**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 (Filed July 24, 2025) |

# COMMENTS OF BEAR VALLEY ELECTRIC SERVICE (U 913 E), LIBERTY UTILITIES (CALPECO ELECTRIC) LLC (U 933 E), AND PACIFICORP (U 901 E) ON THE ASSIGNED COMMISSIONER'S RULING PROVIDING DIRECTION AND SETTING THE PHASE 1B PROCEDURAL SCHEDULE


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Dated: July 24, 2026

Attorneys for Bear Valley Electric Service, Inc., Liberty Utilities (CalPeco Electric) LLC, and PacifiCorp

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In accordance with the June 29, 2026 Assigned Commissioner's Ruling Providing Direction and Setting the Phase 1B Procedural Schedule ("Phase 1B Ruling"), as amended by the July 9, 2026 Email Ruling Adjusting the Procedural Schedule, Bear Valley Electric Service, Inc. ("BVES"), Liberty Utilities (CalPeco Electric) LLC ("Liberty"), and PacifiCorp d/b/a Pacific Power ("PacifiCorp") (collectively, the California Association of Small and Multi-Jurisdictional Utilities ("CASMU") or small and multi-jurisdictional utilities ("SMJUs")) hereby submit these comments on the Phase 1B Ruling. These comments are timely filed.

## I. COMMENTS ON THE QUESTIONS POSED IN THE PHASE 1B RULING.

### 4.1. Overarching Legal and Authority Questions

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

CASMU has no substantive feedback on Section 4.1.1 at this time but reserves the right to supplement this response later in Phase 1B.

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?

CASMU has no substantive feedback on the impact of page 17 of the California Air Resources Board's ("CARB") May 29, 2026 Resolution 26-7 on Phase 1B of this proceeding. CASMU members are not natural gas utilities. In addition, the last resolution on page 17 does not appear to impact CASMU members. That resolution requires the Executive Director, in consultation with the CPUC "to evaluate and propose future amendments, as appropriate, to equitably account for" benefits of Diablo Canyon Power Plant's ("Diablo Canyon" or "DCPP") extended operations and "equitably distribute those benefits across the three investor owned utilities."[1] CASMU understands "the three investor owned utilities" as used in CARB Resolution 26-7 to mean Pacific Gas and Electric Company ("PG&E"), Southern California Edison Company ("SCE"), and San Diego Gas & Electric Company ("SDG&E") (collectively, "the Large IOUs"). This interpretation is also consistent with the Commission's recognition as to how Diablo Canyon operations should impact the SMJUs. The Commission has already found that it is appropriate for the costs and benefits of Diablo Canyon's extended operations to be applied differently to the SMJUs than the Large IOUs.[2] Per Decision ("D.") 23-12-036, as modified by D.25-01-043, the SMJUs have no cost responsibility and receive no financial distributions as a result of Diablo Canyon's continued operations.[3] Accordingly, Resolution 26-7 should have no bearing on SMJU residential Climate Credit issues to be addressed in Phase 1B.

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

CASMU notes that Public Utilities Code section 748.5(a)(3) limits the residential Climate

[1] California Air Resources Board, Resolution 26-7, p. 17.

[2] See D.23-12-036, pp. 76–77 ("This decision further holds that Bear Valley, Liberty, and PacifiCorp should be allocated DCPP costs different than the large electrical utilities.") (December 15, 2023).

[3] D.25-01-043, Ordering Paragraphs 4–7, pp. 14–15 (February 7, 2025).

Credit distribution to no more than four times each year and empowers the Commission to take action to address extreme, unforeseen, and temporary circumstances not specifically considered by the Legislature. Specifically, section 748.5(a)(3) reads:

> The credits provided to residential customers of an electrical corporation shall be provided on the bills of those customers in no more than four high-billed months of each year to maximize customer electric bill affordability, or as otherwise directed by the commission to address extreme, unforeseen, and temporary circumstances.[4]

With respect to the SMJU residential Climate Credit, the easiest way to comply with section 748.5(a)(3) is to retain the status quo set forth in D.26-04-036 as identified in the Phase 1B Ruling. D.26-04-036 requires the SMJUs to provide two residential Climate Credit distributions, one in October and one in November.[5] A biannual SMJU residential Climate Credit distribution promotes customer electric bill affordability by providing necessary rate relief during higher-usage months, reducing the administrative burden and associated costs (which translates to reduced distributions to customers) of implementing more frequent distributions.

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

CASMU has no substantive feedback on Section 4.1.4 at this time but reserves the right to supplement this response later in Phase 1B.

