



May 4, 2026

Rajinder Sahota, Deputy Executive Officer
California Air Resources Board
1001 “I” Street
Sacramento, CA 95814

RE: PG&E’s Comments on the Proposed Amendments to the Cap-and-Invest Regulation

Pacific Gas and Electric Company (PG&E) appreciates this opportunity to comment in response to the California Air Resources Board’s (CARB) release of additional modifications to the Proposed Amendments to the Cap-and-Invest (C&I) Program for a 15-Day Public Comment Period (15-Day Changes). As the state’s largest dual-fuel utility serving 16 million people throughout a 70,000 square-mile service area, PG&E’s comments below center around fair and equitable treatment, and impacts to its customers’ bills at a time when California must prioritize energy affordability.

The California Climate Credit, funded by the free allowances provided to investor-owned utilities (IOUs) for ratepayer protection, remains the most direct, immediate, and highly visible method of providing the affordability benefits of the Program to California households. Affordable electricity is foundational for achieving the state’s decarbonization goals and must be supported accordingly. Individuals and businesses are presently choosing whether to invest in electric vehicles and appliances, retrofit buildings, and power new industrial processes with electricity. The Climate Credit is not simply a near-term benefit; it influences people’s perceptions of the affordability of electricity relative to other fuels when they are making these investment decisions. While the 15-Day Changes still represent a decrease in utility allocation relative to the current regulation, we believe the revised proposal appropriately corrects for several imbalances in the 45-Day draft and moves in the right direction.

A summary of PG&E’s main points is provided below.

Summary of Key Points

Electricity Sector

- PG&E appreciates CARB’s 15-Day Changes that correct the 2027–2030 electrical distribution utility (EDU) allocations as follows:
 - Implementing an “effective RPS” in EDU allocations going forward, aligned with statutory direction for the Renewables Portfolio Standard (RPS) program.
 - Correcting the treatment of the Diablo Canyon Power Plant (DCPP) extended operations - sharing generation across all IOUs on a load-share basis - consistent

with California Public Utilities Commission (CPUC) decisions and aligned with CARB’s allocation methodology.

- Removing double counting of PG&E’s nuclear and large hydroelectric resources; thus, resolving a structural error that would otherwise distort EDU allocation calculations.
- PG&E’s remaining concerns with the 15-Day Changes include:
 - Continuing the 45-Day proposal’s decision to update the EDU allocations from 2027 through 2030, which undermines regulatory certainty and penalizes electric customers for faster-than-expected decarbonization.
 - Incorporating outstanding emissions from the Extended Day-Ahead Market (EDAM) prior to data validation from a full year of actual program operation or the addition of an error-correction mechanism.
 - Removing 2031-2035 allocation: PG&E encourages CARB to reaffirm continued support for electric affordability given its role in economy-wide decarbonization and provide as much direction as possible to improve long-term certainty (including for CPUC climate credit design).

Natural Gas Sector

- While PG&E continues to have concerns that the revised proposal accelerates the gas-to-EDU allowance transfer beyond the most orderly and cost-effective pace, PG&E appreciates CARB’s 15-Day Changes to identify 30 percent of natural gas allowances for ongoing support to low-income residential customers.

Additional Topics

- PG&E supports CARB’s 15-Day Changes to expand technology eligibility to include carbon capture and sequestration (CCS) and expand eligible clean fuels to help enable cost-effective industrial decarbonization consistent with the 2022 Scoping Plan.

1. **EDU Allocation**

While the 15-Day Changes still reduce EDU allocation relative to the current regulation, PG&E appreciates that CARB’s revisions make substantial improvements to the proposed 2027-2030 EDU allocation to better reflect the critical role of electricity affordability in decarbonization compared to the January 45-Day draft.

A. Effective RPS

PG&E supports CARB’s updates to implement an “effective RPS” in the EDU allocations going forward that aligns with statutory direction for the RPS program. This approach is consistent with the important, built-in flexibility within the RPS program’s portfolio balance

requirement and appropriately accounts for all RPS-compliant resources. This is especially important as achieving increasing RPS targets has become more challenging and costly for many utilities.

