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R2507013

**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 28, 2025)

OPENING COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 M) ON ASSIGNED COMMISSIONER'S JUNE 29 RULING

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Dated: July 24, 2026

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I. INTRODUCTION

In accordance with the Assigned Commissioner's Ruling Providing Direction and Setting the Phase 1B Procedural Schedule ("Guidance Ruling"), Pacific Gas and Electric Company ("PG&E") submits these opening comments. PG&E appreciates that the Guidance Ruling reflects the parties' request that, in light of the ambitious proposed schedule, the Commission provide additional direction regarding how the residential California Climate Credit ("CCC") might be restructured. PG&E also appreciates the Assigned Commissioner taking the time to put forth a thoughtful set of proposals that he believes to be implementable. PG&E understands that the Assigned Commissioner's proposals reflect considerable effort to maximize affordability and fairness, consistent with a program that is manageable with current utility billing systems. As discussed below, PG&E offers additional information and context to explain why these proposals, as configured, do not achieve their stated objectives.

II. GLOBAL COMMENTS

A. The status quo fulfills the Commission's statutory mandate and the Guidance Ruling's identified priorities.

PG&E appreciates that the Guidance Ruling states that retaining the status quo (as directed in D.26-04-036) remains an option for the Commission's consideration in Phase 1B.

PG&E believes the Commission should adopt the status quo as the Phase 1B outcome. The changes the Commission has already approved to date discharge the Commission's statutory obligation under Public Utilities Code Section 748.5, and thus any additional changes made will be above and beyond (and potentially in tension with) the Commission's statutory mandate.

PG&E is also firmly of the view that the status quo achieves and appropriately balances the Guidance Ruling's stated priorities:

(1) the status quo promotes **affordability** by providing the credit during high-billed periods (as the Legislature intended). While the Guidance Ruling also identifies maximizing affordability impacts for those who need it most, the Legislature has already directed that this maximization is to happen simply by shifting the timing of credit distribution.

(2) the status quo arguably encourages **electrification**, as it provides assistance during high-cost periods. Bill-smoothing provides support for customers who wish to electrify, as the Guidance Ruling recognizes. And in any event, while the status quo does not necessarily maximize electrification, the Commission has multiple other proceedings that are directly addressing high electricity rates as a barrier to electrification (e.g., fixed charge) more directly, obviating the need to use the credit to maximally incentivize electrification.

(3) the status quo is **fair**, in that it provides an equal credit value to all customers. In common usage, "fairness" is often understood to require equal treatment. Indeed, it appears this is precisely what the Legislature intended, in that the CCC is to be distributed to "the" residential customers of a utility. There is no mention in the statute of treating different residential customer groups differently.[1/]

1/ To be sure, "fairness" in many contexts requires equity, not just equal treatment. But the Guidance Ruling's approach to fairness achieves neither equal nor equitable treatment. Fairness in the sense of equity would require that customers most impacted by a problem should be afforded greater assistance, or else that customers who have most contributed to a problem (i.e., contributed to greenhouse gas pollution) should bear the most significant costs of addressing that problem. The Guidance Ruling's suggestion that climate change impacts are aligned with usage is unsupported by the record. PG&E believes that using usage may be a poor proxy for equitable distribution. Thus, PG&E disagrees that fairness in this context necessarily requires an equity-based approach, or that "equity" requires a usage-based approach to CCC distribution.

(4) the status quo is **simple** in concept, easy to implement, and easy to explain, promoting the Guidance's Ruling's simplicity priority. The status quo leverages an existing implementation framework, requires no further adjustments to utility billing systems, provides customers with the same familiar credit, and delivers immediate bill relief without the increased cost, complexity, or implementation challenges associated with redesigning the program.

B. The Guidance Ruling's concepts do not achieve the stated goals.

The Guidance Ruling's proposed concepts do not appropriately balance the priorities of affordability, electrification, fairness and simplicity. In particular, PG&E has concerns about a usage-based approach, which animates both Concepts put forward in the Guidance Ruling, and also has concerns about differential treatment of customers. PG&E also stresses that, while PG&E appreciates that the Guidance Ruling concepts are intended to be implementable, the concepts are still infeasible as proposed for implementation in 2028.

