



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. AB 32 (2006): California Air Resources Board (CARB) regulations to limit California's GHG emissions to 1990 levels by 2020
2. December 2011: CARB developed AB 32 framework, associated regulations, Cap and Trade Program
3. January 1, 2012: Effective date of regulations
4. SB 32 (2016): GHG emissions to 40% below 1990 levels by 2030
5. AB 398 (2017): Continuation of Cap and Trade Program through 2030



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CAP AND TRADE PROGRAM

1. Cornerstone of CARBs GHG regulations
2. Electric distribution utilities (EDUs)
 - a. Annual GHG compliance obligation
 - b. Must possess sufficient GHG allowances to offset emissions
 - c. Receive “free” GHG allowances through 2030
 - d. Allowances 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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RIVERSIDE'S ALLOWANCE ALLOCATION

5. July 27, 2017: CARB approved Cap and Trade Amendments, including Riverside's 2021-2030 allowance allocations
6. Riverside's allowance allocations sufficient to cover the 2021-2030 direct compliance obligations
7. Regulatory amendments currently underway:
 - a. Banking provisions
 - b. Specific GHG revenue spending requirement for revenues generated from the sale of excess allowances
8. RPU staff participating in the regulatory amendment process and providing comments through SCPPA



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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 AB 32
3. Prohibited from using allowances to meet compliance obligations for electricity sold into the CAISO markets
4. Proceeds received from the sale of allowances must be spent within 10 years of "vintage" year of the allowances



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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

Qualifying Expense	City Council Approval	Calendar Year	Amount Spent
DC Fast Charger at City Hall	10/06/15	2016	\$28,205
Ice Energy Pilot Program	3/03/15	2016, 2017	\$1,843,340
Street Light LED Retrofit	9/06/16	2017	\$159,309
Total Qualifying Expenses			\$2,030,854
Reserve Balance (including interest) as of 12/31/17			\$20,062,284



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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 EDUs 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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RECOMMENDATION

That the Board of Public Utilities receive update on the City's use of allowance value and proceeds of Greenhouse Gas Allowances.



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