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April 29, 2026 | Submitted electronically

Ms. Rajinder Sahota
Deputy Executive Officer
California Air Resources Board
1001 I Street
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RE: Comments on Proposed Amendments to the Cap-and-Invest Program

The Southern California Public Power Authority[1] ("SCPPA") appreciates the opportunity to provide feedback to the California Air Resources Board ("CARB") staff on the proposed amendments to the Cap-and-Invest Program (Program), posted April 14, 2026.

Background: POU Participation in the Cap-and-Invest Program

SCPPA Members are Publicly Owned Utilities ("POUs") that deliver reliable, affordable, and clean electricity to the communities they serve. The Program's design for POUs has enabled an effective cycle of reducing greenhouse gas ("GHG") emissions while reinvesting allowance value into programs that accelerate renewable and zero-carbon resources, and support customer electrification. Since the Program's launch in 2012, the electricity sector has achieved more than a 40 percent reduction in GHG emissions, far outpacing reductions in other major sectors, all while maintaining grid reliability and protecting ratepayers.[2] Because a well-designed Cap-and-Invest program is essential to sustaining this progress, SCPPA offers the following comments, focused on strengthening the program design so that customers, communities, and the climate continue to benefit from "POUs" leadership and investments.

SCPPA appreciates the opportunity to provide feedback on the proposed amendments and offers specific feedback, below.

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[1] SCPPA is a joint powers authority whose members include the cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, and Vernon, and the Imperial Irrigation District. SCPPA Members are local publicly owned electric utilities that serve nearly 2.3 million California homes and businesses over 9,000 square miles.
[2] For emissions as of 2023, based on CARB's most recent GHG inventory. https://ww2.arb.ca.gov/ghg-inventory-data

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Feedback on Proposed Amendments to Cap-and-Invest Program

Incorporating the "Effective RPS" in the Updated 2027-2030 EDU Allowance Allocation

SCPPA recognizes and sincerely appreciates that CARB responded to our request by incorporating the "effective RPS" in the "RPS factor applied to sales" element of the updated EDU allocation calculation. This revision directly addresses a core concern raised in SCPPA's March 9, 2026 comments,[3] where we requested that the RPS targets used in the EDU allocation calculation be revised to exclude the portion of RPS-eligible procurement that does not count as zero-emission electricity under CARB's Mandatory Reporting Regulation ("MRR"). By accounting for the fact that Portfolio Content Category ("PCC") 2 and PCC 3 RPS eligible products are not treated as zero-emission electricity in CARB's GHG reporting framework, the revised "RPS factor applied to sales" substantially improves the calculation of expected GHG emissions for allowance allocation purposes. This change mitigates the risk that POUs would receive materially fewer allowances than are needed to protect customers from Cap-and-Invest compliance costs based on the updated EDU allowance allocation presented in the 45-day draft regulations. The EDU allocation in the 15-day draft regulations better preserves the intended ratepayer protections and supports continued investment in renewable energy, energy efficiency, and electrification programs.

SCPPA has consistently emphasized that regulatory certainty is foundational to a well-functioning carbon market, particularly for POUs that must make long-term capital investments based on expected program parameters. The incorporation of the effective RPS into the updated 2027-2030 EDU allocation methodology represents a meaningful step toward restoring that certainty and honoring the expressed intent of AB 1207 to strengthen ratepayer protections and leverage the Cap-and-Invest program to support affordable decarbonization and electrification. We therefore wish to clearly state our support for, and appreciation of, CARB's decision to incorporate the "effective RPS" into the "RPS factor applied to sales". To maintain consistency, SCPPA further requests that CARB carry this methodology forward and apply the "effective RPS" framework for EDU allowance allocation beyond 2030, including the post-2030 period.

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[3] https://scs-public.s3-us-gov-west-1.amazonaws.com/env_production/oid377/did200184/pid_213315/assets/attachments/38072/j602ia5504a_document.pdf?v=10794

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Request to Preserve Allowances and Recognize Early Action Linked to Early Coal Retirement

At the same time, SCPPA reiterates that many POUs are making substantial investments in decarbonization. These investments were supported by, and in some cases relied upon, the fixed 2021-2030 EDU allowance allocation schedule adopted in 2017 and codified in Table 9-4 of the existing regulation. The 2017 Final Statement of Reasons (FSOR) explained that fixed EDU allocations for 2021-2030 were intentionally designed to create a durable incentive for early, voluntary GHG reductions, stating: "Given that EDU allowance allocation is based on cost burden, this is one of the reasons that ARB has opted to set fixed EDU allowance allocations for 2021-2030. Any changes that utilities make to reduce GHG emissions will reduce their GHG costs while not changing their allocations, thus resulting in a net benefit."[4] This policy commitment was central to POUs' decisions to accelerate investments in renewable and zero-carbon resources and to complete the transition away from coal ahead of the contract expiration date.

