cap-and-Invest Program that experiences anything comparable in terms of year-to-year variability. In the face of worsening climate change conditions, PWRPA expects its load to become even more variable as drought conditions are expected to occur for extended periods of time in the future.

B. The Downside in Dry Years Far Exceeds the Upside in Wet Years… PWRPA prepared detailed multi-layer constraint analyses for every water year from 2015 through 2025—eleven consecutive years spanning critically dry, dry, below normal, above normal, and wet conditions. These eleven analyses, applying a consistent twelve-layer constraint framework to each water year's specific facts, demonstrate three structural features that make PWRPA's compliance burden fundamentally different from other EDUs:

1. **The distribution is asymmetric.** The constraint stack caps CVP generation at approximately +36% above average in the best year (Water Year ("WY")2017, Wet) while permitting the downside to reach −56% below average in the worst (WY2022, Critically Dry). The upside is only 64% as large as the downside. Surplus wet years cannot compensate for deficit dry years.

2. **Constraints cascade in drought and cap in wet years.** In drought years, every constraint layer amplifies every other: low storage reduces hydraulic head; depleted cold-water pools trigger temperature restrictions; ESA protections intensify; fixed project use loads consume a growing share of shrinking generation. By example, in WY2021, Reclamation took the unprecedented step of completely bypassing the Shasta powerplant to preserve cold water, sacrificing generation entirely. Then, in WY2022, this cascading failure diminished generation to only 44% of average. By contrast, even in the record Wet year of WY2017, flood control and ESA constraints capped generation at 136%—well below what unconstrained hydrology could have supported.

3. **Regulatory constraints ratchet in one direction.** Constraints tightened during droughts do not relax proportionally during wet years. For example, WY2017, the wettest year in a decade, saw the worst fall-run Chinook return on the Trinity system in recorded history— the legacy of drought-year reproductive failure. WY2019, also a Wet year, achieved only a 75% south-of-Delta allocation because biological opinion export

restrictions remained binding despite abundant water. WY2025, despite the most aggressive federal water supply posture in CVP history under Executive Order 14181, produced only marginally better allocations than the prior year (55% vs. 50%). The constraint stack proved substantially immune to executive action.

CARB's Initial Statement of Reasons ("ISOR") acknowledges the risk of forecast divergence: when allocations are set in advance based on projected conditions, actual outcomes may differ. For most EDUs, this risk is manageable because load and supply are relatively predictable. For PWRPA, it is the central challenge. The many constraint analyses demonstrate that no single year can be forecast in advance. If the future cannot be predicted from policy and operational actions, and it cannot be predicted from hydrology alone (WY2019's 75% allocation in a Wet year proves that), then the only responsible approach is to use the empirical record of what has actually happened to inform future allocations.

The 2015–2024 decade provides exactly the kind of data needed to inform an appropriate allocation of allowances. It spans the full range of California's hydrological cycle: two critically dry years, two below-normal years, one dry year, two above-normal years, and three wet years. It includes the worst three-year drought on record (WY2020–2022) and one of the snowiest years in history (WY2023). It captures operations under three different regulatory regimes including the 2008/2009 Biological Opinions ("BiOps"), the 2019 BiOps, and the court-ordered Interim Operations Plan.

A 10-year average of the actual allocation outcomes across this period is the best available approximation of what PWRPA will face going forward—not because the future will replicate any particular past year, but because the average captures the structural dynamics (the asymmetry, the cascading constraints, the ecological ratchet, the regulatory ceiling) that will continue to govern CVP operations regardless of which specific years recur. Additionally, DWR modeling projects higher frequency of critical and below-normal years and greater precipitation volatility. If anything, the 10-year average *understates* PWRPA's future compliance burden because the proportion of drought years in the historical record may be lower than what the future holds.

The 45-day language arbitrarily anchors PWRPA's allocation to a single Above Normal water year (2024) and applies flat assumptions through 2035.

C. Averaging the Outputs of CARB's Own Methodology Is Statistically Robust and Supported by the Record in this Rulemaking PWRPA proposes that CARB calculate the D-2 allocation for each year 2015 through 2024 using PWRPA's actual CEC-filed data, **and then take the arithmetic mean of the resulting allowance allocations**. This approach is consistent with CARB's statutory mandate, CARB's own precedent, and California law for four reasons:

First, it approximates the anticipated compliance cost. For an EDU whose annual compliance burden ranges from 6,511 to 78,196, the average of actual annual costs is the most statistically robust approximation of the cost PWRPA will actually face over any multi-year period. The alternative—averaging the raw inputs and running them through the formula once—produces only approximately 13,200 allowances because the D-2 formula is nonlinear and the averaging process destroys the correlation between PWRPA's inputs that drives its compliance burden. This is not a policy judgment; it is a mathematical property of the formula.

Put simply: PWRPA's drought-year compliance costs are very large, and its wet-year costs are very small. The average of these costs is dominated by the drought years. But if one averages the underlying conditions first and then calculates a single "average year" cost, the result is an artificially moderate number that corresponds to a year that never actually occurs—it is neither a drought year nor a wet year, and it dramatically understates the expected costs of compliance that PWRPA will face.

Second, CARB already uses 10-year averaging for WAPA. In the Appendix D-2 WAPA tab, CARB uses a "10-year average of large hydroelectric supply provided by WAPA." PWRPA receives its power from the same CVP system through the same WAPA Base Resource contract. The rationale for multi-year averaging applies to PWRPA with equal—if not greater—force, because unlike WAPA (whose other D-2 inputs are stable CEC forecasts), all three of PWRPA's D-2 inputs (ETSL, Retail Sales, and Large Hydro) are volatile and correlated. Consistent treatment requires averaging at the output level for PWRPA. Treating PWRPA differently from WAPA would create an arbitrary distinction and would undermine the program's goal of equitably protecting public power ratepayers.

Third, California law recognizes PWRPA's volatility and requires averaging. Cal. Pub. Util. Code § 399.30(i) mandates that PWRPA's RPS procurement obligation "shall be based on the authority's average retail sales over the previous seven years." The Legislature enacted this provision because PWRPA's annual retail sales are too volatile for single-year measurement. Critically, the statute averages the outcome measure directly—it does not average the underlying factors and then recalculate. The same principle applies to allowance allocation.

Fourth, CARB's framework already authorizes alternate data sources. Appendix D-1 states that CARB includes alternate data sources when data are missing or unavailable, and CARB has already exercised this authority for PWRPA. The 10-year average of EDU-Specific Emissions is simply a more accurate alternate data source than a single-year snapshot. It uses CARB's own D-2 methodology and PWRPA's own CEC-filed data—the only difference is that it uses ten years of data instead of one.

D. The Empirical Record Confirms the Under-Allocation

Table 2 compares the proposed allocation of 7,093 against PWRPA's calculated compliance need for each of the past ten years using the Appendix D-2 methodology and 55% RPS… The proposed allocation would leave PWRPA under-allocated in seven of the past ten years, with a cumulative net shortfall of 200,276 allowances. The worst single-year shortfall (71,103 in WY2022) exceeds the total cumulative surplus from all three over-allocated years combined (1,439) by a factor of 49. Even if PWRPA could bank every surplus allowance from every wet year, a single severe drought would consume the entire bank and leave PWRPA tens of thousands of allowances short. This is not a marginal discrepancy—it is a fundamental mismatch between allocation and need.

III. REQUESTED 15-DAY AMENDMENTS… PWRPA respectfully requests that CARB issue 15-day amendments adjusting PWRPA's allowance allocation for post-2030 using a 10-year (2015–2024) average of the output of CARB's own D-2 methodology.

A. Proposed Allocation Calculation… The calculation runs CARB's D-2 formula for each year 2015 through 2024 using PWRPA's actual CEC-reported Allocation Factors standardized to the 55% RPS factor, and then takes the arithmetic mean of the resulting annual EDU-Specific Emissions. PWRPA requests that the PWRPA tab in Appendix D-2 be revised to set the 2030 EDU-Specific Emissions and Annual Allocation to 27,121 (the 10-year PSD-based average), and that the 2031– 2035 PWRPA row be set to 27,121 per year with a 0.00% growth factor applied to that baseline. If CARB prefers not to override totals directly, the same result can be achieved by inserting the PSD based 10-year average emissions into the PWRPA tab's 2030 calculation, with a note identifying the multi-year PSD dataset as the alternate data source. (45d-PWRPA-333.1)

Agency Response:

Changes were made in response to this comment. In the 15-day Amendments, staff used the new data provided by PWRPA for energy to serve load, retail sales, and large hydroelectric, averaged over a three-year period of 2022-2024, to determine PWRPA's allocation from 2027-2030. Staff declines to average energy to serve load, retail sales, and large hydroelectric over a 10-year period, because a three-year average is consistent with the methodology for other EDUs. A three-year average is also consistent with PWRPA's current allocation methodology, which averaged large hydroelectric over the three-year period of 2013-2015.

Western Area Power Administration (WAPA) provided staff with a best estimate of large hydroelectric over a 10-year timeframe. WAPA is a Federal Power Marketing Administration, and, unlike a vast majority of EDUs, is not required to submit S-2s to CEC showing current and future large hydroelectric resources; thus, its methodology reflects the best available information for WAPA.

H-3.8b Comment:

PWRPA SUPPORTS THE 15-DAY AMENDMENTS TO THE 2027-2030 EDU ALLOCATION… The 15-Day Amendments made the following changes relevant to PWRPA's allocation:

Multi-year averaging of inputs. Attachment B would apply a three-year average (2022-2024) of PWRPA's Energy to Serve Load, Retail Sales, and Large Hydroelectric supply, replacing the single-year 2024 snapshot proposed in the 45-day language. This change acknowledges that any single year is an unreliable basis for PWRPA's allocation—a central point of PWRPA's 45-day Comments. (15d-PWRPA-47.1)

Agency Response:

No changes were made in response to this comment. Thank you for the support.

H-3.9a Comment:

While we oppose other updates to the EDU allocation table due to their impacts on customer affordability and for conflicting with CARB's well-reasoned policy rationales for a fixed EDU allocation in the 2016 rulemaking, we in particular highlight two unreasonable assumptions included in the calculation spreadsheet underlying the proposed changes to Table 9 – 4 that should be fixed if CARB continues down the path of its proposal; these relate to Diablo Canyon Power Plant extended operations and Community Choice Aggregator (CCA) hydro and nuclear resources...CARB's proposal includes all the GHG-free generation from Diablo Canyon extended operations in PG&E's EDU allocation tab. PG&E believes CARB assumed this because Diablo Canyon generation appears this way in PG&E's S2 filing. While PG&E's S2 filing shows full volumes from Diablo Canyon, this is not reflective of the volumes which are ultimately allocated to PG&E Bundled Service Customers. The S2 filing requires load serving entities to report generation volumes in full from Utility-Owned resources. However, this treatment is inconsistent with who is paying for and who benefits from Diablo Canyon during extended operations. In particular, in D. 23-12-036, the CPUC required allocation of GHG-free energy from Diablo Canyon extended operations, the methodology of which was memorialized in Appendix P of PG&E's Bundled Procurement Plan and provides a clear precedent. The CPUC-approved methodology allocates GHG-free energy from Diablo Canyon extended operations to the three IOUs based on load share. If CARB updates the resource forecast data in the EDU allocation spreadsheet, CARB should use the same approach (i.e., allocate GHG-free energy from Diablo Canyon extended operations to the three IOU EDUs using load share). For ease of implementation, CARB could use the same CEC IEPR form (1.1c) it already used in the allowance allocation spreadsheet to determine each EDU's retail electricity sales for 2027-2030 for purposes of allocating GHG-free energy from Diablo Canyon extended operations. (45d-PG&E-445.4)

Agency Response:

Changes were made in response to this comment. Pursuant to Senate Bill 846, the California Public Utilities Commission (CPUC) Decision D.23-12-036 (CPUC 2023) allocates the costs and benefits of Diablo Canyon Nuclear Power Plants among the customers of the large electrical corporations (i.e., Pacific Gas and Electric Company, Southern California Edison, and San Diego Gas & Electric Company). Thus, in the 15-day Amendments, CARB allocated nuclear energy from Diablo Canyon Nuclear Power Plant to Pacific Gas and Electric Company, Southern California Edison, and San Diego Gas & Electric Company based on supply from Pacific Gas and Electric Company's Form S-2, pursuant to CPUC Decision D.23-12-036 (CPUC 2023). The supply from Diablo Canyon Nuclear Power Plant was apportioned based on each utility's share of retail sales from the Form 1.1c.

Per Board Resolution 26-7, the Board directed the Executive Officer, in consultation with the CPUC, to evaluate and propose future amendments, as appropriate, to equitably account for the historic (2024 through 2026) benefits of the Diablo Canyon Power Plant's extended operations and equitably distribute those benefits across the three investor owned utilities in their 2027 through 2030 allocations in recognition of respective rate payer contributions to the extended operations of the plant through 2030. CARB staff will continue to assess this issue for potential changes in a future rulemaking, as appropriate.

Regarding the potential double counting of nuclear and large hydroelectric supply, CARB staff revised supply data to utilize one data source. See Agency Response to comment H-3.7.

H-3.9b Comment

PG&E supports CARB's 15-Day Changes for ensuring fair and equitable treatment of DCPP's extended operations in the EDU allocation calculations for 2027-2030. CARB's revised approach appropriately allocates the generation associated with DCPP's extended operations across the three IOUs (PG&E, Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E)) on a load-share basis, aligning the EDU allowance allocation with statute, CPUC decisions, and, importantly, with the underlying reality that all IOU customers bear both the costs and benefits from DCPP's extended operations.

In the 45-Day draft, DCPP generation was reflected in the EDU allocation calculations based on PG&E's S2 filing, which shows full generation volumes in accordance with the California Energy Commission's utility-owned generation reporting requirements. This allocation treatment, which has been appropriately resolved in the 15-Day Changes, was fundamentally disconnected from the actual circumstances of DCPP's extended operations and was in error. While PG&E owns and operates DCPP, it does so on behalf of statewide customers, not solely for PG&E's distribution customers. Pursuant to Senate Bill 846, CPUC Decision 23-12-036 established a framework in which DCPP's costs and benefits would be allocated to all customers in the three IOU's service territories on a load-share basis. In other words, all of these customers will receive the benefit of CAISO energy market revenues associated with DCPP's generation while also receiving other benefits, including receiving an allocation of DCPP's GHG-free energy. The framework and methodology to receive DCPP's GHG-free energy was memorialized in Appendix P of PG&E's Bundled Procurement Plan, adopted by the CPUC, and implemented by load serving entities within the IOU's service territories on behalf of their customers. There is nothing different in how customers receive GHG-free benefits based on IOU service territory. Any claims to the contrary are incorrect and a return to the 45-day draft approach is unsupportable.

CARB's 15-Day Changes do not introduce a new approach to the EDU allocation methodology. In fact, the 15-Day Changes related to DCPP's output are similar to the treatment of RPS-eligible energy. Specifically, the RPS requirement methodology also associates the costs and benefits from RPS supply to the customers they serve. Thus, the revised EDU allocation appropriately and equitably reflects the shared responsibility for costs and benefits across PG&E, SCE, and SDG&E service territory customers.

Taken together, the record supports a clear and uncomplicated cost-and-benefit allocation paradigm for DCPP's extended operations: attributes are allocated to the IOU's service territories on a load-share basis, consistent with statute and multiple CPUC decisions. Accordingly, any EDU allocation calculation that departs from this framework would be inconsistent with applicable CPUC precedent and Senate Bill 846. PG&E therefore commends CARB for correcting the EDU calculation to align with the actual circumstances of extended operations at DCPP and the precedent established by the CPUC, thus ensuring inter-agency consistency and equitable treatment of all IOU service territory customers. (15d-PG&E-199.2)

Agency Response:

No changes were made in response to this comment. Thank you for the support. Per Board Resolution 26-7, the Board directed the Executive Officer, in consultation with the CPUC, to evaluate and propose future amendments, as appropriate, to equitably account for the historic (2024 through 2026) benefits of the Diablo Canyon Power Plant's extended operations and equitably distribute those benefits across the three investor owned utilities in their 2027 through 2030 allocations in recognition of respective ratepayer contributions to the extended operations of the plant through 2030. CARB staff will continue to assess this issue for potential changes in a future rulemaking, as appropriate.

H-3.10a Comment:

CARB also includes for the first time GHG-free generation from CCAs based on historical data reported to the California Energy Commission (CEC) on the Power Content Label. CARB's proposed approach is unreasonable. Assuming future resources will be the same as past resources is overly simplified in this case as CCA historical data reflects historical contracting practices rather than ownership of underlying hydro and nuclear assets. Future resource mixes can change significantly based on a wide range of factors, including costs, procurement strategy, compliance requirements, and loads. Forward-looking plans are necessary if CARB is going to include this category in Appendix D-2. In addition, Appendix D-2 includes substantial double counting of PG&E nuclear and large hydro resources. This occurs because CARB's approach mixes two different sources of nuclear and large hydro data (i.e., generation from PG&E owned resources from PG&E's forward-looking S-2 filing and generation from CCAs from backward-looking CEC Power Content Labels). During the timeframe of the Power Content Labels used by CARB, PG&E allocated GHG-free attributes from its nuclear and large hydro resources to many CCAs, who then are able to include these resources when reporting to the CEC on the Power Content Label. As a result, a substantial share of the large hydro and nuclear output assumed in Appendix D-2 from the CCAs is the same PG&E large hydro and nuclear generation that is already included in PG&E's S-2 filing. While the individual resources underlying the Power Content Label are not listed on the CEC website, we believe this more granular information is available from the CEC, and would require careful cross-checking to remove double counted resources. These are substantial problems, and we believe the best remedy would be for CARB to remove CCA resources from Appendix D-2 and instead follow its historical practice of exclusively using IOU large hydro and nuclear resource forecasts to represent this category for IOU EDUs. (45d-PG&E-445.5)

Agency Response:

Changes were made in response to this comment. Regarding the potential double counting of nuclear and large hydroelectric supply between IOUs and CCAs, CARB staff revised supply data to utilize one data source. Also see Agency Response to comment H-3.7.

The commenter asserts that assuming future resources will be the same as past resources is overly simplified. CARB staff agrees there may be some simplifications by necessity; however, there are limited public data sources for future supply that are consistently available for both IOUs and CCAs. The only source of data that CARB staff are aware of is CEC's S-2 forms. As stated in Appendix D-1, many CCAs do not submit or have confidential S-2 forms. No alternate data sources were identified, thus, CARB staff continued to use historic power content label data.

In the 2016 Rulemaking, CARB staff relied on S-2 forms for future supply. At that time, S-2 forms only contained the utility's predicted future supply through 2024, and CARB staff made predictions from 2025 through 2030. Additionally for smaller POUs, S-2 forms only contained historic data from 2013 and 2014, and future data for 2015. Thus, it is not abnormal for CARB staff to make projections based on past data. In order for CARB to provide EDUs with allocation in advance, so that utilities can make future plans, estimation is necessary. Through the rulemaking process, utilities are provided with an opportunity to correct erroneous data and provide alternate data sources.

H-3.10b Comment:

Correcting Hydroelectric & Nuclear Resources Accounting… PG&E supports CARB's correction to the double counting of PG&E's nuclear and large hydroelectric resources that arose when CARB mixed (1) IOU forward-looking generation from utility filings with (2) Community Choice Aggregator (CCA) GHG-free resource information from backward-looking Power Content Labels. While PG&E continues to believe forward-looking data is more fit-for-purpose where feasible, the 15-Day Changes provide a meaningful improvement relative to the 45-Day draft because it resolves a structural double counting error that would otherwise materially distort the EDU allocation calculations. (15d-PG&E-199.3)

Agency Response:

No changes were made in response to this comment. Thank you for the support.

H-3.11 Comment:

CARB Should Remove the Incorrect DCPP GHG Benefits Attribution to SCE that Is Driving Down SCE's Allowance Allocation Because SCE Does Not Receive any Direct GHG-Free Benefit from DCPP… In the 15-day amendments, CARB apportions SCE and San Diego Gas & Electric Company (SDG&E) a share of the supply from DCPP based on the California Public Utilities Commission's (CPUC) allocation of the costs and benefits of DCPP's extended operations to all CPUC-jurisdictional load-serving entities (LSEs). CARB imputes a substantial—approximately 45 percent share—of GHG-free benefits from DCPP to SCE's customers. This assumption results in a significantly lower allocation of allowances to SCE in the 2027-2030 period. Specifically, it reduces SCE's allowances by 11.9 million in the 2027-2030 period, the revenue from which SCE would have otherwise returned to its customers through the California Climate Credit.

CARB's allocation is technically and legally incorrect. SCE and other LSEs receive some benefits from DCPP's extended operations. However, DCPP does not serve as a true GHG-free resource in SCE's portfolio. SCE's direct emissions compliance exposure under the Cap-and-Invest program remains the same as it was without DCPP. The

CPUC only allows the LSEs paying for the extended operations of DCPP to voluntarily claim GHG-free attributes from DCPP for the LSE's power content label and prohibits the LSE from reselling the GHG attributes subject to the allocation. The CPUC stated that "[t]his decision only seeks to address the narrow issue of how to allocate DCPP's GHG-free attributes to LSEs whose customers are paying for extended operations for the purpose of power content labeling. Further, … we clarify that GHG attributes subject to allocation may not be resold." While SCE does claim DCPP on its power content label and DCPP may reduce the amount of generator purchases SCE has to make that could be GHG-emitting for resource adequacy, these are only indirect benefits to SCE that do not directly reduce SCE customers' emissions compliance costs under the Cap-and-Invest program.

SCE does not receive any share of the energy from DCPP.[1] Moreover, unlike Pacific Gas and Electric Company (PG&E), SCE has not received any additional CARB allowances for DCPP replacement resources (discussed further below). The allowances received by PG&E in 2024-2026 represented significant overallocation to PG&E's customers that was not shared with the other IOUs' customers, despite those customers sharing in DCPP's extended operations costs.

Since SCE's GHG emissions compliance burden is not directly reduced by D.23-12-036's allocation of DCPP extended operations costs to SCE, it is unreasonable that CARB should adjust SCE's allowances on account of nuclear assets that are not meaningfully contributing to reducing SCE's compliance obligations under Cap-and-Invest. In this regard, the 45-day amendments provided a more accurate representation of each IOU's GHG-free nuclear resources than the 15-day amendments. SCE recommends CARB adopt the 45-day amendments' approach to the treatment of DCPP attributes, which would list the entirety of DCPP's GHG-free attribute as a benefit that accrues only to PG&E.

As an alternative, if CARB does not return to the 45-day amendments' approach, CARB should mitigate the impact to SCE's customers by providing SCE with additional allowances equivalent to the amount that SCE would have received, but did not, for its share of DCPP replacement resources in 2024-2026. Under the current (2018) and prior Cap-and-Invest regulation, CARB provided allowances to PG&E based on assumptions that DCPP was scheduled to retire in 2024-2025 and would be replaced with emitting resources. However, there were two developments that indicate that CARB's assumption did not bear out in practice and CARB may have overallocated allowances to PG&E's customers. First, pursuant to SB 846, the CPUC in 2023 authorized PG&E to

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[1] Additionally, if annual market revenues for DCPP's extended operations exceed the annual costs and expenses, any available surplus revenues are credited solely to customers in PG&E's service area. Cal. Pub. Util. Code § 712.8(h)(3).

extend DCPP operations to October 2029 for DCPP Unit 1 and October 2030 for DCPP Unit 2. Second, the CPUC in D.21-06-035 required all LSEs to procure 2,500 megawatts of zero-emitting capacity to replace DCPP.

Based on these two developments, from 2024 to today, SCE estimates that CARB overallocated 14.4 million allowances to PG&E based on the assumption that DCPP would be replaced with emitting resources. None of these allowances were shared with customers in SCE's or SDG&E's service areas despite those customers paying a share of DCPP extended operations costs during that period.

SCE is not requesting that CARB change its historical allocations of allowances. However, if CARB decides not to adopt SCE's recommendation to limit attribution for DCPP to PG&E and maintains the spread of DCPP's attributes across the three IOUs, SCE requests that CARB mitigate the impact on SCE customers of the reduction in allowances caused by attribution of DCPP to SCE in 2027-2030. CARB can achieve this by providing SCE the fair share of allowances that SCE customers should have received, but did not, in the 2024-2026 period. This would make right the historic and continued over-allocation of allowances under Cap-and-Invest to PG&E customers and ensure that all IOU customers are treated fairly.

Moreover, this modification would not affect other EDUs or increase total electric sector allocations. This alternative would just be an inter-utility transfer from PG&E to SCE and SDG&E in recognition of the fact that the benefits of that historic overallocation only accrued to PG&E customers, even though our customers were paying their fair share of the costs to continue operating the plant. (15d-SCE-99.1)

Agency Response:

No changes were made in response to this comment. See Agency Response to comment H-3.9a for the basis used to attribute supply from Diablo Canyon using the best information available. Regarding SCE's request to receive allowances from the 2024-2026 period see Agency Response to comment H-3.9b.

H-3.12a Comment:

CARB's currently effective EDU allocation schedule was established in regulation through 2030. As SDG&E and other EDUs have noted previously, changing the underlying forecast data partway through the compliance period, just a few years before it concludes, erodes regulatory certainty and makes electrification more costly for customers than it otherwise would have been just as they are deciding whether to electrify their vehicles, homes, and businesses. Beyond this concern with the overall approach to and directionality of the changes to the EDU allocation, SDG&E offers two specific points on the methodologies proposed… SDG&E strongly opposes the socialization of a reduction to allowances associated with Diablo Canyon Power Plant

(DCPP) and urges CARB to modify its approach before the regulation is implemented. SDG&E strongly opposes the proposed changes to the EDU allocation methodology that would spread across all IOU customers an adjustment tied to PG&E's DCPP extension.

Historically, SDG&E customers have not received power from DCPP; hence, associated generation is not incorporated in SDG&E's currently effective allowance allocation established in Table 9-4 of the existing regulation nor any previous version of the Cap-and-Invest regulation. In the current regulation, the entirety of the replacement power for DCPP resource generation is assumed to be part of PG&E's procurement plan and therefore is reflected as allowances allocated solely to PG&E.

CARB's proposed 45-day change reconciled this assumption (that DCPP would be replaced with emitting generation) with the reality that replacement resources must be zero-emitting. It then reduces allowance allocations based on the assumption that DCPP operations will result in fewer emitting resources being utilized. This resulted in the removal of several million allowances from PG&E's electric allocation. However, the removal of those allowances should be viewed as a correction to an assumption that never materialized. Yet, the 15-day proposal includes a problematic proposal that would lessen the burden for PG&E by requiring SDG&E and other investor-owned utility customers to bear costs associated with this correction.

Put plainly, the 15-day language proposes to reduce allowances from a theoretical pool of DCPP-related allowances within SDG&E's allocation—one that never existed. Further, the relative magnitude of even just SDG&E's "share" of DCPP is so significant that it has a disproportionately large effect on SDG&E's allocation (i.e., the impact of this change, in isolation, is a ~15-20% reduction to SDG&E's allocation in a given year).

Socializing the DCPP correction across IOUs would only be a reasonable approach if all IOUs had received a portion of the DCPP replacement resource allowances, but those allowances were never socialized. This creates a fundamentally unreasonable and inequitable outcome: SDG&E ratepayers end up shouldering a loss of allowances that was never theirs to absorb yet receive none of the benefits (in this context, previously allocated allowances for replacement resources).

Socializing the cost of this change to IOU customers is not sharing a greenhouse gas emissions reduction benefit, as the CPUC decision and state law require. This proposal would do the opposite, penalizing SDG&E customers by reducing the cost protections they would otherwise receive via the electric Climate Credit. The proposal makes electricity less affordable without any associated incremental benefits from the project (no delivered power and no incremental financial/monetary benefit from the clean attributes). This proposal would effectively double-charge SDG&E customers, who are already paying for DCPP via Public Purpose Program charges on their bills.

The resulting significant reduction in the Climate Credit would be experienced by our customers as an increase in their energy burden, sending the wrong signal during a time when customers are making critical decisions around electrification.

At minimum, if CARB advances with a socialized DCPP impact despite these significant concerns, a corresponding “true-up” to balance for the historical mismatch in treatment, where allowances were previously allocated to a single utility for DCPP-replacement power, must be considered. This like-for-like approach is necessary to provide equal treatment of both cost and benefit of the DCPP extension through 2030. (15d-SDGE-194.2)

Agency Response:

No changes were made in response to this comment. See Agency Response to comments H-3.9a, H-3.9b, and H-3.11.

H-3.12b Comment:

We do appreciate CARB's efforts to align the allocation methodology with the current laws around the Renewable Portfolio Standard, but also want to cite some concerns around the proposed socialization of costs related to the Diablo Canyon Power Plant facility without recognizing historical allocation benefits.

On that specific issue, we do want to offer support for proposed resolution language that would allow the utilities and CARB to work with the CPUC on continuing that conversation to ensure that those benefits are equitably accounted for in the 2027 through 2030 time period. (BH-SDGE-127.2)

Agency Response:

No changes were made in response to this comment. See Agency Response to comment H-3.12a.

H-3.13 Comment:

CARB’s 15-Day notice updates Section 95111(c)(1) of the Mandatory Reporting Regulation (MRR) to require retail providers to report total and residential retail sales, the latter of which will be used to calculate natural gas allowances transferred to electric distribution utilities. However, multijurisdictional retail providers report under Section 95111(d), which has not been updated to include the residential retail sales addition. PacifiCorp recommends CARB either modify Section 95111(d)(4) to read “Total and residential retail sales (MWh) to California customers served in California’s portion of the service territory” or clarify how CARB will source residential retail sales data for multijurisdictional utilities. (15d-PC-84.2)

Agency Response:

No changes were made in response to these comments. These comments refer to proposed changes to the MRR, which is outside of the scope of this rulemaking. See Agency Response to comment C-2 in the MRR FSOR.

H-3.14 Comment:

PWRPA SUPPORTS THE 15-DAY AMENDMENTS TO THE 2027-2030 EDU ALLOCATION… Updated allocation to more accurately reflect PWRPA's expected costs of compliance…The revised allocation totals approximately 138,010 allowances for the 2027-2030 period, compared to approximately 29,248 under the 45-day proposal. PWRPA appreciates CARB's responsiveness to the data and analysis submitted in the 45-day Comments and supports these changes. At the same time, while the increase is a positive step, it does not fully restore PWRPA to a position comparable to its prior allocation level and therefore does not make PWRPA whole. Under the revised figures, PWRPA and its member agencies remain exposed to significant incremental carbon compliance costs that could continue to put upward pressure on rates for customers who are served on a cost-of-service basis. PWRPA appreciates CARB's movement in the right direction, but respectfully urges the Board to adopt a final allocation framework that fully addresses affordability impacts and restores PWRPA's prior allocation of allowances for the 2027-2030 timeframe. (15d-PWRPA-47.3)

Agency Response:

No changes were made in response to this comment. See Agency Response to comment H-1.1a, H-3.8a, and H-4.2. Additionally, PWRPA's load has decreased by about 34% since the 2016 Rulemaking, which initially set the 2021-2030 allocation to PWRPA. The update to PWRPA's allocation in the Proposed Amendments reflects PWPRA's significant decrease in load since the 2016 Rulemaking (CARB 2016b).

H-4 Affordability

H-4.1a Multiple Comments: General Affordability

We, the undersigned members of the California State Legislature, write to urge the California Air Resources Board (CARB) to ensure energy affordability remains front and center in the implementation of the recently codified Assembly Bill (AB) 1207, which extended the Cap-and-Invest Program and directed CARB to modify certain components of the regulation. As CARB advances on its rulemaking to implement AB 1207, careful consideration must be given to reach a solution that supports both electric and gas affordability while advancing state climate leadership.

AB 1207 extends the Cap-and-Invest Program and includes direction intended to balance decarbonization with ratepayer protection. Section 4 of the bill codifies changes to Health and Safety Code Section 38562(b) and directs CARB to:

> (B)(i) Design the regulations, including distribution of emissions allowances where appropriate, in a manner that transitions support from gas corporations to electrical distribution utilities, as defined in Section 95802 of Title 17 of the California Code of Regulations, on or before January 1, 2031, to minimize ratepayer impacts and achieve the purposes of this division.

Further, existing language in Health and Safety Code Section 38562 (b)(2) requires CARB to "ensure that activities undertake[n] to comply with the regulations do not disproportionately impact low-income communities."

In combination, these sections underscore that the transition should minimize ratepayer impacts across both electricity and natural gas and place a priority on protecting low-income households. (45d-Members of the California Legislature-20.1)

Comment:

As an overarching matter, state and legislative mandates require that the CARB's primary objective in amending its Cap-and-Invest program's allowance revenue allocation strategy is to promote and prioritize electric utility customer affordability. To that end, SCE respectfully requests that CARB reconsider some of its proposed amendments to further mitigate the cost of Cap-and-Invest compliance and promote electric customer affordability.

In recent years, California has moved from general affordability goals to more explicit statutory mandates to improve electricity affordability and mitigate customer bill impacts associated with the clean energy transition. For example, AB 205 (2022) required an income-graduated fixed charge and bill relief for low-income customers. This mandate was subsequently implemented through the California Public Utilities Commission (CPUC) Decision (D.)24-05-028, establishing tiered fixed charges and reducing volumetric rates to lower marginal electricity prices.

State mandates have also directed agencies to consider using the Climate Credit as a tool to promote utility customer affordability. Governor Newsom in 2024 issued Executive Order N-5-24 declaring it "essential that electric service remains affordable, reliable, and safe for all Californians during our clean energy transition" and calling out the California Climate Credit as a tool that can be used in providing affordability. The order directed the CPUC and CARB to explore "options to maximize the effectiveness of California's Climate Credit," recognizing that returning Cap-and Invest revenues to customers can offset rising electricity costs and reduce upward pressure on rates. The

CPUC’s response included an assessment of how the Climate Credit could be redistributed to customers that need it the most.

In 2025, the Legislature enacted AB 1207 requiring CARB to consider affordability when adopting or amending regulations under the reauthorized Cap-and-Invest Program and linking program design choices to minimize ratepayer impacts while meeting emissions reduction goals, thus reflecting a determination that climate policy and customer affordability should advance together.

The statutes, executive orders, and mandates are clear that affordability is an important objective in the transition to clean energy, and that the Climate Credit should be utilized as a tool to promote affordability in furtherance of these objectives. Importantly, the Cap-and-Invest program can play a critical role in supporting affordability through the Climate Credit, and in advancing electrification. When electricity prices are more affordable and predictable, customers are more likely to invest in electric technologies that reduce emissions over the long term. In this way, Cap-and-Invest can help address near-term affordability challenges while simultaneously removing a key barrier to electrification and emissions reduction.

CARB’s proposed amendments, however, when viewed holistically, do not go far enough to advance these affordability objectives for investor-owned utility (IOU) customers. Instead, the proposed amendments would effectively reduce bill support, despite the IOUs’ customers incurring the overwhelming cost of early climate action and the IOU customers’ continuing commitment to carbon-reducing technologies and renewable energy. SCE thus requests that CARB reevaluate the proposed Cap-and-Invest amendments through the lens of electric customer affordability, as the Legislature intended. SCE also requests that CARB reconsider aspects of its proposed regulation to ensure that the program can effectively reduce ratepayer impacts and support the State’s electrification goals. (45d-SCEC-320.1)

Comment:

With Assembly Bill (AB) 1207 {Irwin, Stats. 2025) now in effect, CARB's implementation of the Cap-and-Invest Program must reflect the Legislature's updated di rection for the Program's reauthorization through 2045. Affordability was a central pillar of the legislation, and the statute makes clear that CARB must consider the effects of the regulations on affordability, cost-effectiveness, minimization of leakage in California, and achieving emissions reduction goals. Taken together, AB 1207 confirms that utility allowance allocations are not merely a compliance mechanism; they also serve an important ratepayer affordability function that CARB should preserve in this rulemaking. CARB should ensure that protecting ratepayers remains a focal point as changes to the Program are developed. It is essential that any modifications to allowance allocations maintain strong protections for ratepayers while continuing to support California's clean energy and climate objectives. (45d-CREU-355.3)

Comment:

With Assembly Bill (AB) 1207 (Irwin, Stats. 2025) now in effect, CARB's implementation of the Cap-and-Invest Program must reflect the Legislature's updated direction for the Program's reauthorization through 2045. Affordability was a central pillar of the legislation, and the statute makes clear that CARB must consider the effects of the regulations on affordability, cost-effectiveness, minimization of leakage in California, and achieving emissions reduction goals. Taken together, AB 1207 confirms that utility allowance allocations are not merely a compliance mechanism; they also serve an important ratepayer affordability function that CARB should preserve in this rulemaking.

CARB should ensure that protecting ratepayers remains a focal point as changes to the Program are developed. It is essential that any modifications to allowance allocations maintain strong protections for ratepayers while continuing to support California's clean energy and climate objectives. (45d-REU-365.3)

Comment:

CARB has been presented with a challenging task in balancing electricity affordability, leakage risk mitigation, emissions reductions, and other priorities in developing Proposed Amendments to the Cap-and-Invest regulation. Overall, these Proposed Amendments reflect thoughtful work and commitment to both emissions reductions and affordability. However, we must reinforce the critical nature of electricity affordability for meeting the needs of Californians and enabling the scale of electrification we will need to reach our state's climate goals. We ask that CARB restructure the proposed transition of allowances from Natural Gas Suppliers (NGS) to Electric Distribution Utilities (EDUs) to maximize electricity affordability by completing the full transition of NGS allowances by 2031 and reevaluate the proposed changes to allowance allocations for EDUs to better address electricity affordability in California. (45d-AMIrwin-435.6)

Agency Response:

Changes were made in response to these comments. In the 15-day Amendments, the RPS Factor Applied to Sales was updated, see Agency Response to comment H-1.2a. This increases 2027-2030 allowance allocation for EDUs, by about 54 million allowances, which funds the California Climate Credit for residential and small business electric ratepayers.

In the 15-day Amendments, changes were made to increase the rate of transition of the natural gas allocation to EDUs. Table 9-6a was updated with the transition starting one year earlier, in 2028, and with 70% of NGS allowances transferred to EDUs by budget year 2031. The 70% transition by 2031 ensures that natural gas utilities retain sufficient allowances to provide an equivalent non-volumetric residential return primarily to low-income ratepayers as directed by the CPUC. These changes support electricity affordability as the state continues to electrify, while continuing support for low-income ratepayers that may remain on natural gas.

It is important to note that removing 118 million allowances from 2027-2030 annual budgets is needed to align the Program with technical adjustments to the GHG Emission Inventory in support of the SB 32 2030 GHG reduction target.

H-4.1b Comment:

We need you to protect low income families from the ravages of high electricity prices by keeping the income high for the Cap-and-Invest Fund. (15d-Stewart-12.1)

Agency Response:

No changes were made in response to this comment. Please refer to the Agency Response to comment H-4.1a.