1. Usage-based concepts are administratively complex, costly to implement, and difficult to reconcile with existing rate designs.

In particular, both of the Guidance Ruling's proposed concepts rely (in whole or in part) on a usage-based approach. Concept 1 would require utilities to distribute CCC amounts based on whether an account is below or above baseline, with an "adder" if the account is above baseline and enrolled in CARE. Concept 2, while not entirely usage based, has a usage-based component, namely, that customers in any climate zone with very low bills, as measured by baseline allowance level, would receive a lower credit than others in the same climate zone.

Usage-based concepts will be challenging and costly to implement, while not necessarily achieving the Commission's affordability, simplicity, or fairness goals. Further, any concept that requires differential treatment of customers will necessarily leave some deserving customers behind, undermining the Commission's fairness or affordability goals.

a. Usage-based concepts raise significant administrative and design concerns.

A usage-based CCC concept necessarily requires a look-back period (Concept 1 proposes an annual average of the previous years' consumption). How this lookback period is defined is itself a complex policy choice; for instance, an annual average is arguably less fair (and more cumbersome) than a lookback period that accounts for only the highest-usage months in the previous year. But regardless of how the lookback period is defined, a lookback period introduces further administrative complexity in terms of how the investor owned utilities ("IOU") should treat individuals who have moved addresses since the lookback period. Assume a customer who moves within the IOU's service territory only once, in May of the prior year. It is not possible to "average" the baseline based on a cobbled-together average of their prior and current addresses, but it is also not necessarily reasonable to base the customer average on their prior residence. Is the customer's average usage then based on an average for the area they moved into or out of (and how is that defined? At the zip code level, baseline territory level, or some other level?). These questions become more complex for customers who move more than once in a given year or move into or out of an IOU's service territory.

How to treat customers who move in the lookback period is only one of the administrative and design complexities introduced by a usage-based CCC concept. Another challenge integrating the lookback period with the Energy Resource Recovery Account ("ERRA") Forecast proceeding, which is filed in May for implementation in the following year. One option would be to use data from the existing calendar year—but in May, there will be, at most, 5 months of data (and this sample window will also not include the highest-billed months). Alternatively, the administering IOUs could calculate usage for the 12 months from March to March of each year, or use data from the previous calendar year—but those options would result in a significant lag between the usage data and actual the credit disbursal, which would further exacerbate the "moving" problem identified above. Still another option would be decoupling the electric CCC from the ERRA proceeding entirely (as in the gas context). The point is that a usage-based approach necessitates other choices to ensure it is appropriately reconciled with the ERRA Forecast proceeding.

Still another design concern of usage-based concepts is the fact that not all residential customers are on a baseline tariff—in fact, 14 percent of PG&E's residential customers are on a non-baseline tariff. It is not clear how the CCC will be calculated for these customers. In theory, usage data could be imputed to them (although this itself entails significant choices), but it is not clear this choice promotes the objectives of electrification, fairness, and simplicity.

Master-metered customers present additional implementation challenges for usage-based concepts (and indeed, any concept that requires the CCC to vary based on customer-specific characteristics, whether usage, CARE participation, or other individualized criteria). Currently, IOUs maintain direct customer relationships with master-meter owners rather than individual tenants. The CCC benefits are provided as a lump-sum amount (based on the per household CCC amount multiplied by the dwelling unit count on record) to master meter owners and distributed by the master-meter owner to individual tenants. CCC design concepts that require tenant-specific, differentiated credit amounts are not necessarily feasible for master metered customers. For instance, the Commission would need to decide whether usage should be imputed based on assumed criteria (potentially resulting in unfairness, as discussed above with respect to customers not on a baseline tariff) or whether each IOU must attempt to gather the relevant information on such tenants. The latter option poses significant implementation hurdles. Alternatively, owners would need to distribute the lump-sum CCC among tenants with different eligibility statuses and determine which tenants qualify for varying credit amounts, which is itself potentially fraught.[2/]

b. Usage-based concepts that reward above-baseline usage are at cross-purposes with the concept of baseline quantities.

