

## Southern California Edison Company (Sarah Lee)

Please see attached Southern California Edison Company's (SCE) comments on the Cap-and-Invest 15-Day draft regulation.

May 4, 2026

Via E-Submittal

Board Clerk  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

**Re: Comments of Southern California Edison Company on the 15-Day Proposed Amendments to the California Cap-and-Invest Regulation**

Dear Chair Sanchez and Members of the Board:

On April 14, 2026, the California Air Resources Board (CARB) issued changes (15-day amendments)<sup>1</sup> that further modify CARB's proposed amendments to the Cap-and-Invest Regulation introduced in January 2026 (45-day amendments). Southern California Edison Company (SCE) acknowledges that certain modifications made in the 15-day amendments represent incremental improvements from the 45-day amendments; however, the 15-day amendments still result in a net reduction in SCE's electric distribution utility (EDU) allowances compared to current regulation, which reduces the Climate Credit benefits returned to customers. This reduction in allowances is primarily driven by CARB's changes to the way it allocates the Greenhouse Gas (GHG) benefits of the Diablo Canyon Power Plant (DCPP) to the large investor-owned utilities (IOUs). Due to its scale, any change in the DCPP GHG benefits allocation methodology has significant consequences for IOUs and their customers. As evidenced by AB 1207 and other features of state law, the state is focused on protecting affordability for utility customers. The change to DCPP allocations in the 15-day amendments undermines that objective.

SCE's comments below request that CARB remove the share of DCPP GHG benefits in SCE's portfolio because the attribution is incorrect and thus unjustifiably reduces the number of allowances SCE sells to generate revenue that it returns to customers.

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<sup>1</sup> California Air Resources Board. (2026). *Notice of public availability of modified text and availability of additional documents and/or information: Proposed amendments to the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms* (15-day amendments). [https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2026/cap\\_invest/nc\\_15d\\_ci\\_noticeada.pdf](https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2026/cap_invest/nc_15d_ci_noticeada.pdf)

## **I. CARB Should Remove the Incorrect DCPD GHG Benefits Attribution to SCE that Is Driving Down SCE's Allowance Allocation Because SCE Does Not Receive any Direct GHG-Free Benefit from DCPD**

In the 15-day amendments, CARB apportions SCE and San Diego Gas & Electric Company (SDG&E) a share of the supply from DCPD based on the California Public Utilities Commission's (CPUC) allocation of the costs and benefits of DCPD's extended operations to all CPUC-jurisdictional load-serving entities (LSEs).<sup>2</sup> CARB imputes a substantial—approximately 45 percent share—of GHG-free benefits from DCPD to SCE's customers. This assumption results in a significantly lower allocation of allowances to SCE in the 2027-2030 period. Specifically, it reduces SCE's allowances by 11.9 million in the 2027-2030 period, the revenue from which SCE would have otherwise returned to its customers through the California Climate Credit.

CARB's allocation is technically and legally incorrect. SCE and other LSEs receive some benefits from DCPD's extended operations. However, DCPD does not serve as a true GHG-free resource in SCE's portfolio. SCE's direct emissions compliance exposure under the Cap-and-Invest program remains the same as it was without DCPD. The CPUC only allows the LSEs paying for the extended operations of DCPD to voluntarily claim GHG-free attributes from DCPD for the LSE's power content label and prohibits the LSE from reselling the GHG attributes subject to the allocation.<sup>3</sup> The CPUC stated that "[t]his decision only seeks to address the narrow issue of how to allocate DCPD's GHG-free attributes to LSEs whose customers are paying for extended operations for the purpose of power content labeling. Further, ... we clarify that GHG attributes subject to allocation may not be resold."<sup>4</sup> While SCE does claim DCPD on its power content label and DCPD may reduce the amount of generator purchases SCE has to make that could be GHG-emitting for resource adequacy, these are only indirect benefits to SCE that do not directly reduce SCE customers' emissions compliance costs under the Cap-and-Invest program.

SCE does not receive any share of the energy from DCPD.<sup>5</sup> Moreover, unlike Pacific Gas and Electric Company (PG&E), SCE has not received any additional CARB allowances for DCPD replacement resources (discussed further below). The allowances received by PG&E in 2024-2026 represented significant overallocation to PG&E's customers that was not shared with the other IOUs' customers, despite those customers sharing in DCPD's extended operations costs.

Since SCE's GHG emissions compliance burden is not directly reduced by D.23-12-036's allocation of DCPD extended operations costs to SCE, it is unreasonable that CARB should adjust

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<sup>2</sup> CPUC Decision (D.) 23-12-036 (decision conditionally approving extended operations at DCPD pursuant to SB 846), available at <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M521/K496/521496276.PDF>

<sup>3</sup> D.23-12-036 at 88-92, Ordering Paragraph (OP) 10.

<sup>4</sup> *Id.* at 92.

<sup>5</sup> Additionally, if annual market revenues for DCPD's extended operations exceed the annual costs and expenses, any available surplus revenues are credited solely to customers in PG&E's service area. Cal. Pub. Util. Code § 712.8(h)(3).

