March 9, 2026

Rajinder Sahota
Deputy Executive Officer for Climate and Research
California Air Resources Board
1001 I Street – P.O. Box 2815
Sacramento, CA 95812

Subject: Natural Gas IOU Comments on the Proposed 2026 Amendments to the Cap-and-Invest Regulation

Dear Ms. Sahota:

These comments are submitted on behalf of investor-owned natural gas utilities (IOUs) known collectively as the Gas IOUs: Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E), Pacific Gas and Electric Company (PG&E), and Southwest Gas Corporation (SWG). We participate in the Cap-and-Invest Program (C&I Program) as natural gas suppliers (NGS) on behalf of our customers. The Gas IOUs appreciate the opportunity to provide comments on the California Air Resources Board's (CARB) Proposed 2026 Amendments to the C&I Program. These comments supplement those submitted by the Gas Utilities Group (Gas IOUs and POUs). The Gas IOUs agree with those comments but also provide comments that only directly impact IOUs.

The natural gas allowance transition authorized by AB 1207 must be well designed to mitigate negative impacts on customer affordability, especially for low-income customers. In addition to the extension of the C&I program to 2045, one of the new provisions in Assembly Bill 1207 (Irwin, Statutes of 2025) requires that CARB:

"Section 38562 (b)(1)(B)(i) Design the regulations, including distribution of emissions allowances ***where appropriate****, in a manner that transitions support from gas corporations to electrical distribution utilities, as defined in Section 95802 of Title 17 of the California Code of Regulations, on or before January 1, 2031, to minimize ratepayer impacts and achieve the requirements of Sections 38562.2 and 38566 and the purposes of this division."*

Based on data from the Energy Information Administration, California had approximately 11.43 million residential gas consumers[1] and 14.21 million residential electric consumers[2] in 2024. These figures indicate that approximately 80% of California households still

[1] https://www.eia.gov/dnav/ng/ng_cons_num_dcu_SCA_a.htm
[2] https://www.eia.gov/electricity/sales_revenue_price/

use gas appliances. Most of those customers are served by a gas IOU and receive a gas Climate Credit. This means that transitioning the gas allocation as proposed by CARB would result in a reduced climate credit from NGS allowance revenues to dual fuel customers. After the full transition of allowances from NGS to electric distribution utilities (EDUs), the resulting climate credit would be about 20% less than before the transition for dual fuel customers. This reduction would have greater impact on low-income customers because the climate credit offsets a larger portion of their annual natural gas energy bill.

AB 1207 also requires CARB to "**[e]nsure** that activities undertaken to comply with the regulations do not disproportionately impact low-income communities" in the updates to the C&I Program.[3] Approximately 30% of total IOU natural gas residential customers (the percentage varies by utility) are enrolled in CARE programs.[4] To comply with Health and Safety Code Section 38562(b)(2) and avoid disproportionately impacting low-income customers, we propose that CARB preserve a dedicated pool of allowances for NGS to support low-income customers by funding a climate credit for CARE-enrolled natural gas customers and/or low-income targeted decarbonization programs (as ultimately determined by the California Public Utilities Commission). This would help the customers least able to absorb cost increases to receive ongoing, targeted support as the system transitions over time.

Accordingly, we recommend revising Table 9-6A of the proposed regulation to reflect a gradual and balanced transition that protects low-income ratepayers. It would begin with no more than a 20% transfer of NGS allowances occurring no earlier than 2029, increase by no more than 10% each year, and cap at no more than 70% in 2034 and beyond, as reflected in Table A.

Table A. Suggested Revision to Proposed Table 9-6A, with Adjusted Annual Percentages

Table 9-6A: Annual Percentage of Investor-Owned Natural Gas Supplier Allocation Transitioned to Electrical Distribution Utilities for 2029 and Subsequent Years

Year	2029	2030	2031	2032	2033	2034	2035	2036	2037 and beyond
Percentage	20%	30%	40%	50%	60%	70%	70%	70%	70%

Under this approach, as the share of allowances transferred from NGSs to EDUs increases over time, only the portion of allowance revenues that would otherwise go to non-CARE natural gas customers is reduced. The pool of allowances reserved for CARE

[3] Health and Safety Code Section 38562(b)(2)
[4] Approximately 3.4 million customers of PG&E, SDG&E, SoCalGas, and Southwest Gas are enrolled in the CARE program out of 12.5 million customers.

customers or other income qualified programs,[5] and thus the climate credit for low-income ratepayers will remain intact. This structure directly aligns with the statutory requirement and preserves an ongoing source of funding for low-income customers.

We acknowledge that the design of the climate credit or other uses of the NGS allowance revenue for the Gas IOUs is ultimately decided by the California Public Utilities Commission. But CARB must establish guardrails in its regulation to ensure low-income customers are not disproportionately impacted.

The Gas IOUs note that California residents and businesses will adopt lower-carbon energy solutions at different rates. Low-income customers may face slower transitions away from natural gas due to a range of challenges that include high upfront costs for electric appliances, higher monthly operational costs, and difficulty accessing these appliances when needed. As more customers switch to electric appliances, the number of customers remaining on the gas system will decrease but the need for the gas system to support those customers will remain. The costs for operating the NG system will be borne by fewer customers.

Additionally, many low-income households reside in older, multi-family rental buildings, which often require costly or time-consuming electrical upgrades. A new or modestly larger electric climate credit will not help customers overcome those barriers. Accordingly, it will be important to maintain targeted financial support for customers that are slow to electrify.

The Gas IOUs appreciate CARB's efforts to complete the C&I Program rulemaking in a timely fashion, while still making progress on the new stipulations in AB 1207. We look forward to additional collaboration with CARB and other stakeholders to enable a well-designed, affordable, and effective C&I Program.

Sincerely,
The Natural Gas Investor-Owned Utilities

[5] Southwest Gas includes an additional program called Asset Limited, Income Constrained, Employed (ALICE). Customers participated in ALICE should also receive the same Climate Credit treatment as customers enrolled in CARE.