B. Diablo Canyon Power Plant Extended Operations

PG&E supports CARB's 15-Day Changes for ensuring fair and equitable treatment of DCP's extended operations in the EDU allocation calculations for 2027-2030. CARB's revised approach appropriately allocates the generation associated with DCP's extended operations across the three IOUs (PG&E, Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E)) on a load-share basis, aligning the EDU allowance allocation with statute, CPUC decisions, and, importantly, with the underlying reality that all IOU customers bear both the costs and benefits from DCP's extended operations.¹

In the 45-Day draft, DCP generation was reflected in the EDU allocation calculations based on PG&E's S2 filing, which shows full generation volumes in accordance with the California Energy Commission's utility-owned generation reporting requirements. This allocation treatment, which has been appropriately resolved in the 15-Day Changes, was fundamentally disconnected from the actual circumstances of DCP's extended operations and was in error. While PG&E owns and operates DCP, it does so on behalf of *statewide* customers, *not* solely for PG&E's distribution customers. Pursuant to Senate Bill 846, CPUC Decision 23-12-036 established a framework in which DCP's costs and benefits would be allocated to *all* customers in the three IOU's service territories on a load-share basis. In other words, all of these customers will receive the benefit of CAISO energy market revenues² associated with DCP's generation while also receiving other benefits, including receiving an allocation of DCP's GHG-free energy. The framework and methodology to receive DCP's GHG-free energy was memorialized in Appendix P of PG&E's Bundled Procurement Plan, adopted by the CPUC, and implemented by load serving entities within the IOU's service territories on behalf of their customers.³ There is nothing different in how customers receive GHG-free benefits based on IOU service territory. Any claims to the contrary are incorrect and a return to the 45-day draft approach is unsupported.

CARB's 15-Day Changes do not introduce a new approach to the EDU allocation methodology. In fact, the 15-Day Changes related to DCP's output are similar to the treatment of RPS-eligible energy. Specifically, the RPS requirement methodology also

¹ See Public Resources Code 25548(b) indicating that DCP's extended operations "may be necessary to improve *statewide* energy system reliability and to reduce the emissions of greenhouse gases" for California and that DCP's extended operations "is prudent, cost effective, and in the best interests of *all* California electricity customers" (emphasis added).

² See Public Utilities Code Section 712.8(h)(3) which establishes that CAISO market revenues in excess of costs will be returned solely to PG&E customers. To date, market revenues generated by DCP have not exceeded operating costs during the period of extended operations and are not forecasted to during the duration of the operating period.

³ D.23-12-036 also established a framework for resource adequacy capacity allocation, using a 12-month coincident peak load share basis, to allocate capacity to the PG&E, SCE, and SDG&E service areas.

associates the costs and benefits from RPS supply to the customers they serve. Thus, the revised EDU allocation appropriately and equitably reflects the shared responsibility for costs and benefits across PG&E, SCE, and SDG&E service territory customers.

Taken together, the record supports a clear and uncomplicated cost-and-benefit allocation paradigm for DCP's extended operations: attributes are allocated to the IOU's service territories on a load-share basis, consistent with statute and multiple CPUC decisions.⁴ Accordingly, any EDU allocation calculation that departs from this framework would be inconsistent with applicable CPUC precedent and Senate Bill 846. PG&E therefore commends CARB for correcting the EDU calculation to align with the actual circumstances of extended operations at DCP and the precedent established by the CPUC, thus ensuring inter-agency consistency and equitable treatment of all IOU service territory customers.

C. Correcting Hydroelectric & Nuclear Resources Accounting

PG&E supports CARB's correction to the double counting of PG&E's nuclear and large hydroelectric resources that arose when CARB mixed (1) IOU forward-looking generation from utility filings with (2) Community Choice Aggregator (CCA) GHG-free resource information from backward-looking Power Content Labels. While PG&E continues to believe forward-looking data is more fit-for-purpose where feasible, the 15-Day Changes provide a meaningful improvement relative to the 45-Day draft because it resolves a structural double counting error that would otherwise materially distort the EDU allocation calculations.

