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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Improve the California Climate Credit.	R.25-07-013 (Filed July 24, 2025)

SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) POST-PREHEARING CONFERENCE STATEMENT

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Pursuant to Administrative Law Judge Maria Sotero's (ALJ Sotero) Email Ruling Allowing Post-Prehearing Conference Statements and Responding to Inquiry Regarding the Deadline for Notices of Intent dated November 21, 2025, Southern California Gas Company (SoCalGas) respectfully provides its Post-Prehearing Conference statement regarding the proceeding scope and schedule.

I. INTRODUCTION

On November 21, 2025, a Prehearing Conference (PHC) in the above-referenced matter was held and at least twenty parties participated. In light of the time constraints, and the amount of detail in the PHC agenda, ALJ Sotero has allowed "post-PHC statements so that parties' full input on scope and schedule can be heard."[1] SoCalGas reaffirms its opening and reply comments filed on September 26, 2025, and October 13, 2025, respectively, and takes this opportunity to address the six newly raised scoping issues and four discussion questions regarding scheduling sent to the parties by ALJ Sotero via email on November 19, 2025.

[1] ALJ Sotero, M. Email to Parties, November 20, 2025.

II. ADDITIONAL PROPOSED SCOPING ISSUES

A. Do parties have any specific concerns with including, ***<u>in addition to</u>*** the four issues listed in the Order Instituting Rulemaking (OIR), the following issues in scope:

1. Whether the Commission should make changes to the calculation methodology of the Climate Credit.
2. Considerations related to implementation of the provisions in AB 1207 (2025, Irwin) related to the Climate Credit and Industry Assistance Credit.
3. Considerations related to implementation of changes in the California Air Resources Board's regulations applicable to the Climate Credit and Industry Assistance Credit.
4. Whether guiding principles for the proceeding should be adopted and if so, whether the following are appropriate: affordability, transparency, equity, efficiency, and support for electrification.
5. Whether the Commission should modify any prior Commission-adopted Climate Credit objectives, definitions, and rules.
6. Whether implementing the changes adopted in this proceeding will lead to increased costs for the utilities.

SoCalGas supports the addition of these issues to the scope of the proceeding, as modified herein.

Regarding proposed Issue 4, as stated during the PHC, SoCalGas supports the recommendation by parties to integrate decarbonization and decarbonization technologies more broadly as a guiding principle.[2] SoCalGas also recommends the California Public Utilities Commission (Commission or CPUC) consider adding a guiding principle on minimizing gas customer impacts especially in the near term and as such, submits additional language below in proposed Issue 4 to reflect this consideration.

During the PHC, the Energy Producers and Users Coalition (EPUC), California Large Energy Consumers Association (CLECA), and Environmental Defense Fund (EDF) recommended, and SoCalGas agreed, that proposed Issue 4's scope should be changed from

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[2] CPUC, Order Instituting Rulemaking to Improve the California Climate Credit, November 21, 2025, Prehearing Conference Reporters' Transcript at 37:16-19.

"support for electrification" to "support for decarbonization." This change is consistent with California's climate policy established by the legislature and the California Air Resources Board (CARB). Assembly Bill (AB) 1207 codified the State's goal of carbon neutrality by 2045. The State's strategy to reach the emission reductions goals set out by CARB's Scoping Plan takes a holistic decarbonization strategy by including both electrification and decarbonized fuels. This recommendation is consistent with SoCalGas's opening comments that "the CPUC could also consider some of the proceeds to be allocated to decarbonized fuel projects."[3] SoCalGas further reiterates its reply comments that no natural gas suppliers' (NGS) proceeds should be used for electrification efforts.[4] Modifying the scope of the issue to "decarbonization" would help clarify that NGS' proceeds should not be used for electrification but could be used to support decarbonization pathways via decarbonized fuels. Additionally, during the PHC, EDF suggested a change to the guiding principles regarding customer bill impacts. SoCalGas concurred with this suggested change during the PHC with the recommendation to include "looking more comprehensively on customer bill impacts in general."[5] While SCG supports a more holistic view of bill impacts (inclusive of both gas and electric), it does not support the inclusion of an explicit "energy burden" metric.

