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

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

NATURAL RESOURCES DEFENSE COUNCIL OPENING COMMENTS ON GUIDING RULING

July 24, 2026

Jo Gardias
Climate Solutions Fellow
Natural Resources Defense Council
111 Sutter St., 21st Floor
San Francisco, CA 94104
(415) 875-6100
jgardias@nrdc.org

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I. INTRODUCTION

In accordance with Rule 6.2 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure, the Natural Resources Defense Council (NRDC) respectfully submits these opening comments on the guidance ruling questions about initial issues.

II. SUMMARY OF OPENING COMMENTS

NRDC supports the Commission guidance ruling principles and narrowing of scoped concepts for the residential electric and natural gas climate credit. The guidance ruling provides clear direction on priorities on customer affordability and co-benefits, reduces the scope to two proposed concepts that will make it easier to compare consumer outcomes and provides a clear timeline by which climate credit changes are desired to be achieved.

III. RESPONSES TO GUIDANCE RULING OPENING QUESTIONS

A. *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? (Section 4.3, Question 1)*

The Commission guidance ruling outlines several guiding principles and goals to inform what outcomes would improve the climate credit. First, the ruling explains that changes to the climate credit should prioritize affordability, which is defined as providing more assistance during months with the highest electricity bills and supporting low-income customers. In addition to prioritizing affordability, the Commission aims to support changes to the climate credit that would also benefit electrification. In doing so, the guidance ruling identifies that the past principle of using the climate credit to further reduce power sector GHG emissions no longer holds; rather, targeting the climate credit at higher electricity cost bills means offsetting bill costs for customers who experience higher 'GHG cost burden.' The guidance ruling also proposes the goal that the climate credit should be distributed to all customers, and that changes are sufficiently simple and feasible to implement by the 2028 billing cycle. NRDC supports these principles and appreciates the identification of the Commission's priorities.

B. ***Should a purely volumetric option (per kWh) be pursued, rather than the tiered approaches contemplated here? … (Section 4.5, Question 4)***

The most simple way to counteract C&I compliance costs would be to distribute the climate credit volumetrically. This could be done by upfront reducing each IOU's cap-and-invest compliance costs through the existing true-up process, rather than attempting to change billing systems to distribute the credit on a usage basis. The approach would avoid the need for downstream billing system changes while still functionally resulting in a lower residential volumetric rate reduction. Additional assistance for low-income customers could be achieved by withholding a portion of the climate credit proceeds and distributing that smaller pool through the climate credit process. This approach would most directly offset high usage, disproportionately helping inland customers, while avoiding additional complex modification to California's residential electricity rate design structure. This approach could be communicated on customer bills as: "The climate credit is planned to reduce your electricity prices/bill by XX this year."

Barring interest in this proposal, NRDC supports second-best solutions that can achieve approximate outcomes that target relief to offset higher residential usage, particularly for low- and moderate-income inland customers dependent on air conditioning and customers with electrified end uses.

C. ***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? (Section 4.4, Question 1)***

NRDC is engaged in data analysis on the two proposed guidance ruling concepts but is in alignment with the conceptual direction to return climate credit to assist with high monthly bills with a focus on targeting low- and burdened moderate-income customers. Conceptually, the two proposed concepts would scale the amount of climate credit a customer would receive proportionate to whether a customer is heuristically classified as in need and/or by climate zone.

The first proposal scales the proportion of credits a customer would receive if the customer consumes above their climate baseline and if they are enrolled in CARE, master-metered or don't have a climate baseline. The second proposal scales the amount of climate credits per climate zone, increased for CARE customers, with an exception for customers with low baseline bills (perhaps achieved through sorting by tariff types or an average bill threshold). To flatten the difference between the concepts, the former concept escalates the climate credit if a customer consumes above their climate baseline usage, while the latter concept escalates the climate credit amount based on a customer's climate zone.

These proposed guidance ruling concepts may support the Commission's targeted principles, but further stakeholder input on these narrowed proposed concepts will clarify likely consumer impacts. In theory, both proposed concepts could result in a climate credit distribution that is correlated with usage levels to some extent. To the extent and degree this relationship exists, the benefits of the climate credit may be correlated with offsetting the proportion of C&I compliance costs that electricity customers are paying for and to some degree correlated with supporting moderate- and low-income high usage burdened customers. On net, these tier concepts could result in outcomes that work to offset high monthly bills and GHG cost burden, while also increasing the amount of credit that is concentrated for moderate-income high usage customers and low-income customers not enrolled in CARE/FERA – beyond the amount that is concentrated for CARE customers. However, to be factual about whether these relationships exist, further data analysis is necessary.

D. *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? (Section 4.5, Question 4)*

NRDC supports providing additional or higher levels of climate credit to CARE customers, as well as FERA customers and moderate-income customers with higher usage levels due to demographic factors (i.e, climate zone, household size, etc.). NRDC is conducting further data analysis to understand to what degree the tiered concepts can provide additional assistance to energy burdened households without requiring utilities to take on additional limitations or concentration of proceeds to certain types of households.

E. *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?*

NRDC agrees that the gas climate credit revenues will decline for two reasons. CARB forecasts that the natural gas vintage allowance proceeds will decline through the trajectory of the C&I program. [1] The most recent CARB C&I regulations also remove natural gas allowances through 2031 for non-low-income customers, meaning this decline of natural gas assistance revenues is more certain (with the 30 percent of allowances retained for low-income customers).

In the context of declining natural gas climate credit proceeds, NRDC agrees that this proceeding should make no additional changes to the natural gas climate credit at this time, except for the guidance ruling's proposed smoothing of the transition to low-income customers through 2031. Consistent program rules will provide predictable support for low-income customers without risking creating artificially low natural gas bills for higher income customers through 2031. The Commission should retain its capacity to flexibly modify those proceeds as low-income natural gas customers priorities change within the natural gas transition.

IV. CONCLUSION

NRDC appreciates the opportunity to submit these opening comments on the guidance ruling. NRDC aligns with the Commission's proposed principles and narrowed concepts for further consideration on the residential electric climate credit, and with the proposal to avoid further changes to the natural gas climate credit.

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Respectfully submitted,

/s/ Jo Gardias

Jo Gardias
Climate Solutions Fellow
Natural Resources Defense Council
111 Sutter St., 21st floor
San Francisco, CA 94104
415-875-6100
jgardias@nrdc.org

[1] CARB, "Staff Report: Initial Statement of Reasons," (2026), pg. 300;