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

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

CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S OPENING COMMENTS ON ASSIGNED COMMISSIONER'S RULING PROVIDING DIRECTION AND SETTING THE PHASE 1B PROCEDURAL SCHEDULE

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SUMMARY OF RECOMMENDATIONS[1]

The Commission should:

- Evaluate any proposed changes to the current Climate Credit distribution structure pursuant to the Guidance Ruling priorities of affordability, simplicity, fairness, electrification, and a narrow focus, recognizing that beneficial electrification—not electricity usage alone—and overall net customer benefit;

- Include LSE competitive neutrality as an express Assigned Commissioner priority, consistent with CARB regulations and the Commission's longstanding implementation of the Climate Credit, to ensure equivalent treatment of bundled and unbundled customers across LSEs;

- Retain the existing equal, non-volumetric electric Climate Credit methodology because it provides broad, predictable bill relief, minimizes implementation costs, and maximizes the value returned to customers;

- If the Commission nevertheless moves forward with changes to the distribution methodology, it should, above all, avoid reducing benefits for low-income customers and, where supported by the record, prioritize providing additional benefits to CARE customers while preserving a meaningful Climate Credit for all residential customers;

- Require that any proposal departing from the status quo demonstrate that its incremental customer benefits materially outweigh its additional costs, complexity, and implementation risks;

- Require that any party proposal provide sufficient legal, policy, implementation, cost, and customer-impact information to enable meaningful evaluation and comparison against the existing methodology;

- Require robust implementation review and post-implementation reporting for any new methodology, including implementation costs, customer impacts, customer understanding, and a formal reevaluation if the methodology does not perform as intended; and

- Limit changes to the natural gas Climate Credit to those necessary to comply with CARB regulations while monitoring affordability, electrification, customer bill impacts, and the transition from natural gas to electricity to inform future Commission action.

[1] Acronyms used herein are defined in the body of this document.

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California Community Choice Association[2] (CalCCA) submits these opening comments pursuant to the *Assigned Commissioner's Ruling Providing Direction and Setting the Phase 1B Procedural Schedule*[3] (Guidance Ruling), dated June 29, 2026. The subsequent July 9, 2026, Administrative Law Judge *Email Ruling Adjusting the Procedural Schedule*[4] adjusted other procedural deadlines, including the timing of small and multi-jurisdictional utilities data filings and Reply Comments, but did not affect the July 24, 2026, deadline for these Opening Comments.

I. INTRODUCTION

This Climate Credit proceeding began against the backdrop of California's continuing affordability crisis. Governor Gavin Newsom's Executive Order N-5-24 directed the California Air Resources Board (CARB) and the California Public Utilities Commission (Commission) to

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[2] California Community Choice Association represents the interests of 24 community choice electricity providers in California: Apple Valley Choice Energy, Ava Community Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance of Southern California, CleanPowerSF, Desert Community Energy, Energy For Palmdale's Independent Choice, Lancaster Energy, Marin Clean Energy, Orange County Power Authority, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, Valley Clean Energy, and WestLight Energy.

[3] *Assigned Commissioner's Ruling Providing Direction and Setting the Phase 1B Procedural Schedule*, Rulemaking (R.) 25-07-013 (June 29, 2026), https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M609/K606/609606098.PDF.

[4] *Email Ruling Adjusting the Procedural Schedule*, R.25-07-013 (July 9, 2026), https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M610/K354/610354084.PDF.

evaluate how the Climate Credit can most effectively support Californians during the state's clean-energy transition.[5] The Commission subsequently opened this proceeding to "consider ways to improve the effectiveness of the California Climate Credit for supporting customer affordability…."[6] After the proceeding commenced, the Legislature enacted Assembly Bill (AB) 1207, directing the Commission to "maximize customer electric bill affordability" by providing the Climate Credit in no more than four high-billed months each year.[7] Phase 1A implemented that directive by shifting the timing of the residential electric Climate Credit from April and October to August and September in an effort to address the majority of residential customers' high-billed months.[8] Phase 1B now asks the broader question of whether changes to the methodology used to calculate and distribute the Climate Credit are warranted.[9]

The Assigned Commissioner's Guidance Ruling identifies affordability as the central priority of this Phase 1B, while also emphasizing fairness, simplicity, electrification, and maintaining a narrow focus.[10] CalCCA supports each of these priorities. The question before the Commission is, therefore, not whether the Climate Credit should continue to promote affordability, but how to maximize the affordability impacts among Californians.

The Climate Credit occupies a unique place within California's affordability framework. Unlike California Alternate Rates for Energy (CARE), Family Electric Rate Assistance (FERA),

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5 Executive Order N-5-24, at 1-2 and Ordering Paragraph 4 (Oct. 30, 2024), https://www.gov.ca.gov/wp-content/uploads/2024/10/energy-EO-10-30-24.pdf.

