Los Angeles Department of Water and Power (Cindy Parsons)

See attached letter.

March 9, 2026

Ms. Rajinder Sahota
Deputy Executive Officer, Climate Change and Research
California Air Resources Board
1001 I Street
Sacramento CA 95814
Submitted electronically

Dear Ms. Sahota:

Subject: Comments on 45-day Proposed Amendments to the Cap-and-Invest Program regulation

The Los Angeles Department of Water (LADWP) appreciates the opportunity to provide comments on the California Air Resources Board's (CARB's) proposed amendments to the Cap-and-Invest Program regulation, released for public comment on January 20, 2026.

LADWP, a vertically integrated publicly owned electric and water utility, is the largest municipal electric utility in the nation and the third largest electric utility in California. Serving over four million people within the City of Los Angeles and portions of the Owens Valley, LADWP is committed to supplying reliable electricity and water to meet its customers' needs in an environmentally responsible and cost-effective manner.

LADWP supports Assembly Bill (AB) 1207's overall goals of prioritizing affordability and ensuring regulatory certainty with respect to the Cap-and-Invest Program. The existing program design and allocation to electric distribution utilities (EDUs) has been working well, resulting in measurable reductions in greenhouse gas (GHG) emissions from generating electricity while protecting electricity ratepayers from the associated costs.

After reviewing the formal rulemaking package posted on January 20, 2026, LADWP is opposed to CARB's proposal to significantly reduce the EDU allocation for years 2027-2030. The 2021-2030 EDU allocation was established during the 2016-2017 rulemaking and was intended to be fixed through 2030 as an incentive for EDUs to reduce emissions early. LADWP did reduce emissions early and is relying on retaining the existing allocation through 2030 to help offset the costs of future emission reductions. LADWP strongly urges CARB to reconsider the proposed amendments that would reduce the 2027-2030 EDU allowance allocation and ultimately increase the cost to electricity ratepayers for decarbonizing the electricity supply.

Below are specific comments focused on 1) the EDU allocation and the RPS adjustment, 2) duration of future compliance periods, 3) transition of allocated

allowances from natural gas suppliers to EDUs, and 4) Outstanding Emissions associated with electricity imported to California via the Energy Imbalance Market (EIM) and future Enhanced Day Ahead Market (EDAM). These comments build upon previous comments LADWP submitted in response to CARB's informal workshops leading up to release of the formal rulemaking proposal. For additional context, see LADWP's previous comment letters dated July 7, 2023[1], August 17, 2023[2], October 27, 2023[3], December 15, 2023[4], May 8, 2024[5], June 21, 2024[6], July 31, 2024[7], and November 13, 2025[8].

I. EDU Allowance Allocation

a. CARB should not reduce the EDU allocation prior to 2031. Reducing the 2027-2030 allowance allocation to POUs will erase the financial benefit of early emissions reductions based on the promise of a fixed allocation through 2030 and eliminate a source of funding for POU investments to further reduce GHG emissions.

As discussed in LADWP's previous comment letters, retaining the existing allowance allocation to EDUs is essential to keep electricity affordable by protecting customers from the Cap-and-Invest program compliance cost, as well as provide a source of funding for investments in renewable energy, electric grid upgrades, and infrastructure to support electrification that otherwise would be paid for by ratepayers. The Cap-and-Invest program design effectively enables Publicly Owned Utilities (POUs) to achieve measurable Greenhouse Gas (GHG) emission reductions by investing the allowance value to reduce emissions while minimizing the cost impact to the POUs' customers and keeping electric rates affordable. This design is a "win-win" that helps the State achieve its GHG emission reduction goals while minimizing the additional cost borne by the ratepayers. LADWP asks CARB to preserve its previously established 2027-2030 EDU allowance allocation to the maximum extent possible because LADWP depends on that allowance value for its program budgets.