Proposed Issue 6 in the draft PHC agenda also considered whether implementing changes adopted in this proceeding will lead to increased costs for the utilities. As Pacific Gas and Electric Company (PG&E) suggested during the PHC, SoCalGas agrees that if the Commission requires the utilities to incur new costs that are not covered by existing cost recovery accounts, the Commission should direct the creation of a memorandum account to track such costs.[6] SoCalGas submits additional language in proposed Issue 6 to reflect this change. An increase in the costs required to implement changes is dependent on the complexity of the changes being proposed. For example, changing the timing of the gas climate credit (gas Climate Credit) or the cadence of the credit can be done with minimal additional costs that will likely be absorbed

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[3] SoCalGas Opening Comments at 6.

[4] SoCalGas Reply Comments at 3.

[5] CPUC, Order Instituting Rulemaking to Improve the California Climate Credit, November 21, 2025, Prehearing Conference Reporters' Transcript at 37:19-23.

[6] CPUC, Order Instituting Rulemaking to Improve the California Climate Credit, November 21, 2025, Prehearing Conference Reporters' Transcript at 19:7-13.

within normal business operations. Some of the more complex changes that are being considered, *e.g.*, adding new eligible classes of customers, providing different credit amounts based on volume, zip code, etc., would require changes to billing systems, IT and administrative costs, and potentially expanded marketing, education, and outreach costs. Recovery of these costs should be in a manner similar to the original implementation of Decisions (D.) 15-10-032 and D.18-03-017 and recovered by netting the allowance proceeds. Additionally, as briefly discussed in SoCalGas's opening comments, any costs associated with the more complex changes like eligibility requirements (not timing or multiplicity of the gas Climate Credit) would also impact SoCalGas's Customer Information System (CIS) replacement.[7] The CIS replacement is scheduled to go live in the second half of 2026 and a "freeze period" on changes to the system began in 2025 and will continue into 2028.

Subsequently, potential increased costs for utilities may lead to increased costs for utility customers. During the PHC, the Public Advocates Office (Cal Advocates) suggested rephrasing proposed Issue 6 to state "whether implementing the changes adopted in this proceeding will lead to increased costs that are borne by ratepayers."[8] However, SoCalGas proposes that the potential for increased costs for utility customers should be its own scoped issue. For some of the more complex issues like eligibility requirements, volumetric dispersal, NGS allowance transfer, revenues carved out for the Transmission Accelerator Revolving Fund, and small business credit and industry assistance program could have significant impacts on various customer class total energy bills. As such, SoCalGas proposes a new scoped Issue 7 below.

Accordingly, SoCalGas recommends the following changes and additions to the scoping issues above:

- Issue 4: Whether guiding principles for the proceeding should be adopted and if so, whether the following are appropriate: affordability, transparency, equity, efficiency, **total bill impact to utility customers**, and support for ~~electrification~~ **decarbonization.**
- Issue 6: Whether implementing the changes adopted in this proceeding will lead

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7 SoCalGas Opening Comments at 5.

8 CPUC, Order Instituting Rulemaking to Improve the California Climate Credit, November 21, 2025, Prehearing Conference Reporters' Transcript at 25-26: 21-1.

to increased costs for the utilities **and whether any regulatory accounting mechanisms should be considered for recording and recovery of those costs**.

- New Issue 7: **Whether any implementation changes adopted in this proceeding will lead to increased costs for utility customers.**

III. DISCUSSION QUESTIONS REGARDING PROCEEDING SCHEDULE

A. Should the Commission consider immediate affordability actions and the nearest-term statutory deadlines in a Phase 1A, with a Proposed Decision (PD) in late spring 2026?

