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March 9, 2026

Ms. Rajinder Sahota
Deputy Executive Officer, Climate Change & Research
California Air Resources Board
P.O. Box 2815
Sacramento, CA 95812

Submitted electronically

Dear Ms. Sahota:

Southern California Gas Company (SoCalGas) appreciates the opportunity to provide comments on the California Air Resources Board's (CARB's) Proposed Regulation Order[1] published January 13, 2026. The Cap-and-Invest Program (C&I Program) is a critical component to help reach California's decarbonization goals. We appreciate that CARB faces the complex task of implementing Assembly Bill (AB) 1207 (Irwin, 2025) and Senate Bill (SB) 840 (Limón, 2025), pursuing the 2045 targets set by AB 1279 (Muratsuchi, 2022), and balancing a wide array of stakeholder interests.

Our primary concern with the proposed regulation is the threat it poses to **affordability for natural gas ratepayers, particularly those from low-income households**. SoCalGas is not alone in this regard. On March 5, Assemblymember Anamarie Ávila Farías along with 15 other legislative colleagues submitted comments to CARB stating that "the transition should minimize ratepayer impacts across both electricity and natural gas and place a priority on protecting low-income households." They stressed their concern "that this proposed transfer, and any alternative proposal that would further expedite the transfer, will disproportionately impact low-income constituents who continue to rely on gas service."[2]

[1] CARB, "Proposed Regulation Order: Proposed Amendments to the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms" (hereinafter "Proposed Regulation"), January 13, 2026, posted January 20, 2026, https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2026/cap_invest/nc_app%20a-1.pdf

[2] Assemblymember Anamarie Ávila Farías et. al., Letter to CARB Chair Lauren Sanchez, "Cap-and-Invest Regulatory Implementation of AB 1207: Protecting Electric and Natural Gas Utility Ratepayers," March 5, 2026, https://scs-public.s3-us-gov-west1.amazonaws.com/env_production/oid377/did200184/pid_213315/assets/merged/i00fii8ev33_document.pdf?v=

Natural gas remains an affordable energy source supported by a reliable, efficient, and cost-effective delivery system. The value of natural gas is critical to today's energy system reliability and will continue to be necessary as California decarbonizes. Lower-income Californians benefit from access to safe, reliable, and resilient affordable energy and are more likely to remain on the gas system due to the substantial upfront and ongoing costs associated with electrification, among other considerations.[3] Unfortunately, the proposed regulation would undermine affordability and increase costs for all ratepayers, especially those who rely on essential natural gas service. Even ratepayers that receive the additional electric California Climate Credit (Climate Credit) because of proposed allowance transfers will receive less overall credit than they do currently. Our comments outline these impacts and offer recommendations designed to protect all Californians, with a particular focus on minimizing disproportionate impacts on low-income customers. Natural gas suppliers (NGS) should retain a portion of emissions allowances to provide a Climate Credit for California Alternate Rates for Energy (CARE) program customers.

I. Proposed changes would increase costs for natural gas ratepayers.

The proposed regulation revises the allocation of allowances to investor-owned utility (IOU) Natural Gas Suppliers (NGS)[4] for 2029–2037 to implement AB 1207, which requires CARB to design regulations that, **where appropriate**, transition allocated allowances from NGS to electric distribution utilities (EDU) by 2031. We appreciate that CARB's proposal begins this transition in the 2029 budget year. But the shift proposed by CARB from NGS to EDUs would reduce the Climate Credit available to all dual-fuel households[5] that currently benefit from NGS allowance revenues and disproportionately increase overall (natural gas and electricity combined) utility costs for low-income dual fuel households.

There are more electric residential customers than natural gas residential customers in California (about 14.2 million[6] and 11.4 million[7], respectively). Spreading the same allowance value across more customers reduces the overall Climate Credit funded by NGS' revenues, ultimately resulting

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39935, accessed March 6, 2026, at CARB, Proposed Regulation, Public Comments Received, https://carb.commentinput.com/comment/extra?id=pNeRj64MA.

