LONG BEACH Utilities
Water · Gas · Sewer

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March 9, 2026

Ms. Lauren Sanchez
Chair, California Air Resources Board
1001 I Street – P.O. Box 2815
Sacramento, California 95812

RE: Comment Letter – Proposed Amendments to the Regulation for the California Cap-and-Invest Program

Dear Chair Sanchez and Board Members:

Long Beach Utilities appreciates the opportunity to provide comments on the proposed amendments to California's Cap-and-Invest regulations. We also thank CARB staff for engaging with Long Beach Utilities to discuss the proposed amendments.

Long Beach Utilities supports continuation of a declining, economy-wide greenhouse gas (GHG) emissions cap, cost-containment mechanisms that promote market stability, and the strategic deployment of allowance value to achieve measurable emissions reductions. These principles align with the City of Long Beach Climate Action Plan (LB CAP), which emphasizes sustained emissions reductions, reduced fossil fuel dependence through conservation and efficiency, and climate strategies that facilitate energy affordability and equity.

Electrification is a component of the LB CAP and continues to be pursued for new development, subject to existing legal and practical constraints, including *CRA v. Berkeley*,[1] Assembly Bill (AB) 170,[2] and the availability of green power. Electrification currently applies to residential developments with 50 or more units, all affordable housing projects, and certain discretionary approvals. Electrification for smaller projects, such as accessory dwelling units, is encouraged but is not required.

Despite these policies, a substantial portion of Long Beach's building stock and customer base will continue to rely on natural gas for the foreseeable future. Long Beach Utilities therefore remains committed to providing safe, reliable, and reasonably priced natural gas service while supporting the broader transition toward lower-carbon energy systems. Ensuring that customers who cannot feasibly electrify their energy usage retain access to essential utility services remains a central priority.

Allowance Allocation to Natural Gas Suppliers Supports Customer Benefits and Emissions Reductions

[1] California Restaurant Association v. City of Berkeley, 89 F.4th 1094 (9th Cir. 2024).
[2] Assembly Bill No. 170 (2023–2024 Reg. Sess.), Chapter 51, Statutes of 2024.

The allocation of allowances to natural gas suppliers is a critical element of the Cap-and-Invest Program and directly benefits retail customers. Long Beach Utilities supports continued allocation of allowances to publicly owned natural gas suppliers for the benefit of their remaining customers.

Section 95893 of the Proposed Regulation Order defines "allocated allowance value" for electrical distribution utilities and natural gas suppliers and establishes requirements for its use. As defined, allocated allowance value includes the value of allowances deposited for compliance, proceeds obtained from the monetization of directly allocated allowances, and any accrued interest.

The regulation requires that allocated allowance value be used for the primary benefit of retail ratepayers and in a manner consistent with the goals of AB 32. The regulatory framework is intentionally outcome-oriented: it requires that expenditures provide greenhouse gas emission reductions within California while protecting ratepayers, but it does not prescribe a single technological pathway.

Program Performance and Demonstrated Results

Long Beach Utilities has used the value of allocated allowances to fund energy efficiency building upgrades, whole-home efficiency assessments, and the replacement of inefficient appliances, particularly in older housing stock. These investments have produced measurable results.

To date, allowance-funded programs have reduced emissions by approximately 46,101 metric tons of CO_2, with total program expenditures of $19.24 million, resulting in an average reduction cost of approximately $417 per metric ton. See Attachment A.

One example is the Direct Install Appliances (DIA) Program, launched in October 2024. The DIA Program provides residential customers with free installation of efficient natural gas and water devices in single-family and multifamily properties. Long Beach Utilities allocated approximately $4.4 million in Cap-and-Invest funds to support this program.

Between October 2024 and February 2026:

- More than 1,130 customer properties were served
- Over 3,100 efficient devices were installed
- Annual energy savings of approximately 32,500 therms were achieved

Assuming a conservative 10-year device lifespan, these installations are projected to reduce emissions by 17,250 metric tons of CO_2e, equivalent to removing roughly 4,000 gasoline-powered passenger vehicles from the road for one year.

These results demonstrate that allowance-funded efficiency investments produce real, quantifiable emissions reductions within the community.

Customer Affordability and Housing Constraints Limit the Feasibility of Rapid Electrification

Long Beach Utilities closely monitors consumption and affordability trends as state climate policy evolves. Residential natural gas consumption has declined consistently by approximately 2 percent per year, reflecting conservation behavior and improvements in appliance efficiency.

At the same time, participation in utility bill assistance programs has increased significantly, indicating growing affordability pressures despite declining per-household gas usage.

The most significant increase has occurred in the Low-Income Discount Program, where enrollment increased from 3,570 accounts in 2023 to 5,820 accounts in 2025, an increase of approximately 63 percent in just two years. By comparison, the Disabled Discount program increased from 752 to 835 accounts, and the Senior Discount program increased from 1,799 to 1,988 accounts over the same period.

