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Decision PROPOSED DECISION OF COMMISSINER JOHN REYNOLDS
(Mailed 3/26/2026)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to
Improve the California Climate
Credit.

Rulemaking 25-07-013

**DECISION ORDERING IMMEDIATE IMPROVEMENTS TO THE
CALIFORNIA CLIMATE CREDIT TO LOWER
ELECTRIC AND GAS BILLS**

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**DECISION ORDERING IMMEDIATE IMPROVEMENTS TO THE
CALIFORNIA CLIMATE CREDIT TO LOWER
ELECTRIC AND GAS BILLS**

Summary

This decision orders the investor-owned electric and gas utilities in California (the utilities) to implement immediate changes to the residential electric and natural gas Climate Credits to improve customer bill affordability. Climate Credit funds come from California's greenhouse gas Cap-and-Invest Program, and starting this year, Climate Credits will move to high-usage months to lower customers' highest electricity and gas bills.

The residential Climate Credit is a credit that appears on the utilities' residential customers' bills. Under current rules, the credits are delivered twice a year to electric customers and once a year to gas customers during traditionally low-billed months: in the spring and fall for electric customers, and in the spring for gas customers. The Commission is considering broader changes to the Climate Credit, but customers cannot wait; this decision immediately adjusts the credit to better impact affordability now, while full consideration of more changes gets underway in this proceeding.

To provide maximum possible affordability relief when bills are highest in 2026, the large electric utilities are ordered to distribute the residential electric Climate Credits in August and September. The small and multi-jurisdictional electric utilities are ordered to distribute the residential electric Climate Credits in October and November, in alignment with their winter peaking season. The gas utilities shall distribute the residential gas Climate Credit in February for the same reason.

The utilities shall also update their Climate Credit outreach materials and plans as directed and pursuant to state law.

The electric utilities are also directed to implement the transfer of five percent of applicable revenues to the State Treasury to fund the California Transmission Accelerator Revolving Fund, which was established in 2025 to accelerate necessary new electric transmission projects in the state.

This proceeding remains open.

1. Background

1.1. The Climate Credit and the Cap-and-Invest Program

For the last decade, every residential gas and electric customer of California's investor-owned utilities has been receiving annual Climate Credits on their bills. The electric Climate Credit has been distributed since 2014; the gas Climate Credit, since 2018.

Although it is distributed on bills by the utilities, the Climate Credit is not a utility benefit; it comes from funds generated by the State's greenhouse gas Cap-and-Invest Program. All residential customers of the investor-owned electric utilities receive it, including those customers who receive their electricity generation service from Community Choice Aggregators (CCAs) rather than from the utility.

From their inception, both the electric and gas Climate Credits were intentionally provided in the lower-usage shoulder seasons of spring and fall. April and October were selected for the electric side because "for much of the state, peak usage occurs in the summer," and the Commission did "not want to

reduce incentives for customers to conserve”¹ or undermine the price signals embedded in the higher bills that result from higher electricity usage.² Another motivation for selecting this timing was “increasing awareness of the credit (as the credit would be the largest proportionally in these months)”; in other words, customers would be more likely to notice the credit if it appeared on a bill that was already low.³ The natural gas Climate Credit was provided in April for the same reasons (that gas usage and bills were lower in the spring).⁴

The State’s greenhouse gas (GHG) emissions program, formerly called Cap-and-Trade, was renamed Cap-and-Invest under Assembly Bill (AB) 1207 (Irwin), Statutes 2025, Chapter 117. Under this program, covered entities must obtain and surrender to the California Air Resources Board (CARB) allowances or offsets (together, compliance instruments) for covered GHG emissions.

Each compliance instrument represents a metric ton of carbon dioxide equivalent emissions. In-state electricity generators that emit over 25,000 metric tons annually and electricity importers face a compliance obligation for the GHG emissions associated with the electricity they generate in or import to California. Electricity generators and importers generally pass the costs of compliance with the Cap-and-Invest Program to the electric utilities that supply electricity to end-users, who then pass those costs on to ratepayers. Natural gas utilities face a

¹ D.13-12-003 at 13.

² D.12-12-033 at 4, 25, and Conclusion of Law 8.

³ “Staff Straw Proposal and Request for Input on Electric Investor-Owned Utility Cap-and-Trade Program Allowance Proceeds Use,” a staff proposal issued within the Scoping Ruling of R.20-05-002, at 39.

⁴ D.15-10-032 at 37-38.

compliance obligation for GHG emissions from the combustion of the natural gas supplied to their customers, less any natural gas delivered to facilities that are covered by the Cap-and-Invest Program. Natural gas utilities also pass the costs of compliance on to their customers.

Covered entities including the utilities may purchase allowances through CARB's Cap-and-Invest Program quarterly auctions or purchase compliance instruments from other Cap-and-Invest Program Participants.

To protect ratepayers from Cap-and-Invest Program compliance costs, CARB also allocates free allowances to the utilities on behalf of their ratepayers. The investor-owned electric utilities are annually required to consign all these allocated allowances to auction. The investor-owned natural gas utilities are required to consign a minimum percentage of their allocated allowances to auction each year.⁵ The Climate Credit stems from the revenues from consigning freely allocated allowances at auction.

On October 30, 2024, Governor Newsom signed Executive Order (EO) N-5-24 addressing rising electricity ratepayer costs and affordability concerns. EO N-5-24 required the Commission to identify actions that could improve affordability, and in its responding report the Commission identified the Climate Credit as one area of opportunity.⁶

⁵ This amount increases five percent per year. In 2026 natural gas utilities were required to consign 80 percent of freely allocated allowances.

⁶ CPUC Response to Executive Order N-24-5, available at <https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/reports/cpuc-response-to-executive-order-n-5-24.pdf>.

On July 24, 2025, the Commission approved the Order Instituting Rulemaking (OIR) to Improve the California Climate Credit, opening the instant rulemaking.

On January 20, 2026, CARB issued its Initial Statement of Reasons proposing amendments to Cap-and-Invest Program regulations.

1.2. Direction from Assembly Bill 1207

In 2025 the legislature enacted AB 1207, which extended Cap-and-Invest through 2045 and made a number of changes relevant to the funds that make up the Climate Credit. This proceeding is implementing these changes and considering ways to improve the effectiveness of the Climate Credit in supporting affordability, with Phase 1A focused on immediate actions to improve affordability starting as soon as possible in 2026.

AB 1207 established or modified multiple Public Utilities Code (Pub. Util. Code) Sections. The following are relevant to this decision:

- Pub. Util. Code Section 748.5(a)(3) requires electric credits to be provided “in no more than four high-billed months of each year to maximize customer electric bill affordability, or as otherwise directed by the Commission to address extreme, unforeseen, and temporary circumstances.”⁷
- Pub. Util. Code Section 748.5(b), requires the Commission by January 1, 2027, to direct the electric utilities to update their outreach plans to include a statement about their Climate Credit savings “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 Cap-and-Invest Program.

⁷ Pub. Util. Code Section 748.5(a)(3).

- Pub. Util. Code Section 748.5(d)(1), states that the Commission will require five percent of the electric utilities' greenhouse gas auction revenues from allocated allowances to be remitted annually to the State Treasury for deposit in the California Transmission Accelerator Revolving Fund.⁸ This code section becomes operative July 1, 2026 and applies for five years.

This decision focuses on addressing immediate actions that can have the greatest benefit on residential customer energy affordability as quickly as possible. It also implements actions to comply with statutory deadlines imposed by AB 1207 that fall in 2026 and 2027. Phase 1B of this proceeding considers broader changes to the residential Climate Credit that need additional consideration to maximize affordability impacts.

1.3. Procedural Background and Timing Considerations

The following parties filed opening and/or reply comments on the OIR: Bear Valley Electric Service, Inc., jointly with Liberty Utilities (CalPeco Electric) LLC, and PacifiCorp (the Small and Multi-jurisdictional Utilities or SMJUs); the Public Advocates Office at the California Public Utilities Commission (Cal Advocates); the California Community Choice Association (CalCCA); California Farm Bureau Federation; California Large Energy Consumers Association (CLECA); California Manufacturers & Technology Association; Center for Accessible Technology (CforAT); Center for Sustainable Energy (CSE); Coalition of California Utility Employees (CUE); Environmental Defense Fund (EDF); Energy Producers and Users Coalition; Natural Resources Defense Council

⁸ Established in 2025 by SB 254 to support critical energy infrastructure projects.

(NRDC); Pacific Gas and Electric Company (PG&E); Pacific Steel Group (Pacific Steel); San Diego Gas & Electric Company (SDG&E); Small Business Utility Advocates (SBUA); Southern California Edison Company (SCE); Southern California Gas Company (SoCalGas); Southwest Gas Corporation (Southwest Gas); and The Utility Reform Network (TURN). The California Environmental Justice Alliance (CEJA), Central California Asthma Collaborative (CCAC), Central California Environmental Justice Network (CCEJN), and Leadership Counsel for Justice and Accountability (LCJA) filed motions for party status that were granted by the ALJ.

