Southern California Public Power Authority (Elisabeth de Jong)

Attached.

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March 9, 2026 | Submitted electronically

Ms. Rajinder Sahota
Deputy Executive Officer
California Air Resources Board
1001 I Street
Sacramento, California 95814

RE: Comments on Proposed Amendments to the Cap-and-Invest Program

The Southern California Public Power Authority[1] ("SCPPA") appreciates the opportunity to provide feedback to the California Air Resources Board ("CARB") staff on the proposed amendments to the Cap-and-Invest Program (Program), posted January 20, 2026.

Background: POU Participation in the Cap-and-Invest Program

The Program's design for Publicly Owned Utilities ("POUs") has historically supported a constructive and effective cycle of *reducing greenhouse gas ("*GHG") emissions and *investing* into projects and programs that deliver additional emissions reductions beyond existing requirements pursuant to the state's renewable energy and zero carbon energy mandates. Since the Program's inception, the electricity sector has responded with significant early clean energy investments, resulting in sustained and measurable reductions in GHG emissions. Specifically, since the program's inception in 2012, electricity sector emissions have declined by more than 40 percent, far outpacing GHG reductions in every other major sector of the economy.[2] Much of this reduction has been led through the efforts of POUs and SCPPA members, including from the early transition away from coal power, which was completed in 2025[3] and will manifest as even greater electricity sector GHG reductions compared to other sectors in future versions of the GHG Inventory.

[1] 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.
[2] For emissions as of 2023, based on CARB's most recent GHG inventory. https://ww2.arb.ca.gov/ghg-inventory-data
[3] https://www.gov.ca.gov/2026/01/08/governor-newsom-delivers-final-state-of-the-state-address-honoring-californias-past-and-reaffirming-a-brighter-future-for-all/

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Throughout this period, the public utility electricity sector has simultaneously fulfilled its essential responsibility to maintain grid reliability and protect ratepayer affordability.

Despite this strong performance, SCPPA Members now face substantial reductions in allowance allocations under the proposed amendments. Collectively, SCPPA Members who are facing reductions in their allowance allocation, stand to lose approximately $550 million in allowance value over the next four years.[4] For several SCPPA Members, the proposed reduction in allowance allocation will lead to a noticeable cost increase for their customers.

SCPPA recognizes that the electricity sector has a unique and pivotal role to play in underpinning GHG reduction efforts across all sectors of the economy. Maintaining affordable customer rates as SCPPA Members continue their GHG reduction investments is increasingly critical, especially in light of the current supply and demand imbalance in the renewable energy market that has caused wind and solar prices to soar in recent years. This is largely due to factors such as interconnection backlogs, permitting delays, and supply chain issues. Moreover, recent federal policy volatility is also expected to affect renewable energy supply as federal permitting review is stalled and wind and solar tax credits—which would otherwise cover up to 50% of the cost of a project — are phased out.

Electric cost increases disproportionately burden low-income customers and risk slowing progress toward the state's electrification goals for vehicles and buildings. Accordingly, SCPPA Members rely on the existing allowance allocation now and a generous allocation beyond 2030 to continue supporting California's increasingly ambitious climate objectives without imposing undue cost burdens on ratepayers.

SCPPA submits these comments to reiterate and build upon concerns raised in prior submissions dated August 17, 2023,[5] October 26, 2023,[6] May 8, 2024,[7] June 21, 2024,[8] July 31, 2024,[9] and November 12, 2025[10]. SCPPA appreciates the opportunity to provide feedback on the proposed amendments and offers specific feedback, below.

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[4] Estimate based on Appendix A-1 Proposed Regulation Order pages 235-238 and Appendix C SRIA page 46.
[5] https://ww2.arb.ca.gov/form/public-comments/submissions/5321
[6] https://ww2.arb.ca.gov/form/public-comments/submissions/6386
[7] https://ww2.arb.ca.gov/form/public-comments/submissions/10711
[8] https://ww2.arb.ca.gov/form/public-comments/submissions/15251
[9] https://ww2.arb.ca.gov/form/public-comments/submissions/16181
[10] https://ww2.arb.ca.gov/form/public-comments/submissions/54511

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Feedback on Proposed Amendments to Cap-and-Invest Program

Protect POU Ratepayer Affordability by Protecting POU Allowance Allocation Through 2030.