6 *Order Instituting Rulemaking to Improve the California Climate Credit*, R.25-07-013 (July 28, 2025) at 1, https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M574/K655/574655670.PDF.

7 Assembly Bill No. 1207, Ch. 117, Stats. 2025 (Sept. 19, 2025), https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260AB1207.

8 D.26-04-036, *Decision Ordering Immediate Improvements to the California Climate Credit to Lower Electric and Gas Bills,* R.25-07-013 (May 1, 2026), at 2, https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M605/K990/605990203.PDF.

9 Guidance Ruling, at 1-2.

10 *Id*. at 3-5.

and other targeted assistance programs, the Climate Credit provides meaningful bill relief to virtually every eligible residential customer. Many Californians struggling to pay their electric bills do not qualify for income-based assistance programs, are not enrolled in those programs, or otherwise fall outside their eligibility requirements despite experiencing genuine affordability challenges. The Climate Credit complements those targeted programs by providing broad, visible, and predictable relief to all residential customers. Rather than viewing that universal character as a weakness to be corrected, the Commission should recognize it as one of the Climate Credit's greatest strengths and preserve that value as it considers potential reforms.

This approach is fully consistent with AB 1207, which directs the Commission to maximize the affordability benefit of the Climate Credit, while providing discretion to the Commission to determine how best to accomplish that objective.[11] As the Legislative Analyst's Office (LAO) observed, AB 1207 does not prescribe whether the electric Climate Credit should be universal or targeted, fixed or volumetric, or differentiated by geography or income.[12] At the same time, the LAO also recognized that the statute provides little direction regarding the scope of any redesign beyond providing the credits in no more than four high-billed months each year.[13] In light of that limited statutory direction, the LAO questions whether the Legislature intended the Commission to undertake more complex policy changes, particularly given the funding requested by the Commission to do so and the tradeoffs such changes may entail.[14]

Thus, the Commission need not conclude that maximizing affordability requires a more complex methodology than the status quo of distributing the Climate Credit to all customers.

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11 AB 1207 (amending Public Utilities Code § 748.5(a)(3)).

12 Legislative Analyst's Office, *The 2026-27 Budget: California Public Utilities Commission's Implementation of AB 1207* (Feb. 10, 2026) (LAO Report), https://lao.ca.gov/Publications/Report/5120.

13 *Ibid*.

14 *Ibid*.

Rather, at present, maximizing affordability is best achieved by preserving the full value of a simple, broadly distributed Climate Credit and delivering that credit during the months the Commission has already determined is consistent with AB 1207.

CalCCA therefore provides the following overarching comments in response to the Guidance Ruling. *First*, the Guidance Ruling's stated priorities provide a good framework for evaluating proposals. However, the longstanding principle of competitive neutrality among load-serving entities should be added to ensure equivalent treatment of all customers. *Second*, the existing equal, non-volumetric Climate Credit remains the methodology best supported by the present record because it most effectively advances affordability, simplicity, fairness, and overall customer benefit while minimizing unnecessary implementation costs and customer confusion. *Third*, if the Commission nevertheless moves forward with changes to the distribution methodology, it should ensure that no low-income customer is made worse off than under the status quo and should prioritize providing additional benefits through a simple CARE adder while preserving a meaningful Climate Credit for every residential customer.

Based on these overarching themes, CalCCA recommends that the Commission:

- Evaluate any proposed changes to the current Climate Credit distribution structure pursuant to the Guidance Ruling priorities of affordability, simplicity, fairness, electrification, and a narrow focus, recognizing that beneficial electrification—not electricity usage alone—and overall net customer benefit;
- Include load-serving entity (LSE) competitive neutrality as an express Assigned Commissioner priority, consistent with CARB regulations and the Commission's longstanding implementation of the Climate Credit, to ensure equivalent treatment of bundled and unbundled customers across LSEs;
- Retain the existing equal, non-volumetric electric Climate Credit methodology because it provides broad, predictable bill relief, minimizes implementation costs, and maximizes the value returned to customers;
- If the Commission nevertheless moves forward with changes to the distribution methodology, it should, above all, avoid reducing benefits for low-income customers and, where supported by the record, prioritize providing additional benefits to CARE customers while preserving a meaningful Climate Credit for all residential customers;

- Require that any proposal departing from the status quo demonstrate that its incremental customer benefits materially outweigh its additional costs, complexity, and implementation risks;
- Require that any party proposal provide sufficient legal, policy, implementation, cost, and customer-impact information to enable meaningful evaluation and comparison against the existing methodology;
- Require robust implementation review and post-implementation reporting for any new methodology, including implementation costs, customer impacts, customer understanding, and a formal reevaluation if the methodology does not perform as intended; and
- Limit changes to the natural gas Climate Credit to those necessary to comply with CARB regulations while monitoring affordability, electrification, customer bill impacts, and the transition from natural gas to electricity to inform future Commission action.