**4.2. Guiding Principles**

1. When considering changes to the Climate Credit, should the Commission consider any other factors besides:

   a. *Laws, regulations, and legislative intent;*

[4] Pub. Util. Code § 748.5 (a)(3).

[5] D.26-04-036, pp. 20–22, Conclusion of Law 3, p. 48 (note that D.26-04-036 shifted the SMJU residential Climate Credit from April and October to October and November beginning in 2027, but leaves the distribution schedule for the Small Business Climate Credit and Industry Assistance Credit unchanged.) (May 1, 2026).

*b. Guiding principles;*
*c. Customer characteristics and impacts on customers;*
*d. Implementation feasibility, time, and cost?*

Beyond the principles and factors listed in Section 4.2.1 of the Phase 1B Ruling, the Commission should consider differences in utilities size, territory characteristics, and customer characteristics when evaluating whether to change the SMJU residential Climate Credit. Requirements or changes to the Climate Credit applicable to the Large IOUs may not be appropriate for the SMJUs, and therefore, the Commission should avoid adopting one-size-fits-all approaches for all utilities.

While the CASMU members are electric utilities, they differ significantly from the Large IOUs. Unlike the Large IOUs, the CASMU members are winter-peaking due to the location of their respective service territories: BVES operates in the Big Bear Lake recreational area of the San Bernadino Mountains, Liberty serves customers in and around the Lake Tahoe Basin, and PacifiCorp operates in the northernmost areas of California. Each SMJU, with 50,000 or fewer customers, is substantially smaller than the Large IOUs, and administrative costs are a more significant and disproportionate burden for the SMJUs' smaller number of customers.[6]

Utility planning efforts, participation in proceedings, program implementation and administration, customer service, and customer billing is conducted and handled by significantly smaller staff for the CASMU members than for the Large IOUs. For example, BVES currently has approximately 50 employees and approximately 24,900 customers, and Liberty has approximately 137 employees and approximately 50,000 customers. Compared to PG&E's

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[6] BVES serves 23,400 residential customers in a resort community with a mix of approximately 40% full-time and 60% part-time residents. It also serves approximately 1,500 commercial, industrial, and public authority customers (including two ski resorts and the local wastewater treatment facility). Liberty serves 50,000 electric customers across seven counties, an overwhelmingly majority of which are located in the Lake Tahoe Basin. PacifiCorp serves 46,000 retail customers that are geographically dispersed, with only approximately four customers per square mile.

approximately 28,000 employees for its 16 million customers,[7] BVES and Liberty, respectively, have approximately 0.18% and 0.49% of the workforce to monitor and participate in the current proceeding or implement and administer any new requirements related to the Climate Credit and 0.16% and 0.31% of the customer base from which to recover administrative costs associated with new requirements. While PacifiCorp has more employees, its customers in California represent about two percent of its total customers from all six states PacifiCorp serves. Imposing new or more onerous requirements for the Climate Credit on PacifiCorp's very limited staff would be acutely challenging and costly for customers. PacifiCorp, with about 46,000 California customers, has approximately 0.29% of PG&E's customer base from which to recover administrative costs. For these reasons, the Commission should explicitly consider the significant differences between the SMJUs and other utilities named in this proceeding in evaluating whether it is appropriate to change the SMJU residential Climate Credit and create additional obligations.

In addition to the differences between SMJUs and the Large IOUs, CASMU notes that D.26-04-036 does not impact the distribution schedule for the Small Business Climate Credit (currently distributed in April and October) and the California Industry Assistance distribution (currently distributed in April), both of which are funded from the same allowance revenues as the SMJU residential Climate Credit. As such, the SMJUs must make the following distributions beginning in 2027: (1) April (Small Business Climate Credit); (2) October (Small Business Climate Credit, Industry Assistance Credit, and residential Climate Credit); and (3) November (residential Climate Credit).

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[7] These numbers are based on PG&E's 2026 Joint Proxy Statement, available at https://s21.q4cdn.com/673114418/files/doc_financials/2026/ar/2026-PGE-Proxy-Statement.pdf.

