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OPENING COMMENTS OF THE PUBLIC ADVOCATES OFFICE ON THE ASSIGNED COMMISSIONER'S RULING PROVIDING DIRECTION AND SETTING THE PHASE 1B PROCEDURAL SCHEDULE

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I. INTRODUCTION

The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) submits these Opening Comments on the June 29, 2026, *Assigned Commissioner's Ruling Providing Direction and Setting the Phase 1B Procedural Schedule* (Ruling) in Rulemaking (R.) 25-07-013.

Phase 1B of this proceeding considers improvements to the residential gas and electric Climate Credits, including changes to credit calculation, distribution, and overall guiding principles.[1] The Ruling identifies the following four priorities, or principals, to guide proposed changes along with solutions for consideration:[2]

- Affordability as a central principle**;**
- Encouraging electrification;
- Ensuring any changes are fair; and
- Governing with simplicity and a narrow focus.

The Ruling presents several pre-defined electric Climate Credit proposals for examination, while also inviting parties to put forth their own proposals:[3]

Option 1: Status Quo as adopted in Decision (D.) 26-04-036.

Option 2: Proposal to adopt a "tiered approach" which would reward certain customers different Climate Credit amounts depending on a variety of characteristics including consumption, climate zone, and California Alternative Rates for Energy (CARE) status.[4]

With respect to the gas Climate Credit, the Ruling-proposes that, starting in 2028, revenues from 30% of allowances allocated to gas utilities would be distributed equally among residential gas CARE customers. The remaining revenues would be distributed equally among residential gas non-CARE customers.[5]

[1] Ruling at 1.

[2] Ruling at 3-5.

[3] Ruling at 5.

[4] This proposal includes two approaches: Baseline usage tier approach (Ruling at 7-8), and Climate zone tier approach (Ruling at 8-9).

[5] Ruling at 13.

The Ruling invites parties to respond to a series of questions addressing priorities, guiding principles, and proposed solutions. Generally, the guiding principles outlined in the Ruling along with its proposal for the gas Climate Credit are all reasonable and sufficient. However, in terms of the electric Climate Credit, the Commission should afford more weight to principals of simplicity and practicality. In particular, the Ruling's tiered electric Climate Credit proposals are too complex and could incur significant costs that will erode the Climate Credit available to customers. In the interest of practicality and simplicity, the Commission should maintain the status quo, with modifications to support affordability.

II. CAL ADVOCATES RESPONSES TO QUESTIONS FOR PARTY COMMENT

The following section addresses questions raised in the Ruling using the section headings and numbering as presented in the Ruling.

Section 4.1 Overarching Legal and Authority Questions

1. What limitations from the California Air Resources Board (CARB) regulations, as adopted by CARB on May 29, 2026, apply to changes made in this phase?

No additional consideration is required as the Ruling properly considers the new limitations included in the CARB regulations. While a volumetric return of electric allowances is now allowed, gas allowances must still be returned in a non-volumetric manner.[6]

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?

Cal Advocates does not provide a response to this question at this time, but will respond as appropriate in reply comments.

[6] "Amendments to the Regulation for the California Cap on Greenhouse Gas Emissions and Market Based Compliance Mechanisms", available at Attachment A-1 Final Regulation Order.

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

Cal Advocates does not provide a response to this question at this time, but will respond as appropriate in reply comments.

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

Cal Advocates does not provide a response to this question at this time, but will respond as appropriate in reply comments.

Section 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?

The four factors identified in the guiding principles are sufficiently comprehensive to cover all relevant topics pertaining to Climate Credit changes, customer impacts, and administration.

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

Affordability metrics from the Affordability Rulemaking should neither be integrated nor considered in this proceeding. It is not clear that the affordability ratio is sensitive enough to show any impact from changes in the Climate Credit given how small the Climate Credit is relative to a customer's bills. Moreover, the affordability metrics do not identify formal threshold criteria that defines or otherwise describes what is considered "affordable." Affordability metrics would only provide directional insights[7]

[7] Commission's 2021/2022 Annual Affordability Report ("Affordability Report"), October 2023, at 57, accessible at https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/affordability-proceeding/2021-2022/2021-and-2022-annual-affordability-report.pdf.

on whether customers are better off compared to the status quo – which bill-impact figures can already provide.