II. THE GUIDANCE RULING PRIORITIES SHOULD BE ADOPTED, WITH THE ADDITION OF LSE COMPETITIVE NEUTRALITY

The Assigned Commissioner identifies five priorities to guide this phase of the proceeding: affordability, electrification, fairness, simplicity, and maintaining a narrow focus.[15] CalCCA agrees that each of these priorities should be adopted and explains below how those priorities should be applied in light of the Commission's longstanding Climate Credit policies, the CARB regulations, and the current evidentiary record. CalCCA also emphasizes that fairness should include the related principle of LSE competitive neutrality, which should also be expressly adopted as a priority for this proceeding. The following addresses how each of the priorities, as well as competitive neutrality, should be applied in this proceeding.

A. Affordability: The Climate Credit Should be Preserved as a Universal Source of Bill Relief

Affordability is appropriately the central objective of this proceeding. The Climate Credit is uniquely positioned to advance affordability because it provides meaningful bill relief to every eligible residential customer. Unlike targeted affordability programs such as CARE and FERA,

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15 Guidance Ruling, at 3-5.

the Climate Credit reaches customers across the income spectrum, including many households experiencing genuine affordability challenges, especially those that fall just outside the qualifying range for existing assistance programs. Preserving that universal benefit is itself an important component of fairness, considering all residential customers bear the costs of California's Cap-and-Invest Program through their electricity rates.[16] Any proposal that narrows eligibility or substantially redistributes benefits should therefore demonstrate that it produces materially greater net customer benefits than the existing methodology, which allocates the Climate Credit to all customers equally.

Any redistribution of the Climate Credit, by its very nature as a finite amount of bill relief, creates winners and losers. Increasing the Climate Credit for one set of ratepayers will be offset by decreasing the Climate Credit for another set of ratepayers. Minimizing the negative offsetting impacts, especially for low-income customers, is critical in maintaining affordability as a central principle. Thus, as further explained below, any proposal that is considered should, above all, ensure that low-income customers are not worse off than they are under the current methodology.

B. Simplicity: The Climate Credit Should be Understandable and Administratively Workable

Simplicity in distribution of the Climate Credit should remain one of the Commission's highest priorities. *First*, customers should reasonably understand whether they will receive the Climate Credit, approximately how much they should expect to receive, and why they received that amount. If multiple customers in the same area receive materially different electricity bill

[16] CARB, *Electrical Distribution Utility and Natural Gas Supplier Allowance Allocation* ("For investor-owned utility ratepayers, all Cap-and-Trade Program costs are passed through in electricity rates, and proceeds from the auction of allocated allowances are used to benefit ratepayers."), https://ww2.arb.ca.gov/our-work/programs/cap-and-trade-program/allowance-allocation/edu-ngs.

relief from the Climate Credit, what is intended to be solely a positive affordability outcome for customers could also be met with confusion and potential frustration. *Second*, a simple program maximizes value to customers by ensuring implementation costs do not necessarily reduce the amount of allowance revenues ultimately returned to customers. Simplicity, therefore, advances affordability, customer confidence, and efficient administration alike. As the Guidance Ruling recognizes, the Commission should not "overextend ourselves with complicated approaches whose costs outweigh the customer benefit."[17]

C. Fairness and Competitive Neutrality: Customer Benefits Should be Fair and Bundled or Unbundled Status Should Not Impact Climate Credit Eligibility

Fairness should extend beyond the allocation of Climate Credit revenues to encompass how the program operates for customers and load-serving entities. The Commission has long recognized that Climate Credit implementation should remain competitively neutral, and CARB's regulations continue to require equivalent treatment for bundled and unbundled residential customers.[18] Likewise, customers similarly situated with respect to the Climate Credit should receive comparable treatment regardless of generation provider.

The Commission should also evaluate proposals based on the net customer benefit ultimately delivered—not simply how Climate Credit revenues are redistributed. Climate Credit revenues are finite. Every additional dollar devoted to billing system modifications, implementation, administration, or customer outreach is a dollar unavailable for direct customer bill relief. Complexity, therefore, is not merely an implementation concern—it is itself a fairness concern. A proposal that marginally improves the redistribution of benefits but substantially

[17] Guidance Ruling, at 4.
[18] 17 CCR § 95892(d)(6); D.12-12-003, at 67.

increases implementation costs may ultimately reduce the overall affordability benefit provided to California customers.

