



STATE OF CALIFORNIA

GAVIN NEWSOM, Governor

PUBLIC UTILITIES COMMISSION

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February 9, 2026

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TO PARTIES OF RECORD IN RULEMAKING 25-07-013:

This is the proposed decision of President Alice Reynolds. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's March 19, 2026, Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

/s/ MICHELLE COOKE

Michelle Cooke

Chief Administrative Law Judge

MLC: jds

Attachment

Decision **PROPOSED DECISION OF PRESIDENT ALICE REYNOLDS**
(Mailed 2/9/2026)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to
Improve the California Climate
Credit.

Rulemaking 25-07-013

**DECISION PAUSING THE DISTRIBUTION OF THE LARGE ELECTRIC
UTILITIES' 2026 RESIDENTIAL CLIMATE CREDIT****Summary**

This decision orders the large electric investor-owned utilities to pause the distribution of the 2026 electric residential Climate Credit so that a forthcoming decision can direct when these credits should be distributed this year.

The residential electric Climate Credit is provided on customer bills in April and October, which are relatively low-billed months. The current phase of this proceeding is considering moving the 2026 residential electric Climate Credit to high-billed summer months to maximize its affordability impact. A proposed decision addressing that matter is anticipated in March 2026. Pausing the spring Climate Credit will allow the Commission to include it in these considerations.

This proceeding remains open.

1. Background

The residential Climate Credit is a credit that appears on the investor-owned electric and gas utilities' residential customers' bills. These credits are currently delivered twice a year to electric customers and once a year to gas

customers during traditionally low-billed months: in the spring and fall for electric customers, and in the spring for gas customers. The Climate Credit comes from funds generated by the State's greenhouse gas Cap-and-Invest Program.

On October 30, 2024, Governor Newsom signed Executive Order (EO) N-5-24 addressing rising electricity ratepayer costs and affordability concerns. EO N-5-24 required the Commission to identify actions that could improve affordability, and in its responding report the Commission identified the Climate Credit as one area of opportunity.¹

On July 24, 2025, the Commission approved the Order Instituting Rulemaking (OIR) to Improve the California Climate Credit, opening the instant rulemaking.

On September 19, 2025, Governor Newsom signed Assembly Bill (AB) 1207 (Irwin), Statutes 2025, Chapter 117 (AB 1207) extending the Cap-and-Trade program through 2045, renaming the program Cap-and-Invest, and making a number of changes relevant to the funds that make up the Climate Credit. This proceeding is implementing these changes and considering ways to improve the effectiveness of the Climate Credit in supporting affordability, with Phase 1A focused on immediate actions to improve affordability in 2026.

AB 1207 established Public Utilities Code (Pub. Util. Code) Section (Sec.) 748.5(a)(3) requiring electric credits to be provided "in no more than four high-billed months of each year to maximize customer electric bill affordability, or as

¹ CPUC Response to Executive Order N-24-5, available at <https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/reports/cpuc-response-to-executive-order-n-5-24.pdf>.

otherwise directed by the Commission to address extreme, unforeseen, and temporary circumstances.”²

The scope and schedule of Phase 1A of this proceeding are focused on addressing immediate actions that can benefit residential customer affordability as quickly as possible. Phase 1A addresses these issues, along with statutory deadlines imposed by AB 1207 that fall in 2026 and 2027. Phase 1B considers a broader set of changes to the residential Climate Credit.

1.1. Procedural Background

The following parties filed opening and/or reply comments on the OIR: Bear Valley Electric Service, Inc., jointly with Liberty Utilities (CalPeco Electric) LLC, and PacifiCorp (the Joint Small and Multi-jurisdictional Utilities or SMJUs); the Public Advocates Office at the California Public Utilities Commission (Cal Advocates); the California Community Choice Association (CalCCA); California Farm Bureau Federation; California Large Energy Consumers Association (CLECA); Center for Accessible Technology; Center for Sustainable Energy; Coalition of California Utility Employees; Energy Producers and Users Coalition; Natural Resources Defense Council; Pacific Gas and Electric Company (PG&E); Pacific Steel Group; San Diego Gas & Electric Company (SDG&E); Small Business Utility Advocates (SBUA); Southern California Edison Company (SCE); Southern California Gas Company (SoCalGas); and The Utility Reform Network (TURN). The California Environmental Justice Alliance (CEJA), Central California Asthma Collaborative (CCAC), Central California Environmental Justice Network (CCEJN), and Leadership Counsel for Justice and Accountability (LCJA) filed motions for party status that were granted by the ALJ.

² Pub. Util. Code Section 748.5(a)(3).

A prehearing conference (PHC) was held on November 21, 2025, to address the issues of law and fact, determine the need for hearing, set the schedule for resolving the matter, and address other matters as necessary. The PHC involved extensive discussion on issues and priorities, including the approach of immediately focusing on short-term actions to address affordability. The ALJ provided parties with an additional opportunity to provide additional input regarding PHC topics by filing post-PHC statements. On December 8, 2026, the following parties filed post-PHC statements: CalCCA; CCAC; CEJA, CCAJN, and LCJA (jointly); CLECA; the Joint SMJUs; Pacific Steel; PG&E; SBUA; SCE; SDG&E; SoCalGas; and TURN.

