

March 9, 2025

**VIA E-SUBMITTAL**

Board Clerk  
California Air Resources Board (CARB)  
1001 I Street  
Sacramento, CA 95814

**Re: Comments of the Joint Utility Group on Proposed Amendments to the Cap-and-Invest Program — Electric Distribution Utility (EDU) Allocations and Electricity-Sector Provisions**

Chair Sanchez and Members of the Board:

The Joint Utility Group (JUG)<sup>1</sup> appreciates the opportunity to comment on the California Air Resources Board's (CARB) proposed amendments to the Cap-and-Invest (formerly Cap-and-Trade) Program (hereinafter, Program). JUG members are committed partners in California's decarbonization, having delivered a large share of the State's historical greenhouse gas (GHG) reductions in the electricity sector through early actions and sustained investment in clean, reliable resources. As California accelerates economy-wide electrification, electricity affordability must remain a central design criterion of the Program.

The JUG strongly opposes the proposed amendments that would reduce the 2027-2030 electrical distribution utilities (EDU) allowance allocation. CARB's allowance allocation decisions are among the most consequential levers the Board has to ensure customers can afford to electrify their homes, businesses, and transportation. The proposed cuts to the 2027-2030 EDU allocations set forth in the existing regulation amount to an estimated loss of \$4.9 billion over the course of just four years.<sup>2</sup> If CARB moves forward with staff's proposal, for 2027 alone, there would be a 39% reduction in the total number of allowances to EDUs, amounting to a loss of over \$1.6 billion in allowance value. For approximately 12.7 million investor-owned utility (IOU) customers,<sup>3</sup> their on-bill Climate Credits will be substantially reduced compared to what IOU customers would otherwise receive. And for roughly 3.4 million customers of Publicly Owned Utilities (POUs)<sup>4</sup> and electric cooperatives (coops), millions of dollars in costs of clean energy procurement, support for local clean energy programs, and funds for construction of clean energy projects could be shifted to the backs of ratepayers. We urge CARB to thoughtfully consider these impacts before making any changes to the EDU allocations in the current regulations.

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<sup>1</sup> The JUG utilities are listed on the signature page of these comments.

<sup>2</sup> Based on the current Table 9-4 compared to the proposed 2027-2030 allocation and \$60 assumed allowance price from the SRIA (Appendix C, Table 50) over all 4 years.

<sup>3</sup> Source: U.S. Energy Information Administration (EIA), Form EIA-861, Sales to Ultimate Customers (States), 2024 Early Release, customer-class data extracted from the Sales\_Ult\_Cust\_2024.xlsx dataset.

<sup>4</sup> Ibid.

## Summary of JUG Comments

1. Electricity affordability must be CARB’s top priority in Program amendments that impact the EDUs; preserving EDU allocations is necessary to align with legislative direction to protect ratepayers while decarbonizing.
2. CARB’s proposed changes to the 2027-2030 allocation would harm electricity affordability and undermine the Program’s incentive structure.
3. CARB should maintain the 2027–2030 EDU allocation, limiting changes to:
  - a. Aligning emissions assumptions about renewable resources with the SB 100 targets and the renewable portfolio standard (RPS) program’s portfolio balance requirement (reduce nominal RPS by 25% to reflect allowable Portfolio Content Category (PCC) 2/3), and
  - b. In tandem, terminating the RPS Adjustment for PCC2 beginning in 2027 (rather than with the 2030 allocation as proposed in the rulemaking).
4. The 2027-2030 EDU allocation should continue to be based on the 2015 California Energy Commission (CEC) Integrated Energy Policy Report (IEPR) that was used to determine the forecasted compliance burden, and therefore the 2021-2030 vintage allocation, for both load and resources.
5. While the JUG continues to evaluate the 2031–2035 proposal, JUG support will be conditioned on use of the above-described RPS emissions assumptions and the 2024 IEPR for post-2030 EDU allocation.
6. Proposed changes to the CAISO markets and outstanding GHG emissions accounting should be updated to address the following:
  - a. EIM: Adopt proposed improvements to outstanding emissions accounting.
  - b. EDAM: Defer inclusion until after launch, data validation, and adoption of a formal error-correction mechanism.