D. Electrification: The Climate Credit Distribution Framework Should Support Beneficial and Efficient Electrification

CalCCA supports the Commission's interest in aligning the Climate Credit with California's broader electrification goals where appropriate. However, the Climate Credit should encourage beneficial and efficient electrification rather than simply rewarding higher electricity consumption as would an increased benefit for usage above a baseline allowance or through a purely volumetric credit. Increased electricity usage alone does not necessarily equate to progress toward electrification or improved affordability. Electricity consumption reflects numerous factors, including climate, household size, housing characteristics, energy efficiency, medical needs, rooftop solar, conservation behavior, and discretionary usage. Likewise, lower electricity usage does not necessarily indicate lesser need or a lack of electrification.

The current record also does not yet demonstrate that electricity usage, baseline allowances, or climate zones are reliable means of distinguishing customers who have undertaken beneficial electrification from those whose higher consumption reflects other factors. Nor does the record currently provide evidence of a methodology for redistribution of the Climate Credit that would incentivize beneficial electrification. A methodology that primarily rewards higher usage risks creating incentives that are inconsistent with California's broader efficiency and conservation objectives[19] while providing additional benefits to customers whose usage is unrelated to electrification.

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[19] *See* Pub. Resources Code § 25310(c)(1) (requiring annual statewide energy efficiency savings and demand reduction targets that achieve a cumulative doubling of statewide energy efficiency savings in electricity and natural gas final end uses of retail customers by Jan. 1, 2030), as added by Senate Bill No.

Accordingly, before replacing a universally distributed credit with one based upon electricity usage or similar proxies, the Commission should have confidence that the alternative materially improves affordability and supports beneficial electrification after accounting for implementation costs, customer understanding, and impacts on vulnerable households. To the extent the Commission seeks to encourage long-term electrification investments, other proceedings and rate design options are likely better suited to provide the sustained price signals necessary to influence those decisions.

E. Narrow Focus: The Climate Credit's Distinct Role Should be Preserved

Finally, CalCCA agrees that this phase should maintain a relatively narrow focus. The Climate Credit is an essential affordability tool, but it should not become the mechanism for addressing every affordability, rate design, or electrification policy objective facing California. Other Commission proceedings, including the California Advanced Electric Rate Design proceeding (R.26-04-009), are already examining residential rate design, baseline allowances, affordability, efficient price signals, electrification, and the interaction between CARE, the Base Services Charge, and other affordability programs. Other proceedings therefore incorporate broader Commission authority and allow more developed records to address these structural policy questions. This proceeding should instead preserve what makes the Climate Credit uniquely valuable: providing broad, visible, predictable, and readily understandable bill relief to residential customers while allowing complementary proceedings to address broader affordability reforms.

350, Ch. 547, Stats. 2015 (Oct. 7, 2015), https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB350.

These principles are also consistent with the Commission's longstanding approach to the Climate Credit. Decisions (D.)12-12-033[20] and 21-08-026[21] emphasized a Climate Credit that is understandable to customers, administratively practical, broadly available, and competitively neutral. The Guidance Ruling's priorities, with the addition of LSE competitive neutrality, therefore, build naturally upon those longstanding principles by placing additional emphasis on affordability. CalCCA's recommendations below seek to achieve these objectives by preserving the Climate Credit's unique role while ensuring that any reforms produce meaningful net customer benefits and, above all, avoid disadvantaging low-income customers.

III. THE EXISTING CLIMATE CREDIT DISTRIBUTION FRAMEWORK SHOULD BE MAINTAINED, AS IT ACCOMPLISHES THE STATUTORY AND GUIDANCE RULING PRIORITIES

Applying these principles, CalCCA preliminarily concludes that the existing equal, non-volumetric electric Climate Credit methodology –distributed during the August and September billing cycles consistent with the Commission's Phase 1A decision– likely remains the approach best supported by the current record. This approach preserves universal affordability, remains simple and neutral to administer, avoids reducing the benefit for any low-income customers, maximizes the amount of allowance revenues ultimately returned to customers, avoids relying on imperfect proxies for financial need, and preserves the Climate Credit's distinct role while allowing other Commission proceedings to address broader affordability and rate design issues. CalCCA reserves the right to modify this preferred method as the proceeding develops.

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20 D.12-12-033, *Decision Adopting Cap-and-Trade Greenhouse Gas Allowance Revenue Allocation Methodology for the Investor-Owned Electric Utilities*, R.11-03-012 (Dec. 20, 2012), https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M040/K631/40631611.PDF.