H-4.2 Multiple Comments: Past Investments

Chair Petrie-Norris also emphasized that electric affordability is foundational to sustaining the clean energy transition. CARB's current proposal to revise allowance allocations would substantially alter the framework utilities relied upon, affecting both past investments and future commitments to zero-carbon resources. As a publicly owned utility, we do not have shareholders to absorb increased compliance costs; any additional financial burden flows directly to our ratepayers.

AB 1207 also contemplated improving affordability by transitioning natural gas supplier (NGS) allowances to Electrical Distribution Utilities (EDUs). During the February 23rd, 2026, hearing, legislators were clear that these natural gas allowances were intended to supplement-rather than replace-existing allocations and to be directed to ratepayers to mitigate costs. We strongly support that legislative intent and urge CARB to treat NGS allowances as separate from, and in addition to, POU allocations to ensure meaningful ratepayer relief. (45d-BWP-215.2)

Comment:

OPA is also concerned that the proposed revisions could unfairly penalize LADWP who took early and ambitious action to reduce emissions.

Over the past decade, LADWP has undertaken substantial investments to decarbonize its electricity supply, including large-scale renewable procurement and major infrastructure investments supporting clean energy integration. A notable example is the accelerated transition away from coal generation associated with the Intermountain Power Project.

Under the Cap-and-Invest framework originally adopted by CARB, utilities that reduced emissions faster than projected could retain surplus allowances and use the resulting value to help defray the cost of those investments. Adjusting allowance allocations in 2027 would eliminate the incentive structure and will reduce the financial benefit associated with investments already made.

OPA encourages CARB to ensure that updates to the allocation framework do not inadvertently disadvantage utilities that moved early to reduce emissions or that have already made significant investments to support California’s climate goals. (45d-RA-CLA-224.3)

Comment:

REU writes to express our strong opposition to CARB's proposed amendments to the 2021-2030 Electrical Distribution Utility (EDU) allowance allocations. As proposed, CARB's revisions would significantly reduce the established 2027-2030 EDU allocations, materially increase costs for publicly owned utility (POU) customers, and undermine the planning certainty that POUs relied on when making early clean-energy investments.

Allowance allocations to POUs are provided on behalf of POU ratepayers. Under the Program, POUs are regulated entities through their ownership of electric generation and through power purchase agreements that include emissions costs in the price of power. POUs must set rates based on the cost of service, and the primary source of funding comes from rates. If CARB reduces allowances to POUs, many POUs will be forced to raise rates to cover the loss of these allowance values. The cost impacts from these reductions would ultimately be borne by our customers through higher energy bills and/or reduced utility programs and services.

Based on CARB's revised EDU allocation table for 2027-2030, REU is estimated to lose approximately 59,210 allowances (approximately $3.53 million in allowance value), based on the estimated average allowance price value of $60.

The fixed 10-year EDU allocation of allowances for 2021 to 2030, as established in the prior rulemaking, was intentionally designed to incentivize reductions in greenhouse gas (GHG) emissions from electricity generation while mitigating compliance-cost impacts for customers. In reliance on those established allocations, POUs planned and financed clean energy investments years in advance, relying on expected allowance value to help close financing gaps and keep customer electricity rates affordable. POUs that reduced emissions and needed fewer allowances for compliance were able to monetize the remaining allowance value and reinvest those funds in additional GHG-reducing projects and customer programs. (45d-CREU-355.1)

Comment:

Based on CARB's revised EDU allocation table for 2027–2030, Roseville Electric is estimated to lose approximately 368,828 allowances (approximately $22,129,680 in allowance value), based on the estimated average allowance price value of $60. These reductions would ultimately be borne by our customers through higher energy bills and/or reduced utility programs and services.

The fixed 10-year EDU allocation of allowances for 2021 to 2030, as established in the prior rulemaking, was intentionally designed to incentivize reductions in greenhouse gas (GHG) emissions from electricity generation while mitigating compliance-cost impacts for customers. In reliance on those established allocations, POUs planned and financed clean energy investments years in advance, relying on expected allowance value to help close financing gaps and keep customer electricity rates affordable. POUs that reduced emissions and needed fewer allowances for compliance were able to monetize the remaining allowance value and reinvest those funds in additional GHG-reducing projects and customer programs. CARB's proposed revisions to the 2027 to 2030 allocations could significantly erode that benefit and weaken incentives for continued early action. (45d-CR-365.2)

Comment:

SCPPA Members use their future allocated allowances for direct compliance and to support GHG emissions reductions via transitions to renewable energy, energy efficiency, implementing community benefit programs, and investing in community level projects and programs that reduce emissions. Many POUs planned and financed early clean energy investments based on CARB's established 2021-2030 allowance allocations, relying on that allowance value to close financial gaps and keep customer electricity rates down. POUs also rely on the allowances they receive to fund various customer programs and make investments in their communities, including by helping offset the cost of clean energy procurement, supporting incentives to switch from gas to all-electric appliances, and funding low-income rate assistance programs, among other benefits. The Legislature intended to strengthen ratepayer protections with the passage of AB 1207. Governor Gavin Newsom reaffirmed this intent in his January 8th State of the State address, when he highlighted Californians' energy bills as the new "cost of eggs" and noted his support for AB 1207 as a means of providing ratepayer relief through Cap-and-Invest. Accordingly, we respectfully urge CARB to revise the proposed amendments to avoid added costs for electric utilities and their customers and, at a minimum, to protect Cap-and-Invest allowance allocations as promised in the existing regulations.

In 2017, CARB made a definitive policy decision to set fixed electric distribution utility ("EDU") allowance allocations for 2021-2030 (Table 9-4 in the current regulation) as an incentive for EDUs to take early voluntary action to reduce GHG emissions. The intent was for EDUs to be able to recoup the expenses of projects by managing their ten-year allocation schedules, which would encourage deeper emissions reductions overall. This intent was specifically documented by CARB, stating: "Given that EDU allowance allocation is based on cost burden, this is one of the reasons that ARB has opted to set fixed EDU allowance allocations for 2021-2030. Any changes that utilities make to reduce GHG emissions will reduce their GHG costs while not changing their allocations, thus resulting in a net benefit."

Any significant changes to the POU allocations would undermine early clean energy investments made in good faith reliance on the existing 2021-2030 allowance allocation approved by CARB. Many POUs acted early to reduce GHG emissions — including through the early retirement of coal resources and significant investments in clean generation — based on adopted CARB regulations that promised Cap-and-Invest allowances would help offset the costs of these investments. Not only would CARB's proposed regulations retroactively remove these incentives at the expense of ratepayers, they would also set a dangerous precedent: that Cap-and-Invest regulations should not be trusted to protect electric ratepayers if electric utilities take more aggressive action to decarbonize the grid. Additionally, the proposed changes risk penalizing POUs that relied in good faith on receiving those allowances to make significant investments in "early action" projects that have already reduced emissions. Resetting the baseline used to determine allocated allowances and reducing those allowances further will be to the financial detriment of those POUs and ultimately borne by POU ratepayers. Furthermore, resetting the baseline will eliminate a valuable source of funding to invest in future clean energy and energy storage projects. As SCPPA Members work towards achieving both local and state clean energy policies, regulatory consistency is critical given the long-term planning necessary to decarbonize the electricity supply.

Indeed, such an approach that creates certainty around the value of investing in additional GHG reductions is fundamental to any carbon market. After-the-fact adjustments to anticipated allowances undercut the entire premise of the program and carbon pricing, as well as the value of investments to support the state's clean energy and climate change goals. CARB appears to be treating POUs differently from other entities under the program, who otherwise are rewarded in the market for investments in early or deeper GHG emissions reductions than otherwise required. If CARB's intentions are for POUs to respond to the carbon price signal and invest in additional GHG emissions reductions, it should maintain certainty and stick to the allowance allocation schedule previously adopted. (45d-SCPPA-357.1)

Comment:

CMUA strongly opposes CARB's proposed amendments to the 2027-2030 EDU allowance allocations. As proposed, CARB's revisions would significantly reduce the existing 2027–2030 EDU allocations adopted by CARB as part of the 2016-2017 rule amendments, materially increase decarbonization costs borne by POU customers, and undermine the planning certainty that POUs relied on when making early clean energy investments. Based on CARB's revised EDU allocation for 2027–2030 in Table 9-3 and the estimated average allowance price value of $60, the proposal is estimated to reduce POU allowance value by up to approximately $752 million statewide over the next four years.

The fixed, 10-year EDU allowance allocation for 2021 to 2030, as established in the prior rulemaking, was intentionally designed to incentivize reductions in GHG emissions from electricity generation while mitigating compliance costs impacts for customers. In reliance on those established allocations, POUs planned and financed clean energy investments years in advance, relying on expected allowance value to help close financing gaps and keep customer electricity rates affordable. This framework also created an important "reduce-and-invest" cycle: POUs that reduced emissions and needed fewer allowances for compliance were able to monetize the remaining allowance value and reinvest those funds in additional GHG-reducing projects and customer programs. CARB's proposed revisions to the 2027 to 2030 allocations, coming in the middle of the fixed allocation period, could significantly erode those benefits, fundamentally altering the decarbonization incentive structure for utilities, who have now substantially reduced their emissions under this framework. Effectively stripping POUs of the fixed allocation in 2027-2030 will disrupt the reduce-and-invest cycle and may result in higher, rather than lower, relative emissions. (45d-TCMUA-368.1)

Comment:

Based on the 2021-2030 vintage allocation, EDUs made important strategic decisions more than a decade ago regarding Program compliance and GHG reductions. Utility integrated resource planning requires long-term certainty; investments in clean energy resources and programs and measures that directly reduce GHG emissions and protect ratepayers are essential parts of that planning. Capital investments and compliance commitment approaches were planned years in advance. These investments and decisions were made with the expectation that the allowance allocation tables adopted by CARB would cover the full planning period and CARB's stated objective to incentivize GHG emissions reductions. As CARB has noted in the past and indeed recognizes in the current rulemaking , the allowance allocation construct intentionally incentivizes early investments in clean energy and emissions reducing infrastructure. Any retroactive reduction in allowance allocation as a result of those early actions directly punishes utilities – and their ratepayers – for actions they were encouraged to take. (45d-NCPA-402.3)

Comment:

The EDU allowance allocation fails to include any consideration of the legislative directive to address energy affordability. The legislature, in passing AB 1207, directed that electricity affordability specifically be addressed as part of the EDU allowance allocation construct. CARB's approach does exactly the opposite.

Revising the 2027-2030 allowance allocation as proposed would result in more than $2 billion dollars in lost allowance value for the utilities based on the most recent auction price, or nearly $5 billion based on CARB's own projections for allowance auction price. NCPA's member agencies are not-for-profit, locally owned electric utilities directly accountable to their ratepayers. Electricity ratepayers will bear the burden of any reductions in allowance allocation. Whether those impacts result in necessary rate increases or reductions in the availability of other programs and services that benefit ratepayers and effect GHG reductions, the result is the same – a direct impact on energy affordability. This reduction comes at a time when electricity rates are at historic highs, amplifying affordability concerns for households and businesses.

In originally adopting the Cap-and-Invest Program regulation, CARB stated that: "electrical utility allocation is designed to protect electricity customers and reward these customers for utility investment in renewable energy and energy efficiency." Changes to the 2021-2030 allocation that reduce the allowances to EDUs would actually harm and not reward customers for utility investment in renewable energy and energy efficiency. The reasons and basis for freely allocating allowances to the electrical distribution utilities are just as true and relevant today as they were in 2011. The only difference is that when reauthorizing the Program in 2025, the Legislature specifically recognized the importance of ensuring energy affordability as part of the Cap-and-Invest program reauthorization. As such, more than ever, affordability must be a central consideration; yet CARB's proposal to adjust the 2027-2030 allocation is completely devoid of any consideration of energy affordability. Allocation of allowances to electrical distribution utilities, the value of which is used to directly benefit electric customers, is even more important today than it has been at any time in the past. (45d-NCPA-402.5)

Comment:

The JUG strongly opposes the proposed amendments that would reduce the 2027-2030 electrical distribution utilities (EDU) allowance allocation. CARB's allowance allocation decisions are among the most consequential levers the Board has to ensure customers can afford to electrify their homes, businesses, and transportation. The proposed cuts to the 2027-2030 EDU allocations set forth in the existing regulation amount to an estimated loss of $4.9 billion over the course of just four years. If CARB moves forward with staff's proposal, for 2027 alone, there would be a 39% reduction in the total number of allowances to EDUs, amounting to a loss of over $1.6 billion in allowance value. For approximately 12.7 million investor-owned utility (IOU) customers, their on-bill Climate Credits will be substantially reduced compared to what IOU customers would otherwise receive. And for roughly 3.4 million customers of Publicly Owned Utilities (POUs) and electric cooperatives (coops), millions of dollars in costs of clean energy procurement, support for local clean energy programs, and funds for construction of clean energy projects could be shifted to the backs of ratepayers. We urge CARB to thoughtfully consider these impacts before making any changes to the EDU allocations in the current regulations. (45d-JUG-404.1)

Comment:

SMUD has long supported the Cap-and-Invest program as an important tool for reducing GHG emissions while protecting electric customers from program costs and supporting additional decarbonization efforts throughout the state. The existing program design allocates allowances to electric distribution utilities (EDUs) based on estimated future compliance needs. CARB intentionally designed a fixed 10-year allowance allocation schedule for EDUs in order to enable planning and provide an incentive for voluntary additional GHG reductions.

For POUs like SMUD, allowances may be deposited for compliance–the costs of which would otherwise be borne by customers–or monetized and reinvested in renewable energy and GHG-reducing projects that benefit their customers. This design has been highly effective and has helped SMUD keep its rates low while increasing clean energy in its portfolio. SMUD estimates that, from 2021 to 2025, over $400 million of Cap-and-Invest allowance value has directly benefited its customers. SMUD estimates its current 2027-2030 allocation will provide an additional value of approximately $687 million for its customers by reducing costs of compliance and clean energy investments.

Maintaining affordable electricity rates is critical both for the wellbeing of Californians and to advance progress toward the state's economywide decarbonization goals – the chief strategy for which hinges on electrification. The Legislature clearly recognized the importance of electricity affordability, and preserving the Cap-and-Invest structures that support it, when reauthorizing the program. In Assembly Bill (AB) 1207 (Irwin, stats. 2025, ch. 117), the Legislature declared its intent for CARB to design the program in a manner that "maintains a safe, clean, affordable, and reliable electric system" and "continues elements of the current program that protect state utility ratepayers, encourages decarbonization of the state's economic sectors, and further enables Californians to affordably decarbonize and power their end uses."

The fixed EDU allocation schedule, along with POUs' flexibility to optimize the allocation value for the benefit of their customers, has a direct impact on electricity affordability. At a time when costs are rising and many households and businesses struggle to afford energy bills, Cap-and-Invest presents the rare opportunity to provide downward pressure on electricity rates while also driving GHG emissions reductions – but only if regulatory changes do not erode these benefits. (45d-SMUD-447.1)

Agency Response:

Changes were made in response to these comments. See Agency Responses to comment H-1.2a regarding the RPS Factor Applied to Sales and comment H-1.1a regarding the increased EDU allocation in the 15-day Amendments.

In the current 2021-2030 allocation, CARB staff allocated for Diablo Canyon Nuclear Power Plant through early 2025 and Intermountain Power Plant through the middle of 2027. Based on information from the corresponding utilities supply forms, we now know that Diablo Canyon Power Plant was extended through the end of 2030 and coal supply from Intermountain Power Plant to six EDUs ended in 2025 (CEC 2023a, CEC 2024b, CEC 2026).

Between 2025-2026, staff estimates that an additional 13 million allowances were allocated to PG&E, SCE, and SDG&E because of the assumed 2025 retirement of Diablo Canyon Nuclear Power Plant. Additionally, if the current 2027-2030 allocation was maintained, nearly 8 million allowances each year would be allocated to those three EDUs beyond actual needs.

In addition, CARB staff estimates that 21 million allowances were allocated to the six EDUs receiving coal from Intermountain Power Plant from 2021-2026 because of lower supply and earlier than anticipated retirement. The coal supply from Intermountain Power Plant that was predicted in the 2016 Rulemaking, was twice as much as the coal supply the utilities actually received. Maintaining the 2027-2030 allocation that was set in the 2016 Rulemaking would provide an additional 2.6 million allowances to those six EDUs in 2027 beyond actual needs.

Finally, to date CARB has provided significant allocation to EDUs. The latest GHG Inventory data shows that total GHG emissions for the electric sector from 2013 to 2023 was nearly 770 million metric tons carbon dioxide equivalent (CARB 2025b). In the same timeframe, CARB provided EDUs with 933 million allowances. Since the emissions associated with electricity provided by EDUs do not cover the entire electric sector, CARB has provided EDUs with at least 160 million additional allowances than needed to cover the costs to comply with the Program. This support is critical to protect ratepayers and support affordability and, given the more stringent allowance budgets, multiple Legislative directives in AB 1207, and changed circumstances for many EDUs, it was not feasible to maintain the current allocation to EDUs. While generally fixed, in the 2018 Final Statement of Reasons (CARB 2018b), staff indicated plans to reevaluate post-

2020 allocation to EDUs. The Proposed Amendments are updated with the most recent supply and load data and updated RPS assumptions to continue to protect electric ratepayers and support affordability when combined with the transition of NGS allocation to EDUs and still exceed the estimated cost burden.

H-4.3 Multiple Comments: Electricity Rates

Maintaining existing allowance allocations is also important to support low-income ratepayers and disadvantaged communities.

Allowance value provides LADWP with direct and flexible tools to support programs that benefit households. These funds can help support energy efficiency improvements, electrification incentives, and targeted assistance for customers facing high energy burdens. Such programs are particularly important in Los Angeles, where many households face significant affordability challenges.

Municipal utilities such as LADWP operate with a relatively limited suite of policy tools to support low-income customers. LADWP's electric rate structure is strictly governed by Proposition 26, which requires that rates remain tied to the "reasonable costs" of providing service. This limits LADWP's ability to use ratepayer revenue for social subsidies or cross-subsidization, leaving LADWP without the range of state-administered affordability programs or external funding mechanisms that investor owned utilities have. As a result, allowance value represents one of the few flexible resources available to support targeted affordability and equity initiatives, and more traditional energy efficiency programs that could be deployed in disadvantaged communities.

Reducing the number of allowances allocated to LADWP would therefore diminish the utility's ability to deploy resources in support of low-income customers and disadvantaged communities. At a time when customers are already facing increasing costs associated with electrification, grid modernization, and climate resilience investments, preserving this tool is essential. (45d-RA-CLA-224.2)

Comment:

For RPU, the proposed change would reduce expected allowance value beginning in 2027 and create additional upward pressure on customer rates. Based on CARB's revised EDU allocation table, RPU estimates the proposal would reduce its allocation by approximately 529,000 allowances, representing roughly $31.7 million in allowance value over the 2027–2030 period assuming an average allowance price of approximately $60.

Because publicly owned utilities operate on a cost-of-service basis, reductions in allowance value ultimately translate into higher costs for local ratepayers or reductions in programs that benefit our community. Given the Legislature's clear direction in AB

1207 to prioritize affordability and minimize ratepayer impacts, maintaining the previously established EDU allocations is the most straightforward way to ensure the Program continues to meet that objective. (45d-RPU-287.2)

Comment:

PWRPA respectfully opposes the proposed changes to the 2027-2030 allowance allocations because the load assumptions are arbitrary and the proposed allocation will not protect PWRPA's ratepayers from immediate and material rate increases and would not respect long-term planning that relied on the established 2021-2030 allocation... The proposed amendments must also be evaluated in light of the policy direction established by California Assembly Bill (AB) 1207, which emphasizes that implementation of California's climate programs should prioritize energy affordability and minimize impacts to utility customers. Consistent with this directive, CARB should ensure that allowance allocation methodologies preserve allowance value for load-serving entities that serve retail customers and avoid shifting compliance costs onto ratepayers. Any revisions to the allocation methodology that materially reduce allowance value available to POUs risk undermining AB 1207's affordability objectives and should be reconsidered to better protect POU customers from unnecessary rate impacts.

An allocation of 7,093 allowances when PWRPA's 10-year average compliance burden could be 27,121 does not approximate PWRPA's anticipated cost—it understates it nearly four-fold. The shortfall transfers the full cost directly to PWRPA's customers who, in turn, must pass those costs through to municipal and agricultural water ratepayers. In a critically dry year like WY2022, the shortfall between the proposed allocation and actual need would be approximately 71,100 allowances. At the ISOR's projected allowance price, that single-year shortfall represents approximately $4.8 million in unprotected compliance costs flowing directly to PWRPA's public agency water purveyors.8 The purpose of the allocation is to protect ratepayers from Program costs, however, an allocation that covers only 26% of the average cost—and only 9% of the cost in severe drought years—does not achieve that purpose. (45d-PWRPA-333.2)

Comment:

POUs must set rates on a cost-of-service basis, and rates are the primary source of funding for operations and customer programs. Reducing the existing POU allowance allocations will eliminate a source of funding for POU programs that reduce emissions, forcing POUs to choose between cutting programs or passing the costs through to POU customers, resulting in higher energy bills. This stands in stark contrast to the State Legislature's directive to "continue[] elements of the current program that protect state utility ratepayers," particularly at a time when federal tax credit changes, tariffs, and other policy shifts have delayed or canceled many clean energy projects, limiting the availability of carbon-free resources to contract before 2030. Rather, CARB's proposal to reduce POU allowance allocations will turn into a cost increase rather than a driver of emissions reductions.

AB 1207 makes clear that electricity affordability is a primary, not secondary, consideration in CARB's implementation of the Cap-and-Invest Program. As noted above, Health and Safety Code section 38562 requires CARB to design the regulations, including allowance distribution where appropriate, in a manner that transitions support to electrical distribution utilities to minimize ratepayer impacts. AB 1207 also requires CARB to consider the effects of regulations on affordability, cost effectiveness, minimization of leakage in California, and achieving emissions reduction goals. In addition, the Legislature reaffirmed that emissions reduction measures should be designed in a manner that maintains a clean, safe, affordable, resilient, and reliable electric system.

As discussed above, this affordability focus was reinforced by comments from members of the Assembly and Senate Joint Committee on Climate Change Policies at the February 23, 2026, hearing on Cap-and-Invest, during which legislators emphasized the importance of centering climate action on affordability. CMUA agrees with that principle. California's climate goals depend on customers' ability to electrify. For that reason, CARB should consider the EDU allocation to provide assistance not only for compliance but also to "encourage decarbonization of the state's economic sectors and further enable Californians to affordably decarbonize and power their end uses". (45d-TCMUA-368.2)

Comment:

Electricity affordability is essential to meeting California's climate objectives. Accordingly, allocation of allowances to EDUs should be one of CARB's top priorities in this rulemaking. Every day, utility customers across California are deciding whether to purchase electric vehicles and appliances, retrofit buildings, and power new industrial processes with electricity. Economywide electrification of those end-uses will be successful only if electricity remains reliable and affordable. Since the 2021-2030 vintage allocation was adopted by CARB, electric rates have risen markedly, reshaping the policy landscape for households, small businesses, and industry. The Legislature and Governor have signaled clearly—most recently in Assembly Bill (AB) 1207 (Statutes of 2025)—that CARB must implement emissions-reduction measures in ways that minimize adverse impacts on consumers and the economy and continue program elements that protect utility ratepayers while enabling affordable decarbonization. In its totality, this goes beyond merely covering current Program compliance costs.

CARB's 10-year allocation design created an incentive structure with regulatory certainty to support long-lead resource procurement and customer programs that reduce emissions while helping to contain rising electricity bills. As a result of this structure, utility allowance value has tangibly protected customers from Program-related costs and, critically, has funded customer-facing climate benefits and investments in clean energy projects, programs, and purchases – all while the electric sector has significantly reduced GHG emissions. IOU allowance proceeds have flowed directly back as California Climate Credits for residential and eligible small business and emissions-intensive, trade-exposed (EITE) customers. POUs and COOPs have used allowance value to mitigate compliance costs and invest in GHG-reducing programs (e.g., capital investments in renewable energy resources, rebates and incentives for electricity upgrades, divestiture of fossil-fuel generation resources, and procurement of clean energy). The value of allowances provided to the utilities directly help mitigate adverse impacts on electricity ratepayers.

These protections are even more vital today than ever, given elevated interest rates, supply-chain constraints, increasingly ambitious climate goals, and the scale of investments needed to electrify transportation, buildings, and industry. The legislature has emphasized the need to look beyond program costs in utility allowance allocation and focus on electricity affordability overall, as most recently demonstrated in the February 23, 2026, Joint Legislative Committee on Climate Change Policies hearing. This is especially significant with rising system costs unrelated to the Program. CARB should not take any actions that reduce the EDU allocation—it is one of the few levers within CARB's purview that can blunt cumulative utility bill pressures while accelerating emissions reductions. (45d-JUG-404.2)

Agency Response:

Changes were made in response to these comments. In the 15-day proposal, CARB decreased the RPS Factor Applied to Sales, which increased overall allocation to the electric sector. See Agency Responses to comments H-1.1a and H-1.2a. Allowance allocation to EDUs is based on the costs that ratepayers are likely to face due to Cap-and-Invest Program costs associated with their electricity. The purpose of EDU allocation is to protect EDU ratepayers from the costs that the Cap-and-Invest Regulation imposes on these ratepayers as a whole and in doing so consider the effects on affordability. Staff are aware that EDUs are subject to a variety of other regulatory requirements and that those requirements may result in costs to EDUs and their ratepayers. However, those costs are beyond the scope of the Program and its EDU allocation. EDU allocation is by nature limited by its purpose as described above, increasingly stringent allowance budgets and requirements to meet multiple Legislative directives, including achieving state GHG reduction targets, mitigating emissions leakage, and cost-effectiveness, among others.

In the Proposed Amendments, allowance allocation is also designed to support affordability, but it is not feasible for EDU allocation to prevent EDUs and their ratepayers from facing costs due to all other State programs and other general factors that lead to rising costs. When allocating allowances, staff weighs the multiple requirements of AB 1207 and the benefits of the proposed EDU allocation against the benefits of making those allowances available for other legislatively directed purposes, including minimizing emissions leakage in the industrial sector and cost-effectiveness of the Program, among others.

H-4.4 Multiple Comments: Request for More Allocation

Recognizing the imperative of affordability, IETA encourages CARB to increase allocation to EDUs in order to maintain a substantive California Climate Credit for residential ratepayers. While we acknowledge that CARB is transitioning free allowances from NGSs to EDUs, we note that this transition will play out over a decade as proposed. As such, we believe that CARB should lend additional support to EDUs by moderating the rate of decline of free allowance allocation. (45d-IETA-341.3)

Comment:

NCPA appreciates that the total number of allowances available in the program are limited, and that all allowances allocated to the utilities means that there will be fewer allowances available for other elements of the program. As such, CARB must carefully assess the value of assigning more allowances to one group over another, and must be able to justify that allocation. NCPA believes that allocation of allowances to the EDUs, not only to cover the traditional costs of Program compliance, but also to help address the broader statewide concerns with electricity affordability is warranted, prudent, and consistent with legislative policy intentions.

The March 9, 2026, letter from Assemblymember Irwin's office states that "Allowance allocation to the utilities could be leveraged to provide significant affordability benefit to California ratepayers on utility bills – supporting both household budgets across the state and enabling greater electrification." The utilities are best situated to provide the allowance value directly to electricity customers while simultaneously facilitating the state's clean energy objectives. Providing additional allowances to the utilities helps to offset upward pressure on electricity rates. As Assemblymember Irwin has noted "we must reinforce the critical nature of electricity affordability for meeting the needs of Californians and enabling the scale of electrification we will need to reach our state's climate goals." (45d-NCPA-402.2)

Agency Response:

Changes were made to increase the EDU allocation from the 45-day Proposed Amendments, see Agency Response to comment H-1.2a. Since the beginning of the Program, allowances provided to EDUs have been provided to protect against ratepayer impacts from the implementation of the Program based on its anticipated Cap-and-Invest Program compliance costs. Aligned with direction in

AB 1207, the 15-day Amendments increase ratepayer protection and support electric bill affordability relative to the 45-day Proposed Amendments, while continuing to balance all Program priorities under more stringent annual allowance budgets from 2027-2030.

H-4.5 Multiple Comments: Other Renewable Goals

Los Angeles has established one of the nation’s most ambitious clean-energy goals through LA100, which targets 100% carbon-free electricity by 2035.

Implementing this strategy will require extensive investments by LADWP in renewable energy, energy storage, transmission infrastructure, and grid modernization. These investments are being undertaken in parallel with statewide requirements such as renewable portfolio standards and other climate mandates.

CARB should ensure that the Cap-and-Invest Program continues to support, rather than inadvertently discourage, utilities that pursue decarbonization strategies that go beyond minimum state requirements. Forcing a premature reduction in allowance allocations as emissions drop would strip away the very financial resources needed to fund those reductions, unfairly disadvantaging the ratepayers who are financing the transition. (45d-RA-CLA-224.4)

Comment:

CARB's proposed revisions to the 2027 to 2030 allocations could significantly erode that benefit and weaken incentives for continued early action...REU urges CARB to also consider the challenges for procuring clean energy in today's environment. The proposed reduction in allowance allocation for EDUs does not adequately account for the limited availability of carbon-free resources in California prior to 2030. Many utilities, including REU, have been actively pursuing new carbon-free generation and storage resources; however, the development pipeline, permitting timelines, interconnection constraints, and supply chain limitations make it extremely difficult to bring new projects online within the timeframe contemplated by the proposed changes. For example, REU has been actively seeking new carbon-free resources but has found very few projects that can be delivered before the end of the decade. In practical terms, reducing allowance allocations before viable replacement resources are available does not accelerate decarbonization of utility portfolios. Instead, it increases compliance costs that must ultimately be borne by ratepayers.

At the same time, the utility is facing the loss of the Big Horn wind project, a critical renewable resource, sooner than anticipated, making even the replacement of existing renewable generation challenging. If REU is unable to secure a replacement carbon-free energy project, it could face a deficit of more than 300,000 allowances between 2027 to 2030. This would retire over 63% of the allowances proposed by CARB, significantly eroding our ability to offset compliance costs for REU's natural gas power plant used for reliability. Without sufficient new resources available to displace carbon-emitting generation in the near term, the proposed reduction in allowances risks functioning primarily as a cost shift rather than a meaningful emissions reduction mechanism. (45d-CREU-355.2)

Comment:

Many utilities are currently facing challenges in bringing carbon-free resource online in the next four years. Slow-rolling of renewable projects by federal agencies, increased competition for zero-emission resources from private companies like Google and Microsoft, and regional transmission constraints have greatly impacted renewable energy procurement. Many utilities, including NCPA members, have been actively pursuing new carbon-free generation and storage resources; however, the development pipeline, permitting timelines, interconnection constraints, and supply chain limitations make it extremely difficult to bring new projects online within the timeframe contemplated by the proposed changes. For example, Redding Electric Utility has been actively seeking new carbon-free resources but has found very few projects that can be delivered before the end of the decade. At the same time, the utility is facing the loss of the Big Horn Wind Project, making even the replacement of existing renewable generation challenging. Reducing allowance allocation to the utilities for 2027-2030 means that customers will see increased electricity costs or reductions in the programs and services utilities provide to help reduce electricity consumption and GHG emissions. Reducing allowance allocations before viable replacement resources are available does not accelerate decarbonization of utility portfolios. (45d-NCPA-402.6)

Agency Response:

No changes were made in response to these comments. The purpose of EDU allocation is to support affordability and protect EDU ratepayers from the costs that the Cap-and-Invest Regulation imposes on these ratepayers as a whole. Staff are aware that EDUs are subject to a variety of other regulatory requirements and that those requirements may result in costs to EDUs and their ratepayers. Annual allowance budgets are limited and must be used to meet multiple legislative directives. Thus, it is not feasible for EDU allowance allocation to prevent EDUs and their ratepayers from facing costs due to all other State programs. Staff does not believe it is appropriate to allocate for zero-GHG emitting electricity because that electricity has no GHG cost associated with it. Additionally, see Agency Response to comments H-1.1b and H-4.2.

H-4.6 Comment:

The CCMC believes that continuing to protect ratepayers is critical, especially as the program becomes more ambitious. The California Climate Credit is a central pillar of the

Cap-and-Invest Program's affordability framework and is the single most direct way that the program currently has for returning auction value to Californians. The Climate Credit is also an essential tool for offsetting program-related costs for energy ratepayers, particularly for low-income and disadvantaged households that spend a larger share of their income on electricity and natural gas bills. As program ambition increases in line with California's climate targets, it will be important to ensure utility allocation continues to effectively support ratepayers.

The California Climate Credit depends on continued free allocation to electric utilities and, in the short term, to natural gas suppliers. In practice, the majority of allowance value allocated to utilities flows directly to households through the climate credit, demonstrating that free allocation to utilities is a critical mechanism for ratepayer protection. For this reason, disproportionate reductions to utility allocations pose a direct risk to the performance of the Climate Credit and the price of utility bills. Reducing the number of allowances available for consignment, as contemplated by the Staff Proposal, decreases the amount of revenue destined for ratepayers, all else equal. These impacts are especially consequential for low-income households and for communities that are already disproportionately burdened by energy costs. Protecting the Climate Credit therefore requires careful attention to how allowance removals and allocation changes are structured.

Maintaining a strong Climate Credit is also essential for advancing California's electrification and decarbonization strategies. Electricity affordability is a key driver of adoption of electric vehicles, heat pumps, and other clean technologies. By mitigating bill impacts, the Climate Credit helps make it more affordable for customers to transition away from fossil fuels. As the Cap-and-Invest Program becomes more ambitious over time, affordability protections should be preserved and, where appropriate, strengthened. The CCMC therefore believes that program design should maintain or enhance ratepayer support through the Climate Credit alongside environmental objectives. (45d-EC-439.5)

Agency Response:

Changes were made in response to this comment. In the 15-day Amendments, the RPS Factor Applied to Sales was updated, see Agency Response to comment H-1.2a. This increased 2027-2030 allowance allocation for EDUs, by about 54 million allowances, which funds the California Climate Credit. See also Agency Response to comment H-4.4.

H-4.7 Comment:

As acknowledged throughout last year's legislative session, affordable electricity is essential for achieving California's climate and clean energy goals. AB 1207 explicitly directs CARB to design the C&I Program in a manner that "continues elements of the current program that protect state utility ratepayers, encourages decarbonization of the state's economic sectors, and further enables Californians to affordably decarbonize and power their end uses." One of the most effective tools CARB has for fulfilling this intent is the allocation of free allowances to electric distribution utilities (EDUs) for the benefit of their customers. Governor Newsom also recognized this in Executive Order N-5-24, directing CARB to consult with the CPUC on options to maximize the effectiveness of California's Climate Credit, which is funded by revenue from the sale of investor-owned utility (IOU) allowances in Cap-and-Invest auctions. EDU allocations are thus a key lever for supporting affordable electric bills, which are in turn, necessary for widescale electrification to proceed at the pace and scale required to achieve California's 2045 carbon neutrality target.

However, instead of leveraging EDU allocations to further support electricity affordability, the 2025 Proposed Amendments to the C&I Program drastically reduce EDU allocations, in direct contrast to legislative and gubernatorial direction...PG&E's electric allowance allocation decreases by 60% over 2027-2030 compared to the current Cap-and-Trade regulation, along with a markedly inconsistent annual allocation trajectory (see Chart 1). At the allowance prices assumed in the "Proposed Amendments" scenario from CARB's Standard Regulatory Impact Assessment (SRIA), this proposal would abruptly lower the California Climate Credit by approximately $100 per year on average for each of PG&E's residential electric customers from 2027-2030, compared to the allocation in the current regulation (equivalent to approximately $2.7 Billion of reduced customer support during that period). This proposal, if not modified, will reduce electricity bill rebates at a time when energy affordability is a critical policy priority. Unlike State-owned allowances, which fund a broad array of programs with diffuse (if any) impact on consumer costs, IOU allocations provide direct bill relief to millions of households and businesses. Preserving these allocations is critical for supporting customers in managing their everyday bills. Designing an allocation that encourages lower electric rates also facilitates customers in their electrification journey, which is necessary for California's clean energy transition. Conversely, reducing support for electric customers relative to what they would have received in 2027-2030 (i.e. the status quo) could have the impact of delaying customer-driven electrification. (45d-PG&E-445.1)

Agency Response:

Changes were made in response to this comment. PG&E's decrease in allocation in the 45-day proposal was primarily due to the extension of Diablo Canyon Nuclear Power Plant. In the 15-day Amendments, the supply from Diablo Canyon Power Plant was allocated to the three large IOUs, see Agency Response to comment H-3.9a..

Additionally, in the 15-day Amendments, the RPS Factor Applied to Sales was updated, see Agency Response to comment H-1.2a. This increased 2027-2030 allowance allocation for EDUs, by about 54 million allowances, which funds the California Climate Credit. See also Agency Response to comment H-4.4.

H-4.8 Comment:

Given the City of Needles disadvantages, the Board of Public Utilities and City Council are committed to keeping energy rates affordable for our low-income community.

The California Air Resources Board regulation for Greenhouse Gas Emissions requires annual compliance obligations that negatively impact Needles.

While the City of Needles receives "free" allowances annually, these allowances have decreased significantly over the years, causing Needles to obtain offsets/allowances in the open market. The City spent $1,758,868.14 for the last tri-annual compliance period of 2021-2024.

The fiscal impact caused by purchasing the required offsets/allowances must be factored into Needles' rate structure, which impacts the residents/customers and the statistics stated above. (15d-CN-25.1)

Agency Response:

No changes were made in response to this comment. In the 45-day Proposed Amendments, staff worked with the City of Needles to appropriately account for increased retail sales and energy to serve load compared to what was accounted for in the current EDU allocation calculation. In the 15-day Amendments, staff increased EDU allocation to support electric affordability, see Agency Response to comment H-1.2a regarding the RPS factor applied to sales and Agency Response to comment H-4.4. Allowance allocation to Needles, as with all other EDUs, is based on the costs that ratepayers are likely to face due to Cap-and-Invest Program costs associated with their electricity, assuming steadily increasing decarbonization of the electricity used, aligned with supporting achievement of the State’s climate targets and complementary programs like the Renewable Portfolio Standard. Publicly owned EDUs can use allowance value directly for compliance or to purchase renewable energy with no associated GHG costs to lower their costs of compliance with the Program.

H-4.9 Comment:

A Strategic Partner and Destination Fueling Growth. As a not-for-profit utility, Roseville Electric's revenues are reinvested back into our community. To keep rates low, Roseville is constantly planning for the power needs of our community. We have pursued a wide range of generation opportunities, in combination with the use of long-term contracts and other investment strategies.