CASMU requests that the Commission maintain the status quo and distribution schedule set forth in D.24-04-036 for the SMJU residential Climate Credit. While CASMU acknowledges that revising the Small Business Climate Credit and Industry Assistance Credit are not scoped in Phase 1 of this proceeding, it would request that the Commission align those distributions with the current residential Climate Credit distribution schedule during Phase 2 of this proceeding.[8] Doing so reduces the administrative burdens and associated costs on SMJUs that come with more frequent distributions. Furthermore, aligning the timing of the Small Business Climate Credit, Industry Assistance Credit, and residential Climate Credit complies with Commission directives set forth in D.21-08-026.[9]

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

Generally, any efforts to promote customer affordability will be consistent with and/or advance affordability metrics adopted in R.18-07-006. However, CASMU does not believe it is necessary to formally integrate or consider R.18-07-006 affordability metrics in the instant proceeding, as affordability is already explicitly included as a central guiding principle in the Phase 1B Ruling. Indeed, the Phase 1B Ruling notes that Climate Credit principles should "focus on maximizing affordability impacts for those who need it most."[10] Given the inclusion of affordability as a guiding principle for Phase 1B, CASMU does not believe that additional integration or consideration of affordability metrics from R.18-07-006 is necessary. In fact, incorporating affordability metrics could add complexity and increase program costs, thereby

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[8] Assigned Commissioner's Scoping Memo and Ruling, pp. 6, 8 (February 3, 2026).

[9] D.21-08-026, Ordering Paragraphs 6 & 8, p. 64 (requiring that qualifying small businesses receive a credit identical to the residential Climate Credit at the same times as the residential Climate Credit).

[10] Phase 1B Ruling, p. 3.

reducing distributions to customers and negatively impacting customer affordability in violation of the stated goals of Phase 1B as well as R.18-07-006 affordability metrics. This is particularly true for the SMJUs whose customers face more disproportionate rate impacts.

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?

CASMU recommends that the policy objectives set forth in D.12-12-033, as updated by D.21-08-026, be revised to make "Achieve administrative simplicity and understandability" a High Priority Objective.[11] Elevating this objective from a Medium Priority Objective to a High Priority Objective is important for the SMJUs given their small sizes, limited staff, and more disproportionate rate impacts for customers. A Climate Credit that is unnecessarily complex is difficult to implement and more costly for SMJUs and their customers, and thereby reduces the distribution that SMJUs may provide to their customers. Accordingly, CASMU recommends that simplicity principles be prioritized.

**4.3. 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?

While CASMU generally agrees that affordability, electrification, fair changes to the Climate Credit, and simplicity are appropriate guiding principles for this proceeding, the Commission should be careful not to adopt or implement changes to the Climate Credit that would work against these principles. This is particularly true for CASMU members and their customers, who are more sensitive to administrative burden regulatory requirements and associated rate impacts than the Large IOUs and their customers. For these reasons, it is

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[11] See D.12-12-033, Findings of Fact 39 and 40, p. 168 (December 28, 2012); D.21-08-026, pp. 12–13 (August 23, 2021).

imperative that any Climate Credit requirements applicable to SMJUs are durable, simple, and maximize customer affordability.

*Guiding Principle 1: Affordability*

First, CASMU agrees that affordability should be a metric by which the Commission evaluates the Climate Credit. However, the Commission should carefully weigh the costs and benefits of implementing changes to the Climate Credit that purport to target customer affordability. Changes to the Climate Credit, including but not limited to, a higher frequency of Climate Credit distributions, the development of new customer classifications, and new outreach requirements, pose a more significant administrative burden for SMJUs than the Large IOUs because they have much smaller staff to implement these directives. Furthermore, each of the CASMU members have smaller customer bases than the Large IOUs from which to recover the costs of implementing Commission requirements. For these reasons, Climate Credit revisions that may be appropriate for the Large IOUs may actually hinder affordability for SMJU customers, particularly if such changes are complex or burdensome to implement.

*Guiding Principle 2: Electrification Should be Encouraged*

While CASMU appreciates aligning the Climate Credit with the overall state policy goals in support of electrification, it urges the Commission to weigh this guiding principle against the Assigned Commissioner's other stated guiding principles: affordability, fair changes, and simplicity. Significant changes to the Climate Credit, like transitions to a Climate Zone Approach as contemplated by the Assigned Commissioner, may be a significant administrative burden for SMJUs. In turn, the associated cost of implementing complex Climate Credit requirements may reduce the Climate Credit distribution to such a point that they outweigh the marginal benefits new requirements may provide.