1. What immediate (taking effect in 2026) affordability relief actions are possible?
2. Is it reasonable and appropriate, based on guidance in AB 1207 and party comments on the OIR, to direct the fall 2026 Climate Credit be moved up to August and/or September? Should this be an interim determination while full consideration of optimal timing is ongoing in the proceeding?
3. If the Commission directed the fall 2026 Climate Credit to be moved to August and/or September 2026, by when would the Commission need to order this change, and what specific direction is needed? What outreach is possible for this action?
4. Are any other affordability relief actions possible in 2026?

Regarding any other affordability relief actions possible in 2026, any changes to the gas Climate Credit being delivered to customers in April 2026 should be outside of the scope of this proceeding. SoCalGas notes that during the PHC, the Natural Resources Defense Council (NRDC) reiterated its recommendation that the Commission should consider redirecting a portion of the gas Climate Credit toward low-income building electrification assistance.[9] SoCalGas reinforces its reply comments[10] that inappropriate cross-subsidies like this suggestion should not be in scope and would also contradict the equity guiding principle as proposed in Issue 4 of Section II.A above. Moreover, there is insufficient time to make any changes to SoCalGas's IT system or notification and education requirements for customers. More

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9 CPUC, Order Instituting Rulemaking to Improve the California Climate Credit, November 21, 2025, Prehearing Conference Reporters' Transcript at 51-52:20-6.

importantly, CARB has the sole authority to develop regulations for the transfer of NGS' allowances to electric distribution utilities (EDUs) and CARB will not have adopted their new Cap-and-Invest regulations in time for the April 2026 disbursement.

SoCalGas does not object to a phased approach to the proceeding schedule. SoCalGas supports including in the scope of this proceeding assessing the timing and number of disbursements of the gas Climate Credit, ideally as part of the Phase 1A track to provide a more meaningful impact for customers in the near term. Some of the more complex considerations moving forward in Phases 1A and 1B are time dependent on completion of CARB's pending Cap-and-Invest regulations under AB 1207. Any decision to move the electric Climate Credit for 2026 should result in no change for the gas Climate Credit that is scheduled for April 2026. However, if the CPUC is considering a decision in 2026 that could be applicable for 2027 climate credits, then the CPUC could decide to move the gas Climate Credit from April 2027 to February 2027, and going forward, the climate credit would occur in the month of February. The CPUC should consider moving the 2027 gas Climate Credit from April to February as part of the Phase 1A decision. This timing change of the gas Climate Credit is supported by the CPUC's desire to provide affordability relief as soon as possible. If the gas 2027 Climate Credit timing change was conducted in Phase 1A, then there would be sufficient time for SoCalGas to make the IT, education, and outreach changes for the disbursement.

With regards to the PD addressing the funding for the California Transmission Accelerator Revolving Fund, the CPUC should limit the funding for the program only to EDUs' revenues as allocated by CARB. If CARB does create a regulation for the transfer of NGS' allowances to EDUs, these funds should not be subject to the 5% carve out for the Transmission Accelerator Revolving Fund. Any transfer of allowances from NGS to EDUs will result in an overall lowering of the total climate credit for dual fuel residents and should not be further reduced by carving out NGS' allowances for the Transmission Accelerator Revolving Fund.

B. If Phase 1A is approached as above, what procedural steps and timing are necessary for the Commission to address changes to eligibility, calculation, and timing of distribution in a Phase 1B PD, in late 2026?

1. Should the Commission adopt principles in the Phase 1A or Phase 1B decisions?
2. How does the current process and timeline for approving Climate Credits for the following year impact considerations here? How could those

impacts be resolved?

3. Should changes to eligibility and calculation be considered at the same time, or can one be considered before the other?

4. Would an aggregated data set of Climate Credit distribution and impacts from prior years be useful to assess changes?

5. What outreach changes should be directed? How can changes to the Climate Credit be made in a way that minimizes confusion?

From a timing perspective, SoCalGas recommends scheduling the more complex issues of Phase 1B to occur after the adoption of CARB's regulations so these considerations can be informed by those regulations which are scheduled to be complete in April 2026. As discussed above, it would be ideal for the Commission to decide in Phase 1A to move the gas Climate Credit from April 2027 to February 2027 and to February for each subsequent year.

