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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

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) OPENING COMMENTS ON ASSIGNED COMMISSIONER'S RULING PROVIDING DIRECTION AND SETTING THE PHASE 1B PROCEDURAL SCHEDULE

JANET S. COMBS
REBECCA MEIERS-DE PASTINO

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-6016
E-mail: Rebecca.Meiers.Depastino@sce.com

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Pursuant to the *Assigned Commissioner's Ruling Providing Direction and Setting the Phase 1B Procedural Schedule* dated June 29, 2026 (Ruling), and the *Administrative Law Judge's Email Ruling Adjusting the Procedural Schedule* dated July 9, 2026 (Email Ruling) Southern California Edison Company (SCE) timely submits its Responses to the Questions in Section 4 of the Ruling.

I.

RESPONSES TO QUESTIONS IN SECTION 4 OF THE RULING

For the California Public Utilities Commission (CPUC or Commission) and parties' convenience, SCE sets forth below the questions from the Ruling followed by SCE's responses.

A. 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?

As also discussed in response to Question 3 below, instead of imposing limitations, the California Air Resources Board's (CARB) amended its regulation to lift limitations that would have applied to this phase of the proceeding, such as those previously prohibiting the Commission from considering options for Climate Credit distribution (such as the volumetric return on rates) or limited the amount of greenhouse gas (GHG) revenue that the Commission could return to customers through the Climate Credit (such as through the transfer of the administration of electricity purchases allocations from the CPUC to CARB).

2. **CARB separately adopted Resolution 26-7 on May 29.[4] 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?**

Resolution 26-7(b) affects the amount of Cap-and-Invest allowances CARB allocates to each investor-owned utility (IOU), which in turn affects the amount of revenue each IOU has to return to its customers. Although the Cap-and-Invest regulation includes a table with allocations, the Resolution was presented after, and adopted at the same time as, the updated regulation with the allocations. The IOUs are therefore continuing to actively work and communicate with CARB staff regarding the appropriate allocation of Diablo Canyon allowances. The impact on this proceeding of the IOUs' and Commission's work with CARB is that the number of allowances allocated to each IOU will ultimately affect how much revenue that IOU generates for the return to residential customers through the Climate Credit. Thus, like all revenue-related issues, the allocations may affect the Commission's cost-benefit analysis in selecting options regarding the cost of implementing certain proposals in certain IOUs' territories.

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

Assembly Bill 1207 made several changes to Section 748.5 of the Public Utilities Code.[1] As a threshold matter, providing parties with the Commission's statutory interpretation of

[1] Unless otherwise stated, all "section" references are to the Public Utilities Code.

Section 748.5 and the resulting changes to the CARB's regulations will promote efficiency by obviating the need for parties to adduce, conduct discovery on, and litigate facts that are not relevant to the Commission's implementation of the statute.

a) The Commission Should Conclude that Affordability is the Statutory Purpose

The Commission should identify the overall purpose of AB 1207's changes to Section 748.5 is to promote affordability. The very first provision – subsection (a) paragraph (1) – focuses on crediting revenues to residential customers, and (a)(3) instructs the Commission to provide credits "in no more than four high-billed months of each year to maximize customer electric bill affordability." Subsection (a) paragraph (2) permissively authorizes that the Commission "may also credit[]" certain categories of non-residential customers, "as determined by the commission." Subsection (c) sunsets the Commission's authority to set aside up to 15 percent of the revenues "for clean energy and energy efficiency programs." SCE contends that these statutory changes indicate that the Legislature's intent is for the Commission to use its discretion to prioritize residential customer affordability and that the Commission should therefore instruct parties to explain how their proposals satisfy that statutory objective.

b) The Statutory and Regulatory Framework Authorizes the Commission to Return Allowance Revenue to Some but Not All Customers

The Commission must decide if the statute authorizes it to instruct the utilities to return the revenues they generate through the sale of directly allocated GHG allowances to some but not all residential customers. Section 748.5 mentions residential customers in two provisions. In subsection (a) paragraph (1), the statute instructs the Commission to require the utilities' GHG allowance revenues to be "credited directly to ***the residential customers of the [utility]***." Similarly, subsection (a) paragraph (3) provides that "[t]he credits provided to residential customers of an electrical corporation shall be provided on the bills of ***those*** customers …." The omission of the word "all" from the phrase "residential customers" and the use of the word "those" implies that it is permissible to exclude a subset of residential customers from Climate Credit eligibility. The statute also does not attempt to proscribe the proportion of the distribution among residential customers, leaving such details to the Commission's discretion. SCE contends that these textual choices, paired with the instruction that the Commission "maximize customer electric bill affordability," demonstrates that the Legislature did not intend to and has not constrained the Commission's authority to exercise its authority and independent judgment under Section 701 to restrict the Climate Credit to certain residential customers or to deliver it in different proportions among different groups of residential customers.[2]