Below, we expand upon the JUG positions summarized above and urge CARB to incorporate these into the Program amendments to facilitate electricity affordability and maintain program integrity.

### **I. Electricity Affordability**

Electricity affordability is essential to meeting California’s climate objectives. Accordingly, allocation of allowances to EDUs should be one of CARB’s top priorities in this rulemaking. Every day, utility customers across California are deciding whether to purchase electric vehicles and appliances, retrofit buildings, and power new industrial processes with electricity. Economywide electrification of those end-uses will be successful only if electricity remains reliable and affordable. Since the 2021-2030 vintage allocation was adopted by CARB, electric rates have risen markedly, reshaping the policy landscape for households, small businesses, and industry. The Legislature and Governor have signaled clearly—most recently in Assembly Bill (AB) 1207 (Statutes of 2025)—that CARB must implement emissions-reduction measures in ways that minimize adverse impacts on consumers and the economy and continue program elements that protect utility ratepayers while enabling affordable decarbonization. In its totality, this goes beyond merely covering current Program compliance costs.

CARB’s 10-year allocation design created an incentive structure with regulatory certainty to support long-lead resource procurement and customer programs that reduce emissions while helping to contain rising electricity bills.<sup>5</sup> As a result of this structure, utility allowance value has tangibly protected customers from Program-related costs and, critically, has funded customer-facing climate benefits and investments in clean energy projects, programs, and purchases – all while the electric sector has significantly reduced GHG emissions. IOU allowance proceeds have flowed directly back as California Climate Credits for residential and eligible small business and emissions-intensive, trade-exposed (EITE) customers. POU and COOPs have used allowance value to mitigate compliance costs and invest in GHG-reducing programs (e.g., capital investments in renewable energy resources, rebates and incentives for electricity upgrades, divestiture of fossil-fuel generation resources, and procurement of clean energy). The value of allowances provided to the utilities directly help mitigate adverse impacts on electricity ratepayers.

These protections are even more vital today than ever, given elevated interest rates, supply-chain constraints, increasingly ambitious climate goals, and the scale of investments needed to electrify transportation, buildings, and industry. The legislature has emphasized the need to look beyond program costs in utility allowance allocation and focus on electricity affordability overall, as most recently demonstrated in the February 23, 2026, Joint Legislative Committee on Climate Change Policies hearing. This is especially significant with rising system costs unrelated to the Program. CARB should not take any actions that reduce the EDU allocation—it is one of the few levers within CARB’s purview that can blunt cumulative utility bill pressures while accelerating emissions reductions.

## **II. EDU Allocation (2027–2030)**

**JUG Recommendation:** CARB should reconsider its proposed changes to the 2027-2030 EDU allocation, which would come at significant cost to electricity customers and undermine the Program’s early action incentives. Instead, CARB should maintain the electricity supply and demand data underpinning the vintage 2021-2030 EDU allocation, and beginning with the 2027 allocation, implement a targeted update to the RPS assumptions to align with both the updated SB 100 procurement targets and the RPS portfolio balance requirements. CARB should not adopt any proposals that would “re-open” or wholesale recalibrate the 10-year allocation mid-stream.

### **A. Keep the 2027–2030 EDU Allocation Framework Intact**

As described above, CARB implemented a fixed 10-year allocation schedule based on *forecasted* costs of compliance to provide EDUs planning certainty, encourage voluntary additional GHG reductions, and protect ratepayers from Program costs. Changing the underlying forecast data, and therefore incentive structure, midstream—four years before it closes—would undercut that certainty, penalize early decarbonization actions, and raise electricity rates precisely when customers are being asked to electrify their vehicles, homes, and businesses. Increases to their electricity bills will certainly deter this electrification. The most recent electricity supply data will show that most utilities need fewer allowances

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<sup>5</sup> For example, p. 39 of *Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms, Final Statement of Reasons*, August 2017. “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.” (emphasis added)

for 2027-2030 than was forecasted when the 2021-2030 vintage was set because EDUs took additional steps to reduce their emissions, just as the set allowance allocation was intended to incentivize. Recalibrating the fixed allowance schedule at this time effectively punishes the utilities that made significant emissions reductions – undermining the program’s incentives and increasing cost pressures on electricity customers. Furthermore, any changes to the EDU allocation that puts upward pressure on electricity rates penalizes customers that made electrification investments of their own.