C. Is legal briefing on statutory interpretation necessary early in the proceeding? This may include briefing on the following:

1. What timing and sequencing of direction is needed to comply with Pub. Util. Code Section 748.5.(d), regarding funding for the California Transmission Accelerator Revolving Fund?

    a. Does the Commission need to direct the 5% to be sent to the Treasury in a final Decision adopted before July 1, 2026, or would it be compliant to simply ensure that 5% of funds are directed accordingly (even if such direction comes in a decision that is adopted after July 1)?

    b. To what extent is the Commission and/or the utilities responsible for ensuring that the use of such funds is compliant with CARB regulations?

2. Is it appropriate, lawful, and aligned with legislative intent for the Commission, as part of its immediate affordability relief focus, direct the distribution of the fall 2026 Climate Credit to instead occur in August or September of 2026?

3. What timing and sequencing of direction is needed to comply with Pub.

Util. Code Section 748.5(b) regarding outreach plans?

a. What specific placement of outreach messages described by this section would comply with statute?

b. How should the Commission define "top of bill" for paper and electronic billing?

c. Would bill inserts placed on top of bills be a compliant approach, particularly if billing constraints in 2026/2027 prevent changes to bills in the near term?

d. What lead time is necessary to implement changes in this proceeding that affect messaging? How can the Commission ensure that the new outreach plans reflect any changes made in this proceeding?

SoCalGas takes no position on whether legal briefing is necessary on these issues or the issues proposed, as they do not appear to impact the gas Climate Credit as phrased. To the extent other parties suggest changes to issues for legal briefing that would impact the gas Climate Credit, SoCalGas would oppose, unless briefing is the fastest procedural method to concurrently address a Phase 1A decision's move of the gas Climate Credit from April 2027 to February 2027 and to February for each subsequent year.

D. If Phase 1A proceeds as described above, what issues should be addressed in Phase 2, which would begin in late 2026/early 2027?

1. Is it appropriate to defer consideration of potential changes to the Small Business Credit and issues, such as the Industry Assistance credit, that are highly dependent on or necessitated by changes to CARB regulations (expected in 2026) to Phase 2?

2. Are there changes to Climate Credit calculation or eligibility that are sufficiently complex such that they cannot be addressed until Phase 2?

3. What other issues should be addressed in this Phase 2?

Based on the discussion at the PHC, it is still unclear what the CPUC considers within the scope of Phases 1B and 2. For SoCalGas, the most important near-term issue is timing and number of climate credits. As proposed by SoCalGas, an acceleration of timing of the distribution of the 2027 gas Climate Credit (*i.e.*, from April 2027 to February 2027) is more consistent with scoped issues of Phase 1A. SoCalGas supports the electric utilities in requesting a final decision by March 2026.

For subsequent gas Climate Credit issues like eligibility, potential rate making and recovery of program funds, revenues used for the Transmission Accelerator Revolving Fund, small business climate credit, industry assistance program, and transfer of allowances during the 2027-2030 timeframe, those should all be considered after CARB adopts new Cap-and-Invest regulations. Since CARB's Cap-and-Invest regulatory process is so truncated, to have the regulations in place for the 2027 allocations, it is unclear if CARB will reopen the rulemaking to deal with additional issues or re-examine issues for the 2031-2035 time frame. If CARB decides to open the program again for the 2031-2035 program, then the Commission could use Phase 2 to update corresponding CPUC-related climate credit program impacts accordingly.

One issue that could be explored during Phase 2 is how the CPUC intends to use the NGS' allowance revenues that may be transferred to EDUs for the small business credit or industry assistance program. Currently, some NGS' allowances may be used for compliance with Cap-and-Invest, which in turn provides ratepayer relief for all customers. By 2030, NGS will have to consign 100% of their allowances to auction, meaning that the core business customers will receive no cost relief from the allotted allowances. CARB could decide to change the regulations post-2030 and allow for some NGS' allowances to continue to be used for compliance which are passed directly through to all gas customers.

IV. CONCLUSION

SoCalGas appreciates the opportunity to provide this statement.

Respectfully submitted,

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