The CARB regulation also supports this conclusion. The CARB regulation authorizes the Commission to use allowance revenue "for the primary benefit of California retail electricity ratepayers" and "to reduce greenhouse gas emissions or returned to ratepayers."[3] Having recently removed the prohibition on volumetric return of the revenue based on usage, the regulation now explicitly states that the Commission may distribute the revenues "to some or all ratepayers either on- or off-bill."[4] For the purposes of reducing GHG emissions, the regulation also authorizes the Commission to use revenues to fund the construction or support of renewable energy resources and energy storage, energy efficiency or fuel switching, and other GHG emission reduction activities.

SCE contends that given Section 748.5's focus on residential customer affordability and the CARB regulation's clear direction to use the revenues to benefit some but not necessarily all customers, the Commission should consider proposals that differentiate between customers and limit eligibility to receive a Climate Credit to customers who need the most affordability

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[2] Section 701 (authorizing the Commission to "supervise and regulate every public utility in the State and may do all things, whether specifically designated in this part or in addition thereto, which are necessary and convenient in the exercise of such power and jurisdiction.")

[3] 17 Cal. Code Reg § 95892(d)(3).

[4] 17 Cal. Code Reg § 95892(d)(3)(D) (removing the "non-volumetric" requirement and now providing, "Return to Ratepayers. Distribution of allocated allowance auction value to some or all ratepayers, either on- or off-bill." Redline available at Attachment A-1 Final Regulation Order)

assistance, such as those who have higher usage that they cannot offset with their own customer-sited renewable generation. For instance, the Commission has the discretion to consider volumetric returns that could have the practical effect of eliminating low usage customers' eligibility to receive a Climate Credit.[5] Likewise, even though the regulation allows the Commission to use funds to support customer-sited renewable generation that reduces GHG emissions, the Commission can also legally consider making Net Energy Metering and Net Billing (NEM/NBT) customers ineligible given the toll of those programs on non-participating customers' rates, and that by offsetting their own usage, those customers avoiding the cost of Cap-and-Invest compliance, and have received all the support necessary to incentivize the investment they have already made in their renewable generator.[6] Excluding categories of customers from Climate Credit eligibility results in fewer customers sharing the total allowance revenues. As a result, such distinctions between residential customers are likely to increase the size of the Climate Credit eligible customers receive.

c) **The Commission Is Authorized to Use Allowance Revenue for Administration and Outreach**

The CARB regulation authorizes the Commission to use allowance revenues "to pay for administrative and outreach costs and educational programs."[7] Revenue for administrative costs is limited to costs "necessary to administer programs" authorized by the regulation.[8] The Commission may also use revenue for outreach that directly supports implementation of those programs.[9] The Commission is limited, however, to $100,000 or 1% of the total revenues for

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[5] 17 Cal. Code Reg § 95802 (defining "Volumetric" such that utilities can differentiate for allocation purposes "based on the current or recent amount of electricity, natural gas, or other relevant utility service delivered to those ratepayers, ***such that higher usage results in ratepayers' receipt of more funds***.") (emphasis added.)

[6] SCE is unaware of any party in the proceedings dedicated to NEM/NBT submitting testimony claiming the Climate Credit was a factor in their investment.

[7] 17 Cal. Code Reg § 95892(d)(3).

[8] 17 Cal. Code Reg § 95892(d)(4).

