**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

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Order Instituting Rulemaking to Improve the California Climate Credit.	Rulemaking 25-07-013

OPENING COMMENTS OF
SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M)

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SUMMARY OF RECOMMENDATIONS

SDG&E summarizes its principal recommendations below, organized by topic. These bullet points are intended solely as a high-level summary and do not supersede or limit the more detailed discussion set forth in the body of these comments.

Statutory Interpretation of AB 1207 and Public Utilities Code Section 748.5 (Section 4.1)

- Recognize the status quo established in D.26-04-036, which already fully satisfies AB 1207 and Section 748.5 by providing the Climate Credit within no more than four high-billed months to maximize affordability, is the only mechanism the statute authorizes for advancing that objective.
- Strike "legislative intent" from the list of factors to be considered under Section 4.2, Question 1, because Section 748.5's affordability directive is clear and unambiguous, leaving no basis—or need—for a broader interpretation of legislative intent.

Guiding Principles and Priorities (Section 4.2)

- Revise factor "b" to read "Guiding principles and priorities" to ensure that all considerations identified in the Ruling are captured, regardless of how the Commission ultimately labels them.
- Adopt a standard under which the guiding principles and priorities serve as the metrics for evaluating any proposed departure from the status quo.
- Revise factor "d" to explicitly include Marketing, Education, and Outreach (ME&O) considerations as part of implementation feasibility.
- Decline to integrate the affordability metrics adopted in the Affordability Rulemaking (R.18-07-006)—including the Affordability Ratio—into this proceeding, because those metrics aggregate non-utility expenses and are not designed to guide the distribution of a specific statutory credit mechanism like the Climate Credit.
- Elevate two principles identified in D.12-12-033—equitable distribution recognizing the public-asset nature of the atmospheric carbon sink, and administrative simplicity and understandability—from "medium priority" to "high priority."

Assigned Commissioner's Priorities (Section 4.3)

- Rank the priorities in the following order of importance: (1) Simplicity Must Govern; (2) Affordability Is a Central Principle; (3) Our Focus Should Be Narrow; (4) Changes Should Be Fair; and (5) Electrification Should Be Encouraged. Adopt simplicity as the top priority for evaluating all proposals in this phase, given its direct relationship to customer understanding, trust, and administrative cost.
- Evaluate affordability holistically across all residential customers, rather than through carve-outs that improve affordability for one customer subset by reducing it for another.

- Revise the Ruling's definition of "fairness," which improperly equates higher electricity usage with greater financial need and would disadvantage lower-income customers who limit usage for financial reasons.

Evaluating Alternative Proposals (Section 4.4)

- Formally adopt the status quo/base case as the default option in this phase, and require any proponent of a change to affirmatively demonstrate, with record support, that its proposal achieves each of the guiding principles and priorities more effectively than the status quo; proposals that fail to make this showing should be excluded from further consideration.
- Require any party proposal to specify, at minimum, the target customer demographic and the demographic(s) that would experience diminished benefits, the planned number and timing of distributions, the calculation methodology and measurement period, and how the proposal applies across all residential customer types.

Electric Credit Proposal Concepts (Section 4.5)

- Exclude further income-based segmentation (e.g., scaling credits between moderate- and higher-income customers) from the scope of this proceeding, consistent with the findings of the Income Verification Working Group in the Demand Flexibility Track A proceeding.
- Recognize that any volumetric or tiered approach measured over the four-month distribution period risks creating a "consume more, get more" price signal during the most grid-constrained months of the year, undermining rather than supporting thoughtful electrification.
- Decline to modify Climate Credit eligibility based on primary/secondary home or vacation-rental status, because such data is not reliably tracked and collecting it would materially increase cost, complexity, and implementation time.
- Defer any determination of additional reporting or oversight requirements until a specific alternative approach, if any, is finalized.

Natural Gas Credit Proposal Concepts (Section 4.6)

- Make only minimal changes to the gas Climate Credit in this phase, given the declining pool of gas allowance revenues resulting from CARB's phased transition of allowances to electric utilities.
- Retain CARE enrollment status as the appropriate and most administrable proxy for identifying low-income gas customers, and decline to allocate more than the 30% of allowances required under Title 17 CCR Section 95893(d)(8) to low-income protection.

Other Party Proposals (Section 4.7)

- Reject the EJ Parties' and TURN's proposals, which would eliminate or significantly reduce the Climate Credit for the majority of residential customers, or would introduce unnecessary complexity through baseline-territory-specific distribution timing.
- Support Cal Advocates' proposal to allow IOU-specific flexibility in distribution timing, which would not introduce material feasibility issues or additional implementation costs.

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**OPENING COMMENTS OF
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I. INTRODUCTION

Pursuant to Ordering Paragraph 2 of the Assigned Commissioner's Ruling Providing Direction and Setting the Phase 1B Procedural Schedule, dated June 29, 2026 ("Ruling"), issued in the Order Instituting Rulemaking ("OIR") to Improve the California Climate Credit, San Diego Gas & Electric Company ("SDG&E") hereby submits the Opening Comments.

SDG&E appreciates the Commission's timely and practical actions in Phase 1A of this proceeding, which implemented Assembly Bill ("AB") 1207's affordability directive through a straightforward modification to the timing of the residential electric Climate Credit. As discussed throughout these comments, SDG&E believes the current electric Climate Credit framework established in D.26-04-036 represents the optimal path forward. The existing approach complies with the requirements of AB 1207, preserves equitable treatment of residential customers, maximizes transparency and administrative simplicity, and delivers broad-based bill relief during high-bill months when customers need it most. Accordingly, SDG&E does not believe additional modifications to the electric Climate Credit methodology are necessary to further advance affordability objectives.

By contrast, the preliminary concepts identified in the Ruling would require substantial analysis, stakeholder engagement, implementation planning, and customer outreach efforts while also creating net new benefiters and non-benefiters and adding potential volatility to the individual credits realized. Given the significant resources that would be required from the Commission, utilities, and other stakeholders, SDG&E encourages the Commission to consider whether further redesign of the electric Climate Credit is the most effective use of available time and resources.

More broadly, SDG&E believes that California customers would benefit more from focusing on larger structural affordability issues that can produce more meaningful and enduring impacts. Examples include ongoing evaluation of residential rate design, including increasing the residential fixed charge, transitioning public purpose programs to non-ratepayer funding mechanisms and continued review of non-cost-effective customer programs. Some of these topics are already being considered in other Commission proceedings, including the Advanced Electric Rate Design OIR. SDG&E discusses Phase 1B considerations more fully below in response to the Ruling's questions.

II. DISCUSSION

4.1 <u>Overarching Legal and Authority Questions</u>

Question 1: What limitations from CARB regulations, as adopted by CARB on May 29, 2026, apply to changes made in this phase?