[3] Garibay-Rodriguez, J., Edwards, M.R., Fink, A.F. *et al.* Effects of uncoordinated electrification on energy burdens for natural gas customers. *Sci Rep* 15, 27337, 2025, https://doi.org/10.1038/s41598-025-09543-5; Ari Gold-Parker, et al., "How targeted electrification can support a managed transition for the gas system," *Utility Dive*, March 15, California Energy Commission (CEC), "The Challenge of Retail Gas in California's Low Carbon Future," April 2020, https://www.energy.ca.gov/sites/default/files/2021-06/CEC-500-2019-055-F.pdf

[4] CARB allocates allowances to NGS, which include both IOUs and publicly owned utilities (POUs). These allowances only partially cover the passthrough compliance costs of the Cap-and-Invest program to natural gas utility ratepayers through the residential California Climate Credit and programs that reduce GHG emissions or ratepayer costs. NGS receive allowances from the State that can be used for compliance (lowering the overall pass-through compliance costs to all core customers) and can be consigned for auction. Most of the revenues from the auction are then distributed back to residential natural gas customers in the form of the Climate Credit, which is currently delivered to customers as a deduction off their bill each April.

[5] Dual-fuel customers are those that utilize both natural gas and electricity for their residential energy needs.

[6] Energy Information Administration (EIA), Summary Table T1: "2024 Total Electric Industry—Customers," Electric Sales, Revenue, and Average Price, released October 7, 2025, https://www.eia.gov/electricity/sales_revenue_price/pdf/table_1.pdf

[7] EIA, Table: "Number of Natural Gas Consumers," California Annual Data for 2024, released February 6, 2026, https://www.eia.gov/dnav/ng/ng_cons_num_dcu_SCA_a.htm

in increased energy costs for dual-fuel customers. As proposed, shifting NGS allowance revenues to EDUs would increase total energy bills for natural gas customers. Even with a higher electric Climate Credit, **these households would receive about 20% less in total Climate Credit than they do today when the credit is delivered on their natural gas bill.**

The following example illustrates the effect of transferring NGS' allowances worth $1 billion in revenues on dual-fuel residents in 2035. Under a business-as-usual (BAU) case in which NGS retain all their allowances, households would receive an estimated $87.50 Climate Credit from NGS' revenues. Under the proposed regulation's 80 percent reallocation of NGS' allowances to EDUs, this allocation would be distributed in part by the NGS and in part by the receiving EDU, collectively reducing the amount to $73.77 per household. Under a 100 percent NGS to EDU allowance transfer, households would receive only $70.43.[8]

Scenario	Treatment of NGS Allowances	Total Climate Credit per Household
Business as Usual	NGS retains 100% of allowances	$87.50
Proposed Regulation	80% of NGS allowances reallocated to EDUs	$73.77
Full Transfer	100% of NGS allowances transferred to EDUs	$70.43

The legislature provided statutory language giving flexibility to CARB to implement the legislation in a manner that does not disproportionately impact low-income communities. While AB 1207 authorizes CARB to design regulations that include the transfer of NGS allowances to EDUs "where appropriate,"[9] it does not require the transfer of all allowances. The transition outlined in CARB's proposal and discussed at the Joint Legislative Committee on Climate Change Policies[10] would negatively impact affordability for approximately 80 percent of California households[11] by reducing the amount of Climate Credit they receive from NGS revenues.

Since the C&I Program's inception, the Climate Credit has substantially offset residential compliance costs. Accelerating the transition of allowances in the 2030s could coincide with a period when Californians continue facing rising energy costs. Public sentiment reflects these affordability pressures. A December 2025 Public Policy Institute of California survey found that

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[8] $1 billion in revenue divided evenly among 11.4 million customers is about $87.50 and $1 billion in revenue divided evenly among 14.2 million customers is about $70.43.
[9] See Section II of SoCalGas comments below for statutory language of the transfer of allowances.
[10] Joint Legislative Committee on Climate Change Policies, "Reauthorized and Renamed: California's Cap-and-Invest Program," February 23, 2026, https://climatechangepolicies.legislature.ca.gov/hearings/hearing-materials.
[11] Assuming all California residential households are electric customers, but not all California residential households are natural gas customers, 11.4 million natural gas customers divided by 14.2 million electric customers equals about 80% of electric customers being also gas customers (i.e., dual-fuel customers).

Californians identify "cost of living, the economy, and inflation" as the state's most important issue, 23 points higher than the second ranked issue of housing affordability.[12] Similarly, a late 2025 FM3 survey reported that 81% of California voters view the cost of energy—including electricity, gasoline, and natural gas—as an extremely/very serious problem (up from 63% in March 2021). FM3 also found that only 25% of voters said they would be willing to pay 20% more on energy bills to expand renewable energy use and address climate change.[13] These concerns are likely to become increasingly salient. Rate increases directly resulting from the C&I Program compliance cost could make the Program politically vulnerable, as rising program compliance costs will be passed through across the board, and residential customers would no longer be receiving the important protections offered via the natural gas Climate Credit. The proposed regulations will benefit from careful and informed navigation of these public affordability concerns by integrating the recommended changes herein.