Integrating these affordability metrics to evaluate the proposed Climate Credit treatments would introduce undue complexity, which conflicts with the principles of simplicity and affordability. Affordability metrics rely on household income data and expenditures.[8] The investor-owned utilities (IOUs) do not have reliable measures of household income – a central challenge that is already complicating development of the base services charge (BSC).[9] The potential costs of implementing a Climate Credit proposal that relies on identifying and verifying household income and/or tracking household expenditures will incur unnecessary costs that would not only erode the benefits of Climate Credit, but would conflict with the other priority of improving affordability.

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?

The Ruling's priorities – affordability, electrification, fairness, simplicity, and a narrow focus – do not neatly overlay with the policy objectives previously established by the Commission to evaluate Climate Credit proposals.[10] The Phase 1B decision should formally update the established principles in favor of the priorities outlined in the Ruling to reflect Public Utilities Code section 748.5's new affordability direction. Pending that decision, the Ruling's priorities should guide development of the Phase 1B record but should not be treated as having already displaced prior Commission decisions.

[8] Affordability Report at 3. The primary metric used in this evaluation is the Affordability Ratio (AR): a measure of the percent of income, net of housing costs and other essential bills, that is needed to pay for an essential service.

[9] See *Income Verification Process Working Group Final Report,* January 15, 2026, accessible at https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M604/K724/604724335.pdf. That report only provided a near-term income verification process proposal based on Working Group participants' input and suggestions just to distinguish high income from moderate income customers. It does not represent a consensus recommendation.

[10] Ruling at 3-5.

The Commission established,[11] and later prioritized,[12] seven policy objectives for the Climate Credit: (1) preserving the carbon price signal (high priority), (2) preventing economic leakage (high priority), (3) reducing adverse impacts on low-income households (high priority), (4) maintaining competitive neutrality across load serving entities (high priority), (5) distributing revenues equitably, recognizing the public asset nature of the carbon sink (medium priority), (6) achieving administrative simplicity and understandability (medium priority), and (7) correcting for market failures that lead to underinvestment in carbon mitigation and technologies (low priority).

The Commission relied on the foregoing objectives to develop the initial method for allocating greenhouse gas (GHG) allowance revenues. However, Phase 1B is focused on improvements to residential Climate Credits.[13] Objectives 2 and 7 do not apply to the distribution of residential credits amongst customers. Objective 1 is no longer the Commission's priority[14] and the Commission has already modified Objective 1 in Phase 1A by moving credit distribution to high-bill months.[15] The remaining objectives roughly align with the priorities in the Ruling: Objective 4 with the affordability priority, Objective 5 with the fairness priority, and Objective 6 with the simplicity priority.

Given the mix of obsolete, irrelevant, and similar objectives, the Commission should not attempt to apply these objectives to Phase 1B proposals. Instead, the Commission should issue a decision that formally applies the Ruling's priorities to considerations of residential Climate Credit distribution proposals in Phase 1B. This allows the Commission to quickly proceed to the issues of Phase 1B that directly impact

[11] Decision (D.)12-12-033 on *Adopting Cap-and-Trade Greenhouse Gas Allowance Revenue Allocation Methodology for the Investor-Owned Electric Utilities*, December 28, 2012, at 52-54, issued in R.11-03-012.

[12] D.21-08-026 *Decision on Adopting Customer Climate Credit Updates*, August 23, 2021, at 12-13, issued in R.20-05-002; and D.15-10-032 *Decision on Adopting Procedures Necessary for Natural Gas Corporations to Comply with the California Cap on Greenhouse Gas Emissions and Market-based Compliance Mechanisms (Cap-and-Trade Program)*, October 23, 2015, issued in R.14-03-003.

