

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 June 12, 2017

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GREENHOUSE GAS (GHG) ALLOWANCES BACKGROUND

- 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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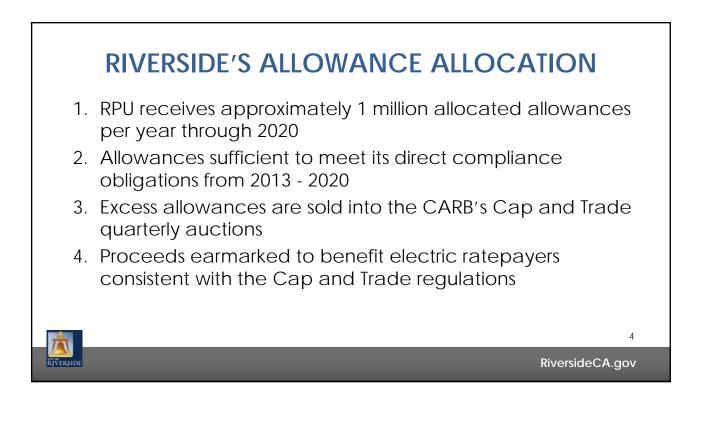
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GREENHOUSE GAS (GHG) ALLOWANCES BACKGROUND

- 4. Cornerstone of CARBs 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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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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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	
Total Qualifying Expenses			\$328,205	
Reserve Balance as of 12/31/16			\$14,049,808	
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Qualifying Expense	Approved	Approval Amount
City-wide Streetlight LED Conversion Program- Work Order 1611216	City Council 09/06/16	\$1,150,000
Total		\$1,150,000
Available Reserve Balance		\$12,899,808
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