As the Commission is aware, Title 17, California Code of Regulations ("C.C.R"), Section 95893(d)(8), effective January 1, 2028, requires gas corporations to use 30% of the allowances calculated under Section 95893(a) to provide a non-volumetric return that "primarily benefits" low-income ratepayers. Therefore, it establishes a floor, not a mandate that only low-income customers may benefit, and prohibits proposals distributing the gas allocation on a per-therm or usage-proportional basis. The phased transition of gas allowances to electric utilities (reaching 70% by 2031)[1] further counsels against costly, complex gas credit restructuring given the shrinking revenue pool. On the electric side, California Air Resources Board's ("CARB") regulations require that allocated allowance value be returned to ratepayers consistent with CPUC direction but impose no tiered or volumetric distribution mandate, meaning the existing flat-credit, equal-distribution approach remains fully compliant.

Question 2: CARB separately adopted Resolution 26-7 on May 29. The last two resolutions on page 17 direct CARB staff to: (a) Coordinate with the Commission regarding natural gas transition issues; and (b) Consult with the Commission on Diablo Canyon allocation issues. Do either of these resolutions impact considerations in this phase?

SDG&E understands Resolution 26-7's final two directives to be procedural coordination directives, not substantive mandates requiring Phase 1B action.

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[1] 17 C.C.R. § 95893, Table 9-6(A).

Question 3: What limitations, if any, from Pub. Util. Code Section 748.5, and/or any other section, apply to considerations in this phase?

SDG&E interprets Public Utilities ("Pub. Util.") Code Section 748.5, as amended by AB 1207 ("Section 748.5") to be prescriptive such that it limits the range of potential options in this phase. Section 748.5 is structured to answer two distinct questions: *first*, subdivision (a)(1) identifies *who* receives the credit—directing that allowance revenues be credited to "*the* residential customers" of the electrical corporation, using a definite article (i.e., "the") to describe an undifferentiated class, which indicates that *all* residential customers, rather than a subset segmented by usage tier, climate zone, or income status, should receive the Climate Credit;[2] and *second*, subdivision (a)(3) identifies *how* the credit must be delivered to satisfy the statute's affordability purpose, directing that it be provided "in no more than four high-billed months of each year to maximize customer electric bill affordability." Read in context, in accordance with the fundamental principle of statutory construction,[3] the "to maximize...affordability" language is a purpose clause tied to that specific timing directive. It identifies *timing*—not calculation methodology or eligibility—as the mechanism the Legislature adopted to advance affordability; it does not establish a freestanding grant of authority to redesign Climate Credit eligibility or calculation methodology. Section 748.5(a)(3)'s affordability language, read in context of the specific timing command it modifies, should not be expanded into an independent authorization for tiered or volumetric redesign that the clear statutory text does not itself authorize.[4]

The Legislative Analyst's Office ("LAO") reached the same conclusion in reviewing this statutory language, finding that "CPUC proposes to undertake activities that go beyond AB

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[2] *See* Black's Law Dictionary (6th ed. 1990) at page 1477 ("In construing statute, definite article 'the' particularizes the subject which it precedes and is a word of limitation as opposed to indefinite or generalizing force 'a' or 'an.'"); *In re Cardelucci* (9th Cir. 2002) 285 F.3d 1231, 1234 and 1235 (adopting Black's definition and noting, "Congress' choice of the phrase 'interest at *the* legal rate' suggests that it intended bankruptcy courts to apply *one uniform rate* defined by federal statute" [emphasis added].).

[3] *See, e.g., Monterey Peninsula Water Mgmt. Dist. v. Public Utilities Com.* (2016) 62 Cal.4th 693, 699 (finding Section 451, when read in context, makes clear that it does not apply to all third-party charges appearing on a public utility's bill, but is limited to charges for products, commodities, and services, and citing *People v. Leiva* (2013) 56 Cal.4th 498, 506 and *Deal v. United States* (1993) 508 U.S. 129, 132 [it is a "fundamental principle of statutory construction (and, indeed, of language itself) that the meaning of a word cannot be determined in isolation, but most be drawn from the context in which it is used"].).

[4] *Id.* at 700 (Applying contextual approach to statutory interpretation and holding that general language "cannot fill th[e] gap" left where a specific grant of authority is otherwise absent.).

1207's changes," and that "AB 1207 does not make clear how, if at all, the Legislature would like the California Climate Credit to vary based on factors such as geography or income."[5] This reading is further confirmed by the Legislature's contemporaneous treatment of subclass differentiation. Separate bills introduced in the same legislative session as AB 1207—AB 2611,[6] which would have added a subdivision to Section 748.5 requiring "an additional credit to residential customers in hot climate zones," and AB 1342, which in one proposed version would have required the Commission to "ensure that a larger portion of th[e] revenues...be allocated...to residential customers living in hotter regions of the state"[7]—were not enacted with AB 1207. The Legislature's decision to leave that differentiation language in separate bills, coupled with the failure to enact those separate bills (or to enact AB 1207 without such language), indicates that the statute as enacted does not authorize residential customer class differentiation.

Question 4: Are there any other specific authorities that apply to and should guide other changes made in this Phase?

See authorities cited in response to Question 3 above.

4.2 <u>Guiding Principles</u>

Question 1: When considering changes to the Climate Credit, should the Commission consider any other factors besides: (a) Laws, regulations, and legislative intent; (b) Guiding principles; (c) Customer characteristics and impacts on customers; (d) Implementation feasibility, time, and cost?

SDG&E appreciates the opportunity to opine on these factors as they will be extremely important in informing the progression of Phase 1B. SDG&E respectfully suggests the following revisions to the enumerated factors:

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[5] Legislative Analyst's Office, *The 2026-27 Budget: California Public Utilities Commission's Implementation of AB 1207* (February 10, 2026), *available at*: https://lao.ca.gov/Publications/Report/5120 (Expressing concerns about the cost burden of implementing a complex option for AB 1207 and noting, "In our view, CPUC could take a simple approach to implementing AB 1207's changes to the California Climate Credit. For example, CPUC could elect to only change the specific months in which the credits are provided—switching them from April and October to four typically high-billed months (such as June, July, August, and September). …Instead of opting to take this simple approach, however, CPUC is proposing to implement a more complex methodology[, including] whether credits should be provided differentially based on various potential factors—such as climate zones, household income levels, and utility service territories—as well as whether they should be allocated volumetrically...").

[6] AB 2611 (Bains, 2026), *available at*: https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260AB2611.

[7] AB 1342 (Soria, 2025), *available at:* https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260AB1342.

- **Factor "b" should be updated/clarified to read "Guiding principles and priorities."** The Ruling does not clearly distinguish between these two concepts. While Section 2 refers to "priorities,"[8] many of the listed items—such as affordability, electrification, and simplicity—function as substantive guiding principles. Because both are intended to inform the Commission's proposed changes in Phase 1B, factor (b) should expressly include both terms to ensure all relevant considerations identified in the Ruling are captured, regardless of how they are ultimately characterized.
- **Factor "b" (or a new, related factor) should also direct that the guiding principles and priorities serve as the comparative metrics against which every proposed departure from the status quo/base case established in Decision (D.) 26-04-036 is measured.** Under this standard, the proponent of any change proposal—whether the Assigned Commissioner's own proposal concepts or a party proposal—should be required to affirmatively demonstrate, with record support, that its proposal achieves each of the guiding principles and priorities more effectively than the status quo/base case to qualify for consideration. This approach, discussed more fully below, Section 4.4, Question 1, is consistent with the Ruling's direction that the Commission's focus in this phase should be narrow, and ensures departures from the base case are adopted only where affirmatively justified.
- **"Legislative intent" should be struck from the list of factors.** The primary driver and catalyst of the broader Climate Credit OIR proceeding (not just Phase 1B) is satisfaction of the legislative requirements set forth by AB 1207. A key statutory mandate of AB 1207 is to shift the distribution of the residential electric Climate Credit "to be provided on the bills of those customers in no more than 4 high-billed months of each year to maximize customer electric bill affordability." Separate consideration of "legislative intent" is unnecessary—and legally improper—where the statutory text itself is clear, because in that circumstance the text *is* the intent.