Roseville has over 7,300 commercial customers with 238 manufacturers and has become a hub for business development with several large industries located in Roseville because of our affordable rates, high reliability, and dependable service. One large industrial manufacturing customer is revamping an existing semiconductor facility to produce silicon carbide chips that will be used primarily in electric vehicles. Roseville offers a significant advantage for industries like these where electricity is a major expense.

Reducing our allowances in the near-term may undercut our ability to attract these types of businesses to our community and our region. Roseville is also concerned that using a conservative load forecast in combination with these midstream updates may have negatively impacted our proposed allowance allocation in this rulemaking, especially when considered in combination with industries, like the one described above, expanding in our city. (15d-CR-31.2)

Agency Response:

No changes were made in response to this comment. See Agency Response to comments H-1.1a, H-4.2, and H-4.3. However, CARB staff continues to evaluate post-2030 allocation to EDUs, which will be the subject of a future rulemaking.

H-4.10 Comment:

EDF supports proposed updates to improve ratepayer protection—CARB should retain and enhance these protections.

The California Climate Credit is one of the most important ways households see the affordability benefits of the Cap-and-Invest program. Since 2014, households have received over $17 billion in credits on their electric and natural gas utility bills, providing important bill savings to households and helping to offset rising electricity costs. The California Climate Credit has been a critical source of relief on utility bills, particularly for low- and moderate-income households, and plays an important role in demonstrating to Californians how climate policy is working to both cut emissions and support affordability.

Several updates included in the April Proposal have the potential to enhance the Climate Credit and make electricity more affordable for households. EDF strongly supports these proposed changes, discussed further below, and urges CARB to retain these protections in the final regulation.

a. Increase to near-term electric allocation will benefit electric ratepayers...

b. Lifting the prohibition on volumetric credits for electric ratepayers enables Cap-and-Invest to actively reduce electric rates...
c. Accelerating the transition from the gas Climate Credit to an enhanced electric Climate Credit is an important step to make electric bills more affordable...
d. Ensuring protections for low-income residential customers is critical as revenues shift from the gas Climate Credit to a higher electric Climate Credit. (15d-EDF-175.9)

Agency Response:

No changes were made in response to this comment. Thank you for the support.

H-5 General EDU Allocation Comments

H-5.1 Comment:

Updating allowance allocations based on recent emissions can threaten the effectiveness of these incentives. This dynamic is referred to as “ratcheting” by economists and by California legislators as “rather perversely punishing the folks who have been doing the best work…who actually made those early investments.” (Asm. Cottie Petrie-Norris, Feb. 23, 2026 Joint Legislative Committee on Climate Change Policies (JLCCCP) hearing). Indeed, if firms expect that lowering emissions today will lead to smaller allocations in the future, the policy signal to reduce emissions early becomes less clear. Over time, this type of approach can discourage early reductions and make long-term planning more difficult for regulated entities.

As CARB increases program ambition and tightens the cap, safeguarding the value and stability of the California Climate Credit, including by revisiting CARB’s historical approach to utility allocations, should remain a priority to ensure that greater environmental stringency does not come at the expense of affordability, equity, or long-term public support. Doing so would align with stated intent of AB 1207 by the bill’s author, who recently said that “we sort of changed the interpretation of the climate credit… [to] not just [help] with compliance,” a view that was echoed by Asm. Petrie-Norris, who said “if there’s one thing that cap-and-invest should protect, it’s electricity rates” (Feb. 23, 2026 JLCCCP hearing). (45d-EC-439.6)

Agency Response:

Changes were made in response to this comment. In the 15-day Amendments, the RPS Factor Applied to Sales was updated, see Agency Response to comment H-1.2a. This increased 2027-2030 allowance allocation for EDUs, by about 54 million allowances, which funds the California Climate Credit. See also Agency Response to comments H-1.1a and H-4.2.

H-5.2 Comment:

The compliance cost burden methodology is not intended for lowering utility bills. Rather, it is intended for equating allowance allocations and compliance cost burdens. However, members of the Joint Legislative Committee on Climate Change Policies are interested in using the cap-and-invest program to intentionally lower utility bills to address electricity affordability. This follows from an emphasis on “cutting utility bills” that was a critical component of legislative extension last year. From an economic perspective, there is a strong justification for using allowance allocations to intentionally lower utility bills and, ideally, utility rates. That justification relies on rates being inefficient because prices are higher than the social marginal cost of electricity. In addition, since the compliance cost burden approach was first implemented, it has become quite clear that electrification is a primary pathway for decarbonization, putting further costs on households that will be installing charging stations and heat pumps. Therefore, the cost burden approach can be viewed as too narrow because it only accounts for compliance cost from EDUs and so misses household costs associated with electrification, thereby neglecting an opportunity to further facilitate electrification at the household level. For these reasons, we believe that now is the right time to reevaluate the role of the cap-and-invest program in the utility sector. (45d-CPC-440.3)

Agency Response:

Changes were made in response to this comment. In developing the Regulation, CARB recognizes that allocation to EDUs should reflect the cost burden of complying with the Regulation and support affordability. The current EDU allocation and Proposed Amendments continue to allocate to EDUs based on cost burden, while supporting affordability. See Agency Response to comments H-4.2, H-4.3, and H-4.4 regarding rates, affordability, and the balancing of multiple requirements of AB 1207. See Agency Response to comment H-4.5 regarding costs to utilities from all other state programs.

H-5.3 Comment:

The compliance cost burden method may underestimate cap-and-invest compliance costs due to its assumptions around policy counterfactuals. For example, the ISOR proposed to update compliance cost estimates to account for SB 100, which has recently increased the ambition of the state’s RPS to 60 percent by 2030 for retail electricity sales. An update makes good sense because SB 100 was passed after the previous update to the cap-and-invest program. However, the Staff Report argues that SB 100 requires a downward revision of the allowances granted to EDUs. This assumes that the RPS is “binding” (i.e., forcing renewables online that would not otherwise have come online) rather than the cap-and-invest program. This assumption may lead to CARB underestimating compliance costs. If there are future renewable electricity sales for which the cap-and-invest program “binds”, then the carbon price caused the corresponding decrease in emissions rather than SB 100, as assumed by the proposed ISOR. Consequently, the cap-and-invest program incentivized an abatement cost that is "missed" by the compliance cost burden method. While these scenarios are hard for CARB to anticipate and estimate, they stem from the underlying assumption that the "newer" policy, in this case SB 100, is always complied with and necessarily binds over the cap-and-invest program. While we do necessarily recommend any imminent changes based on these observations, we note such oversimplifications can bias the compliance cost burden methodology toward under-allocating cap-and-invest allowances to EDUs. (45d-CPC-440.4)

Agency Response:

Changes were made in response to this comment. In the 15-day Amendments, CARB decreased the RPS Factor Applied to Sales, which increased allocation to the electric sector. See Agency Responses to comments H-1.1a and H-1.2a. CARB staff disagree that the cost burden approach underestimates compliance costs to the electricity sector. See Agency Response to comment H-4.2.

H-5.4 Comment:

Another concern is that updating the compliance cost burden method before 2030 may weaken the economic incentive for EDUs to reduce emissions. As the Staff report outlines, a 2017 CARB rulemaking outlined allowance allocations to each EDU for the 2021 to 2030 period. This gave utilities a strong economic incentive to reduce emissions because a renewable energy project, for example, would reduce emissions over the entire 2021 to 2030 period, reliably freeing up allowances over a decade such that they could be banked or sold. This consistent intertemporal economic incentive rewarded early action and encouraged long-lived clean infrastructure investments, contributing to the substantial emissions reductions observed in the utility sector. By contrast, ratcheting allowance allocations downward based on an update to the compliance cost burden, especially before 2030 when allowance allocations were previously locked in, weakens the economic incentive for abatement, because a portion of the allowances that would have been otherwise been freed up for sale after emissions reducing activities will now instead by removed by CARB as proposed by the ISOR. Economic theory predicts that such ratcheting can encourage firms to maintain or even increase emissions to avoid future reductions in allocations. Harstad and Eskeland (2010) demonstrate that ratcheting increases allowance prices and overall compliance costs. Ultimately, a compliance cost burden approach functions as a "success tax" for early emissions reducers. (45d-CPC-440.5)

Agency Response:

No changes were made in response to this comment. See Agency Response to comment H-1.1a and Agency Response to comment H-4.2.

H-5.5 Comment:

The main improvement to the compliance cost burden approach would be to not make any updates before 2030 for non-renewable resources. There is a clear justification for updating renewable resources, including the strengthening of the RPS by SB 100. However, in previous rulemakings, allowance allocations to EDUs were fixed for 2021-2030, and the intent articulated by Staff at the time was that “any changes that utilities make to reduce GHG emissions will reduce their GHG costs while not changing their allocations, thus resulting in a net benefit.” By updating allocations for non-renewable resources before 2030, CARB is eroding a portion of this net benefit. (45d-CPC-440.6)

Agency Response:

No changes were made in response to this comment. See Agency Response to comment H-5.4.

H-5.6 Comment:

We acknowledge that switching approaches may be infeasible or impractical at this time. Therefore, finding small improvements within the existing compliance cost burden approach may be most practical. Nonetheless, we focus on alternative economic frameworks for CARB to at least consider. Table 1 summarizes a few approaches outlined in the economics literature for allocating allowances. These approaches are categorized by: (1) what allocations are based on (emissions, output, or intensity); (2) whether or not allocations are revisited over time (historical versus updated); and (3), whether or not auctions are allocated or not (free versus auctioned). Note that approaches which automatically update allocations based on emissions are rarely used in cap-and-trade programs because of the perverse effect of directly penalizing firms for reducing their emissions. In short, continued pollution would have been rewarded with greater allowances. This is at odds with point of the carbon price, which is to reduce emissions. The adverse impact of the compliance cost burden approach used in California is best described as a “ratchet effect” which incentivizes firms to delay emissions reductions if they know that CARB will take away some or all surplus allowances after emissions reductions occur. In the case of the compliance cost burden, this update is relatively slow, rather than automatic, and happens discretionarily when CARB updates allocations. Therefore, the perverse effect is weaker than it would be under automatic emissions-based updating.

It is worthwhile to at least consider alternatives that avoid perverse or ratchet effects altogether. Of the approaches listed in Table 1, output-based allocation (OBA) seems most appropriate for such consideration. This is the same allocation approach used in California’s industrial sector to allocate allowances to refining, cement, and steel. Under OBA, allowances are allocated based on a formula that multiplies (1) recent production (e.g., barrels of refined oil product), by (2) a carbon intensity benchmark (e.g., emissions per barrel of refined oil product), by (3) a cap adjustment factor (a ratio), b (4) an industrial assistance factor (a ratio). OBA addresses the two economic concerns we've identified with the compliance cost burden approach. First, by basing allocation on recent production and emissions levels, OBA sidesteps the necessary guesswork involved in estimating future compliance cost burden that can lead to misallocation of allowances, and also avoids making difficult assumptions about whether policies other than the cap-and-invest program are binding. Second, the carbon intensity benchmark provides a consistent economic incentive to reduce emissions, thereby avoiding the ratchet effect altogether. Setting the benchmark at an appropriately low level to incentivize emissions reductions is an important design consideration if CARB evaluates this approach. In addition, OBA addresses electricity affordability directly by rewarding more allowances for more production. This provides an implicit output subsidy, such that the price of electricity will be partially subsidized and therefore lower than under other allowance allocation approaches. Therefore, OBA is also well-suited for addressing electricity affordability. Given that lower electricity prices are both economically justified and seemingly consistent with prioritizing lower utility bills, this approach is worthy of evaluation in our view. (45d-CPC-440.8)

Agency Response:

Changes were made in response to this comment. See Agency Response to comment H-5.2. Staff appreciates the input and encourages the commenter to engage in future regulatory processes when post-2030 allocation to EDUs is addressed.

H-5.7 Comment:

CARB Should Consider Additional Reductions in State-Owned Allowances to Support the Cap, Instead of Relying on Utility Allowance Reductions.

Reductions in utility allowance allocations alone account for nearly 60% of the total reduction in allowances targeted under the proposed cap, while the remaining reductions are taken from future auctions of state-owned allowances used for the Greenhouse Gas Reduction Fund (GGRF).

Even if CARB adopts SCE's proposals to modify the EDU allowance allocation methodology, the result would significantly close, but not completely erase, the near-term drop in EDU allowance levels for 2027-2030 created by the proposed amendments. To avoid that reduction in the Climate Credit from the proposed amendments, and in furtherance of objectives to promote electric affordability, CARB should consider a direct transfer of state-owned allowances to EDUs to minimize electric customer impacts. This would advance the state's affordability goals. SCE notes that similar cap-and-invest programs in other jurisdictions have already started allocating additional funds above forecasted amounts for programs aimed at reducing customer bills.

CARB can strategically direct the use of incremental utility allowances to maximize the effectiveness of the Climate Credit, for example, by providing additional Climate Credit to support California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance (FERA) customers. If CARB were to add 10% more in allocations to SCE's account than presently forecasted levels in 2027 for the benefit of CARE and FERA customers only, SCE estimates that this would result in an incremental reduction in the average residential CARE customer bill, from 9% with a status quo return, up to 12% if increased.

Alternatively, incremental utility allowances could be used to provide affordability benefits to all ratepayers, thereby offsetting some of the costs of Public Purpose Programs (PPP) on utility bills and promoting electrification through lower customer electric bills. (45d-SCEC-320.5)

Agency Response:

Changes were made in response to this comment. In the 15-day Amendments, EDU allocation was increased from the 45-day proposal, providing an additional 54 million allowances to EDUs from 2027-2030 and thus additional allowances for ratepayers through the California Climate Credit, which is provided on electric bills. In determining the overall distribution of allowances the Program must meet multiple Legislative directives, including achieving state GHG reduction targets, considering affordability, mitigating emissions leakage, and cost-effectiveness, among others. The Proposed Amendments strike a delicate balance to achieve all of these requirements. Providing additional allowances to EDUs reduces the amount of allowances available for other purposes including industrial allocation and the number of state-owned allowances available at auction, thereby potentially reducing proceeds available for the GGRF. Further, the Proposed Amendments remove the requirement that EDU allowance proceeds distributed to ratepayers be provided in a non-volumetric manner; this change accommodates an active proceeding at the CPUC to redesign the electric Climate Credit. See Agency Response to comment J-3.1.

H-5.8 Comment:

Proposed Electricity Distribution Utility (EDU) Allocations… CARB's proposed modifications to update 2027-2030 EDU allocations result in significantly fewer allowances than under the current regulation for large portions of California electricity ratepayers, including a near 60% reduction in one major IOU territory.

This proposed modification runs counter to AB 1207's legislative direction to maximize affordability as fewer allowances will result in less ratepayer relief in the form of the California Climate Credit. Higher rates will also stimy California's continued efforts to encourage electrification.

CCEEB supports the Joint Utilities Group proposal for an effective Renewable Portfolio Standard as a means to mitigate the impact on California electricity ratepayers from a reduced Climate Credit. An approach that balances energy affordability is imperative to continue advancing climate objectives across building and transportation sectors.

Furthermore, the possibility of state-owned allowances being utilized to provide California Climate Credits was referenced in an LAO analysis in 2025. CARB should consider the relatively narrow benefits of some of the programs proposed to be funded by the GGRF versus the broader benefits of price signals created by shifting state-owned allowances to provide ratepayer relief. (45d-CCEEB-377.6)

Agency Response:

Changes were made in response to this comment. See Agency Response to comment H-1.1a regarding the 2027-2030 EDU allocation, H-1.2a on changes to the RPS Factor Applied to Sales, and H-4.1a regarding affordability. In addition, see Agency Response to comment H-3.9a regarding the changes to allocation of Diablo Canyon Nuclear Power Plant, regarding the comment on one IOU seeing a near 60% reduction in allocation.

In the 15-day Amendments, EDU allocation was increased from the 45-day Proposed Amendments, providing an additional 54 million allowances to EDUs from 2027-2030. Providing additional allowances to EDUs reduces the number of state-owned allowances available at auction, thereby reducing funds available for the GGRF.

H-5.9 Comment:

Although we remain opposed to the retention of 100% free allowances to the oil industry because it reduces the Climate Credit by 30% from last year, we do appreciate the revisions to the Electrical Distribution Utilities' allowances that create some relief for electricity customers, including the revisions to better comply with AB 1207 for a transition of the natural gas to electric climate credits. (15d-AEC-58.1)

Agency Response:

No changes were made in response to this comment. See Agency Response to comment O-12.2 regarding free allowance allocation to the oil industry. Regarding the EDU allocation and transition of NGS allowances to EDUs, thank you for the support.

H-5.10 Comment:

The California Air Resources Board's (CARB) decisions in this rulemaking will directly influence the pace and affordability of decarbonization across the state. While we recognize the complexity of the task before the board, conditions have changed significantly since the program's inception. Achieving the state's 2030 and 2045 climate goals depends on widespread electrification of vehicles, buildings, and industry, which in turn hinges on affordable electricity. The Legislature and Governor have underscored this priority, including through AB 1207's directive to protect ratepayers and prioritize energy affordability. Unfortunately, the proposed changes move in the opposite direction by reducing critical consumer support at a time of historically high electricity rates and increasing leakage risk for industrial customers that rely on affordable energy.

The changes proposed to electric and natural gas allocations leave SDG&E customers worse off than they would be based on existing regulation. The charts below show the anticipated impact of the proposed regulations on SDG&E's allowance allocation – which translates directly to SDG&E customers' Climate Credits. Based on our estimations holding carbon prices constant and as compared to our customers' current benefits:

- SDG&E's all-electric customers will see a lower Climate Credit in the 2027-2029 period, despite the transition of natural gas allowances to electric utilities.
- SDG&E's dual-fuel customers will see a lower Climate Credit each year between 2027-2030.

The Climate Credit provides important and unique value by delivering immediate, transparent benefits to customers while advancing emissions-reduction objectives. These credits provide near-term bill relief that customers can see and understand, reinforcing public confidence in climate programs and ensuring a timely return of program value. This immediacy is especially important for maintaining affordability and equity during the transition to lower-carbon energy systems, particularly for residential and small business customers.

As compared to program investments funded by the Greenhouse Gas Reduction Fund (GGRF), the Climate Credit addresses short-term customer impacts now, while longer-term GGRF programs build durable infrastructure and market capacity. From a utility perspective, this balanced approach supports CARB's goals by pairing immediate customer value with long-term emissions reductions, ensuring climate policy remains both effective and publicly durable. (15d-SDGE-194.1)

Agency Response:

No changes were made in response to this comment. See Agency Response to comments H-1.1a, H-4.2, H-5.7, and I-1.1a.

I. NGS Allocation

I-1 Transition of Investor-Owned Utility Natural Gas Supplier Allocation to EDUs

I-1.1a Multiple Comments: Opposition to NGS Allocation Transition Pace

CARB's initial proposal would transition natural gas allowances to electric utilities beginning in 2029 and complete in 2036. We recognize that this phased structure demonstrates an intent to mitigate abrupt cost shifts for households. However, we are concerned that this proposed transfer, and any alternative proposal that would further expedite the transfer, will disproportionately impact low-income constituents who continue to rely on gas service. We urge CARB to craft its regulatory update in a way that ensures the cumulative effects of the proposed changes do not result in unintended adverse impacts – i.e., higher overall energy costs for Californians, particularly for low-income households, residents of disadvantaged communities, and constituents who are already burdened by rising utility bills and infrastructure costs.

Energy affordability remains a critical issue statewide and must be at the forefront of CARB's considerations for how Cap-and-Invest allowances are allocated. Decisions made in this rulemaking could materially influence household energy bills for years to come. As CARB deliberates this issue, Californians deserve a clear-eyed perspective on the impact of the proposed changes on households, the majority of which continue to rely on natural gas as a necessary complement to their electric service.

CARB should continue to provide some level of ratepayer protection for gas customers, specifically one that ensures that our most vulnerable Californians – those who may not have the means or ability to electrify their end uses – are not left unfairly and inequitably carrying the cost of the transition. (45d-Members of the California Legislature-20.2)

Comment:

AB 1207 directed CARB to update the Cap-and-Invest Program in a manner that advances California's climate goals while maintaining affordability and protecting ratepayers. In particular, the statute amended Health and Safety Code section 38562(b) to direct CARB to "design the regulations, including the distribution of emissions allowances where appropriate, in a manner that transitions support from gas corporations to electrical distribution utilities, as defined in Section 95802 of Title 17 of the California Code of Regulations, on or before January 1, 2031, to minimize ratepayer impacts and achieve the requirements of Sections 38562.2 and 38566 and the purposes of this division." The statute also reinforces an existing requirement that CARB ensure compliance activities do not disproportionately impact low-income communities. Together, these provisions reflect a clear legislative expectation that the transition of California's energy system, particularly the relationship between the electric and natural gas systems, must be managed carefully to protect both electric and natural gas customers. The Proposed Amendments begin to implement this transition by shifting the distribution of allowances currently associated with natural gas utilities toward electrical distribution utilities over time. The proposal contemplates beginning this transition in the late 2020s and completing it in the following decade. CalChamber recognizes that CARB has attempted to phase in this shift rather than implement it abruptly. Nonetheless, the rulemaking does not yet fully address the broader structural implications of this transition for ratepayers, particularly in light of the fact that a majority of California households and businesses continue to rely on natural gas as an essential energy service. Natural gas remains a critical component of California's energy system. It provides cost-effective space heating, water heating, and cooking for millions of households. It also plays a significant role in industrial processes, commercial operations, and electricity generation reliability. While the State is pursuing policies that encourage electrification of end uses over time, the pace of electrification will depend on technology readiness, infrastructure upgrades, permitting timelines, building retrofits, and consumer adoption. These changes occur over long investment cycles and require substantial investments by both utilities and customers. As a result, the transition away from natural gas will occur gradually rather than instantaneously. Against this backdrop, the distribution of Cap-and-Invest allowance value has historically served as an important mechanism for mitigating ratepayer impacts associated with carbon pricing. Shifting those allowances away from natural gas utilities necessarily reduces the resources available to moderate the rate impacts of the cap-and-invest program for gas customers. While such a shift may be consistent with long-term electrification objectives, the timing and structure of the transition must be carefully aligned with the pace at which households and businesses can realistically transition their energy use. If the transition occurs more rapidly than electrification can occur in practice, the result may be an unintended cost imbalance. As allowance value shifts toward the electric sector and away from the gas system, natural gas customers may experience rising rates while many households remain dependent on gas service. Because gas utility infrastructure costs are largely fixed, they must be recovered from the remaining customer base even as overall gas demand gradually declines. If customers begin leaving the gas system faster than infrastructure costs can be retired, the remaining customers may face increasing per-customer cost burdens. This dynamic presents a significant challenge in managing the long-term gas system transition. These concerns are particularly acute for low-income households and other consumers who may face significant barriers to electrification. Many households do not have the financial resources to replace functioning gas appliances with electric alternatives. Renters may not have control over building energy systems. Older housing stock may require electrical panel upgrades or other structural improvements before electrification is feasible. For these households, continued reliance on natural gas may not be a matter of preference but of economic necessity. Maintaining some level of continued protection from the costs imposed by cap-and-invest on natural gas ratepayers beyond the transition period described in the Proposed Amendments may be necessary to avoid unintended equity and affordability impacts. This does not mean delaying the transition indefinitely; rather, it means ensuring that the transition occurs in a manner that aligns with technological readiness, infrastructure planning, and consumer capabilities. The Legislature recognized these realities in AB 1207 when it directed CARB to design the allowance transition in a manner that minimizes ratepayer impacts and protects vulnerable communities. Consistent with that direction, the Proposed Amendments should be revised to allow natural gas utilities to petition CARB to adjust the schedule for the transition of allowances upon a showing that the transition is failing to minimize ratepayer impacts or protect vulnerable communities. Such a petition process would provide CARB with a targeted mechanism to respond to emerging affordability concerns while maintaining the long-term trajectory of the program. (45d-CCC-374.8)

Comment:

Transition of Investor-Owned Utility Natural Gas Supplier Allocation to EDUs

CCEEB recognizes the reauthorization language includes a phased-in approach to the transition of natural gas supplier (NGS) allocations to EDUs, where appropriate, and existing statute also requires CARB to ensure that it designs allocations in a manner that does not disproportionately impact low income communities.

Further, it is possible that the Californians least likely to transition away from existing home gas appliances early will be lower income and older residents on fixed incomes. CARB’s implementation of AB 1207 as it pertains to the transition of NGS allowances to EDUs must ensure that low-income communities are not disproportionately impacted by the regulation, which the current proposed regulation does not address. (45d-CCEEB-377.5)

Comment:

Further, changes proposed by some stakeholders to expedite the transition of natural gas allowances to electric utilities would significantly worsen household energy bills for the majority of the state – making the concerns noted above more prevalent over a shorter period of time. AB 1207 directs CARB to design a transition of allowances by 2031 – not to complete that transition by such date. SDG&E cautions against a quick decision that could result in more harm than benefit for many Californians. (45d-SDGE-413.5)

Agency Response:

Changes were made in response to these comments. AB 1207 requires CARB to design the regulations in a manner that transitions support from gas corporations to EDUs. In the 15-day Amendments, CARB staff reserved 30% of natural gas supplier allowances, calculated prior to transferring any allowances to EDUs, to specifically benefit low-income residential ratepayers as further directed by the CPUC. CARB will continue to monitor implementation of the transition to ensure that the design meets the requirements of the legislation, including minimizing ratepayer impacts and protecting vulnerable communities. Any needed changes can be addressed in future rulemakings.

I-1.1b Comment:

Good morning, Madam Chair, esteemed Board members. I'm Kevin Barker with SoCalGas. First, it's important to recognize that shifting allowance value from natural gas customers to electric customers will not make household energy bills more afford -- affordable. Instead, it will leave the majority of Californian's households worse off. The California Climate Credit is the most immediate, direct way to support Californians' energy bills and any decision to reduce overall climate credits to mixed fuels resi -- to mixed fuel residents is detrimental.

Therefore, we remain opposed to any transfer of allowances because it will increase costs for many Californians. However, we appreciate CARB staff's recognition of the need to retain some allowances for low-income gas ratepayers. It is prudent to maintain this support for the life of the program, as these households are the least able to electrify and the most vulnerable to rising energy bills.

While we appreciate CARB's efforts to address affordability, we respectfully urge CARB to continue to prioritize it by maintaining a Climate Credit for low income natural gas ratepayers indefinitely. (BH-SCG-126.1)

Agency Response:

No changes were made in response to this comment. See Agency Response to comment I-1.1a.

I-1.2a Multiple Comments: Accelerated Transition of NGS Allocation

Last year’s Cap-and-Invest (C&I) extension, AB 1207 (Irwin), required the California Air Resources Board (CARB) to design the program in a way that equitably “transitions support from gas corporations to electrical distribution utilities… on or before January 1, 2031” while minimizing ratepayers impacts and encouraging early climate action.

CARB's proposed C&I amendments transition the natural gas credit to electricity bills between 2029 through 2036. This means the transition would finish 5 years after the date required by AB 1207.

This is a missed opportunity to address California's electricity prices, which are increasing fastest in the nation above inflation due to wildfire-related spending. Californians who are impacted by high electricity bills are disproportionately low income, and dependent on air conditioning due to living inland.

A faster transition of the natural gas climate credit to electric would reduce California's problem of inequitable electricity bills, while maintaining progress on deploying zero emission vehicles as the federal administration attacks our leadership. As the California Public Utilities Commission (CPUC) initiates its process to maximize the benefits for utility customers during this electricity affordability crisis, we stand ready to support CARB in opportunities to promptly improve the impact and equity of the climate credit.

California should sustain its promise to deliver "the biggest electricity bill refunds in a decade" by increasing the near-term electric climate credit. (45d-NRDC-169.1)

Comment:

State climate laws, including AB 32, AB 398 and AB 1207, require that implementing agencies take into account consumer affordability among several important goals. To that end, California's cap-and-trade (now cap-and-invest) program requires utilities to return the revenue from the sale of their free emissions allowances to customers in the form of lump-sum California Climate Credits. We are pleased that the Legislature last year mandated a phased transition of natural gas utility allowances to Electrical Distribution Utilities (EDUs), which may encourage households to adopt cleaner electricity-powered solutions for their heating and transportation needs. However, in the spirit of AB 1207, we urge CARB to commit to a much faster transition schedule to make the state's support for clean electrification clear to every Californian. (45d-CFC-127.1)

Comment:

In the interests of promoting statutory goals for emissions reductions and affordability, however, we strongly urge CARB to accelerate its timetable for transitioning natural gas utility allowances to the EDUs. Significant electric rate reductions are a highly progressive way to share revenue from the cap-and-invest program with California households and a highly effective way to enlist them in climate progress through clean electrification. (45d-CFC-127.3)

Comment:

Adopt a more ambitious transition of the natural gas climate credit to reduce high summer electricity bills. AB 1207 required CARB to transition "support from gas corporations to electrical distribution utilities… on or before January 1, 2031" while minimizing ratepayer impacts and encouraging early climate action. The C&I amendments propose to transition climate credit allocations from gas corporations to electric distribution utilities between 2029 through 2036, delaying the transition years beyond the timeline required by AB 1207. Delaying the transition of the natural gas climate credit means foregoing savings during high-billed electricity months, when relief is needed most, and also needlessly discourages switching from gas to electric appliances by reducing operational cost savings from heat pumps and other zero-emission electric technologies. Accordingly, CARB should complete the natural gas climate credit transition by C&I compliance year 2031 for the electric IOUs, in line with AB 1207. For other covered electricity utilities who require more lead time to introduce new technology systems to distribute the climate credit, we support providing reasonable flexibility to ensure smooth, equitable implementation with a public input process to deliver a meaningful credit that provides electricity consumers relief as soon as possible. A successful transition will invest critical affordability revenues from C&I into lowering residential electricity bills, rather than continuing to invest in the natural gas bill climate credits. (45d-NGC-292.2)

Comment:

The legislature's intent in AB 1207 was to preserve and enhance electric affordability while promoting electrification by transitioning natural gas supplier ("NGS") allowances to EDUs. An immediate but administratively flexible implementation would ensure that benefits envisioned under AB 1207 are realized as quickly as possible while minimizing operational disruption.

SCPPA appreciates that CARB has recognized that POUs may require time to modify existing accounting, billing, and reporting systems and has provided the necessary flexibility that supports the efficient integration of associated changes within existing administrative processes. However, that time should not delay the transition of NGS allowances to POUs as long as POUs have the flexibility to apply credits directly to ratepayers in the most effective, efficient way allowed by the statute and their billing systems. The transition should be effective sooner than proposed; ideally, upon adoption. Additionally, the transition as proposed will take about 9 years, with incremental increases each year. A slow and incremental transition will not likely have the intended impact of encouraging electrification, as it may result in an incentive that is likely to be too small for customers to notice or properly utilize towards decarbonization. For this reason, CARB should identify a transition period that takes no more than 5 years. This approach is consistent with Health and Safety Code ("H.S.C.") §38562(b)(1)(B)(i), which directs that the transition and distribution of allowances be completed "on or before January 1, 2031." Starting early while allowing for allowance administrative flexibility will balance timeliness and practicality… SCPPA encourages

CARB to work collaboratively with utilities to design a transition schedule that preserves rate stability, supports electrification, and maximizes the long-term benefits to California's ratepayers. (45d-SCPPA-357.6)

Comment:

CMUA recommends that CARB accelerate the pace of the transition so that it is completed by 2031. Under the current proposal, the transition is gradual and may not achieve the intended policy objective because the allowance value credit to electric customers in the early years would likely be too small to be meaningful. The share of transferred allowances allocated to EDUs in the early years is relatively small, compared to implementation costs. A faster ramp to full implementation would better align administrative efforts with customer benefits and more effectively advance AB 1207's affordability objectives. (45d-TCMUA-368.9)

Comment:

The proposed amendments transition the natural gas climate credit from compliance year 2029 through 2037, starting with a 20 percent reduction in natural gas credit allowances followed by 10 additional percentage decline each year thereafter. This transition is 6 years after the date permitted within AB 1207. CARB should move up the start date of the transition of the climate credit to compliance year 2028, transitioning the allowances at a more rapid pace to achieve a finalized transition away from natural gas IOU allowances by or on compliance year 2031-2032. (45d-NRDC-376.1)

Comment:

Adopt a more ambitious transition of the natural gas climate credit to reduce high summer electricity bills. (45d-Ceres-383.6)

Comment:

Climate Credit Reform… AB 1207 additionally directs CARB to transition "support from gas corporations to electrical distribution utilities… on or before January 1, 2031" with a focus on minimizing impacts to ratepayers. We are appreciative of the opportunity to reform the Climate Credit. Energy affordability is top of mind for California households, and amending the distribution of this credit to bring down bills during the hottest months is paramount for households who are hit the hardest by the impacts of global warming. In addition to ensuring that Californians are able to use their power in the warmest, highest-billed months, keeping electricity bills low is a key price indicator that helps encourage the switch to zero-emission transportation and home appliances. The timeline in the Proposed Amendments to enact this transition from 2029 to 2036 means that this transition would conclude 5 years after the 2031 deadline set forth in AB 1207. We urge completion of this transition by 2031 to meet this deadline, with reasonable flexibility for covered electrical utility entities who are facilitating the distribution of the credit. (45d-CEV-429.3)

Comment:

Quickly Transition Allowances from Natural Gas Suppliers to Electric Utilities… CARB allocates allowances to both EDUs and NGS. Electricity and natural gas are significantly different in how they relate to California's climate goals: electrification is the most efficient way to reduce emissions across much of California's economy while natural gas is primarily composed of methane, a potent GHG.

AB 1207 (Irwin, 2025) requires CARB to develop regulations to transition allocated allowances from natural gas utilities to electric utilities by 2031. In the Proposed Amendments, CARB appears to be interpreting this requirement to mean that CARB must develop regulations by 2031 rather than requiring CARB to complete the transition of allowances from NGS to EDUs by 2031. CARB's proposed amendments outline a slow transition of allowances from natural gas to electric utilities, starting in 2029 and eventually completing the transition in 2037.

The total value of allowances allocated to natural gas utilities from 2027-2030, using the allowance price from the most recent auction, is about $3 billion. Under CARB's proposal to slowly transition allowances, only $350 million would be transferred from natural gas to electrical utilities by 2031, maintaining more than $2.6 billion in funds from the Cap-and-Invest program in the natural gas sector rather than directing those funds to immediately reduce electricity bills.

There is more work to be done in addressing the long-term drivers of electric utility rates, but many of those reforms will take years to begin to meaningfully lower electric bills. The allowances previously projected to be allocated to natural gas present a unique opportunity to meaningfully address electricity affordability in the near-term. We encourage that CARB fully transition the allowances previously allocated to natural gas utilities to electric distribution utilities by 2031. (45d-AMIrwin-435.1)

Comment:

SMUD appreciates the Legislature's additional actions to support electric ratepayers by transitioning allowances from natural gas corporations. SMUD understands that the transitioned allocations cannot–and are not intended to–offset the harm to electric ratepayers that would be caused by reducing the 2027-2030 EDU allocation. However, these transitioned allowances can provide California households with important additional relief on electricity bills.

SMUD recommends that CARB consider accelerating the pace of the transition–starting in 2029 and ending in 2031, rather than the current proposal of 2037–to align with the statutory direction to transition support from gas corporations to electric utilities by 2031.

SMUD additionally believes that careful implementation is needed to seamlessly and effectively transition allowance value to electric customers and therefore supports CARB's proposed three-year implementation runway. This proposal will allow POUs that do not currently provide Cap-and-Invest credits to determine the most impactful delivery for their residential customers, update billing and IT systems, and perform customer outreach and education. At the same time, it provides flexibility for individual POUs to return the value sooner. (45d-SMUD-447.10)

Comment:

As we review the regulatory proposals for the Cap-and-Invest (C&I) program, we urge the Board to prioritize reducing high electricity bills and saving households money. Most notably, by adopting a more ambitious transition of the natural gas to electric climate credit to reduce high summer electricity bills.

AB 1207 required CARB to transition "support from gas corporations to electrical distribution utilities… on or before January 1, 2031" while minimizing ratepayers impacts and encouraging early climate action. The C&I amendments propose to transition climate credit allocations from gas corporations to electric distribution utilities between 2029 through 2036, delaying the transition years beyond the timeline required by AB 1207. Delaying the transition of the natural gas climate credit means foregoing savings during high-billed electricity months, when relief is needed most, and also needlessly discourages switching from gas to electric appliances by reducing operational cost savings from heat pumps and other zero-emission electric technologies.

Accordingly, CARB should complete the natural gas climate credit transition by C&I compliance year 2031 for the electric IOUs, in line with AB 1207. For other covered electricity utilities who require more lead time to introduce new technology systems to distribute the climate credit, we support providing reasonable flexibility to ensure smooth, equitable implementation with a public input process that delivers a meaningful credit to provide electricity consumers relief as soon as possible.

A successful transition will invest critical affordability revenues from C&I into lowering residential electricity bills, rather than continuing to invest in the natural gas bill climate credits. (45d-AEC-441.1)

Comment:

We urge the California Air Resources Board (CARB) to oppose any delay in transitioning the Cap & Invest (C&I) climate credit from natural gas to electricity bills, as required under AB 1207 (Irwin). Delaying this transition from 2031 to 2037 would be a missed opportunity to provide meaningful bill relief to millions of struggling California families. It would also result in six additional years of harmful health impacts in our communities, and deepen investments in stranded fossil fuel infrastructure and appliances. For these reasons, we respectfully request that CARB maintain the original implementation timeline established by state law. The Public Advocates Office (PAO) recently published its Electric Rates Report for Q4 2025, which underscores the severity of the energy affordability crisis facing California families. Statewide, the PAO reported that more than 1 in 5 households are behind on their electricity bills by an average of $634, representing 2.4 million customers in arrears. This widespread cost-of-living crisis is driven in large part by escalating rate increases by our state's Investor-Owned Utilities (IOUs), all of which continue their annual practice of raising their costs to ratepayers to pay for shareholder dividends. In fact, rate hikes by PG&E, SCE, and SDG&E represent a 76%, 101%, and 98% increase over the past decade, respectively. This situation is untenable for families wrestling with the already high cost-of-living in our state. Delaying the bill transition would also undermine progress toward California's climate goals. AB 32 requires the state to reduce greenhouse gas emissions below 1990 levels by 2030 and charges CARB with the responsibility to lead this effort. CARB's 2022 Scoping Plan emphasizes the need to keep "all options on the table," including transitioning existing energy infrastructure toward zero-carbon electricity. Implementing AB 1207 on schedule is essential to fulfilling both the letter and the spirit of the Scoping Plan. To consider delaying the bill credit transition from gas to electricity undermines the mission of CARB as outlined in state law. (45d-OCCE-450.1)

Agency Response:

Changes were made in response to these comments. In the 15-day Amendments, changes were made to accelerate the rate of transition of the natural gas allocation to EDUs. Table 9-6a was updated with the transition starting one year earlier and with 70% of NGS allowances transferred to EDUs by budget year 2031. The 70% transition by 2031 ensures that natural gas utilities retain sufficient allowances to provide an equivalent non-volumetric residential return primarily to low-income ratepayers as directed by the CPUC no later than 2031 and forward. The transition starts with budget year 2028 to provide time for CPUC to direct investor-owned utilities implementation of these provisions, provide time to update billing systems, and for EDUs to prepare their systems and set procedures for accepting the additional NGS allowances to be used for return to EDU ratepayers.