A prehearing conference (PHC) was held on November 21, 2025, to address the issues of law and fact, determine the need for hearing, set the schedule for resolving the matter, and address other matters as necessary. The PHC involved extensive discussion on issues and priorities, including the approach of immediately focusing on short-term actions to address affordability. The ALJ provided parties with an additional opportunity to provide input regarding PHC topics by filing post-PHC statements. On December 8, 2026, the following parties filed post-PHC statements: CalCCA; CCAC; CEJA, CCAJN, and LCJA (jointly); CLECA; the Joint SMJUs; Pacific Steel; PG&E; SBUA; SCE; SDG&E; SoCalGas; and TURN.

From the outset, parties highlighted the need for quick action. Discussion of changes that could be made in 2026 occurred at the PHC and in multiple

parties' post-PHC statements.⁹ Parties stated that any changes implementable this year were likely limited to when the credit would be distributed (not to credit amounts or eligibility), and the utilities described the lead time they would need to modify when they provide the credits.¹⁰ One of the changes raised was to distribute the electric credit in August or September since these are typically higher-billed months than April.¹¹ Altogether, this initial input made clear that for any incremental changes improving the Climate Credit's affordability impact to take effect this year, fast action from the Commission would be necessary.

Another factor informing the scope and schedule of this phase is the annual forecasting process for GHG allowance revenues and Climate Credit amounts. As explained in the Scoping Memo:

The large electric utilities forecast their allowance revenues and resulting Climate Credit amounts in annual Energy Resource Recovery Account (ERRA) Forecast applications. These applications are filed in April and May and are generally resolved by December each year; the Commission's authorization of the next year's Climate Credit is an important and necessary milestone. Corollary processes for the SMJUs occur in their Energy Cost Adjustment Clause applications, although on a different cadence.¹²

Key forecast updates in the ERRA process occur as part of the October Update filings. Therefore, any changes to the Climate

⁹ Reporter's Transcript (RT) of November 21, 2026 PHC, page 71: lines 17-19; TURN Post-PHC Statement at 1; SBUA Post-PHC Statement at 2; EJ Parties' Post-PHC Statement at 1.

¹⁰ RT 52: 9-25; SCE Post-PHC Statement at 1-2; PG&E Post-PHC Statement at 2; SDG&E Post-PHC Statement at 1-2.

¹¹ SDG&E Post-PHC Statement at 2-4; EJ Parties' Post-PHC Statement at 3.

¹² Bear Valley files this information via advice letter.

Credit that would apply in 2027 would need to be finalized well before October 2026 to be reflected in the October Update. Because broader changes in Phase 1B are not expected to be final by then, we will consider whether to apply Phase 1A changes in 2027 as well as 2026.

As this highlights, the timelines of the ERRA process meant that any changes to be implemented in 2027 must be adopted this year, well in advance of the ERRA October Updates. This led us to consider whether any immediate affordability actions adopted for 2026 should *also* apply on an interim basis for 2027 – because if not adopted quickly, improvements would not reach customers until 2028.

The Scoping Memo issued on February 3, 2026, prioritized an approach that could deliver benefits as fast as possible, identifying four issues within the scope of Phase 1A and setting a rapid schedule to address all four issues by the end of April 2026. In addition to immediate affordability actions, Phase 1A also addresses implementation of Pub. Util. Code Section 748.5 (b)(2) regarding outreach and Pub. Util. Code Section 748.5(d) regarding the Transmission Accelerator Revolving Fund, as both of those requirements include statutory deadlines that fall in 2026.

In the Scoping Memo, the Assigned Commissioner stated her intent to issue a proposed decision (PD) in February 2026 pausing the residential electric Climate Credit distributed by the large electric utilities, expressly for the purpose of allowing the April 2026 credit to be considered in the instant decision.¹³

¹³ Scoping Memo at 9.

A PD pausing these credits (the Pause PD) was issued on February 9, 2026, and was approved by the Commission at its March 19, 2026, voting meeting.¹⁴ The decision ordered the large electric utilities (PG&E, SCE and SDG&E) not to distribute an electric Climate Credit in April, enabling the instant decision to address when the most impactful time to provide that credit in 2026 would be.

D.26-03-013 did not pause the Climate Credit distributed by the SMJUs, noting that the Scoping Memo did not include them within the scope of the pause because the record indicated that doing so would not benefit SMJU customer affordability due to the different service territories and usage patterns of the SMJUs.¹⁵ Therefore the SMJU April Climate Credit distribution went forward as previously directed, meaning that the SMJUs have only one remaining Climate Credit to distribute in 2026 subject to this decision. D.26-03-013 also did not impact the 2026 natural gas Climate Credit, which proceeded as planned for issuance in April 2026; therefore the next gas credit impacted by this decision will go out in 2027.

The Scoping Memo also contained questions for parties regarding the issues within Phase 1A and authorized parties to file comments and reply comments on these issues. CforAT, CUE, Southwest Gas, SoCalGas, EDF, TURN, SDG&E, the SMJUs, Cal Advocates, SCE, CalCCA, PG&E, and (jointly) CCAC, CCEJN, CEJA and LCJA (the EJ Parties) filed opening comments on Phase 1A issues on March 2, 2026. CalCCA, CforAT, CSE, EDF, the EJ Parties, NRDC, the

¹⁴ D.26-03-013.

¹⁵ D.26-03-013 at 5.

SMJUs, PG&E, SCE, SoCalGas, SDG&E, and TURN filed reply comments on Phase 1A Issues on March 9, 2026.

On March 5, 2026, this proceeding was reassigned to President John Reynolds.

1.4. Submission Date

The record for this phase was submitted on March 9, 2026, with the filing of reply comments on Phase 1A issues.

2. Jurisdiction

The Commission's authority applicable to Climate Credit funds comes from two main sources: CARB's regulations and Pub. Util. Code Section 748.5. The Commission implements and establishes its guidance in compliance with these and other broadly applicable authorities, including Pub. Util. Code Sections 701 and 451. Various legislation has also provided guidance, and this proceeding will implement portions of AB 1207. In numerous decisions throughout R.10-05-006, R.11-03-012, and R.20-05-002 (for the electric utilities) and R.14-03-003 (for natural gas utilities) the Commission adopted rules and other guidance for forecasting, distribution, outreach, and other matters related to allowance revenues.

3. Issues Before the Commission

The issues before the Commission in this decision are as follows:

- a. Whether the Commission should make immediate changes to the residential gas and electric Climate Credit to maximize affordability, and whether these changes should be interim pending consideration of issues in Phase 1B;
- b. How the Commission should implement the transfer of five percent of revenues to the State Treasury for deposit in

the California Transmission Accelerator Revolving Fund in compliance with Pub. Util. Code Section 748.5(d); and

- c. How the Commission should implement Pub. Util. Code Section 748.5 (b)(2), regarding Climate Credit outreach.

This proceeding remains open to consider the remaining issues in Phase 1B and Phase 2.

4. Phase 1A Affordability Relief Actions

For the reasons discussed above, the Scoping Memo set a rapid timeline and posed 11 questions regarding Phase 1A.¹⁶ The Scoping Memo Phase 1A questions asked whether the electric Climate Credit should be provided as a summer credit in September or August 2026 instead of in the spring and fall; whether the 2027 winter gas Climate Credit should be provided in February 2027 as a higher-billed winter month; whether other changes were possible in 2026; and other questions. Because of the implementation timelines raised earlier, parties were asked whether 2026 changes adopted in this phase should also carry forward to 2027 and be explicitly designated as interim pending the outcome of Phase 1B.

We considered party comments and reply comments responding to the Scoping Memo Phase 1A questions, combined with comments on the OIR, party input at the PHC, and post-PHC statements to identify the following changes and direction.

The question before us in this section is whether the Commission should make immediate changes to the residential electric and gas Climate Credits to

¹⁶ Scoping Memo at 12.

maximize affordability, and whether these changes should be interim pending consideration of issues in Phase 1B.

4.1. Immediate, Interim Changes to the Residential Electric Climate Credit

The record identifies multiple immediate actions that could improve the electric Climate Credit in 2026 and 2027. These fall into several categories, but most party suggestions focus on changes to 1) credit timing and 2) credit frequency. Parties also suggested other changes, including ideas to increase the dollar amount of the credit and changing which customers may receive it. We address each category in turn.

4.1.1. Proposed Changes to Residential Electric Climate Credit Timing and Number of Distributions

We focus first on the overall question of when the Climate Credit should be distributed. PG&E, SCE, SDG&E, the SMJUs, TURN, CUE, CforAT, and Cal Advocates support changing the timing of the 2026 Climate Credit to provide it to customers in higher-billed months instead of in the spring and fall to better support customer affordability.

