

## **CITY OF RIVERSIDE POLICY**

### **PERMISSIBLE USE OF GREENHOUSE GAS ALLOWANCE VALUE AND PROCEEDS**

#### **INTRODUCTION:**

Assembly Bill (AB) 32, enacted in 2006, mandated that the California Air Resources Board (CARB) develop a framework and the associated regulations to limit the GHG emissions in California to 1990 levels by the year 2020. Central to the CARB's GHG regulations is the establishment of the Cap-and-Trade program for GHG allowances, with the enforceable compliance obligation beginning on January 1, 2013, for GHG emissions.

The electrical distribution utilities are allocated certain amounts of GHG allowances at no cost through CY 2020, to ease the transition to the Cap-and-Trade program and mitigate the cost and rate impacts to retail electric customers. Each allowance permits the holder of the allowance to emit one metric ton of carbon-dioxide equivalent (CO<sub>2</sub>e) emissions.

#### **PURPOSE:**

This Policy established the guidelines to ensure RPU's compliance with §95892(d)(1) of the California Code of Regulations, Article 5: California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms.

Electrical distribution utilities are provided with certain amounts of freely-allocated allowances through CY 2020, to transition to a Cap-and-Trade program, while mitigating rate impacts to retail electric customers. Each allowance permits the owner of the allowance to emit one metric ton of carbon-dioxide equivalent (CO<sub>2</sub>e) emissions.

#### **USE OF PROCEEDS- REGULATORY COMPLIANCE:**

Riverside Public Utilities (RPU) must comply with the regulatory restrictions and requirements governing the use of proceeds from allocated allowances, including;

- I. §95892(d)(3) – "Auction proceeds and allowance value obtained by an electrical distribution utility shall be used exclusively for the benefit of retail ratepayers of each electrical distribution utility consistent with the goals of AB 32, and may not be used for the benefit of entities or persons other than such ratepayers." The objective of AB 32 is to reduce state-wide GHG emissions to 1990 levels by 2020.
- II. §95892(d)(5) – "Prohibited Use of Allocated Allowance. Use of the value of any allowance allocated to an electrical distribution utility, other than for the benefit of retail ratepayers consistent with the goals of AB 32 is prohibited, including use of such allowances to meet compliance obligations for electricity sold into the California Independent System Operator."
- III. Permissible uses of the proceeds from the sale of allocated allowances include, but are not limited to:

- a. Investments/Costs associated with existing or renewable resources, which may include:
    - 1. Utility scaled renewable projects (e.g.: geothermal, solar, wind, biomass, landfill gas)
    - 2. RPU-owned local solar projects
  - b. Investments/Costs associated with planning, design, development and procurement of distributed renewable resources on City owned lands.
  - c. Investments/Costs associated with planning, design, development and procurement of cost-effective energy storage technologies/devices.
  - d. Investments/Costs associated with planning, design, development and procurement of cost-effective energy efficiency, demand response, and peak-shifting programs for the benefit of Riverside's retail electric customers, which may include the following:
    - 1. Publicly-available electric vehicle charging stations or infrastructure.
    - 2. O Power or other home energy audits (O Power provides customers with energy usage and is proven to reduce customer usage by two percent).
    - 3. Home energy reports for energy efficiency.
    - 4. Energy efficiency projects at City facilities or infrastructure that will result in greenhouse gas emissions reductions.
  - e. Supplemental procurement of GHG allowances or offsets that are required to meet RPU's compliance obligation associated with its retail load serving function.
  - f. Establishment of a community carbon tracking system.
- IV. Additional allowable uses may be added to the Policy in the future subject to Board and City Council approvals.

**REPORTING:**

- V. Annual tracking and reporting to CARB on both the allowance value and use of proceeds, as follows:
  - a. The value and proceeds of the GHG allowances shall be tracked separately and earmarked for the benefit of the RPU's electric retail customers.

- b. CARB reporting will be based on requirements as set for in §95892(e), as follows:

“Reporting on the Use of Auction Proceeds and Allowance Value”. No later than June 30, 2014, and each calendar year thereafter, each electrical distribution utility shall submit a report to the Executive Officer describing the disposition of any auction proceeds and allowance value received in the prior year. This report shall include:

- (1) The monetary value of auction proceeds received by the electrical distribution utility:
  - (2) How the electrical distribution utility’s disposition of such auction proceeds complies with the requirements of this section and the requirements of California Health and Safety Code Sections 38500 et seq:
  - (3) The monetary value of allowances received by the electrical distribution utility which were deposited directly into electrical generating facility compliance accounts. The electrical distribution utility shall calculate the value of these allowances based on the average market clearing price of the four quarterly auctions held in the same calendar year that the allowances are allocated; and
  - (4) How the electrical distribution utility’s disposition of the monetary value of allowances, deposited directly into compliance accounts, complies with the requirements of this section and the requirements of California Health and Safety Code sections 38500 et seq.”
- c. Annual reports on the use of allowance value and proceeds of GHG allowances shall be provided annually to the Board of Public Utilities.
- d. The City Manager or his designee shall attest and file the annual Greenhouse Gas Allowance proceeds usage report with the Executive Director of the California Air Resources Board.