*Guiding Principle 3: Changes Should be Fair*

CASMU supports the Assigned Commissioner's third guiding principle—a fair distribution of the Climate Credit—which is appropriately designed to benefit utility customers, including SMJU customers. However, CASMU emphasizes that the Commission should ensure that distributions are fair by and between customer classes. It is important to recognize that all residential customers pay the same rate for GHG costs, which are applied on a volumetric basis. PacifiCorp and BVES provide discounts on that rate for certain low-income customers, like those enrolled in the California Alternate Rates for Energy ("CARE") program receive a discount on that rate. Furthermore, each of the SMJUs have recently implemented or are in the process of implementing income-graduated fixed charges, or base service charges, pursuant to D.24-05-028 that provide further reductions to certain customers enrolled in CARE.[12] For example, SMJU base service charge programs provide "Tier 1 customers" (e.g., CARE customers with incomes of 0 to 100 percent of the Federal Poverty Guideline levels) and "Tier 2 customers" (e.g., CARE customers with incomes above 100 percent and at or below 200 percent of the Federal Poverty Guidelines) with discounted monthly base services charges. In light of existing bill reductions for certain low-income SMJU customers who are enrolled in CARE, CASMU cautions that providing larger residential Climate Credit distributions in Phase 1B of this proceeding to certain segments of customers may not result in a "fair distribution." For example, increasing residential Climate Credit distributions for CARE customers could further increase the discrepancy between

[12] See D.24-05-028, pp. 116–148 (permitting SMJUs to rely upon the existing CARE income verification processes to obtain information from customers with incomes between 0 to 100 percent of Federal Poverty Guidelines in order to place them in "Tier 1" of the income-graduated fixed charge design) (May 15, 2024); Resolution E-5396 (approving PacifiCorp's request to implement its income-graduated fixed charges pursuant to D.24-05-028) (February 27, 2026); Resolution E-5395 (approving BVES' request to implement its income-graduated fixed charges pursuant to D.24-05-028) (September 18, 2025); Resolution E-5417 (approving Liberty's request to implement its income-graduated fixed charge pursuant to D.24-05-028) (April 30, 2026).

CARE and non-CARE customers, which may hinder affordability for those customers that are very near the CARE low-income threshold but do not qualify for a CARE customer classification. To that end, the Commission should fully analyze the impact of other Commission decisions, such as base service charge requirements adopted in D.24-05-028, before making changes to the residential Climate Credit.

*Guideline Principle 4: Simplicity*

CASMU agrees that "[c]hanges [to the Climate Credit] should not be overly complicated to implement . . . or difficult to explain."[13] A simple Climate Credit benefits SMJU customers. In contrast, the costs of an overly complex Climate Credit likely outweigh the benefits for SMJU customers. When the Commission makes changes to the Climate Credit, the associated administrative burdens and costs for SMJUs and their customers are more pronounced than for the Large IOUs and their customers.

CASMU requests that the Commission make the Climate Credit as simple as possible. The simplest path forward is to retain the status quo set forth in D.26-04-036 for the SMJU residential Climate Credit. If the Commission finds that modifications to the SMJU Climate Credit are necessary, CASMU requests that they be minor and be compatible with current SMJU billing systems and processes. As a preliminary measure, the Commission should not require SMJUs to provide more than two Climate Credit distributions in a calendar year. The current biannual SMJU Climate Credit distribution frequency achieves customer electric bill affordability by providing necessary rate relief during high-usage months while reducing the administrative burden and associated costs of implementing more frequent Climate Credit distributions. Furthermore, the Commission should tether the SMJU Climate Credits to particular

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[13] Phase 1B Ruling, p. 4.

months and maintain the timing for those distributions going forward. Because SMJUs have higher demand profiles during the winter months, the Commission determined in D.26-04-036 that the SMJUs should distribute residential Climate Credits in October and November beginning in 2027. CASMU would prefer to retain the current schedule set forth in D.26-04-036. However, regardless of what months the Commission ultimately decides are appropriate for the SMJU residential Climate Credit distribution, it is imperative to keep the timing and frequency of those distributions consistent moving forward. Recent shifting of Climate Credit distribution timing has only complicated the billing process for SMJUs and leads to greater customer confusion.

### 4.4. Narrow Focus on Three Options

1. <u>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?</u>

CASMU supports the Assigned Commissioner's narrow focus on changing the residential Climate Credit. Of the three options set forth in the Phase 1B Ruling, CASMU supports retaining the status quo as directed in D.26-04-036 with possible minor adjustments or refinements adopted in Phase 1B of this proceeding. As discussed below, the Assigned Commissioner's proposal concepts may be more appropriate for the Large IOUs given that they are complex and may be impractical or impossible for SMJUs to implement and will likely result in reduced Climate Credit distributions for SMJU customers due to the administrative cost to implement new requirements.

*Assigned Commissioner's Concept 1: Baseline Usage Tier Approach.*

CASMU does not support the Baseline Usage Tier Approach, as it involves requirements that (1) must be applied manually because certain data or calculations considered by the Phase 1B Ruling are not currently retained in SMJU billing systems, and (2) introduce unnecessary complexities that drive up administrative costs and thereby reduce benefits for customers.