As part of the 2016-2017 rule amendments, CARB granted EDUs a fixed allocation for years 2021 through 2030 as an incentive to reduce GHG emissions from electricity

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[1] https://ww2.arb.ca.gov/system/files/webform/public_comments/4451/LADWP%20Comments%20on%20June%2014%20Cap-and-Trade%20Workshop%20%28Final%2007%2007%202023%29.pdf
[2] https://ww2.arb.ca.gov/system/files/webform/public_comments/5366/LADWP%20Comments%20on%20July%2027%20Cap-and-Trade%20Workshop%20%28Final%2008.17.2023%29.pdf
[3] https://ww2.arb.ca.gov/system/files/webform/public_comments/6711/LADWP%20Comments-Oct%205%20Cap-and-Trade%20Workshop%20%28final%2010.27.23%29-signed.pdf
[4] https://ww2.arb.ca.gov/system/files/webform/public_comments/7316/LADWP%20comments%20Nov%2016%20Cap-and-Trade%20workshop%20%28Final%2012.15.23%29-signed.pdf
[5] https://ww2.arb.ca.gov/system/files/webform/public_comments/10701/LADWP%20Comments%20April%202024%20Cap-and-Trade%20workshop%20%28final%2005.08.2024%29.pdf
[6]https://ww2.arb.ca.gov/system/files/webform/public_comments/15296/LADWP%20Comments%20on%20May%202024%20Cap%20and%20Trade%20Workshop.pdf
[7]https://ww2.arb.ca.gov/system/files/webform/public_comments/16211/LADWP%20Comments%20on%20July%202024%20Cap%20and%20Trade%20Workshop.pdf
[8] https://ww2.arb.ca.gov/system/files/webform/public_comments/54651/ladwp-comments-on-oct-29-2025-cap-and-invest-workshop-signed.pdf

generation without losing allowances[9]. In response, vertically integrated POUs such as LADWP planned and financed clean energy investments, relying on expected allowance value to help offset costs and keep electricity rates affordable. For example, LADWP led the effort to replace the old coal-fired generating units at Intermountain Generating Station with two new hydrogen-ready combined cycle gas turbines one and a half years ahead of the power purchase agreement expiration date.

Despite the fixed allocation for years 2021-2030, CARB's proposed amendments include a recalculation of the EDU allocation for years 2027-2030 based on recent (2024) load and energy supply resource forecasts. LADWP's 2021-2030 allocation included allowances for LADWP's power purchase agreement with the coal-fired generating units at Intermountain Generating Station that was set to expire in June 2027. CARB's proposed updated allocation for LADWP, which is based on a lower load forecast and LADWP's portfolio of energy supply resources without coal, will reduce LADWP's allocation by 6.1 million allowances over the 2027-2030 period. In the absence of early action to replace the coal-fired units at Intermountain in 2025, LADWP would have received allowances based on coal in 2027. The difference in allocation between the coal and gas units is nearly 1.9 million allowances worth an estimated $113 million assuming an average price of $60 per allowance. Updating LADWP's allocation erases the financial benefit of taking action to replace the coal-fired units early, which is contrary to CARB's stated intent of granting a fixed allocation for 2021-2030 as an incentive to reduce emissions without losing allowances.

Reducing emissions early enabled LADWP to sell allocated allowances not needed for compliance and invest the value in GHG emission reduction projects and programs that benefit customers. The proposed amendments would cut LADWP's allocation by 6.1 million allowances over the 2027-2030 period, which means losing approximately $366.7M in allowance value based on CARB's estimated average allowance price of $60 over the 2027-2030 period[10]. This lost allowance value will eliminate a source of funding for LADWP programs that reduce GHG emissions. Since 2017, using allowance value to fund GHG emission reduction programs has saved LADWP's ratepayers approximately $470 million. These programs cover different categories such as transportation electrification, renewable energy, and energy efficiency. Notable programs include Commercial Direct Install program which offers no-cost energy efficiency upgrades to small/medium-sized businesses, electric vehicle (EV) charger rebate programs for commercial and medium-duty and heavy-duty vehicles, Utility Built Solar Program, Solar Incentive Program, and the Community Emission Reduction

[9] August 2017 Final Statement of Reasons for "Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms" regulation https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2016/capandtrade16/ctfinsor.pdf, CARB Response on page 39: *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.*

[10] See CARB's Standardized Regulatory Impact Assessment, Department of Finance Comment Letter, and CARB Responses, at 46.