SCPPA Members use their future allocated allowances for direct compliance and to support GHG emissions reductions via transitions to renewable energy, energy efficiency, implementing community benefit programs, and investing in community level projects and programs that reduce emissions. Many POUs planned and financed early clean energy investments based on CARB's established 2021-2030 allowance allocations, relying on that allowance value to close financial gaps and keep customer electricity rates down. POUs also rely on the allowances they receive to fund various customer programs and make investments in their communities, including by helping offset the cost of clean energy procurement, supporting incentives to switch from gas to all-electric appliances, and funding low-income rate assistance programs, among other benefits. The Legislature intended to strengthen ratepayer protections with the passage of AB 1207.[11] Governor Gavin Newsom reaffirmed this intent in his January 8th State of the State address, when he highlighted Californians' energy bills as the new "cost of eggs" and noted his support for AB 1207 as a means of providing ratepayer relief through Cap-and-Invest.[12] Accordingly, we respectfully urge CARB to revise the proposed amendments to avoid added costs for electric utilities and their customers and, at a minimum, to protect Cap-and-Invest allowance allocations as promised in the existing regulations.

In 2017, CARB made a definitive policy decision to set fixed electric distribution utility ("EDU") allowance allocations for 2021-2030 (Table 9-4 in the current regulation) as an incentive for EDUs to take early voluntary action to reduce GHG emissions. The intent was for EDUs to be able to recoup the expenses of projects by managing their ten-year allocation schedules, which would encourage deeper emissions reductions overall. This intent was specifically documented by CARB, stating: "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

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[11] https://irwin.asmdc.org/press-releases/20250918-assemblywoman-irwin-sends-bill-reauthorize-californias-cap-and-trade

[12] https://www.gov.ca.gov/2025/09/19/governor-newsom-signs-historic-package-of-bipartisan-legislation-saving-billions-on-electric-bills-stabilizing-gas-market-and-cutting-pollution/#:~:text=Stabilizing%20California%E2%80%99s%20gasoline%20supply%20to%20prevent%20price%20spikes.

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that utilities make to reduce GHG emissions will reduce their GHG costs while not changing their allocations, thus resulting in a net benefit."[13]

Any significant changes to the POU allocations would undermine early clean energy investments made in good faith reliance on the existing 2021-2030 allowance allocation approved by CARB. Many POUs acted early to reduce GHG emissions — including through the early retirement of coal resources and significant investments in clean generation — based on adopted CARB regulations that promised Cap-and-Invest allowances would help offset the costs of these investments. Not only would CARB's proposed regulations retroactively remove these incentives at the expense of ratepayers, they would also set a dangerous precedent: that Cap-and-Invest regulations should not be trusted to protect electric ratepayers if electric utilities take more aggressive action to decarbonize the grid. Additionally, the proposed changes risk penalizing POUs that relied in good faith on receiving those allowances to make significant investments in "early action" projects that have already reduced emissions. Resetting the baseline used to determine allocated allowances and reducing those allowances further will be to the financial detriment of those POUs and ultimately borne by POU ratepayers. Furthermore, resetting the baseline will eliminate a valuable source of funding to invest in future clean energy and energy storage projects. As SCPPA Members work towards achieving both local and state clean energy policies, regulatory consistency is critical given the long-term planning necessary to decarbonize the electricity supply.

Indeed, such an approach that creates certainty around the value of investing in additional GHG reductions is fundamental to any carbon market. After-the-fact adjustments to anticipated allowances undercut the entire premise of the program and carbon pricing, as well as the value of investments to support the state's clean energy and climate change goals. CARB appears to be treating POUs differently from other entities under the program, who otherwise are rewarded in the market for investments in early or deeper GHG emissions reductions than otherwise required. If CARB's intentions are for POUs to respond to the carbon price signal and invest in additional GHG emissions reductions, it should maintain certainty and stick to the allowance allocation schedule previously adopted.

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

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SCPPA unequivocally opposes reducing POU allowance allocation between 2027-2030.

Changes, as currently proposed, that reduce the POU allowance allocation undermine regulatory certainty, as well as the core principles and intent of the program design. Independent from our fundamental objection to retroactively changing the agreed upon ten-year allocation schedule, we note that CARB's proposal to revise the 2027-2030 allocation overestimates the expected amount of zero emissions renewable energy in the EDU electricity supply forecast, which can result in allocating fewer allowances than are needed to protect ratepayers from the compliance cost of the program. As such, SCPPA requests that CARB revise the Renewables Portfolio Standard ("RPS") targets used to estimate zero emission electricity in the EDU allocation calculation to the more realistic "effective RPS". The "effective RPS" recognizes that electricity associated with Portfolio Content Category ("PCC") 2 (15% of renewable requirements) and PCC 3 (10% of renewable requirements) RPS eligible procurement does not count as zero emission electricity supply under CARB's GHG emission reporting regulation, so allowances are needed to cover the Cap-and-Invest compliance obligation for RPS eligible PCC 2 and PCC 3 procurement. Therefore, the RPS targets in the EDU allocation calculation should be revised to exclude the non-zero emission PCC 2 and PCC 3 portions of the RPS eligible procurement, as illustrated in the table below.