On February 3, 2026, the Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo) was issued, detailing the anticipated rapid timeline for Phase 1A.³ In the Scoping Memo, the Assigned Commissioner stated her intent to issue a proposed decision (PD) in February 2026 pausing the large electric utilities' 2026 residential Climate Credit.⁴

2. Jurisdiction

The Commission's authority applicable to Climate Credit funds comes from two main sources: CARB's regulations and Pub. Util. Code Sec. 748.5. The Commission implements and establishes its guidance in compliance with these and other broadly applicable authorities, including Pub. Util. Code Secs. 701 and 451. Various legislation has also provided guidance, and this proceeding will implement portions of AB 1207. In numerous decisions throughout R.10-05-006 and R.11-03-012 (for the electric utilities) and R.14-03-003 (for natural gas

³ The Scoping Memo was additionally served to the service lists of R.11-03-012 and R.20-05-002.

⁴ Scoping Memo at 9.

utilities) the Commission adopted rules and other guidance for the forecasting, distribution, and outreach related to allowance revenues.

3. Issues Before the Commission

This Decision resolves only Issue 1 within Phase 1A of this proceeding, which is whether the Commission should order the large electric utilities to pause the distribution of the 2026 residential Climate Credit while considering other issues in this phase.

The Scoping Memo explained that the electric SMJUs would not be included in the scope of Issue 1 because the record indicates that SMJU customers are less likely to benefit from an immediate pause.⁵

We note that the electric utilities also provide Small Business Climate Credits and Industry Assistance Credits, which stem from the same funding source and are provided to qualifying small business and industrial customers. These credits are not affected by this decision nor are they within the scope of issues being considered in this phase of R.25-07-013.

4. Pausing the Climate Credit

Under current rules, the electric utilities distribute the residential Climate Credit twice a year: in the spring (April) and the fall (October).⁶ Exact timing of the distribution varies because the dates of billing cycles vary among customers. For example, for the spring distribution, the utilities provide the Climate Credit to each customer within the billing cycle that either contains April 1 or that contains the greatest number of April days, meaning customers may receive their spring credit in either April or May.

⁵ Scoping Memo at 9.

⁶ D.13-12-003, Ordering Paragraph (OP) 1d, and D.21-08-026 OP 8.

Table 1 provides Climate Credit amounts for each investor-owned electric utility in California.⁷ The credit amount is the amount delivered in each of the two distributions. Table 1 shows that the large electric utilities' 2026 Climate Credits are approximately 40 to 60 percent smaller than their 2025 Climate Credits. The SMJUs' Climate Credits are not within the scope of Issue 1 but their amounts are provided for context.

Table 1: Investor-owned Electric Utilities' Residential Climate Credit Amounts for 2025 and 2026

Electric Utility	2026 Climate Credit amount	2025 Climate Credit amount
PG&E	\$36.18	\$58.00
SCE	\$36.00	\$56.00
SDG&E	\$49.36	\$81.00
Liberty ⁸	\$71.98	\$71.98
PacifiCorp ⁹	\$259.36	\$259.36
Bear Valley	\$17.52	\$34.91

In 2025, AB 1207 established Pub. Util. Code Sec. 748.5(a)(3) requiring electric Climate Credits to be provided "in no more than four high-billed months of each year to maximize customer electric bill affordability, or as otherwise

⁷ The large electric utilities' Climate Credit amounts are approved in their respective Energy Resource Recovery Account application proceedings.

⁸ Liberty Utilities did not have an approved 2026 Climate Credit amount as of the issuance of this proposed decision, therefore as of that time, Liberty is authorized only to distribute the amount approved for 2025. Its 2026 proposed amount is pending within its 2026 ECAC.

⁹ PacifiCorp did not have an approved 2026 Climate Credit amount as of the issuance of this proposed decision, therefore as of that time, PacifiCorp is authorized only to distribute the amount approved for 2025. Its 2026 proposed amount is pending within its 2026 ECAC.

directed by the Commission to address extreme, unforeseen, and temporary circumstances.”

In addition to this requirement, we look to party positions regarding whether we should take immediate action for 2026 relief, and what actions may be possible.

Parties including TURN, SBUA, and CEJA, CCEJN, LCJA (jointly, the EJ Parties) supported taking immediate action for bill relief in 2026.¹⁰ Parties including SDG&E and the EJ Parties agreed that providing the Climate Credit in high-billed months, or in summer for electric customers, would be aligned with statute and likely to benefit customers.¹¹

With respect to the range of possible actions that could be implemented this year, SCE, PG&E, and SDG&E stated that it was too late to change the eligibility or calculation methodology of the Climate Credit before the 2026 credits were distributed, and that it was too late to accelerate the spring 2026 credit, but that it would be possible to accelerate the October 2026 credits to deliver them in September or August 2026.¹² SDG&E stated that it would not be possible to increase the number of distributions in 2026 beyond two.¹³ Discussion focused on the potential to move up the fall credit to the summer, with the utilities agreeing that this could be implemented in 2026.¹⁴

¹⁰ Reporter’s Transcript (RT) of November 21, 2026 PHC, page 71: lines 17-19; TURN Post-PHC Statement at 1; SBUA Post-PHC Statement at 2; EJ Parties’ Post-PHC Statement at 1.