  AB 1207's amendment to Section 748.5 presents exactly this circumstance. As noted above, Section 748.5(a)(3) is clear and explicit: it identifies a single, specific mechanism—confining distribution to no more than four high-billed months—as the means by which the Legislature directed that the credit maximize affordability. Because the statute's own text

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[8] Ruling at 3.

already answers what the Legislature intended, there is no ambiguity that would justify looking beyond that language to construct some broader or different affordability directive. D.26-04-036 confirmed this reading in Phase 1A, approving "immediate actions"[9] to pursue compliance with AB 1207—including shifting the timing of the residential electric Climate Credit to August and September for the Large IOUs—as the means of implementing the statute's affordability directive. Retaining "legislative intent" in Phase 1B as an independent factor risks inviting the Commission to look past the plain language of AB 1207 in search of a broader affordability mandate the statute does not contain—precisely the exercise California courts have held is improper once the text leaves no ambiguity to resolve.[10]

- **Factor "d" should also include Marketing, Education, and Outreach (ME&O) considerations.** While the Ruling appropriately recognizes the importance of ME&O [11] it is not reflected in the list of factors. SDG&E requests that ME&O be added as a key consideration under factor "d," consistent with the Commission's recognition of its importance. Given the varying levels of complexity among the proposed approaches, it is essential to evaluate whether customers will be able to readily understand any revised credit structure. More complex options may be perceived as opaque or confusing, potentially increasing customer frustration and eroding trust in both utilities and the regulatory process. Accordingly, implementation feasibility should contemplate not only billing and operational changes, but also customer notice requirements, accessibility needs, bill message updates, web page updates, call center scripting and training, direct mail and email costs, and lead time needed before a revised credit structure can go live. ME&O is not separate from implementation feasibility; it is part of implementation cost, timing, and customer risk.

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[9] D.26-04-036 at 6.

[10] *Lungren v. Deukmejian* (1988) 45 Cal.3d 727, 735 ("If the language is clear and unambiguous there is no need for construction, nor is it necessary to resort to indicia of the intent of the Legislature," and citing *In re Lance W.* (1985) 37 Cal.3d 873, 886; and *State Board of Education* v. *Levit* (1959) 52 Cal.2d 441, 462).

[11] Ruling at 2 ("The outreach implications of proposed changes are a crucial factor to weigh when considering proposals, but this ruling clarifies that in Phase 1B I intend to prioritize consideration of changes to the credit and defer consideration of overarching programmatic outreach changes to a later phase. While changes to outreach are in scope, in this phase I intend to focus on those directly implicated by any changes to the credit and consider larger programmatic changes to outreach practices and approaches after credit changes are adopted.").

Question 2: How should affordability metrics from the Affordability Rulemaking (R.18-07-006) be integrated or considered in this proceeding?

SDG&E strongly opposes integrating the affordability metrics adopted in D.20-07-032 as a part of the Affordability Rulemaking ("R.18-07-006") into this proceeding. Those metrics (the Affordability Ratio ("AR"), Hours-at-Minimum-Wage, and the Socioeconomic Vulnerability Index ("SEVI")) were informational tools designed to measure the *general* affordability of essential utility services and to guide broader proceedings such as general rate cases.[12] They should not be elevated to a decision-making criterion for determining the amount or distribution of specific statutory credit mechanisms like the Climate Credits.

As SDG&E explained in its prior comments in this proceeding,[13] the AR metric is particularly unsuitable for this purpose because it aggregates multiple categories of household expenses—including electric and natural gas bills, water bills, telecommunications costs, housing costs, and household income—into a single affordability metric. As a result, the AR does not isolate electric utility affordability and can be influenced by factors entirely unrelated to electric service. For example, two otherwise identical households, with identical electric and gas bills, could have different AR values solely because one incurs higher water or housing costs. Using AR to determine the distribution of an electric Climate Credit would therefore allow non-electric expenses to influence the allocation of a benefit funded by electric and natural gas utility ratepayers. Similar distortions could arise from differences in other non-utility expenses incorporated into the metric. Thus, while AR may be useful as a high-level indicator of broader affordability (as it was intended), it is not an appropriate mechanism for determining how Climate Credit benefits should be allocated.

Question 3: Which specific principles established by D.12-12-033 and updated by D.21-08-026 (for the electric credit) and D.15-10-032 (for the gas credit) should be modified?

SDG&E generally agrees with the principles established in D.12-12-033 and updated by D.21-08-026. However, SDG&E recommends that the prioritization of two principles currently designated by D.12-12-033 as "medium priority" be elevated to "high priority" items. The first principle, "Distribute revenues equitably recognizing the public asset nature of the atmospheric

[12] *See* D.20-07-032 at 53, 69-74.
[13] Reply Comments of SDG&E on Order Instituting Rulemaking to Improve the California Climate Credit (October 13, 2025), at 7-9.

carbon sink," is an important consideration in that it acknowledges that "the atmosphere is a commons to which all individuals have an equal claim."[14] Notably, the current base case/status quo approach of distributing the electric Climate Credit is strongly aligned with this principle, and SDG&E agrees with the Commission's determination in D.12-12-033 that "[r]eturning revenues equally to all residential customers is more equitable and comports with the idea of common ownership of the atmosphere…"[15] SDG&E recommends this principle be elevated to a "high priority" item because it supports a holistic and equitable approach to affordability which is particularly important in California, today. The second principle, "Achieve administrative simplicity and understandability," is also extremely salient given the current affordability environment and broader customer sentiment. SDG&E believes this principle should be elevated to a "high priority" because a simple and straightforward approach to distributing the electric Climate Credit—as exemplified by the base case/status quo option—is most likely to yield zero or limited incremental costs to implement which is consistent with strengthening affordability.

Additionally, these are more likely to be well understood by customers and considered transparent, which should result in the maintenance or improvement of customer sentiment towards the utilities and regulators. SDG&E is concerned that more complex and technical options—even if well intended—may be perceived by customers as deliberately opaque and ambiguous, especially when coupled with the potential creation of "net new" benefiters and non-benefiters (which some options would cause). In turn, this may lead to increased customer confusion and frustration and ultimately, a negative impact to customer sentiment. From an ME&O perspective, simpler approaches require fewer new educational materials, fewer customer-specific explanations, and less risk of inconsistent messaging across customer communication channels. Conversely, approaches that require individualized customer data to determine, explain, or notify customers of their credit amounts would increase implementation time and cost, create additional administrative complexity, and heighten the risk of inconsistent or inaccurate customer communications.