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.

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"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").

In exchange for applying the "effective RPS" in the EDU allocation calculation, SCPPA recognizes that PCC 2 electricity imports should no longer be eligible for the RPS adjustment, however, we believe it would be a better estimate of expected POU emissions. The RPS adjustment credit is part of the annual GHG emissions report that offsets the GHG emission compliance obligation for firmed/shaped PCC0 and PCC2 electricity imports. In the rulemaking package, CARB is proposing to remove PCC 2 imports from eligibility under the RPS Adjustment starting in 2031, to simplify implementation and verification. Removing PCC 2 from eligibility for the RPS adjustment starting in 2027 will avoid potential overlap in benefits between the "effective RPS" in the EDU allocation and the RPS adjustment in the annual GHG emission reports. However, it is important to retain the RPS adjustment credit for grandfathered firmed/shaped PCC0 imports since these renewable generating resources are under long term contract and/or ownership and part of the assumed zero emission portion of the "effective RPS". Applying the "effective RPS" will result in a more accurate estimate of an EDU's expected emissions to ensure that ratepayers are protected from the compliance costs of the Program. If CARB does not return to Table 9-4 allocations for POUs, SCPPA requests that CARB use the "effective RPS" based on the SB 100 RPS targets in an effort to mitigate negative impacts to POUs from the proposed allocation update.

Finally, SCPPA recognizes that some POUs may be experiencing substantial load growth, for example, from new and emerging technologies within their service territories. SCPPA acknowledges scenarios where load growth may cause a POU to not be allocated enough allowances to meet compliance and thus urges CARB to preserve the option to update those forecasts as necessary on a case-by-case basis.

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Support Customer Electrification with Natural Gas Supplier Allowance Transition

The legislature's intent in AB 1207 was to preserve and enhance electric affordability while promoting electrification by transitioning natural gas supplier ("NGS") allowances to EDUs. An immediate but administratively flexible implementation would ensure that benefits envisioned under AB 1207 are realized as quickly as possible while minimizing operational disruption.

SCPPA appreciates that CARB has recognized that POUs may require time to modify existing accounting, billing, and reporting systems and has provided the necessary flexibility that supports the efficient integration of associated changes within existing administrative processes. However, that time should not delay the transition of NGS allowances to POUs as long as POUs have the flexibility to apply credits directly to ratepayers in the most effective, efficient way allowed by the statute and their billing systems. The transition should be effective sooner than proposed; ideally, upon adoption. Additionally, the transition as proposed will take about 9 years, with incremental increases each year. A slow and incremental transition will not likely have the intended impact of encouraging electrification, as it may result in an incentive that is likely to be too small for customers to notice or properly utilize towards decarbonization. For this reason, CARB should identify a transition period that takes no more than 5 years. This approach is consistent with Health and Safety Code ("H.S.C.") §38562(b)(1)(B)(i), which directs that the transition and distribution of allowances be completed "on or before January 1, 2031." Starting early while allowing for allowance administrative flexibility will balance timeliness and practicality.

The administrative costs of implementing an on-bill credit should not exceed the total value of the billing credits provided to customers. Additional costs, especially for smaller POUs, could result in higher costs to customers that exceed the benefits of the credit.

SCPPA encourages CARB to work collaboratively with utilities to design a transition schedule that preserves rate stability, supports electrification, and maximizes the long-term benefits to California's ratepayers.

Support Renewables Transition with 2031-2035 Allowance Allocation

CARB's proposal, as described above, risks undermining regulatory certainty by signaling that established Cap-and-Invest allocation structures may be modified in ways that materially affect electric ratepayers after utilities have already taken significant steps to decarbonize the grid. Regulatory stability is a foundational element of a well-designed program, particularly where compliance entities must make long-term capital investments based on expected program parameters.

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Without confidence in post-2030 allowance allocation, POUs cannot reliably incorporate projected allowance value into financial planning, procurement decisions, or long-term resource strategies. This uncertainty increases financial risk, weakens incentive structures intended to support early emissions reductions, and ultimately may discourage accelerated decarbonization efforts. The implications extend beyond the electricity sector. Entities investing today through reliance on long-term program incentives – such as those anticipating manufacturing decarbonization allowances – must be able to trust that the regulatory framework in place at the time of investment will remain durable. If stakeholders lack confidence that the allowance allocation will not change over a 10–12-year horizon, investment decisions may be delayed, scaled back, or repriced to account for added regulatory risk. Additionally, SCPPA requests that the effective RPS, described above, be applied when calculating the EDU allocation for 2031-2035.

For these reasons, SCPPA urges CARB to acknowledge the 2031-2035 allowance allocation as a minimum amount of allowance allocation to preserve long-term regulatory certainty and protect electric ratepayers from unintended financial consequences.