The proposed Baseline Usage Tier Approach contemplates distributions based on current usage compared to prior years. Specifically, the Phase 1B Ruling states:

> Customers that used less than their baseline amount of usage on average in the prior year would receive one credit per distribution; customers that used more than the baseline amount of usage on average would receive an additional credit per distribution. CARE customers that used more than the baseline amount would receive a further additional credit.[14]

As a general matter, SMJU billing systems are based on data for the current month. During Climate Credit distribution months, the SMJUs calculate and process the issuance of Climate Credits manually. The Baseline Usage Tier Approach considered in the Phase 1B Ruling introduces further complexities for SMJUs by requiring them to manually track, calculate, and bill each customer based on prior usage.

In addition, the Baseline Usage Tier Approach introduces multipliers within the residential Climate Credit that are unnecessary and overly complex. To implement these proposed multipliers, SMJUs would either need to add this capability within their billing systems or manually apply multipliers based on baseline usage. The former would require SMJUs to fully overhaul billing systems, and both options would be a tremendous administrative burden for SMJU staff to implement. For these reasons, CASMU maintains that retaining the status quo set forth in D.26-04-036, with possible minor adjustments in Phase 1B of this proceeding, is the most appropriate approach for revising the SMJU Climate Credit.

*Assigned Commissioner's Concept 2: Climate Zone Tier Approach.*

The Phase 1B Ruling's proposed Climate Zone Tier Approach is more appropriate for the

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[14] Phase 1B Ruling, p. 7.

Large IOUs than SMJUs. Compared to the Large IOUs, SMJUs have small service territories with relatively uniform climatology. BVES and Liberty each operate in one climate zone with high elevations and relatively cooler temperatures. While PacifiCorp's California service territory is larger than BVES' and Liberty's, there is also limited climate variance. PacifiCorp has only two climate zones that are relatively similar, such that the baseline daily allowance difference between them is just .3 to 1.9 kilowatt hours ("kWh") per day. In contrast, the service territories of the Large IOUs are much larger and have more climate zones. For example, and as recognized in the Phase 1B Ruling, "PG&E has 10 climate zones."[15]

CASMU acknowledges and appreciates that the Phase 1B Ruling provides that "[i]f the smaller utilities have few or one climate zone, their customers could receive the same number of credits as customers in similar-usage zones" and that "the credit timing and the number of distribution months would remain unchanged from D.24-04-036" under the Climate Zone Tier Approach.[16] However, the introduction of climate zone considerations within the SMJU residential Climate Credit, especially if multipliers are required, adds complexity, administrative burdens, and associated administrative costs for the SMJUs and their customers. Because there is little to no climate variance within the service territories of SMJUs, it is unclear what benefits segmenting SMJU customers by climate zones will provide. For these reasons, the Commission should exempt SMJUs from the Climate Zone Tier Approach if it is adopted.

*Additional Assistance Based on Greater Need.*

A simple Climate Credit approach is the best approach for SMJUs and their customers. Adopting further credits or adjustments based on additional criteria (e.g., medical baseline status,

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[15] Phase 1B Ruling, p. 8.

[16] Phase 1B Ruling, pp. 8–9.

climate zone) is administratively complex for SMJUs and results in associated administrative costs for SMJUs and their customers. Furthermore, as discussed in CASMU's response to Section 4.3.1, additional adjustments and criteria adopted in Phase 1B of this proceeding may result in unfair distributions, particularly for certain non-CARE customers who may be very near the CARE-income threshold. Adding additional criteria to the residential Climate Credit distribution process may have the unintended effect of exacerbating differences in rates between CARE and non-CARE customers, and reducing distributions for low-income customers that do not qualify for CARE. For these reasons, it is simpler and more equitable to maintain the status quo set forth in D.26-04-036 for the SMJU residential Climate Credit.

*A Purely Volumetric Approach.*

CASMU members would potentially support a Purely Volumetric Approach as an alternative to retaining the status quo set forth in D.26-04-036, so long as the Purely Volumetric Approach is simple to implement and compatible with SMJU billing systems. Specifically, CASMU would request the following if the Commission adopts a Purely Volumetric Approach for the SMJU residential Climate Credit: (1) the per kWh credit is tied to current customer usage rather than prior year's usage; (2) the volumetric Climate Credit distributions are provided in consecutive months; and (3) associated customer outreach or notification requirements are simple. A Purely Volumetric Approach without these elements should not be adopted because it would create significant administrative burdens that would hinder the SMJUs' ability to provide the Climate Credit to customers. CASMU discusses the proposed Purely Volumetric Approach more thoroughly in its response to Sections 4.5.2, 4.5.4, and 4.5.4 of the Phase 1B Ruling.