Reducing allowances to utilities at this time will weaken electrification momentum, risk backsliding on statewide GHG goals, and further exacerbate the state’s electricity affordability crisis.

**B. Implement an SB 100-Aligned “Effective RPS”**

The JUG acknowledges CARB’s need to update the RPS assumptions used in the EDU allocation table to estimate the cost burden attributable to Cap-and-Invest. In 2018, SB 100 increased RPS targets to 60 percent by 2030, and an average of 60 percent for each compliance period thereafter. However, California’s RPS program requirements also permits up to 25% of RPS-compliant procurement to be PCC 2 or PCC 3.<sup>6</sup> These PCC 2 and PCC 3 resources are products that may carry a Cap-and-Invest compliance obligation under the Mandatory Reporting Regulation (MRR) and thus are not zero-emitting for allocation purposes. The state’s RPS mandate expressly recognizes that not all of the resources used to meet the RPS compliance obligation need to be 100% zero emitting resources.

Thus, to fully reflect the statute in the EDU allocation, the methodology should include an “Effective RPS” that aligns with the important, built-in flexibility within the RPS program’s portfolio balance requirement and appropriately account for all RPS-compliant resources. This is especially important as achieving increasingly high RPS targets has become more challenging and costly for many utilities.<sup>7</sup> To determine the Effective RPS, the nominal RPS is reduced by the value from multiplying the nominal RPS (i.e., 60% in 2030) by 25% to account for the allowed non-PCC 1 share of an EDU’s RPS compliance. For 2030, that yields a 45% Effective RPS.<sup>8</sup> Applying an Effective RPS preserves customer protections built into the RPS program while aligning with SB 100’s flexibility in procurement portfolios.

To prevent any overlap or conflict with the Effective RPS approach, the JUG supports modifying the RPS Adjustment (a true-up mechanism separate from the upfront EDU allocation) so it applies only to PCC 0 resources starting in 2027 as reflected in Table 1.

**Table 1. Effective RPS**

	2025	2026	2027	2028	2029	2030
<b>CEC Interim RPS Targets<sup>9</sup></b>	46.0%	50.0%	52.0%	54.7%	57.3%	60%
<b>Effective RPS</b>	34.5%	37.5%	39%	41.0%	43.0%	45.0%

<sup>6</sup> Public Utilities Code § 399.16(c)(1) permits up to 25% of RPS-eligible procurement from PCC 2/3

<sup>7</sup> CPUC, 2025 Padilla Report “Costs and Cost Savings for the RPS Program”, June 2025: [CPUC RPS 2023 Padilla Report](#).

<sup>8</sup> 2030 60% RPS target (nominal RPS) x 25% allowable non-PCC 1 share = 15%. Subtracting 15% from 60% = 45% “Effective RPS”.

<sup>9</sup> [CEC RPS Regulation](#), Section 3204(a)(5) and (6)

### **III. Post-2030 EDU Allocation**

The JUG appreciates CARB’s intention to provide important ratepayer protections for EDU customers beyond 2030 via proposed post-2030 EDU allocations. JUG members conditionally support moving forward with CARB’s proposed EDU allocation framework for 2031–2035 if it incorporates two critical elements: (1) Effective RPS (as shown above), ensuring the allocation does not assume zero-emission for RPS products that still incur compliance obligations; and (2) use of the demand/supply outlooks from the 2024 IEPR, with a path to utility-provided updates and commensurate upward adjustments to allocations for significant, verifiable load growth. Use of the 2024 IEPR forecast aligns with the approach being taken by the California Public Utilities Commission (CPUC) and California Independent System Operator (CAISO) to use the 2024 IEPR for purposes of integrated resource planning and bulk system transmission planning proceedings.<sup>10</sup>

The framework proposed by CARB should help toward achieving electricity affordability. Conceptually, the proposals also provide regulatory certainty to the utilities while aligning allocations to policy evolution and updated system needs. The JUG urges CARB to fully explore the implementation of the proposed framework to ensure it delivers on the stated objectives.