PG&E also notes that a usage-based CCC concept that awards credits for customers exceeding their baseline sends a confusing policy message that is in tension with the concept of

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2/ Usage-based concepts may be particularly challenging to administer across master-meter arrangements, raising questions regarding how such concepts would be applied across submetered and non-submetered properties. See PG&E Opening Comments on the OIR, Sept. 26, 2025, Section 2, Master-Meter Households (Distribution & Reporting Protocols), describes master-meter residential properties as operating under either submetered or non-submetered configurations. These arrangements are commonly found in apartment complexes, multifamily housing, mobile home parks, recreational vehicle parks, military housing, and college campuses.

baseline usage. Under current tiered-rate structures, residential customers are assigned a "baseline quantity." Baseline quantities are intended to represent a significant portion of a household's reasonable energy needs, and account for factors such as climate (through baseline territories), season (through different baseline quantities for summer and winter), and whether the household has permanently installed electric space heating. Customers with qualifying medical needs may also receive additional baseline quantities.

The Commission has spent a considerable amount of time and effort to design a workable and fair tariff structure centered on baseline usage. For customers on tiered rate schedules, usage below the baseline quantity receives a per-kWh baseline credit to promote energy conservation. Awarding another credit to a household based on above-baseline usage undermines the conservation rationale of the baseline rate structure and potentially creates customer confusion by sending conflicting price signal about whether customers should conserve energy. Customers would be presented with conflicting incentives (one to increase usage, and another to reduce it), making it more difficult to understand how their usage decisions affect their bills.

c. Usage-based concepts risk leaving some customers behind.

In Concept 1, CARE customers get an additional credit amount based on increased usage. CARE customers *already* receive a usage-based incentive in that CARE provides a volumetric discount on electric rates (as one component of the CARE discount is a discount on a $/kWh). In other words, higher-usage CARE customers *already* receive a larger nominal discount than lower-usage CARE customers. Given that CARE customers already receive a rate discount for increased usage, any usage-based concept that gives CARE-enrolled customers a more significant benefit is redundant with (and less precise than) the volumetric design of the existing CARE discount. It is also unnecessary to achieve the Commission's fairness goals—and may in fact undermine them. By providing additional CCC revenues to CARE-enrolled customers who already receive a usage-based discount through the CARE program, the Commission will deprive low-income, non-CARE eligible or enrolled customers who do not receive such a discount of the benefit of reducing their current bills.

2. Differential treatment of customers does not necessarily advance the Guidance Ruling's affordability or fairness priorities.

PG&E also believes that any concept that provides extra support to CARE-enrolled customers or customers in summer-peaking areas does not necessarily effectuate the Commission's affordability or fairness goals.

As an initial matter, not all CARE-eligible customers are enrolled in CARE, and not all CARE-enrolled customers necessarily meet the program's income requirements. CARE enrollment commences with customers' self-attestation of their eligibility, and PG&E only verifies income eligibility for a small subset of already-enrolled customers via the post-enrollment verification process.

Regardless, even assuming all CARE-eligible customers were enrolled, CARE enrollment status is not a perfect proxy for customers who may be struggling to pay their bills. Indeed, recent PG&E data indicates that there are many non-CARE customers who are also burdened by high energy bills. For instance, while 149,000 CARE/FERA enrolled PG&E customers were on a payment plan in May 2026, a strikingly similar number of non-CARE/FERA enrolled customers (133,000) were also on a payment plan. That same month, the number of non-CARE/FERA enrolled customers in arrearages was approximately 800,000—compared to 561,000 customers enrolled in CARE or FERA combined. The number of customers experiencing a disconnection for non-payment was *higher* for non-CARE/FERA enrolled customers (nearly 9,000 in May 2026) compared with customers enrolled in CARE/ FERA (approximately 6,300 in the same month).[3/] In short, while PG&E agrees that CARE (or FERA) enrollment status is a reasonable indicator that a customer is in-need, any concept that provides an extra credit on the basis of CARE enrollment status risks leaving worse off a considerable portion of other, non-enrolled but also in-need customers. These non-enrolled CARE customers will be worse off under the Guidance Ruling's Commissioner design concepts than under the status quo.

3/ See PG&E's June 2026 Disconnections Report. All of PG&E's monthly Disconnections Reports are available on the docket in R.18-07-005.