[13] Ruling at 1.

[14] Ruling at 3.

[15] D.26-04-036, *Decision on Ordering Immediate Improvements to the California Climate Credit to Lower Electric and Gas Bills*, May 1, 2026, Conclusion of Law (COL) 1.

ratepayers' energy bills: namely, modifications to the credit's allocation. However, if the Commission still intends to draw on the previous policy objectives, then it should (1) remove Objective 1 because it is contradictory to current policy goals[16] and (2) clarify how the priorities in the Ruling are meant to interact with the previous policy objectives in terms of prioritization and applicability to Phase 1B.

Section 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?

The priorities provide reasonable direction for parties' consideration of residential Climate Credit proposals. However, the Commission should modify two priorities for accuracy. First, the Commission should change the proposed description of priority 3 (that "changes should be fair") to remove its narrow connection between climate change impacts and electricity bill size.[17] Second, the Commission should not overestimate the ability of residential Climate Credits to promote electrification in priority 2.[18]

The Ruling equates fairness with targeting customers with higher electricity bills, assuming they are most impacted by climate change.[19] The statement that "customers who are paying greater costs also tend to be experiencing more impacts from climate change" uses high electricity bills as a proxy for climate change impacts.[20] This unsubstantiated statement assumes that higher bills are the only or most important indicator of negative climate change-related impacts on residential customers. Customers who cannot afford to increase their electricity usage during extreme temperatures or live

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[16] Ruling at 4.

[17] Ruling at 4.

[18] Ruling at 3-4.

[19] Ruling at 4.

[20] Ruling at 4.

in areas more exposed to pollution[21] are also adversely impacted by climate change. These negative impacts are not captured in electricity bill amounts.

To avoid an overly prescriptive and narrow definition of fairness, the Commission should revise its fairness concept that "changes made in this phase should focus – in principles and in practice – on providing more benefits to those with greater cost,"[22] to "changes made in this phase should focus – in principles and in practice – on providing benefits across customers to improve affordability." This re-wording removes the uncorroborated link between climate change impacts and high electricity bills. Electricity usage or bill size alone should not be treated as a proxy for household income, climate vulnerability, or ability to pay.

In addition to adjusting the fairness priority, the Commission should re-consider its emphasis on electrification during this phase.[23] As expanded on in the answers 4.5.4 and 4.5.5, the size and volatility of the electric Climate Credit make it an unlikely factor in customers' decisions to electrify or utilities' electrification planning processes. In Phase 1A, the Commission already aligned the disbursement of the residential electric Climate Credit closer to the state's electrification policy goal by moving distribution to high-use months, and thereby addressed its previous concerns with disincentivizing energy conservation and undermining price signals.[24] Turning to the allocation of credits in Phase 1B, it is unlikely that a relatively modest and uncertain kilowatt-hour-based discount will impact customers' behavior or be cost-effective given its more complex implementation process. Rather, the Commission should focus its evaluation of proposals on affordability, fairness, simplicity, and scope.

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[21] According to the Energy Institute at Haas, GHG-emitting facilities covered by the Cap-and-Invest (then Cap-and-Trade) program "are disproportionately located in disadvantaged neighborhoods." Fowlie, Meredith, "Is Cap and Trade Failing Low Income and Minority Communities," Energy Institute Blog, October 10, 2016.

[22] Ruling at 4.

[23] Ruling at 3-4.

[24] D.26-04-036 at 3-4.

Section 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?**

The narrow focus on the three options is reasonable given the tight timeframe referenced in the Ruling. The Ruling still allows parties to propose modifications to these options or propose their own separate option. This option provides flexibility to propose refinements once the IOUs provide data shedding light on bill impacts to different groups of customers in addition to feasibility and implementation costs.

