SoCalGas (David Smith)

Please see attached comment letter.

Kevin Barker
Senior Manager
Energy and Environmental Policy
555 West 5th Street
Los Angeles, CA 90013
Tel: (916) 492-4252
KBarker@socalgas.com

April 29, 2026

Ms. Rajinder Sahota
Deputy Executive Officer, Climate Change & Research
California Air Resources Board
P.O. Box 2815
Sacramento, CA 95812

Submitted electronically

Dear Ms. Sahota:

Southern California Gas Company (SoCalGas) appreciates the opportunity to provide comments on the Proposed 15-Day Amendments[1] published by the California Air Resources Board (CARB) on April 14, 2026 to update the Proposed Regulation Order[2] published January 13, 2026. The Cap-and-Invest Program (C&I Program) is a critical component of California's decarbonization goals. The rulemaking process requires CARB to consider recent statutory law, an affordability crisis, 2030 and 2045 greenhouse gas reduction targets, and the competing interests of dozens of stakeholders. While the 15-Day Amendments address some affordability issues for California ratepayers, concerns persist. Our comments articulate how CARB can protect and augment affordability through the final May rulemaking, especially for low-income households.

I. Maintaining a Climate Credit for low-income natural gas customers is an important policy for affordability that should continue beyond 2030.

The 15-Day Amendments have updated Table 9-6A to establish that public utility gas corporations will begin the transition of allowances to electrical distribution utilities (EDUs) in 2028 and retain 30% of allowances through 2031 for low-income ratepayers.[3] 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

[1] CARB, "Proposed 15-Day Amendments," (hereinafter "15-Day Amendments"), posted April 14, 2026, https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2026/cap_invest/nc_a-1_ci_15d.pdf
[2] CARB, "Proposed Regulation Order: Proposed Amendments to the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms" (hereinafter "Proposed Regulation"), January 13, 2026, https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2026/cap_invest/nc_app%20a-1.pdf
[3] CARB, "15-Day Amendments," p. 237.

ratepayers either on- or off-bill that primarily benefits low-income ratepayers as directed by the California Public Utilities Commission."[4]

A continuing Climate Credit for low-income natural gas ratepayers will boost low-income affordability, especially as the C&I Program becomes more stringent during the 2030s. Approximately 30% of investor-owned utility (IOU) natural gas residential customers are enrolled in California Alternative Rates for Energy (CARE) programs.[5] Low-income protections honor AB 1207's requirement that CARB design regulations that "**[e]nsure** that activities undertaken to comply with the **regulations do not disproportionately impact low-income communities**."[6] CARB's adjustments acknowledge the concern voiced by Assemblymember Anamarie Ávila Farías and signed by 15 legislative colleagues in a letter of March 5 that "the transition should minimize ratepayer impacts across both electricity and natural gas and place a priority on protecting low-income households."[7] The Problem Solvers' Caucus in the California Legislature also supports retention of at least 30% of allowances by public utility gas corporations "to moderate the impact on low-income residential gas customers who cannot electrify on short timelines."[8] We appreciate that CARB acknowledged that the EDU allowance transition "may increase the burden on low-income natural gas ratepayers because low-income ratepayers are less able to invest in electrification."[9] With California in the midst of an affordability crisis, and with low- and middle- income citizens leaving the state in disproportionate numbers[10], every dollar helps.

Nevertheless, the challenges posed by the AB 1207 allowance transfer remain formidable. There are more electric residential customers than natural gas residential customers in California (about 14.2 million[11] and 11.4 million[12], respectively). As SoCalGas noted in the comment letter published March 9, spreading the same allowance value across more customers reduces the overall Climate Credit funded by NGS' revenues, ultimately resulting in increased energy costs for dual-

---

[4] *Id*., p. 233

[5] Legislative Analyst's Office, "Assessing California's Climate Policies—Residential Electricity Rates in California," January 7, 2025, https://lao.ca.gov/Publications/Report/4950#:~:text=Certain%20Low%E2%80%91Income%20Customers%20Receive,other%20customers%20through%20higher%20rates.

[6] California Health and Safety Code §38562(b)(2) (2025) (emphasis added).

[7] Assemblymember Anamarie Ávila Farías 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.