II. AB 1207 requires CARB to protect, and not to disproportionately impact, low-income ratepayers.

AB 1207 requires CARB to design regulations, on or before January 1, 2031, that distribute "emissions allowances **where appropriate,**" in a manner that transitions support from gas corporations to electrical distribution utilities.[14] The qualifier "where appropriate" is significant. While the statute requires CARB to "consider" factors such as cost-effectiveness, affordability, and societal benefits, it requires CARB to "**[e]nsure** that activities undertaken to comply with the **regulations do not disproportionately impact low-income communities**."[15] As such, CARB must design the distribution of emissions allowances that shifts support to EDUs in a manner that does not impose disproportionate impacts on low-income communities. If transferring allowances to EDUs creates disproportionate impacts to low-income communities, as is the case with transferring any NGS allowances unless ratepayer protections are in place, then CARB shall not design or implement regulations that require such a transfer as it would be contrary to AB 1207 and the public interest.

CARB's current proposal to transfer NGS allowances to EDUs would subsidize all-electric existing customers (those with housing units originally built all-electric or of means to electrify) through the Climate Credit to the detriment of dual-fuel existing customers. Moreover, it would result in disproportionate harm to low-income communities. One clear proxy to identify lower-income gas ratepayers is participation in the CARE program. CARE customers—who qualify based on income status—receive a 20% discount on their natural gas bills but receive the same Climate Credit as non-CARE customers. The following example illustrates the impacts of CARB's proposed Climate Credit changes on non-CARE and CARE customers.

Assuming a dual-fuel non-CARE natural gas customer's annual bill in 2035 is $500, under the current regulations, the non-CARE customer would receive a Climate Credit of $87.50 from their natural gas utility for a total annual bill of $412.50. Under CARB's proposal, in 2035 the non-

[12] Public Policy Institute of California, "PPIC Statewide Survey: Californians and Their Government," December 2025, https://www.ppic.org/publication/ppic-statewide-survey-californians-and-their-government-december-2025/
[13] FM 3 Research, "California Voter Attitudes Toward Statewide Policy Issues," December 2025.
[14] California Health and Safety Code §38562(b)(1)(B)(i) (2025) (emphasis added).
[15] California Health and Safety Code §38562(b)(2) (2025) (emphasis added).

CARE customer would receive a Climate Credit from their natural gas utility of $17.50. If 100% of allowances are transferred, that non-CARE customer would not receive a Climate Credit from their natural gas utility. The total annual natural gas bills' impact on the non-CARE customer in 2035 would then rise from the current-policy level of $412.50 to $482.50 under CARB's proposal and $500 under a total transfer of allowances; **a bill increase of 17 and 21 percent, respectively**.

Illustrative Impact on Non-CARE Dual-Fuel Natural Gas Customer (2035)

(Assumes $500 annual natural gas bill before Climate Credit)

Scenario	Climate Credit from Gas Utility	Net Annual Gas Bill	Bill Increase from Current Policy
Business as Usual	$87.50	**$412.50**	—
Proposed Regulation	$17.50	**$482.50**	+ 17%
100% Allowance Transfer	$0.00	**$500.00**	+21%

As shown above, CARB's proposal increases natural gas bills for non-CARE dual-fuel households, even before considering impacts on electric bills.

Now assume a dual-fuel CARE customer uses the same amount of natural gas. With the 20 percent discount, their annual bill would be $400 in 2035. Under the same calculations for the non-CARE customer (since they receive the same Climate Credit amount), the resulting total annual natural gas bill would be $312.50 under the existing regulation, $382.50 under the CARB proposal, and $400 under a complete transfer of allowances. **The bill increase for CARE customers for the proposed regulations and total transfer scenario would be 22 and 28 percent, respectively.** Therefore, the transfer of allowances, as proposed, has greater negative impact on CARE customers than on non-CARE customers.