As a result of total participation in assistance programs increased from 6,121 accounts in 2023 to 8,643 accounts in 2025, an overall increase of approximately 41 percent. See Attachment B.

The divergence between declining natural gas consumption and increasing financial vulnerability among customers is central to Long Beach Utilities' concern regarding restrictions on the allowable uses of the allocated allowance value.

Housing Stock and Structural Constraints

Long Beach's housing stock presents structural barriers to rapid electrification. A substantial portion of the city's housing was constructed prior to modern electrical code standards and would require electrical panel upgrades, service modifications, and other structural retrofits before electrification is technically feasible.

Key factors include:

- More than 80 percent of Long Beach housing units were constructed over 50 years ago
- Many homes require electrical panel upgrades to support full electrification
- Estimated upgrade costs can range from several thousand to tens of thousands of dollars per household

In addition, approximately 60 percent of Long Beach households are renters, with even higher renter concentrations in lower-income communities. Large-scale electrification retrofits can introduce planning complexity, extended construction timelines, and significant upfront costs that may discourage (or entirely preclude) property owners from undertaking improvements or lead to displacement pressures or increased housing costs for tenants.

In many cases, replacement of inefficient natural gas appliances can produce immediate emissions reductions at significantly lower cost than full building electrification retrofits that require structural electrical upgrades.

Restrictions on Allowance Value Could Limit Cost-Effective Emissions Reductions for Customers Unable to Electrify

The ability of publicly owned natural gas utilities to use allocated allowance value to benefit retail customers remains an essential component of the Cap-and-Invest Program.

However, the proposed amendments to Section 95893(d)(3)(A) would restrict the use of allowance value for certain energy-efficiency building retrofits by excluding equipment that combusts natural gas or other fossil fuels. While Long Beach Utilities agrees that electrification and fuel switching should remain long-term priorities, practical constraints prevent many customers from fully transitioning away from natural gas in the near term.

Section 95893 establishes a results-based standard focused on greenhouse gas emissions reductions and ratepayer protection. It does not require that allowance-funded investments be limited exclusively to non-fossil technologies.

Restricting allowance value to only non-fossil technologies could disqualify cost-effective measures that demonstrably reduce emissions, particularly in communities characterized by older housing stock and affordability constraints. High-efficiency appliance replacement can deliver immediate emissions reductions in situations where full electrification is not technically or economically feasible.

Maintaining flexibility within Section 95893(d) would preserve environmental stringency while allowing locally tailored solutions that advance emissions reductions, energy affordability, and system reliability simultaneously.

Revisions to Section 95893(d)(3)(A)

For these reasons, Long Beach Utilities respectfully requests that CARB revise the proposed amendments to Section 95893(d)(3)(A).

The Staff Report ISOR states that the changes are intended to "limit the use of natural gas supplier allowance value to projects that align with the path to decarbonization of natural gas uses outlined in CARB's 2022 Scoping Plan Update." (ISOR, p. 201)

The proposed regulatory language revisions are provided in Attachment C. These proposed revisions are still in line with this objective and further ensure that allocated allowance value may continue to support demonstrably cost-effective, in-state emissions reductions, including high-efficiency appliance replacement and other transitional strategies, so long as these expenditures reduce natural gas usage and GHG emissions.

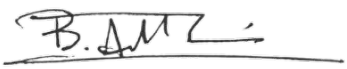
Doing so will ensure that those customers least able to electrify are not left without resources to reduce their natural gas consumption, while simultaneously advancing the state's clean energy goals. Additionally, the 2022 Scoping Plan Update recognizes the health benefits of

decarbonization; replacing older, inefficient natural gas appliances with appliances that use not only less natural gas but also emit fewer harmful toxins in the home should remain an option for households that are unable to switch to electric appliances.

Conclusion

Long Beach Utilities remains committed to advancing California's climate goals and appreciates CARB's leadership in refining the Cap-and-Invest Program. We respectfully request consideration of the recommended revisions to preserve statutory consistency, environmental effectiveness, and protection for customers during the state's energy transition.