[8] California Problem Solvers Caucus, "Re: Proposed 2026 Amendments to the Cap-and-Invest Regulation," May 4, 2026, p. 7, https://caproblemsolversfoundation.com/news/psc-proposed-amendments-cap-and-invest

[9] CARB, "Notice of Public Availability of Modified Text and Availability of Additional Documents and/or Information," p. 25.

[10] Public Policy Institute of California, "Who's Leaving California—and Who's Moving In?" January 21, 2026, https://www.ppic.org/blog/whos-leaving-california-and-whos-moving-in/

[11] Energy Information Administration (EIA), Summary Table T1: "2024 Total Electric Industry—Customers," Electric Sales, Revenue, and Average Price, released October 7, 2025, https://www.eia.gov/electricity/sales_revenue_price/pdf/table_1.pdf

[12] EIA, Table: "Number of Natural Gas Consumers," California Annual Data for 2024, released February 6, 2026, https://www.eia.gov/dnav/ng/ng_cons_num_dcu_SCA_a.htm

fuel customers. Even with a higher electric Climate Credit, **dual-fuel households that do not qualify for the proposed natural gas low-income non-volumetric return would receive about 20% less in total Climate Credit than they do today when the credit is delivered on their natural gas bill.**[13] We still contend that any transfer of allowances would not meet the statutory requirement "to minimize ratepayer impacts," because most dual-fuel ratepayers will pay higher bills under this proposal.[14] While we appreciate that CARB acknowledges that "the larger number of EDU ratepayers compared to NGS ratepayers [the EDU transition] would dilute the corresponding increased benefit that NGS ratepayers would see on their electric bill," the expeditated transfer will increase ratepayer impacts rather than minimizing them.[15]

Additionally, ambiguity in proposed language requires clarification to ensure that the proposal does not disproportionately impact low-income communities. Because the new low-income proposal for natural gas customers is so important to protect California's most vulnerable residents, it should be continued beyond 2031. This clarification appears administrative in nature and should not necessitate an additional round of public review. To **ensure** that low-income ratepayers are protected as AB 1207 directs, CARB should update section 95893(d)(8) and Table 9-6A accordingly, as follows:

> 95893(d)(8): Beginning January 1, 2028, **and continuing throughout the program**, 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.

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%

With respect to the "on- or off-bill" component of section 95893(d)(8), we strongly urge the low-income benefit to be on-bill to directly assist ratepayers in need. The purpose of this policy is to support the Californians who will be most vulnerable during the transition of the state's energy sector. An off-bill benefit could diminish the overall return to low-income ratepayers that need the most support for subsidizing their energy bills.

---

[13] "SoCalGas Cap and Invest Comment Letter March 2026," pp. 2-3, https://scs-public.s3-us-gov-west-1.amazonaws.com/env_production/oid377/did200184/pid_213315/assets/merged/ih08i4mh2dr_document.pdf?v=29816. Dual-fuel customers are those that utilize both natural gas and electricity for their residential energy needs. The Problem Solvers Caucus estimates that "A dual-fuel household that has not been electrified by 2035 stands to lose approximately $134 per year in gas Climate Credit while gaining approximately $57 per year in electric Climate Credit, a net annual loss of roughly $77." Problem Solvers, "Re: Proposed Amendments," p. 6.

[14] Health and Safety Code Section 38562(b)(1)(B)(i)

[15] CARB, "Notice of Public Availability of Modified Text and Availability of Additional Documents and/or Information," p. 25.

II. Electric publicly owned utilities (POUs) must use natural gas allowances to fund a Climate Credit.

IOUs have administered the Climate Credit for many years and already maintain the billing and delivery systems necessary to distribute this credit. The acceleration of the allowance transfer schedule to 2028 from 2029 may make it more difficult for electric POUs to build administrative systems to administer a Climate Credit to ratepayers in time. Some electric POUs indicated a desire to evade this responsibility in the previous round of comments. Specifically, the California Municipal Utilities Association requested "that CARB clarify that POUs retain discretion in how to distribute the allowance value credit among their ratepayers."[16]

As AB 1207 prescribes, any NGS allowances transferred to electric POUs should be used to "provide a credit in an amount equal to the total value of that additional allocation directly to ratepayers,"[17] not to fund POU projects or to cover administrative costs associated with setting up the Climate Credit disbursement. Gas ratepayers have been receiving these funds for years. Redirecting the allowance value credit for other uses would result in higher net costs for dual-fuel customers, who receive gas service from an IOU and electric service from a POU, and who will receive diminished or no Climate Credit benefits under their proposal.