Grants Program, which funds nonprofit organizations' emission reduction projects located in disadvantaged communities. To continue funding these GHG emission reduction programs at the same level and make up the lost value from the 6.1 million allowances, LADWP estimates a potential retail rate increase of approximately 3%.

b. If revising the 2027-2030 EDU allocation is absolutely necessary, LADWP recommends applying the Effective RPS in the calculation to minimize the reduction in allocation.

i. The Effective RPS

In the EDU allocation calculation, the RPS target is used to estimate the amount of zero emission renewable electricity. To accurately estimate the EDU's expected emissions, including GHG emissions assigned to imported firmed-and-shaped RPS eligible electricity, LADWP recommends that CARB apply the "Effective RPS" instead of the RPS target minus five percent (5%), as currently proposed. The Effective RPS reflects the fact that up to twenty-five percent (25%) of the RPS-eligible electricity (i.e. Portfolio Content Category (PCC) 2 and PCC3) is not treated as zero emission under CARB's GHG emission reporting regulation and therefore has a GHG emission compliance obligation that requires allowances to protect electricity ratepayers from the Cap-and-Invest program compliance cost burden.

As shown in Table 1 below, the Effective RPS is based on the portfolio balance requirements in the California Energy Commission's (CEC) RPS regulation for POUs.

Year	**2027**	**2028**	**2029**	**2030**	**Notes**
RPS target scenario	**% used to estimate zero emission RPS electricity in portfolio**				
SB 100 RPS target (CEC RPS regulation for POUs, section 3204)	52.0%	54.7%	57.3%	60.0%	From CEC regulation
CARB SB 100 RPS target used in Jan 2026 revised EDU allocation proposal (RPS target minus 5%)	47%	50%	52%	55%	Linear increase from 2020 RPS target of 33% to 2030 target of 60%, minus 5% to represent other electricity used to "firm and shape" zero-emissions electricity, rounded to the nearest whole percent.
"Effective RPS" excludes PCC 2 (firmed/shaped) + PCC 3 (unbundled) (RPS target x 75%)	39%	41%	43%	45%	RPS target multiplied by 75%, assumes only PCC 1 (directly delivered) counts as zero emission electricity. Excludes PCC 2 (15%) firmed/shaped electricity and PCC 3 (10%) unbundled renewable energy credits ("RECs").

Table 1: Effective RPS derived from SB 100 targets, compared with CARB percentages

If CARB must update the 2027-2030 EDU allocation, LADWP recommends replacing CARB's proposed RPS target minus 5% with the "Effective RPS" shown in Table 1 above. CARB's proposed 5% deduction based on the 2020 RPS target of 33 percent (33%) does not represent the amount of firmed/shaped electricity based on the SB 100 RPS target of sixty percent (60%). Applying the "Effective RPS" will provide a better estimate of the amount of firmed-and-shaped and zero emission RPS eligible electricity for purposes of calculating the EDU allocation.

Figure 1 illustrates the EDU allocation calculation worksheet where the RPS target minus 5% is replaced with the "Effective RPS".