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, Option 1 in section 2.4 continues to satisfy legal requirements, including D.26-03-013. Generally, D.26-03-013 modified the timing of the Climate Credit from the spring and fall months to summer for summer-peaking electric utilities, Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E), and to the winter for the winter-peaking small multi-jurisdictional utilities (SMJU)[25].

The Commission should adopt The Utility Reform Network's (TURN) climate zone-based proposal to enhance the affordability benefits identified in D.26-03-013 to the extent implementation costs administrative burdens are low. TURN's proposal would tailor the timing of the Climate Credits to when each individual climate zone exhibits the highest average usage. While each of the large electric IOUs generally peak in the summer, each climate zone peaks at different times of the year with some peaking in the

[25] Namely, Bear Valley Electric Service, Liberty Utilities (CalPeco Electric), and PacifiCorp (DBA Pacific Power).

winter and others peaking in winter and summer. This tailoring will go further in reducing seasonal bill volatility for more customers, not just for those who peak in the summer. Addressing broad differences across the state's climate zones is appropriate to avoid worsening the affordability crisis for customers who happen to live in regions where the climate deviates from the statewide average.[26]

The figure below is reproduced from Cal Advocates' Phase 1A comments.[27] It shows how different climate zones within PG&E's service territory peak at different times of the year. Consistent with TURN's findings,[28] there are climate zones peaking in the winter, summer, or both. TURN's climate zone based-proposal reflects a reasonable and practical approach to distributing the Climate Credit. It does not run into the implementation challenges of the tiered approaches (discussed in Section 4.5, question 2 below), and it retains the simplicity of the status quo while managing bill volatility for customers residing in non-summer peaking climate zones.

Table 1: Percentage of PG&E Customers Peaking Per Month

Non-CARE/FERA

Climate_Zone	P	Q	R	S	T	V	W	X	Y	Z
January	13%	28%	6%	7%	19%	20%	4%	16%	16%	22%
February	11%	17%	3%	4%	16%	20%	1%	11%	12%	12%
March	3%	4%	1%	1%	3%	5%	0%	2%	5%	5%
April	1%	2%	0%	0%	1%	2%	0%	1%	2%	2%
May	1%	2%	1%	1%	2%	2%	1%	1%	2%	3%
June	8%	3%	11%	9%	5%	4%	10%	5%	9%	8%
July	17%	3%	24%	16%	2%	2%	29%	4%	16%	15%
August	21%	4%	33%	31%	3%	3%	35%	13%	12%	8%
September	6%	6%	10%	16%	6%	3%	11%	14%	5%	6%
October	1%	2%	1%	1%	4%	3%	0%	2%	3%	5%
November	4%	8%	2%	2%	11%	12%	2%	7%	6%	5%
December	13%	21%	8%	12%	27%	25%	6%	24%	12%	9%

CARE/FERA

Climate_Zone	P	Q	R	S	T	V	W	X	Y	Z
January	15%	32%	5%	6%	20%	22%	3%	17%	17%	23%
February	16%	16%	2%	3%	17%	20%	1%	12%	18%	17%
March	3%	6%	0%	0%	3%	5%	0%	2%	5%	7%
April	1%	2%	0%	0%	1%	2%	0%	0%	2%	3%
May	1%	1%	0%	0%	2%	2%	0%	1%	1%	4%
June	6%	3%	11%	9%	6%	4%	12%	5%	6%	2%
July	15%	1%	27%	17%	2%	2%	31%	4%	11%	7%
August	18%	3%	34%	31%	3%	2%	35%	11%	11%	4%
September	5%	3%	11%	17%	6%	3%	13%	14%	3%	1%
October	1%	2%	0%	0%	3%	3%	0%	2%	2%	6%
November	5%	7%	1%	2%	9%	10%	1%	6%	7%	8%
December	16%	22%	8%	12%	28%	26%	4%	26%	17%	19%

[26] TURN Phase 1A Opening Comments at 5.

[27] Cal Advocates Phase 1 Opening Comments at 6

[28] TURN Phase 1A Opening Comments at 5-7, figures 2, 3 and 4.