21 D.21-08-026, *Decision Adopting Customer Climate Credit Updates*, R.20-05-002 (Aug. 19, 2021), https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M402/K296/402296732.PDF.

IV. ANY ALTERNATIVE CLIMATE CREDIT DISTRIBUTION FRAMEWORK SHOULD PROVIDE ADDITIONAL BENEFITS TO CARE CUSTOMERS WHILE PRESERVING A MEANINGFUL CLIMATE CREDIT FOR ALL RESIDENTIAL CUSTOMERS

If the Commission nevertheless moves forward with changes to the distribution methodology of Climate Credit benefits, CalCCA preliminarily supports providing additional benefits to CARE customers while preserving a meaningful Climate Credit for all residential customers. Such a concept could take the form of simply providing a Climate Credit multiplier for CARE customers. CARE represents an existing, readily understandable, and administratively efficient indicator of financial need that is more directly tied to affordability than electricity usage or geography. Even this alternative, however, should be evaluated only after parties have had an opportunity to review the utility data required by the Guidance Ruling and the implementation cost and feasibility analyses submitted with the utilities' Opening Comments. Accordingly, CalCCA reserves the right to refine its position as the record develops.

V. CALCCA'S RESPONSES TO SECTION 4 OF THE RULING: GUIDANCE RULING QUESTIONS FOR PARTY COMMENT

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?

CalCCA has not identified a CARB limitation that requires a change to the existing electric Climate Credit methodology or prohibits the Commission from retaining the status quo. Any electric-credit proposal must, however, remain consistent with the applicable requirements governing the use and return of allowance value. Of particular importance here, section 95892(d)(6) of the CARB regulations provides: "Investor owned utilities shall ensure equal treatment of their own customers and customers of electricity service providers and community choice aggregators." Thus, any changes to the Climate Credit outside of the status quo, must satisfy this regulation and support CalCCA's proposed overarching principle of competitive neutrality.

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 two directives do not appear to materially affect the issues being decided in Phase 1B. CARB's direction to coordinate with the Commission regarding natural gas transition issues is consistent with implementation of the updated CARB regulations, but it does not appear to require a broader redesign of the residential natural gas Climate Credit in this Phase. Rather, it reinforces the need for continued interagency coordination as California implements the longer-term transition away from natural gas. CARB's direction to consult with the Commission regarding Diablo Canyon allocation issues concerns a separate allowance allocation question and does not appear to dictate any particular methodology for distributing the residential electric Climate Credit. Nothing in the resolution suggests that Diablo Canyon-related allocation decisions should influence how the residential Climate Credit is distributed.

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

Public Utilities Code section 748.5 establishes important parameters for the Climate Credit's purpose, timing, and communication. Section 748.5(a)(3) directs the Commission to determine how to provide the residential credit in no more than four high-billed months, with the goal of maximizing customer electric-bill affordability while considering months with high electricity bills.[22] The statute thus treats the Climate Credit primarily as concentrated bill relief,

[22] Cal. Pub. Util. Code § 748.5(a)(3); *see also* Guidance Ruling, at 10-11.

not as a continuous marginal price signal. This statutory structure also suggests that the Legislature viewed the Climate Credit primarily as an affordability tool rather than as a long-term behavioral incentive. Section 748.5(a)(3) may also restrict the Commission from action other than moving the credit within those four high-billed months absent a showing of "extreme, unforeseen, and temporary circumstances."[23]

Section 748.5 does not require the Commission to adopt a usage-based methodology. Nor does it require redistribution based on baseline usage, climate zone, or income. The Commission retains discretion to preserve an equal credit if that approach best balances affordability, fairness, low-income impacts, simplicity, and cost. Section 748.5's emphasis on maximizing affordability also requires consideration of net benefits. A nominal improvement in redistributing does not maximize affordability if implementation and administrative costs materially reduce the proceeds returned to customers.

Section 748.5(b)(2) also requires specified information concerning the Climate Credit to be displayed prominently on customer bills.[24] While customer outreach and messaging has been deferred to a later portion of Phase 1B, any methodology that produces differing or uncertain amounts will make that communication more difficult. The Commission should therefore consider now whether a proposal can be explained accurately and neutrally in a short bill message.

Finally, in addition to the Commission's prior recognition of competitive neutrality as a high priority Climate Credit policy objective,[25] CARB section 95892(d)(6) requires IOUs to ensure equal treatment of their own customers and customers of electricity service providers and CCAs.[26]

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23 Cal. Pub. Util. Code § 748.5(a)(3)
24 Cal. Pub. Util. Code § 748.5(b)(2).
25 D.12-12-003, at 67.
26 17 CCR § 95892(d)(6).