PG&E also notes that Concept 2 also makes other assumptions that risk leaving customers behind. Concept 2 is premised on the notion that customers in hotter areas should receive a larger credit. While it is true that most of PG&E's customers are in summer-peaking areas, there is a not inconsiderable portion of PG&E's customers who are in winter-peaking areas and will have significant winter electricity bills as a result. The design of Concept 2 ignores these customers' affordability issues and necessarily leaves these customers worse off than they would be under the status quo.

3. The Guidance Ruling's concepts cannot be deployed by 2028.

PG&E commends the Assigned Commissioner for the concepts put forth in the Guidance Ruling. PG&E appreciates the effort to propose concepts that could achieve the guiding principles, and to do so in a manner that recognizes the limitations of IOU billing systems and administrative constraints.

By the same token, however, given their focus on usage-based concepts, PG&E does not believe the Guidance Ruling's concepts could be implemented by 2028, especially without trade-offs with other already adopted Commission-ordered priorities. In particular, PG&E notes the administrative complexities and choices discussed in Section B.1.a. While the Commission could design a credit to address some of these complexities, creating a billing system that accounts for, and accurately implements, the multiple rules necessary to accurately calculate and disburse the credit will be time-consuming and costly. Even if the Commission were to approve the significant expenditures necessary to implement usage-based concepts, PG&E would not be able to implement such concepts by 2028.

Currently, the gas and electric CCC is administered through an established billing system IT program that uses a defined set of business rules and account attributes to determine eligibility and apply a standardized credit amount to qualifying residential customer accounts during Commission-authorized distribution periods.

To implement the CCC, the program relies on information maintained at different "levels" of customer information in PG&E's billing system. These include the Service Point/Premise level, Service Agreement (SA) level, account level, and person level.

The current CCC distribution program works primarily at the SA level information and related account attributes to identify eligible customers. It starts by going first through *all* PG&E customer classes (including business, agricultural, commercial, and residential) and identifying all customers with active PG&E accounts. Once the program has a universe of active accounts, it next applies eligibility criteria to identify eligible residential customers. If the customer type is residential, the system performs another analysis to identify what service type (e.g., gas versus gas and electric) and what type of meter (e.g., individual versus master meter). Once the program has identified customers as residential and individually metered, it applies the pre-set credit amount to the account. If the program has identified customers, however, as residential and master-metered, the program then determines the appropriate credit amount based on the number of dwelling units on the account. Once this is calculated, the appropriate credit amount is applied to the account. This process is performed through two dry runs followed by a final production run. The dry runs allow IT, Billing, and Product teams to validate account eligibility, billing logic, and data accuracy and to identify and correct issues before production. Together, the two dry runs and final production upload require approximately four weeks to complete.

This program was designed to provide a uniform Climate Credit amount to all eligible residential customer accounts. All of the information necessary to distribute the current credit is drawn from the same defined set existing accounts and SA information in PG&E's billing account.

Implementing concepts that rely on customer-specific distinctions (e.g., climate zone, CARE status, usage, baseline territory, or other individualized criteria) would require additions to the existing programming rules and billing logic so that the program can evaluate additional customer attributes and perform eligibility and credit calculations that are not part of the current CCC IT program. Building a program that could accurately incorporate individual user-based information would require significant coding modifications and also could take more time to run and verify.

Any changes are further complicated by the fact that the electric and gas CCC programs currently rely on the same underlying program code and distribution logic. As a result, changes to one commodity's CCC framework would require corresponding updates, testing, and validation of the other. For example, if the electric CCC were modified to use a usage-based methodology while the gas CCC relied on a different eligibility or distribution methodology, additional development would be required to separate functionality that is currently administered through a common framework. This could require the existing framework to be split into distinct billing programs with separate eligibility rules, business logic, and program administration. Such an approach is anticipated to be more complex to implement.

Apart from these systems issue, PG&E's ability to quickly implement any CCC redesign is further complicated by PG&E's multi-year Billing System Modernization Initiative (BMI), which limits PG&E's ability to implement structural changes[4/] that require modifications to PG&E's billing system, and by PG&E's large pipeline of rate projects, all of which were also deemed Commission priorities.[5/] Any additional rate projects adopted by the Commission must be prioritized among these previously adopted rate projects already in the rates implementation pipeline.

