



## Annual Report on the Use of Allowance Value and Proceeds of Greenhouse Gas Allowances

Riverside Public Utilities  
Resource Operations & Strategic Analytics

Board of Public Utilities  
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### GREENHOUSE GAS (GHG) ALLOWANCES BACKGROUND

1. In 2006 Assembly Bill (AB) 32 was enacted and mandated the California Air Resources Board (CARB) to develop regulations to limit California's GHG emissions to 1990 levels by 2020
2. December 2011, CARB developed its framework, associated regulations and market mechanisms to implement AB 32
3. January 1, 2012- Effective date



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## GREENHOUSE GAS (GHG) ALLOWANCES BACKGROUND

4. Cornerstone of CARB's GHG regulations- Cap and Trade Program for GHG Allowances
  - a. Electrical Distribution Utility's (EDUs) have annual compliance obligation
  - b. Must possess sufficient GHG allowances to offset such GHG emissions
  - c. EDUs receive "free" allocation of GHG allowances through calendar year 2020
  - d. Can be used to directly offset GHG compliance obligation



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## RIVERSIDE'S ALLOWANCE ALLOCATION

1. RPU receives approximately 1 million allocated allowances per year through 2020
2. Allowances sufficient to meet its direct compliance obligations from 2013 - 2020
3. Excess allowances are sold into the CARB's Cap and Trade quarterly auctions
4. Proceeds earmarked to benefit electric ratepayers consistent with the Cap and Trade regulations



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## LIMITATIONS ON USE OF PROCEEDS

Strict limitations governing the use of the value and the proceeds derived from the sale of allocated allowances:

1. Subject to any limitations imposed by the governing body of the utility and any additional requirements set forth
2. Must be used exclusively for the benefit of retail ratepayers, consistent with the goals of AB32
3. Prohibited from using allowances to meet compliance obligations for electricity sold into the CAISO markets



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## RIVERSIDE'S POLICY ON USE OF PROCEEDS

City's Policy on the Permitted Use of GHG Allowance value and Proceeds:

1. April 18, 2014 – Board approved Policy
2. September 6, 2016 – Council approved new section III.d.4., to the Policy (i.e. energy efficiency projects at City facilities)
3. Policy requires annual reports on the use of allocated allowance value and proceeds of GHG to be provided to the Board



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## REPORT ON USE OF ALLOCATED ALLOWANCE VALUE AND PROCEEDS OF GHG ALLOWANCES

1. In 2016, RPU received \$4,778,676 in proceeds related to the sale of GHG allowances. A cumulative total of \$14,378,031 in proceeds from the sale of excess GHG allowances has been received as of 12/31/16.

Table below shows how the proceeds were used to date:

Qualifying Expense	Approved	Calendar Year	Amount Spent
DC Fast Charger at City Hall	City Council 10/06/15	2016	\$28,205
Ice Energy Pilot Program	City Council 03/03/15	2016	\$300,000
<b>Total Qualifying Expenses</b>			<b>\$328,205</b>
<b>Reserve Balance as of 12/31/16</b>			<b>\$14,049,808</b>



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## REPORT ON USE OF ALLOCATED ALLOWANCE VALUE AND PROCEEDS OF GHG ALLOWANCES

2. The following table includes future projects that will be funded from the GHG proceeds and were approved by the City Council:

Qualifying Expense	Approved	Approval Amount
City-wide Streetlight LED Conversion Program- Work Order 1611216	City Council 09/06/16	\$1,150,000
<b>Total</b>		<b>\$1,150,000</b>
<b>Available Reserve Balance</b>		<b>\$12,899,808</b>



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## CARB REPORTING REQUIREMENTS

1. City must track the value and proceeds from the sale of GHG allowances separately
2. Proceeds must be earmarked for the benefit of RPU's electric retail customers consistent with the goals of AB 32
3. Section 95892 (e) requires EDU's to prepare an annual report to CARB's Executive Officer describing the disposition of any auction proceeds and allowance value received in the prior calendar year



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## Recommendations

That the Board of Public Utilities receive, review and file this update on the City of Riverside's use of allowance value and proceeds of Greenhouse Gas (GHG) Allowances.



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