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

CalCCA has no comment at this time.

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

No, but the Commission should emphasize guiding principles such as customer understanding, predictability, net customer benefit, avoiding negative impacts on low-income and disadvantaged customers, and competitive neutrality.

First, a customer should be able to understand why the credit was received and how its amount was determined. A methodology that produces substantially different credits for neighbors, or different outcomes across LSEs, may be technically explainable yet remain confusing in practice. Simplicity should be evaluated from the customer's perspective, not solely by whether it is ultimately feasible.

Second, predictability matters. Customers should know when the credit will arrive and, to the extent practicable, its amount. The Guidance Ruling recognizes this by favoring retention of an amount approved in advance and consistent timing.[27] A predictable flat credit is especially valuable to households managing limited cash flow.

Third, implementation costs should be measured against the incremental benefit of the change. The proper comparison is not whether a proposal can be implemented, but whether its

[27] Guidance Ruling, at 4.

additional redistributed benefit exceeds the full cost of billing changes, testing, administration, oversight, customer service, and outreach. Proposals that fail that test should not proceed.

Fourth, if the Commission considers redistributing the Climate Credit based on certain customer characteristics, it should ensure that no low-income customer is made worse off than under the current methodology. Any redistribution will inevitably create winners and losers. The Commission should not increase benefits for one group of customers by reducing benefits for those least able to absorb the loss. For example, reducing the Climate Credit for a low-income customers in a cooler climate to increase the Climate Credit for higher-income customer in a hotter climate would be inconsistent with the Commission's affordability objective. Moreover, affordability cannot be evaluated based on electricity usage or climate alone. California households face a range of cost pressures, and any redesign should avoid relying on proxies that inadvertently disadvantage financially vulnerable customers.

Fifth, the Commission should assess whether the proposal is neutral among customers served by different LSEs. While the Commission should strive to avoid winners and losers amongst customers, it must ensure that there are no winners and losers amongst LSEs.

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

If the Commission considers a redistribution beyond the methodology adopted in D.26-04-036, it should use the Affordability Rulemaking's affordability metrics to evaluate whether a proposal reduces or increases burdens for customers in areas of affordability concern and for vulnerable households that may not be enrolled in CARE.

That analysis is important because CARE status, usage, climate zone, and affordability are related but not interchangeable. Some financially vulnerable customers are not enrolled in CARE, and some CARE customers may use less than the baseline because they cannot afford additional consumption, they are additionally vulnerable due to other costs of living, or they are in smaller residences with inherently smaller electricity bills. A baseline or volumetric approach could therefore reduce assistance to customers with the greatest need unless the data demonstrates otherwise. Thus, if the Commission decides to move beyond the status quo, the Commission's affordability metrics can provide an additional check to ensure additional benefits are received by those most in need.

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?**

CalCCA strongly emphasizes maintaining competitive neutrality, which was a high priority in the last two electric credit decisions but was not listed in the Guidance Ruling's priorities. The Commission should continue to prioritize both administrative simplicity and customer comprehension, recognizing that a methodology customers cannot readily understand ultimately undermines the value of the Climate Credit itself.

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?**

Yes, with the addition of LSE competitive neutrality. See Section II., above.

4.4. 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?**

A narrow focus is appropriate given the schedule, the need for understandable customer outcomes, and the cost of implementing billing changes. The status quo should serve as the benchmark against which every alternative is evaluated.

The record should compare potential alternatives using the same criteria. For example: (1) total and per-customer implementation cost; (2) implementation time; (3) net amounts returned to customers; (4) impacts on CARE and other vulnerable customers; (5) impacts on customers who have adopted efficiency upgrades; (6) predictability and ease of explanation; (7) consistency across utilities and load-serving entities; and (8) the likelihood of creating inefficient consumption incentives. An alternative should displace the status quo only if it produces a clear, material, and durable improvement across a range of criteria.

CalCCA understands that some of this data is included in the utility responses to the Guidance Ruling's data requests and is continuing to review those responses. Should the Commission choose to further refine the initial proposals, a standardized way of reviewing the proposals against the status quo benchmark would provide parties with an opportunity to easily understand support for those variations.

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?**

Yes. Retaining the equal, non-volumetric credit satisfies the applicable legal requirements and balances the competing principles on the current record. It ensures that all eligible residential customers receive relief; avoids using imperfect proxies for need; preserves a predictable and understandable benefit; and minimizes implementation cost and risk.

CalCCA does not recommend modifying the distribution methodology at this time. The Commission has already adjusted distribution timing through D.26-04-036 to provide relief during the periods it identified as high-bill months. Further refinement should be limited and supported by evidence that any benefits and upsides exceed the costs and downsides and do not generate additional customer confusion.