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[14] D.12-12-033 at 53.
[15] *Id.* at 69.

4.3 Assigned Commissioner's Priorities

Question 1: Do you agree with the Assigned Commissioner's priorities as laid out in Section 2 of this ruling? Do you recommend changes or additions to this list?

SDG&E appreciates the Commissioner's priorities and provides reactions and recommendations below:

Priority Considerations & Refinements

- **Simplicity Must Govern |** SDG&E strongly agrees with this principle and believes that this should be adopted as the top priority when assessing proposals. SDG&E strongly believes that simplicity leads to transparency, which in turn promotes customer understanding and helps build trust with our ratepayers. If customers cannot readily understand why they received a different credit than another customer, a proposal will require more extensive outreach and may still create confusion or distrust. Moreover, simplicity minimizes administrative and implementation costs, maximizing benefits to ratepayers.
- **Affordability Is a Central Principle |** SDG&E agrees that improving affordability is an important objective of this proceeding and urges that it should be evaluated holistically rather than through a series of customer carve-outs. SDG&E is concerned that the Ruling's articulation of the affordability priority extends beyond the plain language of AB 1207 and effectively predetermines the outcome of this phase. Specifically, Section 2.1 of the Ruling states:

  > "*As signified in Assembly Bill (AB) 1207 (Irwin) (Statutes 2025, Chapter 117), indicated by the Commission's response to EO N-5-24, and recently affirmed in D.26-04-036, I believe this principle has shifted and should be updated: the Climate Credit should be focused on providing more assistance during high-cost periods—which vary across the state—and to focus on maximizing affordability impacts for those who need it most. This basic principle should guide changes made to the electric and gas credits. I am also conscious of our impacts on low-income customers; as my concepts reflect, I am interested in ways to prioritize these customers within the approach.*"

  While SDG&E fully supports improving customer affordability, it respectfully disagrees with framing it in a manner that effectively limits the inquiry to maximizing benefits for selected customer groups. Affordability is not solely a concern for customers who qualify for CARE or other assistance programs. California's current cost environment affects customers across a broad range of income levels, including many moderate- and lower-income households that do not qualify for existing assistance programs but nevertheless struggle to pay utility bills. As a practical matter, proposals that narrowly target affordability and segment customers into preferred and non-preferred groups improve affordability for one subset only by reducing it for the other. Tiered approaches that provide smaller Climate Credits to customers who have historically received two equal annual distributions will reduce affordability for every customer excluded from the preferred category. Proposals that reduce or eliminate credits for certain customers also would require additional customer education explaining why their benefit changed, which—in addition to creating customer confusion—incurs higher outreach costs, resulting in lower distributions for customers. For these reasons, SDG&E believes affordability should continue to be evaluated from a holistic perspective that recognizes the Climate Credit's role in providing broad-based bill relief to all residential customers, consistent with the statutory framework adopted by the Legislature.

SDG&E has two fundamental concerns with the Ruling's formulation. *First*, the Ruling's statement that this revised affordability principle is "signified in AB 1207" necessarily reflects an interpretation of the statute. As discussed above, however, the affordability directive contained in Section 748.5(a)(3) is clear. The Legislature expressly identified the timing mechanism by which affordability is to be advanced. Because the language is clear, there is no basis to infer an additional legislative directive requiring the Commission to redesign the Climate Credit to prioritize particular customer populations. Introducing such an interpretation invites competing policy interpretations that are beyond the statute itself and is inconsistent with the Commission's stated objective of maintaining a narrow focus in this phase. *Second*, the Ruling's definition of affordability effectively establishes a threshold requirement that only proposals which "prioritize" low-income customers or otherwise maximize affordability impacts for "those who need it most" satisfy the Commission's affordability objective. This effectively prejudges the outcome of the proceeding by disfavoring the current equal-distribution methodology (which fully complies with AB 1207).

- **Our Focus Should Be Narrow |** SDG&E agrees that a narrow focus will help to streamline the proceeding and allow for more thoughtful discussions, carefully crafted options, and a deeper understanding at the decision-phase of the benefits and drawbacks of each option relative to one another and consequences of adopting any approach. SDG&E also believes that there is an opportunity to strengthen the envisioned narrow focus and, as mentioned in response to Section 4.2 above and more fully in Section 4.4 below, requests that the Commission establish a standard which requires proposals to demonstrate, with record support, that it achieves each of the guiding principles and priorities more effectively than the status quo/baseline to be considered by the parties and analyzed by the utilities.

- **Changes Should Be Fair |** SDG&E respectfully disagrees with the Commission's articulation of the fairness priority because it effectively assumes the conclusion it purports to establish. Rather than first defining what constitutes a fair outcome and then evaluating alternative approaches against that definition, the Ruling defines fairness as providing greater relief to customers who consume more electricity. As with affordability, discussed above, this embeds the preferred policy outcome within the definition of fairness itself, and assumes only volumetric-based or tier-based distributions can meet this priority. Moreover, electricity usage is not a reliable proxy for financial hardship. Yes, high consumption may result from circumstances such as climate or medical necessity—but it may also reflect greater household wealth, including ownership of larger homes, swimming pools, multiple electric vehicles, or other energy-intensive amenities. Conversely, many lower-income households deliberately suppress electricity usage because they cannot afford higher bills. Customers living in smaller homes or foregoing air conditioning for financial reasons could receive substantially less relief under a volumetric methodology. In this way, a distribution based on usage risks producing outcomes that many customers would reasonably view as inequitable and inconsistent with ordinary concepts of fairness. And with respect to ME&O, even if a usage-based methodology can be technically justified, it may be difficult to communicate in a manner customers perceive as fair, particularly where customers with lower usage or lower incomes receive smaller credits than customers with higher usage, regardless of whether those outcomes are driven by climate, housing type, appliance use, or other factors.
- **Electrification Should Be Encouraged |** While SDG&E agrees with this principle more broadly, we question whether the electric Climate Credit can be an effective tool for advancing this priority, given its required distribution timing (during some of the most grid-constrained times of the year), and the amount of the credit relative to the cost of electrifying appliances, cars, or in other ways. Related to this, SDG&E continues to believe there are

stronger and more effective rate design levers that the Commission could use to further encourage electrification—most notably increasing the residential base services charge.

- **Prioritization |** SDG&E appreciates that the Commissioner's "priorities will...remain flexible as the record develops."[16] In light of this, and consistent with the reasons provided above, SDG&E requests the the priorities be explicitly ranked in the following order of importance: 1) Simplicity Must Govern, 2) Affordability Is a Central Principle, 3) Our Focus Should Be Narrow, 4) Changes Should Be Fair, and 5) Electrification Should Be Encouraged.
- **Terminology Refinement |** There are multiple instances where the Ruling refers to "costs" without clarifying what that term refers to. For example, the excerpt "…providing more benefits to those with greater costs"[17] is ambiguous as to the nature or specific costs subject to this analysis. SDG&E believes in these instances, the Commission is referring to "electric bills" as opposed to other costs or more general living expenses, and requests that this clarification be made throughout the document to ensure "costs" is not misconstrued to mean any number of things, including "costs" that are completely unrelated to electricity (e.g., telephone bills, water bills, etc.). Utilizing costs like this to inform decision-making in this proceeding is inappropriate and the distribution of an electric benefit should not be influenced or determined by other industries or cost categories.

