Sacramento Municipal Utility District (SMUD) (Sara Christian)

May 4, 2026

Clerk of the Board
California Air Resource Board
1015 I Street
Sacramento, CA 95814

RE: Proposed 15-Day Amendments to the Cap-and-Invest and Mandatory Reporting Regulations

The Sacramento Municipal Utility District (SMUD) appreciates the opportunity to provide comments on the California Air Resources Board's (CARB) proposed 15-day amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation (Cap-and-Invest) and the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions (MRR).[1] SMUD is a local publicly owned electric utility (POU) serving approximately 673,000 customer meters, or a population of about 1.5 million, in Sacramento County and small adjoining portions of Yolo and Placer Counties. SMUD has established an ambitious goal of removing all greenhouse gas (GHG) emissions from its power supply by 2030, working within the guardrails of ensuring reliable and affordable electric service.

SMUD has long supported Cap-and-Invest as an important strategy for reducing GHG emissions that also incorporates ratepayer protections. SMUD greatly appreciates that the proposed 15-day amendments take important steps to protect electricity ratepayers from program compliance costs and mitigate the worst of the affordability impacts that would have resulted from the proposed 45-day amendments.[2] Indeed, CARB's 15-day amendments notably reduce the direct losses to SMUD—estimated between $75 million to $175 million based on the 45-day amendments—to between $15 million and $36 million. While SMUD, on behalf of its customers, supports these important revisions, SMUD continues to urge CARB fully restore utility allocations to those set forth in the current regulation and further mitigate these impacts. Doing so would provide an even greater direct benefit to SMUD's customers and community and ensure the program's voluntary GHG reduction signals remain intact.

Separate from matters pertaining to electric utility allowance allocations, SMUD urges CARB to provide critical certainty within the MRR and Cap-and-Invest regulations for utilities and project developers assessing carbon capture and sequestration (CCS) retrofits for power plants. As set forth in greater detail below, a clear understanding of how CCS will affect emissions accounting in the MRR, and by extension, the emissions factors used in the CEC's Power Source Disclosure program, is necessary to allow utilities and other stakeholders to make decisions about whether to invest in CCS.

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[1] These comments address proposed revisions to both the MRR and Cap-and-Invest regulations and are filed concurrently in each docket.

[2] See *Public Hearing to Consider the Proposed Amendments to the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms* (January 20, 2026), Staff Report: Initial Statement of Reasons, Appendix D-2, *available at* https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2026/cap_invest/nc_app%20d-2.xlsx.

SMUD's feedback on the changes present in the 15-day Cap and Invest and MRR amendments is summarized below and detailed in the following pages:

- SMUD strongly supports CARB's incorporation of the "effective RPS" within Cap-and-Invest electric utility allocations, which is consistent with the program's cost containment framework and substantially mitigates harm to electricity ratepayers.
- SMUD recommends that CARB reverse the midstream changes to the forecast data for Cap-and-Invest utility allocations to preserve confidence in voluntary action incentives.
- SMUD urges CARB to provide certainty in both MRR and Cap-and-Invest regarding CCS emissions accounting, which is necessary to enable near-term decisions on CCS investments.
- SMUD supports the proposed changes in Cap-and-Invest that accelerate the pace of the natural gas allowance transition while maintaining implementation lead time for POUs.
- SMUD supports the changes to "committed capacity" in MRR, which will enable better estimation of outstanding emissions.
- Near-term future rulemakings will be needed to resolve outstanding issues, including post-2030 utility allowance allocations, correction mechanisms for outstanding emissions, and CCS emissions accounting, if CARB does not address these in another round of 15-day amendments.

SMUD additionally supports the comments filed by the California Municipal Utilities Association.

SMUD strongly supports the incorporation of the "effective RPS" within 2027-2030 electric utility allocations.