In sum, implementing any usage-based design, or any design that requires distribution based on specific customer attributes (e.g., CARE status) would require structural changes to the

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4/ A structural change would require coding and testing of new billing parameters and/or calculations, whereas a value change would entail a numerical adjustment to a parameter that already exists in PG&E's billing systems. Structural changes to the billing system require new variables, formulas, or billing determinants to calculate bills, which involve extensive coding and testing. Examples of structural changes would be adding a new charge or changing the hours associated with Time of Use Periods. Value changes entail a numerical adjustment to a rate parameter that is already coded in PG&E's billing systems, such as changing prices associated with an existing rate structure. Value changes do not require extensive coding changes and can be implemented much more quickly.

5/ The specific timelines and project details of the Billing Modernization Initiative are presented in A.24-10-014, PG&E Supplemental Testimony (Mar. 17, 2026), p. 1, line 14 to p. 25, line 15.

PG&E billing system, which could be challenging given the large existing pipeline of rate projects that are also being implemented at Commission direction.

III. PG&E'S RESPONSES TO QUESTIONS

A. Legal authority

> (1) *What limitations from CARB regulations, as adopted by CARB on May 29, 2026 apply to changes made in this phase?*

The Guidance Ruling has already identified 17 CCR § 95893(d)(8). Other applicable provisions might include *Id.* § 95892(d).

> (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?*

The resolution's direction to coordinate with the CPUC on natural gas transition issues does impact considerations in Phase 1B of this proceeding, including natural gas climate credit allocation issues. The Diablo Canyon allowance allocation issue is not implicated in this proceeding.

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

The Commission remains bound by the Public Utility Code's limitation to provide the residential credit "in no more than four high-billed months of each year to maximize customer electric bill affordability." PG&E understands this provision to require the Commission to maximize affordability *by* shifting distribution timing. The Commission has already discharged this duty. PG&E also understands this to limit distribution to no more than four months of the year, eliminating concepts that require multiple distributions to sub-sets of eligible customers (e.g., any concept that requires five or more distributions, even if these distributions are to different groups, is likely impermissible).

> (4) *Are there any other specific authorities that apply to and should guide other changes made in this Phase?*

PG&E is not aware of any other specific additional authorities that would guide the changes in this proceeding, although PG&E notes that the Commission's Rules of Practice and Procedure and background constitutional rules constrain Commission decision-making, regardless of the nature or scope of the proceeding.

B. Guiding Principles

> (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?*

In addition to the factors identified above, and to the extent not captured in the "simplicity" principle, the Commission may wish to consider administrative practicality, customer understanding, number of households worse off under the proposal as compared to the status quo, and the ability to administer any approved methodology consistently across all eligible customer populations. Additionally, the Commission should consider the projected amount of the credit in various scenarios to ensure it fully understands the impact (and trade-offs) of various proposals.

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

The affordability metrics should not be integrated or considered in this proceeding due to their limited scope based on the parameters established in D.20-07-032. The affordability metrics use the essential service charges referenced in the guidelines set by D.20-07-032 and exclude low-income subsidy programs and the impact of the existing CCC from their calculations. As a result, the affordability metrics as currently defined do not provide a comprehensive view of how a customer's overall affordability would change under the different options under consideration in this proceeding. As it stands today, the affordability metrics and the underlying Cost and Rate Tracker calculators would need significant modifications to calculate the affordability impacts of the CCC redistribution on a non-CARE and CARE customers' bill under any of the Commissioner's proposed concepts.

(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?*

PG&E recommends updating the electric CCC policy objectives to ensure alignment with current statutory requirements, the Commission's stated priorities, and broader state affordability and customer bill relief objectives. PG&E recommends the following modifications:

- Remove "*preservation of the carbon price signal*" and "*prevent economic leakage*" for residential electric Climate Credit design or else reduce from high to low priority. This change is consistent with AB 1207 and the Guidance Ruling.
- Elevate achieve administrative simplicity and understandability to high Priority.

Unlike the electric CCC, D.15-10-032 does not establish comparable policy objectives for the natural gas CCC.