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?

To facilitate a transparent and comparable evaluation of credit distribution proposals, parties should submit standardized analyses, implementation cost estimates, detailed calculation examples, and data-driven evidence based on consistent IOU inputs and reporting methods. In particular, parties should provide:

- A detailed description of proposals with examples of how the credit would be calculated for each customer type (e.g., similar to the tables provided in this Ruling between pages 7 and 9).
- Seasonal bill impact data by climate zone and other customer groups (e.g., CARE customers) to the extent parties recommend favoring the distribution of credits to one customer group over another. The impact assessments should be compared to the new status quo adopted in D.26-03-013.
- An estimate of implementation costs should be required to compare each option. The IOUs would provide estimates based on what parties propose.
- Seasonal bill impact data and implementation cost should be standardized with the IOUs' reporting such impacts for comparison purposes and relying on the same inputs to ensure comparability.
- Citations to numerical evidence to support claims made for each proposal using the raw data provided by the IOUs.

Section 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?

Cal Advocates does not provide a response to this question at this time, but will respond as appropriate in reply comments.

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

The proposal concepts are at odds with guiding principles of fairness and simplicity. The proposals contemplate awarding different credit amounts based on select customer characteristics (or "tiers") including CARE status, location (e.g. climate zone), and consumption level. Each characteristic has its own "multiplier" of the "base" credit amount. Customers may belong at the intersection of one or more of these characteristics which may change monthly (e.g. consumption). Generally, the more "characteristics" used to identify a customer each month, the higher the Climate Credit awarded.[29]

The tiered approach undermines the equitable distribution of rate relief by concentrating credits among select customer groups, reducing the assistance available to other low- and moderate-income households facing affordability challenges. For instance, the tiered approach would reward high-usage customers with more credits. Higher energy usage does not indicate affordability of electricity for a customer. High energy usage is "associated with having more people in the house, living in a hotter climate, and not having rooftop solar," rather than affordability.[30] And alternatively, some customers can have higher energy usage because they can afford technology such as electric vehicles. Therefore, the Commission should not use higher usage as a proxy of who should receive more credit.

The proposal concepts would also provide CARE customers with more credit on top of the benefits they already receive, reducing the credit for households who narrowly miss out on CARE eligibility. These customers deserve rate relief as well. There are also many non-CARE, moderate-income customers who would not benefit from the enhanced credit scheme, especially if they do not live in hot climate zones. Aside from the potential increase in implementation costs, the tiered approach would dilute the pool of funds available to such customers, which also strains affordability.

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[29] See Ruling at 7-9 for more detail.

[30] Borenstein, Severin. "Spreading the Cap-and-Trade Wealth," Energy Institute Blog, November 10, 2025.

Finally, these approaches raise implementation and customer transparency concerns because tying Climate Credit amounts to individual usage patterns would increase administrative complexity, create unpredictable bill credits, and require potentially significant billing system modifications. Some customers would receive more in one month than other customers if they do not consistently consume energy below or above the baseline quantity. This variability could make it more difficult to implement. This variability at the individual level would add more complexity in explaining what the Climate Credit is even while awareness of the Climate Credit remains low.[31] Large over/under delivery of Climate Credit revenues would emerge when it is tied to usage causing large swings in the Climate Credit amount. To address these implementation and customer transparency concerns, the IOUs should provide estimates of billing system upgrades necessary to implement this proposal, in addition to the costs of providing different credit amounts at the individual customer level.

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

No. In addition to the issues identified in the response to the previous question, this approach would add additional complications. The Commission is already struggling with the issue of identifying and verifying household incomes in the context of the BSC. Implementation costs would scale up with this approach, which would further erode the Climate Credit available to customers.[32]

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?

The Commission should not pursue a purely volumetric option. The volumetric option would introduce unnecessary complications to customer understanding and could introduce implementation challenges and raise costs, especially if it were to be combined with the tiered approach.

[31] *Comments of the Public Advocates Office on Track 1A Questions*, March 2, 2026, at 11-12.