D. Remaining Concerns with 2027–2030 EDU Allocations

While PG&E appreciates these substantial improvements, PG&E reiterates its concern that updating the EDU allocations through 2030 contradicts CARB's stated intent in establishing fixed, upfront 10-year allocations, undermines regulatory certainty, and penalizes electric customers for decarbonization that has occurred faster than expected. Similarly, PG&E remains concerned over the potential impact of including Extended Day-Ahead Market (EDAM) outstanding emissions (which will be covered by removing allowances from EDU allocations) prior to the program's launch and appropriate data validation, or the adoption of an error-correction mechanism. If CARB moves forward with a second round of 15-Day Changes, PG&E recommends a delay to the inclusion of EDAM into Cap-and-Invest until 2027, with the 2026 EDAM-related outstanding emissions being trued-up after the EDAM data can be validated.

E. Post-2030 Allocations

PG&E understands CARB's reasons for deferring its determination of post-2030 allowance allocations to a future rulemaking. This is unfortunate, as the lack of regulatory certainty

⁴ PG&E customers bear a higher share of Volumetric Performance Fee costs per Public Utilities Code Section 712.8(f)(5)

about 2031-2035 EDU allocations will make it more challenging to determine the best long-term approach for returning IOU allocated allowance value to customers in the CPUC's Climate Credit Proceeding. Any direction that CARB can provide in this rulemaking to reaffirm its commitment to continuing strong support for electric affordability and associated decarbonization through EDU allocations post-2030 would be helpful as the CPUC evaluates longer-term climate credit design options. Regardless, PG&E believes the post-2030 approach CARB initially developed through this rulemaking is a strong starting point for CARB's future rulemaking and would be further enhanced by incorporating the effective RPS change implemented for the 2027-2030 EDU allocations.

2. Natural Gas Allocation

PG&E appreciates CARB's decision in the 15-Day Changes to maintain 30 percent of natural gas allowances for use in supporting low-income residential customers after the gas system transition. To ensure that low-income gas customers are protected as intended, we recommend CARB make a procedural correction to Table 9-6A to state "2031 and beyond". We believe this will provide greater assurance as to CARB's intent. It is also our understanding that the requirement to use the full value of the 30% for low-income benefits, while allowed in 2028-2030, is not fully effective until only 30% of the natural gas allocation remains (starting in 2031). As PG&E and the investor-owned natural gas utilities previously noted, a proportionate continuation of allowances provides an important safeguard as declining gas throughput places increasing fixed-cost pressure on remaining customers, particularly households least able to absorb higher bills or afford upfront electrification costs. Reserving allowance value for targeted support helps address these risks for those customers who cannot achieve full electrification by 2031.

PG&E continues to believe that the revised proposal accelerates the pace of the gas-to-EDU allowance transfer beyond what represents the most cost-effective or orderly transition. An accelerated transition magnifies the loss that IOU dual-fuel customers will see because of the transfer. That said, PG&E can work with the revised approach when considered as a combined outcome with the updated EDU allocation and the inclusion of a 30 percent continuation that materially mitigates the most significant affordability and equity concerns associated with the transfer. This provides needed flexibility to support vulnerable customers through bill relief or other targeted measures as determined by the CPUC.

3. Manufacturing Decarbonization Incentive (MDI)

PG&E supports CARB's modifications to the 15-day package to expand technology eligibility to include carbon capture and sequestration (CCS) and exempt biomass-derived fuels. As CARB's 2022 Scoping Plan identifies, CCS and clean fuels are important decarbonization strategies that are needed to achieve California's carbon neutrality goal and including them as eligible for the MDI could increase opportunities for California industries to decarbonize cost-effectively.

Conclusion

PG&E looks forward to continuing its collaboration with CARB and public stakeholders on these amendments to the C&I Program to help ensure they are equitable and support California's progress in achieving its decarbonization goals.

Sincerely,

/s/

Fariya Ali

Air & Climate Policy Manager