		Allowance Allocation Calculation for 2027-2030				
YEAR		*2027*	*2028*	*2029*	*2030*	*Source or Calculation Method*
Energy to Serve Load (raw) (MWh)		25,057,997	26,004,350	27,159,149	28,428,814	2024 CEC Form 1.5a
Retail Sales (MWh)		22,077,531	22,911,322	23,928,766	25,047,414	2024 CEC Form 1.1c
Energy to Serve Load (final) (MWh)		25,057,997	26,004,350	27,159,149	28,428,814	Energy to Serve Load (raw), except if lesser than Retail Sales in any year, then is Retail Sales plus 7%
Coal (MWh)		-	-	-	-	No coal reported in S-2
Nuclear (MWh)		3,390,120	3,399,408	3,390,120	3,390,120	November 2024 S-2
Large Hydro (MWh)		484,419	483,166	497,638	374,694	November 2024 S-2
"Effective RPS" Factor Applied to Sales		39%	41%	43%	45%	SB 100 RPS targets from CEC RPS regulation for POUs, section 3204 multiplied by 75% to represent PCC1 RPS eligible electricity that is treated as zero emission under the MRR. Excludes 15% PCC2 and 10% PCC3 RPS eligible electricity that is not treated as zero emission under the MRR. Annually rounded to nearest whole percent.
RPS Power (MWh)		8,610,237	9,394,215	10,288,771	11,271,336	Estimated zero emission RPS electricity (Retail Sales times Effective RPS Factor).
Natural Gas (MWh)		12,573,221	12,727,562	12,982,620	13,392,664	Energy not provided by other sources, except not less than 5% of Energy to Serve Load (final).
EDU-Specific Emissions ($MTCO_2e$)		5,474,381	5,541,580	5,652,633	5,831,166	Calculated emissions from coal and natural gas: Coal (MWh) times IPP Coal Emission Factor plus Natural Gas (MWh) times Natural Gas Emission Factor
		Baseline Industrial Covered Entity Purchased Electricity (MWh):			528,076	For each year 2022 through 2024, summed the actual electricity purchased by industrial covered entities served by the EDU, as reported in MRR. Took the average of those three values. Represents electricity for which industrial covered entities would receive allocations
EDU-Specific Emission Factor ($MTCO_2e$/MWh)		0.218	0.213	0.208	0.205	EDU-Specific Emissions divided by Energy to Serve Load (final)
Industrial Covered Entity Emissions ($MTCO_2e$)		115,368	112,534	109,908	108,316	Baseline Industrial Covered Entity Purchased Electricity times EDU-Specific Emissions Factor
Annual Allocation (allowances)		5,359,013	5,429,046	5,542,724	5,722,850	EDU-Specific Emissions less Industrial Covered Entity Emissions

Figure 1: Illustration of applying the Effective RPS in the EDU allocation calculation worksheet

ii. The RPS Adjustment

CARB is proposing amendments to limit the RPS adjustment to PCC 0 RECs after December 31, 2030. If CARB revises the EDU allocation for 2027-2030, LADWP recommends 1) applying the Effective RPS in the EDU allocation calculation starting in 2027, and 2) limiting the RPS adjustment to PCC 0 RECs starting in 2027 as a package deal. Giving up the ability to claim the RPS adjustment for PCC 2 firmed and shaped electricity imports in exchange for receiving allocated allowances to cover the GHG emission compliance obligation for PCC 2 and PCC 3 RPS eligible procurement will 1) address CARB's concerns about verifying the RPS adjustment for PCC 2 imports and 2) ensure that ratepayers will not have to bear the GHG emission compliance cost for RPS eligible procurement. This would be a win-win for both CARB and the EDUs.

LADWP recommends the following changes to the RPS adjustment provision in section 95852(b)(4) of the Cap-and-Invest program regulation:

1. Limit the RPS adjustment to PCC 0 RECs starting in 2027, in conjunction with applying the Effective RPS in the EDU allocation calculation. Since PCC 0 RECs count towards the 75% RPS portfolio balance requirement which the Effective RPS assumes is zero GHG emission, there is no potential for overlapping benefits between the RPS adjustment and the EDU allocation. Therefore, it is appropriate to claim the RPS adjustment to offset the GHG emission compliance obligation and effectively treat imported firmed/shaped PCC 0 electricity as zero emission without any overlapping benefit with the EDU allocation.

2. Clarify the language in subsection (B) by removing "…*and must comply with the excess procurement requirements pursuant to California Public Utilities Code section 399.13(a)(5)(B) and if applicable section 399.30(d)(1)"* which pertains to limiting the use of PCC 2 RECs for the RPS adjustment. The excess procurement requirement is part of California's RPS regulation; how it applies to the RPS adjustment in CARB's Cap-and-Invest regulation is subject to interpretation. Since only PCC 1 and PCC 0 RECs may be banked as excess procurement, the proposed amendment to make eligibility for the RPS adjustment based on complying with the excess procurement requirement could be interpreted to mean that PCC 0 RECs that are not banked as excess procurement are not eligible for the RPS adjustment, which is not consistent with CARB's stated intent. By limiting the RPS adjustment to PCC 0 RECs starting in 2027, this language is no longer needed and can be deleted, which will improve the clarity of the rule language.

3. The rule language should adequately describe the requirement so reporters do not need to look up the requirement in other regulations.

See Appendix A for LADWP's recommended changes to the RPS adjustment rule language in section 95852(b)(4) of the Cap-and-Invest regulation.

