Ratepayer Advocate - City of Los Angeles (Timothy O'Connor)

Please see attached comment letter from the Los Angeles City Ratepayer Advocate (Office of Public Accountability)

March 9, 2026

Office of Public Accountability / Ratepayer Advocate
City of Los Angeles
200 N. Spring Street
Los Angeles, CA

Submitted via electronic comment

California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Comments on Proposed Amendments to the Cap-and-Invest Regulation Related to Electric Distribution Utility Allocation

Dear Chair and Members of the Board:

The Office of Public Accountability/ Ratepayer Advocate (OPA) for the City of Los Angeles respectfully submits these comments on the proposed amendments to the Cap-and-Invest Regulation (Regulation), particularly the proposed revisions to new **Table 9-3 governing allowance allocation to Electric Distribution Utilities (EDUs).**

OPA is an independent Ratepayer Advocate office established by Los Angeles City Charter to provide analysis and advocacy on behalf of the electric and water customers served by the Los Angeles Department of Water and Power (LADWP). LADWP is the largest municipal owned utility in the nation serving approximately 4 million residents and a quarter million businesses in Los Angeles. OPA evaluates LADWP's financial plans, major capital investments, policies, and rate proposals and advises the Mayor, City Council, and the public on matters affecting ratepayer affordability, utility transparency and accountability, and system sustainability.

OPA supports California's ambitious climate goals and recognizes the central role that the Cap-and-Invest Program plays in achieving statewide greenhouse gas emission reductions. A durable carbon market can provide a clear, predictable signal for investment in clean energy while allocating allowances to EDUs to protect customers from unnecessary cost burdens. As the California Air Resources Board (CARB) evaluates amendments to the Regulation, OPA believes it is essential to maintain both the environmental integrity of the program and the policy stability necessary for utilities and their customers to make long-term decarbonization investments with confidence**.**

1. **Importance of Electrical Distribution Utility (EDU) Allowance Allocation for Ratepayer Protection**

Allowances allocated to EDUs like LADWP play a dual role. First, they have an important role in mitigating the compliance costs associated with the Cap-and-Invest Program that would otherwise be borne directly by electric ratepayers. Second, they provide an opportunity for entities like LADWP to invest in emission reduction activities (e.g., clean generation, electric transportation, etc.) which support the goals of the Program. As CARB notes in the Initial Statement of Reasons, the majority of these allowances are consigned to auction and have resulted in the return of over $23.8 billion back to Californians through bill credits or GHG emissions reduction programs.[1]

For publicly owned utilities such as LADWP, allowance value is used directly for compliance as well as for programs that benefit customers directly, including energy efficiency investments, electrification incentives, and targeted affordability programs. Preserving the EDU allowance allocation is critical to protect ratepayers from the cost burden while continuing to drive emissions reductions.

OPA therefore recommends that CARB **modify the proposed amendments to ensure that LADWP receives the emissions allowances originally specified in Table 9-4 for the 2027–2030 period.**

The proposed revisions appear to reduce the number of allowances available to LADWP further than what would otherwise be fair to LADWP and its ratepayers. As a result, this reduction would unfairly and materially diminish the amount available to LADWP to support ratepayers and reduce GHGs while also undermining the financial assumptions that guided LADWP's investments in grid decarbonization.

2. **Protecting Customers and Communities**

Maintaining existing allowance allocations is also important to support **low-income ratepayers and disadvantaged communities.**

[1] Page 22. Proposed Amendments to the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Staff Report: Initial Statement of Reasons. Available at: https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2026/cap_invest/nc_isor.pdf

Allowance value provides LADWP with direct and flexible tools to support programs that benefit households. These funds can help support energy efficiency improvements, electrification incentives, and targeted assistance for customers facing high energy burdens. Such programs are particularly important in Los Angeles, where many households face significant affordability challenges.

Municipal utilities such as LADWP operate with **a relatively limited suite of policy tools to support low-income customers.** LADWP's electric rate structure is strictly governed by Proposition 26, which requires that rates remain tied to the "reasonable costs" of providing service.[2] This limits LADWP's ability to use ratepayer revenue for social subsidies or cross-subsidization, leaving LADWP without the range of state-administered affordability programs or external funding mechanisms that investor owned utilities have. As a result, allowance value represents one of the few flexible resources available to support targeted affordability and equity initiatives, and more traditional energy efficiency programs that could be deployed in disadvantaged communities.

Reducing the number of allowances allocated to LADWP would therefore diminish the utility's ability to deploy resources in support of low-income customers and disadvantaged communities. At a time when customers are already facing increasing costs associated with electrification, grid modernization, and climate resilience investments, preserving this tool is essential.

3. Avoiding Penalties for Early Decarbonization Investments

OPA is also concerned that the proposed revisions could unfairly **penalize LADWP who took early and ambitious action to reduce emissions.**

Over the past decade, LADWP has undertaken substantial investments to decarbonize its electricity supply, including large-scale renewable procurement and major infrastructure investments supporting clean energy integration. A notable example is the accelerated transition away from coal generation associated with the Intermountain Power Project.

Under the Cap-and-Invest framework originally adopted by CARB, utilities that reduced emissions faster than projected could retain surplus allowances and use the resulting value to help defray the cost of those investments. Adjusting allowance allocations in 2027 would eliminate the incentive structure and will reduce the financial benefit associated with investments already made.

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[2]Cal. Const. art. XIII C, § 1, subd. (e)(2). Available at: https://law.justia.com/constitution/california/article-xiii-c/section-1/

OPA encourages CARB to ensure that updates to the allocation framework **do not inadvertently disadvantage utilities that moved early to reduce emissions or that have already made significant investments to support California's climate goals.**

4. **Recognizing Ambitious Local Climate Commitments**

Los Angeles has established one of the nation's most ambitious clean-energy goals through **LA100**, which targets 100% carbon-free electricity by 2035.

Implementing this strategy will require extensive investments by LADWP in renewable energy, energy storage, transmission infrastructure, and grid modernization. These investments are being undertaken in parallel with statewide requirements such as renewable portfolio standards and other climate mandates.

CARB should ensure that the Cap-and-Invest Program continues to **support, rather than inadvertently discourage, utilities that pursue decarbonization strategies that go beyond minimum state requirements.** Forcing a premature reduction in allowance allocations as emissions drop would strip away the very financial resources needed to fund those reductions, unfairly disadvantaging the ratepayers who are financing the transition.

5. **Conclusion**

OPA supports California's climate leadership and the continuation of the Cap-and-Invest Program. At the same time, the EDU allowance allocation framework should continue to protect electric ratepayers from unnecessary cost burdens; preserve stable investment signals for utilities undertaking long-term decarbonization investments; maintain critical tools for supporting low-income customers and disadvantaged communities; and avoid penalizing utilities that have taken early and ambitious action to reduce greenhouse gas emissions.

For these reasons, OPA respectfully recommends that CARB **modify the proposed amendments so that LADWP receives the emissions allowances originally specified in Table 9-4.**

Sincerely,

Tim O'Connor
Executive Director
Office of Public Accountability / Ratepayer Advocate
City of Los Angeles