C. "Assigned Commissioner's Priorities"

(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?*

Please see PG&E's comments above. PG&E agrees that simplicity—understood from the customer and IOU standpoints—is a critical principle. PG&E believes that "fairness" should be understood as reflecting principles of equality (e.g., all customers get the same credit), and disagrees that fairness should be defined as set forth in the Guidance Ruling (see in particular footnote 1).

D. "Narrow Focus on Three Options"

(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?*

PG&E agrees that it is appropriate to focus on the status quo and the Commissioner's proposals, and believes that parties can and should provide input on these proposals, including by providing modifications of these proposals. PG&E does not agree that it is reasonable to expect parties to consider an entirely new set of proposals later in the summer and still achieve a final

Commission decision in the timetable set forth in the Guidance Ruling.

> (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?*

As noted above, PG&E believes that retaining the status quo (even without further modification) with respect to the electric CCC satisfies the Commission's legal obligations and is consistent with the guiding principles of affordability, electrification, fairness, and simplicity. The gas CCC is discussed separately below.

> (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 commissioners') to ensure that the utilities can provide implementation assessments and parties can fully consider them?*

As noted above, PG&E does not believe it is reasonable to expect parties to consider an entirely new set of proposals later in the summer and still achieve a final Commission decision in the timetable set forth in the Guidance Ruling. Regardless, PG&E proposes that parties provide the following information:

- Primary beneficiary – Who is the primary beneficiary of the proposal, and how does the proposal intend to benefit these customers? How does the selection of this primary beneficiary align with fairness principles?
- Eligibility criteria – Who receives the credit, and are any customer groups excluded or treated differently?
- Customer segmentation methodology – Are different customer groups treated differently under the proposal, and if so, how are those groups defined and what differences apply? How will master-meter customers be accounted for?

- Credit calculation methodology – Would every eligible customer receive the same credit, or does the amount vary based on factors such as usage, CARE enrollment, climate zone, or other criteria? How does calculation change?
- Distribution timing and frequency – When and how often is the credit distributed, and are different distribution schedules proposed for different customer groups?
- ERRA Forecast – How does the proposal account for ERRA Forecast timing?

At minimum, proposals should provide sufficient detail regarding the items above to allow utilities to begin evaluating customer impacts, implementation feasibility, implementation timelines, operational impacts, and associated costs. Depending on the nature and complexity of a proposal, additional information may be necessary for utilities to provide a meaningful implementation assessment.

E. Assigned Commissioner's Electric Credit Proposal Concepts

> (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?*

Please refer to PG&E's comments above regarding usage-based calculations and customer status-based allocations.

> (2) *Do they fulfill my stated priorities? If not, how could they be modified to better align with those priorities?*

Please refer to PG&E's comments above regarding usage-based calculations and CARE-status based allocations, both of which apply to both concepts. Concept 2 might better align with the simplicity priority if it is stripped of its usage-based category (i.e., requiring calculation of low-usage customers based on baseline usage) and CARE-based adder.

> (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?*

PG&E does not have income information about the vast majority of its customers. PG&E only has a snapshot of income information for approximately 21 percent of its

CARE/FERA enrolled population.[6/] While there may be proxies for customer income information (e.g., customer zip code or census tract), such proxies are imperfect, at best, and are likely to be both over- and under-inclusive. Further, income-based differentials would add significant complexity from a customer-experience perspective, as well as significant cost, from an implementation perspective.

> (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?*

In evaluating whether a volumetric or tiered approach should be pursued, the Commission should consider: (1) the extent to which each design advances the intended policy objectives; (2) equity impacts across customer classes, income levels, climate zones, and usage levels; (3) implementation complexity, cost, and operational feasibility; (4) customer bill impacts and customer understanding; (5) effects on rate stability and balancing accounts; and (6) whether the resulting benefits materially improve upon the current CCC design.