I-1.2b Multiple Comments: Support Accelerated Transition of NGS Allowances

We support CARB's April proposal to accelerate the transition of fossil gas allowances to electric distribution utilities to comply with AB 1207. The January ISOR delayed the transfer of fossil gas auction revenues to electric customers until 2029. The accelerated April proposed transfer will improve affordability and reduce electricity costs for consumers sooner rather than later. (15d-TCC-29.2)

Comment:

Natural Gas Supplier Allowance Transition to Support Customer Electrification… SCPPA appreciates that the revised draft regulations (15-day proposal) make meaningful progress toward implementing AB 1207's intent by accelerating the proposed transition of natural gas supplier (NGS) allocated allowances to electrical distribution utilities (EDUs) compared to the initial 45-day proposal. Advancing both the start date and the pace of the transition will help ensure that the affordability and electrification benefits envisioned under AB 1207 reach customers sooner, while still allowing POUs sufficient flexibility to integrate the new on-bill credit framework into existing accounting, billing, and reporting systems without undue administrative disruption. (15d-SCPPA-39.3)

Comment:

We support the accelerated shift of allowance value from natural gas utilities to electric utilities for the climate credit, in better alignment with AB 1207's requirement to transition gas utilities' free allowances to electric utilities by 2031. This improvement will deliver savings to ratepayers during high-billed electricity months, when relief is needed most, while also encouraging the switch from gas to electric appliances by reducing operational cost savings from heat pumps and other zero-emission electric technologies. (15d-CEEJTPHAG-132.9)

Comment

SMUD supports the proposed changes in Cap-and-Invest that accelerate the pace of the natural gas allowance transition while maintaining implementation lead time for POUs.

SMUD appreciates the accelerated timeline for completing the transition of natural gas allowances to electric utilities in Table 9-6A in section 95893 of the Cap-and-Invest regulation. This accelerated transition date is consistent with the direction of AB 1207. SMUD additionally appreciates that the 15-day amendments retain a three-year implementation runway, as set forth in section 95892 (d)(9), which allows time for POUs that do not currently provide direct customer credits to design, plan, and deliver them. SMUD believes that CARB's proposal recognizes both the urgency of the transition and the importance of thoughtful implementation. (15d-SMUD-167.5)

Comment:

Transfer of Natural Gas Suppliers' Allowances to POUs… LADWP supports the revised schedule to complete the transfer of allocated allowances from natural gas suppliers to EDUs by the end of 2031. LADWP is discussing how best to distribute the value of these additional allowances to its residential customers, and appreciates the flexibility afforded by removing the requirement that POUs must distribute the credit to ratepayers in a non-volumetric manner. (15d-LADWP-177.4)

Agency Response:

No changes were made in response to these comments. Thank you for the support.

I-1.2c Comment:

Support efforts to make electricity more affordable and accelerate the transfer of fossil gas auction revenues to electric utilities. (BH-TCC-40.2)

Agency Response:

No changes were made in response to this comment. Thank you for the support.

I-1.3 Comment:

PacifiCorp supports CARB's approach to transition natural gas allowances to EDUs starting with vintage 2029 allowances. As mentioned in prior comments, PacifiCorp has many customers reliant on fossil fuels like propane or oil to heat their homes. This allowance transition would help lower the cost of electricity and further incentivize electrification for customers to heat their homes with heat pumps or drive electric vehicles. PacifiCorp also appreciates the straightforward distribution approach to spread allowances to all EDUs. While there could be benefits to evaluating different distribution criteria, this straightforward approach allows CARB to begin the transition with vintage 2029 allowances, speeding up electric investments that otherwise may be delayed due to a lengthy re-allocation process. (45d-PC-295.5)

Agency Response:

No changes were made in response to this comment. Thank you for the support. However, as described in the Agency Response to comment I-1.2a, changes were made to increase the rate of transition of the natural gas allocation to EDUs, while maintaining 30% of NGS allowances for low-income ratepayers.

I-1.4 Comment:

SCE supports CARB's proposed framework for the transition of natural gas utility allocations to electric distribution utility allowances pursuant to AB 1207. SCE recommends that CARB update its regulation to reflect in the proposed framework consideration of the timelines, procedures, and costs associated with the utilities' implementation of this transition to mitigate impacts on affordability. (45d-SCEC-320.7)

Agency Response:

Changes were made in response to this comment. See Agency Response to comment I-1.2a regarding expediting the transfer of allowances from NGSs to EDUs and support to low-income ratepayers.

I-1.5 Comment:

Nucor therefore respectfully requests confirmation that the proposed transition of allowance value associated with energy use from natural gas suppliers and electric distribution utilities will not result in a net monetary or financial disadvantage to California Steel Industries, including through changes in cash-flow timing or tax exposure. We further encourage CARB to closely monitor implementation and retain flexibility to adjust the approach if unintended cost increases or inequitable impacts on covered industrial facilities emerge, consistent with the proposed regulatory text addressing utility allocation and allowance consignment. (45d-Nu-322.2)

Agency Response:

No changes were made in response to this comment. AB 1207 requires CARB to design the regulations in a manner that transitions support from gas corporations where appropriate to EDUs to minimize ratepayer impacts on or before January 1, 2031. Per AB 1207, this transition does not impact industrial allowance allocation. Since 2018, investor-owned utility NGSs have provided a majority of auction proceeds from the sale of allocated allowances to residential ratepayers as an annual credit called the California Climate Credit. Thus, California steel industries are not impacted by this change, as they are not residential ratepayers.

I-1.6a Comment:

CMUA remains concerned with CARB's proposal eligibility conditions, which limit participation to EDUs that serve residential customers. CMUA previously raised that AB 1207 directs that allowance value be returned to "ratepayers" and does not distinguish between residential and non-residential customers. Further, Public Utilities Code section 7485.5(a) refers broadly to "ratepayers." Some POUs primarily serve commercial or industrial customers whose operations directly support local economies and employment, ratepayers who should receive the benefit of a credit to assist in their energy transition endeavors. To align with legislative intent and support broad affordability and transition outcomes, CMUA recommends that all EDUs be eligible to receive the transferred gas corporation allowances regardless of whether or not they serve residential customers, and that CARB adopt an allocation approach that equitably accounts for EDUs with diverse customer classes. (45d-TCMUA-368.11)

Agency Response:

No changes were made in response to this comment. AB 1207 requires CARB to design the regulations in a manner that transitions support from gas corporations where appropriate to EDUs to minimize ratepayer impacts on or before January 1, 2031. Since 2018, investor-owned utility NGSs have provided a majority of auction proceeds from the sale of allocated allowances to residential ratepayers as an annual credit called the California Climate Credit. Commercial and industrial customers never received a climate credit from allocation provided to NGSs. Aligned with the direction in AB 1207 and the historic beneficiaries of NGS allocation, the Proposed Amendments direct all allocation transitioned from NGS to EDU to benefit residential ratepayers.

I-1.6b Comment:

However, we urge CARB to explicitly direct the CPUC and EDUs, including publicly owned utilities and electrical cooperatives, to ensure that the additional allowances are returned as direct bill relief, preferably on-bill, to residential customers. This must include households served through master-metered properties, where accounts may be classified as commercial, despite serving residential end users. Additionally, we urge CARB to direct POUs and COOPs to provide greater transparency to customers regarding the use of all allocated allowances. (15d-EJC-124.9)

Agency Response:

No changes were made in response to this comment. For investor-owned utilities, CPUC requires that the California Climate Credit be provided to master-meter customers. CARB's requirements direct the use of transitioned NGS allocation for the benefit of residential ratepayers, which includes master-meter end use customers who pay for electric rates through master-metered properties. CARB will continue to work with the CPUC and with publicly owned utilities to support provision of EDU allocation to master-metered residential end users in the implementation of these requirements. Aligned with the requirements of the Regulation, the CPUC and the POU governing boards have their own public processes to determine the most equal and fair way to distribute allocated allowance value to benefit their ratepayers. Please also refer to Agency Responses to Comments I-1.6a and J-1.2.

I-1.7a Multiple Comments: Dual Fuel Customers

Any shift of Natural Gas Supplier (NGS) allowances to EDUs must be carefully crafted to ensure that natural gas customers, particularly low-income customers, are not disproportionately impacted.

AB 1207 directs CARB to "[d]esign the regulations, including distribution of emissions allowances where appropriate, in a manner that transitions support from gas corporations to electrical distribution utilities…on or before January 1, 2031, to minimize ratepayer impacts".

The phrase "where appropriate" is particularly important. Although the statute instructs CARB to "consider" factors such as cost-effectiveness, affordability, and societal benefits, it also requires CARB to "[e]nsure that activities undertaken to comply with the regulations do not disproportionately impact low-income communities." In practical terms, this means CARB may transfer support to electric utilities only to the degree that doing so does not create disproportionate burdens for low-income customers. If transferring allowances—such as transferring all NGS allowances—would result in such disproportionate impacts, then CARB should refrain from designing or implementing regulations that mandate this outcome, as doing so would conflict with the Health and Safety Code's statutory requirements.

In 2024, California had approximately 11.4 million gas consumers as compared to 14.2 million electric consumers. Dividing the amount of revenue allocated for the natural gas Climate Credit across a larger pool of (electric) customers means that each individual consumer will receive less credit than they would otherwise have gotten with two separate (gas and electric) credits. Given this, all California households that receive both a gas and electric Climate Credit today will receive less overall Climate Credit than they otherwise would have if CARB adopts the proposed transition of NGS allowances to electric utilities. Unfortunately, the impact of that loss will be even more pronounced for low-income customers, as the Climate Credit offsets a larger proportionate share of their household energy costs. (45d-SDGE-413.4)

Comment:

Based on data from the Energy Information Administration, California had approximately 11.43 million residential gas consumers and 14.21 million residential electric consumers in 2024. These figures indicate that approximately 80% of California households still use gas appliances. Most of those customers are served by a gas IOU and receive a gas Climate Credit. This means that transitioning the gas allocation as proposed by CARB would result in a reduced climate credit from NGS allowance revenues to dual fuel customers. After the full transition of allowances from NGS to electric distribution utilities (EDUs), the resulting climate credit would be about 20% less than before the transition for dual fuel customers. This reduction would have greater impact on low-income customers because the climate credit offsets a larger portion of their annual natural gas energy bill.

AB 1207 also requires CARB to "[e]nsure that activities undertaken to comply with the regulations do not disproportionately impact low-income communities" in the updates to the C&I Program. Approximately 30% of total IOU natural gas residential customers (the percentage varies by utility) are enrolled in CARE programs.[2] To comply with Health and Safety Code Section 38562(b)(2) and avoid disproportionately impacting low-income customers, we propose that CARB preserve a dedicated pool of allowances for NGS to support low-income customers by funding a climate credit for CARE-enrolled natural

[2] Approximately 3.4 million customers of PG&E, SDG&E, SoCalGas, and Southwest Gas are enrolled in the CARE program out of 12.5 million customers.

gas customers and/or low-income targeted decarbonization programs (as ultimately determined by the California Public Utilities Commission). This would help the customers least able to absorb cost increases to receive ongoing, targeted support as the system transitions over time.

Accordingly, we recommend revising Table 9-6A of the proposed regulation to reflect a gradual and balanced transition that protects low-income ratepayers. It would begin with no more than a 20% transfer of NGS allowances occurring no earlier than 2029, increase by no more than 10% each year, and cap at no more than 70% in 2034 and beyond, as reflected in Table A...Under this approach, as the share of allowances transferred from NGSs to EDUs increases over time, only the portion of allowance revenues that would otherwise go to non-CARE natural gas customers is reduced. The pool of allowances reserved for CARE customers or other income qualified programs,5 and thus the climate credit for low-income ratepayers will remain intact. This structure directly aligns with the statutory requirement and preserves an ongoing source of funding for low-income customers.

We acknowledge that the design of the climate credit or other uses of the NGS allowance revenue for the Gas IOUs is ultimately decided by the California Public Utilities Commission. But CARB must establish guardrails in its regulation to ensure low-income customers are not disproportionately impacted. (45d-NGIOU-422.1)

Comment:

I. Proposed changes would increase costs for natural gas ratepayers. The proposed regulation revises the allocation of allowances to investor-owned utility (IOU) Natural Gas Suppliers (NGS) for 2029–2037 to implement AB 1207, which requires CARB to design regulations that, where appropriate, transition allocated allowances from NGS to electric distribution utilities (EDU) by 2031. We appreciate that CARB's proposal begins this transition in the 2029 budget year. But the shift proposed by CARB from NGS to EDUs would reduce the Climate Credit available to all dual-fuel households that currently benefit from NGS allowance revenues and disproportionately increase overall (natural gas and electricity combined) utility costs for low-income dual fuel households.

There are more electric residential customers than natural gas residential customers in California (about 14.2 million and 11.4 million, respectively). Spreading the same allowance value across more customers reduces the overall Climate Credit funded by NGS' revenues, ultimately resulting in increased energy costs for dual-fuel customers. As proposed, shifting NGS allowance revenues to EDUs would increase total energy bills for natural gas customers. Even with a higher electric Climate Credit, these households would receive about 20% less in total Climate Credit than they do today when the credit is delivered on their natural gas bill.

The following example illustrates the effect of transferring NGS' allowances worth $1 billion in revenues on dual-fuel residents in 2035. Under a business-as-usual (BAU) case in which NGS retain all their allowances, households would receive an estimated $87.50 Climate Credit from NGS' revenues. Under the proposed regulation's 80 percent reallocation of NGS' allowances to EDUs, this allocation would be distributed in part by the NGS and in part by the receiving EDU, collectively reducing the amount to $73.77 per household. Under a 100 percent NGS to EDU allowance transfer, households would receive only $70.43.

The legislature provided statutory language giving flexibility to CARB to implement the legislation in a manner that does not disproportionately impact low-income communities. While AB 1207 authorizes CARB to design regulations that include the transfer of NGS allowances to EDUs "where appropriate," it does not require the transfer of all allowances. The transition outlined in CARB's proposal and discussed at the Joint Legislative Committee on Climate Change Policies would negatively impact affordability for approximately 80 percent of California households by reducing the amount of Climate Credit they receive from NGS revenues...

NGS should retain at least 30% of allowances to benefit CARE ratepayers.

Approximately 30 percent of IOU natural gas residential customers (the percentage varies by utility) are enrolled in CARE programs. To comply with Health and Safety Code section 38562(b)(2) mandate for CARB to ensure that activities taken to comply with its regulations do not disproportionately impact low-income customers, we propose that CARB preserve a dedicated pool of allowances for NGS to fund a Climate Credit for CARE-enrolled natural gas customers. This would help the customers least able to absorb cost increases to continue receiving a stable and predictable bill offset as the system transitions over time. In the historical context of the Cap-and-Trade (now Cap-and-Invest) Program, several parties supported providing allowance allocations to NGSs to protect ratepayers in a manner similar to the protections afforded to electric ratepayers. These parties cited specific support for the role of consigned allowances in providing equity and low-income ratepayer protections.

Building on this perspective, we recommend revising Table 9-6A of the proposed regulation to reflect a gradual and balanced transition that protects low-income ratepayers. Specifically, beginning with no more than a 20 percent transfer of NGS allowances occurring no earlier than in 2029, increasing the transfer of allowances by no more than 10 percent each year, and capping the transfer at no more than 70 percent in 2034 and beyond, as reflected in Table A. Under this approach, as the share of allowances transferred from NGSs to EDUs increases over time, only the portion of allowance revenues that would otherwise go to non-CARE natural gas customers is reduced over time. The pool of allowances reserved for CARE customers, and thus the

Climate Credit for low-income ratepayers, who are more likely to remain on the gas system will remain intact. This structure aligns with the statutory requirements, prioritizes affordability, and preserves a stable source of Climate Credit funding. Table B shows how the Climate Credit would shift under each proposal. Because allowance transfers do not begin until 2029, customers would see no reduction in their Climate Credit in 2027. Under CARB's proposal, CARE customers would receive approximately $6 less per year on average in Climate Credit funding from NGS allowance revenues—and $12 less per year if 100% of NGS allowances are transferred. In contrast, the 30% CARE proposal increases support, providing CARE customers with an estimated $34 more per year on average. Table B assumes an allowance price annually from CARB's Standardized Regulatory Impact Assessment (SRIA), which assumes an average of the floor price and the tier 1 Allowance Price Containment Reserve Account (APCR) price and uses real dollars (excluding inflation).

The modified design proposal, reflected under the 30 percent CARE scenario, protects dual-fuel low-income customers from the negative impacts that would otherwise result from CARB's proposed regulation. As shown in the earlier bill impact analysis, low-income customers under the CARE program can retain a significantly larger Climate Credit under this proposal than they would under business as usual, CARB's proposed regulation, or an expedited transfer of all allowances. (45d-SCG-425.1)

Agency Response:

Changes were made in response to these comments. AB 1207 requires CARB to design the regulations in a manner that transitions support from gas corporations to EDUs. See Agency Response to comment I-1.2a regarding retaining 30% of NGS allocation to support low-income natural gas ratepayers. However, CARB did not make changes to retain 30% by 2034; instead, CARB further accelerated the transition to retain 30% by 2031. See Agency Response to comment I-1.2a.

Multiple public commenters expressed concerns that this transition may increase the burden on low-income natural gas ratepayers because low-income ratepayers are less able to invest in electrification and because the larger number of EDU ratepayers compared to NGS ratepayers would dilute the corresponding increased benefit that NGS ratepayers would see on their electric bill. In response, CARB staff reserved 30% of natural gas supplier allowances, calculated prior to transferring any allowances to EDUs, to specifically benefit low-income residential ratepayers. CARB staff recognize that there are a smaller number of natural gas ratepayers than electricity ratepayers in the state. However, dual fuel customers have historically received climate credits for electricity and natural gas, whereas customers that transitioned to electricity only, to support electrification, received less support from only the electric climate credit. Transitioning support from natural gas corporations to EDUs is required by

AB 1207, and supports the state's electrification goals by supporting electric affordability.

I-1.7b Multiple Comments: Dual Fuel Customers

Nevertheless, the challenges posed by the AB 1207 allowance transfer remain formidable. There are more electric residential customers than natural gas residential customers in California (about 14.2 million and 11.4 million, respectively)...Even with a higher electric Climate Credit, dual-fuel households that do not qualify for the proposed natural gas low-income non-volumetric return would receive about 20% less in total Climate Credit than they do today when the credit is delivered on their natural gas bill. (15d-SCG-183.2)

Comment:

We would like to reiterate the effect of the transfer of allowances will have on most Californians. CARB's proposed amendments will increase customers' bills starting in 2028 rather than in 2029, as was the case in the 45-day package. As we noted in our previous comments, based on data from the Energy Information Administration, California had approximately 11.43 million residential gas consumers and 14.21 million residential electric consumers in 2024. These figures indicate that approximately 80% of California households still use gas appliances. Most of those customers are served by a gas IOU and receive a gas Climate Credit. This means that a full transition of allowances from public utility gas corporations to EDUs would result in a Climate Credit of 20% less than before the transition for dual fuel customers. A new or modestly larger electric climate credit will not help customers overcome those barriers. This loss will particularly be felt in the early years by those customers that are served by an electric publicly owned utility that is not set up to immediately provide a climate credit back to customers from the transferred Gas IOU allowances. (15d-NGIOU-185.4)

Comment:

Natural Gas Supplier Allocations… As was discussed at length in SDG&E, SoCalGas, and various gas utility group comments, and as reflected in the chart above, the implementation of AB 1207's proposed transition of NGS allowances to EDUs would negatively impact affordability for California's dual-fuel households. CARB appropriately highlights that dividing the amount of revenue allocated for the natural gas Climate Credit across a larger pool of (electric) customers means that each individual consumer will receive a diluted, lower credit than they would otherwise have gotten with two separate (gas and electric) credits under a status quo scenario. Given this, all California households that receive both a gas and electric Climate Credit today will receive less overall Climate Credit than they otherwise would have if CARB adopts the proposed transition of NGS allowances to electric utilities. The impact of that loss will be even more pronounced for low-income customers, as the Climate Credit offsets a larger proportionate share of their household energy costs. Unfortunately, the 15-day language proposes an expedited transition of Natural Gas Supplier (NGS) allowances to EDUs, heightening affordability concerns for the majority of California households. SDG&E continues to caution against a quick decision that could result in more harm than benefit for many Californians. (15d-SDGE-194.4)

Comment:

PG&E continues to believe that the revised proposal accelerates the pace of the gas-to-EDU allowance transfer beyond what represents the most cost-effective or orderly transition. An accelerated transition magnifies the loss that IOU dual-fuel customers will see because of the transfer. That said, PG&E can work with the revised approach when considered as a combined outcome with the updated EDU allocation and the inclusion of a 30 percent continuation that materially mitigates the most significant affordability and equity concerns associated with the transfer. This provides needed flexibility to support vulnerable customers through bill relief or other targeted measures as determined by the CPUC. (15d-PG&E-199.8)

Comment:

The 15-Day Amendments meaningfully improve the NGS-to-EDU transition design over the January proposal by including a carve-out of allowance value to support low-income gas ratepayers during the transition. However, accelerating the transition of allowances by starting in 2028 and reaching 70 percent by 2031 expeditiously increases dual-fuel customer bills. The acceleration sits uneasily against § 38562(b)(1)(B)(i)'s directive to design the transition "to minimize ratepayer impacts" a constraint that necessarily includes the gas-side bill increases produced during the years the transition is occurring, not only the steady-state outcome at 2031.CARB recognizes this issue in stating that the transition of allowances from a smaller pool of NGS customers to a larger pool of EDU customers dilutes the climate credit. (15d-CB-201.4)

Agency Response:

No changes were made in response to these comments. See Agency Response to comments I-1.2a and I-1.7a.

I-1.8a Comment:

SDG&E agrees with CARB’s proposal that any transferred allowances should be re-distributed only to EDUs who (1) are not also a publicly-owned NGS, and (2) have residential customers. SDG&E supports CARB’s logic in ensuring that the Climate Credit is intended to support residential customers, and agrees that it would be inequitable for publicly-owned NGS who are not themselves subject to the transfer of NG allowances to receive additional benefit on the electric side. (45d-SDGE-413.6)

Agency Response:

No changes were made in response to this comment. Thank you for your support.

I-1.8b Multiple Comments: Support 15-day Amendments

E2 also supports staff's integration of affordability measures into the amendments such as changes to the California Climate Credit. Shifting the Climate Credit from natural gas and electricity bills to focusing on just electricity bills is significant in two ways: (1) it aims to lower the barrier to electrification, making it more affordable to run an electric heat pump or charge an electric vehicle at home and (2) it provides financial relief for electricity customers by shifting the application of the credit during the late summer months when Californians face their highest energy costs, maximizing its impact on affordability. (15d-E2-54.3)

Comment:

As stated in prior comments, we support the transition of the Climate Credit to EDUs…

We support the requirement that 30% of the value of allowances assigned to natural gas utilities be used to provide direct bill relief, preferably on-bill, to residential customers, with a focus on low-income households. (15d-EJC-124.8)

Comment:

Transition of Investor-Owned Utility Natural Gas Supplier Allocation to EDUs

CCEEB acknowledges and appreciates the inclusion of low-income support for residential gas customers in the 15-day changes. Preserving 30% for ongoing low-income customer support is especially important given the unfortunate acceleration of the transition schedule, which will magnify the rate shock from this change, compared to the appropriately more gradual schedule in the 45-day draft. (15d-CCEEB-165.8)

Comment:

The 15-Day Amendments have updated Table 9-6A to establish that public utility gas corporations will begin the transition of allowances to electrical distribution utilities (EDUs) in 2028 and retain 30% of allowances through 2031 for low-income ratepayers...

A continuing Climate Credit for low-income natural gas ratepayers will boost low-income affordability, especially as the C&I Program becomes more stringent during the 2030s...We appreciate that CARB acknowledged that the EDU allowance transition "may increase the burden on low-income natural gas ratepayers because low-income ratepayers are less able to invest in electrification." With California in the midst of an affordability crisis, and with low- and middle- income citizens leaving the state in disproportionate numbers, every dollar helps. (15d-SCG-183.1)

Comment:

The 15-Day Amendments have updated Table 9-6A in the Proposed Regulation to establish that public utility gas corporations will begin transition of allowances to electrical distribution utilities (EDUs) in 2028 instead of 2029 but will retain 30% of allowances in 2031. Newly added section 95893 (d)(8) states that "public utility gas corporations must annually use the value from 30% of the total allowances calculated in section 95893(a) to provide a non-volumetric return to residential ratepayers either on- or off-bill that primarily benefits low-income ratepayers as directed by the California Public Utilities Commission."1 The provision of allowances for a low-income protection is a critical policy. Our interpretation is that, beginning in 2031, public utility gas corporations are required to use the full value of 30 percent of allowances to primarily benefit low-income customers, whereas during the 2028–2030 period the regulations allow—but do not require—up to 30 percent of allowances to be used for low-income gas customer benefits. We believe this is consistent with CARB's intent and the structure of Table 9-6A, as well as legislative intent.

...The protection of natural gas CARE customers acknowledges the concern voiced by Assemblymember Anamarie Ávila Farías and signed by 15 legislative colleagues in a letter on March 5 that "the transition should minimize ratepayer impacts across both electricity and natural gas and place a priority on protecting low-income households." (15d-NGSIOU-185.1)

Agency Response:

No changes were made in response to these comments. CARB appreciates the commenters' support for the 15-day Amendments.

I-1.8c Comment:

• A new §95893(d)(8) provision directs 30 percent of NGS allocation value to low-income residential ratepayers beginning January 2028, acknowledging that low-income gas customers bear disproportionate transition burden. (BH-CPSC-5.3)

Agency Response:

No changes were made in response to this comment. CARB appreciates the commenter's support for the 15-day Amendments.

I-1.9 Comment:

While the text of AB 1207 limited the required transition of allowances to impact only investor-owned gas utilities, that limitation disproportionately impacts customers served by investor-owned utilities, exacerbating affordability challenges for the very customers who are seeing the most acute impacts of increasing energy costs. (45d-SDGE-413.7)

Agency Response:

Changes were made in response to this comment. See Agency Response to comment I-1.2a. AB 1207 requires CARB to design the regulations in a manner that transitions support from gas corporations EDUs. Gas corporations are defined by Section 222 of the Public Utilities Code, and only includes investor-owned utilities.

I-1.10 Multiple Comments: POU Delivery of Additional Allowance Value

Further, SDG&E urges CARB to consider timing any transfer such that the proceeds associated with transferred allowances can be swiftly returned to customers, and at a cadence no less than once a year (as currently is provided with the NGS Climate Credit). SDG&E and the investor-owned utilities already have systems readily available to provide Climate Credits to our customers. The majority of the state's publicly owned utilities do not have such systems available and would need to expend additional funding and resources to develop the necessary IT infrastructure to deploy a bill credit, as AB 1207 requires. This process will take time to implement. (45d-SDGE-413.8)

Comment:

Any allowances transferred to electric public utilities should directly and immediately benefit ratepayers. Investor-owned utilities (IOUs) have administered the Climate Credit for many years and already maintain the billing and delivery systems necessary to distribute this credit. In contrast, electric publicly owned utilities (POUs) slated to receive NGS allowance revenues under AB 1207 may need to develop a system (e.g., administration and billing processes) to deliver the California Climate Credit to their customers. Because AB 1207 is intended to benefit customers directly, NGS allowances transferred to electric POUs should be used exclusively to fund Climate Credits for ratepayers, not to cover administrative costs associated with setting up or running the Climate Credit disbursement. Electric IOUs have already developed the Climate Credit billing infrastructure and any modification due to transfer of NGS revenues should result in de minimis administrative costs. Directing NGS allowance revenues to cover electric POU administrative costs would unnecessarily diminish the Climate Credit value available for customers. Furthermore, no transfer of NGS allowance revenues to POUs should occur until their Climate Credit process is fully implemented, so that dual-fuel customers do not have period(s) in which they receive no (or greatly reduced) Climate Credits. (45d-SCG-425.2)

Agency Response:

No changes were made in response to these comments. AB 1207 requires CARB to design the regulations in a manner that transitions support from gas corporations where appropriate to EDUs to minimize ratepayer impacts on or before January 1, 2031. The Proposed Amendments provide a three-year timeframe for EDUs to return additional allowance value to ratepayers. This, combined with the fact that this transfer will start in 2028, will effectively provide POUs and COOPs more than five years from the expected approval date of the Proposed Amendments to design and implement systems to distribute the credit and to accumulate sufficient funds to provide a meaningful credit to residential ratepayers.

A majority of residential electricity ratepayers in California are served by IOUs, which, as noted by the commenters, already distribute climate credits and have systems in place. Regarding the commenters' assertions on the POUs' ability to distribute credits to ratepayers, see Agency Response to comment J-1.3.

Regarding administrative costs, the Cap-and-Invest Regulation allows EDUs to use allocated allowance value for administrative costs. Per section 95892(d)(4) of the Regulation, allocated allowance auction proceeds may be used for administrative costs only in so far as those costs are solely limited to necessary costs to administer the projects and activities funded pursuant to sections 95892(d)(3)(A)-(D). Historically, administrative and outreach costs made up less than 1% of expenditures for IOUs and less than 3% for POUs, which includes costs of distributing climate credits to ratepayers.

I-1.11 Comment:

PG&E has evaluated the idea of transferring natural gas allowances to EDUs, given the State's interest in supporting electrification and moving away from natural gas. Such a transfer does not make up for the reductions to PG&E's 2027-2030 EDU allocation in CARB's Proposed Amendments. This would remain true even if the transfer fully occurred prior to 2031. For this reason and those discussed in the Natural Gas Allocation section below, PG&E does not consider the transfer of natural gas allowances a sufficient remedy to the substantial cuts to the EDU allocation compared to the status quo. (45d-PG&E-445.7)

Agency Response:

No changes were made in response to this comment. AB 1207 requires CARB to design the regulations in a manner that transitions support from gas corporations where appropriate to EDUs to minimize ratepayer impacts on or before January 1, 2031. The transfer of allowances from NGS to EDUs is separate from the calculation of EDU allocation. Changes to the 2027-2030 EDU allocation reflect the changes in load, supply, and RPS targets. However, taken together the 15-day Amendments to EDU and NGS allocation will provide electric ratepayers with increased climate credits relative to the 45-day staff proposal.

I-1.12 Comment:

Accordingly, PG&E supports CARB's proposal to gradually phase in the Gas-to-EDU allowance transfer starting in 2029, as this approach will help avoid customer rate shocks and provide time for customers to shift to electric appliances. A sudden, or substantially accelerated gas allowance transfer by 2030 would particularly harm dual-fuel PG&E customers as their annual combined climate credit for both electricity and gas would be lower. This is due to the fact that AB 1207 stipulates that the natural gas allowances must be reallocated to all EDUs (including publicly-owned utilities) and there are more electric customers than natural gas customers.

Additionally, PG&E recommends that a fixed number of allowances be withheld by natural gas suppliers for the purpose of supporting low-income customers through the gas system transition. The percentage-based transition schedule would still apply and begin in 2029 as proposed, but the transfer would be capped at 70% in 2034 and beyond (see Table A). The dedicated allowance value could be deployed via climate credit to provide continued bill relief for low-income customers, or it could be utilized to reduce upfront electrification costs. The CPUC would ultimately be the venue for the decision on how to utilize that allowance value to best support low-income households. This proposal is shared amongst the natural gas IOUs, as stated jointly in the investor-owned natural gas utilities letter. (45d-PG&E-445.8)

Agency Response:

Changes were made in response to this comment. In response to concerns received during the public comment period, Table 9-6a was updated with the transition starting one year earlier and with 70% of NGS allowances transferred to EDUs by budget year 2031. In response to this comment, the 70% transition by 2031 ensures that natural gas utilities retain sufficient allowances to provide an equivalent non-volumetric return solely to the 30% of their ratepayers for low-income rate relief. The transition starts with budget year 2028 to provide time for investor-owned utilities to update billing systems and confer with CPUC on implementation, and for EDUs to prepare their systems and set procedures for accepting the additional NGS allowances to be used for return to EDU ratepayers.

I-1.13 Comment:

The proposed regulation provides that additional allowances, where appropriate, transferred from investor-owned NGS to EDUs shall be placed in the utilities' limited use holding accounts.

The text is silent on when those transfers should occur, how many allowances should be transferred, and how the value of those allowances should be prioritized during periods of tightening cap stringency.

CARB's proposed regulatory changes begins the allowance transfer in 2029 and completely transfers all of the allowances by 2037. According to the 2022 Scoping Plan, residential and business will continue to rely on natural gas as an affordable energy source for many years after 2037. Moreover, those customers without the means to choose alternative energy sources will be left paying for the total cost of compliance of Cap-and-Invest for NGS, while those customers, typically wealthier customers, will be subsidized. This incentive program is similar to net energy metering, which over incentivized solar customers, while the non-solar customers were left paying for the services that solar customers still used, but didn't have to pay for.

AB 1207 (Irwin, Chapter 117, Statutes 2025) also requires CARB in designing the Cap-and-Invest regulations to "[e]nsure that activities undertaken to comply with the regulations do not disproportionately impact low-income communities." The proposed amendments including the transfer of allowances from NGS to EDU would disproportionately impact low-income customers, because the overall NGS revenues would be spread out amongst more customers (about 80 percent of Californians rely on electricity and gas for their residential energy needs and 20 percent rely solely on electricity). Therefore those natural gas customers receiving a climate credit from their gas utility today, would receive a smaller climate credit from the electric utility instead. This has a greater impact on lower income customers because their annual bills tend to be lower.

We recommend clarifying that the value of transferred allowances should be prioritized for residential and small-business rate mitigation during the transition period.

The following amendment is therefore proposed:

"(4) Additional Allocation. … For each electrical distribution utility, the Executive Officer will place all of its additional allowances in its limited use holding account and the electrical distribution utility shall prioritize the use of the value of these allowances to mitigate residential and small business rate impacts associated with Cap-and-Invest compliance costs through December 31, 2035."

This amendment does not alter the cap or reduce environmental integrity. It reinforces the program's consumer-facing stability during periods of increasing allowance scarcity.

Maintaining predictable ratepayer protection strengthens public trust and reduces the risk that Cap-and-Invest becomes politically associated with rising electricity costs. (45d-CBC-446.7)

Agency Response:

Changes were made in response to this comment to provide more targeted support for residential ratepayers. AB 1207 requires CARB to design the regulations in a manner that transitions support from gas corporations EDUs. See Agency Responses to comments I-1.2a, 1-1.6a on why the transition is designed to support residential ratepayers, I-1.7a, and J-2.6.

Section 95892(a)-(c) of the Regulation describe how the transfers occur and how the number of allowances is calculated.

I-1.14 Multiple Comments: NGS Transition beyond 2031

The Proposal purports to implement this directive by shifting natural gas supplier ("NGS") allocations to electrical distribution utilities ("EDUs") beginning with 17.5% of allowances in 2028 and increasing to 70% in 2031. RFG supports CARB's decision to reserve 30% of NGS allowances (calculated prior to transferring any allowances to EDUs) to primarily benefit low-income residential ratepayers, aligned with the estimated proportion of natural gas IOU residential ratepayers enrolled in the CARE program. This modification represents a positive step that RFG endorses, as it demonstrates CARB's responsiveness to its obligation to protect vulnerable ratepayers. There is still some uncertainty, however, regarding how many allowances will be retained for low-income customers post-2031. CARB should add language to Table 9-6A that clearly indicates that the 70 percent transfer does not increase after 2031. CARB should revise it to say "2031 and beyond," which mirrors the language CARB originally used in the 45-day amendments. (15d-RFG-189.2)

Comment:

However, SDG&E also acknowledges a few components of the transition's design that will be important to preserve should CARB advance with this proposal. Specifically, we support CARB's proposal to cap the transfer of NGS allowances to 70% in 2031. As post 2030 allocation discussions advance, we urge CARB to retain the 70% cap, providing continued support for low-income gas customers into future years. We also support CARB's structuring of the transition as leaving the current NGS allocation consignment schedule unaffected. While the amount of allowances transferred is based on the NGS' total allocation, we support the provisions that would preserve the ability of an NGS to continue utilizing a small portion of allowances for compliance through 2030 – this design can help insulate gas customers against market price spikes in the near term as the anticipated compliance obligations for NGS will soon be nearly unmitigated with such rapid and substantial reductions to NG allowance allocations resulting from the transition. (15d-SDGE-194.5)

Comment:

PG&E appreciates CARB's decision in the 15-Day Changes to maintain 30 percent of natural gas allowances for use in supporting low-income residential customers after the gas system transition. To ensure that low-income gas customers are protected as intended, we recommend CARB make a procedural correction to Table 9-6A to state "2031 and beyond". We believe this will provide greater assurance as to CARB's intent. It is also our understanding that the requirement to use the full value of the 30% for low-income benefits, while allowed in 2028-2030, is not fully effective until only 30% of the natural gas allocation remains (starting in 2031). As PG&E and the investor-owned natural gas utilities previously noted, a proportionate continuation of allowances provides an important safeguard as declining gas throughput places increasing fixed-cost pressure on remaining customers, particularly households least able to absorb higher bills or afford upfront electrification costs. Reserving allowance value for targeted support helps address these risks for those customers who cannot achieve full electrification by 2031. (15d-PG&E-199.7)

Comment:

Additionally, the deletion of post-2031 percentages in Table 9-6A pending further analysis creates uncertainty regarding whether CARB intends to continue to support low-income affordability post-2031. We recognize the revised pace responds directly to Assemblymember Irwin and her co-signatories' concern that the original 2029-to-2037 trajectory was too slow to align with AB 1207's January 1, 2031 design deadline. At the same time, the retained allocation to natural gas suppliers during the transition, paired with the explicit low-income protection, addresses the concerns raised by the Public Sector Coalition letter to include protections for low-income gas customers who rely on natural gas service and do not have the means or ability to electrify on short timeframes. To ensure that low-income customers are protected into the future, CARB should include language to Table 9-6A stating "2031 and beyond" to clarify that the 70 percent transfer continues. (15d-CB-201.5)

Comment:

Additionally, ambiguity in proposed language requires clarification to ensure that the proposal does not disproportionately impact low-income communities. Because the new low-income proposal for natural gas customers is so important to protect California's most vulnerable residents, it should be continued beyond 2031. This clarification appears administrative in nature and should not necessitate an additional round of public review. To ensure that low-income ratepayers are protected as AB 1207 directs, CARB should update section 95893(d)(8) and Table 9-6A accordingly, as follows:

95893(d)(8): Beginning January 1, 2028, and continuing throughout the program, public utility gas corporations must annually use the value from 30% of the total allowances calculated in section 95893(a) to provide a non-volumetric return to residential ratepayers either on- or off-bill that primarily benefits low-income ratepayers as directed by the California Public Utilities Commission. (15d-SCG-183.3)

Comment:

The Gas IOUs urge CARB to stay the course and keep this vital provision in the regulation. To ensure that low-income ratepayers are protected into the future as is directed in AB 1207, CARB should update Table 9-6A with additional language that was included in the table in the 45-day package. CARB should add “2031 and beyond” to the table to create certainty that low-income customers will be protected beyond the year 2031. (15d-NGSIOU-185.2)

Agency Response:

No changes were made in response to these comments. AB 1207 requires CARB to transition support from gas corporations EDUs on or before January 1, 2031, and in the 15-day Amendments, CARB removed the post-2030 allocation in response to public comment, so CARB is no longer setting post-2031 annual transition percentages in this rulemaking. Amendments addressing any post-2031 allocation including NGS transition will be established in a future rulemaking.