4.4 <u>Narrow Focus on Three Options</u>

SDG&E provides the following summary table in an effort to succinctly aggregate its responses to and considerations for the proposed approaches and to streamline this information for the Commission's review. Because each option carries different customer-facing complexity, the table evaluates not only billing feasibility and administrative implementation, but also the outreach effort, customer education burden, communication risk, and potential ME&O costs associated with each approach. With the understanding that approaches other than the base case may continue to evolve and develop, SDG&E will note that the table provided below represents its initial reaction to these proposed options based on the information known at this time.

[16] Ruling at 3.
[17] Ruling at 4 (emphasis added).

#	Approach	Description	Benefits	Concerns	Implementation Considerations	ME&O Considerations
1	**Status Quo/Base Case**	2x Flat Distributions – 1x in August and 1x in September; Potentially modify/adjust the number of distributions + timing	• Explicitly meets AB 1207 statute / requirement of providing res. customers with the electric CCC “in no more than 4 high-billed months of each year to maximize customer electric bill affordability” • Affordability Approach | Holistic view; Treats all customers equally • No “net new” winners and losers on an absolute dollar basis	• Misaligns the timing of distributing residential and small business electric CCCs (possible customer confusion)	**Complexity** – Low Already implemented **Incremental Costs** – No Already implemented	**Complexity** – Low Existing bill messaging, web copy, call center guidance, and customer education materials can largely be preserved, with minimal incremental outreach needed beyond annual timing and credit amount updates. **Incremental Costs** – No/Minimal
2A	**Baseline Tier Approach**	Flat electric CCC with different multipliers applied depending on customers being A) above or below baseline (and by extension climate zone/geography), and B) CARE participation	• Would provide an increased benefit to a subset of customers	• Not required by AB 1207 statute • Affordability Approach | Narrow view; Does not treat all customers equally • Would provide a decreased benefit to a subset of customers, negatively impacting affordability for middle- to low-income customers who may not be enrolled in CARE or other programs • Related to the above, creates “net new” benefiters and non-benefiters on an absolute dollar basis • Some of the net new benefiters may not actually need this incr. benefit (e.g., higher consumption customers may translate to higher-income customers) • Because eligibility changes based on use, shifting eligibility is likely to cause customer confusion. • Some of the net new benefiters may already receive significant discounts/benefits, today (an avg. CARE customer receives a total effective discount of 40%+[18]) • Unclear how this should work for non-baseline customers (e.g. pure TOU) which is default for NBT • Sends conflicting price signals to customers – essentially combines a “carrot” (higher CCC for higher / above baseline consumption) with a “stick” (existing inclining block baseline tiers discourage higher consumption and encourage conservation) • While this encourages higher consumption / electrification, it encourages it during the most grid-constrained time of year which may require additional infrastructure investments, pressuring affordability • Related to the above, for customers on the border of tiers, it could create a “gamification” dynamic where they may consume more simply to realize the higher multiplier	**Complexity** - High Usage will have to be assessed at time of billing on an individual account basis instead of predetermined customer eligibility. Significant increased processing time in nightly batch. Possible complexities with NEM/NBT customers when volumes with different channels are required for consideration. Any automated communications from IT would require possible customer per customer details. **Incremental Costs** – Yes SDG&E does not have any of this logic in the Billing system today, costs would likely be into the million(s)	**Complexity** – Medium-High Customers would need education on how baseline status, usage and CARE participation affect the credit. Changing eligibility or credit amounts may require account-specific customer notifications which could create operational challenges, particularly for customers with multiple service accounts associated with a single customer profile or email address. **Incremental Costs** – Likely

[18] The base services charge was approved in D.24-05-028, and via Advice Letter 4701-E (approved September 30, 2025), to implement in electric rates effective October 1, 2025. In addition to rate exemptions and the line-item discount, the total low-income discount provided includes the benefit associated with the fixed charge line-item discount.

#	Approach	Description	Benefits	Drawbacks	Implementation Considerations	ME&O Considerations
2B	**Climate Zone Tier Approach**	Similar to the above, but would further differentiate by climate zone, with hotter climate zones receiving a higher multiplier	• Would provide an increased benefit to a *smaller* subset of customers	• *See bulleted items in the "Baseline Tier Approach" above* • May provide a decreased benefit to a larger subset of customers (cooler climate zone customers represent ~99% of SDG&E's eligible residential customers)[19]	**Complexity** – High See comments in "Baseline Tier Approach" above **Incremental Costs** – Yes SDG&E does not have any of this logic in the Billing system today, costs would likely be into the million(s)	**Complexity** – High Customers would need education on climate zone designations and why location affects credit amounts, particularly if cooler-zone customers receive reduced credits. This would likely require targeted outreach, updated customer materials, call center guidance, and potentially account-specific notices. **Incremental Costs** – Likely
3	**Purely Volumetric Approach**	Provide the electric CCC benefit through a $/kWh credit – based on either consumption either A) Over a current/prior year, or B) Over the four-month distribution period. Additionally, the requested information in Section 5 of the Ruling indicates it could also be based on "total" or "peak only" consumption, potentially over two months	• Would provide an increased benefit to a subset of customers	• Not required by AB 1207 statute • Affordability Approach | Narrow view; Does not treat all customers equally • Would provide a decreased benefit to a subset of customers • Related to the above, creates "net new" benefiters and non-benefiters on an absolute dollar basis • Some of the net new benefiters may not actually need this incr. benefit (e.g., higher consumption customers may translate to higher-income customers) • For the "peak only" basis: unclear how this would work for baseline customers (Tiered) that do not have TOU price signals or measurements • For the "four-month" basis: while this encourages higher consumption / electrification, it encourages (or could be perceived to encourage) it during the most grid-constrained time of year which may require additional infrastructure investments, pressuring affordability • Introduces more volatility to the Climate Credit – leans more heavily on balancing accounts to right-size for the next year given differences in actual vs. forecast kWhs • Optically, a $/kWh CCC benefit could be perceived as a utility-provided benefit despite it being a broader State-provided benefit	**Complexity** – Medium-High While it's unclear how this would exactly work, this may require the build out of a new rate component, season, and interval tracking in the billing system and electric rates model. Would require relatively less datapoints compared to Tiered approaches (consumption versus baseline and geographic identifiers). However, usage will still have to be assessed at time of billing on an individual account basis instead of predetermined customer eligibility. Significant increased processing time in our nightly batch. Possible complexities with NEM/NBT customers when volumes with different channels are required for consideration. Any automated communications from IT would require possible custom per customer details. **Incremental Costs** – Yes SDG&E does not have any of this logic in the Billing system today, costs would likely be into the million(s)	**Complexity** – High Customers would need education on how a per-kWh credit is calculated, including the measurement period and whether it is based on total, peak, prior, or current usage. This approach creates the greatest risk of confusion or perceived "use more, get more" messaging. If the credit is not presented as a simple line item discount that customers can easily locate and understand, it may also require us to amplify messaging around "how to read your bill" or how to locate and identify the credit to maintain transparency. **Incremental Costs** – Likely/High

[19] SDG&E Data Filing (July 17, 2026), at 3, Response B.f. SDG&E defines cooler climate zones as the zones not classified as "hot". D.16-09-016 defined SDG&E's Desert and Mountain climate zones as hot, leaving the Coastal and Inland climate zones as cooler.