The proposed 15-day amendments to the Cap-and-Invest regulations update the "[Renewables Portfolio Standard] RPS Factor Applied to Retail Sales" used in calculating the 2027-2030 EDU allocation. Specifically, the updated factor, or effective RPS, now accounts for the fact that up to 25 percent of RPS procurement may be from non-Portfolio Content Category 1 resources and therefore may incur Cap-and-Invest compliance obligations.

SMUD strongly supports this change, which is consistent with both the longstanding cost containment structure for EDU allowance allocations and the RPS statutory framework. Moreover, incorporating this more accurate effective RPS, in tandem with RPS updates from Senate Bill 100, substantially reduces the harm to electricity ratepayers that would have been caused by the 45-day changes to EDU allocations. Under that prior proposal, CARB's recalculation of 2027-2030 EDU allocations would have reduced SMUD's allocation by approximately 25 percent, a cumulative loss of $75 million to $175 million for SMUD's ratepayers. The addition of the effective RPS substantially reduces those cuts to approximately 5 percent, or $15 million to $36 million in total.

SMUD recommends CARB reverse the midstream changes to forecast data used to calculate the 2027-2030 EDU allocation.

SMUD remains concerned that updating the EDU allocation using new forecast data will undermine confidence that voluntary action incentives can be counted upon in the future. As detailed in SMUD's comments on the 45-day amendments, adopting a 10-year fixed allocation schedule was intended to provide EDUs with planning certainty and encourage voluntary GHG reductions; changing the fixed allocation midstream increases uncertainty and erodes confidence that such incentives are reliable. Moreover, by substituting in a new forecast midway through this allocation schedule, even with the more accurate "effective RPS" described above, CARB's 15-day amendments will result in material losses for SMUD and its customers.

For those reasons, SMUD continues to recommend that CARB retain the original forecast, which would reaffirm the importance of voluntary action, restore the original allocation, reverse potential harm to electric utility customers across the state, and align with CARB's policy of encouraging voluntary action to reduce GHG emissions. Importantly, it would also be consistent with the Legislature's clear focus on promoting and protecting electricity affordability.[3]

SMUD urges CARB to provide certainty in both MRR and Cap-and-Invest regarding CCS emissions accounting, which is necessary to enable near-term decisions on CCS investments.

SMUD is disappointed that neither the MRR nor Cap-and-Invest 15-Day amendments clarify the emissions accounting framework for power plants equipped with CCS. The state has widely recognized the role that CCS will play in achieving decarbonization goals. For electric utilities, this technology has the potential to significantly reduce GHG emissions while supporting affordability and reliability—two essential features of a resilient grid that will further encourage electrification of transportation, buildings, industry, and other end-uses.

CCS is closer to market-readiness than ever, and regulatory certainty and acknowledgement of its importance to a clean, reliable grid is a priority for SMUD. Together with several other publicly owned utilities and the Balancing Authority of Northern California, SMUD is actively exploring near-term opportunities to procure electricity from plants equipped with CCS. However, without clarity from CARB, via changes to the MRR and Cap and Invest regulations, it is unclear how emissions from such plants will be counted. This is critically important to electric utilities like SMUD that are subject to the CEC's Power Source Disclosure regulations. Those regulations incorporate CARB's data regarding facilities' emissions in MRR, which are ultimately used to populate the utility's Power Content Label and relay information about the utility's emissions to customers.

SMUD's understanding is that, under the status quo, facilities equipped with CCS will report—and be responsible for—both atmospheric emissions *and* captured CO2. It is unclear, however, whether CARB will attribute only atmospheric emissions to that facility or *all* emissions—including those captured and geologically sequestered.

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[3] Assem. Bill No. 1207 (2025-2026 Reg. Sess.), https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202520260AB1207.

