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Submitted electronically

May 4, 2026

Lauren Sanchez
Chair, California Air Resources Board
1001 I Street
Sacramento, CA 95812

Re: *Northern California Power Agency Comments on 15-Day Changes*

Dear Chair Sanchez and Board Members:

The Northern California Power Agency (NCPA)[1] appreciates the opportunity to provide comments to the California Air Resources Board (CARB) on the 15-Day Changes to the Proposed Amendments to the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms, dated April 14, 2026.

NCPA and its member agencies[2] cannot overstate the importance of energy affordability as an essential element of the state's emissions reduction policies. Electricity affordability is a basic tenet of the state's climate policies and protecting electricity ratepayers from the rising costs of climate policies should be the basis of allowance allocation. We appreciate CARB's recognition of the importance of addressing ratepayer affordability and the proposed changes to modify the electrical distribution utility (EDU) allocation to align with the state's renewable portfolio standard (RPS) requirements. At the same time, we understand that some stakeholders believe that allowance value would better serve Californians if the proceeds from the sale of the allowances provide financial support for the greenhouse gas reduction fund (GGRF). We disagree with this assertion. Since Program inception, allowance allocation to electric utilities for the benefit of electricity customers has been the most direct and immediate

1 NCPA is a California Joint Action Agency, established under Government Code §6500, et seq. in 1968 by a consortium of locally owned electric utilities to make joint investments in energy resources that would ensure an affordable, reliable, and clean supply of electricity for customers in its member communities. NCPA members include municipalities, a rural electric cooperative, and other publicly owned entities for which the public agency provides such services as the purchase, aggregation, scheduling, and management of electrical energy. NCPA operates and maintains a fleet of power plants that is among the cleanest in the nation, providing reliable and affordable electricity to more than 700,000 Californians.

2 NCPA's members are the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, Shasta Lake, and Ukiah, Plumas-Sierra Rural Electric Cooperative, Port of Oakland, San Francisco Bay Area Rapid Transit (BART), and Truckee Donner Public Utility District.

way for CARB to benefit California consumers. That relationship has not changed and in today's environment is more important than ever. As more fully set forth herein, NCPA urges CARB to further modify the EDU allocation to account for capital investments in early actions made in reliance on the 2021-2030 EDU allocation CARB approved. These changes are absolutely necessary to protect all electricity ratepayers and help make electricity more affordable for California's residents and businesses.

CARB's Proposal to Modify the EDU Allocation to Better Account for and Align with the State's RPS Program is an Important Step Towards Greater Electricity Ratepayer Protection

NCPA fully supports and appreciates CARB's proposal to modify the EDU allocation proposed in the 45-Day Language to better account for RPS-eligible procurement that may incur a Cap-and-Invest Program compliance obligation. This is an important step in recognizing the direct link between the electric utilities' compliance costs and impacts on electricity rates. This change – referred to as the Effective RPS by the Joint Utility Group (JUG) and individual electrical distribution utilities – is essential in ensuring that electricity customers are afforded some protection from rising electricity rates due in part to the increasing costs of regulatory compliance. This RPS modification is an important step in the right direction, however, it is but one element of a comprehensive proposal that the electric utilities put forth to protect electricity ratepayers.

Failure to Recognize Capital Investments in Early Actions Throughout the 2021-2030 Allocation Period Undermines Regulatory Certainty and Increases Costs to Ratepayers

The proposal to incorporate the Effective RPS provides greater electricity ratepayer protection than the 45-day proposal, however, it still falls short of protecting all utility customers. The Effective RPS alone does not adequately address capital investments in early actions, nor recognize the utilities' actions in compliance with the express direction of CARB to invest in emissions reductions.[3] In comments on the Proposed Amendments, NCPA noted that "CARB must avoid any changes to the current electrical distribution utility allocation that would place upward pressure on electricity rates or otherwise adversely impact energy affordability."[4] Ensuring that the EDU allocation better aligns with the RPS program and accounts for RPS

3 *See:* Cap-and-Trade Program, 2011 Final Statement of Reasons (FSOR), p. 573-575 (emphasis added): "The EDU allocation "fairly apportions value to the electric distribution utilities in a way that compensates retail customers for their cost, providing transition assistance, while **maintaining a strong incentive for distribution utilities to make investments toward lowering their emissions profile**." *See also*: Cap-and-Trade Program, 2017 FSOR, p. 39 (emphasis added): "Staff supports utilities' taking voluntary action to reduce GHG emissions from electricity generation. 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. This incentive is inherent to the Cap-and-Trade Program and applies in all sectors that see costs from the Program."