I-1.15 Comment

The Proposal still does not in practice “minimize ratepayer impacts” as required by AB 1207, because it continues to redistribute compliance costs rather than reducing them, and this redistribution disproportionately impacts low-income communities in violation of HSC § 38562(b)(2). By shifting the remaining allowance allocations away from NGSs and towards EDUs, the Proposal reduces the value available to residential gas customers to offset Cap-and-Invest compliance obligations. AB 1207 does not direct CARB to minimize electric ratepayer impacts at the expense of gas ratepayers; it requires minimization of “ratepayer impacts” including both gas and electric ratepayers. The 30% CARE set-aside, while beneficial for a subset of low-income gas customers, does not address the overall dilution of climate credit value caused by the allowance transfer. Because there are more electric ratepayers than gas ratepayers, the average dual-fuel ratepayer will receive less in total climate rebates than if no allowance transfer occurs, potentially increasing costs for the low-income communities AB 1207 is designed to protect. Moreover, the set-aside is limited to the duration of the NGS-to-EDU transition and relies on CPUC to oversee distribution—details that remain unresolved and may introduce additional uncertainty for ratepayers. This fails to satisfy the AB 1207 statutory mandate. Notably, members of the California State Legislature have expressed similar concerns regarding the Proposal’s impact on vulnerable ratepayers. (15d-RFG-189.3)

Agency Response:

No changes were made in response to the comment. See Agency Response to comments I-1.1a, I-1.2a, and I-1.7a.

I-1.16 Comment:

With respect to the “on- or off-bill” component of section 95893(d)(8), we strongly urge the low-income benefit to be on-bill to directly assist ratepayers in need. The purpose of this policy is to support the Californians who will be most vulnerable during the transition of the state’s energy sector. An off-bill benefit could diminish the overall return to low-income ratepayers that need the most support for subsidizing their energy bills. (15d-SCG-183.4)

Agency Response:

No changes were made in response to the comment. Whether the benefit is on or off bill is within the authority of CPUC. It is outside CARB’s authority to direct how the CPUC should undertake its public process. However, Staff’s understanding is that CPUC will conduct public process on how to direct NGS allocation to low-income ratepayers pursuant to its public process requirements and the two agencies are committed to continuing collaboration on this issue.

I-1.17 Multiple Comments: Request for Technical Clarification

Comment:

Furthermore, the Gas IOUs want to clarify that the transferred allowances only come from those allowances in the limited use holding account and not from the directed allowances that the Gas IOUs can use for compliance in the years 2028 and 2029. (15d-NGSIOU-185.3)

Comment:

We also seek clarification regarding the treatment of consigned versus retained-for-compliance allowances during the transition period.

Under the existing framework, NGS allocations may follow two distinct pathways: (1) allowances consigned to auction, with proceeds returned to ratepayers through the gas Climate Credit, and (2) allowances retained by NGS to satisfy compliance obligations on behalf of core customers. The retained-for-compliance pathway allows NGS to mitigate the volumetric pass-through of carbon costs to core customers and remains available through 2029.

With respect to the proposed transfer of allowances from NGS to EDU in 2028 and 2029, it is our understanding that these transferred allowances do not come from the pool of allowances that NGS may retain for compliance. Rather, the transferred allowances are sourced solely from allowances designated for consignment, i.e., those held in the Limited Use Holding Account and intended for auction.

Accordingly, the proposed transfers do not diminish NGS's ability to retain allowances for compliance on behalf of core customers during the transition window but instead reallocate allowances that would otherwise be consigned to auction. (15d-CBC-201.7)

Agency Response:

No changes were made in response to these comments. Section 95893(b)(1)(A) specifies that the number of allowances provided to EDUs is deducted from the quantity of allowances to be placed into the limited use holding account. Section 95893(b)(1)(B) provides that the remaining allowances not placed into the limited use holding account are placed into the annual allocation holding account and transferred to the compliance account. Accordingly, the regulatory text specifies that the allowances transferred to EDUs are deducted from only the portion of the natural gas supplier allocation that is required to be consigned to auction and not the allowances that NGS IOUs may place into their compliance accounts for 2028 and 2029.

I-1.18a Multiple Comments: Analyze Impacts on Dual-Fuel Customers

The 2032 compounding effect has not been addressed. The Standard CAF drops 29.6 percent in a single year at the same moment 50 percent of NGS allocation transfers to EDUs, cutting value protecting gas customers from approximately $897 million to $542 million. A dual-fuel household not yet electrified by 2035 may lose roughly $134 per year in gas Climate Credit while gaining only $57 in electric Credit — falling hardest on renters and low-income households. CARB has not published the disaggregated household bill impact analysis AB 1207's equity mandate appears to require. (15d-CPSC-101.3)

Comment:

CalChamber appreciates that the 15-Day Amendments provide additional clarity regarding the transition of allowance value from natural gas corporations (NGCs) to electrical distribution utilities (EDUs) pursuant to AB 1207. The amendments reflect a meaningful effort to implement the Legislature's direction that this transition occur in a manner that minimizes ratepayer impacts and protects low-income ratepayers.

However, CalChamber remains concerned that important questions remain regarding how the transition will affect natural gas customers during what is likely to be a long and uneven electrification transition. Many households and businesses will remain dependent on natural gas service well beyond the early years of the proposed transition. For many customers, electrification options may be constrained by housing type, cost barriers, infrastructure limitations, or other factors outside their control. For those customers, the natural gas Climate Credit continues to function as an important ratepayer protection mechanism that helps moderate the pass-through of carbon compliance costs embedded in gas service.

These concerns are heightened by the structural realities of the gas system transition. Because many gas system costs are fixed, declining throughput can place upward pressure on costs borne by remaining customers if support mechanisms diminish faster than customer electrification occurs in practice. The resulting risk is not simply one of shifting allowance value, but of creating unintended affordability pressures during the transition itself.

For that reason, CalChamber encourages CARB to provide guidance on how it intends to evaluate whether the transition is in fact minimizing ratepayer impacts over time, as AB 1207 requires. CARB should articulate the assumptions, metrics, or review process it intends to use to assess impacts on both electric and gas customers as the transition unfolds, including whether adjustments may be warranted if affordability impacts emerge. A transition that preserves strong ratepayer protections for both electric and gas customers will better align implementation of this allowance value shift with AB 1207's parallel directives regarding affordability, cost-effectiveness, and equitable program design. (15d-CCoC-158.7)

Agency Response:

No changes were made in response to these comments. CARB acknowledges the commenter's concern regarding the potential impacts on dual-fuel households.

Natural Gas Climate Credit depends on future auction proceeds, customer counts, and CPUC implementation decisions. CARB is unable to verify the commenter's projected future Climate Credit amounts and potential house-hold level impacts. For context, with respect to the commenter's projected future Climate Credit amounts, the best available information is CPUC's published historical residential NGS Climate Credit data.[3]

AB 1207 does not prescribe the specific disaggregated household bill impact analysis requested by the commenter. In addition, CARB does not maintain the customer-level billing and electrification-status data that would be necessary to perform the type of household-level analysis requested. CPUC administers the Climate Credit and has jurisdiction over IOU utility rates and rebate billing, access to the types of information requested and has recently begun its proceeding on this matter. For additional details, see Agency Response to comment V-5.1.

I-1.18b Multiple Comments: Analyze Impacts on Dual-Fuel Customers

The transition, as currently designed, appears regressive in its interim distributional effects. Households that have already electrified gain a larger electric Climate Credit as

[3] CPUC, California Climate Credit, https://www.cpuc.ca.gov/climatecredit (last visited June 6, 2026).

NGS allocation shifts to EDUs. Approximately 80 percent of California households remaining on natural gas, and more heavily concentrated among renters, lower-income residents, and multi-family housing occupants, receive a declining gas Climate Credit while their gas bills may not fall proportionally.

Table 2 quantifies the estimated net annual credit change by household type across the transition window. A dual-fuel household that has not been electrified by 2035 stands to lose approximately $134 per year in gas Climate Credit while gaining approximately $57 per year in electric Climate Credit, a net annual loss of roughly $77. A fully electrified household gains the full $57 with no offsetting loss.

Table 2: Estimated Annual Climate Credit Impact by Household Type, 2027-2035

Household Type	2027 Credit (Baseline)	2031 Credit (40% Transitioned)	2035 Credit (80% Transitioned)	Net Change 2027-2035
Fully electrified (no gas service)	$0 gas + $0 elec add	$0 gas + ~$44/yr elec	$0 gas + ~$57/yr elec	+$57/yr by 2035
Dual-fuel (gas + electric, not yet electrified) -- ~80% of CA households	**~$152/yr gas + base elec**	**~$83/yr gas + ~$44/yr elec**	**~$18/yr gas + ~$57/yr elec**	**-$76/yr net (loses $134 gas, gains $57 elec)**
Renter in multi-family -- most likely to remain dual-fuel	**~$152/yr gas credit**	**~$83/yr gas credit**	**~$18/yr gas credit**	**-$134/yr gas loss. Electric credit may not offset if landlord receives it.**

Note: *Estimates based on Table 1 calculations. Multi-family renter row reflects additional risk that the electric Climate Credit may not flow directly to tenants if the EDU account holder is the building owner. All figures are model estimates.*

The data in Table 2 support the conclusion that the transition as currently designed is regressive in its interim distributional effects. The households least able to absorb energy cost increases, those who cannot afford to electrify on short timelines, bear the largest net credit reduction during the transition window. This is not an argument against the transition. It is an argument for building explicit equity protections into the transition mechanics before the regulation is finalized.

AB 1207's direction is unambiguous: CARB must ensure that activities undertaken to comply with the regulations do not disproportionately impact low-income communities. CARB cannot make that finding without the kind of disaggregated analysis described in

Recommendation 1b. No equivalent CPUC proceeding currently protects gas customers whose annual credit shrinks from approximately $152 to near zero over the transition window, while CPUC rulemaking R.25-07-013 actively addresses the electric credit side.

Recommendation 1b: Require CARB to publish, prior to the Board Hearing, a net annual bill impact analysis for dual-fuel residential households in each year of the transition window from 2029 through 2037. To the extent possible the analysis should be disaggregated by income level, tenure type (owner vs. renter), and housing type (single-family vs. multi-family), consistent with CARB's environmental justice obligations under AB 32 and AB 1207. (BH-MCAA-1.2)

Comment:

• The 2032 compounding effect has not been addressed. The Standard CAF drops 29.6 percent in a single year at the same moment 50 percent of NGS allocation transfers to EDUs, cutting value protecting gas customers from approximately $897 million to $542 million. A dual-fuel household not yet electrified by 2035 may lose roughly $134 per year in gas Climate Credit while gaining only $57 in electric Credit — falling hardest on renters and low-income households. CARB has not published the disaggregated household bill impact analysis AB 1207’s equity mandate appears to require. (BH-CPSC-5.6)

> **Agency Response:**
>
> Changes were not made in response to these comments. See Agency Response to comment I-1.18a.

I-1.19 Comment:

For most Californians, the Cap-and-Invest program is not experienced as an emissions trading market. It appears as a line on an energy bill, or more precisely, as a credit that reduces what that bill would otherwise be. The California Climate Credit, funded by allowances freely allocated to electric and gas utilities, is the program's most visible consumer-facing mechanism. It is also, by design, the primary instrument through which CARB meets its statutory obligation to minimize ratepayer impacts. The Proposed Amendments make significant changes to both the level and the distribution of that value, and those changes deserve careful scrutiny before the Board finalizes the regulation.

A. The NGS-to-EDU Transition: Pace, Value, and the 2031 Statutory Question

AB 1207 directed CARB to design regulations that transition support from gas corporations to electrical Distribution utilities, to minimize ratepayer impacts, on or before January 1, 2031 The Proposed Amendments implement that direction through a phased transfer schedule beginning in vintage year 2029 at 20 percent and adding 10 percent per year, completing the full transition at 100 percent in 2037.7

The total value at stake is substantial. Using CARB's own projected allowance price trajectory from ISOR Table 21, the IOU NGS sector will receive approximately $1.6 billion in annual allocation value in 2027, declining to roughly $968 million in 2035 as the CAF falls and the transition advances Table 1 below shows the year-by-year distribution of that value between gas and electric customers across the transition window.

Table 1: NGS Allocation Value and Transition to EDUs, 2027-2037

Year	NGS CAF	Total NGS Alloc. Value ($M)	% to EDU	Value to EDU ($M)	Value to NGS ($M)	Est. Gas Credit/Residential Customer
2027	0.613	$1,636	0%	$0	$1,636	~$152
2028	0.579	$1,623	0%	$0	$1,623	~$150
2029	0.545	$1,576	20%	$315	$1,261	~$117
2030	0.511	$1,523	30%	$457	$1,066	~$99
2031	0.494	$1,494	40%	$598	$897	~$83
2032	**0.348**	**$1,084 (CAF cliff)**	**50%**	**$542**	**$542**	**~$50**
2033	0.324	$1,038	60%	$623	$415	~$38
2034	0.301	$1,004	70%	$703	$301	~$28

Year	NGS CAF	Total NGS Alloc. Value ($M)	% to EDU	Value to EDU ($M)	Value to NGS ($M)	Est. Gas Credit/Residential Customer
2035	0.279	$968	80%	$774	$194	~$18
2036	0.279	$993	90%	$894	$99	~$9
2037+	0.279	$1,030	100%	$1,030	$0	$0

***Note:** Dollar values estimated using ISOR Table 21 allowance price trajectory ($60-$83/tonne, 2027-2037) and approximately 10.8 million residential IOU gas customers. The 2032 row reflects simultaneous CAF cliff and 50 percent transition. All figures are model estimates.*

Two features of Table 1 warrant particular attention. First, the 2032 compound effect. The Standard CAF drops from 0.494 to 0.348 in a single year, a 29.6 percent reduction, at the same moment 50 percent of remaining NGS allocation is transitioning to EDUs. The combined effect reduces the value available for the gas Climate Credit from approximately $897 million in 2031 to $542 million in 2032, a drop of $355 million in a single budget year. That is a 40 percent reduction in the value protecting gas customers, driven by two simultaneous mechanisms that CARB has not analyzed together in the ISOR.

Second, the plain text of AB 1207 should be read carefully. Health and Safety Code section 38562(b)(1)(B)(i) directs CARB to "design the regulations ... in a manner that transitions support from gas corporations to electrical distribution utilities ... to minimize ratepayer impacts." The operative phrase is "design the regulations," not "complete the transition." The 2031 date is a regulatory design deadline. Critically, the same sentence embeds a balancing mandate: the regulations must minimize ratepayer impacts. A moderate, phased transition such as CARB's 2029-2037 proposal in the ISOR paired with reserving 30% of the NGS allowances specifically to continue to support low-income gas customers would help provide this balance. Approximately 30% of state-wide IOU NGS customers are in low-income programs and are most likely to remain on the natural gas system the longest; reserving a similar percentage of the IOU NGS allowances would ensure ongoing support for mitigating the compliance costs of Cap-and-Invest for the residential customers who need it the most. (BH-MCAA-1.1)

Agency Response:

No changes were made in response to this comment. Regarding the proposed NGS allocation transition schedule, please refer to Agency Response to comment I-1.2a. CARB disagrees that the 2031 date is a regulatory design deadline. Health and Safety Code section 38562, as amended by AB 1207, directs CARB to “[d]esign the regulations … in a manner that transitions support from gas corporations to electrical distribution utilities … on or before January 1, 2031; “on or before January 1, 2031” most naturally refers to the transition of support not simply the design of the transitional mechanism.

Regarding continued support for low-income natural gas ratepayers, please refer to Agency Response to comment I-1.1a.

Regarding the potential compounding effect of the transition schedule and CAF changes, please refer to Agency Response to comment I-1.18a.

I-1.20 Comment:

On natural gas briefly, align comments with SoCalGas on this. We are concerned about the impacts to our dual fuel customers and look forward to continued conversation on that. Appreciate the resolution language on that issue as well. Just in closing, thank you to the CARB staff and leadership for the work on this. We urge your aye votes. (BH-SDGE-127.3)

Agency Response:

No changes were made in response to this comment. Thank you for the support. See Agency Response to comment I-1.1a.

I-2 Affordability

I-2.1 Multiple Comments: Climate Credit Benefits for Low-Income Households

The Gas IOUs note that California residents and businesses will adopt lower-carbon energy solutions at different rates. Low-income customers may face slower transitions away from natural gas due to a range of challenges that include high upfront costs for electric appliances, higher monthly operational costs, and difficulty accessing these appliances when needed. As more customers switch to electric appliances, the number of customers remaining on the gas system will decrease but the need for the gas system to support those customers will remain. The costs for operating the NG system will be borne by fewer customers.

Additionally, many low-income households reside in older, multi-family rental buildings, which often require costly or time-consuming electrical upgrades. A new or modestly larger electric climate credit will not help customers overcome those barriers.

Accordingly, it will be important to maintain targeted financial support for customers that are slow to electrify. (45d-NGIOU-422.2)

Comment:

III. Focus on Affordability by maximizing the Climate Credit.

CBE values the Climate Credit as an essential tool to combat the real affordability-related concerns faced by Californians, which is particularly severe in low-income households in the communities where we organize. CBE encourages CARB to amend the proposal to expediently transfer the gas credit to electric utilities while concurrently aiding the transition away from natural gas to clean electricity usage in hard to electrify areas.

CBE supports the reporting and transparency requirements for the California Climate Credit to better facilitate a Climate Credit that effectively maximizes ratepayer benefits for low-income Californians. CBE joins a variety of environmental justice, environmental, and utility advocacy organizations in calling on CARB to direct the CPUC to focus policies on addressing affordability concerns and electrification accessibility concerns for low-income Californians, particularly in regions that incur high energy burdens. We encourage CARB to emphasize that such policy decisions should be made with public participation, and that that public participation requires clear and accessible access to data and insights on credit distribution. (45d-CBE-449.6)

Agency Response:

Changes were made in response to these comments. In recognition of the potential impact on affordability, Table 9-6a was updated in the 15-day Amendments to reflect a revised schedule for transitioning natural gas supplier allocation to electrical distribution utilities, beginning the transition in 2028 and reaching 70% in 2031. 30% of natural gas allocation is retained by natural gas utilities to provide sufficient allowances to provide an equivalent non-volumetric residential return primarily to low-income ratepayers as further directed by the CPUC. It is outside the scope of CARB’s authority to direct how the CPUC should undertake its public process. However, it is expected that the CPUC will conduct public process on how to direct NGS allocation to low-income ratepayers pursuant to its public process requirements. The transition in the Proposed Amendments starts with budget year 2028 to provide time for public input and for the CPUC to direct implementation of these provisions for investor-owned utilities and provide time for billing systems to be updated. CARB will continue to coordinate with the CPUC on climate credit related matters.

I-2.2 Comment:

…a substantial portion of Long Beach's building stock and customer base will continue to rely on natural gas for the foreseeable future. Long Beach Utilities therefore remains committed to providing safe, reliable, and reasonably priced natural gas service while supporting the broader transition toward lower-carbon energy systems. Ensuring that customers who cannot feasibly electrify their energy usage retain access to essential utility services remains a central priority.

Customer Affordability and Housing Constraints Limit the Feasibility of Rapid Electrification

Long Beach Utilities closely monitors consumption and affordability trends as state climate policy evolves. Residential natural gas consumption has declined consistently by approximately 2 percent per year, reflecting conservation behavior and improvements in appliance efficiency.

At the same time, participation in utility bill assistance programs has increased significantly, indicating growing affordability pressures despite declining per-household gas usage…

Housing Stock and Structural Constraints

Long Beach's housing stock presents structural barriers to rapid electrification. A substantial portion of the city's housing was constructed prior to modern electrical code standards and would require electrical panel upgrades, service modifications, and other structural retrofits before electrification is technically feasible. (45d- LBPUD-380.1)

> **Agency Response:**
>
> No changes were made in response to this comment. Staff appreciates the commenter's support for continued allocation to publicly owned natural gas suppliers. CARB acknowledges the commenter's concerns regarding affordability and barriers to rapid electrification. Continued allocation to publicly owned natural gas suppliers and a range of allowable uses of freely allocated allowance value, including direct rebates, provides utilities like Long Beach options for how to support its ratepayers.

I-2.3 Comment:

Natural gas allocation is critical for supporting customers through the State's decarbonization transition

For natural gas customers, C&I compliance costs pass through to bills, which means the design of NGS allocation and consignment rules have a direct impact on utility bill affordability. In accordance with the statutory direction to protect ratepayers, NGS allowance value does not benefit utilities—its value flows to customers by mitigating C&I compliance costs passed through to customers, providing non-volumetric bill relief, and funding greenhouse-gas-reducing customer programs.

Customer Protections Must Continue Given Ongoing Natural Gas Use

The 2024 California Gas Report presents a comprehensive outlook for natural gas requirements and supplies for California through 20401. While the report acknowledges a reduction in natural gas consumption, the expected pace of reduction does not align with reductions in allowances as allocated with the Cap Adjustment Factor (CAF). (45d-GUG-426.1)

Agency Response:

Changes were made in response to this comment. CARB acknowledges the commenter’s concerns regarding affordability. For public utility gas corporations, Table 9-6A was updated in the 15-day Amendments to reflect a revised schedule for transitioning natural gas supplier allocation to electrical distribution utilities, beginning the transition in 2028 and reaching 70% in 2031. The remaining 30% of natural gas allocation is retained by natural gas utilities to provide sufficient allowances for an equivalent non-volumetric residential return, primarily to low-income ratepayers as further directed by the CPUC. For publicly owned natural gas suppliers, continued allocation and a range of allowable uses of freely allocated allowance value, including direct rebates, provide utilities options for supporting their ratepayers.

J. Utility Use of Allocated Allowance Value

J-1 Electrical Distribution Utilities

J-1.1 Comment:

We support moving climate credits to electric distribution utilities but urge CARB, through these regulations, to direct the CPUC and electrical distribution utilities (EDUs) not regulated by the CPUC to support the identified goals of increasing energy affordability and aiding the transition away from natural gas to clean electricity usage. Specifically, we urge CARB to direct the CPUC and EDUs not regulated by the CPUC to develop policies that address affordability and access to clean energy for lower-income Californians, especially those in areas with higher energy burdens. We support a requirement for publicly owned utilities and electrical cooperatives to provide the value of additional allowances to their residential customers as periodic direct returns, including residents who receive electricity through a master-metered property where the utility account may be classified as commercial, but the end users are residential households, and that they ensure a public participation process as part of setting up this system. (45d-CRPE-46.4)

Agency Response:

No changes were made in response to this comment. Thank you for the support. AB 1207 and the 45-day proposal direct EDUs to use the value of transferred NGS allowances to provide an on or off-bill credit to residential ratepayers. The Regulation provides flexibility for EDUs to determine the best way to distribute the credit. Aligned with the requirements of the Regulation, the CPUC and the POU governing boards have their own public processes to determine the most equal and fair way to distribute allocated allowance value to benefit their ratepayers. See also Agency Response to comment I-1.6b related to master-metered residential end users.

J-1.2 Comment:

Additionally, we urge CARB to direct all EDUs to provide greater transparency to customers regarding the use of all granted allocated allowances. (45d-CRPE-46.5)

Agency Response:

No changes were made in response to this comment. Section 95892(e) of the Regulation already requires EDUs to report to CARB on the use of allocated allowance value annually. Additionally, CARB annually publishes a report on the EDU use of allocated allowance value which provides information on all uses of allocated allowance value, which are publicly available on the Cap-and-Invest Program website. AB 1207 also now requires annual reports to the Legislature on the uses of all revenues, including any accrued interest, by local publicly owned electric utilities, which CARB will submit pursuant to those requirements.

J-1.3 Multiple Comments: Administrative Costs for Additional Allocation

The administrative costs of implementing an on-bill credit should not exceed the total value of the billing credits provided to customers. Additional costs, especially for smaller POUs, could result in higher costs to customers that exceed the benefits of the credit. (45d-SCPPA-357.7)

Comment:

While it has yet to be determined how involved and costly such changes to the existing billing and accounting systems would be, LADWP requests that CARB consider that the administrative cost of distributing allowance value to ratepayers via on-bill credits should not exceed the value of the credit to ratepayers. (45d-LADWP-408.7)

Agency Response:

No changes were made in response to these comments. The 45-day Proposal requires EDU POUs to provide the residential credits from the additional allowances within three years of receiving the allocated allowance value either on or off-bill. This three-year timeframe would allow POU and COOP EDUs sufficient time to design systems to distribute the credit and to accumulate sufficient funds to provide a meaningful credit to residential ratepayers. As described in the Agency Response to comment I-1.2a, changes were made to increase the transition of the NGS to EDU allocation, which will provide EDUs with additional allowance value to distribute to residential ratepayers. Many POUs have already demonstrated the ability to provide returns to their customers on limited timeframes with limited administrative costs, especially during the COVID pandemic where returns were provided to support bill relief (CARB 2025f). In addition, the current regulation limits administrative costs to those that are solely limited to necessary costs to administer the projects and activities funded pursuant to sections 95892(d)(3)(A)-(D). Historically, administrative and outreach costs made up less than 1% of expenditures for IOUs and less than 3% for POUs, which includes costs of distributing credits to ratepayers (CARB 2025f).

J-1.4 Multiple Comments: Support for Additional Allocation Provisions

CMUA supports the legislative intent reflected in AB 1207 to enhance electric affordability while promoting electrification by transferring gas corporation allowances to EDUs. CMUA appreciates that CARB’s proposed implementation includes a runway of up to three years for POUs to operationalize this transition, which gives POUs time to make necessary modifications to existing billing, accounting, and reporting systems and to minimize operational disruption.

CMUA also appreciates the flexibility allowed to POUs which are permitted to return the allocation value to ratepayers within the three year implementation period. This approach accommodates POUs that need that additional time to follow CARB’s proposed implementation schedule, while ensuring allowance value is delivered to customers in a practical and efficient manner. (45d-TCMUA-368.8)

Comment:

LADWP supports CARB's efforts to capture AB 1207's intent to enhance affordability by transferring natural gas suppliers' (NGS') allowances to POUs. LADWP also appreciates CARB's proposed three-year timeline for accumulating auction proceeds prior to distributing the allowance value to customers as this will allow LADWP sufficient time to identify and implement the necessary changes to its billing and accounting systems. (45d-LADWP-408.6)

Agency Response:

No changes were made in response to these comments. Thank you for your support.

J-1.5 Comment:

CMUA additionally requests that CARB clarify that POUs retain discretion in how to distribute the allowance value credit among their ratepayers. POUs' customer classes, billing system, and local program structures vary, and the local governing board is in the best position to determine how to allocate the allowance value credit among their customers in a manner that is equitable, practical, and consistent with the statute's affordability objectives. (45d-TCMUA-368.10)

Agency Response:

Changes were made in response to this comment. In the 15-day Amendments the non-volumetric requirement for the return to ratepayers was removed for POUs and COOPs, see Agency Response to comment J-3.1. Additionally, the Proposed Amendments direct EDUs to use the value of NGS allowances to provide a credit to residential ratepayers either on or off bill. In this manner, the Regulation provides flexibility for EDUs to determine the best way to distribute the credit based on its local needs.

J-1.6 Comment:

NCPA fully supports the Legislature's intent to use the value of allowances from the natural gas corporations to benefit ratepayers. The transition from natural gas corporations to the EDUs is important, since it is the EDUs that will face increasing compliance burdens as the state transitions away from natural gas and to greater electricity usage. As we had previously noted, transitioning allowances from gas corporations to EDUs "to minimize ratepayer impacts" must be done in a manner that protects all ratepayers. The objective is to optimize the value to customers that need it to mitigate energy costs and help offset reductions in the natural gas climate credit. PUC section 748.5.5(a) requires POUs to provide "a credit in an amount equal to the total value of that additional allocation *directly to ratepayers*." (emphasis added) The proposed amendments provide that POUs and electrical cooperatives would be required to provide the additional allowance value as direct non-volumetric credits to residential ratepayers either on-or off-bill. NCPA appreciates the explicit acknowledgment that the credit can be on- or off-bill. As the ISOR notes the value of these allowances will ultimately come from a reduction in the climate credit that would otherwise have gone to the IOU natural gas utilities' customers, and therefore, it is important that the POU and cooperative EDUs be able to best determine how to provide that value back to the customers that would benefit the most and in a manner that maximizes this mitigation. NCPA supports the acknowledgement that additional time may be necessary to address information technology issues such as modifying billing systems. However, NCPA urges CARB to complete the transition in a timely manner, to facilitate electrification and just as importantly, ensure that the allowance value is available to electricity customers as they transition away from natural gas usage. (45d-NCPA-402.13)

Agency Response:

Changes were made in response to this comment. See Agency Response to comment J-3.1 and I-1.2a, regarding changes to the volumetric prohibition and expedited NGS to EDU transition, respectively.

J-1.7 Comment:

Recognizing that AB 1207 did not specify the distribution of allowance value to ratepayers via on-bill credits, LADWP requests flexibility in how the credit is provided to ratepayers. AB 1207 Section 748.5.5 requires a local POU that receives an additional allocation to "provide a credit in an amount equal to the total value of that additional allocation directly to ratepayers." In recognition of POU local rate setting authority, the regulation should be designed to allow POUs the flexibility to deliver credit from the additional allocation in a manner that best serves their community. For example, POUs could apply the credit to reduce expenses (such as renewable energy or infrastructure upgrades) that otherwise would be passed through to ratepayers, so that POU customers pay less on their monthly bills. This avoided cost approach could provide dual benefits of supporting GHG emission reductions while keeping the cost of electricity affordable for ratepayers, and those benefits could be communicated to ratepayers as an avoided cost rather than an on-bill credit.

LADWP requests that CARB consider applying the same flexibility in use of the NGS allowance value as is currently allowed in section 95892(d) of the existing regulation for allowance value allocated to EDUs. For example, the allowance value could be used to offset expenses for renewable energy and other emission reduction projects without passing the costs associated with these programs/projects through to the ratepayers. This approach would reduce costs billed to customers and avoid administrative costs associated with updating the billing system to apply on-bill credits. (45d-LADWP-408.8)

Agency Response:

No changes were made in response to this comment. AB 1207 and the Proposed Amendments direct EDUs to provide allowance value from additional NGS allowances as a credit to residential ratepayers, not as an avoided cost. The 45-day Proposal requires EDU POUs to provide the residential credits either on- or off-bill. Further, the additional allowances originate from investor-owned utility NGS allocation, which historically have provided a majority of auction proceeds to residential ratepayers as an annual credit called the California Climate Credit.

J-1.8 Comment:

Clarification is also needed on how the allowance value from the NGS allowances will be reported to CARB in the Use of Allowance Value Report. Section 95892(e) of the existing regulation requires each EDU to submit an annual report to CARB describing the disposition of all allocated allowance auction proceeds during the prior calendar year. LADWP requests clarification whether the use of allowance value from the additional allocation (NGS allowances) should be co-mingled with or segregated from the use of EDU allowance value in the annual Use of Allowance Value Report. (45d-LADWP-408.9)

Agency Response:

No changes were made in response to this comment. Section 95892(e) of the Regulation already requires EDUs to report on the use of all allocated allowance value, which includes additional allocation, annually. CARB staff will provide updated templates that utilities may use to report on their annual use of allocated allowance value.

J-1.9 Comment:

In some cases, particularly for EDUs that have a proportionally small share of statewide retail electric sales, the cost of establishing capable systems may outweigh the benefits. CARB should consider whether, in such instances, it is appropriate for these EDUs to receive additional allowances. Alternatively, a one-time “opt-out” mechanism could help ensure that the resulting implementation outcomes provide benefits to customers and do not simply add cost. AB 1207 is clear in requiring that EDUs receiving any transfer of NGS allowances must pass the benefits directly on to ratepayers via a bill credit. An EDU that is not equipped to provide a bill credit to its customers upon receiving transferred allocation should not be eligible to receive transferred funds until they have the appropriate systems in place. (45d-SDGE-413.9)

Agency Response:

No changes were made in response to this comment. See Agency Response to comment J-1.3 regarding the POUs ability to distribute a credit and I-1.2a regarding an expedited transfer of NGS allocation to EDUs.

J-1.10 Comment:

We ask that a similar expansion of purpose be applied to the Electric California Climate Credit, and Cap-and-Invest allowance allocation to EDUs more broadly, to maximize the electricity affordability benefit on utility bills across the state. The Electric Climate Credit represents one of the most direct, and publicly visible, tools available to address electricity affordability in California – we need more of it, not less. Cap-and-Invest is a globally renowned program with significant public support, but that should not be taken for granted. We additionally request that CARB re-evaluate any public outreach and education efforts related to the public benefits provided by California Climate Investments across the state to strengthen public awareness and support for the Cap-and-Invest program. (45d-AMIrwin-435.5)

Agency Response:

Changes were made in response to this comment. See Agency Response to comment H-1.2a regarding the increase in allocation to EDUs. See Agency Response to comment H-4.2 regarding the total allocation to EDUs. While out-of-scope of this rulemaking, CARB agrees that public outreach on the benefits of the California Climate Credit and California Climate Investments is critical. CARB staff have shared suggestions regarding public outreach and messaging with CARB's Public Information Office and California Climate Investments team and the CPUC who directs IOU messaging on the Climate Credit.

J-1.11 Comment:

SMUD strongly supports POUs' continued ability to deposit allowances for compliance or use allowance value for GHG-reducing projects and programs. Under the existing Cap-and-Invest regulation, POUs like SMUD are able to determine whether to retire allowances for compliance and/or consign allowances to auction and use proceeds on GHG-reducing projects and programs that benefit their ratepayers. This regulatory framework ensures that SMUD and other public, locally governed utilities can optimize their allowance allocation to best serve their customers. In line with this framework, on an annual basis, SMUD evaluates the specific needs of its community and customers and right-sizes its strategy accordingly.

SMUD therefore supports CARB's proposed Cap-and-Invest amendments that preserve POUs' ability to either deposit allowances for compliance or use allowance value for GHG-reducing projects and programs that directly benefit their customers. While SMUD's use of Cap-and-Invest allowances has varied over time, depending on its local community's specific priorities, the value derived from these allowances has always directly supported SMUD's customers and GHG emissions reductions. (45d-SMUD-447.7)

Agency Response:

No changes were made in response to this comment. Thank you for the support.

J-1.12 Comment:

WPTF continues to support direct allocation of allowances to utilities for rate-payer benefit, and offers no comment on the proposed changes to the methods for calculating the quantity of allowances provided to each utility. However, we are disappointed that staff have not proposed a requirement that Publicly Owned Utilities (POUs) consign allocated allowances to auction...As staff are no doubt aware, California electricity markets have changed significantly since the cap-and-trade program was first adopted, first with the Western Energy Imbalance Market (WEIM) and now with the CAISO's Extended Day Ahead Market about to go live. The fact that several POUs already participate in the WEIM and intend to participate in EDAM fundamentally refutes CARB's original argument: to the extent that a POU offers its owned or contracted generation in the CAISO markets, this generation will compete with both IPP owned generation and IOU owned generation. Failure to require POUs that participate in the CAISO markets to consign their allocated allowances to auction will undermine both the competitiveness of those CAISO markets and prevent independent generation from having equal access to allowances. For this reason, WPTF urges CARB to require POUs that offer resources into the CAISO markets to consign their directly allocated allowances to auction. (45d-WPTF-335.5)

Agency Response:

No changes have been made in response to this comment. The Proposed Amendments do not include changes to POU consignment requirements and thus this request is out of scope of this rulemaking. However, CARB staff continue to evaluate this issue, and the requirement that POUs consign their allowances may be addressed in a future rulemaking.

J-1.13 Comment:

Second, CARB should ensure that all costs of the C&I program are offset through the allowances provided for the electric climate credit...Historically, CARB has provided climate credit allowances in line with the potential cost exposure that utility customers would experience associated with C&I compliance. This approach remains an appropriate method to provide consumer protection, while maintaining market flexibility necessary to endure future uncertainty. This approach also means that the climate credit revenues will continue to decline as EDUs comply with regulations about renewable procurement, and that the credit is a short-term, temporary tool. CARB should reject any excessive subsidies of the climate credit allowances which weren't required in AB 1207, and avoid reducing the market's ability to adapt to changing economic and policy priorities, which may be challenging to remove in the future. (45d-NRDC-376.5)

Agency Response:

No changes have been made in response to this comment. The EDU allocation calculation accounts for load increases, resulting in increased allocation for some utilities. The Proposed Amendments ensure that ratepayer protection is maintained by applying the "Effective RPS" to the allocation methodology, see Agency Response to comment H-1.2a, while removing the RPS adjustment for

PCC 2 resources in 2027, see Agency Response to comment L-1.2, preventing over-crediting of allowances for EDUs in alignment with the increased program stringency necessary to achieve the 2030 and 2045 GHG reduction targets.

J-1.14 Comment:

CRC supports the requirement that consignment proceeds benefit California ratepayers and agrees that greenhouse gas reduction activities qualify.

However, the list of eligible activities should explicitly include CCUS and related infrastructure.

CARB should clarify that utilities may use consignment proceeds to:

· Enter into long-term agreements for CO_2 transport and storage,

· Support development of Class VI sequestration projects,

· Invest in carbon capture at dispatchable generation facilities, or · Fund related infrastructure necessary for industrial decarbonization.