2. <u>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 opinion satisfy legal requirements and principles? What modifications should be made, if any, if</u>

the Commission adopts this option? Which ideas raised by parties in Phase 1A are appropriate for consideration here?

CASMU recommends that the Commission retain the status quo for the SMJU residential Climate Credit. Retaining the SMJU Climate Credit status quo satisfies legal requirements and the Assigned Commissioner's four guiding principles set forth in the Phase 1B Ruling: affordability, encouraging electrification, fair changes, and simplicity. If the Commission determines it is appropriate to implement minor modifications to the SMJU residential Climate Credit, CASMU reiterates its points outlined above and emphases that simplicity is essential to minimize administrative costs and maximize distributions to customers.

To the extent that modifications are considered, CASMU recommends that the Commission not require SMJUs to distribute the Climate Credit more than twice a year. Additional Climate Credit distributions will increase administrative burdens and costs as SMJUs must manually calculate and include these distributions within customer bills. Furthermore, the particular month of the two SMJU residential Climate Credit distributions should be established and carried over from year-to-year. Additional updates to the Climate Credit distribution timing creates administrative burdens and significant confusion for customers. Finally, if the Commission does adopt modifications to the SMJU residential Climate Credit in Phase 1B of this proceeding, the Commission should be mindful that the limited number of SMJU staff make it difficult to implement administrative requirements on a truncated timeframe. Therefore, the Commission should ensure that SMJUs have sufficient time to implement any new directives.

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?

The Phase 1B Ruling sets an August 17, 2026 deadline for the Administrative Law Judge

("ALJ") to issue a ruling that provides guidance on the main elements to be included or addressed in party proposals. CASMU is not opposed to an ALJ ruling of this nature. However, CASMU believes that it is necessary to first consider whether there is merit or justification to depart from the status quo. Only after it has been determined that there is value in modifying existing Climate Credit distributions should proposed modifications be considered.

CASMU's concern is two-fold. First, CASMU is concerned that stakeholders in the present proceeding may be more inclined to focus on the Large IOUs' Climate Credit distribution processes than those of the SMJUs. Without the creation of exemptions or alternatives for SMJUs, a party-created proposal applicable to all utilities may result in requirements that are inappropriate as applied to the SMJUs. Second, the SMJUs can incur significant administrative costs from participating in proceedings focused on the processes and operations of Large IOUs that are a more significant rate burden for SMJUs and their customers than Large IOUs and their customers. Therefore, CASMU urges to Commission to carefully consider whether there is a strong justification to modify SMJU residential Climate Credit distributions before seeking proposals as to how those distributions should be modified.

### 4.5. 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?

CASMU takes no position as to whether the Assigned Commissioner's proposals align with CARB's May 29, 2026 regulations. However, as discussed in its response to Section 4.4.1, CASMU is concerned that the Assigned Commissioner's proposals involve components that may be implausible to implement, costly, and inappropriate as applied to SMJUs. It is unclear what benefit incorporating comparisons to past baseline usage, climate zone distinctions, and multipliers within the SMJU residential Climate Credit would provide for SMJUs and their customers, especially as some of these factors are not capable of being included within SMJU billing programs at this time and must therefore be calculated manually. Indeed, complicated requirements applicable to the SMJUs may only increase administrative burdens for staff, increase costs for SMJUs and their customers, and reduce the overall Climate Credit distributions customers receive.

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

CASMU refers to its responses to Sections 4.3.1 and 4.5.1. The Assigned Commissioner's proposals may work against the stated principles of affordability and simplicity if there are not exemptions or special considerations made for SMJUs. For these reasons, CASMU would request that SMJUs be exempted from the Baseline Usage Tier Approach and the Climate Zone Tier Approach if the Commission adopts one or the other.[17] While CASMU would prefer to retain the residential Climate Credit status quo set forth in D.26-04-036, the SMJUs would potentially be open to a Purely Volumetric Approach, so long as it is appropriately tailored to SMJUs. CASMU recommends that any Purely Volumetric Approach applicable to SMJUs ensure that the per kWh credit distribution is based on current usage, the volumetric credit occurs over consecutive months, and the customer outreach requirements regarding the transition to a volumetric credit basis are simple. CASMU discusses these considerations in its response to Section 4.5.4, below. If a Purely Volumetric Approach is not adopted for the SMJUs in this manner, CASMU requests that the Commission maintain the status quo as directed in D.26-04-036, though potential minor modifications adopted in Phase 1B of this proceeding may

[17] See e.g., Phase 1B Ruling, Sections 3.2.1. and 3.2.2., pp. 7–10.

be appropriate, as they are developed and refined.