If allowances are transferred and the electric POUs do not have a Climate Credit system in place for the next couple years, the immediate result will be a drastically lower Climate Credit for those customers. CARB should add protections to the transfer of allowances. If an electric POU does not have the mechanisms in place to deliver a residential climate credit, then those allowances should be returned to the public utility gas corporations for distribution as a gas Climate Credit. Alternatively, no transfer of NGS allowance revenues to POUs should occur until the POU Climate Credit process is fully implemented, so that dual-fuel customers do not experience periods in which they receive no (or greatly reduced) Climate Credits.

III. SoCalGas appreciates CARB's additional amendments for biomethane.

The 15-Day Amendments include some welcome changes regarding biomethane. The Amendments clarify that solid fuel biomass converted into biomethane are eligible for "Emissions Without a Compliance Obligation."[18] CARB also clarified that biomethane projects funded by NGS allowance consignment revenue that are approved by the CPUC by September 1 of this year may go forward.[19] We appreciate this recognition that projects submitted under the currently approved C&I Program are subject to the standard at that time. SoCalGas has been implementing two CPUC decisions that set aside C&I value for bioenergy projects: D.20-12-031 and D.22-02-

---

[16] California Municipal Utilities Association, "Comments on 45-Day Proposed Cap-and-Invest Regulations," p. 7, https://scs-public.s3-us-gov-west-1.amazonaws.com/env_production/oid377/did200184/pid_213315/assets/merged/ee0niqc9c78_document.pdf?v=40811.

[17] California Public Utilities Code Section 748.5.5

[18] CARB, "15-Day Amendments," p. 128.

[19] *Id*., p. 232.

025.[20] Both of these decisions fall into the category of legacy projects addressed by CARB's regulatory changes. Although SoCalGas is awaiting a CPUC decision for the Woody Biomass Project, the C&I value has already been set aside by a CPUC decision. CARB should affirm in the Final Statement of Reasons that these two programs are permitted to proceed.

IV. Cap Adjustment Factors (CAFs) should be published beyond 2030.

SoCalGas is concerned that the removal of CAFs after 2030 will foster uncertainty during a critical transition period. CAFs have served as a practical mechanism to support market stability and manage policy and structural uncertainty.[21] Eliminating CAFs without an identified alternative may increase allowance price volatility and reduce confidence in the program as the state moves into the post-2030 compliance period. Although SoCalGas understands CARB's interest in preserving flexibility for future program design, publishing provisional CAFs beyond 2030—subject to future adjustment—would provide greater transparency and predictability than leaving that period unspecified. Increased market uncertainty may complicate compliance planning and could result in higher costs ultimately borne by customers, including residential and small commercial customers with limited ability to manage carbon cost volatility.

CARB has consistently emphasized the importance of meeting environmental objectives while avoiding unnecessary cost impacts. Continuing to publish CAFs beyond 2030 would align with that objective by supporting program stability, customer protection, and effective program administration. SoCalGas respectfully requests that CARB reconsider removing CAFs for the post-2030 period.

We appreciate the opportunity to submit comments on this important public program.

Sincerely,

/s/ Kevin Barker

Kevin Barker
Senior Manager
Energy and Environmental Policy

---

[20] CPUC, D-20-12-031: "Decision Adopting the Standard Renewable Gas Interconnection and Operating Agreement,," Rulemaking 13-02-008, December 17, 2020, https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M356/K244/356244030.PDF; CPUC, D-22-025: "Decision Implementing Senate Bill 1440 Biomethane Procurement Program," Rulemaking 13-02-008, February 22, 2022, https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M454/K335/454335009.PDF.

[21] CAFs were incorporated into California's Cap-and-Invest framework to preserve alignment between expected emissions trajectories and the allowance supply, recognizing that actual emissions are influenced by factors beyond regulated entities' control, including: weather variability impacting heating demand and dispatch patterns, changes in hydroelectric availability economic cycles and population growth, delays or acceleration in complementary policies and infrastructure constraints affecting fuel switching or electrification.