CCUS enables decarbonization of dispatchable power generation and hard-to-abate industrial sources, thereby supporting both reliability and climate objectives. (45d-CRC-379.9)

Agency Response:

No changes have been made in response to these comments. The Regulation allows allocated EDU allowance value to be used for emissions reducing activities provided EDUs can demonstrate the expected GHG emissions reductions in accordance with the Regulation. In addition, CCUS provisions are expected to be addressed in a future rulemaking. However, provided that a CCUS or related infrastructure project meets the requirements of Section 95892(d)(3)(C), the Regulation would not need to be amended for the requested purpose.

J-1.15 Comment:

At least three changes could increase flexibility for the POUs and co-ops with the natural gas transition, which CARB could provide as an alternative pathway to prevent a delay to the natural gas credit transition for the electric IOUs. CARB could allow POUs and co-ops to distribute the natural gas revenues through existing methods under a more ambitious natural gas transition scenario. If the amendments hasten the transition dates for the natural gas climate credit, CARB could proportionately increase the permitted number of years when the POUs and co-ops are allowed to use natural gas climate credit revenues toward clean energy and energy efficiency investments. This approach could comply with AB 1207 requirements to provide this allowance value "directly to ratepayers" because the costs used to pay for clean energy infrastructure and energy efficiency result in direct bill reductions for consumers through a reduction in the rate base. To the extent concerns remain about those costs reducing customer's bills over the period of amortization rather than immediately, CARB could also consider expanding qualifying projects to operations and maintenance costs that result in immediate cost-savings but also provide economy-wide GHG reductions benefits, such as renewable power production costs or wildfire mitigation costs. CARB could allow POUs and co-ops to ask the NGS to hold revenues until their billing systems are modernized. CARB could allow the CPUC to redirect NGS climate credit administrative costs to support billing updates for POUs and co-ops... This requirement no longer serves its intended purpose, given that the credit values will be transited to customers on the electric side. CARB could allow the CPUC to redirect some of the NGS supplier revenues to offset near-term administration costs incurred by the POUs and Co-ops who require additional support to stand up IT systems to distribute their newly required electric climate credit. (45d-NRDC-376.4)

Agency Response:

No changes were made in response to this comment. In the 15-day Amendments, changes were made to increase the rate of the natural gas allocation transition. See Agency Response to comment I-1.2a. Regarding EDU flexibility in the return of NGS allowance value to ratepayers, see Agency Response to comment J-1.7. Regarding the administrative costs of the natural gas allocation transition, see Agency Response to comment I-1.10 and Agency Response to comment J-1.3 with respect to the ability of POUs to distribute credits to ratepayers.

J-1.16 Comment:

Electric publicly owned utilities (POUs) must use natural gas allowances to fund a Climate Credit… IOUs have administered the Climate Credit for many years and already maintain the billing and delivery systems necessary to distribute this credit. The acceleration of the allowance transfer schedule to 2028 from 2029 may make it more difficult for electric POUs to build administrative systems to administer a Climate Credit to ratepayers in time. Some electric POUs indicated a desire to evade this responsibility in the previous round of comments. Specifically, the California Municipal Utilities Association requested "that CARB clarify that POUs retain discretion in how to distribute the allowance value credit among their ratepayers."

As AB 1207 prescribes, any NGS allowances transferred to electric POUs should be used to "provide a credit in an amount equal to the total value of that additional allocation directly to ratepayers," not to fund POU projects or to cover administrative costs associated with setting up the Climate Credit disbursement. Gas ratepayers have been receiving these funds for years. Redirecting the allowance value credit for other uses would result in higher net costs for dual-fuel customers, who receive gas service from an IOU and electric service from a POU, and who will receive diminished or no Climate Credit benefits under their proposal.

If allowances are transferred and the electric POUs do not have a Climate Credit system in place for the next couple years, the immediate result will be a drastically lower Climate Credit for those customers. CARB should add protections to the transfer of allowances. If an electric POU does not have the mechanisms in place to deliver a residential climate credit, then those allowances should be returned to the public utility gas corporations for distribution as a gas Climate Credit. Alternatively, no transfer of NGS allowance revenues to POUs should occur until the POU Climate Credit process is fully implemented, so that dual-fuel customers do not experience periods in which they receive no (or greatly reduced) Climate Credits. (15d-SCG-183.5)

Agency Response:

No changes were made in response to this comment. AB 1207 requires CARB to transition support from gas corporations EDUs, so CARB declined to take the commenter's suggestion to propose a mechanism to transfer allowances from EDUs back to gas corporations. See Agency Response to comment J-1.3 regarding the POUs ability to provide a climate credit and I-1.10 regarding administrative costs.

J-2 Natural Gas Suppliers

J-2.1a Multiple Comments: Support for NGS Allocation

Allowance Allocation to Natural Gas Suppliers Supports Customer Benefits and Emissions Reductions

The allocation of allowances to natural gas suppliers is a critical element of the Cap-and-Invest Program and directly benefits retail customers. Long Beach Utilities supports continued allocation of allowances to publicly owned natural gas suppliers for the benefit of their remaining customers. Section 95893 of the Proposed Regulation Order defines "allocated allowance value" for electrical distribution utilities and natural gas suppliers and establishes requirements for its use. As defined, allocated allowance value includes the value of allowances deposited for compliance, proceeds obtained from the monetization of directly allocated allowances, and any accrued interest. The regulation requires that allocated allowance value be used for the primary benefit of retail ratepayers and in a manner consistent with the goals of AB 32…

Program Performance and Demonstrated Results

Long Beach Utilities has used the value of allocated allowances to fund energy efficiency building upgrades, whole-home efficiency assessments, and the replacement of inefficient appliances, particularly in older housing stock. These investments have produced measurable results. To date, allowance-funded programs have reduced emissions by approximately 46,101 metric tons of CO_2, with total program expenditures of $19.24 million, resulting in an average reduction cost of approximately $417 per metric ton. See Attachment A...These results demonstrate that allowance-funded efficiency investments produce real, quantifiable emissions reductions within the community. (45d-LBPUD-380.3)

Comment:

NGS allocation is not only critical for mitigating the compliance cost burden for NG customers through this transition (especially those without near-term alternatives to NG consumption), the revenue from consigned and auctioned allowances can also help accelerate the investments needed in renewable energy and clean fuels – the latter of which is critical for the decarbonization of hard to electrify sectors of the economy. (45d-GUG-426.2)

Agency Response:

No changes were made in response to these comments. CARB appreciates the commenter’s support for the continued allocation of allowances to publicly owned natural gas suppliers and for investments that provide benefits to ratepayers and support emissions reductions.

J-2.1b Comment:

Joint Public Power also supports the proposed addition of new 95893(d)(3)(B) that recognizes natural gas supplier use of allowance value on programs and measures approved either by the CPUC or by the board of a Publicly Owned Utility prior to September 1, 2026. This change is necessary to ensure that investments and planning made in reliance on authorized uses under the Program are not adversely impacted by subsequent amendments to the rules. The 15-day changes correctly recognize the harm to natural gas supplier ratepayers that would occur should these planned and approved expenditures be retroactively subject to the rule changes. (15d-CMUA+GSPC-133.6)

Agency Response:

No changes were made in response to this comment. CARB appreciates the commenter’s support for the 15-day amendments.

J-2.2 Comment:

To address these concerns and simplify the natural gas climate credit transition, CARB should include changes to the proposed amendments that reduce administrative burden on the CPUC, CARB and the EDUs and reduce uncertainty associated with forecasting of the natural gas climate credit allowance revenue values: Reduce administrative requirements on the CPUC, CARB and gas EDUs for the natural gas climate credit. CARB could prohibit natural gas suppliers (NGS) from spending climate credit value on outreach and public educational costs to reduce process and planning requirements for the CPUC. Currently, CARB allows for a portion of the natural gas climate credit to be spent on outreach and education about the natural gas climate credit or activities that reduce GHG emissions. CARB could remove this requirement to reduce the administrative burden currently imposed on the CPUC and the gas IOUs to update these materials and programs, which delays the amount of time available for updating and transferring the revenues. Given that the natural gas climate credit revenues are transitioning to the electric side, marketing and outreach programs only related to the electric climate credit are sufficient to serve the purpose of public outreach on the C&I consumer benefits. (45d-NRDC-376.2)

Agency Response:

No changes were made in response to this comment. The commenter provided no evidence demonstrating that outreach and education expenditures affect the certainty of natural gas climate credit revenue forecasts or create administrative burden. The 2015-2023 Natural Gas Supplier Allocated Allowance Value Expenditure Data show that outreach and education expenditures have been around half a percent of the total value of allocated allowances for NGS IOUs. (CARB 2025g.) Given this historic use, CARB has not identified a basis to conclude that outreach and education expenditures create either a significant administrative burden or impact on the California Climate Credit. In addition, the CPUC has largely directed IOUs to recover costs for outreach through general rate cases, and thus these costs do not materially impact the value of the Climate Credit. Further, the current Regulation limits these uses to administrative expenditures necessary to administer eligible projects and activities. Similarly, outreach expenditures are limited to activities that support implementation of those projects and activities. In addition, under the current regulation, all utilities must also annually itemize expenditures for administrative costs, outreach, and educational programs in annual reports submitted to CARB, which supports transparent reporting of these costs.

J-2.3 Comment:

Increase certainty with the natural gas revenues to simply the true-up process and redistribution calculations. CARB could require all NGS to sell natural gas climate credit allowances during the first auction of each year… Requiring the NGS to sell their allowances within the each first annual auction could reduce discrepancies between revenues per estimated emissions between different natural gas IOUs, which could provide the CPUC with the actual natural gas climate credit revenues earlier in the year, and discourage the perverse incentive for gas IOUs to minimize natural gas revenues by auctioning the natural gas climate credit during auctions with lower anticipated revenues. (45d-NRDC-376.3)

Agency Response:

No changes were made in response to this comment. Requiring all natural gas climate credit allowances to be consigned in the first auction of each year would limit natural gas supplier's flexibility to plan their auction participation and compliance strategies in a manner that supports ratepayer benefits. It would also concentrate a large volume of allowances in a single auction, potentially increasing market volatility and unintended outcomes including impacting whether all allowances are sold.

J-2.4 Comment:

Restrictions on Allowance Value Could Limit Cost-Effective Emissions Reductions for Customers Unable to Electrify

The ability of publicly owned natural gas utilities to use allocated allowance value to benefit retail customers remains an essential component of the Cap-and-Invest Program. However, the proposed amendments to Section 95893(d)(3)(A) would restrict the use of allowance value for certain energy-efficiency building retrofits by excluding equipment that combusts natural gas or other fossil fuels. While Long Beach Utilities agrees that electrification and fuel switching should remain long-term priorities, practical constraints prevent many customers from fully transitioning away from natural gas in the near term. (45d-LBPUD-380.2)

Agency Response:

No changes were made in response to this comment. CARB acknowledges the commenter's concerns regarding near-term electrification constraints. The Proposed Amendments update eligible uses of allowance value to better align expenditures with the long-term decarbonization trajectory for natural gas uses outlined in the 2022 Scoping Plan Update. Restricting the use of allowance value for fossil fuel-combusting equipment helps ensure that allowance value supports the State's climate goals. At the same time, the Proposed Amendments continue to provide publicly owned natural gas suppliers with allocated allowance value and a range of allowable uses, including direct rebates, so that utilities like Long Beach retain options for how to support its ratepayers.

J-2.5a Comment:

Phase Down of Natural Gas Utility Allocation Should Not Preclude Near-Term Use of Allowance Value for RNG Interconnection Incentives

We support better use of natural gas utility allowance value to promote interconnection of RNG facilities to the gas grid. CARB and the California Public Utilities Commission (CPUC) have historically overseen allowance value given to natural gas utilities to fund California's residential climate credit, building electrification pilot projects, and RNG interconnections. The Biomethane Monetary Incentive Program (BMIP) has historically proven to be a helpful tool to lower customer costs of RNG interconnection. The BMIP was funded, in part, through gas utility allowance value. We believe that, even if the pool of gas utility allocation declines to transition support from gas corporations to electrical distribution utilities, CARB should be more prescriptive in the use of the near-term natural gas utility value to support RNG deployment. CARB should require the use of some natural gas allowance value for RNG interconnection. The Draft Rule should be amended to explicitly direct the CPUC to use more near-term gas utility allowance value for this purpose. Alternatively, the state could allow utility rate basing of such interconnection costs. Providing support for RNG interconnection continues to be important for project developers and end-users as interconnection costs in California average >2.6x that of projects in other states. The direct use of allowance value for RNG interconnection promotes in-state RNG production in line with California's climate goals in the waste and energy sectors. We urge CARB and CPUC to coordinate closely on this issue. (45d-RNGC-390.5)

Agency Response:

Changes were made in response to this comment. CARB appreciates the commenter's support for RNG interconnection incentives. AB 1207 directs CARB to transition allowance value support from gas corporations toward electrical distribution utilities and emphasizes broader affordability and electrification objectives.

CARB acknowledges the commenter's concern regarding the potential impacts on RNG interconnection projects during the transition to the proposed amendments. In the 15-day Amendments, staff added language to clarify that allowance value received prior to September 1, 2026, may continue to be used for expenditures associated with projects that were previously eligible under the Regulation and were authorized by the CPUC or the governing board of a publicly owned natural gas utility prior to September 1, 2026. These changes provide clarity and help protect previously authorized projects from disruption during the transition to the updated requirements. CARB will continue coordinating with CPUC regarding implementation of the proposed amendments and the use of allowance value consistent with applicable CPUC decisions.

J-2.5b Multiple Comments: RNG Interconnection Incentives

Preserve Near-Term Use of Gas Utility Allowance Value for RNG Interconnection

Amp supports the continued use of natural gas utility allowance value to advance interconnection of RNG facilities to the gas grid. The Biomethane Monetary Incentive Program (BMIP), funded in part through gas utility allowance value, has proven to be an effective tool for lowering RNG interconnection costs. As the gas utility allocation phases down to transition support toward electric utilities, as explained under Table 9-6A in the 15-Day Package, CARB should ensure a share of the remaining near-term gas utility value continues to support RNG deployment. Amp, in coordination with the RNG Coalition, recommends the Draft Rule explicitly direct the CPUC to dedicate a portion of the near-term gas utility allowance value for this purpose or, alternatively, allow utility rate basing of interconnection costs. (15d-AA-85.5)

Comment:

ABC emphasizes that the planned phase-out of natural gas allocations should not unintentionally limit or disincentivize the use of RNG or associated compliance instruments. RNG represents a key decarbonization pathway across sectors, including those hard-to-abate sectors, therefore continued recognition of its value within the program is essential…

ABC supports the continued use of natural gas utility allowance value to advance interconnection of RNG facilities to the gas grid. The Biomethane Monetary Incentive Program (BMIP), funded in part through gas utility allowance value, has proven to be an effective tool for lowering RNG interconnection costs. As the gas utility allocation phases down to transition support toward electric utilities, as explained under Table 9-6A in the 15-Day Package, CARB should ensure a share of the remaining near-term gas utility value continues to support RNG deployment. ABC, in coordination with our members, recommends the Draft Rule explicitly direct the CPUC to dedicate a portion of the near-term gas utility allowance value for this purpose or, alternatively, allow utility rate basing of interconnection costs. (15d-ABC-95.4)

Comment:

Phase Down of Natural Gas Utility Allocation Should Not Preclude Near-Term Use of Allowance Value for RNG Interconnection Incentives

We support better use of natural gas utility allowance value to promote interconnection of RNG facilities to the gas grid. The Legislature, CARB, and the California Public Utilities Commission (CPUC) all oversee allowance value given to natural gas utilities. The Biomethane Monetary Incentive Program (BMIP) has historically proven to be a helpful tool to lower the costs of RNG interconnection. The BMIP was funded, in part, through gas utility allowance value.

If the pool of gas utility allocation declines more rapidly (to transition support from gas utilities to electrical utilities), as described in Table 9-6A from the 15-Day Package rule text, CARB should still utilize a share of the remaining near-term natural gas utility value to support RNG deployment. The Draft Rule should be amended to explicitly direct the CPUC to use a portion of the near-term gas utility allowance value for this purpose. Alternatively, the state could allow utility rate basing of such interconnection costs.

Providing support for RNG interconnection continues to be important for project developers and end-users, as interconnection costs in California average >2.6x that of projects in other states. The direct use of allowance value for RNG interconnection promotes in-state RNG production in line with California's climate goals in the waste and energy sectors. We urge CARB and CPUC to coordinate closely on this issue. (15d-RNGC-105.4)

Agency Response:

No changes were made in response to these comments. Please see the Agency Response to comment J-2.5a regarding RNG interconnection support and the transition of natural gas utility allowance value. The Proposed Amendments apply to the use of allowance value going forward. Please see Agency Response to comment J-2.6 on the changes to NGS allocated allowance value use.

J-2.6 Comment:

VI. The proposal to redirect NGS allowance revenues to fund electric substitutes for natural gas should be revised to ensure that those revenues are returned to natural gas ratepayers and support investment in clean fuels. In the section of the proposed regulation that outlines how NGS allowance auction revenues can be deployed, a provision has been added to allow "Incentives or direct installation of equipment that substitutes electricity for natural gas or other fossil fuels." While electrification of end use appliances is part of California's climate strategy, it should not be subsidized by gas ratepayers or benefits intended to be distributed to gas ratepayers. This type of incentive program primarily benefits those individuals that have the ability or can afford to electrify their homes/major appliances while depleting funds intended to benefit all gas ratepayers. The program would result in a cost shift similar to the Net Energy Metering program, which has benefited higher income individuals and shifted costs to lower income (non-participating solar customers) individuals. Moreover, such expansive cross-subsidization language fails to minimize ratepayer impacts as required by AB 1207. NGS allowances are designed to protect ratepayers, either by reducing compliance costs or by returning auction revenues directly to impacted communities through the Climate Credit, or through decarbonizing the natural gas system. The 2022 Scoping Plan supported clean fuels investments. These included biomethane procurement targets for IOUs as specified in SB 1440 and blending hydrogen into natural gas pipelines, ramping up linearly from 0 percent in 2030 to 7 percent energy (~20% by volume) in 2040 and staying constant at 7 percent energy through 2050.

Aligned with these goals, SoCalGas recommends the following change to Section 95893(3)(A)(1): “Incentives or direct installation of equipment that substitutes clean fuels like renewable natural gas or renewable hydrogen electricity for natural gas or other fossil fuels.” (45d-SCG-425.6)

Agency Response:

No changes were made in response to these comments. CARB acknowledges the commenter’s concerns regarding the use of natural gas supplier allowance value. The Proposed Amendments update eligible uses of allowance value to better align expenditures with the long-term decarbonization trajectory for natural gas uses outlined in CARB’s 2022 Scoping Plan Update. Restricting the use of allowance value helps ensure that allowance value supports the State’s climate goals and helps lower the costs associated with achieving these goals, including for low-income gas ratepayers.

Further, the 15-day Amendments added a provision to reserve 30% of the total allocation for public utility gas corporations calculated in section 95893(a) to primarily benefit low-income ratepayers as directed by the California Public Utilities Commission. This change helps ensure that low-income ratepayers will not be disproportionately impacted by the gas allocation transition required by in AB 1207.

J-2.7 Multiple Comments: Previously Approved Uses of Allowance Value

With respect to the eligible uses for the NGS allowance proceeds, SDG&E supports CARB’s decision to continue to provide flexibility in the acceptable uses, provided they continue to offer customer benefits and contribute to reductions in GHG emissions. Like the electric Climate Credit, the natural gas Climate Credit also plays an important role in protecting gas ratepayers, particularly low-income customers. At the same time, SDG&E appreciates that, for some utilities, a portion of the NGS allowance proceeds may already be directed toward specific programs or initiatives based on previous versions of the regulation.

I. Language modifying the eligible uses of NGS allowance proceeds should ensure that projects and programs approved under previous versions of the regulation are not at risk.

SDG&E encourages CARB to clarify that any modification to eligible uses of the NGS proceeds should be applicable only to projects on a going-forward basis, ensuring that existing approved program budgets and offerings can remain whole for the duration of their authorized cycles. (45d-SDGE-413.11)

Comment:

Two additional clarifications would support the deployment of biomethane. The proposed regulation places new restrictions on how NGS can use allowance consignment revenue by eliminating uses for "Other GHG Emission Reduction Activities." Such restrictions should only apply to any revenue implementation at some future date, such that funds already set aside for biomass and renewable natural gas projects can still be deployed. Senate Bill 1440 requires the CPUC to consider adopting biomethane targets for utilities. In 2022, the CPUC approved biomethane procurement targets for utilities' both short-term and medium-term goals, including a total annual procurement target of 72.8 billion cubic feet of biomethane by 2030, equating to approximately 12% of the gas used by residences and small businesses in 2020. In addition, CPUC Decision 22-02-025 required the IOUs to set aside $40 million from their 2022 Cap-and-Trade Program allowance auction proceeds to potentially fund woody biomass pilot projects. Both SoCalGas and PG&E were required to file an application with the CPUC proposing at least one woody biomass pilot project focused on conversion of woody biomass into biomethane. SoCalGas' application with the CPUC proposing to convert woody biomass agricultural residue into biomethane, offering estimated reductions in both greenhouse gas emissions and local air pollutants, is currently under review in the CPUC's rulemaking process. A proposed decision from the CPUC is expected in late 2026 or early 2027. Any Cap-and-Invest allowance proceeds are to be returned to ratepayers in the Climate Credit by December 31, 2032 pursuant to Cap-and-Trade Regulation Section 95893(d)(8). The new statutory language should apply only to future consignment revenues. We suggest that CARB add the following: "Nothing in this section should be construed to impact a natural gas supplier's ability to implement previously approved uses of proceeds, provided those uses were deemed eligible based on the regulations in place at that time." This clarification would also be appropriate to include in the Final Statement of Reasons. (45d-SCG-425.4)

Comments:

IV. Requests for Clarification on Allowance-Value Rules

The proposed regulation places new restrictions on how NGSs can use allowance consignment revenue by eliminating uses for "Other GHG Emission Reduction Activities" and excluding energy-efficient building retrofits for "new equipment that combusts natural gas or other fossil fuels." Such restrictions should only apply to any revenue implementation prospectively. Any revenues set aside for biomass and renewable natural gas projects or energy efficiency projects for combustion of natural gas that have been approved or are currently under formal consideration by the California Public Utilities Commission (CPUC) or POU Governing Boards should not disturb the existing programs. CARB should clarify this in the regulation and Final Statement of Reasons. The GUG recommends the following language for Section

95893(d)(3): “Nothing in this section should be construed to impact a natural gas supplier’s ability to implement allowance-value expenditures that were approved, funded, or contractually committed prior to the effective date of this regulation under the rules in place at that time, including programs authorized by the CPUC or the governing board of a publicly owned utility.” (45d-GUG-426.4)

Agency Response:

Changes were made in response to these comments. Staff added language to clarify that allowance value received prior to September 1, 2026, may continue to be used for expenditures associated with projects that were previously eligible under the Regulation and were authorized by the CPUC or the governing board of a publicly owned natural gas utility prior to September 1, 2026, including woody biomass gasification project applications authorized and submitted pursuant to CPUC Decisions D.22-02-025 and D.24-12-032. These changes provide clarity and protect previously authorized projects from disruption during the transition to the updated requirements.

J-2.8 Comment:

Eliminate Unnecessary Complexity in Determining C&I RNG Eligibility: If CARB wants to eliminate administrative burden and unnecessary complexity related to RNG reporting, Section 95852.1.1 of the rule should be removed. If the unnecessary complexity in this section can be eliminated it is more likely that consumers of gas will explore RNG as a compliance option and CARB’s strategy to shift the RNG resource toward hard-to electrify end uses over time is more likely to be achieved. (15d-RNGC-105.7)

Agency Response:

No changes were made in response to this comment. The Proposed Amendments clarify the biomass-derived fuel exemption requirements in section 95852.1.1 related to fuel source, contract or onsite use history, and the portion of fuel that qualifies as exempt and provide an additional pathway for fuel that has produced useful output in California in each of the three previous years to be eligible for an exemption going forward. The clarified and broadened eligibility criteria support use of biomethane and other biomass-derived fuels as a compliance response while also helping to support continued methane reductions.

J-2.9 Comment:

Finally, Joint Public Power requests that the final Regulation clarify that the new section 95893(d)(8) added in the 15-Day Changes applies only to public utility gas corporations. Although the language in section 95893(d)(8) clearly identifies only “public utility gas corporations,” the discussion in the Notice of Public Availability is problematic in that it states “In sections 95893(d)(1) and (2), the references to sections 95893(d)(3) through 95893(d)(8) were updated to sections 95893(d)(3) through 95893(d)(9). These changes were needed to reflect the addition of a new section 95893(d)(8) **and to ensure that it is clear that all the applicable limitations in section 95893(d) apply to publicly owned natural gas utilities and public utility gas corporations.**” (Emphasis added). (15d-CMUA+GSPC-133.7)

Agency Response:

No changes were made in response to this comment. Subsection (d)(8) expressly applies to public utility gas corporations. Section 95893(d) establishes limitations on the use of allowance value for both publicly owned natural gas utilities and public utility gas corporations. The Notice of Public Availability to “all the applicable limitations in section 95893(d)” does not expand the applicability of any specific limitation beyond the entities identified in the regulatory text.

J-2.10 Comment:

CARB correctly identified and explained an important terminology correction in the 15-day Notice of Public Availability. As CARB states on page 24 of the Notice, in section 95893(b)(1)(A)(1), “investor-owned natural gas supplier” was changed to “public utility gas corporation” to align the terms with the existing definition of “natural gas supplier” in section 95802 of the Regulation, and CARB explained that the change is necessary for clarity and consistency in the use of terms throughout the regulation... section 95893(b)(1)(A)(1) of the proposed modified text in Appendix A-1 inadvertently uses the term “publicly owned gas corporations,” which is neither defined in the Regulation, nor used elsewhere, rather than the correct “public utility gas corporation.” To rectify this error, section 95893(b)(1)(A)1 should be corrected to reference public utility gas corporation, consistent with the section 95802 definition and the explanation provided in the 15-day Notice of Public Availability. (15d-CMUA+GSPC-133.5)

Agency Response:

CARB appreciates the identification of this discrepancy and has addressed it as a solely grammatical and nonsubstantial edit. As the commenter noted, the 15-day Notice very clearly states that CARB was intending to replace “investor-owned natural gas supplier” with “public utility gas corporation” and inadvertently inserted “publicly owned” instead of “public utility” in the regulation text. This was the only instance of error; all other instances of “investor-owned natural gas supplier” were correctly modified.

J-3 Changes to the prohibition on volumetric returns

J-3.1 Comment:

SDG&E supports CARB’s continued use of EDU allowance proceeds to provide direct, transparent, and equitable bill relief through the electric Climate Credit. The electric Climate Credit has proven to be an effective tool for returning allowance value to ratepayers, improving affordability during periods of rising electric demand and facilitating the State’s long-term climate and electrification goals. Maintaining and strengthening the Climate Credit is consistent with CARB’s longstanding objective to protect customers through the allocation of allowances to electric utilities. Although CARB’s proposed changes to the use of EDU allowance proceeds are limited in nature, SDG&E recommends that further clarity be provided on the intent of the change to allow for continued policy debate on proposals to modify the structure of the credit.

CARB should not opine on whether a volumetric distribution of the electric Climate Credit is appropriate.

SDG&E notes that AB 1207 does not direct CARB or the CPUC to make any modifications to the electric Climate Credit other than to address the timing of the distributions to no more than four high-billed months and to incorporate a new 5% remittance for transmission financing. While we understand that CARB’s proposed changes to the EDU use of allowance proceeds section are intended to facilitate further discussion at the California Public Utilities Commission (CPUC) related to potential improvements to the California Climate Credit, SDG&E would support clarification in the Final Statement of Reasons that CARB’s proposed changes to the Cap-and-Invest regulation (removing the prohibition on the volumetric return of the electric credit) should not be construed as implied support for a volumetric return. SDG&E continues to believe that the required statutory changes to the electric climate credit will be satisfied by the CPUC’s contemplated scope for Phase 1A of its Climate Credit Order Instituting Rulemaking proceeding. However, to the extent additional or supplemental changes are potentially pursued in a subsequent phase, this would be a more appropriate forum to discuss the issue of volumetric distributions - without prejudice from CARB’s actions proposed in the Cap-and-Invest regulatory update in order to allow for continued stakeholder and public agency deliberation. (45d-SDGE-413.10)

Agency Response:

No changes were made in response to this comment. In support of energy affordability, Governor Newsom’s Executive Order N-5-24 directs CARB to work with CPUC on options to maximize the effectiveness of the California Climate Credit. In July 2025, CPUC initiated a new rulemaking, R. 25-07-013 to review and improve the residential electric California Climate Credit provided by IOU EDUs. In September 2025, AB 1207 specified requirements for IOU EDU allocated allowance value and climate credits, including crediting directly to residential customers and providing the credits in no more than four high-billed months each year to maximize customer bill affordability. In light of CARB's statutory requirement to ensure its regulations do not require inconsistent requirements with those required by the CPUC, and in recognition of the importance of electrification in meeting the State's climate targets, the Amendments removed the prohibition on non-volumetric returns for IOU EDUs. This change is made to support the CPUC's statutory requirements under AB 1207 related to residential electric climate credits and to enable CPUC to evaluate and consider the broadest range of potential options to improve the residential climate credit and support customer affordability. Once the CPUC process is complete, and there is a better understanding of how the IOU EDUs will distribute the residential electric Climate Credit going forward, CARB can reassess the need for the prohibition of volumetric returns to support the carbon price signal of the Program going forward. In the 15-day Amendments, the requirement for publicly owned electric utilities and electrical cooperatives to return allocated allowance value in only a non-volumetric manner was removed to align with the 45-day Amendments, which removed the prohibition on the volumetric return of allocated allowance value for investor-owned utilities.

J-3.2 Comment:

Enhance Electricity Affordability Through Climate Credit Reforms...a. CARB Should Adopt Proposed Revisions that allow Volumetric Credits for Electric Customers Currently, the regulation bars utilities from returning allowance proceeds to ratepayers in a volumetric manner. The ISOR proposes to remove this prohibition for electric allocation to investor-owned utilities (IOUs). EDF supports this proposed change, which would allow the CPUC to consider a wider range of affordability strategies, including whether IOUs should use Cap-and-Invest proceeds to directly reduce electricity rates. This approach could unlock greater affordability benefits and help households power their cooling, heating, cooking, and transportation with more affordable electricity. b. Accelerate the Transition from the Gas Climate Credit to an Enhanced Electric Climate Credit, While Ensuring Low- and Moderate-Income Customers are Protected...For example, if CARB starts this transition in 2027, two years earlier than proposed in the ISOR, it would free up Cap-and-Invest revenue to provide near-term relief on household electric bills next year. Accelerating the timeline for implementing this "over-allocation" to EDUs could also enable CARB to backfill allowances for EDUs that are proposed to receive fewer allowances through 2030 under the ISOR proposal than previously anticipated. Given this important opportunity to meaningfully tackle electricity costs, EDF encourages CARB to accelerate the transition from gas IOU allocation to EDUs in order to provide greater near-term relief on household electric bills. As CARB implements this transition, EDF recommends CARB design the allocation transition in a way that ensures low- and moderate-income customers are “made whole” across their electric and gas bills. (45d-EDF-424.6)

Agency Response:

Changes were made in response to this comment. See Agency Response to comment J-3.1 on volumetric returns. Regarding the acceleration of the transition of NGS allocation to EDUs, see response to comment I-1.2a. Additionally, CARB reserved 30% of the NGS allocation to provide support to low-income ratepayers, see Agency Response to comment I-1.1a.

J-3.3 Comment:

Creatively refocusing existing parts of the Cap-and-Invest program is well within CARB’s authority. We appreciate that the Proposed Amendments remove the prohibition on volumetric distribution for the Electric California Climate Credit. Restructuring the Climate Credit to directly reduce electricity rates, rather than the current method of lump-sum distribution during off-peak months, would both encourage electrification and reduce month-to-month utility bill volatility, which currently puts tremendous strain on household budgets. This proposed change reflects an acknowledgement that certain aspects of the program should be adapted to better address changing conditions and priorities. (45d-AMIrwin-435.3)

Agency Response:

No changes were made in response to this comment. Thank you for the support.

J-3.4 Comment:

We also support a further step in furtherance of that goal: returning allowance revenues to EDU customers in the form of volumetric rate reductions… Many economists, policy analysts, and regulators have argued that converting EDU Climate Credits into a reduction in volumetric rates would boost the cause of clean electrification. As the CPUC noted in its February 2025 report to the Governor, this simple, modest change “could potentially make electrification more appealing to ratepayers. It would also reduce month-to-month bill volatility, easing ups and downs of utility bills for many Californians.” Its 2024 annual report, CalEPA’s Independent Emissions Market Advisory Committee similarly declared, “Restructuring the climate credit to reduce volumetric electricity rates would make electrification a more affordable choice for investments by households and businesses.”…This step will not cure California’s cripplingly high rates all by itself, but it would be an easy start to a longer-term program of reform driven by the Legislature. We therefore applaud CARB’s proposal to lift the prohibition on EDUs returning revenue from emissions allowances to customers in the form of lower volumetric rates. (45d-CFC-127.2)

Agency Response:

No change was made in response to this comment. Thank you for the support. See Agency Response to comment J-3.2.

J-4 Prohibition on Use of Allowance Value for Voluntary Offset Credits

J-4.1 Comment:

IETA disagrees with CARB's proposal to preclude entities from using allocated allowance value to purchase voluntary carbon offset credits. Here, we suggest CARB rely on existing, reputable third-party standards and/or principles established by international meta-standards across the evolving verified carbon credit landscape. CARB can ensure that credits purchased from allocated allowance value are high integrity instead of disallowing them altogether. (45d-IETA-341.5)

Agency Response:

No changes were made in response to this comment. The Proposed Amendments prohibit the use of allocated allowance value for purchasing voluntary carbon offsets or participation in other carbon markets. CARB cannot ensure or verify the greenhouse gas emissions reductions or ratepayer benefits associated with offsets, allowances, or other carbon products offered outside the protocols adopted as part of the of the Cap-and-Invest Program. In addition, using allowance value to purchase compliance offsets or allowances would constitute a cost of complying with the Regulation, which is already an ineligible use of allowance value per section 95893(d)(7)(A).

K. Definitions

K-1 Changes to Definitions

K-1.1a Comment:

We suggest that CARB modify the definition of "eligible renewable energy resource" in §95802 to reference the list of renewable resources in Public Resource Code (PRC) 25741(a)(1) instead of Public Utilities Code (PUC) 399.12. We believe the intent of this definition is to specifically reference the eligible renewable resources that are listed in 25741(a)(1). The definition in 399.12 of the points to 25741 of the PRC but defines the resources in terms of a facility, which could be interpreted to be limiting because 399.12 includes size, geographic location restrictions and other requirements for facilities – which we do not believe is intended whenever the C&I regulation uses the term "eligible renewable energy resource" as defined. The definition should focus on the qualifying resources – not the design of a facility. (45d-AP-351.5)

Agency Response:

No changes were made in response to this comment. No change was proposed to this definition in this rulemaking and thus changes to this definition are out of scope of this rulemaking. In addition, the definition of eligible renewable energy resource has been the same since the Regulation was initially adopted. Staff also reviewed the definition and determined the existing definition, which refers to the Public Resource Code, is clear about what constitutes an eligible renewable resource.

K-1.1b Comment:

Air Products reiterates our request that CARB modify the definition of "eligible renewable energy resource" in §95802 to reference the list of renewable resources in Public Resource Code (PRC) 25741(a)(1) instead of Public Utilities Code (PUC) 399.12. We believe the intent of this definition is to specifically reference the eligible renewable resources that are listed in 25741(a)(1). The definition in 399.12 references 25741 of the PRC but defines the resources in terms of a facility, which could be interpreted to be limiting because 399.12 includes size, geographic location and grid interconnection restrictions and other requirements for facilities – which we do not believe is intended whenever the C&I regulation uses the term "eligible renewable energy resource" as defined. The definition should focus on the qualifying resources used for generation – not the design or location of the facility (15d-AP-83.5)

Agency Response:

No changes were made in response to this comment. See Agency Response to comment K-1.1a.

K-1.2 Comment:

To address recent developments in the centralized electricity markets operated by the CAISO, CARB Staff are proposing to update the definitions and treatment of these electricity markets in MRR… PGP therefore respectfully offers comment on CARB Staff's proposed definition of "committed capacity" as it relates to the proposed updates to the Calculation of CAISO Markets Outstanding Emissions: "Committed capacity" means electricity generation from an electricity generation source located outside the state of California that is committed via a contract to meet a resource adequacy obligation for California load that meets the Resource Adequacy Program requirements in California Public Utilities Code section 380 or the resource adequacy requirements of a local publicly owned electric utility (POU). While "committed capacity" is not currently a defined term in the Extended Day-Ahead Market (EDAM) tariff approved by the Federal Energy Regulatory Commission, PGP observes that under CAISO's Business Requirements Specification for EDAM, section 5.1 lists Business Feature ID# EDAM-BRQ-02142: Define GHG contractual MW and compliance obligation for resources outside a GHG regulation area to serve demand in the GHG regulation area as including both resource adequacy (RA) and non-RA contractual MW obligations. CAISO's approach assumes that any energy that is contractually committed to serve load in California should not effectively be treated by the market design as if it is committed to serve load outside California... The Calculation of CAISO Markets Outstanding Emissions should align with how the CAISO is defining contractual commitments. For this reason, PGP recommends that CARB Staff work with the CAISO in developing an appropriate regulatory definition of "committed capacity." (45d-PGP-361.2)

Agency Response:

No changes were made in response to this comment in this rulemaking. This comment references proposed changes to the MRR, which is outside of the scope of this rulemaking. Please see the agency response to comment C-15 in the MRR FSOR.

K-1.3a Comment:

However, SMUD requests additional clarification of several terms used in the outstanding emissions calculation. First, SMUD suggests that the definition of "committed capacity" in MRR § 95102 (a) should include any resource contracted to serve California load, not just those contracted to meet a resource adequacy obligation. Resources contracted to serve California load do not pose a leakage risk because they never intended to serve native balancing authority load. These resources therefore should be excluded from the outstanding emissions calculation. Additionally, SMUD requests that CARB clarify the meaning of "MWh of WEIM imports used to serve California load that were below participating resources' base schedules" (emphasis added) within MRR § 95111 (h), to ensure a common understanding and avoid the potential for confusion. (45d-SMUD-447.12)

Agency Response:

No changes were made here in response to these comments in this rulemaking. These comments refer to proposed changes to the MRR, which is outside of the scope of this rulemaking. Please see response to comment C-15 in the MRR FSOR.

K-1.3b Comment:

SMUD supports the changes to "committed capacity" in MRR, which will enable better estimation of outstanding emissions.