3. <u>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?</u>

CASMU refers to its responses to Section 4.3.1 and 4.4.1, and does not support further scaling of the residential Climate Credit between “moderate-” and “higher-income” customers. SMJUs do not have the capability to differentiate between “moderate-” and “higher-income” customers within their billing systems, and do not have a cost-effective system in mind that would allow it to identify these customer segments. Introducing additional metrics of this nature would create a more complicated Climate Credit that is a greater administrative burden for SMJUs and most costly for SMJU customers. SMJUs use the CARE Program to identify low-income customers within their service territories and provide them with benefits, including the Climate Credit. Utilizing the CARE Program is a cost-effective approach for SMJUs that benefits low-income customers by displaying the total effect of all rate discounts, including the Climate Credit, on their bills. For these reasons, CASMU recommends that the Commission retain the status quo set forth in D.26-04-036 for the SMJU residential Climate Credit.

4. <u>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?</u>

CASMU is open to a Purely Volumetric Approach to the SMJU residential Climate Credit, but only if it is designed in a way that is simple to implement and compatible with SMJU billing systems. First and foremost, the per kWh credit must be directly tied to customers’ current usage and not the prior year’s usage as SMJU billing systems are not designed to track and compare that data. Second, because SMJUs are winter-peaking, the volumetric distributions should be applied in consecutive winter months as a “seasonal” volumetric residential Climate

Credit based on each SMJUs' highest customer usage months to avoid complicated prorations and unnecessary billing complexity. For example, a four-month "seasonal" volumetric residential Climate Credit could be provided in compliance with Public Utilities Code Section 748.5(a)(3) between October to January, November to February, or December to March.[18] A "seasonal" volumetric residential Climate Credit would eliminate the need for SMJUs to manually apply distributions to customer bills twice a year. SMJUs could communicate the "seasonal" volumetric residential Climate Credit to its customers via bill inserts on the first bill where the volumetric credits are applied. On that bill insert, the SMJUs could lay out the approximate monthly credit customers could expect to receive over the course of the "season."

However, CASMU cautions that if a Purely Volumetric Approach is utilized, it must be designed in a way that is compatible with SMJU billing systems and not overly complex, to ensure that it does not increase administrative burdens for SMJU staff and add to customer confusion, or make it difficult to provide the Climate Credit to SMJU residential customers. If the Commission and stakeholders find that a Purely Volumetric Approach is preferable, CASMU recommends that SMJU-specific considerations be considered and adopted so that the approach is compatible with SMJU-billing systems. Otherwise, the SMJUs should be exempted from any volumetric credit designs that are incompatible with their billing systems and the Commission should retain the status quo for the SMJU residential Climate Credit.

5. <u>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.</u>

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[18] CASMU merely provides these timeframes as suggestions should the Purely Volumetric Credit Approach be adopted, and not a concrete recommendation as to particular months the SMJU Climate Credit should be provided.

CASMU refers to its prior response to Section 4.4.4. A Purely Volumetric Approach may benefit SMJU customer affordability if designed in a way that is simple, based on current kWh usage, and provided over consecutive months, among other considerations. To comply with the section 748.5(a)(3) requirement of providing the residential Climate Credit in no more than four months, the SMJUs would support providing it as a "seasonal" credit over four consecutive high-usage winter months, or over any other consecutive three-month or two-month period. CASMU does not believe providing a "seasonal" volumetric credit limits its ability to support electrification.

6. What implementation issues or considerations do these options raise?

CASMU emphasizes that the Commission should ensure that any change to the SMJU residential Climate Credit process is durable, feasible to implement for SMJUs, cost-effective, administratively simple, and maximizes SMJU customer distributions and affordability. The primary way to address these issues and considerations is to avoid adopting a one-size-fits-all approach applicable to all utilities and to create SMJU-specific exemptions or alternatives to Commission directives.

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?

CASMU recommends that the Commission retain the status quo for the SMJU residential Climate Credit set forth in D.26-04-036. The status quo permits SMJUs to leverage existing CARE Program classifications to provide discounts, bill reductions, and Climate Credits to certain customer segments. CASMU is only open to minor modifications to the SMJU Climate Credit process if those modifications are feasible to implement and cost-effective. Modifications or programmatic changes to the SMJU residential Climate Credit based on other customer characteristics, such as second homes or vacation rentals and moderate- or high-income classifications, are not feasible to implement. SMJUs do not have dedicated tariffs for second homes or vacation rentals that would provide a straightforward method to identify and seamlessly provide residential Climate Credit adjustments.[19] Nor do SMJUs have the ability to segment customers based on income-classifications beyond the CARE Program. Because the SMJU Climate Credit is calculated and distributed to customers manually according to the current biannual distribution schedule, any minor modifications to the Climate Credit process should be simple to implement and leverage existing metrics like the CARE Program.