### **IV. CAISO Market Accounting: WEIM and EDAM Outstanding Emissions**

#### **A. Western Energy Imbalance Market (WEIM)**

The JUG supports CARB’s proposed refinements to the outstanding emissions calculation for the WEIM in the MRR. Improving accounting accuracy in organized markets reduces the risk of overstating California compliance for imports and helps ensure customers are not paying for emissions they did not cause.

#### **B. Extended Day-Ahead Market (EDAM)**

The JUG urges caution on incorporating EDAM into the outstanding emissions framework at this time. EDAM has not yet launched, and CAISO market implementations have historically required iterative corrections. In addition, CARB’s regulations do not include a mechanism for correcting any accounting errors. For example, CAISO previously identified a problem with the calculation of the real-time WEIM transfers serving California load. From the period of April 2021 to January 2022, the market incorrectly included transfers within LADWP’s base schedule as WEIM imports serving California load, which led to an erroneous assumption of outstanding emissions and withholding of allowances from EDUs.<sup>11</sup> This error was identified and communicated to EDUs, but there was no process in the MRR or Cap-and-Invest to revise the outstanding emissions calculation or the corresponding number of allowances that are withheld, even in the event of an error. This, in turn, has implications for California electricity ratepayers,

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<sup>10</sup> The *Single Forecast Set Agreement* is a joint agency agreement in which the California Energy Commission, California Public Utilities Commission, and California Independent System Operator document which forecast sets will be used for various electricity planning processes. The Single Forecast Set Agreement adopted as part of the California Energy Commission’s 2025 IEPR provides further context on the use of the 2024 IEPR for specified proceedings. The agreement is available at: <https://efiling.energy.ca.gov/GetDocument.aspx?tn=268288&DocumentContentId=105461>.

<sup>11</sup> From April 2021-January 2022, the real-time market incorrectly attributed EIM import transfers to EIM participating resources serving demand in California for GHG attribution: <https://www.caiso.com/documents/marketissuesbulletinincorrectinclusionofbaseenergytransfersingreenhousegasattributions.pdf>

as EDU allowances are directly used for ratepayer benefits. The JUG therefore recommends that CARB include an error-correction process in both the MRR and Cap-and-Invest regulation to address potential future accounting errors. Moreover, without a tested error-correction mechanism, there is a heightened risk of mis-accounting that could translate into incorrect reductions in EDU allowance allocations and unwarranted customer costs. The JUG therefore recommends deferring EDAM inclusion until (1) EDAM operations commence, (2) data pathways are validated, and (3) a formal error-correction process is in place.

## **Conclusion**

The JUG appreciates CARB’s partnership and the Board’s leadership in designing a Cap-and-Invest Program that delivers real, durable GHG reductions at the lowest cost to Californians. The recommendations above protect customers, sustain electrification momentum, and keep utilities on a stable path to invest in the clean, reliable, and affordable grid California needs.

Respectfully submitted,

## **Joint Utility Group (JUG)**

Bear Valley Electric Service  
California Municipal Utilities Association<sup>12</sup>  
Golden State Power Cooperative<sup>13</sup>  
Liberty Utilities  
Northern California Power Agency<sup>14</sup>  
Pacific Gas & Electric Company  
Sacramento Municipal Utility District  
San Diego Gas & Electric Company  
Southern California Edison Company  
Southern California Public Power Authority<sup>15</sup>  
Turlock Irrigation District

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<sup>12</sup> CMUA represents 85 publicly owned electric, gas, water, and wastewater utilities statewide, which are governed by locally elected boards and are accountable to the communities that they serve. CMUA members provide energy to approximately 25 percent of Californians.

<sup>13</sup> GSPC is the statewide trade association for rural electric cooperatives. GSPC’s membership includes the three California-based electric cooperatives: Anza Electric Cooperative, Plumas-Sierra Rural Electric Cooperative and Surprise Valley Electrification Corporation.

<sup>14</sup> 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, providing reliable and affordable electricity to more than 700,000 Californians.

<sup>15</sup> 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.