The MRR 15-day amendments update the definition of "committed capacity," which is used in the calculation to estimate emissions leakage associated with energy market participation. SMUD's understanding is that the new definition of committed capacity will encompass all electricity generation resources under contract to serve California load, not just those that qualify for resource adequacy. This change will improve the accuracy of estimated leakage and minimize the risk that EDUs are assigned emissions for leakage that did not actually occur. (15d-SMUD-167.6)

Agency Response:

No changes have been made in response to this comment in this rulemaking. This comment references proposed changes to the MRR, which is outside the scope of this rulemaking. In any event, thank you for the support. Please see response to comment C-15 in the MRR FSOR.

K-1.4 Comment:

CARB's 15-Day notice updates the definition of "pseudo-tie" in Section 95102(a) of the MRR. The new definition includes the term "California balancing authority area", which is not defined elsewhere. The terms "California balancing authority" and "balancing authority area" are defined but "California balancing authority area" is not. PacifiCorp recommends CARB define "California balancing authority area" to ensure multijurisdictional utility resources continue to not be considered pseudo-tied resources. (15d-PC-84.3)

Agency Response:

No changes have been made in response to this comment in this rulemaking. This comment references proposed changes to the MRR, which is outside of the scope of this rulemaking. Please see response to comment C-7 in the MRR FSOR.

L. RPS Adjustment

L-1 Changes to RPS Adjustment

L-1.1 Comment:

CARB is proposing amendments to limit the RPS adjustment to PCC 0 RECs after December 31 , 2030. If CARB revises the EDU allocation for 2027-2030, LADWP recommends 1) applying the Effective RPS in the EDU allocation calculation starting in 2027, and 2) limiting the RPS adjustment to PCC 0 RECs starting in 2027 as a package deal. Giving up the ability to claim the RPS adjustment for PCC 2 firmed and shaped electricity imports in exchange for receiving allocated allowances to cover the GHG emission compliance obligation for PCC 2 and PCC 3 RPS eligible procurement will 1) address CARB's concerns about verifying the RPS adjustment for PCC 2 imports and 2) ensure that ratepayers will not have to bear the GHG emission compliance cost for RPS eligible procurement. This would be a win-win for both CARB and the EDUs.

LADWP recommends the following changes to the RPS adjustment provision in section 95852(b)(4) of the Cap-and-Invest program regulation:

1. Limit the RPS adjustment to PCC 0 RECs starting in 2027, in conjunction with applying the Effective RPS in the EDU allocation calculation. Since PCC 0 RECs count towards the 75% RPS portfolio balance requirement which the Effective RPS assumes is zero GHG emission, there is no potential for overlapping benefits between the RPS adjustment and the EDU allocation. Therefore, it is appropriate to claim the RPS adjustment to offset the GHG emission compliance obligation and effectively treat imported firmed/shaped PCC 0 electricity as zero emission without any overlapping benefit with the EDU allocation.

2. Clarify the language in subsection (B) by removing "... and must comply with the excess procurement requirements pursuant to California Public Utilities Code section 399.13(a)(5)(B) and if applicable section 399.30(d)(1)" which pertains to limiting the use of PCC 2 RECs for the RPS adjustment. The excess procurement requirement is part of California's RPS regulation; how it applies to the RPS adjustment in CARB's Cap-and-Invest regulation is subject to interpretation. Since only PCC 1 and PCC 0 RECs may be banked as excess procurement, the proposed amendment to make eligibility for the RPS adjustment based on complying with the excess procurement requirement could be interpreted to mean that PCC 0 RECs that are not banked as excess procurement are not eligible for the RPS adjustment, which is not consistent with CARB's stated intent. By limiting the RPS adjustment to PCC 0 RECs starting in 2027, this language is no longer needed and can be deleted, which will improve the clarity of the rule language.

3. The rule language should adequately describe the requirement so reporters do not need to look up the requirement in other regulations.

See Appendix A for LADWP's recommended changes to the RPS adjustment rule language in section 95852(b)(4) of the Cap-and-Invest regulation. (45d-LADWP-408.3)

Agency Response:

Changes were made in response to this comment. See Agency Responses to comment L-1.2 regarding removing the RPS adjustment for PCC 2 RECs after 2027 and comment L-1.3a regarding removing the reference to excess procurement requirements. Section 95852(b)(4) references the California Public Utilities Code to ensure alignment with the requirements of California Public Utilities Code. This approach provides clarity and places minimal requirements on those utilizing the Regulation to reference state code.

L-1.2 Multiple Comments: Limit RPS Adjustment to Portfolio Content Category 0 in 2027

CMUA recognizes CARB staff's concern that applying the Effective RPS in the EDU allowance allocation calculation could create a potential overlap in benefits for EDUs that also claim the RPS adjustment. To avoid implementation challenges and potential overlap, CARB should also accelerate the RPS Adjustment phase-out for PCC 2 resources to begin in 2027, rather than 2031, in conjunction with applying the Effective RPS in the EDU allocation calculation starting in 2027. Under this approach, EDUs and importers would lose the ability to claim the RPS adjustment for PCC 2 electricity imports, which would avoid any potential overlap in benefits while still allowing EDUs to receive the allowance needed to cover the Cap-and-Invest compliance obligation for PCC 2 firmed and shaped imports through the allocation calculation. This change would additionally address CARB's ongoing challenges associated with implementing the RPS adjustment for PCC 2.

Importantly, to accurately reflect EDU emissions and protect ratepayers, the RPS adjustment should remain available for grandfathered PCC 0 firmed and shaped imports, as those were early long-term investments in renewable generating resources. In summary, if CARB does not retain the previous Table 9-4 allocations for POUs, CARB should apply the Effective RPS based on the SB 100 RPS target when recalculating the allocation, which will help mitigate the adverse impacts to POUs from the proposed changes. (45d-TCMUA-368.4)

Comment:

Application of the SB 100 and 60% RPS mandate, without recognizing the Effective RPS will cost NCPA member utilities millions of dollars in additional compliance costs as they are forced to surrender Program compliance instruments for resources procured in compliance with the RPS mandate, but which are unrecognized by CARB. Utilizing the Effective RPS ensures that the compliance obligation of the affected EDU is not overstated by requiring deliveries of RPS-eligible resources to be counted as part of the compliance obligation. The value of both the Program and RPS must be fully recognized and integrated for the benefit of the State's electricity customers. The non zero-GHG value of the renewable resources – RECs and firmed-and-shaped resources – EDUs are authorized to use to meet their the RPS compliance mandate should be fully recognized in the Cap-and-Invest program. Utilizing the effective RPS would accomplish this.

NCPA is cognizant of the potential for double counting, and therefore believes that CARB can eliminate the RPS Adjustment for PCC 2 renewable resources, and the challenges associated with administering the program if CARB instead adopts the Effective RPS for purposes of allocating allowances consistent with the state RPS mandate. CARB has expressed concerns with administration of the RPS adjustment and proposes to eliminate its use for PCC2 resources after the 2030 budget year. Eliminating the RPS adjustment beginning with the 2027 program allocation, in conjunction with implementation of the Effective RPS that more accurately captures the requirements of the state's RPS program, will allow CARB to both incorporate the more stringent statewide RPS mandate and eliminate the implementation challenges associated with the RPS adjustment for PCC2 resources. (45d-NCPA-402.8)

Comment:

To prevent any overlap or conflict with the Effective RPS approach, the JUG supports modifying the RPS Adjustment (a true-up mechanism separate from the upfront EDU allocation) so it applies only to PCC 0 resources starting in 2027. (45d-SDGE-413.3)

Comment:

SMUD recognizes that some firmed-and-shaped resources today use CARB's RPS adjustment, an after-the-fact true-up for firmed-and-shaped imports, to address the partial misalignment between Cap-and-Invest emissions and RPS requirements. CARB's proposed Cap-and-Invest amendments would eliminate the RPS adjustment in 2030, citing ongoing implementation challenges. Nonetheless, to avoid any potential risk of double benefits between the RPS adjustment and updated RPS assumptions in the 2027-2030 EDU allocation, SMUD recommends that CARB eliminate the RPS adjustment in 2027. Together, these changes would better align the EDU allocation with the RPS program–which is especially needed as increasing RPS requirements and challenging market conditions make the targets harder to achieve–and resolve CARB's ongoing RPS adjustment challenges. Most importantly, these changes would mitigate electricity affordability impacts, responding to the direction of AB 1207 to consider the impacts of the regulations on affordability. (45d-SMUD-447.6)

Comment:

In exchange for applying the "effective RPS" in the EDU allocation calculation, SCPPA recognizes that PCC 2 electricity imports should no longer be eligible for the RPS adjustment, however, we believe it would be a better estimate of expected POU emissions. The RPS adjustment credit is part of the annual GHG emissions report that offsets the GHG emission compliance obligation for firmed/shaped PCC0 and PCC2 electricity imports. In the rulemaking package, CARB is proposing to remove PCC 2 imports from eligibility under the RPS Adjustment starting in 2031, to simplify implementation and verification. Removing PCC 2 from eligibility for the RPS adjustment starting in 2027 will avoid potential overlap in benefits between the "effective RPS" in the EDU allocation and the RPS adjustment in the annual GHG emission reports. However, it is important to retain the RPS adjustment credit for grandfathered firmed/shaped PCC0 imports since these renewable generating resources are under long term contract and/or ownership and part of the assumed zero emission portion of the “effective RPS”. Applying the “effective RPS” will result in a more accurate estimate of an EDU’s expected emissions to ensure that ratepayers are protected from the compliance costs of the Program. If CARB does not return to Table 9-4 allocations for POUs, SCPPA requests that CARB use the “effective RPS” based on the SB 100 RPS targets in an effort to mitigate negative impacts to POUs from the proposed allocation update. (45d-SCPPA-357.4)

Comment:

To prevent any overlap or conflict with the Effective RPS approach, the JUG supports modifying the RPS Adjustment (a true-up mechanism separate from the upfront EDU allocation) so it applies only to PCC 0 resources starting in 2027 as reflected in Table 1. (45d-JUG-404.5)

Comment:

In the Proposed Regulations, CARB proposed limiting the RPS adjustment to PCC 0 RECs after December 31, 2030, in part due to ongoing challenges associated with implementation. As detailed above, CMUA recommends incorporating the Effective RPS into any updates of the 2027-2030 EDU allocation in conjunction with accelerating the phaseout of the PCC 2 RPS adjustment to 2027. CMUA similarly recommends incorporating the Effective RPS into the 2031-2035 EDU allocation. However, if CARB declines to incorporate the effective RPS into either the 2027-2030 EDU allocation or the 2031-2035 allocation table, the RPS adjustment for PCC 2 must be maintained to avoid imposing Cap-and-Invest compliance costs on RPS-compliant firmed-and-shaped emissions. (45d-TCMUA-368.15)

Agency Response:

Changes have been made in response to these comments. Beginning in 2027, the “Effective RPS” will be applied to EDU allocation retail sales, increasing allocation to EDUs as described in Agency Response to comment H-1.2a. In recognition of this change and in order to prevent double allocation to the same resources, the 15-day Amendments also made changes to the timeline to remove the RPS Adjustment for PCC 2 RECs. The 15-day Amendments remove RPS adjustment eligibility for PCC 2 RECS starting in 2027. However, PCC 0 RECs will remain eligible for the RPS adjustment beyond 2027, recognizing the earliest out-of-state renewable investments that pre-date both RPS requirements and the Program. The combination of these changes, increasing allocation for most EDUs, limit implementation challenges associated with the RPS adjustment and align with the increased program stringency necessary to achieve the 2030 and 2045 GHG reduction targets.

L-1.3a Multiple Comments: Excess Procurement

CMUA additionally recommends clarifying the language in subsection (B) by removing "…and must comply with the excess procurement requirements pursuant to California Public Utilities Commission section 399.13(a)(5)(B) and if applicable section 399.30(d)(1)" which pertains to limiting the use of PCC 2 RECs for the RPS adjustment. If the proposed language is retained, it introduces confusion, as it is unclear. Only PCC 1 and PCC 0 RECs may be banked as excess procurement, so this requirement could be interpreted to mean PCC 0 RECs that are not banked as excess procurement are not eligible for the RPS adjustment. As CMUA understands it, that is not CARB's intent. If PCC 2 RECs were retired for RPS compliance but later disallowed during the verification process, the PCC 2 RECs cannot be banked as excess procurement and would thus be ineligible for CARB's RPS adjustment after the fact. By limiting the RPS adjustment to PCC 0 starting in 2027, this language is no longer needed and can be deleted, which will improve the clarity of the regulation. In Appendix A, please find CMUA's recommended changes to the RPS adjustment section 95825 (b)(4). (45d-TCMUA-368.16)

Comment:

The RPS Adjustment, implemented from the start of the Program, represents a compliance obligation adjustment mechanism applicable to imported firmed-and-shaped RPS eligible electricity, to recognize the renewable generating resource. The RPS adjustment is used in cases where renewable electricity was procured by a California retail provider for compliance with the RPS program and the associated electricity was not directly delivered to the state. Due to its foundational standing in the Program, utility long-term investments have been made based on its value under the Program. Many of those investments are still active in member portfolios. The RPS Adjustment continues to be relevant and necessary today, especially as utilities face challenges with procuring long-term contracts due to supply chain delays, transmission constraints, interconnection backlogs, and increased competition. Some SCPPA Members rely on the RPS adjustment for out-of-state renewable generating resources where direct delivery of the energy is not feasible. CARB is proposing to add a sentence to the RPS adjustment Section 95852(b)(4)(B), which reads: "The RECs associated with the electricity claimed for the RPS adjustment must be eligible for RPS compliance for the entity subject to the California RPS and must comply with the excess procurement requirements…". The meaning of "and must comply with the excess procurement requirements…" may need to be interpreted by an RPS subject matter expert. SCPPA understands this phrase is aimed at PCC 2 RECs that cannot be banked as excess procurement. As discussed previously, if PCC 2 RECs are no longer eligible for the RPS adjustment in conjunction with applying the effective RPS when calculating the EDU allocation, this phrase is no longer needed and can be deleted. Deleting this phrase which is subject to interpretation, will improve clarity of the rule language. (45d-SCPPA–357.13)

Agency Response:

Changes were made in response to these comments. In the 15-day Amendments, CARB staff removed references to the excess requirements pursuant to the California Public Utilities Code, in recognition of the simultaneously amended timeline for the phasing out of the RPS adjustment for PCC 2 RECs after 2027 and to improve the clarity of the Regulation text. See Agency Response to comment L-1.2 regarding the updated timeline for removal of the RPS adjustment for PCC 2 RECs.

L-1.3b Comment:

Finally for the RPS adjustment, the City is requesting;

• Incorporate effective RPS into 2027-2030 updates in conjunction with the phaseout of PCC 2 RPS adjustment to 2027.

• If CARS does not incorporate effective RPS, the RPS adjustment for PCC2 must be maintained to avoid imposing C&I compliance costs on RPS-compliant firmed and shaped emissions.

• Remove " ... and must comply with the excess procurement requirements pursuant to CPUC Section 399.13(a)(5)(B) ..."

• This language introduces confusion-only PCC1 and PCC0 RECs may be banked as excess procurement. It is also important to note that the City of Needles is not part of the CASIO market, and all power purchases are through Western Area Power Administration (WAPA) on the Southwest Power Pole (SWPP) on the Arizona market. No power is being generated in California and Needles must still comply with CARBs regulations on GHG and RPS. (15d-CN-25.5)

Agency Response:

No changes were made in response to this comment, as CARB made these changes regarding the Effective RPS and Public Utilities Code language in the 15-day Amendments. See Agency Responses to comments H-1.2a regarding the Effective RPS, L-1.2 on the phaseout of the RPS adjustment, and L-1.3a regarding the removal of the reference to excess procurement requirements in section 95852(b)(4)(B).

L-1.4a Comment:

Staff have proposed restricting the RPS adjustment to electricity imports associated with PCC 0 procurement after 2030. WPTF has supported the RPS adjustment provided that electric utilities are provided with an offsetting allowance allocation, and that a reasonable phase out period is adopted. We are concerned that eliminating the RPS adjustment after 2030 will harm independent power producers with legacy PCC2 contracts that were put in place before the rule change. WPT therefore requests that CARB allow importers who can demonstrate to a verifier that electricity was imported pursuant to a PCC2 contract that was entered into prior to the proposed amendments to use the RPS adjustment for those transactions. If staff do not make this change, then CARB should require electric utilities to provide counterparty importers allowances to cover the compliance obligation for electricity imported pursuant to a legacy PCC2 contract. (45d-WPTF-335.2)

Agency Response:

No changes were made in response to this comment. While we recognize that the proposed amendments may have impacts on parties with legacy PCC 2 contracts that were entered into before the RPS adjustment is removed, allowing an exemption for these contracts undermines the intent of these amendments which is to alleviate the associated implementation challenges and support the deep decarbonization of the electricity sector necessary to achieve the State's 2030 and 2045 climate targets and SB 1020 and SB 100 mandates. Additionally, providing allocation to counterparty importers would further reduce the supply of available allowances, under increasingly limited budgets. The 15-day Amendments retain the RPS adjustment for PCC 0 RECs which recognizes early investment in out-of-state renewables, while aligning with the intent of the changes. Rather than removing the RPS adjustment after 2030, the 15-day Amendments phase-out the RPS adjustment earlier, in 2027, and apply the "Effective RPS" in the EDU allocation calculation. See Agency Response to comment H-1.2a regarding application of the effective RPS factor to 2027-2030 EDU allocation. See Agency Response to comment L-1.2 regarding changes to the RPS adjustment.

L-1.4b Multiple Comments: Continuation of the RPS Adjustment for PCC 2 RECs

In addition to the customer cost issues triggered from an accelerated sunsetting of the RPS Adjustment, there is a need for predictability and stability in the Cap-and-Invest market that these proposed 15-Day Amendments fail to acknowledge. Market participants need to be able to rely on the rules in place when they are making long-term compliance decisions. If CARB makes changes that rapidly and materially alter the economics of existing arrangements—which the accelerated sunsetting does—it risks undermining confidence in the integrity of the program as a whole... If participants begin to fear that CARB will materially change fundamental rules after transactions have already been structured and priced, that fear will introduce more instability into a market that depends on consistency and reliability to function well. AReM urges CARB to reject the proposed language in Section 95852(b)(4)(F) that would change the end date of the RPS Adjustment to December 31, 2026, or at the very least, to add language clarifying that existing PCC 2 contracts which were executed prior to these amendments to the Cap-and-Invest Regulation will be grandfathered so that they will still qualify for the RPS Adjustment. (15d-AREM-123.2)

Comment:

CalCCA respectfully requests that if CARB adopts the 15-Day Amendments, it carve out an exemption to allow continued use of the Renewables Portfolio Standard (RPS) Adjustment through December 31, 2030, for Portfolio Content Category (PCC) -2 transactions in which the importer can demonstrate that the underlying contract was executed prior to the 15-Day Amendments... As CARB recognized in its Initial Statement of Reasons, providing regulated entities with “certainty and time to respond” to changes in eligibility for the RPS Adjustment is essential. This change risks adversely affecting contracts executed in good faith prior to the 15-Day Amendments. These contracts may have been structured with the expectation that PCC-2 transactions would remain eligible for the RPS Adjustment. Accelerating the sunset to 2026 would retroactively alter the value and compliance treatment of these transactions, creating regulatory uncertainty and undermining contract stability. To address these concerns, CalCCA recommends that if CARB adopts the 15-Day Amendments, it carve out an exemption to allow continued use of the RPS Adjustment through December 31, 2030, for PCC-2 transactions in which the importer can demonstrate that the underlying contract was executed prior to the 15-day Amendments. This limited exemption will protect reasonable reliance interests and contractual expectations. (15d-CCCA-207.1)

Agency Response:

No changes were made in response to these comments. See Agency Response to comment L-1.4a regarding PCC 2 contracts that were executed before the amendments to the Cap-and-Invest Regulation. See Agency Response to comment L-1.6 regarding regulatory uncertainty and contract stability.

L-1.5 Comment:

The Joint Utilities Group raised concerns that the proposed amendments forecasting of reduced GHG emissions attributed to the Renewable Portfolio Standard requirement of 60 percent renewable retail sales by 2030 may underestimate actual RPS-associated emissions reductions between 2027-2030. They argue this underestimate may be occurring since SB 100 allows for a higher percentage of procurement to use Product Content Category 2 or 3 standards relative to CARB’s assumed calculation. Given the lesser risk associated with over crediting climate credit allowances versus under crediting, we align with this concern and ask CARB to reevaluate opportunities to right-size the assumption about RPS compliance flexibility provided for types of imports and renewable energy credits to ensure electricity C&I costs are fully covered through 2030. To the extent the RPS-adjustment mechanism may double credit some for some of these emissions, we also support moving up the program retirement date before 2030. Offsetting any electricity rate impacts from the C&I program, particularly for low-income customers, is important given California continues to face the highest electricity rates across the nation due to electric utility non-core spending. (45d-NRDC-376.6)

> **Agency Response:**
>
> Changes have been made in response to this comment. See Agency Response to comment H-1.2a regarding the "Effective RPS". In the 15-day Amendments, the RPS Factor Applied to Sales is increased by 8-10% each year from 2027 through 2030 compared to the 45-day Proposal, increasing allocation to EDUs. To ensure that emissions are not double allocated via the RPS Adjustment, the 15-day Amendments removed PCC 2 RECs from being eligible for the RPS adjustment starting in 2027. The increase in EDU allocation in conjunction with the end of the prohibition on the volumetric return of allowance value will help to address electricity affordability concerns while the elimination of the RPS adjustment for PCC 2 RECs aligns with the increased program stringency necessary to achieve the State's 2030 and 2045 climate targets and SB 1020 and SB 100 mandates.

L-1.6 Multiple Comments: Opposition to 2027 Phase-out of RPS adjustment

The Joint CCAs support CARB's long-term objective of aligning Cap-and-Invest with a cleaner electricity system and reducing reliance on higher-emitting resource structures over time. However, the proposed acceleration of the RPS Adjustment eligibility cutoff raises concerns regarding affordability, implementation timing, and near-term procurement impacts.

A more measured transition would balance:

• environmental integrity,

• market stability, and

• ratepayer protections.

The Joint CCAs respectfully encourage CARB to adopt a transition timeline to narrow RPS adjustment eligibility after 2030 that supports continued progress toward California's climate goals while minimizing unnecessary costs and disruption. (15d-JCCA-108.5)

Comment:

WPTF generally supports adoption of the proposed amendments to the regulation, including the new emission cap trajectories and the new covered sources. However, we are extremely concerned about the amendment that would terminate the Renewable Portfolio Standard (RPS) Adjustment after this year. WPTF has consistently supported elimination of the RPS adjustment, provided that elimination is done in a way that does not financially impact legacy RPS contracts. CARB staff have signaled since 2023 that phase-out of the RPS Adjustment was being considered for 2030.... The abrupt decision by CARB staff to instead terminate the RPS adjustment in 2027 and to provide a corresponding increase in allowance allocations[3] to electric utilities protects the financial interests of the electric distribution utilities, but would harm their independent power producer counterparties, community choice aggregators and electricity service providers who would have no means of recouping cap-and-invest compliance costs for Product Content Category 2 (PCC2) imports. These compliance costs and the costs of unwinding contracts for PCC2 delivery will ultimately be born by California ratepayers. WPTF believes there is a significant volume of contracts in place for PCC2 deliveries after 2026 that rely on the RPS adjustment. Many of these contracts were executed after CARB released its 45-day language. The change in the 15-day language to suddenly remove the RPS adjustment after this year will be extremely problematic for these contracts. While WPTF is not able to accurately quantify the total volume of affected contracts that extend beyond 2024, an informal survey of our members (which do not include Community Choice Aggregators) suggests that this volume is north of 2 million MWh annually. Under a back-of-the-envelope calculation using non-utility load (91,500,000 MWh) and the 2030 RPS target of 15% maximum percentage of PCC2, the potential affected volume for Community Choice Aggregators and Electricity Service Providers could be as a high as 8,235,000 MWh annually... However, because of the significant financial harm the Washington cap-and-invest program caused by the sudden termination of the RPS Adjustment, we urge staff to find a way to provide relief to parties for affected contracts that would not result in a delay, such as a grandfathered exemption for contracts signed prior to release of the 15-day amendments. Alternatively, CARB could track the volume of emissions associated with PCC2 imports under these existing contracts and CARB could retire allowances to cover these emissions in a subsequent compliance period. (15d-64.1-WPTF)

Comment:

The Joint CCAs' comments are focused on Proposed Revisions to the RPS Adjustment regulation, specifically § 95852(b)(4)(F)... In earlier iterations of this rulemaking, CARB proposed to sunset RPS Adjustment eligibility after 2030,3 an approach the Joint CCAs support as part of a longer-term transition toward cleaner, more directly deliverable renewable resources. CARB now proposes to accelerate this transition by limiting RPS

Adjustment eligibility to legacy RPS eligible resources that produce PCC 0 RECs beginning after 2026.4 While the Joint CCAs support the long-term direction of aligning Cap-and-Invest accounting with increasingly zero-emission resource portfolios, the proposed timeline raises concerns regarding near-term affordability, procurement stability, and the ability to maintain progress toward RPS targets without unnecessary cost increases to customers. (15d-JCCA-108.1)

Comment:

Advancing the eligibility cutoff to 2026 compresses the transition to approximately seven months. This is not aligned with typical procurement cycles, contract timelines, or the development timelines for new zero-emission resources...Abruptly changing those rules risks: increasing near-term compliance costs,

• limiting procurement flexibility, and

• creating avoidable disruption without delivering commensurate near-term emissions benefits. A more gradual transition—such as maintaining eligibility through a defined period (e.g.,three years)—would:

• allow procurement portfolios to adjust in an orderly manner,

• support continued investment in cleaner resources, and

• reduce the risk of cost increases to customers.

This approach would preserve CARB’s long-term objective of aligning emissions accounting with increasingly zero-emission portfolios, while ensuring that the transition is implemented in a way that is both practical and cost-effective. (15d-JCCA-108.4)

Comment:

AReM opposes the proposed accelerated sunsetting of the Renewables Portfolio Standard (“RPS”) Adjustment in Section 95852(b)(4)(F) from 2030 to 2026. AReM urges CARB to reconsider this significant regulatory change which will have ripple effects in the wholesale power market and will cause unnecessary disruption for suppliers and load-serving entities (“LSEs”). Many LSEs have executed long-term RPS compliance contracts consistent with California Public Utilities Commission (“CPUC”)-approved RPS Plans that assume the continued availability of the RPS Adjustment for Portfolio Content Category (“PCC”) 2 contracts under the current timeline. An accelerated sunsetting will cause material and retroactive changes to contract economics, forcing hurried renegotiations or early contract terminations, thereby increasing regulatory uncertainty and compliance risks. Ultimately it will result in additional and unexpected costs that will directly harm customers. (15d-AREM-123.1)

Agency Response:

No changes were made in response to these comments. While we recognize that the Proposed Amendments may have impacts on parties with legacy PCC 2 contracts that were entered into before the RPS adjustment is removed, those contractual matters are between the contracting entities, not CARB; CARB is not responsible for how contractual obligations between other parties are borne. Allowing an exemption for these contracts would undermine the intent of these amendments. See Agency Response to comment L-1.4a. The Proposed Amendments prioritize legislatively mandated requirements to support affordability by increasing allocation to EDUs by 8-10% on average through the application of the “Effective RPS” to the EDU allocation calculation methodology. See Agency Response to comment H-1.2a regarding the “Effective RPS” in the 2027-2030 EDU allocation methodology. While the proposed amendments will speed up the timeline for phase-out of the RPS adjustment for PCC 2 resources from 2030 to 2027, early investments in renewable procurement will be recognized by the retention of the RPS Adjustment for PCC 0 resources. The Proposed Amendments protect the environmental integrity of the Program by aligning with the increased program stringency necessary to achieve the State’s 2030 and 2045 climate targets and SB 1020 and SB 100 mandates. Impacts on market stability are mitigated by retaining the RPS adjustment for PCC 0 resources, which constitute roughly half of RPS Adjustment claims, to recognize the earliest investments in renewable procurement that were made prior to the Program and the RPS, while ratepayer protection is prioritized through the higher EDU allocation resulting from the Proposed Amendments to EDU Allocation in 2027-2030.

L-1.7 Comment:

The proposed 2026 eligibility cutoff was introduced in the 15-day modifications and was not part of the earlier proposal… This change affects:

•existing long-term contracts,

•near-term procurement decisions, and

•the cost of maintaining RPS compliance through the end of the current decade.

A 15-day comment period does not provide sufficient time to evaluate these impacts in a rigorous manner. Additional time would allow stakeholders to assess how the proposal interacts with Cap-and-Invest compliance obligations, EDU allowance allocation, and the practical availability of alternative resources. Providing a more complete evaluation process would support CARB’s goals of maintaining both environmental integrity and cost-effectiveness. If more time is not available, the Joint CCAs recommend returning to the earlier proposal to end RPS Adjustment availability after 2030. (15d-JCCA-108.3)

Agency Response:

No changes were made in response to this comment. In recognition of requests for additional time to review the proposed 15-day Amendments, CARB extended the comment period, from 15 to 20 days. CARB's rulemaking followed all requirements of the APA process. See Agency Response to comment V-2.4. CARB is retaining the proposed removal of the RPS adjustment for PCC 2 resources beginning in 2027. Please see Agency Response to comment L-1.2.

L-1.8 Comment:

The proposed elimination of PCC2 eligibility for the RPS Adjustment represents a meaningful policy shift with direct implications for how LSEs, including utilities and CCAs, meet RPS requirements in the near term. Firmed-and-shaped resources—while not zero-emission in all hours—have played an important transitional role in enabling load-serving entities to meet RPS obligations while maintaining reliability and managing costs. The RPS Adjustment has functioned as a bridge between two systems that are not perfectly aligned:

• the RPS program, which allows a limited share of PCC2 resources, and

• Cap-and-Invest accounting, which assigns emissions to certain delivery structures.

Abruptly removing that bridge before companion clean energy programs require, such as the RPS Program, or the system is fully able to rely on PCC1 and other zero-emission resources, risks creating a near-term mismatch between policy design and operational reality. The Joint CCAs agree that, over time, procurement should shift toward cleaner, directly deliverable resources. However, the proposed change does not simply remove a duplicative benefit. It changes how certain compliant RPS resources are treated in a way that may increase costs for all RPS resources without necessarily accelerating the deployment of incremental zero-emission resources in the near term. (15d-JCCA-108.2)

Agency Response:

No changes were made in response to this comment. See Agency Response to comment L-1.5 regarding cost concerns associated with removal of the RPS adjustment for PCC 2 resources. The RPS Adjustment continues to pose significant implementation challenges as described in the ISOR, and its removal for PCC 2 resources aligns with the need for increased program stringency as described in Agency Response to comment L-1.5. The 15-day Amendments recognize the impact on costs associated with RPS compliance that removal of the RPS adjustment after 2027 may cause and address this by applying the effective RPS to EDU allocation as described in Agency Response to comment H-1.2a, increasing allocation to EDUs.

L-1.9 Comment:

Joint Public Power also agrees that it is reasonable for CARB to update the RPS adjustment in tandem with the change to incorporate the effective RPS, consistent with stakeholder comments to account for RPS compliance that still retains a Cap-and-Invest obligation. (15d-TCMUA-133.2)

Agency Response:

No changes were made in response to this comment. Thank you for your support.

L-1.10 Comment:

III. RPS Adjustment LADWP appreciates the clarifying edits to the RPS adjustment eligibility criteria in section 95852(b)(4) subsection (B) in response to comments on the 45-day proposal. LADWP thanks CARB staff for making this change. (15d-LADWP-177.3)

Agency Response:

No changes were made in response to this comment. Thank you for your support.

L-1.11 Comment:

Alternatively, if CARB decides not to roll-back the accelerated elimination of the RPS Adjustment, it should instead require the EDUs to first set aside a portion of the additional allowances allocated to them for the purposes of covering the allowances needed to be retired for the imported substitute energy associated with the PCC 2 imports for all California LSEs subject to the State’s RPS requirements. The balance of allowances not needed for PCC 2 imports would then be subject to auction with the proceeds applied to customer climate credits. This approach would create some indifference toward the accelerated RPS Adjustment sunset timing first proposed in the 15-Day Amendments, which otherwise is an arbitrary and capricious change to the regulatory program. (15d-AREM-123.4)

Agency Response:

No changes were made in response to this comment. The Proposed Amendments ensure that EDUs receive sufficient allocation to cover the full cost of compliance with the Program, including for PCC 2 resources, see Agency Response to comment H-4.5. The removal of the RPS adjustment for PCC 2 resources after 2027 ensures that CARB is not double allocating for these costs and is responsive to public comments, see Agency Response to comment L-1.2. See also Agency Response to comment L-1.4a.

L-1.12 Comment:

If CARB implements this proposed change it will create additional and unnecessary costs to the State's RPS program. According to the Legislative Analyst's Office, "…some of the key factors [contributing to California's relatively high electricity rates] include: significant and increasing wildfire-related costs, the state's ambitious greenhouse gas (GHG) reduction programs and policies, and differences in utility operational structures and services territories."

Considering all these factors impacting affordability in the state, it is AReM's position that CARB should be exploring ways to decrease the costs of RPS compliance, not ways to increase them... Accelerating the sunsetting of the RPS Adjustment will impact those LSEs that are utilizing PCC 2s as contemplated in the RPS program. (15d-AREM-123.3)

Agency Response:

No changes were made in response to this comment. See Agency Responses to comments L-1.5 and L-1.6 regarding impacts on affordability.

M. Emissions Leakage for Imported Electricity

M-1 Subtopic EIM and EDAM

M-1.1 Comment:

PacifiCorp appreciates CARB's proposed revisions to streamline resource registration under the MRR...Simplified resource registration will significantly reduce administrative burden...PacifiCorp offers one additional recommendation. The current resource registration reporting template requires reporting facilities' longitude and latitude, which is time-consuming to look up and does not affect emissions calculations. A facility's location within or outside California does impact MJRP workbook calculations, but this can be determined using the physical address already included in the registration materials. The Company recommended Washington Department of Ecology also remove longitude and latitude in recent comments and recommends CARB consider the change as well. (45d-PC-295.8)

Agency Response:

No changes were made in response to these comments in this rulemaking. These comments refer to proposed changes to the MRR, which is outside of the scope of this rulemaking. In any event, thank you for the support. Please see response to comment C-1 in the MRR FSOR.

M-1.2 Comment:

PacifiCorp generally supports CARB's proposal, including the ability to voluntarily report specified and unspecified sources that charge the ESS and a unique ESS loss factor. This allows reporting entities to supply more accurate energy and emissions information, which encourages more efficient ESS management and technologies and allows regulators to have an accurate understanding of the energy and emissions serving the state.

For purposes of MJRP greenhouse gas reporting, stand-alone grid-only ESSs do not generate or consume energy (excluding losses); rather, they move energy - and the emissions already reported by the MJRP template - to different points in time. Accordingly, these ESSs should be excluded from MJRP reporting unless the ESS is imported into a state as a specified resource. While ESSs experience storage and discharge losses, those losses are inherently reflected in the additional generation required to serve system load, which is already reported within the MJRP framework and therefore fully accounted for.

PacifiCorp requests further discussions with the California Air Resources Board regarding the appropriate method for calculating emissions associated with a battery charged from an MJRP system and subsequently imported as a specified source into a greenhouse gas zone. Stakeholders will need to balance two objectives: (1) maintaining incentives for the use of ESSs, which is typically charged during periods of abundant renewable energy generation – and (2) ensuring accurate emissions accounting, which requires detailed information to allow for use of a specified emission factor. For example, a battery imported at an unspecified rate would get an 18% loss factor and could incur a higher greenhouse gas emission obligation than a natural gas generation facility, despite the battery likely having been charged during a time of abundant solar resources. CARB put forth a detailed analysis showing that the marginal emissions rate has been largely unchanged since the 2010 analysis. However, batteries are flexible load. So, while the marginal emission rate may not have changed, the grid makeup when batteries charge is different compared to when batteries discharge. This could be recognized with a different unspecified emission factor for ESSs that are not charged with specified electricity. (45d-PC-295.9)

Agency Response:

No changes were made in response to this comment in this rulemaking. This comment refers to proposed changes to the MRR, which is outside of the scope of this rulemaking. Please see Agency Response to comment C-10 in the MRR FSOR.

M-1.3a Multiple Comments: Defer EDAM Outstanding Emissions

CMUA urges CARB to proceed carefully with respect to incorporating the Extended Day-Ahead Market (EDAM) into the outstanding emissions framework at this stage. EDAM has not yet begun operations, and CAISO market implementation processes have historically required refinement and correction after launch. In the absence of a tested error-correction process, incorporating EDAM now could create a high risk of emissions mis-accounting, which in turn could result in inaccurate outstanding emission compliance obligations and unnecessary customer costs. CMUA aligns our comments with the Joint Utilities Group's (JUG) letter that recommends deferring EDAM inclusion until (1) EDAM operations commence, (2) data pathways are validated, and (3) a formal error-correction process is in place. (45d-TCMUA-368.13)

Comment:

The JUG urges caution on incorporating EDAM into the outstanding emissions framework at this time. EDAM has not yet launched, and CAISO market implementations have historically required iterative corrections. In addition, CARB's regulations do not include a mechanism for correcting any accounting errors. For example, CAISO previously identified a problem with the calculation of the real-time WEIM transfers serving California load. From the period of April 2021 to January 2022, the market incorrectly included transfers within LADWP's base schedule as WEIM imports serving California load, which led to an erroneous assumption of outstanding emissions and withholding of allowances from EDUs. This error was identified and communicated to EDUs, but there was no process in the MRR or Cap-and-Invest to revise the outstanding emissions calculation or the corresponding number of allowances that are withheld, even in the event of an error. This, in turn, has implications for California electricity ratepayers, as EDU allowances are directly used for ratepayer benefits. The JUG therefore recommends that CARB include an error-correction process in both the MRR and Cap-and-Invest regulation to address potential future accounting errors. Moreover, without a tested error-correction mechanism, there is a heightened risk of mis-accounting that could translate into incorrect reductions in EDU allowance allocations and unwarranted customer costs. The JUG therefore recommends deferring EDAM inclusion until (1) EDAM operations commence, (2) data pathways are validated, and (3) a formal error-correction process is in place. (45d-JUG-404.8)

Comment:

PG&E supports CARB's proposed updates to the outstanding emissions calculation for the Western Energy Imbalance Market (EIM) as it improves accounting accuracy and reduces the risk of overstating California compliance for imports and increasing customer costs unnecessarily. However, PG&E strongly recommends a delay to the inclusion of the Extended Day-Ahead Market (EDAM) into Cap-and-Invest until 2027, with the 2026 EDAM-related outstanding emissions being trued-up after the EDAM data can be validated. California Independent System Operator (CAISO) market implementations have historically required iterative corrections. Without a tested error-correction mechanism, there is a heightened risk of mis-accounting that could translate into incorrect EDU compliance obligations and unwarranted customer costs that cannot be recovered due to the lack of such a mechanism. We support the JUG's recommendation to defer EDAM inclusion until (1) EDAM operations commence, (2) data pathways are validated, and (3) a formal error-correction process is in place. (45d-PG&E-445.9)

Comment:

SMUD additionally agrees with the recommendation of the JUG with respect to incorporating the Extended Day-Ahead Market (EDAM) into the outstanding emissions calculation. As noted by the JUG, EDAM has not yet launched, and there may be a need to iterate on implementation. Therefore, CARB should seriously consider the JUG's recommendation to defer EDAM's inclusion in outstanding emissions until after EDAM launches, data pathways are validated, and a formal error correction process is in place, the last of which is detailed below. (45d-SMUD-447.13)

Comment:

The MRR and the Cap-and-Invest Initial Statement of Reasons (ISORs) signal CARB's intent to incorporate the EDAM into the calculation of outstanding emissions from the CAISO markets. For example, in both the MRR ISOR and the Cap-and-Invest ISOR, CARB notes that "[i]n December of 2023, FERC approved the relevant portions of CAISO's EDAM tariff (FERC 2023) setting the stage for an expected EDAM to launch in 2026. In this rulemaking, the Proposed Amendments updates the Regulation and MRR to reflect EDAM and the changes and improvements that are being planned for the [Western Energy Imbalance Market (WEIM)]. The proposed changes ensure coverage of all imported electricity emissions and help ensure CARB is appropriately addressing GHG emissions leakage in these markets [emphasis added]." It is premature for CARB to begin accounting for the EDAM given that EDAM has yet to be implemented and data on its operations is not yet available. There is therefore a lack of a factual record to make reasonable decisions on how to address the potential for these emissions. Acting prematurely could reduce the number of allowances for IOU EDUs, harming customers by reducing the revenue available for the Climate Credit.