As summed up by Cal Advocates, “changing the timing of the Climate Credit from lowest usage to highest usage months is consistent with the Commission’s history of managing affordability during acute crises and with one of the foremost goals of this rulemaking.”¹⁷

The record shows that for electric customers, these months are generally in the summer and winter. Parties including SDG&E and the EJ Parties state that

¹⁷ Cal Advocates Phase 1A Comments at 4.

providing the Climate Credit in high-billed months, or in summer for electric customers, would be likely to benefit customers as well as consistent with the timing requirement in Pub. Util. Code Section 748.5(a)(3).¹⁸ There is wide agreement that on average statewide, energy usage is higher in the summer and winter – times of temperature extremes for more customers - than in the shoulder seasons of spring and fall.¹⁹ SDG&E puts it simply: “[n]o further evidentiary record is required to establish that summer electric bills are higher than spring or fall bills.”²⁰

Beyond the general agreement of most parties that the large utilities’ electric credits should be moved to summer and winter, exact timing recommendations vary. There is consensus from SCE, PG&E, SDG&E, and CforAT for some combination of August and/or September.²¹ CUE suggests providing credits in the “two average hottest months when electricity usage is usually the highest” and says August and September fit the bill.²² EDF concurs, with respect to the fall 2026 credit being moved up to summer 2026 specifically.²³

¹⁸ SDG&E Post-PHC Statement at 1-2; EJ Parties’ Post-PHC Statement at 3.

¹⁹ NRDC OIR Reply Comments at 2; CUE OIR Comments at 3; EDF OIR Comments at 3; NRDC OIR Comments at 2; PG&E OIR Comments at 7; SCG OIR Comments at 4; SDG&E OIR Comments at 4; TURN OIR Comments at 3; SDG&E Post-PHC Statement at 1-2; SMJU Post-PHC Comments at 1-2; TURN Pause PD Comments at 4, EJ Parties Phase 1A Reply Comments at 1-2; TURN Phase 1A Comments at 1-8; Cal Advocates Phase 1A Comments at 4-6.

²⁰ SDG&E Phase 1A Reply Comments at 3.

²¹ PG&E Phase 1A Comments at 4, SCE Phase 1A Comments at 6, SDG&E Phase 1A Comments at 2, CforAT Phase 1A Comments at 2.

²² CUE Phase 1A Comments at 2-3.

²³ EDF Phase 1A Comments at 3.

SDG&E prefers two credit distributions, one each in August and September.²⁴ PG&E is amenable to either or both of these months.²⁵ In contrast, SCE recommends providing just one lump sum credit in September and prefers not to do two credits in consecutive months, although concedes it can accommodate this if necessary.²⁶

While the SMJUs similarly support moving the credit, they argue that their customers should receive it in winter, not summer, because that is when electricity bills in BVES, Liberty, and PacifiCorp's territories are generally highest.²⁷ The SMJUs identify November as the preferred month if we change their 2026 credit timing.²⁸ However, they also note that their seasonal load shifting patterns are less pronounced than the larger utilities' and say that the affordability benefit of this shift may therefore be less significant.²⁹

Bolstered by detailed customer bill data, TURN and Cal Advocates recommend more sophisticated approaches. TURN argues the 2026 credits should be provided in the two highest-billed months for each baseline territory,³⁰ providing data and analysis to argue that there are nuanced differences in usage

²⁴ SDG&E Phase 1A Comments at 2.

²⁵ PG&E Phase 1A Comments at 4.

²⁶ SCE Phase 1A Comments at 6.

²⁷ SMJU Phase 1A Comments at 3.

²⁸ SMJU Phase 1A Reply Comments at 2.

²⁹ SMJU Phase 1A Reply Comments at 2.

³⁰ Different parts of the utilities' service territories have different climate patterns and usage trends. This is reflected in the definition of a "baseline" amount of electricity in each territory used for rate setting and other purposes. These geographic zones are often called "baseline territories."

and bills in different baseline territories, for example that “the summer peak arriv[es] later in many of SCE’s baseline territories than PG&E’s more northern baseline territories.”³¹ TURN sees the risk of a uniform summer credit “worsening the affordability crisis for some customers who happen to live [in] regions where the climate deviates from the statewide average,”³² and asserts that “half of PG&E’s baseline territories have winter bills comparable to or more expensive than their summer bills.”³³ If a baseline territory-based distribution is not possible, TURN recommends providing one summer and one winter credit in 2026.

While urging us to immediately implement timing that is not “one size fits all,” TURN does acknowledge that on average, usage statewide peaks in summer and that a summer credit, particularly in August, “would benefit customers in a plurality of baseline territories.”³⁴ TURN further concedes that “shifting the distribution of the credit to *any other time of year* would likely improve the affordability benefits of the credit for ratepayers” (emphasis added).³⁵

In a similar (yet comparably simpler) vein to TURN’s proposal, Cal Advocates recommends slightly different timing among the large utilities: August and September for both SCE and SDG&E, but July and August for

³¹ TURN Phase 1A Comments at 5.

³² TURN Phase 1A Comments at 5.

³³ TURN Phase 1A Comments at 4.

³⁴ TURN Phase 1A Comments at 3.

³⁵ TURN Pause PD Comments at 2.

PG&E.”³⁶ Cal Advocates provides electricity usage data delineated by baseline territory as well as by enrollment in the California Alternative Rates for Energy (CARE) and Family Electric Rate Assistance (FERA) low income discount programs. This usage data shows a plurality of PG&E customers peaking in July or August, and most customers peaking in September for SCE and SDG&E.³⁷ Cal Advocates’ data shows that one to three percent of customers in each of PG&E’s baseline territories peak in April; for October, that range is between one and six percent.³⁸ For SCE, the percentage of customers in each baseline territory peaking in April and October ranges from 0.46 percent to 1.42 percent.³⁹

In response to proposals that would have PG&E, SCE, and SDG&E provide their credits in different months, other parties identify various complexity and confusion this would create. As one example, CalCCA notes that Central Coast Community Energy is in both PG&E and SCE territories.⁴⁰ EDF notes that if timing among utilities varied, statewide outreach would be harder and more costly.⁴¹

The electric utilities have stated since the initial stages of this proceeding that they cannot implement more complex changes within their billing systems, such as applying the credit at different times for different baseline territories, for

³⁶ Cal Advocates Phase 1A Comments at 5.

³⁷ Cal Advocates Phase 1A Comments at 6-7.

³⁸ Cal Advocates Phase 1A Comments at 6.

³⁹ Cal Advocates Phase 1A Comments at 7.

⁴⁰ CalCCA Phase 1A Reply Comments at 6.

⁴¹ EDF Phase 1A Reply Comments at 3.

the 2026 distributions.⁴² PG&E provided detail on its existing credit disbursement process arguing that changing the month of distribution entails complexity and that the process requires 3-4 months of lead time.⁴³ The utilities have raised concerns regarding the resources and time necessary to make such changes, and note that we have no record regarding how to avoid confusion about them.⁴⁴ PG&E states that even moving the credit to July as TURN suggests is not implementable due to timing constraints.⁴⁵

CalCCA opposes most of the changes being considered and urges us not to rush into any action yet. CalCCA characterizes the changes raised in the Scoping Memo Phase 1A questions, and many of parties' suggestions in response, as premature and speculative. CalCCA disagrees with the scoping and phasing of this proceeding to focus first on immediately-implementable actions before considering the full slate of broader changes and data.⁴⁶ Instead of taking a phased approach, CalCCA implores us to fully consider and analyze the data before making substantial changes that impact customers, focusing first on setting guiding principles, taking legal briefing, and then considering all potential changes to Climate Credit eligibility, calculation, and other matters comprehensively.⁴⁷ With respect to the specific proposals to move the electric

⁴² PG&E Phase 1A Reply Comments at 1-2; SDG&E Phase 1A Reply Comments at 5.

⁴³ PG&E Post-PHC Statement at 4-11.

⁴⁴ PG&E Phase 1A Reply Comments at 1-2; SCE Phase 1A Comments at 4-5, SDG&E Phase 1A Reply Comments at 5.

⁴⁵ PG&E Phase 1A Reply Comments at 2.

⁴⁶ CalCCA Post-PHC Statement at 3-5; CalCCA Phase 1A Comments at 2-4.

⁴⁷ CalCCA Post-PHC Statement at 3-5.

Climate Credit to summer months, CalCCA argues that the record for adopting these changes is undeveloped and that the move may harm some customers.⁴⁸

4.1.2. Discussion and Conclusions on Immediate, Interim Changes to the Residential Electric Climate Credit

Based on our review of the record, we find ample support for making changes to residential electric Climate Credit distribution timing starting in 2026. The record clearly shows that electric bills and usage tend to be higher for more customers in the summer and winter than in the spring and fall, and that moving the credit to higher-billed months would therefore benefit affordability for more customers. TURN and Cal Advocates provide specific data showing more customers' bills peak in months other than April and October, and that the number of customers who peak in either April or October is exceedingly low. The record also shows that the utilities can implement this timing change in 2026. These factors are key to our decision.

CalCCA argues that changing the timing of the Climate Credit now will confuse and negatively impact customers who have come to expect and financially plan for the credit in the months of April and October specifically.⁴⁹ However, this assertion is unsupported and contradicts data cited by both Cal Advocates and the EJ parties, showing low awareness of the credit.⁵⁰ We cannot defer action to reduce high bills across the state in summer 2026 because a small minority of customers peak in April or October, or because an

⁴⁸ CalCCA Phase 1A Comments at 4.