Illustrative Impact on CARE Dual-Fuel Natural Gas Customer (2035)

(Assumes same usage as non-CARE customer and a 20% CARE discount; $400 annual bill before Climate Credit)

Scenario	Climate Credit from Gas Utility	Net Annual Gas Bill	Bill Increase from Current Policy
Business as Usual	$87.50	**$312.50**	—
Proposed Regulation	$17.50	**$382.50**	+ 22%

100% Allowance Transfer	$0.00	**$400.00**	+28%

As shown above, the proposed transfer of allowances has a greater negative impact on CARE customers than on non-CARE customers.

This comparison shows that CARE customers with the lowest incomes and highest vulnerability experience **larger percentage increases** in their natural gas bill than non-CARE customers under both CARB's proposed regulation and a full allowance transfer scenario. This result does not comport with AB 1207 language requiring regulations not to disproportionately impact low-income communities.

III. NGS should retain at least 30% of allowances to benefit CARE ratepayers.

Approximately 30 percent of IOU natural gas residential customers (the percentage varies by utility) are enrolled in CARE programs. To comply with Health and Safety Code section 38562(b)(2) mandate for CARB to ensure that activities taken to comply with its regulations do not disproportionately impact low-income customers, we propose that CARB preserve a dedicated pool of allowances for NGS to fund a Climate Credit for CARE-enrolled natural gas customers. This would help the customers least able to absorb cost increases to continue receiving a stable and predictable bill offset as the system transitions over time. In the historical context of the Cap-and-Trade (now Cap-and-Invest) Program, several parties supported providing allowance allocations to NGSs to protect ratepayers in a manner similar to the protections afforded to electric ratepayers. These parties cited specific support for the role of consigned allowances in providing equity and low-income ratepayer protections.[16]

Building on this perspective, we recommend revising Table 9-6A of the proposed regulation to reflect a gradual and balanced transition that protects low-income ratepayers. Specifically, beginning with no more than a 20 percent transfer of NGS allowances occurring no earlier than in 2029, increasing the transfer of allowances by no more than 10 percent each year, and capping the transfer at no more than 70 percent in 2034 and beyond, as reflected in Table A. 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 over time. The pool of allowances reserved for CARE customers, and thus the Climate Credit for low-income ratepayers, who are more likely to remain on the gas system will remain intact. This structure aligns with the statutory requirements, prioritizes affordability, and preserves a stable source of Climate Credit funding.

[16] CARB's 2013 *Final Statement of Reasons*, starting at page 58, summarizes comments provided by parties including the Greenlining Institute, Natural Resources Defense Council, and Environmental Defense Fund, among others.

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%

Table B shows how the Climate Credit would shift under each proposal.[17] Because allowance transfers do not begin until 2029, customers would see no reduction in their Climate Credit in 2027. Under CARB's proposal, CARE customers would receive approximately **$6 less per year** on average in Climate Credit funding from NGS allowance revenues—and **$12 less per year if 100%** of NGS allowances are transferred. In contrast, the **30% CARE proposal increases support**, providing CARE customers with an estimated **$34 more per year** on average. Table B assumes an allowance price annually from CARB's Standardized Regulatory Impact Assessment (SRIA),[18] which assumes an average of the floor price and the tier 1 Allowance Price Containment Reserve Account (APCR) price and uses real dollars (excluding inflation).

Table B: Difference from Business as Usual of Total Annual NGS Allowance Revenue Climate Credit Provided to a Typical Dual-Fuel CARE Customer, Selected Years and 2027-2035 Averages, by Scenario

	2027	2031	2035	Avg (2027-2035)
CARB Proposal	$0	($8)	($11)	($6)
30% CARE	$0	$47	$50	$34
100% transfer by 2031	$0	($20)	($14)	($12)

The modified design proposal, reflected under the 30 percent CARE scenario, protects dual-fuel low-income customers from the negative impacts that would otherwise result from CARB's proposed regulation. As shown in the earlier bill impact analysis, low-income customers under the CARE program can retain a significantly larger Climate Credit under this proposal than they would under business as usual, CARB's proposed regulation, or an expedited transfer of all allowances.

[17] BAU assumes no transfer of allowances, the CARB Proposal assumes a 20 percent transfer of allowances to EDUs beginning in 2029 and increasing by 10 percent per year, the "30% CARE" example keeps 30 percent of the allocated allowances for NGS CARE customers every year starting in 2029, and the "100 percent transfer by 2031" assumes 33 percent transfer of allowances to EDUs beginning in 2028, 67 percent transfer in 2029, and 100 percent transfer in 2030.