Question 1: Section 2.4 of this ruling provides three options as the procedural focus of this phase: the status quo, the Assigned Commissioner's proposals, and party proposals. Are these options reasonable? Is a narrow focus appropriate?

SDG&E provides its initial thoughts and considerations on these options, as summarized in the summary table above. SDG&E strongly believes that the base case/status quo option is the preferred option (in addition to being legally defensible). Regarding the other options, SDG&E's initial perspective is that these are likely to be less reasonable relative to the base case option, given A) they introduce incremental complexity, which could result in additional costs and customer confusion, and B) adopt a narrower view of affordability. SDG&E acknowledges that the options other than the base case/status quo are in the process of being developed and so additional details may emerge later in this proceeding that informs the analysis. As it relates to a narrow focus for streamlining proposals, SDG&E agrees that this is appropriate and will help to guide and expedite this proceeding. While SDG&E appreciates the guidance set forth in Section 2.5 of the Ruling, which states "any party proposal will need to justify why a different approach is necessary," as currently structured, there could potentially be limitless proposals for consideration by the Commission and other stakeholders (in addition to the base case option, two Assigned Commissioner proposals, and the volumetric option), which runs in contradiction to a "narrow focus." Therefore, to help further facilitate and strengthen a narrow focus (and as mentioned above in its response to Section 4.2), SDG&E requests that <u>as a threshold matter, the Commission formally adopt the base case/status quo as the default option on a go-forward basis, and establish a formal requirement that any proponent of a proposal must explicitly demonstrate that its proposal achieves each of the guiding principles and priorities more effectively than the status quo/base case</u>, and absent such a showing, the proposal is excluded from party and utility consideration. Establishing these parameters at the outset would help to ensure the proposal consideration process is consistent with a "narrow focus," while simultaneously ensuring a holistic and equitable view of affordability.

Question 2: Option 1 in Section 2.4 is to retain the Climate Credit status quo, possibly with minor modifications (such as changing the number of distributions or adjusting timing but without changes to calculation methodology). Does this option satisfy legal requirements and principles? What modifications should be made, if any, if the Commission adopts this option? Which ideas raised by parties in Phase 1A are appropriate for consideration here?

By integrating the 5% transmission remittance into the Climate Credit calculation and providing credits in "no more than 4 high-billed months of each year to maximize customer electric bill affordability", the base case/status quo option fully satisfies the requirements of AB 1207. As the governing statute for the most recent changes to the Cap and Invest program, AB 1207 provides the controlling legal framework for the Commission's implementation of the residential Climate Credit. While the Commission may consider Executive Order ("EO") N-5-24, its response to that EO, or other policy authorities in implementing the program, those authorities cannot supersede the requirements established by the Legislature. That the status quo/base case option fully satisfies AB 1207's statutory mandate was further affirmed by D.26-04-036 and a 2026 LAO Report.[20, 21] Additionally, SDG&E agrees that only limited modifications to status quo/base case should be considered. Specifically, the Commission should preserve flexibility for the utilities—consistent with AB 1207—to adjust the number of distributions (no more than four) and their timing based on factors such as annual allowance revenues, customer consumption, and bill impacts. Providing this operational flexibility would enable utilities to continue to "maximize customer electric affordability," pursuant to AB 1207.

Question 3: The schedule includes a ruling to provide direction for proposals. What direction, criteria and rules should apply to party proposals? What detail should be required (in party proposals and the Assigned Commissioner's) to ensure that the utilities can provide implementation assessments and parties can fully consider them?

As discussed above, the existing Climate Credit methodology should serve as the baseline against which all alternative proposals are evaluated. Therefore—and consistent with the Ruling's directive that "[a]ny party proposal will need to justify why a different approach is necessary"[22]—any party proposing a departure from the current methodology should

[20] D.26-04-036 at 7. See, "This decision focuses on addressing immediate actions that can have the greatest benefit on residential customer energy affordability as quickly as possible. It also implements actions to comply with statutory deadlines imposed by AB 1207…"
[21] *Supra,* n. 5.
[22] Ruling at 5.

demonstrate, with record support, that its proposal more effectively advances each of the Commission's stated guiding principles and priorities than the status quo. Proposals that do not make this showing should not be considered further and should be excluded from party consideration and utility assessments.

Additionally, SDG&E suggests that for party proposals adopting a narrow view of affordability, the proponent must clearly identify the specific customer demographic they are targeting to benefit and describe how the proposal is designed to ensure the target demographic does indeed benefit, and identify which customer demographic(s) would experience diminished benefits under the plan (given the zero-sum dynamic of electric rates). As part of this requirement, SDG&E suggests that proponents should be required to acknowledge any and all existing benefits their target customer demographic receives currently, and to provide a rationale on why the target demographic's total effective benefits should be increased at the expense of others. This rationale should only include electric and natural gas utility-related considerations. The proposals should also include the planned number of distributions, timing of the distributions, calculation methodology details, clear guidance on applications to all residential customer types (tiered, untiered, etc.), calculation measurement period (e.g., last full year of consumption), and basis of measurement (e.g., on-peak consumption). Requiring this level of detail will help ensure that proposals are sufficiently developed, and SDG&E believes these requirements will also promote thoughtful proposals that reflect robust consideration of policy objectives and customer impacts.

4.5 Assigned Commissioner's Electric Credit Proposal Concepts

Question 1: Do the proposal concepts meet the requirements in CARB's May 29, 2026 adopted regulations, and are there additional requirements/limitations that proposals need to consider?

The proposal concepts do not appear to be in conflict with CARB's May 29, 2026 adopted regulations. Please see Section 4.1, Question 1, above, for discussion of effect of CARB's regulations on Phase 1B of this proceeding. With regard to additional requirements or limitations that proposals must consider, please see Section 4.1, Question 2, above, for discussion of statutory limitations established by Pub. Util. Code Section 748.5. Additionally, proposals should consider two specific policy objectives set forth by D.12-12-033 and reaffirmed by D.21-08-026—i.e., "Achieve administrative simplicity and understandability" and

"Distribute Revenues Equitably," the latter of which means "[t]he equitable distribution of revenues recognizing the 'public asset' nature of the atmospheric carbon sink refers to the extent to which revenues are distributed consistent with the idea that the atmosphere is a commons to which all individuals have an equal claim."[23]

Question 2: Do they fulfill my stated priorities? If not, how could they be modified to better align with those priorities?