II. Post-2030 EDU Allowance Allocation

LADWP supports CARB's proposal to establish fixed EDU allocations through the vintage 2031-2035 allowance budgets with the following changes:

1) Use the Effective RPS to estimate the quantity of zero emission renewable energy in the EDU's electricity supply, which will provide a more accurate estimate of expected GHG emissions that are subject to the Cap-and-Invest compliance obligation. In Appendix D-1, Table 2, LADWP recommends updating the "RPS Target %" and "RPS Target + Zero-Carbon Trajectory in 2035" to use the Effective RPS.

2) The "Maximum RPS and Zero-Carbon Energy" in cell M6 of the "2027-2030 Allocation" tab in Appendix D-2 should be revised from 95% to 85%.

III. Compliance Periods

The proposed amendments to the Cap-and-Invest program include changes to the duration of the compliance periods from three-year compliance periods to alternating two-year and three-year compliance periods. This proposal will introduce complications to entities' compliance strategies and may cause misalignment with the three-year verification cycle in the Mandatory Reporting Regulation. LADWP recommends that CARB staff evaluate the impact of a two-year compliance period on compliance with the trading and banking rules.

LADWP also requests clarification on how CARB would calculate and reset the Limited Exemption under a two-year compliance period. According to CARB's *Guidance on Limited Exemption from the Holding Limit*[11], "At the start of a new compliance period, the Limited Exemption is a smaller value, representing the two most recent emissions years' reports, and increases over time as additional emissions obligations are due for surrender. The Limited Exemption is updated each year to reflect additional verified covered emissions that result in an obligation due." In the current Regulation, Section 95920(d)(2) details the calculation of the Limited Exemption from the Holding Limit. It is not clear how the Limited Exemption would be calculated after a two-year compliance period. LADWP recommends that CARB revise the rule language to clarify that, at the start of a new compliance period, the Limited Exemption shall represent the two most recent emissions years' reports, regardless of the number of years in the compliance period.

[11] http://ww2.arb.ca.gov/sites/default/files/cap-and-trade/limited_exemption.pdf

IV. Transfer of Natural Gas Suppliers' Allowances to POUs

LADWP supports CARB's efforts to capture AB 1207's intent to enhance affordability by transferring natural gas suppliers' (NGS') allowances to POUs. LADWP also appreciates CARB's proposed three-year timeline for accumulating auction proceeds prior to distributing the allowance value to customers as this will allow LADWP sufficient time to identify and implement the necessary changes to its billing and accounting systems.

While it has yet to be determined how involved and costly such changes to the existing billing and accounting systems would be, LADWP requests that CARB consider that the administrative cost of distributing allowance value to ratepayers via on-bill credits should not exceed the value of the credit to ratepayers.

Recognizing that AB 1207 did not specify the distribution of allowance value to ratepayers via on-bill credits, LADWP requests flexibility in how the credit is provided to ratepayers. AB 1207 Section 748.5.5 requires a local POU that receives an additional allocation to "provide a credit in an amount equal to the total value of that additional allocation directly to ratepayers." In recognition of POU local rate setting authority, the regulation should be designed to allow POUs the flexibility to deliver credit from the additional allocation in a manner that best serves their community. For example, POUs could apply the credit to reduce expenses (such as renewable energy or infrastructure upgrades) that otherwise would be passed through to ratepayers, so that POU customers pay less on their monthly bills. This avoided cost approach could provide dual benefits of supporting GHG emission reductions while keeping the cost of electricity affordable for ratepayers, and those benefits could be communicated to ratepayers as an avoided cost rather than an on-bill credit.

LADWP requests that CARB consider applying the same flexibility in use of the NGS allowance value as is currently allowed in section 95892(d) of the existing regulation for allowance value allocated to EDUs. For example, the allowance value could be used to offset expenses for renewable energy and other emission reduction projects without passing the costs associated with these programs/projects through to the ratepayers. This approach would reduce costs billed to customers and avoid administrative costs associated with updating the billing system to apply on-bill credits.