[9] *Id*.

public education programs.[10] SCE recommends that the Commission clearly state that all implementation, administration, and outreach costs associated with party proposals shall be paid for with allowance revenue, discourage proposals that are costly, and favor the least costly options that will preserve funds for return to customers.

d) **The Commission Should Find the IOUs' Bill Messaging Already Complies with the Statute**

As for communicating with the customers who receive credits, Subsection (b) paragraph (2) mandates that the Commission require the utilities "to include a statement at the ***top of customer bills*** in applicable months specifying the amount of money saved on a utility bill in that month and attributing those savings to the Climate Credit and the California Cap-and-Invest Program." The Commission must therefore interpret what the Legislature means by "top of customer bills." Although the Commission's Phase 1A decision – D.26-04-036 – directed the utilities to "Make accompanying updates to Climate Credit distribution outreach to include a statement at the top of customer bills in applicable months specifying the amount of money saved on the utility bill in that month and attributing those savings to the Climate Credit and the California Cap-and-Invest Program," the decision did not directly address if that direction was limited to the interim measures or if that messaging satisfies the statute for all updates to the Climate Credit under Section 748.5. [11]

SCE contends that the Legislature's intent is for customers to understand that the Cap-and-Invest program is not financially harmful but rather is quantifiably addressing the Cap-and-Invest compliance costs effect on and the affordability of utility bills, presumably to prevent diminution of public support for the state's energy and environmental policies. SCE therefore contends that interim and permanent bill messaging should ensure the amount of the Climate Credit and its effect on the total bill is conspicuously presented on the first page of the bill. SCE

[10] *Id*.
[11] D.26-04-036, OP 4.

requests that the Commission find that the IOUs' bill messaging currently complies with this mandate and decline to impose any further bill messaging requirements that could delay implementation or increase costs that would diminish the amount of Cap-and-Invest GHG revenues available for return to customers.

e) **<u>The Sunset of the 15% Set Aside Will Provide Some Additional Funds that Should be Returned to Customers</u>**

Section 748.5(b)(2)(c) requires the Commission to sunset the 15 percent set aside for clean energy and energy efficiency programs, making the "subdivision . . . inoperative on July 1, 2026."[12] For the Solar on Multifamily Affordable Housing (SOMAH) program, the Commission has already implemented this subsection, providing for the orderly wind-down of the program between now and 2032 that allows for continued operation of the program using only pre-July 2026 funds and accrued interest.[13] The relevance to this proceeding is that revenues once diverted to SOMAH will be available for the Climate Credit. SCE again encourages the Commission to decline to adopt costly implementation proposals that could divert those funds from the Climate Credit.

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

Not at this time. Authorities SCE identifies as relevant at this time are discussed above. It is possible, however, that as proposals are made, SCE will identify and discuss other legal issues that may become pertinent to the outcome of the proceeding.

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[12] Section 748.5(b)(2)(c).
[13] *See generally*, D.26-07-029.

B. 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?

There are no other sources of authority or guidance on which the Commission should rely, but SCE contends that the overall functioning of the Cap-and-Invest market, which is predicated upon a declining cap on emissions through 2045 and will correspondingly reduce the number of allowances allocated to each IOU, should affect the option the Commission selects. Specifically, SCE's confidential internal forecasting suggests that the reduction in allowances may reduce the allowance auction revenue, resulting in a corresponding reduction in the amount of the Climate Credit the IOUs can deliver to customers. SCE therefore contends the Commission should safeguard as much of the revenue as possible for return to customers by (1) avoiding costly implementation and (2) re-structuring the Climate Credit to advance important customer affordability, equity, and electrification objectives.

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

The Commission developed the affordability metrics in R.18-07-006 to help examine the impact of essential utility service charges for residential households. While informative, the metrics, which are concerned with total utility cost burdens, may be overly complex for direct application here. SCE therefore contends that the affordability metric should not be dispositive and should be used merely for guidance.

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?**

D.12-12-033 identifies the "preservation of the carbon price signal [as] a high priority objective" that informs the Commission's choice on the appropriate GHG allowance revenue distribution methodology.[14] SCE supports reprioritizing from High to Medium the historic principle focused solely on preserving the carbon price signal to better reflect today's affordability challenges facing California customers. While encouraging energy conservation, energy efficiency, and emissions reductions remains an important objective, the Climate Credit can also serve as a meaningful tool to address increasing energy burden. Accordingly, SCE supports a framework that prioritizes affordability by providing customers with direct bill relief. Such an approach would better align Climate Credit distribution with current customer needs while continuing to advance California's clean energy and climate objectives.

Further, the objective to "achieve administrative simplicity and understandability" should be reprioritized from Medium to High. As an example, D.26-04-036 already modified Ordering Paragraph 8 of D.21-08-026 by moving the Climate Credit distribution in October and April, as previously ordered in D.21-08-026, to the higher-billed months of August and September. SCE contends the policy basis for the Commission's decision should not be disturbed such that the Climate Credit is distributed in more than two high billed months or in other months. The changes are being implemented and further changes that would unwind the new system would unnecessarily result in administrative burden, resource strain, and costs.