Please see the summary table above for SDG&E's perspectives on the various proposals. While SDG&E appreciates the presentation of the Assigned Commissioner's Electric Credit Proposal Concepts, it does not believe that these fulfill all of the Commissioner's stated priorities. As one example, each of these options is relatively more complex (from an implementation and ME&O perspective) compared to the base case, which conflicts with the stated "Simplicity Must Govern" priority.

Question 3: In addition to providing higher credits to CARE customers, could the credit be scaled between moderate and higher income customers and how could these customers be identified?

No, the electric Climate Credit could not be scaled between moderate- and higher-income customers, nor could the respective customers be reliably identified. SDG&E emphasizes that these topics have already been researched and discussed at length within the Demand Flexibility Track A proceeding (which resulted in a detailed and comprehensive consultant report, representing the culmination of various stakeholder perspectives and involvement).[24] Additionally, parties were recently asked to comment on a similar topic in the Advanced Rate Design OIR.[25] Without reiterating in detail our comments here, SDG&E will highlight that the report identified several notable concerns related to the proposed income verification processes, including increased cost, process complexity (including appeals), customer burden (such as submission of financial documentation), limitations in accuracy across all the methodologies, and lack of consensus across stakeholders. The result was that there is no reliable way to identify moderate-income customers in any granular way that would support providing differentiated

[23] D.12-12-033 at 53.
[24] Resource Innovations & Common Spark Consulting's Income Verification Working Group Final Report, submitted January 15, 2026 in R. 22-07-005.
[25] R.26-04-009, SDG&E Opening Comments on OIR on California Advanced Electric Rate Design (May 11, 2026), at 3 and 4.

credits to moderate- and higher-income customers. Given these findings and the involved and comprehensive process that was required to reach these conclusions, SDG&E recommends that any further income segmentations be explicitly excluded from the scope of this proceeding.

Question 4: Should a purely volumetric option (per kWh) be pursued, rather than the tiered approaches contemplated here? What questions and considerations should guide a choice between the two paths?

SDG&E continues to recommend that the Commission retain the existing Climate Credit methodology (the base case/status quo) rather than adopt either of the proposed alternatives.

While SDG&E appreciates the Commission's inquiry, it believes it is premature to determine with a high degree of certainty whether a purely volumetric approach is preferable to the tiered approaches described in the Ruling. As discussed throughout these comments, the proposed alternatives require additional clarification regarding their design, implementation, and customer impacts before they can be meaningfully evaluated. Based on the information currently available, SDG&E's preliminary view is that a purely volumetric approach may be preferable to a tiered approach because it may potentially be simpler to administer and less confusing for customers. However, that assessment is necessarily tentative and would depend on the specific design, implementation details, and demonstrated consistency with the Commission's guiding principles, priorities and the requirements of AB 1207.

To assist in further developing these alternatives, SDG&E provides below a series of example questions that stakeholders could utilize to help develop these options. These questions are intended to facilitate a more complete evaluation of the proposals and are not intended to be comprehensive or to endorse any alternative methodology.

General

- Is it appropriate to encourage electrification during the most grid-constrained portion of the year?
- How should customer changes be handled (e.g., moves between climate zones, or between rate schedules, low-income program participation) under the alternative approaches/options, as it relates to the calculation of the envisioned Climate Credits?

Tiered Approaches

- How should this work for non-baseline (pure TOU) residential electric customers?

- How can we reconcile providing an incentive (higher CCC for above baseline consumption) with a disincentive (inclining block tiered rates) for consuming electricity?

Volumetric Approach

- What is a reasonable basis for measuring and applying a volumetric CCC benefit (e.g., general consumption, peak consumption, etc.)?
- Is a "peak consumption" approach feasible given the current process of measuring consumption for non-TOU based residential customers (which does not necessarily involve measuring interval data)?
- What is a reasonable time period for measuring and applying a volumetric CCC benefit (e.g., current two distribution months, future distribution months–flexibility to adapt ranging from two to four, four months, or perhaps measuring over the entire previous year and then applying within the AB 1207 window)?
- Given the volumetric approach is likely not able to be applied year-round, would a new, special rate component or rate rider with a new, special season (e.g., a four-month "climate credit – summer" season be required)? What complications from rates implementation, billing systems, and customer bill presentation perspectives would this introduce?
    - Within the umbrella of volumetric approaches, would a more feasible/reasonable alternative be a "percentage discount" as opposed to a "$/kWh discount"?

Customer Communication and ME&O Considerations

- How customers would be notified of the methodology used to calculate their credit;
    - Whether customers would be able to understand why their credit differs from another customer's;
    - Whether account-specific notices would be required, including complexities around customers with multiple accounts;
    - Costs associated with additional outreach and updating materials
- Customers' interpretation of the electric CCC
    - Might the tiered/volumetric approaches decrease the visibility of the credit on bills?
    - Would the tiered/volumetric approaches increase the potential of being perceived by customers as utility-provided benefits (versus State)?

Question 5: Does a volumetric electric credit approach (either tiered or per kWh; as conceptually proposed or otherwise) benefit customer affordability and support electrification goals? Consider the requirement in Section 748.5(a)(3) regarding provision of the credit in no more than four months, and whether this limits the credit's ability to support electrification.

The requirement in Section 748.5(a)(3) regarding provision of the credit in no more than four months is a key consideration when assessing potential options and proposals in this proceeding. This statutory amendment improves affordability by applying the Climate Credit when it is needed the most (in high bill months). However, in doing so, SDG&E believes this not only "limits" the credit's ability to support electrification, but effectively makes the Climate Credit ineligible for use as a broader electrification tool. More specifically, if the underlying volumetric or tiered consumptions envisioned by the alternative proposals are measured over the Climate Credit distribution months (or are perceived by customers to be measured over these months), it creates a price signal and incentive for customers to "consume more" electricity in order to realize more nominal dollar climate credit distributions. While this directly supports electrification, it does not support "thoughtful" electrification because it incentivizes more consumption during the most grid-constrained period of the year. This has the potential to create downstream impacts like requiring additional infrastructure investments, putting further pressure on affordability. In this regard, the four-month distribution requirement creates some degree of a trade-off or mutually exclusive relationship between affordability and electrification. In addition to this, a volumetric approach may result in increased year-over-year volatility/fluctuations in the Climate Credit given differences in forecasted versus actual consumption (versus the household-count based method utilized, today). From an ME&O perspective, any volumetric or tiered approach would require careful customer messaging to avoid creating the perception that higher electricity usage results in a greater benefit or that the Climate Credit functions as a usage incentive during high-bill months. SDG&E continues to believe the statute was clear as written and its intent was holistic affordability benefits executed through recalibration of the timing of the benefits when they are needed the most.

Question 6: What implementation issues or considerations do these options raise?

Please see the summary table, above, for SDG&E's preliminary thoughts on each approach/option.

Question 7: Should other modifications be made, such as to remove or reduce credits for second homes or vacation rentals (for utilities with such tariffs), or make any other programmatic changes?

SDG&E strongly disagrees with the idea of modifying the Climate Credit based on primary or secondary homes, primarily because this data is not tracked by SDG&E and may not be reliably tracked or be consistently updated by other utilities. In addition, the determination of an electric-specific benefit based on a non-electric utility datapoint such as home ownership or home type may be inappropriate. Further, any proposal that differentiates between primary residences, second homes, or vacation rentals would require new customer data collection, ongoing data collection and cleaning, verification, dispute resolution processes, and customer education, all of which would increase cost, complexity, and implementation time.