If the Commission concludes that some redistribution is necessary, the preferable direction is a simple CARE adder while retaining a meaningful base credit for every residential customer. This would most likely provide additional benefit to low-income households without creating classes of winners and losers. However, the amount of any adder, its distributional effects, and its administrative feasibility would need refinement and should be subject to additional data requests and review. Accordingly, CalCCA reserves the right to refine its position as the record develops.

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 Commission should evaluate any party's proposed changes to the Climate Credit through a rigorous and transparent framework. Proposals that fundamentally alter how the credit is calculated or distributed should be supported by clear evidence that their benefits outweigh their costs, complexity, and implementation risks.

As an initial matter, the Commission should decline to adopt proposals that cannot be implemented using existing utility systems at reasonable cost, cannot be clearly explained to customers, materially reduce the value ultimately returned to customers, or create a meaningful risk of adverse impacts for low-income households. Assertions regarding implementation challenges or costs should be supported by detailed utility analysis rather than generalized statements.

For those proposals that satisfy this initial threshold, the record should enable the Commission to meaningfully compare each alternative against the existing Climate Credit distribution framework. At a minimum, proposals should identify the:

- Legal authority supporting the proposed methodology;
- Demonstrate how they advance the Commission's guiding principles and the Assigned Commissioner's priorities;
- Quantify customer impacts across different customers and usage patterns;
- Provide realistic implementation costs, schedules, and operational risks;
- Explain how implementation costs affect the net value delivered to customers;
- Evaluate impacts on conservation and electrification incentives; and
- Include clear customer communications together with appropriate reporting metrics to evaluate whether the proposal performs as intended after implementation.

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?**

CalCCA is still in the process of reviewing the IOU data requests provided, but even in an initial review it is clear additional refinement will be needed to determine whether variations on the status quo meet all of the requirements of CARB’s regulations. In particular, whether there is compliance with section 95892(d)(6), as discussed above.

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

This is not yet demonstrated. The baseline and climate-zone concepts seek to advance affordability and electrification while retaining flat credit increments, but both risk conflicting with fairness and simplicity.

The baseline approach may be relatively easy to describe, but baseline status is an imprecise measure of either need or beneficial electrification. It could provide a larger credit to a high-income, high-usage customer while providing only the base credit to a CARE customer below baseline. It may also penalize efficiency and conservation. The Guidance Ruling itself recognizes that the approach's value may be obviated if most customers exceed baseline or lack a baseline allocation, and that additional assistance could flow to higher-income customers in hot zones.[28]

The climate-zone approach recognizes geographic differences but is less tailored to individual needs and does not account for other affordability issues that may differ by region. Customers with higher household incomes and less affordability challenges could receive larger credits solely because they live in a hotter zone. It also fails to account for winter peaking areas, where average annual bills may rival those in hotter climate zones, even though those costs are not concentrated in August and September. Additional subcategories might reduce that mismatch, but each added layer increases cost and makes the credit harder to explain. The Guidance Ruling acknowledges that numerous credit amounts could be complex, difficult to communicate, and costly to implement.[29]

If the Commission moves beyond the status quo, it should simplify the approach by providing a universal base credit and a single additional amount for CARE customers, subject to the data and cost record. That modification better aligns the credit with affordability, remains relatively easy to explain, and avoids treating all increased usage as beneficial electrification.

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?

Possibly, but CalCCA does not recommend creating a new income-verification system for the Climate Credit. A multi-tier income methodology would introduce privacy, data-matching, enrollment, verification, appeals, and customer-service issues. Those costs and

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28 Guidance Ruling, at 7-8.

29 *Id.*, at 8-10.

burdens could significantly outweigh the incremental targeting benefit, particularly for a credit distributed only a few times each year.

The Commission should leverage existing, verified categories only if it elects to provide additional assistance. CARE status is the clearest existing option, although it does not identify every household experiencing affordability challenges. The California Advanced Electric Rate Design proceeding (R.26-04-009) is already examining income verification, baseline allowances, CARE, and the Base Services Charge and is better situated to develop broader income-based rate policies. The Climate Credit should remain distinct from CARE and should not be used to repair gaps in CARE eligibility or participation.

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?

CalCCA is still in the process of reviewing the provided IOU data requests, but a purely volumetric option does not appear to be the appropriate solution. A purely volumetric credit would be easy to express as cents per kilowatt-hour, but that apparent arithmetic simplicity obscures significant policy and implementation concerns. It would provide the greatest dollar benefit to customers who consume the most, regardless of income, efficiency, or the reason for the usage. It may reward consumption during high-demand periods increasing grid strain and weaken conservation and efficient price signals.