⁴⁹ CalCCA Phase 1A Comments at 6.

⁵⁰ Cal Advocates Phase 1A Comments at 11-12; EJ Parties Phase 1A Reply Comments at 7-8.

unsubstantiated number of customers might budget for the credit in April and October. As we stated in D.26-03-013, when it comes to choosing a better time to provide the credit, “we must remain focused on the probable greater good.”⁵¹

We appreciate the recommendations raised by CUE, EDF, TURN, the EJ Parties, and Cal Advocates for us to aim higher, for a more complex approach that takes into account variation among customers. We fully acknowledge the varied usage and billing patterns shown in TURN and Cal Advocates’ data, but we emphasize that there is no indication in the record that more customers would be worse off with a credit in later summer than in April and October. In fact the record shows the opposite: that *fewer* customers will be worse off under this change than if we leave the credit in the spring and fall. It is reasonable to adopt interim changes likely to provide an overall benefit now. The more complex distribution timing ideas need additional consideration, and our record indicates that the utilities would not be able to implement them this year. Because of our timeline and the limited scope of Phase 1A, we adopt only the simplest changes that are clearly feasible, and that are most likely to benefit more customers’ affordability than does the status quo.

We also find there is a benefit in consistency in timing across the large utilities, both in terms of simplicity in implementation and for clarity of communications and outreach to support understanding of the timing change. While different timing for different utilities might have some benefit, this is

⁵¹ D.26-03-013 at 16.

altogether unclear; and as CalCCA, EDF, and the utilities noted, costs and confusion could result from such variation.

Overall, we find it reasonable and beneficial for customer affordability in the near term for the large electric utilities to distribute the residential electric Climate Credit in summer, while we consider full changes in Phase 1B. Therefore, we direct PG&E, SCE, and SDG&E to distribute the residential electric Climate Credit in August and September, starting in 2026. SCE notes that its tariffs currently indicate that the credit is provided in April and October, so SCE will need to make updates to its tariffs.⁵² This decision directs the utilities to file Tier 1 advice letters conforming their tariffs to this direction. If a utility's tariffs do not need to be updated to be in alignment with this decision, that utility shall notify Energy Division.

We also find it reasonable to direct the SMJUs to distribute the Climate Credit in winter, to align with their peak season and provide customers immediate affordability benefits this year. Because the SMJUs were not subject to the pause approved in D.26-03-013 they distributed the first 2026 credit in April this year; the only 2026 credit distributed by the SMJUs that is affected here is the one scheduled for October. The electric SMJUs shall distribute the residential electric Climate Credit in November 2026 instead of October 2026.

In looking ahead to 2027, we must decide which two months to provide the electric credit to SMJU customers. As noted above, the SMJUs stated that moving their customers' credits to winter has a smaller relative affordability

⁵² SCE Phase 1A Comments at 9.

impact than does moving the large utilities', simply because the seasonal load shift is less pronounced in SMJU territories than in the large utilities' territories. Because of this nuance we find it is reasonable to leave one of the SMJU credits in October. For 2027, we find it reasonable to direct the two credits distributed by the SMJUs to be provided in October and November. Therefore, in 2027 and until otherwise directed, the electric SMJUs shall distribute the residential electric Climate Credits in October and November. The electric SMJUs shall file Tier 1 advice letters conforming their tariffs to this direction, if any conforming changes are necessary.

These changes to Climate Credit distribution shall be in place until directed otherwise but are specifically designated as interim changes. Multiple parties -- SCE, Cal Advocates, PG&E, the EJ Parties, SoCalGas, and TURN -- support the designation of interim. While SDG&E views this designation as unnecessary since any Commission order may be changed by a future Commission order,⁵³ TURN puts it well: "an explicit designation of interim will guard against Phase 1A outcomes inappropriately framing Phase 1B issues."⁵⁴ We want to avoid assertions in Phase 1B that a certain change must remain in place only because it was adopted for interim purposes here. There is value in designating these changes as interim, to help ensure considerations in the next phase will proceed without prejudice from our decision today.

⁵³ SDG&E Phase 1A Comments at 5.

⁵⁴ TURN Phase 1A Reply Comments at 3-4.

4.1.3. Consideration of Other Immediate Changes to the Residential Electric Climate Credit

Next we consider the affordability relief actions proposed by parties. The EJ Parties and CUE recommend changing eligibility for the electric Climate Credit to include only specific subsets of residential customers, and Liberty and PacifiCorp recommend changes to increase the total amount of funds available for the credit.

The EJ Parties recommend several options for changing eligibility, all of which they argue are feasible to implement in 2026. These are: 1) providing the Climate Credit to CARE/FERA customers located in high heat regions only; 2) providing it to only CARE/FERA customers; 3) providing the full credit amounts to all CARE/FERA customers, but providing half the 2026 credits to CARE/FERA customers and redistributing the other half of those funds to CARE/FERA customers in high heat regions.⁵⁵

CUE recommends providing the credit only to customers who are not enrolled in Net Energy Metering (NEM) tariffs or the Net Billing Tariff (NBT), arguing that customers enrolled in these solar tariffs already receive enough “credit” to reduce their bills.⁵⁶

Liberty and PacifiCorp recommend reallocating unused Solar on Multifamily Affordable Housing (SOMAH) funds to the Climate Credit to

⁵⁵ EJ Parties Phase 1A Comments at 2-3.

⁵⁶ CUE Phase 1A Comments at 1-2.

increase credit amounts, citing nearly \$2 million in unencumbered SOMAH funding for Liberty and \$11 million for PacifiCorp.⁵⁷

The large utilities and CalCCA oppose the EJ Parties' and CUE's eligibility modification ideas. They view them as out of the scope of Phase 1A because they are too complicated, complex, and impactful to be considered in this immediate action phase.⁵⁸ The large utilities state that they do not have the time or resources to recalculate credits and implement such complicated changes in their billing systems in time to provide credits in 2026.⁵⁹ PG&E has consistently warned since the outset of this case that the only feasible changes this year would be changes to distribution timing.⁶⁰

We find the objections regarding scope to be correct, and we lack sufficient detail on these proposed changes to conclude that they would be beneficial or implementable. Deciding whether changes to Climate Credit eligibility and calculation should be made is within the scope of Phase 1B. Such changes would require full recalculation of the credits and novel billing approaches. The record indicates these changes could not be completed before August 2026. As with our decision above regarding distribution timing, we are heavily weighted here towards the clearest, most implementable improvements to benefit the most

⁵⁷ SMJU Phase 1A Comments at 1-2.

⁵⁸ SCE Phase 1A Reply Comments at 1-2; CalCCA Phase 1A Reply Comments at 7; SDG&E Phase 1A Reply Comments at 1-3; PG&E Phase 1A Reply Comments at 1-2.

⁵⁹ SCE Phase 1A Reply Comments at 1-2; SDG&E Phase 1A Reply Comments at 1-3 and 5; PG&E Phase 1A Reply Comments at 1-2.

⁶⁰ PG&E Phase 1A Comments at 3-6; PG&E Phase 1A Reply Comments at 1-2; PG&E Post-PHC Statement at 2.

customers. Therefore, we decline to adopt either of the eligibility changes proposed by the EJ parties and CUE. We look forward to thorough consideration of broader changes in Phase 1B.

With respect to the SMJU proposal to reallocate unused SOMAH funds, this consideration is out of scope, as noted by CSE⁶¹ and as made clear in the Scoping Memo: “[t]he instant Rulemaking will not consider issues related to the discontinuance of the Commission’s authority in Pub. Util. Code Section 748.5(c) and *related programs*, since those issues are already in scope of R.25-01-005 (emphasis added).”⁶²

4.2. Immediate, Interim Changes to the Residential Gas Climate Credit

Next we turn to the question of what can be done immediately to improve the affordability impacts of the natural gas residential Climate Credit. Here, consensus abounds. Nearly every party who weighed in agrees that the gas credit should be moved to winter to align with the higher-billed gas season. These parties include all of the utilities that distribute a gas Climate Credit (Southwest Gas, SoCalGas, SDG&E, and PG&E), TURN, EDF, CUE, CforAT, and Cal Advocates.⁶³ TURN provides data for PG&E’s service territory showing that “gas bills peak in the colder months due to the use of gas heating,” going on to

⁶¹ CSE Phase 1A Reply Comments at 3-4.

⁶² Scoping Memo at 5.