As discussed above, PG&E does not support usage-based approaches to the CCC (whether these concepts reflect a tiered or "true" volumetric design). The benefits of a usage-based CCC are meaningful for some households, but there are significant downsides, both distributionally and in terms of implementation. While PG&E has discussed the implementation of usage-based concepts above, PG&E also has significant concerns about the distributional impacts of usage-based rates. PG&E believes that usage-based credits (and especially pure volumetric rates) will create winners and losers, including winners and losers *within* the groups that the Commission intends to benefit. For instance, while some CARE-enrolled households would benefit from a volumetric credit, other CARE-enrolled

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6/ Based on the 289,216 CARE and 10,223 FERA customers who successfully completed the post-enrollment verification process from January 1, 2021 – May 30, 2026 by providing PG&E their qualifying income documentation, and CARE enrollment of 1,360,169 and FERA enrollment of 54,164 as of May 30, 2026. A.19-11-003, *PG&E's CARE, FERA, and ESA Programs May 2026 Monthly Report,* CARE Table 2 and FERA Table 2, June 21, 2026.

households will be worse off than under the current status quo. Similarly, while hot climate zones would on average benefit from a usage-based credit, there are *more* households in these climate zones that would likely end up worse off under volumetric rates. Overall, PG&E does not believe the benefits of a usage-based credit outweigh the downsides and accordingly does not support replacing the current CCC structure with a usage-based CCC structure.

Nevertheless, if the Commission determines that a usage-based CCC design should be pursued, PG&E favors a volumetric approach over a tiered approach. While both approaches provide only limited policy benefits relative to the current design, PG&E believes a volumetric approach achieves those benefits more efficiently, has a higher likelihood of customer understanding, and has fewer implementation challenges than a tiered approach.

> (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.*

While a volumetric approach could support electrification at the margins, PG&E does not believe that the credit timing distribution sends a consistent or coherent signal to customers, or that the credit amount will be high enough to send an effective signal in these limited months. Additionally, as noted above, PG&E considers a usage-based approach to be impracticable. The Commission has many other levers to pull to support electrification (including non-rate levers), and PG&E believes those levers are more appropriate than using the CCC to achieve electrification.

> (6) *What implementation issues or considerations do these options raise?*

See PG&E's comments above.

(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?*

PG&E does not maintain information on home status, e.g., whether it is a second home or vacation rental. Thus, it is not clear how this could be implemented. PG&E has significant concerns that imputing home status based on usage would be inaccurate and could inadvertently penalize some customers (including in temporarily vacant homes).

(8) *What additional or different reporting or oversight should accompany these changes to the credit?*

PG&E does not believe additional or different reporting or oversight are necessary for these concepts. Existing ERRA reporting, together with CARB's annual review of allowance revenues and administrative and outreach expenditures, provide sufficient oversight of Climate Credit implementation and associated expenditures.

F. Assigned Commissioner's Natural Gas Credit Proposal Concepts.

(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?*

PG&E agrees that the available amount of funds to be distributed via the natural gas credit is likely to decline as the percentage of the natural gas allocation transitioned to electric utilities ramps quickly to 70 percent by 2031, as specified in CARB's cap-and-invest regulations adopted in May 2026. In light of these forthcoming (and potentially dramatic) reductions, PG&E concurs that the gas credit distribution, timing, and eligibility should not be modified. Modifying the framework to administer differentiated eligibility criteria or credit amounts would require complex and costly changes to billing rules, eligibility determinations, and credit calculation processes. Given that gas allowance allocations and associated revenues are expected to decline beginning in 2028, the costs of implementing such changes would consume a greater share of increasingly limited allowance revenues, leaving less funding available for customer bill relief.

> (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?*

PG&E believes the Commissioner's proposal meets CARB's 30 percent of the total allowances primarily benefit low-income ratepayers requirement but also notes that CARB's regulations explicitly permit the gas credit to be distributed to customers as an off-bill program. The Commission should also explore directing utilities to use the revenues for other programs that would benefit low-income natural gas customers (such as rebates for transitioning to electric appliances). Such alternatives might provide a more direct means of advancing the Commission's goals of electrification and affordability objectives while continuing to target benefits to low-income customers, although that approach may also have downsides (e.g., rebates for appliances may not appeal to renters).

> (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?*

As proposed in PG&E's response above, creating a targeted off-bill rebate program could preserve the current CCC framework and avoid complex and costly system changes, while allowing low-income customers to continue receiving the CCC and benefit from off-bill support.

PG&E recommends preserving the existing CCC administration and allocation processes. The current CCC program was designed to provide a uniform credit based on the number of dwelling units served by a master-meter account and is not well-suited to individualized eligibility determinations or differentiated credit amounts. Concepts that require individualized eligibility determinations or differentiated credit amounts would require either that master-meter account owners to accurately distribute differentiated Climate Credit amounts to CARE and non-CARE tenants, or else that master-meter tenants are treated differentially, despite their potential need.