Under the current regulation, CARB's Executive Officer directly retires the equivalent amount of outstanding emissions from the WEIM from the EDU allowances used for Climate Credit. In both the MRR and the Cap-and-Invest ISORs, CARB proposes to: 1) deduct the equivalent amount of outstanding emissions from the CAISO Markets, which now includes the EDAM and the WEIM; and 2) to expand the calculation of outstanding emissions to include both the EDAM and the WEIM. If the impact of EDAM is improperly quantified in this methodology, which cannot be known at this time due to lack of EDAM data, this could create the negative and unintended consequence of unnecessarily reducing the Climate Credit Californians could receive.

SCE recommends that CARB does not include the EDAM in the calculation of outstanding emissions in this rulemaking, which is slated to be voted on in May 2026 (the same month that the EDAM goes live). Instead, it should pursue the issue through a later rulemaking in which stakeholders will have a better sense of the scale of these emissions and can engage in an informed discussion about how to cover emissions in the program while keeping electric affordability and the benefits of regional markets in mind. (45d-SCE-320.4)

Agency Response:

No changes were made in response to these comments in this rulemaking. These comments reference proposed changes to the MRR, which is outside of the scope of this rulemaking. Please see response to comment C-20 in the MRR FSOR.

However, under AB 32, CARB must account for statewide GHG emissions, including all emissions resulting from the generation of electricity delivered to and consumed in California, whether that electricity is generated in-state or imported to serve California load. Beginning in 2016, CARB and CAISO began coordinating to address GHG accounting limitations in the WEIM in response to the finding that the market's design did not account for all GHG emissions associated with imported electricity from WEIM. The existing outstanding emissions framework was incorporated into the Cap-and-Invest Program in the 2018 Rulemaking, withholding allowance allocation to EDUs that participate in the CAISO Markets and receive free allowance allocation in proportion to their share of the total retail sales from all EIM Purchasers. The Proposed MRR Amendments update the MRR to reflect EDAM and ensure that all imported electricity emissions from CAISO Markets are addressed, preventing emissions leakage from these markets. CARB's mandate to account for all statewide GHG emissions requires that we reflect all emissions from EDAM, and incorporating EDAM emissions into the CAISO Markets Outstanding Emissions calculation enables CARB to satisfy this requirement and prevent emissions leakage. See Agency Response to comment M-1.5 regarding the absence of an error-correction mechanism for CAISO Markets Outstanding Emissions. See response to comment C-21 in the MRR FSOR regarding changes to the default emissions factor and response to comment C-20 in the MRR FSOR regarding changes to the outstanding emissions calculation in MRR.

M-1.3b Multiple Comments: Defer EDAM Outstanding Emissions

In addition, CCEEB shares concerns regarding the proposed treatment of outstanding emissions in relation to the Extended Day-Ahead Market (EDAM). CARB should delay EDAM inclusion until 2027 and true-up any 2026 EDAM-related outstanding emissions only after EDAM data can be validated. This sequencing would better protect customers from incorrect bill impacts while ensuring the integrity of the program's emissions accounting. (15d-CCEEB-165.12)

Comment:

Similarly, PG&E remains concerned over the potential impact of including Extended Day-Ahead Market (EDAM) outstanding emissions (which will be covered by removing allowances from EDU allocations) prior to the program's launch and appropriate data validation, or the adoption of an error-correction mechanism. If CARB moves forward with a second round of 15-Day Changes, PG&E recommends a delay to the inclusion of EDAM into Cap-and-Invest until 2027, with the 2026 EDAM-related outstanding emissions being trued-up after the EDAM data can be validated. (15d-PG&E-199.5)

> **Agency Response:**
>
> No changes were made in response to these comments in this rulemaking. These comments refer to proposed changes to the MRR, which is outside of the scope of this rulemaking. Please see Agency Response to comment M-1.3a above and response to comment C-20 in the MRR FSOR.

M-1.3c Comment:

Recommendation 2c:

Defer incorporation of EDAM into the outstanding emissions framework until EDAM has launched, data pathways have been validated, and a formal error-correction mechanism has been established.

Premature inclusion risks mis-accounting that would incorrectly reduce EDU allowance allocations, with no existing mechanism for correction, as occurred with WEIM during 2021-2022. (BH-MCAA-1.5)

> **Agency Response:**
>
> No changes were made in response to this comment in this rulemaking. These comments refer to proposed changes to the MRR, which is outside of the scope of this rulemaking. Please see Agency Response to comment M-1.3a and response to comment C-20 in the MRR FSOR.

M-1.4 Multiple Comments: Default GHG emission factor

The wholesale electricity markets have changed significantly since the default GHG emission factor was adopted in 2010. The types and use of electricity generating resources within the western interconnected electric grid have changed, and bilateral electricity transactions have largely been replaced by organized electricity markets. New and existing renewable generating resources are now selling directly into the market – in contrast, the default GHG emission factor calculation methodology excluded all renewable and hydroelectric resources.

CARB created the Outstanding Emissions calculation to account for estimated emissions leakage associated with WEIM electricity imports to serve load in California. The Outstanding Emissions is calculated by multiplying the total WEIM imported megawatt-hours by CARB's default GHG emission factor. Then CARB withholds and retires allocated allowances from the California EDUs that purchase electricity from the WEIM. The result is a Cap-and-Invest compliance obligation for WEIM imports based on the default emission factor which reflects the GHG emission profile of a natural gas fueled generating resource, that does not adjust to reflect the participation of cleaner generating resources in the market.

LADWP requests that CARB re-evaluate this approach in light of the changes in the resources supplying electricity in the WEIM. While LADWP appreciates CARB's proposed amendments to the Outstanding Emissions calculation, which are a significant improvement, LADWP is still concerned about the potential magnitude of the total Outstanding Emissions for EDUs such as LADWP that will participate in both the WEIM and the EDAM electricity markets. The question should be asked if the market operator can provide comprehensive accounting of GHG emissions associated with the WEIM electricity imports to better address CARB's leakage concern. If so, the comprehensive accounting could be used in lieu of the Outstanding Emissions calculation. LADWP requests that CARB collaborate with CAISO to address this question as a potential future improvement to the Cap-and-Invest program. (45d-LADWP-408.11)

Comment:

The default GHG emission factor was reconsidered seven years ago during the 2018 rulemaking. In the December 2018 Final Statement of Reasons for the Amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions, CARB states "Until future modifications to the EIM algorithm allow direct identification of the complete emissions supporting EIM transfers at the time of dispatch, the default emissions factor is the best identification of the emissions rate of these marginal plants and should supplement the emissions reported directly through the current deeming algorithm ." As the market operator, CAISO has detailed data on which generating resources are ramping up to sell electricity into California. Over the past two years, CAISO held 18 GHG Coordination Working Group meetings to discuss how to improve GHG emission accounting and reporting and posted the final Accounting and Reporting proposal on October 15, 2025.

Now that this deep dive into the GHG emissions accounting for the WEIM and EDAM is complete, the question is can the market operator provide comprehensive accounting of GHG emissions associated with WEIM electricity imports into California, including any secondary dispatch emissions, to satisfy CARB's concerns about leakage. If the market operator can provide this comprehensive emissions accounting, LADWP recommends that the electricity importer be responsible for the total emissions compliance obligation such that the Outstanding Emissions calculation and additional compliance obligation on the California Purchaser are no longer needed. Alternately, if the market operator cannot provide comprehensive emissions accounting to CARB's satisfaction, replacing the default emission factor in the Outstanding Emissions calculation with an appropriate market-based emission factor would more accurately represent the GHG emissions associated with market electricity imports into California. (45d-LADWP-408.12)

Agency Response:

No changes were made in response to these comments in this rulemaking. These comments reference proposed changes to the MRR, which is outside of the scope of this rulemaking. Please see Agency Response to comment M-1.3a above and response to comment C-21 in the MRR FSOR.

M-1.5 Multiple Comments: Ex-post Allowance Withholding Adjustment

For EDUs that purchase electricity through the California Independent System Operator's (CAISO) Western Energy Imbalance Market (WEIM) and future Enhanced Day Ahead Market (EDAM), CARB withholds allowances from the EDU's annual allocation to cover the EDU's share of the Outstanding Emissions. Currently, CARB's rules do not have any mechanism to adjust for allowances withheld in error. In 2021, a programming error resulted in WEIM deemed delivered imports to California being inflated by 1,097,129 MWh, which inflated the Outstanding Emissions by an estimated 478,963 metric tons of GHG emissions, resulting in CARB withholding and retiring too many allowances from the EDUs. LADWP recommends that CARB add a mechanism to the regulations to enable adjustments in the event of a market GHG emission accounting error and restore or back fill allowances that were withheld and retired in error. (45d-LADWP-408.10)

Comment:

Currently, neither the MRR nor Cap-and-Invest regulations includes a mechanism to enable after-the-fact updates to outstanding emissions or the corresponding quantity of allowances withheld from EDUs. This is a problem that presents material harm to ratepayers when errors in outstanding emissions calculations occur. For example, the

California Independent System Operator (CAISO) identified an issue with the real-time WEIM transfers serving California load that occurred from April 2021 to January 2022. During this period, the market incorrectly included transfers within LADWP's base schedule in the calculation of WEIM imports to California. This error resulted in an artificially high assumption of WEIM imports, and accordingly, an artificially high estimate of outstanding emissions and an artificially high withholding of allowances from EDUs. While the error was recognized and communicated to utilities, there were neither opportunities nor regulatory mechanisms available to CARB to correct the error (e.g., by reallocating withheld allowances to utilities) after CAISO identified it. SMUD therefore recommends that CARB amend both MRR and Cap-and-Invest to enable ex post updates to respond to and rectify the impacts of accounting errors. (45d-SMUD-447.14)

Agency Response:

No changes were made in response to these comments. CARB has been informed by CAISO that due to the complexity of the WEIM, and EDAM, it is not possible to rerun the electricity market algorithm after the fact to understand what would have happened in the market in the absence of such errors. Without this data, CARB does not have information it can use to make after-the-fact corrections to EDU allocation should an error occur. To date, no commenters have provided specific suggestions on what data CARB could rely on to correct such errors. CARB welcomes ongoing discussions and feedback about possible mechanisms and data sources that could be used to address these issues for consideration in a future Cap-and-Invest or MRR rulemaking.

M-1.6a Multiple Comments: Support for Outstanding Emissions Calculation Updates

The JUG supports CARB's proposed refinements to the outstanding emissions calculation for the WEIM in the MRR. Improving accounting accuracy in organized markets reduces the risk of overstating California compliance for imports and helps ensure customers are not paying for emissions they did not cause. (45d-JUG-404.7)

Comment:

CMUA supports CARB's proposed updates to the outstanding emissions calculation for the Western Energy Imbalance Market (EIM). More accurate emissions accounting in organized markets is important to ensure California compliance obligations are properly assigned and not overstated for imported electricity. Accurate accounting also helps protect customers from bearing costs associated with emissions they did not cause. (45d-TCMUA-368.12)

Comment:

CARB's proposed amendments to MRR § 95111 (h) revise the formula to estimate "outstanding emissions" from the Western Energy Imbalance Market (WEIM). SMUD's understanding is that, under the current MRR, WEIM outstanding emissions are calculated as total WEIM imports at the default emission factor (currently 0.428 metric tonnes CO2e/MWh) less emissions reported by WEIM importers (at specified rates). These total outstanding emissions are apportioned among the EDUs that participate in the WEIM and receive Cap-and-Invest allowance allocations. The CARB Executive Officer then withholds and retires a proportional share of each EDU's allowance allocation, as specified in Cap-and-Invest § 95852 (l)(1).

SMUD understands that the revised formula in MRR § 95111 (h) would limit the scope of potential leakage to only those imports into California that are below participating resources' base schedules (i.e., not surplus) and therefore have a higher likelihood of being backfilled by a higher emitting out-of-state resource. SMUD believes CARB's proposed changes will improve the accuracy of the outstanding emissions calculation and supports their inclusion in the MRR. (45d-SMUD-447.11)

Comment:

The CAISO supports the proposed revisions to CARB's outstanding emission calculation as a positive evolution... As proposed, the outstanding emissions calculation relies on evaluating GHG attributions below each WEIM/EDAM participating resource's counterfactual schedule... In the context of the proposed regulations, and to improve clarity, the CAISO recommends minor adjustments to the terminology used in the regulations to more clearly identify if the use of WEIM/EDAM refers to real-time/day-ahead transactions or WEIM-only/EDAM participating balancing authorities. For example, as part of the regulations related to the outstanding emissions calculator (Proposed Section 95111(h)(1)), CARB will calculate the outstanding emissions for imported electricity in "the WEIM and EDAM." The regulations are not clear as to whether this means that all scheduling coordinators in the market footprint must report both day-ahead and real-time transactions. The CAISO recommends CARB clarify that WEIM and EDAM participating entities need only report their real-time market transfers to serve California. (45d-CAISO-393.2)

Agency Response:

No changes were made in response to these comments in this rulemaking. These comments refer to proposed changes to the MRR, which is outside of the scope of this rulemaking. In any event, thank you for the support. See response to comment C-23 in the MRR FSOR.

M-1.6b Comment:

The CAISO supports the updated outstanding emissions calculation in proposed regulations Section 95111(h)(1). The proposed updates are consistent with data the CAISO provides in support of existing reporting practices, and will ensure continuity with the successful launch of the Extended Day Ahead Market (EDAM) that occurred on May 1, 2026. The outstanding emissions calculation for CAISO Market Purchaser's Retail Sales, proposed regulation Section 95111(h)(2), accounts for emissions from settled, real-time market results. Entities participating in the Extended Day Ahead Market (EDAM) will report their real-time market transfers to serve California load, consistent with existing and continuing data reporting practices for the Western Energy Imbalance Market (WEIM). By maintaining this practice, the CAISO expects minimal disruption to reporting entities' processes after the EDAM launch. The updated methodology recognizes the role of the Greenhouse Gas (GHG) counterfactual, a tool the CAISO currently uses in the WEIM to improve GHG accounting accuracy and transparency. CARB's proposed outstanding emissions calculation for WEIM-only participants reflects the CAISO's on-going practice of using each WEIM resource's base schedule as its GHG counterfactual. CARB proposes a separate calculation for EDAM entities that uses a resource's day-ahead GHG counterfactual schedule in lieu of a base schedule. This update is necessary for continuity because, now that EDAM is live, day-ahead participating entities no longer submit base schedules. Where the regulations call for new data arising from the implementation of EDAM, the CAISO commits to provide this data subject to applicable nondisclosure requirements to support CARB's program. The CAISO also commits to work with its market participants to address any questions regarding what CAISO market data informs any reporting obligation they may have under CARB's program. (15d-CAISO-127.1)

> **Agency Response:**
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> Changes were not made in response to this comment in this rulemaking. These comments refer to proposed changes to the MRR, which is outside of the scope of this rulemaking. In any event, thank you for the support. See Agency Response to comment C-24 in the MRR FSOR.

M-1.7 Comment:

The CAISO recommends revising the definition of "Western Energy Imbalance Market" to include real-time transactions for the Extended Day-Ahead Market (EDAM) footprint. EDAM participating entities must also participate in the real-time market. At EDAM go-live, the real-time footprint will be larger than the EDAM footprint, as it includes more participants. The CAISO suggests CARB update the definition of EDAM and WEIM to clarify that EDAM entities participate in both the CAISO's day-ahead and real-time markets as follows: "Extended Day-Ahead Market" or "EDAM" means the CAISO's day-ahead market to manage transmission congestion and optimize procurement of energy to balance supply and demand for the combined CAISO and EDAM footprint. EDAM entities participate in both the CAISO's day-ahead and real-time markets. "Western Energy Imbalance Market" or "WEIM" means the operation of the CAISO's real-time market to manage transmission congestion and optimize procurement of energy to balance supply and demand for the combined CAISO, EDAM, and WEIM footprint. EDAM entities participate in both the CAISO's day-ahead and real-time markets. (45d-CAISO-393.1)

Agency Response:

No changes were made in response to these comments in this rulemaking. These comments refer to proposed changes to the MRR, which is outside of the scope of this rulemaking. See Agency Response to comment C-23 in the MRR FSOR.

M-1.8 Comment:

Similarly, the outstanding emissions calculator includes two calculations, one for Total California WEIM Emissions (Proposed Section 95111(h)(1)(A)) and one for Total California EDAM Emissions (Proposed Section 95111(h)(1)(A)). As explained above, EDAM participants must participate in the WEIM, and thus separating out these two calculations may inadvertently capture EDAM participants in both the WEIM and EDAM. If CARB prefers to categorize these participants separately, the CAISO suggests clarifying that subsections A and B are applicable to WEIM-only and EDAM participants respectively. (45d-CAISO-393.3)

Agency Response:

No changes were made in response to this comment in this rulemaking. This comment refers to proposed changes to the MRR, which is outside of the scope of this rulemaking. Please see Agency Response to comment C-23 in the MRR FSOR.

M-1.9 Comment:

PacifiCorp recommends fixing the typo "stand-along" on page 154 of the MRR Proposed Regulation Order. (45d-PC-295.10)

Agency Response:

No changes were made here in response to this comment in this rulemaking. This comment references proposed changes to the MRR, which is outside of the scope of this rulemaking. Please see Agency Response to comment C-13 in the MRR FSOR.

M-1.10 Comment:

Prior to 2026, PacifiCorp submitted a shared cost allocation methodology to its six states. However, PacifiCorp's fifth multi-state allocation agreement, referred to as the "2020 Protocol", expired December 31, 2025. PacifiCorp and its six states have not yet approved a new multi-state allocation methodology, so the Company is submitting individual cost allocation methodologies to each state's public utility commission. As a result, PacifiCorp's next cost allocation methodology may only be approved by the CPUC – thereby leaving the Company without an approved methodology approved by the CPUC and at least one other state. A single state allocation is not unprecedented; in December 2025, the Washington Utilities and Transportation Commission approved a cost allocation methodology that includes resource allocations only for Washington.

Other California agencies have altered their regulations to prepare for this potential outcome. The California Energy Commission recently adjusted Power Source Disclosure reporting requirements to recognize this potential outcome and specifically allows reporting using a cost allocation methodology approved only by the CPUC.

PacifiCorp recommends CARB modify the MRR requirements by striking "and the utility regulatory commission of at least one additional state in which the multi-jurisdictional retail provider provides retail electric service" from all references to multi-jurisdictional retail providers to ensure PacifiCorp can continue to comply with MRR rules. (45d-PC-295.6)

> **Agency Response:**
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> No changes were made in response to this comment in this rulemaking. This comment refers to proposed changes to the MRR, which is outside of the scope of this rulemaking. Please see Agency Response to comment C-5 in the MRR FSOR.

M-1.11 Comment:

PacifiCorp appreciates CARB's proposed revisions to streamline resource registration under the MRR...Simplified resource registration will significantly reduce administrative burden...PacifiCorp offers one additional recommendation. The current resource registration reporting template requires reporting facilities' longitude and latitude, which is time-consuming to look up and does not affect emissions calculations. A facility's location within or outside California does impact MJRP workbook calculations, but this can be determined using the physical address already included in the registration materials. The Company recommended Washington Department of Ecology also remove longitude and latitude in recent comments and recommends CARB consider the change as well. (45d-PC-295.8)

Agency Response:

No changes were made in response to this comment in this rulemaking. This comment refers to proposed changes to the MRR, which is outside of the scope of this rulemaking. Please see Agency Response to comment C-1 in the MRR FSOR.

N. Voluntary Renewable Electricity Program

N-1 Continuation of the Voluntary Renewable Electricity (VRE) Program

N-1.1a Multiple Comments: Continuation of the VRE Program

In line with the comments submitted by the Center for Resource Solutions, 3Degrees strongly supports the continuation of the VRE program in order to protect the emissions reduction benefits that the VRE market provides for the state. Without the necessary set-aside of these allowances, there will be no cost-effective mechanism to ensure that VRE purchases are counted towards statewide emissions reductions.

The VRE program is integral to maintaining the Green-e® certification of RECs, which is not only the preferred certification for corporate voluntary purchasers, but also a requirement for many California utility green tariff programs. The Green-e Energy National Standard requires the retirement of allowances in association with Green-e Energy certified VRE from California. Where VRE program allowances are unavailable, eligible carbon allowances must be purchased in association with the VRE, imposing an additional cost burden on the VRE market that should be borne by the emitters. Should VRE purchasers choose not to purchase carbon allowances due to the costs, these VRE purchases will cease to contribute to emissions reductions beyond the cap and instead subsidize compliance for obligated entities. Such an outcome could result in investments in VRE leaving the state of California, contrary to the goals of the Cap-and-Invest program.

CARB’s initial rulemaking analysis examined a scenario in which 5.5 million allowances across the 2025-2030 period were allocated to the VRE program. The analysis did not identify meaningful impacts on allowance prices or compliance costs as a result of this allocation. We are sensitive to the importance of centering affordability, and believe that this modest allocation will significantly benefit voluntary renewable energy in the state without raising costs. 3Degrees asks that CARB consider including this allocation in the final rule. (45d-3D-48.1)

Comment:

First, customers who voluntarily pay for clean energy above Renewable Portfolio Standard requirements risk subsidizing other emitters rather than reducing emissions. Second, maintaining credible voluntary products would require purchasing allowances in direct competition with covered entities, creating real affordability challenges at the customer level. Third, the loss of a viable VRE mechanism undermines California-sourced voluntary renewable products, including those aligned with Green-e certification, weakening incentives for voluntary climate leadership...If replenishing the VRE Reserve at its originally contemplated level is not feasible in the current rulemaking, we respectfully urge CARB to consider whether a more limited, within-cap approach could preserve the program's continuity without undermining affordability. For example, a smaller, multi-year reserve—on the order of one million allowances—with discretion to revisit the level in future amendments could maintain the operational viability of the VRE program, preserve voluntary market integrity, and provide regulatory certainty for customers and providers. Even a modest reserve would signal that voluntary action continues to have a recognized role within California's climate framework. We emphasize that preserving some version of the VRE program is preferable to allowing it to lapse entirely...We respectfully request that CARB reconsider the decision not to replenish the VRE Reserve and explore options to preserve the program in a manner consistent with affordability, statutory direction, and the long-term integrity of California's climate policies. (45d-PCE, CEA, SDCP, RCEA, VCE-326.2)

Comment:

CleanPowerSF, the City and County of San Francisco's Community Choice Aggregation (CCA) provider and participant in the Cap-and-Invest Voluntary Renewable Electricity (VRE) Program, urges CARB to restore a proposal made by its own staff to replenish the pool of allowances allocated to the currently depleted VRE reserve account, to the tune of 5.5 million allowances, upon final approval of the amendment package. CARB's more recent proposed amendments, released on January 20, would effectively end the VRE Program... Because California has a Cap-and-Invest Program regulating overall emissions in the economy, it is not possible to ensure that the voluntary renewable energy procurements reduced emissions economy-wide without an allowance being retired in the program associated with the negated emissions in the electric sector... CleanPowerSF understands and appreciates that CARB faces difficult tradeoffs when it comes to allocating emissions allowances across the Cap-and-Invest Program between those sold at auction and the various covered and impacted entities. That said, the additional allowances that were proposed to be placed into the VRE, while enough to correspond to a significant portion of the voluntary renewable energy generated in California for the next several years, at 5.5 million allowances would not materially impact the overall economics of the Cap-and-Invest Program, which includes approximately 1 billion allowances in its budget for the next five years as currently proposed.

On the other hand, eliminating VRE allowances would negatively impact the affordability and rate stability of voluntary renewable energy product offerings. If CCAs and other power providers that offer voluntary renewable energy products to their customers must purchase allowances to demonstrate additionality, significant new costs – and cost uncertainty – will be introduced, likely undermining the attractiveness of these products to consumers.

CleanPowerSF respectfully requests that CARB reinstate its proposal to place approximately 5.5 million allowances into the VRE account. (45d-CPSF-37.1)

Comment:

The undersigned organizations write to express concern that the proposed amendments to California's Cap-and-Invest Regulation would eliminate the ability of voluntary renewable electricity purchases to reduce emissions under the cap... We are concerned that the proposed amendments do not provide additional allowances to the Voluntary Renewable Electricity (VRE) Reserve Account or otherwise maintain a pathway for voluntary renewable electricity to deliver emissions reductions under the Cap. As a result, voluntary renewable purchases in California risk losing their environmental impact and credibility, discouraging voluntary investment that has historically complemented California's clean energy policies.

We recognize that CARB is balancing important considerations in this rulemaking, including a shrinking allowance budget and affordability concerns. In that context, we respectfully recommend that CARB adopt the approach previously analyzed by staff: a modest, bounded set-aside of approximately 5.5 million allowances over the 2025–2030 period for voluntary renewable electricity... We respectfully urge CARB to incorporate this limited set-aside into the final regulation to ensure that voluntary renewable electricity continues to deliver meaningful emissions reductions and to maintain confidence in California's clean energy leadership. (45d-CRS Coalition-237.1)

Comment:

CRS recommends a fixed total set-aside of 5.5 million allowances over the 2025–2030 period. This amount reflects staff's previously analyzed concept described in the Standardized Regulatory Impact Assessment (SRIA)2 and related discussions... At approximately 1.1 million allowances per year, the proposed allocation represents a small share of annual allowance budgets during this period. It restores program functionality and voluntary market impact without creating open-ended exposure or automatic expansion tied to future voluntary demand. (45d-CRS-236.3)

Comment:

The recommended 5.5 million allowance set-aside is modest relative to total budget volumes over 2025–2030 and was previously characterized as having only a small indirect compliance cost effect. Because the proposal is capped at a fixed total amount, it provides cost certainty and avoids open-ended fiscal exposure.

Voluntary renewable electricity procurement has historically complemented California's clean energy policies by supporting project development, accelerating renewable deployment, and enabling leadership beyond regulatory mandates. Preserving this complementary role strengthens long-term climate ambition without weakening the integrity of the cap. (45d-CRS-236.5)

Agency Response:

No changes were made in response to these comments. Under the Cap-and-Invest Program, it is possible for voluntary emissions reductions to free up allowances for use in other sectors, which is true of many of the State's complementary policies. However, the Program data to date does not show that voluntary emissions reductions have freed up allowances for use in other sectors, as covered emissions continue to decline. The Proposed Amendments do not prevent entities from purchasing and retiring allowances to reflect voluntary purchases or prevent entities from adhering to Green-e Energy certification requirements. Rather, the Proposed Amendments do not provide free allowances for this purpose.

From its inception, the VRE Program was intended as transitional assistance for the voluntary renewable market during the early stages of the Program. Since then, the cap has decreased and the regulatory environment has shifted significantly, necessitating deep decarbonization of the electricity sector and limiting the availability of state-owned allowances for recognition of voluntary renewable procurement. While voluntary renewable purchases will no longer be supported with free allowance allocation, the increasingly stringent allowance budgets necessary, along with other state policies, to achieve the 2030 and 2045 GHG reduction will limit potential emission increases elsewhere in the economy and support achieving overall economy-wide GHG reduction targets. The electricity sector will also continue to decarbonize as RPS targets rise regardless of allowance retirements for voluntary renewable electricity purchases, while new additions to the Cap-and-Invest Program such as MDI will further support investments in renewable energy. Given the statutory clean energy policies, declining cap, increasing RPS targets, and the support provided on behalf of electric ratepayers through EDU allocation and to industry under the proposed MDI allocation, the Program will provide ongoing incentives and support for the continued decarbonization of the electricity sector, preventing impacts to affordability. Thus, it is no longer necessary to use limited allowance supply to provide free allowances for the recognition of voluntary renewable electricity purchases through the VRE Program.

N-1.1b Multiple Comments: Continuation of the VRE Program

The recommended 5.5 million allowance set-aside is modest relative to total budget volumes over 2025–2030 and was previously characterized as having only a small indirect compliance cost effect. Because the proposal is capped at a fixed total amount, it provides cost certainty and avoids open ended fiscal exposure... Preserving this complementary role strengthens long-term climate ambition without weakening the integrity of the cap. (15d-CRS-187.4)

Comment:

CRS recommends a fixed total set-aside of 5.5 million allowances over the 2025–2030 period. This amount reflects staff's previously analyzed concept described in the Standardized Regulatory Impact Assessment (SRIA) and related discussions. At approximately 1.1 million allowances per year, the proposed allocation represents a small share of annual allowance budgets during this period. It restores program functionality and voluntary market impact without creating open-ended exposure or automatic expansion tied to future voluntary demand. (15d-CRS-187.2)

Agency Response:

No changes have been made in response to these comments. See Agency Response to comment N-1.1a and Response to Comments on the Environmental Impact Analysis 37-1.

N-1.2 Comment:

If the VRE Reserve is not replenished, the practical effect is that voluntary renewable electricity procurement in California no longer translates into statewide emissions reductions under the cap-and-invest framework, unless entities separately purchase and retire allowances. (45d-PCE, CEA, SDCP, RCEA, VCE-326.1)

Agency Response:

No changes were made in response to this comment. See Agency Response to comment N-1.1a.

N-1.3a Multiple Comments: VRE as a Foundational Component of Cap-and-Invest

CRS recommends that CARB incorporate into final regulatory text a bounded, cost-controlled set aside of 5.5 million allowances from the 2025–2030 annual budgets to replenish the Voluntary Renewable Electricity (VRE) Reserve Account. The VREP was established to ensure that voluntary renewable electricity purchases could deliver emissions reductions under California's mass-based cap. The current proposal does not replenish the VRE Reserve Account. As the existing reserve is depleted, the mechanism designed to preserve the emissions impact of voluntary procurement will no longer function. Restoring this structural feature would be consistent with the foundational regulatory design and longstanding operational practice and is necessary to maintain the integrity of voluntary climate action within the Cap-and-Invest framework. (45d-CRS-236.1)

Comment:

The VREP was established as a structural feature of California's mass-based Cap-and-Invest program to address a core design dynamic: under a fixed cap, voluntary renewable generation displaces emitting resources at the facility level but does not reduce aggregate emissions unless associated allowances are retired. CARB recognized this at program inception and created the VRE Reserve Account to ensure that voluntary renewable electricity procurement could result in allowance retirement and corresponding reductions under the cap... The program's documentation, REC retirement, and attestation requirements were deliberately structured to ensure that allowance retirement reflects verified, exclusive renewable generation and prevents double counting...Eliminating the VREP does not strengthen the integrity of the cap; it removes the mechanism specifically designed to allow voluntary actors to reduce emissions below the cap through allowance retirement. (45d-CRS-236.2)

Comment:

The VREP was designed and implemented to ensure that voluntary renewable electricity purchases could reduce emissions under California's Cap-and-Invest program. The current proposal does not maintain that mechanism. A fixed 5.5 million allowance set-aside for 2025–2030 represents a measured, cost-controlled, and environmentally necessary correction. It restores a core structural feature of the program, preserves environmental integrity, and maintains confidence in voluntary climate action. CRS respectfully urges CARB to incorporate this bounded set-aside into the final regulation. (45d-CRS-236.6)

Agency Response:

No changes were made in response to these comments. The VRE program design ensured that voluntary renewable purchases result in emissions reductions under the Cap and, as described in the 2010 Final Statement of Reasons, was always intended as transitional mechanism. See Agency Response to comment N-1.1a and Response to Comments on the Environmental Impact Analysis 37-1 regarding the VRE Program.

N-1.3b Multiple Comments: VRE as a Foundational Component of Cap-and-Invest

CRS recommends that CARB incorporate into final regulatory text a bounded, cost-controlled set aside of 5.5 million allowances from the 2025–2030 annual budgets to replenish the Voluntary Renewable Electricity (VRE) Reserve Account… Restoring this structural feature would be consistent with the foundational regulatory design and longstanding operational practice and is necessary to maintain the integrity of voluntary climate action within the Cap-and-Invest framework... The VREP was established as a structural feature of California’s mass-based Cap-and-Invest program to address a core design dynamic: under a fixed cap, voluntary renewable generation displaces emitting resources at the facility level but does not reduce aggregate emissions unless associated allowances are retired... The VREP is therefore not a discretionary allocation mechanism; it is an environmental integrity safeguard embedded in the original regulatory design. The program’s documentation, REC retirement, and attestation requirements were deliberately structured to ensure that allowance retirement reflects verified, exclusive renewable generation and prevents double counting... Eliminating the VREP does not strengthen the integrity of the cap; it removes the mechanism specifically designed to allow voluntary actors to reduce emissions below the cap through allowance retirement. (15d-CRS-187.1)

Comment:

A fixed 5.5 million allowance set-aside for 2025–2030 represents a measured, cost-controlled, and environmentally necessary correction. It restores a core structural feature of the program, preserves environmental integrity, and maintains confidence in voluntary climate action. CRS respectfully urges CARB to incorporate this bounded set-aside into the final regulation. (15d-CRS-187.5)

Agency Response:

No changes were made in response to these comments. See Agency Response to comment N-1.3a.

N-1.3c Comment:

Good morning. My name is Lucas Grimes and I'm with the Center for Resource Solutions, a California based nonprofit that creates policy and market solutions to advance sustainable energy. I'm speaking today regarding the proposed discontinuation of allowance allocations to the voluntary renewable electricity, or VRE, reserve account within Cap-and-Invest Program. So under a mass-based cap -- emissions cap, voluntary renewable electricity generation that is purchased voluntarily by both large and small customers will only reduce statewide emissions when it is paired with allowance retirement. Without allowance retirements, that renewable generation avoids emissions at regulated plants and simply frees up allowances for use elsewhere under the cap without changing total covered emissions. The VRE reserve account was created specifically to address this issue and to preserve the emissions impact of voluntary renewable electricity, and with it voluntary demand for renewable electric energy in California through allocation and retirement of allowances on behalf of voluntary renewable energy sales. The current proposal discontinues future allowance allocations to the VRE reserve account, effectively depleting it and rendering it useless, without establishing an alternative mechanism for voluntary renewable electricity purchases to continue driving emissions reductions under the cap. This has implications for the integrity and credibility of voluntary renewable electricity markets in California, including for corporate procurement programs, consumer facing renewable electricity products and broader voluntary climate commitments that rely on demonstrable emissions impact. If allocations to the VRE reserve account are not resumed voluntary renewable energy purchasing in California will have no net emissions effect and will merely subsidize compliance for emitters removing the primary motivation for voluntary buyers and jeopardizing a major source of private investment that would otherwise help accelerate decarbonization and reduce the burden on public climate programs. CRS recognizes that broader constraint CARB is facing in this rulemaking, including declining allowance budgets and affordability considerations -- (inaudible) allowances be allocated (inaudible). (BH-CRS-153.1)

Agency Response:

No changes were made in response to this comment. See Agency Response to comment N-1.3a.

N-1.4a Comment:

While allowances retired for the VREP could otherwise be auctioned, generating revenue for the Greenhouse Gas Reduction Fund (GGRF), an increase in auction volume does not necessarily translate one-for-one into increased revenue because allowance prices adjust in response to changes in supply and demand.

The VREP affects both sides of the allowance market: The proposed set-aside reduces allowance supply available for auction; Voluntary renewable electricity purchases reduce allowance demand by displacing covered emissions that would otherwise require compliance allowances. These effects offset one another. The proposed 5.5 million allowance set-aside represents a small share of total allowance budgets over the 2025–2030 period. Any revenue impact must therefore be understood within the context of equilibrium price adjustments across the broader allowance market... Framing the VREP as a tradeoff between allowance retirement and funding for emissions reduction programs can therefore be misleading. In practice, both pathways result in emissions reductions: allowances retired through the VREP reduce emissions directly by lowering the number of allowances available under the cap, while auction revenue supports programs intended to reduce emissions through public investments. The relevant distinction is not whether emissions reductions occur, but how they are achieved and financed. Allowance retirement through voluntary renewable electricity procurement delivers verified reductions funded by voluntary market participants, complementing rather than substituting for publicly funded climate programs. (45d-CRS-236.4)

Agency Response:

No changes were made in response to this comment. See Agency Response to comment N-1.1a and Response to Comments on the Environmental Impact Analysis 37-1.

N-1.4b Comment:

While allowances retired for the VREP could otherwise be auctioned, generating revenue for the Greenhouse Gas Reduction Fund (GGRF), an increase in auction volume does not necessarily translate one-for-one into increased revenue because allowance prices adjust in response to changes in supply and demand... The VREP reallocates who funds emissions reductions — voluntary purchasers or compliance entities — but does not weaken the cap and does not necessarily reduce total auction proceeds. Framing the VREP as a tradeoff between allowance retirement and funding for emissions reduction programs can therefore be misleading... Allowance retirement through voluntary renewable electricity procurement delivers verified reductions funded by voluntary market participants, complementing rather than substituting for publicly funded climate programs. (15d-CRS-187.3)

Agency Response:

No changes were made in response to this comment. CARB has not characterized the considerations of whether the VRE Program should be extended as the commenter suggests. See Agency Response to comment N-1.1a.