

Natural Gas Investor Owned Utilities (David Smith)

Please see the attached comments from the Natural Gas IOUs.



May 4, 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 15-Day 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 (Southwest Gas). We participate in the Cap-and-Invest Program (C&I Program) as public utility gas corporations on behalf of our customers. The Gas IOUs appreciate the opportunity to provide comments on the California Air Resources Board's (CARB) Proposed 15-Day Amendments to the C&I Program.

First and foremost, the Gas IOUs emphasize the importance of the Climate Credit as a consumer protection tool that delivers **direct, immediate, and highly visible affordability benefits** to millions of California households. Unlike other affordability or transition measures that may depend on long-term infrastructure deployment, customer participation, or program maturation over many years, the Climate Credit provides near-term bill relief that customers experience as they incur Cap-and-Invest compliance costs.

The 15-Day Amendments have updated Table 9-6A in the Proposed Regulation to establish that public utility gas corporations will begin transition of allowances to electrical distribution utilities (EDUs) in 2028 instead of 2029 but will retain 30% of allowances in 2031. Newly added section 95893 (d)(8) states that "public utility gas corporations must annually use the value from 30% of the total allowances calculated in section 95893(a) to provide a non-volumetric return to residential ratepayers either on- or off-bill that primarily benefits low-income ratepayers as directed by the California Public Utilities Commission."¹ The provision of allowances for a low-income protection is a critical policy. Our interpretation is that, beginning in 2031, public utility gas corporations are required to

¹ CARB, "Proposed 15-Day Amendments," ("15-Day Amendments"), posted April 14, 2026, p. 237 and p. 233, https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2026/cap_invest/nc_a-1_ci_15d.pdf

Commented [KB1]: [@Smith, David](#) Should we change this term to the new term they use? Like Public Gas Corporations or whatever it is.

Commented [DS2R1]: Ugh, Probably, yes.

Commented [DS3R1]: Made the change up top.

use the full value of 30 percent of allowances to primarily benefit low-income customers, whereas during the 2028–2030 period the regulations allow—but do not require—up to 30 percent of allowances to be used for low-income gas customer benefits. We believe this is consistent with CARB’s intent and the structure of Table 9-6A, as well as legislative intent.

Assembly Bill 1207 (Irwin, Statutes of 2025) 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.² Approximately 30% of total IOU natural gas residential customers (the percentage varies by utility) are enrolled in California Alternative Rates for Energy (CARE) programs.³ The protection of natural gas CARE customers acknowledges the concern voiced by Assemblymember Anamarie Ávila Fariás and signed by 15 legislative colleagues in a letter on March 5 that “the transition should minimize ratepayer impacts across both electricity and natural gas and place a priority on protecting low-income households.”⁴

Targeted financial support for customers that are slow to electrify has many benefits. 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 financing when appliances run their course and need immediate replacement. We appreciate that CARB acknowledged the concerns of Gas IOUs and other commentators that “this transition may increase the burden on low-income natural gas ratepayers because low-income ratepayers are less able to invest in electrification.”⁵ As more customers switch to electric appliances, the number of customers remaining on the gas system may decrease (swapping out one gas appliance for an electric appliance likely will not decrease gas customers) but the need for the gas system to support those customers will remain. Additionally, many low-income households reside in older, multi-family rental buildings, which often require costly or time-consuming electrical upgrades and property owners that choose to pay for these upgrades likely will pass through those costs to the renters.

The Gas IOUs urge CARB to stay the course and keep this vital provision in the regulation. To **ensure** that low-income ratepayers are protected into the future as is directed in AB 1207, CARB should update Table 9-6A with additional language that was included in the table in the 45-day package. CARB should add “2031 and beyond” to the

² Health and Safety Code Section 38562(b)(2)

³ 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.

⁴ Assemblymember Anamarie Ávila Fariás 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=39935, accessed March 6, 2026, at CARB, Proposed Regulation, Public Comments Received, <https://carb.commentinput.com/comment/extra?id=pNeRj64MA>.

⁵ CARB, “Notice of Public Availability of Modified Text and Availability of Additional Documents and/or Information,” p. 25.

table to create certainty that low-income customers will be protected beyond the year 2031.

Table 9-6A: Annual Percentage of Public Utility Gas Corporation Allocation Transitioned to Electrical Distribution Utilities for 2028 and Subsequent Years

Year	2028	2029	2030	2031 and beyond
Percentage	17.5%	35%	52.5%	70%

Furthermore, the Gas IOUs want to clarify that the transferred allowances only come from those allowances in the limited use holding account and not from the directed allowances that the Gas IOUs can use for compliance in the years 2028 and 2029.

We would like to reiterate the effect of the transfer of allowances will have on most Californians. CARB's proposed amendments will increase customers' bills starting in 2028 rather than in 2029, as was the case in the 45-day package. As we noted in our previous comments, based on data from the Energy Information Administration, California had approximately 11.43 million residential gas consumers⁶ and 14.21 million residential electric consumers⁷ in 2024. These figures indicate that approximately 80% of California households still use gas appliances. Most of those customers are served by a gas IOU and receive a gas Climate Credit. This means that a full transition of allowances from public utility gas corporations to EDUs would result in a Climate Credit of 20% less than before the transition for dual fuel customers. A new or modestly larger electric climate credit will not help customers overcome those barriers. This loss will particularly be felt in the early years by those customers that are served by an electric publicly owned utility that is not set up to immediately provide a climate credit back to customers from the transferred Gas IOU allowances.

The Gas IOUs 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

⁶ https://www.eia.gov/dnav/nq/nq_cons_num_dcu_SCA_a.htm

⁷ https://www.eia.gov/electricity/sales_revenue_price/