⁶³ Southwest Gas Phase 1A Comments at 1; SoCalGas Phase 1A Comments at 2-3; SDG&E Phase 1A Comments at 4; PG&E Phase 1A Comments at 5; TURN Phase 1A Comments at 9; EDF Phase 1A Comments at 3 and 5; CUE Phase 1A Comments at 3; CforAT Phase 1A Comments at 2-3; Cal Advocates Phase 1A Comments at 8-9.

say that “[t]his holds true across the state. Gas bill data from PG&E disaggregated by electric baseline territory showed that customers in every baseline territory experience their highest bills from November to February or March.”⁶⁴

Cal Advocates recommends a simple approach of providing the gas credit at the same time for all customers, saying that though usage varies by baseline territory, analysis at that level of granularity should be left to Phase 1B.⁶⁵ The most widely recommended winter month for distributing the gas credit is February, the month suggested in the Scoping Memo Phase 1A questions.⁶⁶

Only CalCCA is noncommittal here (stating, “maybe, but it should be supported by data and analysis,”)⁶⁷ and NRDC is the only party in opposition to moving the gas credit to winter. NRDC argues that dampening the price signal of high gas usage runs counter to decarbonization and electrification goals, will result in demand increases, and will have public health and environmental consequences.⁶⁸ NRDC does not dispute the affordability impacts of the change.

Some parties dispute whether there is time to move the 2026 gas Climate Credit. Given that the proposed decision was issued at the end of March 2026 for

⁶⁴ TURN Phase 1A Comments at 9.

⁶⁵ Cal Advocates Phase 1A Comments at 8-9.

⁶⁶ Cal Advocates Phase 1A Comments at 8-9, CforAT Phase 1A Comments at 2-3; PG&E Phase 1A Comments at 5; SoCalGas Phase 1A Comments at 3; TURN Phase 1A Comments at 9.

⁶⁷ CalCCA Phase 1A Comments at 11.

⁶⁸ NRDC Phase 1A Reply Comments at 2-3.

consideration at the Commission's April 30, 2026, voting meeting, we find it is not possible to move the April 2026 gas credit.

The record shows that gas bills are usually higher in winter than in spring or fall. Because the record shows that moving the residential gas Climate Credit to February is likely to have immediate affordability impact benefits relative to the status quo, we choose to make this change now. Our focus here is immediate affordability relief; full consideration of potential changes and impacts, especially those raised by NRDC, is yet to come in Phase 1B.

This decision directs the gas investor-owned utilities to distribute the residential gas Climate Credit in February, beginning in 2027. We direct the utilities to file Tier 1 advice letters conforming their tariffs to this change, as needed.

For the same reasons as discussed above for the electric Climate Credit, this distribution timing change shall be in effect until otherwise directed but is considered interim pending the outcome of Phase 1B.

5. Transmission Accelerator Revolving Fund

The Transmission Accelerator Revolving Fund was established in 2025 to support the financing and development of electric transmission projects.⁶⁹ Provisions of AB 1207 directed a portion of the electric utilities' allowance revenues to this fund and requires direction from the Commission, as described below.

Pub. Util. Code Section 748.5(d)(1) reads in full:

⁶⁹ Via Senate Bill (SB) 254 (Becker), Statutes 2025, Chapter 119.

The commission shall require an electrical corporation to annually remit to the State Treasury 5 percent of the revenues, including any accrued interest, received by the electrical corporation as a result of the direct allocation of greenhouse gas allowances to electrical distribution utilities pursuant to subdivision (b) of Section 95890 of Title 17 of the California Code of Regulations for deposit in the California Transmission Accelerator Revolving Fund, pursuant to Section 63049.72 of the Government Code. This paragraph shall become operative on July 1, 2026, and shall become inoperative on July 1, 2031.

The question before us is, how should the Commission implement the transfer of five percent of revenues to the State Treasury for deposit in the California Transmission Accelerator Revolving Fund in compliance with Pub. Util. Code Section 748.5(d)?

**5.1.1. Interpretation of Public Utilities
Code Section 748.1(d)(1)**

Before addressing the mechanics of implementing this code section, we note that some parties believe legal briefing on its meaning may be necessary, raising questions about the definition of terms like “revenue” and “shall become operative,” and other issues.⁷⁰ SDG&E asserts there is some ambiguity in the statute regarding what total amount should be used to calculate the five percent and says provisions to avoid “over-funding” or to implement a cap might be necessary.⁷¹ In response, the EJ Parties argue that “the Commission is capable of resolving any ambiguity in a Phase 1A Decision” and urge us to move forward

⁷⁰ PG&E Phase 1A Comments at 11; SCE Phase 1A Comments at 3; SDG&E Phase 1A Comments at 11.

⁷¹ SDG&E Phase 1A Comments at 11-12.

now without the delay of unnecessary legal briefing.⁷² The SMJUs raise no concern about ambiguity here, saying that they do not “foresee any issues with utilities complying” with the statute.⁷³

The language of Pub. Util. Code Section 748.5(d)(1) is clear. We find it reasonable to interpret the statute accordingly: each electrical corporation is required to annually remit five percent of total auction revenues, including any accrued interest, that result from the sale of the allowances directly and freely allocated by CARB to that electrical corporation. The term “operative” is also clear: the utilities will transfer five percent of total revenues received from auctions held during the time period this section is operative. In sum, we find that the statute requires five percent of the electric utilities’ allowance auction revenues received between July 1, 2026, and July 1, 2031, to be transferred to the State Treasury for deposit in the California Transmission Accelerator Revolving Fund. SCE, PG&E and the SMJUs’ interpretation of the statute is consistent with ours.⁷⁴

We decline to establish an additional cap that could result in less than 5 percent of revenues being transferred because such an outcome would conflict with the statutory requirement to transfer 5 percent of revenues. The utilities shall transfer the amount directed, no more and no less.

⁷² EJ Parties Phase 1A Reply Comments at 8.

⁷³ SMJU Phase 1A Comments at 8.

⁷⁴ SMJU Phase 1A Comments at 8; PG&E Phase 1A Comments at 11-12, SCE Phase 1A Comments at 7-8.

5.1.2. Transmission Accelerator Revolving Fund Remittance Direction

The Scoping Memo Phase 1A questions asked the utilities to specify what direction they would need from the Commission to comply with this code section. SCE believes that a reiterative direction is sufficient and requests we order the utilities to comply using wording drawn from Pub. Util. Code Section 748.5(d)(1), putting it this way:

...SCE has an independent duty to comply with the statute. SCE therefore requires little from the Commission to satisfy the Commission's duties. SCE requests that in an ordering paragraph in a decision, the Commission require SCE to comply with Section 748.5 by stating, "SCE is required to annually remit to the State Treasury 5 percent of the revenues, including any accrued interest, SCE receives between July 1, 2026 and July 1, 2031 as a result of the sale of the greenhouse gas allowances directly allocated to SCE by the California Air Resources Board."⁷⁵

The SMJUs agree no additional direction is necessary for them to comply with the statute.⁷⁶

In compliance with Pub. Util. Code Section 748.5(d)(1), and finding such direction in that code section clear, we find it reasonable and necessary to direct the electric utilities to complete remittances accordingly. This decision orders PG&E, SCE, SDG&E, Liberty, PacifiCorp, and Bear Valley each to annually remit to the California State Treasury five percent of the revenues, including any accrued interest, received as a result of the direct allocation of greenhouse gas

⁷⁵ SCE Phase 1A Comments at 7-8.

⁷⁶ SMJU Phase 1A Comments at 8.

allowances each of these utilities receive pursuant to subdivision (b) of Section 95890 of Title 17 of the California Code of Regulations, and received from Cap-and-Invest Program auctions held between July 1, 2026 and July 1, 2031, for deposit in the California Transmission Accelerator Revolving Fund.

With respect to the implementation process details, the utilities request some further guidance. SCE would rather we did not dictate the frequency or cadence of transfers, but states it would appreciate the Commission's help in working with the State Treasury to obtain wire transfer information.⁷⁷ SDG&E asks 1) whether the remittances should be provided on a forecast basis (which would require subsequent true-up based on actual revenues) or with actual revenues, and 2) whether future changes in utility allocations would be subject to these remittances.⁷⁸

We find it reasonable and necessary to provide basic additional direction to ensure that these transfers are completed in a transparent, predictable, and clear manner. Leaving these details to each utility's discretion could result in six different transfer processes to track, both for the Commission and for Treasury. Therefore, this decision orders each of the respective utilities to remit five percent of actual allowance revenues after each Cap-and-Invest Program Auction within 15 days of final receipt of total allowance revenues from that auction. This avoids the issue of retaining funds and calculating interest, as well as any forecasting or true up process. We direct the utilities to work with Energy Division or the

⁷⁷ SCE Phase 1A Comments at 13.

⁷⁸ SDG&E Phase 1A Comments at 13-14.

Commission's Executive Director for assistance, if needed, in coordinating with State Treasury to obtain wire transfer information or otherwise implement fund transfers.

SDG&E asks how future changes to allowance allocations will impact the Treasury remittance requirements. One of the provisions enacted by AB 1207 directs CARB to design regulations that transition gas utility allowances to electric utilities by 2031.⁷⁹ SDG&E is raising the question of whether electric utilities' auction revenues from allowances transitioned to them from the gas utilities will be subject to Pub. Util. Code Section 748.5(d)(1).