SMUD recognizes that important work regarding monitoring, financial responsibility, and leakage protection requirements is yet to be completed in CARB's SB 905 rulemaking, but utilities and other members of the energy industry who are eager to deploy firm, low- and zero-carbon resources require greater certainty in the near term, so as not to delay or derail these important projects. SMUD urges CARB to provide this clarity in a second round of 15-day amendments. At a minimum, however, CARB should clarify in the Final Statement of Reasons that only atmospheric emissions will be attributed to the facility and reported to the CEC for purposes of the Power Source Disclosure program.

SMUD supports the proposed changes in Cap-and-Invest that accelerate the pace of the natural gas allowance transition while maintaining implementation lead time for POUs.

SMUD appreciates the accelerated timeline for completing the transition of natural gas allowances to electric utilities in Table 9-6A in section 95893 of the Cap-and-Invest regulation. This accelerated transition date is consistent with the direction of AB 1207.[4] SMUD additionally appreciates that the 15-day amendments retain a three-year implementation runway, as set forth in section 95892 (d)(9), which allows time for POUs that do not currently provide direct customer credits to design, plan, and deliver them. SMUD believes that CARB's proposal recognizes both the urgency of the transition and the importance of thoughtful implementation.

SMUD supports the changes to "committed capacity" in MRR, which will enable better estimation of outstanding emissions.

The MRR 15-day amendments update the definition of "committed capacity," which is used in the calculation to estimate emissions leakage associated with energy market participation. SMUD's understanding is that the new definition of committed capacity will encompass *all* electricity generation resources under contract to serve California load, not just those that qualify for resource adequacy. This change will improve the accuracy of estimated leakage and minimize the risk that EDUs are assigned emissions for leakage that did not actually occur.

Near-term rulemakings will be needed to resolve outstanding issues.

While the 15-day amendments to Cap-and-Invest and MRR, respectively, provide many important updates and clarifications, there are additional issues left unresolved: post-2030 EDU allowance allocations, a correction mechanism for outstanding emissions and allowance withholding to address potential errors, and emissions accounting for facilities equipped with CCS. As described by SMUD, other electric utilities, the Joint Utility Group, and other industry associations and coalitions in prior comment letters, these issues are pressing, with the potential for material impacts on EDU ratepayers and EDU planning and investment decisions that are being contemplated now. If CARB does not address these issues within the current rulemakings, it will be critical to open, and complete, timely successor rulemakings well in advance of 2030.

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[21] HSC, § 38562 (b)(1)(B)(i)

Conclusion

SMUD appreciates the opportunity to provide comments and reiterates the important roles of Cap-and-Invest and MRR in advancing achievement of the state's emissions reduction goals, encouraging voluntary GHG reductions and reinvestment of allowance value in GHG-reducing activities, supporting electricity affordability, and enabling complete and accurate emissions accounting. To that end, SMUD strongly supports CARB's incorporation of the effective RPS within the 2027-2030 EDU allocation, which substantially reduces harm to electricity ratepayers, but recommends CARB reconsider its proposal to change underlying forecast data to preserve the allocations established for California utilities and their customers many years ago. SMUD additionally urges CARB to address complete and accurate emissions accounting in both regulations for electricity generating facilities equipped with CCS, and at a minimum, clarify in the MRR Final Statement of Reasons that only atmospheric emissions from power plants equipped with CCS will be attributed and reported to the CEC for purposes of the Power Source Disclosure program.

/s/

KATHARINE LARSON
Regulatory Program Manager
Government Affairs
Sacramento Municipal Utility District
P.O. Box 15830, MS B404
Sacramento, CA 95852-0830

/s/

MARISSA O'CONNOR
Senior Attorney
Government Affairs
Sacramento Municipal Utility District
P.O. Box 15830, MS B406
Sacramento, CA 95852-0830

cc: Corporate Files (LEG 2026-0059)

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Government Affairs
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P.O. Box 15830, MS B404
Sacramento, CA 95852-0830

/s/

MARISSA O'CONNOR
Senior Attorney
Government Affairs
Sacramento Municipal Utility District
P.O. Box 15830, MS B406
Sacramento, CA 95852-0830

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