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[14] D.12-12-033, at pp. 59-65. The principles/objectives discussed in D.12-12-033, and the prioritization of those objectives, are further reinforced by D.21-08-026.

C. **<u>4.3. Assigned Commissioner's Priorities</u>**

1. **<u>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?</u>**

SCE agrees that the Commission's identified priorities are appropriate and sufficiently capture the relevant policy objectives. However, SCE does not believe the Commission intends for these priorities to be applied in the order presented. Rather, SCE recommends that simplicity be considered before electrification, recognizing that a simple and transparent framework supports customer understanding, administrative efficiency, and effective implementation while still advancing the Commission's broader electrification objectives.

D. **<u>4.4. Narrow Focus on Three Options</u>**

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>**

It is reasonable to narrow the procedural focus to the status quo, the assigned Commissioner's two proposals, and party proposals. It is necessary to at least consider how new proposals compare to the status quo in terms of costs and benefits. A narrow focus is reasonable and appropriate because: 1) the laws governing the Climate Credit and operational feasibility in this proceeding should limit which proposals could be reasonably implemented from both a feasibility and cost perspective; 2) the Commission's priorities should guide which proposals are aligned with the overall objective of this proceeding; and 3) implementing changes to the Climate Credit for 2028 and beyond necessitates an accelerated schedule in the proceeding, which means more proposals or more complex proposals would detract from the very limited time available for stakeholders to consider, evaluate, and respond to proposals. SCE thus recommends that the Commission narrowly focus on approaches that the IOUs can implement quickly using existing systems that will meet the state's affordability, environmental, and energy policy goals and also be understandable and simple for customers.

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 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?</u>**

Retaining the status quo, as defined in D.26-04-036, satisfies the legal requirements discussed above and is the simplest and least costly option. The status quo satisfies the guiding principles in that it provides support for affordability during high-billed months, encourages use of electricity by providing lower bills during those months, equally distributes the credit across all eligible residential accounts, and is simple to implement.

SCE supports consideration in this proceeding of proposals to provide more credit to customers in greater financial need, such as CARE/FERA customers. In Phase 1A, several parties proposed providing greater assistance for certain customer groups. While not endorsing any specific party proposal, SCE supports exploring *principled, reasonably priced, and feasible* options for providing a need-based Climate Credit.

3. **<u>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?</u>**

For all party proposals, whether the proposal is based on one of the Ruling's concepts or an entirely new proposal, the Commission should clearly state that parties bear the burden of production, coming forward, and proof on their proposals and to that end, require each party advancing a proposal to:

- Come forward with factual evidence supporting the proposal. Given this Ruling and the opportunities for discovery, SCE contends the Commission should reject proposals that are not grounded in facts.
- Prove the proposal adheres to applicable laws and regulations governing the Climate Credit.
- Using facts generated by this Ruling and discovery to prove the proposal meets the priorities in the guidance ruling, including affordability, electrification, fairness and simplicity with factual evidence.
- Explain the primary objective of their proposal.
- Identify the proposal's target population, if any.
- Proffer a principled methodology for the credit distribution, including timing, distribution type, and formulas (as applicable) and demonstrate that it is operationally feasible, reasonable in its cost, and not unduly complex for customers to understand, using established utility processes/protocols or new processes or protocols that the utility can feasibly implement at a reasonable cost. SCE recommends that the Commission reject any proposals that are divorced from the realities of utility practice because the party did not conduct discovery to ascertain the feasibility or cost of their proposal.
- Evaluate the impact of their proposal on public awareness of the Climate Credit that could require changes to Marketing, Education, and Outreach (ME&O) and bill messaging.
- Compare the proposed change against the status quo and the Commissioner's proposals so that the Commission and all parties can make apples-to-apples comparisons of the proposals.

E. 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?

The Ruling options meet the bare requirements of CARB's adopted Cap-and-Invest regulation, but the Commission is authorized under the statute and regulation to consider more objectives than meeting the bare requirements of the CARB regulation, such as cost and feasibility to implement.