Sincerely,



B. Anatole Falagán
General Manager

Attachments: Attachment A – Long Beach Cap and Invest Funds
Attachment B - Low Income Assistance Enrollment
Attachment C – Proposed Replacement Language for Section 95893(d)(3)(A)

Cc: Long Beach Utilities Board of Commissioners
Meredith Reynolds, Deputy City Manager
Diana Tang, Assistant General Manager
Tony Foster, Senior Director, Utility Business Services
Dennis Burke, Energy Services Officer
Heather Hamilton, Administrative Analyst III
Lisa Gast, Duncan Weinberg Genzer Pembroke (DWGP)
Susie Berlin, Law Office of Susie Berlin

Attachment A – Long Beach Cap and Invest Funds

Cap and Invest Funds					
Reporting Year	**Amount**	**Project**	**MTCO2 Reduction**	**Available Funds**	**Consign and Int. Revenue**
2017	$ 553,854	Convert street lights to LED		$ 5,088,947	
Total 2017	**$ 553,854**			**$ 4,535,093**	
2018	$ 39,593	Sustainability pilot program	33	$ 6,941,915	$ 2,446,415
2018	$ 134,449	Convert street lights to LED	3,425	$ 6,807,466	
2018	$ 8,247	Design EV charging stations	4,423	$ 6,799,219	
Total 2018	**$ 182,289**		**7,881**	**$ 6,799,219**	
2019	$ 752,154	Convert street lights to LED	3,088	$ 9,160,252	$ 3,113,187
2019	$ 315,963	Install EV charging stations	528	$ 8,844,289	
2019	$ 3,057	Citywide Battery storage	17	$ 8,841,232	
2019	$ 2,490	Dime Program	470	**$ 8,838,742**	
Total 2019	**$ 1,073,664**		**4,103**	$ 8,838,742	
2020	$ 1,333,484	Electrification and Install EV chargers	352	$ 11,106,148	$ 3,600,890
2020	$ 89,788	Install LED lights at Rainbow Harbor	548	$ 11,016,360	
2020	$ 50,292	HVAC at North Health Facility	122	$ 10,966,068	
2020	$ 400,000	Install LED lights at Houghton Park	21	$ 10,566,068	
2020	$ 178,045	New roff at Los Altos Library	2	$ 10,388,023	
2020	$ 32,544	Citywide solar project	9,946	$ 10,355,479	
2020	$ 223,900	Dime Program	3,417	$ 10,131,579	
Total 2020	**$ 2,308,053**		**14,407**	**$ 10,131,579**	
2021	$ 664,350	Citywide EV chargers	1,246	$ 13,282,318	$ 3,815,089
2021	$ 769,450	Citywide solar project	5,494	$ 12,512,868	
2021	$ 927,719	North Health Facility HVAC, lighting, appliances	201	$ 11,585,149	
2021	$ 23,728	HVAC at El Dorado Library	131	$ 11,561,421	
2021	$ 16,048	Library roof improvements (Harte, Brewitt, Los Alt	2	$ 11,545,373	
2021	$ 23,610	Dime Program	9	$ 11,521,763	
2021	$ 6,050	Gas Energy Efficient Program	10	$ 11,515,713	
Total 2021	**$ 2,430,955**		**7,093**	**$ 11,515,713**	
2022	$ 152,263	Citywide EV chargers	572	$ 18,039,195	$ 6,675,745
2022	$ 171,550	Citywide solar	5,691	$ 17,867,645	
2022	$ 36,692	Burnett Library Upgrades	5	$ 17,830,953	
2022	$ 70,674	Los Altos Library upgrades	3	$ 17,760,279	
2022	$ 26,405	Twain Library upgrades	22	$ 17,733,874	
2022	$ 1,991	Energy efficient roof design	0	$ 17,731,883	
2022	$ 100,686	EV vehicles	109	$ 17,631,197	
2022	$ 48,230	Gas Energy Efficient Program	268	**$ 17,582,967**	
Total 2022	**$ 608,491**		**6,670**	$ 17,582,967	
2023	$ 335,569	Bay Shore Library Upgrades	5	$ 24,157,488	$ 6,910,090
2023	$ 300,000	ECOC HVAC replacement	219	$ 23,857,488	
2023	$ 19,542	El Dorado Library roof replacement	6	$ 23,837,946	
2023	$ 97,245	Burnett Library HVAC and roof replacement	8	$ 23,740,701	
2023	$ 470,593	Los Altos Library HVAC replacement	22	$ 23,270,108	
2023	$ 122,037	Twain Library HVAC replacement	59	$ 23,148,071	
2023	$ 51,337	Multi-Service Center HVAC and roof replacement	5	$ 23,096,734	
2023	$ 74,284	Ten solar panel canopy systems	210	$ 23,022,450	
2023	$ 91,361	Expo building lighting improvements	24	$ 22,931,089	
2023	$ 189,262	Citywide EV Charging Program	196	$ 22,741,827	
2023	$ 99,331	DIA program - replace appliances	51	$ 22,642,496	
2023	$ 131,868	Energy Efficient Appliance Program	334	$ 22,510,628	
2023	$ 6,202,080	$45 climate credits	-	$ 16,308,549	
Total 2023	**$ 8,184,509**		**1,140**	**$ 16,308,549**	
2024	$ 285,265	Drake Park Community Center Improvements	10	$ 26,646,870	$ 10,623,586
2024	$ 330,672	Scherer Park Community Center Improvements	3	$ 26,316,198	
2024	$ 998	Park Lighting Upgrades	1	$ 26,315,201	
2024	$ 263,332	Bayshore Library Improvements	3	$ 26,051,869	
2024	$ 165,554	El Dorado Branch Library Improvements	31	$ 25,886,314	
2024	$ 82,070	Burnett Library Energy Upgrades	3	$ 25,804,244	
2024	$ 96,407	Los Altos Library Energy Upgrades	29	$ 25,707,837	
2024	$ 83,092	Mark Twain Library Energy Upgrades	33	$ 25,624,746	
2024	$ 1,027,224	Shelter and Navigation Center	94	$ 24,597,522	
2024	$ 790,226	Project Homekey 5950 Long Beach Blvd	335	$ 23,807,296	
2024	$ 63,801	Expo Building Energy Efficiency Improvements	5	$ 23,743,495	
2024	$ 50,402	Citywide Solar	2,927	$ 23,693,093	
2024	$ 362,108	Citywide EV	405	$ 23,330,985	
2024	$ 48,086	Tree Planting	267	$ 23,282,899	
2024	$ 67,720	Energy Efficiency Rebate Program (EERP)	502	$ 23,215,179	
2024	$ 178,865	Direct Installation Appliance (DIA)	158	$ 23,036,314	
Total 2024	**$ 3,895,821**		**4,807**	**$ 23,036,314**	
Grand Total	**$ 19,237,636**	$ -	**$ 46,101**	**$ 23,036,314**	
***0.053 MT CO2 Reduced per MMBtu**					
		Direct Install Program	$ 528,196		
		Energy Efficient Appliance Program (gas)	$ 253,868		
		Climate Credits	$ 6,202,080		
		Total	**$ 6,984,144**		