[32] This year's Climate Credit is already half that of last year's. D.26-03-013 at 7, Table 1.

Volumetric rate adjustments via the Climate Credit would only apply during a few months a year given the Climate Credit distribution is limited to four months per year.[33] This limitation also prevents the IOUs from applying the credit to cover all months in a season given that the IOUs' summer periods are five months long.[34] This mismatch also impedes undertaking a general seasonal messaging campaign, meaning the IOUs cannot simply inform customers that they would receive the Climate Credit during the summer months "in general."

Additionally, as explained in response to question 4.5.5, the Climate Credit exhibits significant annual variability. Under this hypothetical volumetric approach, customers would see credits on only some months of one of the seasons on their bills. This complexity could add to implementation costs which would erode the credit. More costs, confusion, and complexity would be added if a tiered approach is layered with the volumetric approach whereby the cents per kilowatt-hour (kWh) credit scales depending on additional factors such as climate zone, whether consumption is baseline, CARE or Family Electric Rate Assistance (FERA) status. The IOUs would also require more lead time to implement such a proposal. Because Climate Credit distribution should prioritize affordability and simplicity, the Commission should not adopt a volumetric approach.

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

A volumetric electric Climate Credit approach only offers some affordability benefits for certain sub-sections of customers but would not further electrification goals. A volumetric electric Climate Credit approach for residential customers, as proposed in the Ruling, would slightly reduce the cost of electricity for customers with CARE status, who have higher-than-average consumption, and/or live in specific climate zones.

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[33] *Assigned Commissioner's Scoping Memo and Ruling*, February 3, 2026, at 5.

[34] Winter months for small multijurisdictional utilities (SMJU) are between 6 and 8 months long.

However, the volumetric approach's complex, and therefore more costly, implementation process described in answer 4.5.4 may decrease the size of credits passed on to customers. Additionally, customers who do not fall into these sub-sections would not see an affordability benefit.

The residential electric Climate Credit, whether distributed on a volumetric or non-volumetric basis, can and has varied significantly each year and is therefore not a reasonable input for electrification planning by utilities or customers. Between 2014 and 2025, the size of SDG&E's residential electric credit fluctuated by about 79%, PG&E's by about 71%, SCE's by about 66%.[35] Additionally, there is no discernible, recent trend in credit amounts amongst IOUs. While SCE's residential electric credit has steadily decreased over the past four years (from 2023 to 2026), SDG&E's and PG&E's have decreased this year after a three-year long increase.[36] The volatility of the residential climate credit makes it an unreliable price signal to promote electrification.

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

The options in the Ruling vary in simplicity, in that they differ in the specificity by which they tie credit allocations to individual customer characteristics. Simplicity, as the Ruling acknowledges, has implications for timelines, costs, and customer understandability.[37] For example, calculating electric Climate Credit allocations based on customers' baseline usage specific to certain climate zones[38] is likely more expensive and requires greater time to deploy than distributing credits by climate zone alone.[39] The utilities responses to question 4.7 and the data requested in section 5 of the Ruling will support parties' ability to understand and balance implementation considerations with ratepayer benefits as Phase 1B proceeds.

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[35] "California Climate Credit" ("CA Climate Credit") California Public Utilities Commission, available at https://www.cpuc.ca.gov/climatecredit.

[36] CA Climate Credit.

[37] Ruling at 4.

[38] Ruling at 9.

[39] Ruling at 8.

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?

Yes, if the IOUs can identify such customers, they should be excluded from receiving the Climate Credit. If the main focuses of this proceeding are affordability and fairness, there is no reason such customers should receive the credit. It is reasonable to conclude that these customers are already receiving the credit on their primary residence. To the extent identification and exclusion of such customers incurs little cost, it should be pursued because it would free up more funds for all other customers.