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

The Ruling's two proposals do not fully fulfill the stated priorities. First, simple modifications to Concept #2 can be made to not only support the policy objectives and priorities but also eliminate complex volumetric calculations, which will reduce information technology-related implementation costs by over 50% and timeline by about 8 months. Similarly, Concept #1's proposal to capture the baseline usage of the customer based on the prior year adds significant cost and complexity and introduces myriad problems for implementation given the potential for numerous exception cases. For instance, customers who recently moved do not have 12 months of usage data on which to base a Climate Credit. Simplicity is essential to maintaining the public's perception of the benefits of the program. A baseline usage-based credit is also a suboptimal solution for targeting difficult-to-electrify customers because baseline is simply allocated by region, not any other particular customer characteristic.

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>**

At this time, SCE does not collect or house data from all of its customers, including lower-income customers, that would allow it to discern, much less verify, which customers have moderate and higher incomes. CARE and FERA, while potentially imperfect low-income proxies, can be used as an existing data point to identify a set of customers within those program income ranges. However, SCE places customers on CARE/FERA based on the customers' self-attestation that SCE does not verify. If Commission decides to allocate the Climate Credit based on new income categories beyond the current income-based programs, like CARE and FERA, then the Commission must authorize the IOUs to implement income verification processes.

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>**

While a pure volumetric return theoretically could incentivize higher usage from electrification and support higher-usage customers during summer months, presumably in warmer climate zones, SCE recommends the Commission decline to adopt a volumetric approach for three reasons. First, in application, a purely volumetric approach is unlikely to target those most in need, as further discussed in question 5 below. Further, in the prior Commission decision that reversed course on providing the Climate Credit as a volumetric return on rates, the Commission recognized that volumetric charges can significantly diminish load-shifting incentives for customers.[15] Finally, customers are accustomed to seeing a credit on their bills and a per-kWh return on rates would obfuscate the benefit that the customer receives from

[15] D.25-08-049.

the program and diminish public awareness of the Climate Credit compared to the status quo. The Commission should weigh these considerations when evaluating pure volumetric proposals.

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

While a volumetric approach may provide greater benefits to some electrified and higher-usage customers, usage is an imperfect proxy for affordability. In some cases, higher-income households consume more electricity while facing lower affordability challenges. The reverse is also true. Further, although a volumetric credit may initially provide bill relief, declining allowance allocations in the Cap-and-Invest regulation will would likely reduce the value of the credit, creating a perception of increasing rates as the amount of the Climate Credit diminishes over time. Accordingly, SCE does not believe a volumetric approach effectively targets customers with the greatest affordability needs.

From an implementation standpoint, applying the Peak Usage Volumetric Climate Credit would reduce August and September residential on-peak volumetric rates to below off-peak prices. Such an outcome is inconsistent with CPUC guidance that time-varying rates should provide accurate price signals and encourage electricity use shifting from peak-demand periods to times when cleaner and more affordable electricity is available. Also, the ~42% of SCE's residential customers who are not on Time of Use (TOU) rates will not have billed peak usage to receive the peak usage Climate Credit.

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

The Commission should consider how to balance changes to the Climate Credit with the amount of funding available for the residential Climate Credit. Changes that are simpler to implement because the data and billing functionality already exist in SCE's billing system, such as identifying customers or customer segments and calculating the appropriate credit amount, are less costly to implement. Conversely, implementation becomes more costly and complex when changing the Climate Credit calculation methodology or identifying new customers or customer segments. These endeavors are funded by GHG allowance revenue available, leaving less revenue for return to customers in the residential Climate Credit. In addition, complex changes to the timing and distribution of the Climate Credit require more extensive customer outreach and education to promote awareness of the changes. SCE describes other implementation issues and considerations in its response to "4.7 Utility-specific questions."

7. **The Commission should consider how to balance changes to the Climate Credit with the amount of funding available for the residential Climate Credit. Changes that are simpler to implement because the data and billing functionality already exist in SCE's billing system, such as identifying customers or customer segments and calculating the appropriate credit amount, are less costly to implement. Conversely, implementation becomes more costly and complex when changing the Climate Credit calculation methodology or identifying new customers or customer segments. These endeavors are funded by GHG allowance revenue available, leaving less revenue for return to customers in the residential Climate Credit. In addition, complex changes to the timing and distribution of the Climate Credit require more extensive customer outreach and education to promote awareness of the changes. SCE describes other implementation issues and considerations in its response to "4.7 Utility-specific questions." 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?**

SCE does not have complete data on its customers' second homes/vacation rentals on which the Commission can reasonably rely. The limited information that is available was presented in SCE's July 17, 2026 Section 5 Data Filing submission; however, SCE cannot validate the accuracy of this information. Given that the data does not have the hallmarks of reliability and accuracy, SCE does not recommend using the data as input into this proceeding.