[18] CARB, Cap-and-Trade Program Standardized Regulatory Impact Assessment (SRIA), released April 9, 2024, https://ww2.arb.ca.gov/sites/default/files/2024-04/nc-Cap-and-Trade_SRIA2024.pdf

IV. Any allowances transferred to electric public utilities should directly and immediately benefit ratepayers.

Investor-owned utilities (IOUs) have administered the Climate Credit for many years and already maintain the billing and delivery systems necessary to distribute this credit. In contrast, electric publicly owned utilities (POUs) slated to receive NGS allowance revenues under AB 1207 may need to develop a system (e.g., administration and billing processes) to deliver the California Climate Credit to their customers. Because AB 1207 is intended to benefit customers directly, NGS allowances transferred to electric POUs should be used exclusively to fund Climate Credits for ratepayers, not to cover administrative costs associated with setting up or running the Climate Credit disbursement. Electric IOUs have already developed the Climate Credit billing infrastructure and any modification due to transfer of NGS revenues should result in de minimis administrative costs. Directing NGS allowance revenues to cover electric POU administrative costs would unnecessarily diminish the Climate Credit value available for customers. Furthermore, no transfer of NGS allowance revenues to POUs should occur until their Climate Credit process is fully implemented, so that dual-fuel customers do not have period(s) in which they receive no (or greatly reduced) Climate Credits.

V. The proposed regulation introduces clarifications on biomethane policy. Two additional clarifications would also be beneficial.

Among the proposed changes to biomethane policy, three improvements are particularly notable. First, the proposed regulation updates the regulation to consistently exempt CO_2 process emissions from biomass-derived fuels.[19] This adjustment treats all biomethane-origin CO_2 consistently, regardless of whether it derives from a chemical reaction or combustion. This exemption removes a significant barrier in the conversion of biomethane to hydrogen and provides important regulatory support for SB 1440 implementation and gasification projects. Second, the proposed regulation clarifies that the three-year eligibility period for biomethane is defined as "the 36 months immediately before the first date of fuel delivery under contract."[20] This clarification provides needed regulatory certainty for project planning, which is critical for project financing, reduces potential for disputes about the appropriate measurement windows, and simplifies the accounting associated with incremental capacity cost calculations. Third, the proposed rule expands the definition of "useful energy transfer" to include "useful output," which encompasses both energy transfer and the use of biomethane as a chemical product feedstock.[21] This change promotes the development of biomethane-to-hydrogen markets, opens opportunities for chemical manufacturing applications, such as ammonia and methanol production, strengthens support for SB 1440 gasification and pyrolysis initiatives, and provides important pathways for dairy digester operators.

Two additional clarifications would support the deployment of biomethane. The proposed regulation places new restrictions on how NGS can use allowance consignment revenue by eliminating uses for "Other GHG Emission Reduction Activities."[22] Such restrictions should only

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[19] CARB, Proposed Regulation, p. 128.
[20] *Id.*, p. 127.
[21] *Id.*, p. 49.
[22] *Id.*, p. 245.

apply to any revenue implementation at some future date, such that funds already set aside for biomass and renewable natural gas projects can still be deployed. Senate Bill 1440 requires the CPUC to consider adopting biomethane targets for utilities.[23] In 2022, the CPUC approved biomethane procurement targets for utilities' both short-term and medium-term goals, including a total annual procurement target of 72.8 billion cubic feet of biomethane by 2030, equating to approximately 12% of the gas used by residences and small businesses in 2020.[24,25] In addition, CPUC Decision 22-02-025 required the IOUs to set aside $40 million from their 2022 Cap-and-Trade Program allowance auction proceeds to potentially fund woody biomass pilot projects.[26] Both SoCalGas and PG&E were required to file an application with the CPUC proposing at least one woody biomass pilot project focused on conversion of woody biomass into biomethane. SoCalGas' application with the CPUC proposing to convert woody biomass agricultural residue into biomethane, offering estimated reductions in both greenhouse gas emissions and local air pollutants, is currently under review in the CPUC's rulemaking process. A proposed decision from the CPUC is expected in late 2026 or early 2027. Any Cap-and-Invest allowance proceeds are to be returned to ratepayers in the Climate Credit by December 31, 2032 pursuant to Cap-and-Trade Regulation Section 95893(d)(8).[27] The new statutory language should apply only to future consignment revenues. We suggest that CARB add the following[28]:

"Nothing in this section should be construed to impact a natural gas supplier's ability to implement previously approved uses of proceeds, provided those uses were deemed eligible based on the regulations in place at that time."