Clarification is also needed on how the allowance value from the NGS allowances will be reported to CARB in the Use of Allowance Value Report. Section 95892(e) of the existing regulation requires each EDU to submit an annual report to CARB describing the disposition of all allocated allowance auction proceeds during the prior calendar year. LADWP requests clarification whether the use of allowance value from the additional allocation (NGS allowances) should be co-mingled with or segregated from the use of EDU allowance value in the annual Use of Allowance Value Report.

V. Outstanding Emissions

a. Add Mechanism to Adjust for Errors

For EDUs that purchase electricity through the California Independent System Operator's (CAISO) Western Energy Imbalance Market (WEIM) and future Enhanced Day Ahead Market (EDAM), CARB withholds allowances from the EDU's annual allocation to cover the EDU's share of the Outstanding Emissions. Currently, CARB's rules do not have any mechanism to adjust for allowances withheld in error. In 2021, a programming error resulted in WEIM deemed delivered imports to California being inflated by 1,097,129 MWh, which inflated the Outstanding Emissions by an estimated 478,963 metric tons of GHG emissions, resulting in CARB withholding and retiring too many allowances from the EDUs. LADWP recommends that CARB add a mechanism to the regulations to enable adjustments in the event of a market GHG emission accounting error and restore or back fill allowances that were withheld and retired in error.

b. Outstanding Emissions from Participation in WEIM and EDAM

The wholesale electricity markets have changed significantly since the default GHG emission factor was adopted in 2010. The types and use of electricity generating resources within the western interconnected electric grid have changed, and bilateral electricity transactions have largely been replaced by organized electricity markets. New and existing renewable generating resources are now selling directly into the market -- in contrast, the default GHG emission factor calculation methodology excluded all renewable and hydroelectric resources.

CARB created the Outstanding Emissions calculation to account for estimated emissions leakage associated with WEIM electricity imports to serve load in California. The Outstanding Emissions is calculated by multiplying the total WEIM imported megawatt-hours by CARB's default GHG emission factor. Then CARB withholds and retires allocated allowances from the California EDUs that purchase electricity from the WEIM. The result is a Cap-and-Invest compliance obligation for WEIM imports based on the default emission factor which reflects the GHG emission profile of a natural gas-fueled generating resource, that does not adjust to reflect the participation of cleaner generating resources in the market.

LADWP requests that CARB re-evaluate this approach in light of the changes in the resources supplying electricity in the WEIM. While LADWP appreciates CARB's proposed amendments to the Outstanding Emissions calculation, which are a significant improvement, LADWP is still concerned about the potential magnitude of the total Outstanding Emissions for EDUs such as LADWP that will participate in both the WEIM and the EDAM electricity markets.

The question should be asked if the market operator can provide comprehensive accounting of GHG emissions associated with the WEIM electricity imports to better address CARB's leakage concern. If so, the comprehensive accounting could be used in lieu of the Outstanding Emissions calculation.

LADWP requests that CARB collaborate with CAISO to address this question as a potential future improvement to the Cap-and-Invest program.

c. Outstanding Emissions Accounting: Intended to be a Bridge Solution

The default GHG emission factor was reconsidered seven years ago during the 2018 rulemaking. In the December 2018 Final Statement of Reasons for the *Amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions*, CARB states "Until future modifications to the EIM algorithm allow direct identification of the complete emissions supporting EIM transfers at the time of dispatch, the default emissions factor is the best identification of the emissions rate of these marginal plants and should supplement the emissions reported directly through the current deeming algorithm."

As the market operator, CAISO has detailed data on which generating resources are ramping up to sell electricity into California. Over the past two years, CAISO held 18 GHG Coordination Working Group meetings to discuss how to improve GHG emission accounting and reporting and posted the final Accounting and Reporting proposal on October 15, 2025.

Now that this deep dive into the GHG emissions accounting for the WEIM and EDAM is complete, the question is can the market operator provide comprehensive accounting of GHG emissions associated with WEIM electricity imports into California, including any secondary dispatch emissions, to satisfy CARB's concerns about leakage.

If the market operator can provide this comprehensive emissions accounting, LADWP recommends that the electricity importer be responsible for the total emissions compliance obligation such that the Outstanding Emissions calculation and additional compliance obligation on the California Purchaser are no longer needed.

Alternately, if the market operator cannot provide comprehensive emissions accounting to CARB's satisfaction, replacing the default emission factor in the Outstanding Emissions calculation with an appropriate market-based emission factor would more accurately represent the GHG emissions associated with market electricity imports into California.