Collectively, SCPPA Members who are facing reductions in their allowance allocation stand to lose approximately $212 million in allowance value over the next four years,[5] with reductions mostly concentrated in 2027 and disproportionately impacting six SCPPA Members that were participants in the Intermountain Power Project ("IPP"). These six SCPPA Members elected to retire the two coal-fired generating units at Intermountain Generating Station 1.5 years early, resulting in significant GHG emissions reductions prior to the contract expiration date in June 2027. These decisions were made in good-faith reliance on the fixed 2021-2030 EDU allowance allocations and on CARB's explicit recognition that early emission reductions would be rewarded by not changing the allocations, thus enabling the EDU to sell allowances to help recoup project costs over time. To preserve the integrity of that policy commitment, SCPPA respectfully requests that CARB ensure these six SCPPA Members are made whole by providing a supplemental allowance allocation commensurate with this early retirement of the coal units. This early action supplemental allowance allocation can be calculated by entering the original 2027 megawatt-hours (MWh) from coal in cell B6 of "Attachment B: April 2026 2027-2030 EDU Allocation Calculations Spreadsheet,"[6] consistent with the coal-related MWh values that were originally

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[4] Page 39. August 2017 Final Statement of Reasons for "Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms. https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2016/capandtrade16/ctfinsor.pdf
[5] Estimate based on Appendix A-1 Proposed Regulation Order pages 235-238 and Appendix C SRIA page 46.
[6] https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2026/cap_invest/nc_att%20b_2027-2030%20edu%20allocation.xlsx

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accounted for in the Table 9-4 allocation. These entries would effectively restore the early action GHG allowances that have been proposed to be removed through the incorporation of updated S-2 generation information.

We offer this request in a constructive spirit, recognizing and commending the important progress embodied in applying the "Effective RPS" in the updated EDU allocation as part of the April 14 proposal, but also because we are invested in the success and effectiveness of the Cap-and-Invest program. Based on SCPPA Member's experience with the Cap-and-Invest program, regulatory stability is critical to ensure benefits of the program from both a climate and ratepayer affordability perspective. For the program to stimulate early GHG reduction investments, a POU must have confidence that their allocated allowances will not be subsequently reduced. If this rulemaking sets a precedent that allocated allowances are subject to future reductions, that could discourage early action out of concern that a subsequent claw back of allocated allowances would erase the financial benefit of early emission reductions that would help offset the cost burden of the investment to ratepayers. As such, in this current rulemaking, we urge CARB to protect electric ratepayers by preserving the allowances (and financial benefit) for POUs who took early action (retired coal units early) in good faith reliance on the incentive associated with the fixed 2021-2030 allocations in Table 9-4.

Natural Gas Supplier Allowance Transition to Support Customer Electrification

SCPPA appreciates that the revised draft regulations (15-day proposal) make meaningful progress toward implementing AB 1207's intent by accelerating the proposed transition of natural gas supplier (NGS) allocated allowances to electrical distribution utilities (EDUs) compared to the initial 45-day proposal. Advancing both the start date and the pace of the transition will help ensure that the affordability and electrification benefits envisioned under AB 1207 reach customers sooner, while still allowing POUs sufficient flexibility to integrate the new on-bill credit framework into existing accounting, billing, and reporting systems without undue administrative disruption.

Support Renewables Transition with post-2030 Allowance Allocation

SCPPA acknowledges that the current 15-day draft regulation removes the specific 2031-2035 EDU allowance allocation and indicates that CARB will address post-2030 EDU allocation in a future rulemaking, in part to allow additional time to further develop the allocation methodology with stakeholders. While we appreciate CARB's willingness to continue to engage stakeholders on methodology design, we reiterate that regulatory certainty is essential for POUs that must plan,

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finance, and procure long-lead-time and long-lived clean energy resources to achieve SB 100 and local clean energy targets.

Without a clear, durable framework for post-2030 allowance allocation, POUs cannot reliably incorporate projected allowance value into financial planning, procurement strategies, or long-term resource plans, increasing financial risk and potentially slowing the pace of grid decarbonization. Accordingly, SCPPA respectfully urges CARB, as it refines the post-2030 EDU allocation methodology to 1) explicitly prioritize regulatory stability and ratepayer protections as design criteria; 2) provide sufficient lead time and clear signaling so that POUs can integrate post-2030 allocation assumptions into their long-term planning; and 3) ensure that any future EDU allocation structure continues to support the renewables and zero-carbon transition without retroactively weakening incentives for early action or imposing cost burdens on customers.

Longer Compliance Period Timelines Support Investment Planning and Procurement

SCPPA reiterates the comments submitted March 9, 2026, regarding compliance period length, as this is unchanged in the revised draft. We continue to be concerned that shortened compliance periods would materially increase financial and operational risk for SCPPA Members and other regulated parties by reducing flexibility to manage market exposure and by heightening uncertainty associated with clean energy project development schedules, which are already subject to weather variability, hydrogeology, broader market dynamics, and permitting and construction delays beyond POU control. Shorter periods would also require SCPPA Members to access financing for quarterly joint auctions more frequently, increasing borrowing costs, financial exposure, and administrative burden for entities that often operate with limited staffing resources. By contrast, longer compliance periods provide critical market flexibility, allowing regulated entities to navigate unforeseen operational, financial, and environmental variables while continuing to make steady progress toward emissions reduction goals. Accordingly, SCPPA continues to recommend that compliance periods be no less than three years, and, if CARB determines that modifications are necessary, to strongly consider four-year instead of two-year compliance periods to preserve market stability and protect ratepayers.

Conclusion

SCPPA appreciates this opportunity to provide feedback and looks forward to working with CARB through implementation of the regulatory amendments and future rulemakings, including those related to post-2030 allowance allocation, to ensure that Cap-and-Invest remains a durable

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carbon market that drives progress toward the state's goals by maintaining market certainty and critical ratepayer protections.

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