Attachment B – Low Income Assistance Enrollment

Assistance Category	2023 Accounts	2024 Accounts	2025 Accounts	Percent Change
Disabled (D) Discount	752	804	835	11%
Senior (S) Discount	1,799	1,909	1,988	11%
Total	2,551	2,713	2,823	11%
Low Income Discount	3,570	4,457	5,820	63%
Grand Total	6,121	7,170	8,643	41%

Attachment C – Proposed Replacement Language for Section 95893(d)(3)(A)

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(d) Limitations on the Use of Allowance Value.

(1) Value obtained from the monetization of allowances directly allocated to a publicly owned natural gas utility shall be subject to any limitations imposed by the governing body of the utility and to the additional requirements set forth in sections 95893(d)(3) through 95893(d)(8) and 95893(e).

(2) Value obtained from the monetization of allowances directly allocated to public utility gas corporations shall be subject to any limitations imposed by the California Public Utilities Commission and to the additional requirements set forth in sections 95893(d)(3) through 95893(d)(8) and 95893(e).

(3) Allowance value, including any allocated allowance auction proceeds, obtained by a natural gas supplier must be used for the primary benefit of California retail natural gas ratepayers of each natural gas supplier, consistent with the goals of AB 32, and may not be used for the benefit of entities or persons other than such ratepayers. Allocated allowance value must be used to reduce greenhouse gas emissions or returned to ratepayers using one or more of the approaches described in sections 95893(d)(3)(A)-(B) and may also be used to pay for administrative and outreach costs and educational programs described in section 95893(d)(4).

(A) Energy Efficiency and Fuel Switching. Funding programs or activities designed to reduce greenhouse gas emissions in the following manner:

(1) Incentives or direct installation of equipment that substitutes electricity for natural gas or other fossil fuels; or

(2) Energy-efficient building retrofits, ~~excluding new equipment that combusts natural gas or other fossil fuels~~including improvements that reduce natural gas consumption or greenhouse gas emissions. Investments that involve the installation or replacement of equipment that combust natural gas or other fossil fuels shall be eligible where:;

(a) The investment demonstrably reduces greenhouse gas emissions relative to the existing equipment or baseline condition;

(b) Electrification or zero-emission alternatives are not technically feasible, cost-effective, or reasonably available at the site at the time of installation;

Attachment C – Proposed Replacement Language for Section 95893(d)(3)(A)

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(c) The measure provides greenhouse gas emissions reductions ~~direct environmental benefits~~ in the State consistent with Section 958923; and

(d) The measure primarily benefits retail ratepayers of the natural gas supplier.

Eligible investment may include high-efficiency appliance replacement, building efficiency upgrades, or other transitional strategies that achieve a verifiable reduction in natural gas consumption or greenhouse gas emissions. Nothing in the subsection shall be interpreted to limit or discourage electrification or other zero-emission technologies where such technologies are technically feasible and cost-effective.

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(B) Non-Volumetric Return to Ratepayers. Distribution of allocated allowance value to some or all ratepayers in a non-volumetric manner, either on- or off-bill.