Conclusion

With AB 1207 now in effect, CARB's implementation of the Cap-and-Invest Program must reflect the Legislature's direction for the Program's reauthorization through 2045. Affordability was a central pillar of the legislation, and the statute makes clear that CARB must consider the effects of the regulations on affordability, cost-effectiveness, minimization of emission leakage in California, and achieving emissions reduction goals. The EDU allowance allocation is not merely a compliance mechanism; it also serves an important ratepayer affordability function that CARB should preserve in this rulemaking.

CARB should ensure that protecting ratepayers remains a focal point when considering changes to the Program. Any modifications to the EDU allowance allocations should ensure electricity remains affordable while continuing to support California's clean energy and climate objectives.

For these reasons, LADWP respectfully urges CARB to maintain the EDU allocations previously established for 2021-2030 or consider the recommendations offered above with regards to the EDU allowance allocation for 2027-2030 and beyond.

Thank you for the opportunity to provide feedback on the proposed amendments to the Cap-and-Invest Program. If you have any questions, please contact me, Ms. Andrea Villarin, or Ms. Cindy Parsons, of my staff, at (213) 367-0436, (213) 367-0409, or (213) 367-0636, respectively.

Sincerely,

Katherine Rubin

Digitally signed by Katherine Rubin
Date: 2026.03.09 19:08:56 -07'00'

Katherine Rubin
Director of Corporate Environmental Affairs
Los Angeles Department of Water and Power

AV/CP/BP:
c: Mr. Matthew Botill, CARB
Mr. Mark Sippola, CARB
Ms. Rachel Gold, CARB
Ms. Andrea Villarin
Ms. Cindy Parsons
Mr. Bang Phung

Appendix A – Proposed changes to RPS adjustment rule language

Below in blue are LADWP's recommended changes to the RPS adjustment section 95852(b)(4):

(4) RPS adjustment. Electricity procured from an eligible renewable energy resource reported pursuant to MRR must meet the following conditions to be included in the calculation of the RPS adjustment:

(A) The electricity importer must have

1. Ownership or contract rights to procure the electricity and the associated RECs generated by the eligible renewable energy resource; or

2. A contract with an entity subject to the California RPS that has ownership or contract rights to the electricity and associated RECs generated by the eligible renewable energy resource, as verified pursuant to MRR.

(B) The RECs associated with the electricity claimed for the RPS adjustment must be placed in the retirement subaccount of the entity subject to the California RPS, and party to the contract in 95852(b)(4)(A), in the accounting system established by the CEC pursuant to ~~PUC~~California Public Utilities Code section 399.25, and designated as retired for the purpose of compliance with the California RPS program ~~within 45 days of~~that meet ~~the reporting deadline~~requirements within 30 days following the emissions data report due date as specified in section 95111(g) of MRR for the year for which the RPS adjustment is claimed. The RECs associated with the electricity claimed for the RPS adjustment must be eligible for RPS compliance for the entity subject to the California RPS. ~~and must comply with the excess procurement requirements pursuant to California Public Utilities Code section 399.13(a)(5)(B) and if applicable section 399.30(d)(1).~~

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(C) The quantity of emissions included in the RPS adjustment is calculated as the product of the default emission factor for unspecified sources, pursuant to MRR, and the reported electricity generated (MWh) that meets the requirements of section 95852(b)(4).

(D) No RPS adjustment may be claimed for the portion of electricity from an eligible renewable energy resource that may be claimed as a specified import.

(E) No RPS adjustment may be claimed for electricity generated by an eligible renewable energy resource in a jurisdiction where a GHG emissions trading system has been approved for linkage by the Board pursuant to subarticle 12.

(F) ~~Only~~ RECs representing electricity generated ~~after 12/~~during between January 1, 2013, ~~through~~ and December 31~~/2012, 2030~~2026, are eligible to be used towards the RPS adjustment. RECs representing electricity generated after December 31, ~~2030~~2026, ~~must~~ are limited to contracts that meet the requirements of California Public Utilities Code section 399.16(d) and if applicable section 399.30(c)(3) to be eligible for the RPS adjustment.