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

If the Commission adopts a concept that involves residential customers receiving different credit amounts, then it should require utilities to include information on the number of customers in each credit tier and credit size of each tier in their annual Energy Resource Recovery Account (ERRA) Forecast applications or, for SMJUs, Energy Cost Adjustment Clause (ECAC) applications. Utilities should be required to update credit tiers each year to account for customers who gain or lose CARE status, change climate zones, and/or adjust their consumption, if the adopted distribution concept draws from these characteristics.

Section 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, CARB's amendments to Article 5 California Cap on Greenhouse Gas Emissions and Market-based Compliance Mechanisms increase the annual percentage of allowances that must transition from gas to electric utilities between 2028 to 2030.[40] Due to the declining size of residential gas Climate Credits, the Commission should make

[40] CCR Tit. 17 §95893(d)(8).

minimal changes compared to the electric credit, because the impact of those changes on customers is less significant.

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

The proposal to equally distribute revenue from the 30% of GHG auction allowances allocated to gas utilities to CARE customers fulfills CARB's §95893(d)(8) requirement, because it primarily benefits low-income ratepayers. CARE enrollment status is a tested approach to identifying low-income residential customers and is reasonable in this case given CARB partially based the 30% set-aside requirement for low-income ratepayers on the number of gas IOU customers enrolled in CARE.[41]

Cal Advocates conditionally supports the proposed CARE allocation. Before adopting it, the Commission should require each gas utility to demonstrate that the proposed allocation produces a per-customer CARE credit at least equal to the credit CARE customers would receive from equal distribution of the entire residential gas allowance-revenue pool.

The Commission should remain flexible to adjust the eligibility criteria for the 30% gas credit set aside based on the data it receives from IOUs during Phase 1B. Based on the data requested in section 5 of the Ruling, the Commission could consider broadening eligibility to gas customers also enrolled in the electric Family Electric Rate Assistance (FERA) program.[42] FERA enrollment, like CARE, is a straightforward method for verifying low-income status that could expand CARB's intended bill relief to more households in need of affordability relief. The Commission will need to consider

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[41] CARB, *Notice of Public Availability of Modified Text and Availability of Additional Documents and/or Information,* at 26.

[42] While FERA customers do not receive discounts on natural gas services, FERA is still an established low-income indicator.

the drawbacks of diluting the gas credit amongst more customers and the simplicity of gas IOUs obtaining information on FERA enrollment for their customers.

If the Commission decides not to expand eligibility to FERA enrollees, then it should **not** consider alternative eligibility criteria based on other income-verification methods. As noted in answers 2b and 5c, the Income Verification Process Working Group for BSC has not been able to attain stakeholder consensus on viable, near-term income-verification methods beyond CARE and FERA status.[43]

On the size of the gas credit set-aside, CARB §95893(d)(8) requires 30% to be distributed to primarily low-income customers, not a minimum of 30%. However, the Commission could consider adjusting the percentage allocated to low-income customers if gas IOU data shows that a 30% earmark would provide insufficient affordability support to the intended customers.

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?

To comment on whether the concept effectively protects low-income gas customers or merits adjustments, parties need access to gas IOU data, like the number of CARE and non-CARE customers, to verify that customers are "better off sharing the 30% of allowances rather than splitting the total shrinking pool equally with non-CARE customers."[44]

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

The Commission should require gas IOUs to report the number of low-income customers that will receive an equal portion of the 30% set aside and the bill amount of the set aside in annual tier 2 advice letters. The Commission should require utilities to

[43] Resource Innovations and Common Spark Consulting, *Income Verification Process Working Group Final Report,* January 25, 2026, at 2.

[44] Ruling at 13.

update their lists of eligible low-income customers each year based on the criteria the Commission adopts in Phase 1B.

III. CONCLUSION

For the above stated reasons, the Commission should prioritize simplicity and practicality in the pursuit of improving the Climate Credit. Additional affordability benefits can be realized with small modifications to the status quo. Complex changes to Climate Credit accounting and distribution could frustrate affordability goals by increasing implementation costs.

Respectfully submitted,

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