SCE's allowances on account of nuclear assets that are not meaningfully contributing to reducing SCE's compliance obligations under Cap-and-Invest. In this regard, the 45-day amendments provided a more accurate representation of each IOU's GHG-free nuclear resources than the 15-day amendments. SCE recommends CARB adopt the 45-day amendments' approach to the treatment of DCPD attributes, which would list the entirety of DCPD's GHG-free attribute as a benefit that accrues only to PG&E.

As an alternative, if CARB does not return to the 45-day amendments' approach, CARB should mitigate the impact to SCE's customers by providing SCE with additional allowances equivalent to the amount that SCE would have received, but did not, for its share of DCPD replacement resources in 2024-2026. Under the current (2018) and prior Cap-and-Invest regulation, CARB provided allowances to PG&E based on assumptions that DCPD was scheduled to retire in 2024-2025 and would be replaced with emitting resources. However, there were two developments that indicate that CARB's assumption did not bear out in practice and CARB may have overallocated allowances to PG&E's customers. First, pursuant to SB 846, the CPUC in 2023 authorized PG&E to extend DCPD operations to October 2029 for DCPD Unit 1 and October 2030 for DCPD Unit 2.<sup>6</sup> Second, the CPUC in D.21-06-035 required all LSEs to procure 2,500 megawatts of zero-emitting capacity to replace DCPD.<sup>7</sup>

Based on these two developments, from 2024 to today, SCE estimates that CARB overallocated 14.4 million allowances to PG&E based on the assumption that DCPD would be replaced with emitting resources. None of these allowances were shared with customers in SCE's or SDG&E's service areas despite those customers paying a share of DCPD extended operations costs during that period.

SCE is not requesting that CARB change its historical allocations of allowances. However, if CARB decides not to adopt SCE's recommendation to limit attribution for DCPD to PG&E and maintains the spread of DCPD's attributes across the three IOUs, SCE requests that CARB mitigate the impact on SCE customers of the reduction in allowances caused by attribution of DCPD to SCE in 2027-2030. CARB can achieve this by providing SCE the fair share of allowances that SCE customers should have received, but did not, in the 2024-2026 period. This would make right the historic and continued over-allocation of allowances under Cap-and-Invest to PG&E customers and ensure that all IOU customers are treated fairly.

Moreover, this modification would not affect other EDUs or increase total electric sector allocations. This alternative would just be an inter-utility transfer from PG&E to SCE and SDG&E

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<sup>6</sup> D.23-12-036 at OP 1. This authorization was subject to the following conditions: (1) the United States Nuclear Regulatory Commission continuing to authorize DCPD operations; (2) the \$1.4 billion loan authorized by SB 846 is not terminated; and (3) the CPUC does not make a future determination that DCPD extended operations are imprudent or unreasonable. *Id.*

<sup>7</sup> CPUC D.21-06-035 at OP 6 (decision requiring procurement to address mid-term reliability (2023-2026)), available at <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M389/K603/389603637.PDF>

in recognition of the fact that the benefits of that historic overallocation only accrued to PG&E customers, even though our customers were paying their fair share of the costs to continue operating the plant.

## **II. SCE Supports CARB’s Adoption of Effective RPS and Other Changes to Improve Electric Affordability**

The 15-day amendments note that CARB adjusted the RPS Factor Applied to Sales “to reflect the California Energy Commission (CEC) Interim Renewable Portfolio Standard Targets... minus 25% to represent allowable non-Portfolio Category Content 1 (PCC1) electricity.”<sup>8</sup> SCE appreciates that CARB adopts for the 2027-2030 period the Joint Utility Group’s proposal to use an effective RPS in the EDU allowance allocation methodology.<sup>9</sup> This change is an improvement in that it accurately represents SB 100’s flexibility in utilities’ procurement portfolios and augments electric affordability compared with the 45-day amendments. When CARB considers the EDU post-2030 allowance allocations in a subsequent rulemaking,<sup>10</sup> SCE recommends that CARB continue its application of the effective RPS to post-2030 EDU allowances.

SCE also appreciates that CARB has elected to use resources and load information from the CEC 2024 Integrated Energy Policy Report in the EDU allowance allocation methodology. This action was necessary and appropriate to align with other critical energy planning processes, namely the California Independent System Operator’s Transmission Planning Process and the CPUC’s Integrated Resources Planning process.

## **III. Conclusion**

SCE urges CARB to adopt its recommendations on the 15-day amendments above and looks forward to continued engagement with stakeholders in this proceeding. Please feel free to contact me if you have questions regarding these matters or if any further information is needed.

Sincerely,

/s/ Adam R. Smith

Adam R. Smith

*Director, SCE Regulatory Relations*

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<sup>8</sup> See Section P, Table 9-3, para. 9(a) in 15-day amendments.

<sup>9</sup> “To determine the Effective RPS, the nominal RPS is reduced by the value from multiplying the nominal RPS (i.e., 60% in 2030) by 25% to account for the allowed non-PCC 1 share of an EDU’s RPS compliance.” Joint Utility Group. (2025, March 9). *Comments of the Joint Utility Group on proposed amendments to the Cap-and-Invest Program—electric distribution utility (EDU) allocations and electricity-sector provisions*. California Air Resources Board.

<sup>10</sup> See Section P, para. 10 in 15-day amendments.