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

At this time, SCE does not see the need for any additional oversight or reporting. Other proceedings, such as the Energy Resource Recovery Account (ERRA), already have established processes for oversight/accountability of elements of the proposals. Introducing new oversight will likely add little to no value and could create costly administrative issues that detract from the value provided back to customers.

F. <u>4.6. Assigned Commissioner's Natural Gas Credit Proposal Concepts</u>

SCE does not address questions presented to natural gas IOUs because it does not issue a natural gas Climate Credit.

G. <u>4.7. Utility-specific Questions</u>

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. <u>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.</u>

SCE provides the table below, which reflects high-level estimates of cost, time and difficulty that are based on assumptions that may change. A more precise estimate will be possible when there are more detailed proposals to analyze.[16] The timing for implementation is an estimate that can be affected by a myriad of variables, including the complexity of the option the Commission selects and when SCE receives a proposed and final decision.

Concept	**ESTIMATED COST** (System, Marketing & Outreach, Training)	**ESTIMATED DURATION*** (Minimum)	**DIFFICULTY TO IMPLEMENT** (Easy/Medium/Hard)
#1: Baseline Usage Tier	$7.95M	18 months	Medium
#2: Climate Zone Tier	$13.95M	24 months	Hard
Purely Volumetric	$10.45M	18 months	Medium
**Note: Estimated duration begins when the system requirements are finalized and baselined.*			

Cost estimates are largely comprised of system implementation costs, as well as costs for marketing/communications and training. System implementation cost estimates are based on SCE's experience with implementing similar projects and include costs to update billing system logic, data storage, and reporting. SCE assumed no changes to the existing display of the Climate Credit on the bill that would result in additional costs. Marketing/communication cost estimates (at approx. $400K) are based on the anticipated targeted outreach, additional customer education, digital experiences, creative development, customer service readiness, and potential regulatory-driven communication requirements for each concept. Training cost estimates (approx. $47K) are based on call center and billing agents training solutions for complex changes to the Climate Credit calculation and residential customer eligibility.

Time duration and project difficulty estimates are based on technical subject matter expert (SME) high-level assessments about the types of system logic, data management, and

[16] An assumption example is the cost associated with the storage of daily average data that is necessary for calculating whether the customer exceeded their baseline amount of usage on average in the prior year for Option #1.

processes that would need to be designed, built, and tested in the billing system in order to support the proposed changes for each option, none of which are easy to implement. In general, the greater the complexity of the proposal, the higher the cost and time to implement.

Based on the estimated project duration time for each of the concepts as currently proposed in the ruling and assuming a March 2027 final decision, technical requirements for Concept #1 and the volumetric approach may require 18 months. Assuming the 2028 Climate Credit continues to be distributed in summer months, Concept #2 may take a minimum of 24 months. The more simplified the approach, the shorter the implementation timeline.

For example, Concept #2 can be simplified by removing customers with very low bills and maintaining only the other two customer classes – all non-CARE residential customers and CARE residential customers – which would reduce the system costs by more than 50% and the duration by approximately 8 months since complex calculation of the credit based on the usage in comparison to baseline and the need for the system to determine accounts that are considered "low bills" would be eliminated. The suggested modifications to Concept #2 would result in a lower duration period at a minimum of 16 months (instead of 24 months).

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>

SCE estimates that the cost to implement the concepts previously raised by other parties in Phase 1A ranges from $7.95 M to $17.45M with information technology development efforts varying from medium to high complexity. Assuming the Commission uses allowance revenue for administration and implementation, as it should, electing a proposal with such costs will reduce the amount of revenue the IOUs can return to their customers in the Climate Credit. Depending on the concept, the proposal may either be as complex or more complex than either of the two options provided in the Ruling and the purely volumetric proposal. Similar to what

SCE described earlier in its response to Section 4.7(1), the cost estimates that SCE provides for other parties' concepts include system implementation costs, marketing and training components.

Respectfully submitted,

JANET S. COMBS
REBECCA MEIERS-DE PASTINO

/s/ Rebecca Meiers-De Pastino
By: Rebecca Meiers-De Pastino

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-6016
E-mail: Rebecca.Meiers.Depastino@sce.com

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