(4) *What additional or different reporting or oversight should accompany these changes to the credit?*

As PG&E noted in response to Question E.8, PG&E does not recommend additional or different reporting or oversight requirements for these concepts. Such requirements would increase administrative and programmatic costs at the expense of customers without materially improving program outcomes.

G. Utility-specific Questions

(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.*

PG&E does not believe Concept 1 or Concept 2, as proposed, are implementable in 2028. Please see PG&E's comments in Section II. above for more detail.

(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?*

TURN proposed two options to modify the CCC distributions to align with regional bill peaks.[7/] Under TURN's proposal, utilities would distribute the electric CCC during the two highest-billed months within each baseline territory. Based on PG&E's analysis of average monthly electric bills by climate zone in 2025, the highest-billed months vary across PG&E's ten baseline territories.[8/] Five coastal or cooler-climate territories (T, V, Q, X, and Z) generally experience winter bill peaks, while two hotter inland territories (R and W) generally experience summer bill peaks. Three territories (P, S, and Y) exhibit both a winter and summer peak. As a result, TURN's proposal could require CCC distributions during as many as five different months

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7/ TURN Opening Comments on Climate Credit Phase 1A Issues.

8/ PG&E Data Responses to the Assigned Commissioner's June 29, 2026 Ruling, Section D (Average Monthly Electric Bills by Climate Zone and CARE Status). Peak months were estimated using the average monthly residential electric bill data for climate zones P, Q, R, S, T, V, W, X, Y, and Z.

(December, January, February, July, and August), arguably violating the statute (which permits distribution in up to four months). Regardless of whether there is a conceivable interpretation of the statute that would permit distribution in five months, however, requiring IOUs to administer multiple, territory-specific distribution schedules and customer communications rather than a uniform statewide distribution would be costly and complex to implement. It would require significant investment to change PG&E's billing system, as discussed above, and would also require extensive outreach efforts, more significant dedication of internal PG&E labor to ensure accuracy of credit distribution, credit communications, and coordination with PG&E's call centers.[9/]

In the alternative for Phase 1A, TURN proposed a summer and winter distribution approach, with customers receiving one CCC distribution during a summer month and one during a winter month. This alternative would likely be less complex and less costly than TURN's primary approach, as it preserves the 2-month distribution schedule while still providing relief during peak summer and winter.

Cal Advocates proposed modifying CCC distribution timing to better align with each utility's peak usage periods—although this proposal appears to have been Phase 1A specific, PG&E discusses it here.[10/] This proposal would shift CCC distributions to July and August, aligning credit delivery with PG&E's summer peak usage periods. Should the Commission seek to align CCC distribution timing with utility-specific peak usage periods while otherwise maintaining the status quo, this proposal would likely be the least costly and least complex approach to implement compared to concepts introduced in this ruling.

The EJ Parties proposed three options that would target CCC benefits on low-income customers and customers in high-heat regions.[11/] Option one would limit credits to CARE/FERA

9/ Public Advocates Office Opening Comments Phase 1A Issues, Discussion 5 at 9 ("Increasing the number of allocations will reduce the Climate Credit and could increase operating and marketing costs.").

10/ Cal Advocates Opening Comments on Climate Credit Phase 1A Issues.

11/ EJ Parties Opening Comments on Climate Credit Phase 1A Issues.

customers in high-heat regions, option two would target CCC to CARE/FERA customers only, and option three would provide enhanced credits to CARE/FERA customers in high-heat regions (similar to a modified version of Commissioner concept 2). The EJ Parties' proposals would require utilities to apply customer-specific eligibility criteria and administer differentiated credit amounts. As a result, these proposals would likely be more costly and complex to implement compared with timing-based approaches and could present implementation challenges similar to those raised by the Guidance Ruling's concepts.

IV. CONCLUSION

PG&E supports the Commission's interest in an affordable, fair, simple, and pro-electrification CCC design, and appreciates consideration of PG&E's comments.

Respectfully Submitted,

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Dated: July 24, 2026