Question 8: What additional or different reporting or oversight should accompany these changes to the credit?

SDG&E believes that any determination regarding additional or different reporting or oversight requirements should be made only after the alternative approaches have been finalized.

4.6 Assigned Commissioner's Natural Gas Credit Proposal Concepts

Question 1: Do you agree that the gas credit is likely to decline due to declining allowance allocations/revenues? Do you agree that this proceeding should make minimal changes to the gas credit, relative to the electric credit, due to these declining benefits?

The amount of the gas Climate Credit is determined by several factors, including the number of allowances available to the gas utility (for which auction proceeds can be earned), the number of gas customers eligible to receive the credit, and the market prices for carbon allowances. CARB's recently adopted Cap-and-Invest regulatory changes are expected to take effect on September 1, 2026, and include direction that would transfer, based on a schedule outlined in the Cap-and-Invest regulation, a portion of gas allowances to electric utilities starting with 17.5% of gas allowances transferred in 2028 and increasing to 70% of gas allowances by 2031. CARB's regulation establishes the structure for this transfer to occur, so it will already be reflected in the total proceeds made available to support the Climate Credit. While carbon price volatility will be an important factor, SDG&E agrees that it is likely gas Climate Credits will be lower for non-CARE customers. However, as the overall pool of gas allowance proceeds declines over time and is targeted to a smaller pool of (low-income) gas customers starting in

2031 and forward, those customers who continue to receive the credit may receive more benefit than was previously available.

SDG&E agrees that this proceeding should focus only on ensuring that appropriate clarity is offered to define low-income customers for purposes of determining eligibility to receive additional credit as a result of the 30% low-income directive. Further, the Commission should minimize other changes and reduce administrative burden of gas credit implementation.

Question 2: For CARB's §95893(d)(8) requirement related to the usage of gas allowances, does my proposal concept meet the requirement that 30% of the total allowances primarily benefit low-income ratepayers? Is there an alternative to CARE enrollment status that CPUC should apply? Should an amount higher than the minimum required 30% be allocated to protecting low-income customers?

The 30% threshold established by CARB was based on the statewide average proportion of CARE gas customers. As such, SDG&E believes this is appropriate and a higher value should not be allocated for this purpose.

Question 3: Does this concept effectively protect low-income gas customers? What changes to this concept do you suggest? What modifications could be made to better benefit master metered gas customers?

SDG&E believes the Assigned Commissioner's concept provides protection for low-income gas customers and meets the requirements of the regulations. SDG&E provides service for master-metered facilities to the master meter operator but does not have insight beyond the customer of record for master metered service. This leaves a percentage of customers serviced by master meter accounts that would otherwise benefit from the Climate Credit without an avenue to receive the credit, despite potentially meeting the income eligibility requirements to qualify for CARE if they had their own gas account.

Question 4: What additional or different reporting or oversight should accompany these changes to the credit?

CARB directs specific reporting on the credits made available to customers, including low-income customers.[26] SDG&E suggests that data points be added to the reporting requirements on the number of customers receiving credits and the specific credit amount being offered for low-income customers as compared to other customers.

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[26] CARB, Instructions for the Natural Gas Supplier Use of Allocated Allowance Value Reporting Form, at 6, *available at* https://ww2.arb.ca.gov/sites/default/files/cap-and-trade/allowanceallocation/ngs_allowance_value_form_instructions.pdf.

4.7 Utility-specific Questions

The electric and gas utilities only are required to answer these questions, as applicable, for both the electric and gas concepts as well as a purely volumetric approach as described in Section 3.2.4.

Question 1: Can these approaches be implemented for distributions in 2028? What is the estimated cost and implementation time? Please simplify and approximate these responses as best as possible and provide a basic assessment of easy/medium/hard to implement. Also, describe the necessary changes to each approach that: (a) Permits you to estimate these factors; and/or (b) Would reduce implementation time and/or cost.

Please see summary table, provided above, for SDG&E's preliminary thoughts on each approach. SDG&E has provided initial, high-level feedback in the table, and notes that the more detailed feasibility considerations (such as cost) will be contingent on how these approaches are developed and refined. See Section 4.4, Question 3, above, for more discussion of proposal details SDG&E believes are required to facilitate fulsome utility evaluation.

Question 2: Are other options previously raised in the record – such as those raised in Phase 1A comments by TURN, the EJ Parties, and Cal Advocates – more or less difficult and/or costly to implement than my concepts and the purely volumetric approach?

As noted above, SDG&E strongly opposes any proposals that adopt a narrow view of affordability (whereby the term "affordability" is interpreted to only be applicable to a specific target demographic(s), which is then used to justify the provision of benefits to that specific target demographic(s), at the expense of other demographics) or that introduce unnecessary complexity.[27] With this in mind, SDG&E opposes the EJ Parties' various proposals which explicitly adopt a narrow view of affordability by seeking to A) completely eliminate, or B) significantly reduce the electric Climate Credit for the vast majority of residential customers in order to provide it to the smaller subset of low-income residential customers.[28] Additionally, SDG&E reiterates its opposition to TURN's proposals as they introduce unnecessary complexities by seeking to provide baseline territory-specific distribution timing.[29] Regarding the Cal Advocates' proposal referenced in this question, SDG&E is interpreting this as Cal

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[27] Reply Comments of SDG&E on Proposed Decision Pausing the Distribution of the Largest Electric Utilities' 2026 Residential Climate Credit (March 9, 2026), at 4.
[28] *Id.*
[29] Reply Comments of SDG&E on Commissioner's Scoping Memo and Ruling on Order Instituting Rulemaking to Improve the California Climate Credit (March 9, 2026), at 5.

Advocates' proposal to vary distribution timing across the IOUs.[30] SDG&E supports this as it acknowledges potential differences across the IOUs' service areas and provides flexibility to make simple refinements to maximize affordability for their respective customers.

As it relates to the question of whether the options from TURN, the EJ Parties, and Cal Advocates would be more or less feasible and costly to implement relative to the proposed three approaches (Baseline Tier, Climate Zone Tier, or Purely Volumetric Approach), SDG&E believes that Cal Advocates' proposal of IOU distribution timing differences would not result in material feasibility issues or costs to implement and so is explicitly more straightforward and easier to implement (if needed) compared to all of the other proposals discussed. However, SDG&E is unable to opine on whether TURN or the EJ's proposals are relatively more complicated than the three proposed approaches because—as noted in the table above—it appears that these three proposed approaches are still being developed and it is not entirely clear at this stage how they would be implemented. Regardless, all these proposals (with the exception of Cal Advocates') would be materially more complex compared to the base case/status quo approach currently utilized, today.

III. CONCLUSION

SDG&E appreciates the opportunity to provide these Opening Comments and looks forward to continued engagement with the Commission and the parties throughout Phase 1B.

Respectfully submitted,

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[30] Comments of Cal Advocates on Track 1A Questions (March 2, 2026), at 8.