Should the Commission continue to explore a purely volumetric credit, at a minimum, the impacts to CARE and other low-income customers across usage levels, whether the methodology rewards beneficial electrification or consumption generally, effects on peak demand and conservation, and customer understanding and predictability should be evaluated.

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.**

A volumetric credit may reduce bills more for high-usage customers, including some customers with electrified homes or vehicles, but it is not well designed to promote long-term electrification. Section 748.5(a)(3) concentrates the credit in no more than four high-bill months. A temporary credit in selected months is unlikely to materially influence a long-lived investment such as purchasing an electric vehicle or replacing a gas furnace or water heater. It functions principally as seasonal bill assistance.

Moreover, electricity usage is not a reliable measure of ability to pay or of beneficial electrification. A volumetric credit could provide less assistance to a low-income customer who suppresses usage and more assistance to a high-income customer with a large home and discretionary load. It could also disadvantage customers whose electrification investments are paired with efficiency measures.

If the Commission's objective is to encourage electrification through marginal price signals, the California Advanced Electric Rate Design, General Rate Cases, or other proceedings are the more appropriate forums. The Climate Credit should retain its comparative strength: a visible, predictable infusion of bill relief.

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

The principal implementation challenges are cost, timing, billing-system capability, data availability and quality, billing accuracy, and customer understanding. Beyond those practical considerations, the baseline and climate-zone proposals also require the Commission to resolve numerous threshold design questions before they can be fairly evaluated.

For example, the Commission would need to determine:

- Which historical usage period establishes eligibility;
- How customers who move, change tariffs, lack a full year of billing history, or receive corrected bills should be treated;
- How the methodology applies to Medical Baseline, master-metered, NEM, and NBT customers;
- Whether climate zones and baseline territories should be standardized across utilities;
- How retroactive billing adjustments affect eligibility or credit amounts;
- When CARE eligibility should be measured; and
- How the program can be explained clearly when similarly situated customers receive different Climate Credit amounts.

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?

While CalCCA would likely support this option, the initial review of the utility provided data requests indicate that this information is not tracked. Excluding second homes or vacation rentals would require reliable identification, verification, continuing updates, and a process for correcting errors. Customer account data may not consistently distinguish a second home, seasonal residence, long-term rental, and vacation rental. Misclassification could deny a credit to an eligible customer, while administration could consume much of the amount reallocated.

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

If the Commission adopts a new Climate Credit methodology, it should require annual reporting for at least the first three distribution years to confirm that the program is operating as intended and delivering the expected customer benefits. At a minimum, reporting should compare:

- Actual implementation and ongoing administrative costs against projections;
- Identify the total allowance proceeds received and the net amounts ultimately returned to customers;
- Evaluate customer outcomes across relevant customer groups, including, but not limited to, CARE, FERA, Medical Baseline, deed-restricted affordable housing, master-metered, NEM, NBT, climate zone, and usage categories;

- Summarize billing corrections, customer complaints, and customer understanding of the program; and
- Assess whether the methodology is achieving its intended distributional and policy objectives.

The Commission should also establish a formal reevaluation point to determine whether the new methodology continues to justify its costs and complexity. If implementation costs materially exceed estimates, reduce the aggregate value returned to customers, create unanticipated customer confusion, or produce unintended impacts for low-income or other customer groups, the Commission should retain the ability to modify or discontinue the methodology. Finally, reporting should monitor the expected decline and year-to-year variability in Climate Credit amounts so the Commission can proactively address those trends through future policy decisions rather than repeatedly redesigning the Climate Credit itself.

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 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?

Yes. The Guidance Ruling reasonably concludes that declining gas allowance allocations reduce the potential benefit of a complex redesign and increase the importance of preserving customer value.[30] The Commission should make only the changes necessary to comply with CARB's 2028 requirements and protect low-income customers.

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?

CalCCA has no comments at this time.

[30] Guidance Ruling, at 11-12.

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?**

CalCCA has no comments at this time.

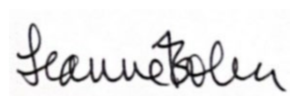
4. **What additional or different reporting or oversight should accompany these changes to the credit?**

The transition away from the natural gas Climate Credit should be accompanied by clear, targeted communications to affected customers, particularly vulnerable and low-income households that are on the margins and may not be enrolled in CARE.

VI. CONCLUSION

For all the foregoing reasons, CalCCA respectfully requests consideration of the comments herein and looks forward to an ongoing dialogue with the Commission and stakeholders.

Respectfully submitted,



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CALIFORNIA COMMUNITY CHOICE ASSOCIATION

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