CARB has not finalized these regulations yet; regardless, our direction remains the same. The statute is clear that any revenue from auctions held between July 1, 2026 and July 1, 2031 generated by the sale of allowances allocated to the electric utilities pursuant to subdivision (b) of Section 95890 of Title 17 of the California Code of Regulations shall make up the total of which the 5 percent is calculated. Even if allowance allocations change in the future, the electric utilities will continue to calculate 5 percent of total revenues from their allowance consignment pursuant to this code section.

5.1.3. Compliance Oversight of Remittances

As a final matter, the utilities agree that some basic tracking, reporting and oversight of these transfers is appropriate; SDG&E advises that "[e]stablishing a

⁷⁹ See Section 38562(b)(1)(B)(i) of Division 25.5, Part 4 of the California Health and Safety Code, related to Greenhouse Gas Emissions Reductions.

standardized reporting approach now will promote transparency and administrative efficiency.”⁸⁰ SCE states that it will track the five percent setaside as an expense in its Greenhouse Gas Revenue Balancing Account, and that Commission oversight can occur via audits of that account or via bank confirmation of the wire transfers.⁸¹ PG&E suggests that “the Commission require utilities to provide written verification certifying that it has remitted the required funds. The verification should be submitted via an annual notice filed annually,” in this or another proceeding.⁸²

We appreciate this input, and we concur. All the electric utilities already report on allowance proceeds issues annually, within their annual ERRA Forecast applications (for the large utilities), Energy Cost Adjustment Clause (ECAC) applications (for Liberty and PacifiCorp), or via advice letter (for Bear Valley). The utilities use Template D-1 within Attachment D of their Greenhouse Gas Revenue and Reconciliation Application Form within these filings to report on allowance proceeds, pursuant to direction in D.21-08-026.⁸³ This decision updates Template D-1 to clarify how Transmission Accelerator Revolving Fund entries should be made, and directs the utilities to report on their remittances in their respective annual ERRA Forecast, ECAC, or AL filings. The Transmission Accelerator Revolving Fund shall be included in the forecast solely for the

⁸⁰ SDG&E Phase 1A Reply Comments at 7.

⁸¹ SCE Phase 1A Comments at 13.

⁸² PG&E Phase 1A Comments at 12.

⁸³ Template D-1 was approved in Energy Division’s October 26, 2021 disposition letter approving the utilities’ joint Advice Letter 4587-E-A/E-B/E-C.

purpose of calculating the Climate Credit and Industry Assistance Credits, which make up the other 95 percent of funds. The utilities shall not remit this forecasted amount, but rather the actual revenues as directed.

The utilities' reports included in their annual ERRA Forecast, ECAC, or advice letter filings shall provide clear descriptions of the remittances, accounting for revenues remitted and when each remittance was made. They shall also include in these filings verification of each transfer in the reporting period, clearly designated as verification of Transmission Accelerator Revolving Fund remittances pursuant to 748.5(d)(1) and this decision. Pursuant to our duty to track these funds, the utilities shall also include a summary of total funds transferred and encumbered to date. The utilities shall work with the State Treasury to obtain these latter details.

6. Messaging and Outreach Changes

The scoping issue before us in this section is how we should implement Pub. Util. Code Section 748.5 (b)(2) regarding Climate Credit outreach.

To reiterate, Pub. Util. Code Section 748.5 (b)(2), established by AB 1207 in 2025, states in full:

Not later than January 1, 2027, the commission shall require each electrical corporation to update the customer outreach plan developed pursuant to paragraph (1) 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 Pub. Util. Code Section 748.5 (b)(1), established via SB 1018 in 2012, that is referred to above states in full:

Not later than January 1, 2013, the commission shall require the adoption and implementation of a customer outreach plan for each electrical corporation, including, but not limited to, such measures as notices in bills and through media outlets, for purposes of obtaining the maximum feasible public awareness of the crediting of greenhouse gas allowance revenues. Costs associated with the implementation of this plan are subject to recovery in rates pursuant to Section 454.

Pursuant to Pub. Util. Code Section 748.5 (b)(2), before the end of 2026, we are required to order the electric utilities to update their existing outreach plans to specifically state the amount of money saved and attribute those savings to Cap-and-Invest.

As previously directed in D.21-08-026, D.16-06-041, and Resolution E-4611, the utilities' Climate Credit outreach plans consist of on-bill (and bill-accompanying) communications, delivery of a Climate Credit letter from the Commission, media talking points and customer service call-in scripts, and other resources including web updates and social media activities. As part of the process for each Climate Credit distribution, utilities work with Energy Division to receive approval for specific wording and placement of messages.

6.1. Proposed Changes to Outreach Pursuant to Statute and in Support of Proposed Changes to the Climate Credit

Questions 9 and 10 of the Scoping Memo Phase 1A questions asked parties the following:

9. What outreach changes are possible for Phase 1A immediate affordability actions? Should the Commission require messaging delivered in 2026 to refer to the Cap-and-Invest Program?

10. What direction must the Commission give to ensure compliance with Pub. Util. Code Section 748.5 (b)(2), regarding updates to the customer outreach plan?
 - a. How should “the top of customer bills” be defined and implemented, in line with this code section? What billing limitations exist?
 - b. For customers who receive paper bills, do bill inserts placed on top of paper bills qualify? What placement complies for e-billed customers?
 - c. How can other outreach be aligned with these messages in line with the spirit of this code section?
 - d. What approval process should apply to these updates to outreach? What new authority, if any, should be delegated to Commission staff?

Parties addressed the above questions comprehensively. The large electric utilities state that their existing messaging and bill placement already satisfies the requirements in Pub. Util. Code Section 748.5 (b)(2) and that the Commission does not need to direct any changes; they say they can easily update outreach in 2026 to refer to Cap-and-Invest instead of Cap-and-Trade, and some have already done this.⁸⁴ However, they raise that further consideration in Phase 1B is warranted, that legal briefing may be needed on issues such as the definition of “top of bill,” and flag that some communications such as the Climate Credit letter from the Commission that accompanies bills is not on top of the physical

⁸⁴ SDG&E Phase 1A Comments at 7; PG&E Phase 1A Comments at 8; SCE Phase 1A Comments at 9, SMJU Phase 1A Comments at 6-7.

bill.⁸⁵ Southwest Gas and SoCalGas did not weigh in on Question 10, stating that this code section does not apply to the gas utilities.⁸⁶

Some parties including EDF provide a range of new suggested outreach activities and approaches, such as targeting specific customer groups; co-leveraging other affordability programs; and calculating and providing more data on bills about total amounts each customer has received from the credit over the years.⁸⁷ EDF also recommends separate off-bill communications be sent; we note that this is already the practice.⁸⁸

On the other hand, Cal Advocates says that we should not order new outreach in Phase 1A because existing practices suffice and there is little evidence more outreach will have immediate affordability impacts or significantly improve awareness, but also because Climate Credit outreach spending is funded by auction proceeds and therefore directly reduces customers' credits.⁸⁹ CforAT similarly urges outreach at this stage to be "limited and concise...and [to] focus on clearly communicating the timing of the Climate Credit."⁹⁰ Multiple parties argue that, because we are imminently considering broad changes to the Climate Credit in Phase 1B, we should not design and fund new outreach

⁸⁵ SCE Phase 1A Comments at 7.

⁸⁶ SoCalGas Phase 1A Comments at 6.

⁸⁷ EDF Phase 1A Comments at 7-8.

⁸⁸ EDF Phase 1A Comments at 10.

⁸⁹ Cal Advocates Phase 1A Comments at 10-11.

⁹⁰ CforAT Phase 1A Reply Comments at 2-3.

approaches now, but rather do so to support those forthcoming changes.⁹¹ SCE notes that the utilities already forecasted and budgeted their 2026 outreach spending in their ERRAs, and any overage would reduce the 2027 credits.⁹² The EJ Parties agree with CforAT that the utilities should update customer service scripts, even suggesting specific language to be included.⁹³

6.2. Discussion and Conclusions Regarding Outreach Issues

Our conclusions here continue to be guided by the purpose and scope of Phase 1A. As is required by statute, we find it necessary to direct the utilities to make specific updates to outreach, detailed below. Further legal briefing on some issues may be appropriate in future phases if clarification is needed to ensure continued compliance with Pub. Util. Code Section 748.5 (b)(2).

However, we are very reluctant to take any action in Phase 1A that could reduce the credit. In addition, the utilities are short on time, and it makes little sense to undertake new outreach now when further changes to the Climate Credit are imminent. While TURN and EDF's ideas are laudable, we agree with Cal Advocates, CforAT, and the EJ parties that for now we should only direct necessary information updates. As SDG&E notes: "The purpose of Phase 1A is to deliver timely affordability relief, not to redesign the [Climate Credit] communications framework."⁹⁴ We conclude that the utilities should not include

⁹¹ Cal Advocates Phase 1A Comments at 12; SCE Phase 1A Comments at 9-10.

⁹² SCE Phase 1A Comments at 8.

⁹³ EJ Parties Phase 1A Reply Comments at 7.