¹¹ SDG&E Post-PHC Statement at 2-4; EJ Parties’ Post-PHC Statement at 3.

¹² RT 52: 9-25; SCE Post-PHC Statement at 1-2; PG&E Post-PHC Statement at 2; SDG&E Post-PHC Statement at 1-2.

¹³ RT 55: 19-25.

¹⁴ SCE Post-PHC Statement at 5; PG&E Post-PHC Statement at 2; SDG&E Post-PHC Statement at 2-3.

We agree that changing Climate Credit amounts or eligibility is too complex to accomplish for 2026 distributions. No party specifically contemplated *pausing* the spring 2026 distribution to allow it to be distributed later this year, but neither did any party identify any reason why the utilities could not do so.

In the past, the Commission has changed the timing of upcoming Climate Credits. In February 2023, the Commission ordered the acceleration of the April 2023 Climate Credits in response to the rapid spike in natural gas prices that occurred throughout the West in winter 2023.¹⁵

As noted above, the assigned Commissioner stated in her Scoping Memo that she intended to issue a proposed decision (PD) pausing the large electric utilities' 2026 residential Climate Credit, providing advance notice of this possibility to the utilities.

We conclude that the large electric utilities' 2026 residential Climate Credit should be paused because doing so allows for the possibility for distribution of the credit to have much greater affordability impacts this year. With a PD on the additional Phase 1A matters contemplated in March 2026, the delay will be very brief. We bear in mind that the residential electric Climate Credits are smaller this year and pausing them lets us consider the most impactful time for distribution.

We also find that pausing the credit is necessary for it to be distributed in compliance with State law: Pub. Util. Code Section 748.5(a)(3) explicitly requires its distribution in high-billed months. If we take no action now, the first 2026 credit will be provided in the spring, which is a historically low-bill time for electricity customers. The current distribution timing was intentionally aligned

¹⁵ D.23-02-014, issued in response to Cal Advocates' emergency Winter Bill relief motion.

with lower-usage, lower-bill times of year to maximize awareness of the credit and to preserve the price signal in rates.¹⁶ A brief pause allows parties and the Commission additional time to confirm when in 2026 the credit will provide most affordability benefit to customers. We take this action in direct response to statutory direction and in support of our overall goal to maximize the Climate Credit's effectiveness in supporting customer affordability.

For clarity, and as stated above, we reiterate that the Small Business Climate Credit is not affected by this Decision. We note that Ordering Paragraph (OP) 6 of D.21-08-026 states that the electric Small Business Climate Credit shall be distributed "at the *same times* the residential California Climate Credit is distributed (emphasis added)."¹⁷ We reiterate that the Small Business Climate Credit is not within scope here and its distribution as previously directed is not impacted, notwithstanding this particular language linking it to the residential Climate Credit timing.

5. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding. As of the issuance of the proposed decision, there were no public comments on the Docket Card for this proceeding.

¹⁶ D.21-08-026 at 42.

¹⁷ D.21-08-026, OP 6.

6. Service of the Proposed Decision

As a courtesy, both the Scoping Memo and the instant proposed decision were served to the service lists of R.20-05-002, the Rulemaking to Review Climate Credits for Current Compliance with Statute and for Potential Improvements as well as R.11-03-012, the Rulemaking to Address Utility Cost and Revenue Issues Associated with Greenhouse Gas Emissions. Service of this proposed decision does not confer party status or place any person who has received such service on the official service list for this proceeding. Instructions for obtaining party status or being placed on the official service list are provided within the OIR for the instant rulemaking.

7. Procedural Matters

This decision affirms all rulings made by the ALJ and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

8. Comments on Proposed Decision

The proposed decision of President Alice Reynolds in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

9. Assignment of Proceeding

President Alice Reynolds is the assigned Commissioner, and Maria Sotero is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The residential electric Climate Credit is currently provided in the spring and fall annually.
2. Current timing of the residential electric Climate Credit was intentionally aligned with lower-usage, lower-bill times of year.

3. Statute enacted in 2025 directs the distribution of the Climate Credit in high-billed months to maximize affordability.

4. Pausing the 2026 electric residential Climate Credit distribution will allow for the possibility of providing the credit in high-billed months.

Conclusions of Law

1. The large electric utilities' distribution of the 2026 residential Climate Credit should be paused.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall pause distribution of the 2026 residential electric Climate Credit until the Commission determines when in 2026 these credits should be distributed.

2. All rulings by the assigned Commissioner and the assigned Administrative Law Judges are affirmed. All motions not ruled on are denied.

3. Rulemaking 25-07-013 remains open.

This order is effective today.

Dated March __, 2026, at Sacramento, California.