Improve Compliance Period Timelines for Investment Planning and Procurement

Shortening compliance periods, as proposed, would materially increase financial and operational risk for SCPPA Members and other regulated parties. Shorter compliance timelines reduce flexibility in managing market exposure and heighten uncertainty associated with clean energy project development schedules. This concern is particularly acute in the electric sector, where annual emissions and procurement costs are significantly influenced by variable weather conditions, hydrology, and boarder market dynamics. In addition, SCPPA Members are actively advancing emerging technologies and large-scale clean energy projects, which are inherently subject to supply chain disruptions, permitting timelines, and construction delays beyond their control.

Participation in quarterly joint auctions requires SCPPA Members to secure upfront capital through lines of credit or bond financing. Shorter compliance periods would necessitate accessing this financing more frequently, increasing borrowing costs, financial exposure, and administrative burden. Many SCPPA Members operate with limited staffing resources and would face additional compliance and reporting demands under a shortened structure.

Longer compliance periods provide critical market flexibility, allowing regulated entities to manage unforeseen operational, financial, and environmental variables while continuing to make steady progress toward emissions reduction goals. Accordingly, SCPPA recommends that CARB maintain compliance periods of no less than 3 years. If CARB determines modifications are

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necessary, SCPPA strongly encourages consideration of four-year instead of two-year compliance periods as necessary to preserve market stability and ratepayer protections.

SCPPA also recommends reassessing the proposed change in Section 95911(c)(2), which changes the annual date for announcing the Auction Reserve Price from the first business day in December to December 8. The auction consignment deadline is regulatorily required to take place 75 days prior to the date the auction is conducted. Thus, this proposed delay for the Auction Reserve Price announcement risks having unintended consequences when auction participants must decide whether or not to consign allowances in the February join auction without knowing the Auction Reserve Price in advance. As such, SCPPA requests that CARB retain the existing annual announcement date for the Auction Reserve Price release or delay the consignment date for the February joint auction until after the Auction Reserve Price is announced.

Expand Manufacturing Decarbonization Incentive Allocation to Include Public Power Sector

As described above, the power sector - and POU investments in particular – have paced California's GHG reductions since the launch of the Program. They will continue to do so. POUs are leading the way to 100% clean energy, with many SCPPA members working towards achieving 100% clean energy goals ahead of state required timelines. Therefore, POUs are also among the first to invest in new clean energy resources that are needed to achieve that goal, including carbon capture and sequestration and green hydrogen to deeply decarbonize existing power plants. Early investments by POUs in these technologies can serve as proving grounds and help scale these necessary, but nascent, clean energy solutions.

These are exactly the types of investments that CARB hopes to support through the proposed manufacturing decarbonization incentive, yet power plants and carbon capture are not included as eligible in the proposed program. As non-profit organizations accountable to our local communities, we hope CARB will view us as committed, leading partners in the state's decarbonization efforts. Coupled with our leading, early investments in these strategies needed to achieve California's broader climate goals, we urge CARB to include POU investments in decarbonizing existing power plants, including through the use of carbon capture, as eligible in the manufacturing decarbonization incentive program.

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Clarifying the RPS Adjustment Eligibility

The RPS Adjustment, implemented from the start of the Program, represents a compliance obligation adjustment mechanism applicable to imported firmed-and-shaped RPS eligible electricity, to recognize the renewable generating resource. The RPS adjustment is used in cases where renewable electricity was procured by a California retail provider for compliance with the RPS program and the associated electricity was not directly delivered to the state. Due to its foundational standing in the Program, utility long-term investments have been made based on its value under the Program. Many of those investments are still active in member portfolios. The RPS Adjustment continues to be relevant and necessary today, especially as utilities face challenges with procuring long-term contracts due to supply chain delays, transmission constraints, interconnection backlogs, and increased competition. Some SCPPA Members rely on the RPS adjustment for out-of-state renewable generating resources where direct delivery of the energy is not feasible.

CARB is proposing to add a sentence to the RPS adjustment Section 95852(b)(4)(B), which reads: “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…”. The meaning of “and must comply with the excess procurement requirements…” may need to be interpreted by an RPS subject matter expert. SCPPA understands this phrase is aimed at PCC 2 RECs that cannot be banked as excess procurement. As discussed previously, if PCC 2 RECs are no longer eligible for the RPS adjustment in conjunction with applying the effective RPS when calculating the EDU allocation, this phrase is no longer needed and can be deleted. Deleting this phrase which is subject to interpretation, will improve clarity of the rule language.

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<u>Conclusion</u>

SCPPA appreciates this opportunity to provide feedback to CARB regarding the proposed amendments to the Program, posted January 20, 2026. We stand ready to discuss these comments with staff as you finalize changes.

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