⁹⁴ SDG&E Phase 1A Reply Comments at 6.

additional outreach for the Climate Credit in their outreach plans at this time. We will consider in later phases how best to support affordability through targeted and effective outreach and awareness efforts.

We also take this opportunity to clarify that, although the gas Climate Credit may not be subject to Pub. Util. Code Section 748.5 (b)(2), we intend to extend these considerations to the gas utilities under our own authority.

In D.26-03-013 pausing the large electric utilities' distribution of residential credits, we directed those utilities to implement specific, limited customer outreach to help ensure customers understand that they would still receive their credit later this year. D.26-03-013 ordered PG&E, SCE, and SDG&E to "update Climate Credit messaging on their websites, customer service call-in scripts, and/or other electronic means as necessary, explaining that customers will still receive their electric Climate Credit later this year and that the State is taking action to reduce electricity bills when they are highest."⁹⁵

As concluded above, this Commission must provide direction to the electric utilities to update their outreach efforts pursuant to Pub. Util. Code Section 748.5 (b)(2). Under our general regulatory authority, we find it reasonable to extend this specific direction to the gas utilities as well, since their current outreach should be consistent. And, with the large electric utilities already implementing the specific updates required in D.26-03-013 we find it reasonable to require the other utilities to do the same.

⁹⁵ D---, Ordering Paragraph 3.

Therefore, the instant decision extends outreach direction to the SMJU and gas utilities, so that all electric and natural gas residential investor-owned utility customers in California have access to information regarding when they will receive their credit and that the state is taking action to reduce bills when they are at their highest. We reiterate that the utilities should not add new outreach activities or approaches to their outreach plans at this time, but rather should update their existing plans pursuant to this decision.

Therefore, this decision provides the following direction regarding outreach:

1. All the utilities shall update Climate Credit messaging on their websites, customer service call-in scripts, and/or other electronic means as necessary, explaining 1) when customers will receive their electric and/or gas Climate Credit and 2) that the State is taking action to reduce electricity and gas bills when they are highest.
2. All the utilities shall make accompanying updates as necessary to outreach plans for Climate Credit distributions 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.
3. All the utilities shall update their outreach plans to ensure that their existing Climate Credit media and outreach - websites, social media posts, customer service scripts, bill inserts, e-mail messages and other media as applicable - are updated accordingly and do not contain any messaging that is inconsistent with the credit timing directed in this decision, and to remove any outdated or inconsistent messaging. (For example, messaging shall not include

outdated information, such as references to Cap-and-Trade.)

We note that this decision does not modify or supersede the direction in D.16-06-041 and D.21-08-026; the utilities shall continue to consult with Energy Division to receive approval for Climate Credit outreach and messaging,

Finally, we find it reasonable to require the electric and gas utilities to provide a compliance report demonstrating their outreach activities and updates. Therefore, this decision directs the utilities to file and serve a report containing 1) an overview of their outreach plans and activities and how they have been updated and 2) visual examples of updated communications, including mockups of email messages, sample bills, and/or any other utility communications that include or refer to the Climate Credit by name. These reports will support parties' understanding of how updated messages will be communicated to customers.

7. Procedural Matters

It is reasonable to affirm all rulings by the assigned Commissioner and the assigned Administrative Law Judge and deem denied all motions not ruled on as of the date of this decision.

8. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding. As of March 18, 2026, one public comment was on the Docket Card for this proceeding. The comment

expresses support for the concept of moving the Climate Credit, but concern about the April 2026 credit being paused so close to its planned distribution.

9. Comments on Proposed Decision

The proposed decision of President John Reynolds in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on April 15, 2026 by PG&E, SCE, SDG&E, SoCalGas, TURN, CalCCA, EDF, and the EJ Parties. Reply comments were filed on April 20, 2026 by SCE, SDG&E, TURN, CalCCA, and the EJ Parties..

All the utilities, TURN, EDF, and the EJ Parties supported the proposed decision's adoption, with a number of minor changes and clarifications requested by these parties. CalCCA still does not support the overall concept and approach we are taking here, but recommends several changes if we move forward.

SDG&E asks us to clarify that the utilities have the flexibility in 2027 to provide only one distribution of the Climate Credit.⁹⁶ This is not our intent, and this decision does not provide that flexibility; the utilities shall provide the credit on the directed schedule. In response to comments, we clarified that the utilities shall provide two distinct Climate Credit distributions each year. For example, our direction to provide the credit in August and September means one credit in each month, not one credit in that two-month period.

PG&E identified several necessary clarifications that are addressed in the revised decision relating to the ERRRA process applicable to the large utilities'

⁹⁶ SDG&E PD Comments at 3.

remittance of funds for the Transmission Accelerator Revolving Fund. First, PG&E asks us to confirm that the ERRA *Compliance* application, not the ERRA *Forecast*, should be used for this process. PG&E notes that our intended venue is unclear because the revised Template D-1 is a part of the ERRA Forecast, but the proposed decision directed its use in ERRA Compliance.⁹⁷ SCE recommends we use the Forecast process instead, because “the Commission has long required SCE to forecast and reconcile Greenhouse Gas Revenue Balancing Account (GHGRBA) transactions in the ERRA *Forecast* Application.”⁹⁸

While in concept it makes sense for a compliance reporting matter to be included in ERRA Compliance, other realities prevail. The utilities already report on GHG revenue matters in their ERRA Forecast, not in ERRA Compliance. Even if this particular remittance reporting were done in ERRA Compliance, the utilities would still need to include the 5 percent forecast in their ERRA Forecast each year to calculate the Climate Credit and Industry Assistance Credits, which make up the other 95 percent of funds. It would not support transparency to split Transmission Accelerator Revolving Fund remittance reporting across two filings each year. We appreciate the utilities flagging this discrepancy, and the revised decision requires the utilities to report actual remittances in their ERRA Forecast Applications. It also clarifies that the Transmission Accelerator Revolving Fund remittances shall be forecasted each year in the ERRA Forecast (and the corollary ECAC/advice letter filings) *solely* for the purpose of calculating

⁹⁷ PG&E PD Comments at 2.

⁹⁸ SCE PD Comments at 3.

the Climate Credit and Industry Assistance Credit; actual remittances should be based on actual auction revenues.

Finally, PG&E requests clarification regarding whether the directed reporting for the Transmission Accelerator Revolving Fund “will be sufficient verification, or if the Commission is envisioning verification within the meaning of the Rules of Practice and Procedure.”⁹⁹ We clarify here that the processes directed in this decision will provide sufficient verification of the directed remittances, because under Rule 1.1 the utilities already submit signed statements verifying the information in the application, not only as part of ERRA Forecast applications but all other applications as well. A separate verification for the reporting required here is unnecessary.

SCE and SDG&E requested we “streamline” outreach requirements by relieving the utilities of the requirement to provide bill inserts in each Climate Credit billing cycle, arguing that an insert in September is unnecessary since their customers will have just received these communications with their August credit.¹⁰⁰ The revised decision does not make this change because, particularly under the enhanced awareness provisions of AB 1207, that second insert is an opportunity to improve public awareness of the credit.

EDF requested we require the outreach report to be presented to the Low Income Oversight Board (LIOB).¹⁰¹ The EJ Parties requested additional outreach

⁹⁹ PG&E PD Comments at 2-3.

¹⁰⁰ SDG&E PD Comments at 6, SCE PD Comments at 2.

¹⁰¹ EDF PD Comments at 4.

processes to inform and develop Climate Credit messaging, such as via working group or a workshop.¹⁰² CalCCA raises competitive neutrality and other clarity concerns raised by utility outreach, and requests that we require coordination with CCAs to “implement improved outreach practices.”¹⁰³ In response, SCE and SDG&E raise implementation timing concerns about new outreach requirements, and urged us to defer consideration of these ideas to Phase 1B.¹⁰⁴ We decline to require new, undefined processes to develop messaging for this year’s Climate Credit. This decision does not make any additional requirements relating to outreach messaging and processes for the reasons already described in Section 6.2. As always, the utilities are encouraged to coordinate and share information with the LIOB, the Disadvantaged Communities Advisory Group, and other key stakeholder groups.

CalCCA asserts in its opening comments that a recent PG&E customer email framed the Climate Credit as savings from PG&E.¹⁰⁵ We lack confirmation or detail regarding CalCCA’s assertion, but we agree that it would be misleading to characterize Climate Credit savings as resulting from utility action. This issue underscores the need for both the outreach compliance report as well as continued attention to competitively neutral messaging. We clarified the outreach report requirements to make clear that all utility communications that include or refer to the Climate Credit by name shall be included.

¹⁰² EJ Parties PD Comments at 3.

¹⁰³ CalCCA PD Comments at 6.

¹⁰⁴ SCE PD Reply Comments at 1-2, SDG&E PD Reply Comments at 2-3.

¹⁰⁵ CalCCA PD Comments at 6.

SoCalGas correctly identified several places in the discussion in Section 6.2 and Ordering Paragraph 4 where the gas utilities were omitted from several requirements. Revisions were made to include them.