4 https://www.ncpa.com/wp-content/uploads/2026/03/NCPA-Comments-Regarding-CARB-Cap-and-Invest-Proposed-Amendments-030926.pdf

procurement that may have a Cap-and-Invest program compliance obligation is essential to protecting electricity ratepayers. But alone, it is not enough.

To be clear, the proposal to utilize the Effective RPS provides more allowances to EDUs to meet their compliance obligations and therefore greater benefits to the electric customers. The Effective RPS, however, was part of a comprehensive utility recommendation that was intended to protect all EDUs and their customers from adverse impacts associated with extreme changes to the allocation in the middle of the 2021-2030 designated period. The Effective RPS alone does not protect ratepayers from utility reliance on the very direction provided by this Board to the POU and cooperative EDUs when approving the current vintage allowance allocation. CARB should, at a minimum, maintain the 2021-2030 vintage EDU allocation commitment that is part of the current regulations. Failure to do so penalizes those that took early action to reduce emissions and made financial commitments based on the Board approved EDU allocation. Furthermore, reductions to the allocation of allowances before the end of the 10-year period also disincentives future early actions a utility might take to proactively reduce carbon emissions. NCPA remains concerned that changes to previously-approved allowance allocations to the EDUs compromises and undermines regulatory certainty at a time when electric utility reliance on statewide regulations is increasingly important in light of extreme changs in federal policies.

While the changes to incorporate the Effective RPS are an important move in that direction, not also recognizing the capital investments in early action jeopardizes certainty in utility resource planning and penalizes the EDUs that invested in lowering their emissions profile.

NCPA supports the proposed changes to the EDU allocation that would accelerate the restriction and limit the eligibility to claim the RPS adjustment to Portfolio Content Category 0 RECs after December 31, 2026, instead of after December 31, 2030 in tandem with the proposed modification of the EDU allocation to "better account for RPS-eligible procurement that may incur a Cap-and-Invest Program compliance obligation."[5] It is important that this proposed change not be seen in isolation, however, and that changes to the RPS adjustment are part of the broader EDU allocation modifications.

The 15-Day Changes Appropriately Move Consideration of Post-2030 Allocations to a Future Rulemaking.

The 15-Day Changes would delete Section 95892(a)(2) and Table 9-4.[6] NCPA supports CARB's proposal to set the post-2030 EDU allocation in a future rulemaking. Doing so will allow stakeholders sufficient time to work with CARB on a methodology for post-2030 allocations that ensures the EDUs are able to continue to play a pivotal role in the state's GHG emissions reduction goals without unduly burdening electricity ratepayers or compromising energy reliability and affordability.

5 Notice of Public Availability for the 15-day changes, p. 8.
6 Notice of Public Availability for the 15-day changes, p. 23.

In setting the post-2030 allocation, NCPA urges CARB to keep in mind these two essential elements – affordability and reliability. CARB must also ensure that the final methodology reflects not only the "Effective RPS" that better aligns allocations with the state's RPS program – but also capital investments in early actions. NCPA urges CARB to begin meaningful discussions with stakeholders on this topic sooner, rather than later, in order to ensure that all impacted entities have sufficient time to plan for emissions reductions investments without unduly burdening their ratepayers

CONCLUSION

Incorporation of the Effective RPS set forth in the 15-Day Changes to the Proposed Amendments are an essential step in the right direction for EDU allocation and protection of electricity ratepayers, and substantially better than the allocation reductions proposed in the 45-day language. NCPA urges the Board to adopt those changes that would utilize the Effective RPS, but to also direct further revisions that acknowledge the importance of EDU reliance on the previous allocation approved by this Board for 2021-2030 in making capital investments in early actions to reduce greenhouse gas emissions.

NCPA appreciates CARB's thoughtful consideration of these comments and ongoing dialogue with stakeholders on these critically important matters. Please do not hesitate to contact the undersigned or Scott Tomashefsky at 916-781-4291 or scott.tomashefsky@ncpa.com if you have any questions regarding these comments.

Sincerely,

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Attorneys for the **Northern California Power Agency**