This clarification would also be appropriate to include in the Final Statement of Reasons.

Adding language to Section 95852.2 Emissions Without a Compliance Obligation would clarify biomethane eligibility. Section 95852.2(a)(1)-(5) as amended by the proposed regulation appears to pertain to use of solid fuel biomass energy.[29] However, if any of these feedstocks are converted into biomethane, they should be eligible for the exemption of emissions under this section. Section 95852.2(a)(7)(A) as proposed includes biomethane and biogas from "[a]ll animal waste, plant waste, and other organic waste," which implies that the waste resources identified in Section 95852.2(a)(1)-(5) would also comply as "plant waste" and/or "other organic waste." The regulatory language should clarify this by adding the following to proposed section 95852.2(a)(7):

"(C) *Feedstocks eligible in Section 95852.2(a)(1)-(5)*."

VI. The proposal to redirect NGS allowance revenues to fund electric substitutes for natural gas should be revised to ensure that those revenues are returned to natural gas ratepayers and support investment in clean fuels.

[23] Public Utilities Code, Division 1, Part 1, Chapter 3, Article 10, Section 650, Section 1-2.
[24] CPUC, D-22-025: "Decision Implementing Senate Bill 1440 Biomethane Procurement Program," Rulemaking 13-02-008, February 22, 2022, https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M454/K335/454335009.PDF.
[25] On March 6, 2025, the CPUC issued a Proposed Decision authorizing a procurement target of 36.4 million cubic feet. CPUC, "Decision Implementing Changes to the Renewable Gas Standard Program and Modifying Renewable Gas Procurement Plans," https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M601/K846/601846485.PDF
[26] *Id*, p. 68
[27] *Id.,* p. 70
[28] CARB, Proposed Regulation, p. 243-245.
[29] *Id*., p. 128-130.

In the section of the proposed regulation that outlines how NGS allowance auction revenues can be deployed, a provision has been added to allow "Incentives or direct installation of equipment that substitutes electricity for natural gas or other fossil fuels."[30] While electrification of end use appliances is part of California's climate strategy, it should not be subsidized by gas ratepayers or benefits intended to be distributed to gas ratepayers. This type of incentive program primarily benefits those individuals that have the ability or can afford to electrify their homes/major appliances while depleting funds intended to benefit all gas ratepayers. The program would result in a cost shift similar to the Net Energy Metering program,[31] which has benefited higher income individuals and shifted costs to lower income (non-participating solar customers) individuals. Moreover, such expansive cross-subsidization language fails to minimize ratepayer impacts as required by AB 1207.

NGS allowances are designed to protect ratepayers, either by reducing compliance costs or by returning auction revenues directly to impacted communities through the Climate Credit, or through decarbonizing the natural gas system. The 2022 Scoping Plan supported clean fuels investments. These included biomethane procurement targets for IOUs as specified in SB 1440 and blending hydrogen into natural gas pipelines, ramping up linearly from 0 percent in 2030 to 7 percent energy (~20% by volume) in 2040 and staying constant at 7 percent energy through 2050.[32] Aligned with these goals, SoCalGas recommends the following change to Section 95893(3)(A)(1):

"Incentives ~~or direct installation of equipment~~ that substitutes clean fuels like renewable natural gas or renewable hydrogen ~~electricity~~ for natural gas or other fossil fuels."

Thank you for your consideration of these comments. SoCalGas looks forward to continued engagement regarding this important regulation.

Sincerely,

/s/ Kevin Barker

Kevin Barker
Senior Manager
Energy and Environmental Policy

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30 *Id*., p. 245.

31 The net energy metering or solar cost shift refers to the transfer of grid maintenance costs from solar to non-solar customers that occurs when utilities credit rooftop solar owners for the power they send back to the grid. According to the CPUC, the shift accounts for 12 to 19 percent of IOU non-solar customer bills. CPCU, "2025 Senate Bill 695 Report," September 2025, https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2025/2025-sb-695-report_093025.pdf

32 CARB, "2022 Scoping Plan for Achieving Carbon Neutrality," p. 215; CARB, Scoping Plan Appendix H, AB 32 GHG Inventory Sector Modeling, p. 36.