10. Finally, other minor typographical corrections were made to the revised decision. Assignment of Proceeding

President John Reynolds is the assigned Commissioner and Maria Sotero is the assigned ALJ in this proceeding.

Findings of Fact

1. Electric bills and usage are higher for more utility customers in the summer and winter than in the spring and fall.
2. Moving the large utilities' electric residential Climate Credit to summer would align it with periods of highest average electric bills.
3. Customers of the SMJUs generally receive their highest electricity bills in winter.
4. The electric utilities can implement a timing change for the residential Climate Credit in 2026.
5. The only 2026 credit distributed by the SMJUs affected here is the one scheduled for October 2026.
6. Residential utility customers' gas bills are usually higher in winter than in spring or fall.
7. Moving the residential gas Climate Credit to February is likely to have immediate affordability impact benefits relative to the status quo.

8. Given that the proposed decision was issued at the end of March 2026 for consideration at the Commission's April 30, 2026 voting meeting, it is not possible to move the April 2026 gas credit.

9. Changes to Climate Credit eligibility would require full recalculation of the credits and novel billing approaches.

10. Climate Credit outreach spending is funded by auction proceeds and therefore directly reduces customers' credits.

Conclusions of Law

1. It is reasonable to direct the large electric utilities to distribute the residential electric Climate Credit in August and September beginning in 2026.

2. It is reasonable to direct the SMJUs to distribute the remaining 2026 residential electric Climate Credit in November 2026 instead of October 2026.

3. It is reasonable to direct the SMJUs to distribute the residential electric Climate Credit in October and November beginning in 2027.

4. It is reasonable to direct the gas utilities to distribute the residential gas Climate Credit in February beginning in 2027.

5. It is reasonable to direct the electric utilities to each annually remit to the California State Treasury five percent of the revenues, including any accrued interest, received as a result of the direct allocation of greenhouse gas allowances to each of these utilities from Cap-and-Invest Program auctions held between July 1, 2026 and July 1, 2031.

6. It is reasonable to direct the electric utilities to remit five percent of actual allowance revenues to the California State Treasury after each Cap-and-Invest

Program Auction within 15 days of final receipt of total allowance revenues from that auction.

7. It is reasonable to direct the electric utilities to work with Energy Division or the Commission's Executive Director for assistance, if needed, in coordinating with the California State Treasury to obtain wire transfer information or otherwise implement fund transfers.

8. It is reasonable to direct the electric utilities in their respective ERRA, ECAC, or AL filings that relate to allowance revenues to report on their remittances of allowance revenues to the California State Treasury.

9. It is reasonable to direct both the electric and gas utilities to update their existing outreach plans to ensure customers have access to information regarding when they will receive their credit.

10. It is reasonable to direct both the electric and gas utilities to update their outreach plans 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.

11. It is reasonable to direct both the electric and gas utilities to update their outreach plans to ensure that their existing Climate Credit media - websites, social media posts, customer service scripts, bill inserts, e-mail messages and other media as applicable - are updated accordingly and do not contain any messaging that is inconsistent with the credit timing directed in this decision, and to remove any outdated or inconsistent messaging.

12. It is reasonable to direct utilities to not include additional outreach for the Climate Credit in their outreach plans at this time.

13. It is reasonable to affirm all rulings by the assigned Commissioner and the assigned Administrative Law Judge and deem denied all motions not ruled on as of the date of this decision.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall distribute the residential electric Climate Credit, in two distinct distributions in August and September, beginning in 2026 and until otherwise directed. These utilities shall file Tier 1 Advice Letters within 30 days of the effective date of this decision updating their tariffs to conform with this order. If a utility determines that no changes to its tariffs are necessary to conform with this order, it shall serve a notice of this determination to the Energy Division within 30 days of the effective date of this decision.

2. Liberty Utilities (CalPeco Electric), LLC, Bear Valley Electric Service, Inc., and PacifiCorp shall distribute the residential electric Climate Credit in November 2026 instead of October 2026. Beginning in 2027 and until otherwise directed, these utilities shall distribute the residential electric Climate Credit in two distinct distributions in October and November. These utilities shall file Tier 1 Advice Letters within 30 days of the effective date of this decision updating their tariffs to conform with this order. If a utility determines that no changes to its tariffs are necessary to conform with this order, it shall serve a notice of this

determination to the Energy Division within 30 days of the effective date of this decision.

3. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southwest Gas Company shall distribute the residential gas Climate Credit in one distribution in February, beginning in 2027 and until otherwise directed. These utilities shall file Tier 1 Advice Letters within 30 days of the effective date of this decision updating their tariffs as necessary to conform with this order. If a utility determines that no changes to its tariffs are necessary to conform with this order, it shall serve a notice of this determination to the Energy Division within 30 days of the effective date of this decision.

4. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, Liberty Utilities (CalPeco Electric), LLC, Bear Valley Electric Service, Inc., PacifiCorp, Southern California Gas Company, and Southwest Gas Company shall update and report on their residential Climate Credit outreach plans pursuant to this ordering paragraph. The utilities shall:

- a. Update Climate Credit messaging on their websites, customer service call-in scripts, and/or other electronic means as necessary, explaining 1) when customers will receive their electric and/or gas Climate Credit and 2) that the State is taking action to reduce electricity and gas bills when they are highest.
- b. 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.
- c. Update their outreach plans to ensure that their existing Climate Credit media and outreach - websites, social media posts, customer service scripts, bill inserts, e-mail messages and other media as applicable - are updated accordingly and do not contain any messaging that is inconsistent with the credit timing directed in this decision, and to remove any outdated or inconsistent messaging.
 - d. Continue to work informally with Energy Division to receive approval for Climate Credit outreach messaging.
 - e. Within 90 days of the effective date of this decision, the utilities shall file and serve on this proceeding a compliance report containing 1) an overview of their outreach plans and activities and how they have been updated pursuant to this order, and 2) visual examples of updated communications, including mockups of email messages, sample bills, and/or any other utility communications that include or refer to the Climate Credit by name.
5. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, Liberty Utilities (CalPeco Electric), LLC, Bear Valley Electric Service, Inc., and PacifiCorp shall each remit to Treasury five percent of any allowance revenues received, including interest, from each Cap-and-Invest Program Auction within 15 days of final receipt of total allowance revenues from that auction. The five percent of the revenues, including any accrued interest, shall be calculated as 5 percent of revenues received as a result of the direct allocation of greenhouse gas allowances to each of these utilities pursuant to subdivision (b) of Section 95890 of Title 17 of the California Code of Regulations and proceeding from Cap-and-Invest Program auctions held

between July 1, 2026 and July 1, 2031. These remittances shall be designated as for deposit in the California Transmission Accelerator Revolving Fund. The utilities shall work with Energy Division or the Commission's Executive Director for assistance, if needed, in coordinating with State Treasury to obtain wire transfer information or otherwise implement fund transfers.

6. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, Liberty Utilities (CalPeco Electric), LLC, Bear Valley Electric Service, Inc., and PacifiCorp shall report on remittances provided to the State Treasury pursuant to this decision within their respective Energy Resource Recovery Account Forecast application, Energy Cost Adjustment Clause, or greenhouse gas Advice Letter filings. In these reports, the utilities shall do the following:

- a. Report details of total revenues received and remitted in the reporting period, and use Template D-1, Section 14, as updated in Ordering Paragraph 7, to show forecast and recorded revenues for the Transmission Accelerator Revolving Fund transfers.
- b. Include verification of each transfer in the reporting period, clearly designated as "Verification of Transmission Accelerator Revolving Fund Remittances pursuant to 748.5(d)(1) and D.26-04-xxx in R.25-07-013."
- c. Include in each report a summary of total funds transferred and funds encumbered to date. The utilities shall work with the State Treasury to obtain these latter details.

7. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, Liberty Utilities (CalPeco Electric), LLC, Bear Valley Electric Service, Inc., and PacifiCorp shall use the updated Template

D-1 contained in Appendix A to this decision within their respective annual Energy Resource Recovery Account Forecast application, Energy Cost Adjustment Clause, or greenhouse gas Advice Letter filing to report on remittances to the State Treasury as directed in Ordering Paragraph 6. Template D-1 of the utilities' Greenhouse Gas Revenue and Reconciliation Application Form is contained in Appendix A to this Decision and is updated in the following ways:

- a. Template D-1, Section 14 has been renamed "Total Allowance Revenue Approved for Programmatic Use."
- b. The instructions for Line 14 have been updated to read "Amount of revenue, if any, that the Commission has authorized in other proceedings for programmatic use. Utilities will enter programs separately in Lines 14a-c with additional lines as needed, which will sum on Line 14. For the Transmission Accelerator, the Forecast equals 5% of Line 5, Allowance Revenues."
- c. The instructions for Line 15 have been updated.

8. All rulings by the assigned Commissioner and the assigned Administrative Law Judge are affirmed. All motions not ruled on are denied.
9. Rulemaking 25-07-013 remains open.

This order is effective today.

Dated _____, at San Francisco, California.