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

CASMU does not support the adoption of additional or different reporting requirements or oversight in Phase 1B of this proceeding. More extensive reporting requirements creates numerous challenges for SMJUs, including, but not limited to, the significant amount of time and resources and corresponding burdens for SMJU staff to prepare reports, and disproportionate administrative cost burdens for the smaller number of SMJU customers relative to the customer bases of the Large IOUs. Furthermore, neither the Commission, stakeholders in this proceeding and in prior Climate Credit proceedings, nor SMJU customers have identified issues with the SMJU Climate Credit distribution process that would necessitate further reporting requirements or a greater degree of Commission oversight.

**4.6. Assigned Commissioner's Natural Gas Credit Proposal Concepts**

1. Do you agree that the gas credit is likely to decline due to declining allowance

[19] See Bear Valley Electric Service, General Rate Schedules, available at https://www.bvesinc.com/customer-service/rates-regulations/general-rate-schedules; Liberty Utilities, Electric Rates & Tariffs, available at https://california.libertyutilities.com/truckee/residential/rates-and-tariffs/electrical.html; PacifiCorp, Tariff Index, available at https://www.pacificpower.net/content/dam/pcorp/documents/en/pacificpower/rates-regulation/california/Tariff_Index.pdf.

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?

CASMU has no substantive feedback on Section 4.6.1 at this time but reserves the right to supplement this response later in Phase 1B.

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?

CASMU has no substantive feedback on Section 4.6.2 at this time but reserves the right to supplement this response later in Phase 1B.

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 mastermetered gas customers?

CASMU has no substantive feedback on Section 4.6.3 at this time but reserves the right to supplement this response later in Phase 1B.

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

CASMU has no substantive feedback on Section 4.6.4 at this time but reserves the right to supplement this response later in Phase 1B.

**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.

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.*

CASMU members cannot say for certain if it is feasible to implement the Assigned Commissioner's proposed Baseline Usage Tier Approach, Climate Zone Approach, or Purely Volumetric Approach by 2028, but for the reasons outlined above, recommend that the SMJUs be exempted from the Baseline Usage Tier or Climate Zone Approaches. The SMJUs would need a better understanding of the associated requirements, as well as if there would be alternatives or exemptions for SMJUs, before providing a firm answer. With that said, CASMU answers as follows:

| | |
|---|---|
| Baseline Usage Tier Approach | Hard (if not impossible) to implement, given SMJU billing system limitations. |
| Climate Zone Approach | Medium to implement, but unclear what value it would provide SMJUs and their customers given the minimal climate variance in SMJU service territories. |
| Purely Volumetric Approach | Medium to implement, so long as certain modifications are made to make it based on current per kWh usage and on a practical distribution frequency (i.e., seasonal). Hard to implement if it is not appropriately tailored to account for SMJU-specific considerations. |
| Status Quo, as set forth in D.26-04-036 | Easy to implement, no additional administrative costs allow maximization of residential Climate Credit distributions. |

2. <u>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?</u>

CASMU has no substantive feedback on Section 4.7.2 at this time but reserves the right to supplement this response later in Phase 1B.

## II. <u>CONCLUSION</u>

CASMU appreciates the opportunity to comment on the Phase 1B Ruling and looks forward to working with stakeholders in this proceeding. As emphasized throughout these comments, the Commission should prioritize the Assigned Commissioner's guiding principle of simplicity when evaluating whether it is appropriate to change the SMJU residential Climate Credit. Because the Assigned Commissioner's Baseline Usage Tier Approach and Climate Zone Approach may be infeasible to implement, provide minimal benefits (if any), burdensome, costly for SMJUs to implement, and may reduce distributions to SMJU customers, CASMU requests an exemption if the Commission adopts either approach. The other alternative considered in the Phase 1B Ruling, the Purely Volumetric Approach, may benefit SMJU customers if it is appropriately tailored for SMJU-specific considerations. For these reasons, CASMU maintains that retaining the status quo set forth in D.26-04-036 is the most straightforward, cost-effective, and simple path to provide benefits to SMJU customers through the residential Climate Credit. While CASMU is open to potential minor modifications to the SMJU residential Climate Credit adopted in Phase 1B of this proceeding, any further modifications considered and ultimately adopted by the Commission and applicable to the SMJUs should be compatible with SMJU billing systems, account for unique SMJU characteristics, and deliver tangible benefits to the limited number of SMJU customers.

Respectfully submitted this 24th day of July 2026, at Sacramento, California

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