



# ALLOWABLE USE OF VALUE AND PROCEEDS FROM THE SALE OF GREENHOUSE GAS ALLOWANCES

## Riverside Public Utilities

Board of Public Utilities

March 9, 2026

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## BACKGROUND

### GREENHOUSE GAS (GHG) ALLOWANCES LEGISLATIVE HISTORY

**AB 32 (2006)**

GHG Emissions to 1990 levels by 2020

**SB 32 (2016)**

GHG Emissions to 40% below 1990 levels by 2030

**AB 398 (2017)**

Continuation of Cap-and-Trade Program through 2030



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# CAP AND TRADE PROGRAM

**Publicly  
Owned  
Electric  
Distribution  
Utilities**



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# RIVERSIDE'S ALLOWANCE ALLOCATION

## 2013-2025

- Received approximately 1 million allowances/year
- Met direct compliance obligations from 2013-2025
- Excess allowances were sold into the CARB's Cap-and-Trade quarterly auctions
- Proceeds earmarked to benefit electric ratepayers consistent with the Cap-and-Trade regulations

## 2026-2030

- Will receive fewer allowances than in prior period shown – amount declines through 2030
- Still more than sufficient to cover the 2026-2030 direct compliance obligations
- Excess allowances will be sold into the Cap-and-Trade auctions
- Proceeds earmarked to benefit electric ratepayers consistent with the Cap-and-Trade regulations



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# CARB LIMITATIONS ON USE OF PROCEEDS

<p><b>CA Code of Regulations 95892(d).(3)-(8) and 95892(e)</b></p>	<p><b>Exclusively for the Benefit of Retail Ratepayers</b></p>
<p><b>Funded projects or programs should yield meaningful carbon reductions</b></p>	<p><b>Utilities Must Spend all Auction Proceeds Within 10 Years</b></p>



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# RIVERSIDE'S POLICY ON USE OF PROCEEDS



1. Use of proceeds is also subject to limitations imposed by Utilities' governing body
2. RPU Board approved the initial City Policy on the Permitted Use of Greenhouse Gas Allowance Value and Proceeds in 2014
  - a. Updated the policy in 2016 and 2021
  - b. Added the City Council to the approval process
  - c. Modified the policy to add permissible uses and remove any policies that were inconsistent with new laws and regulations
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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## RIVERSIDE'S POLICY PROVISIONS

Our current Policy references five distinct categories of permissible uses:

**a. Investments/Costs associated with existing and/or new renewable resources, which may include:**

- 1. Utility scaled renewable projects (e.g., geothermal, solar, wind, biomass, renewable gas, hydrogen).
- 2. RPU-owned local solar projects.

Establishes that the reimbursement for renewable energy purchases is a permissible use (consistent with CARB regulations).



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## RIVERSIDE'S POLICY PROVISIONS

**b. Investments/Costs associated with planning, design, development and procurement of distributed renewable resources on City owned lands.**

Establishes the use of value for distributed renewable resources on City owned lands. No funds have been allocated to this use.

**c. Investments/Costs associated with planning, design, development and procurement of cost-effective energy storage technologies/devices.**

Establishes that energy storage project costs can be offset using allowance revenues (again, consistent with CARB regulations).



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## RIVERSIDE'S POLICY PROVISIONS

**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:**

- Publicly-available electric vehicle charging stations or infrastructure.
- Electric vehicle infrastructure to support a City fleet conversion.
- Building electrification and customer decarbonization programs that will result in GHG emissions reductions.
- Energy efficiency and decarbonization projects at City facilities or infrastructure that will result in GHG emissions reductions.



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## RIVERSIDE'S POLICY PROVISIONS

**e. Supplemental procurement of GHG allowances or offsets that are required to meet RPU's compliance obligation associated with its retail load serving function.**

This is no longer an "acceptable use" under current CARB regulations. Staff intend to remove this provision during the next update to RPU's Acceptable Use policy document.



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### HISTORICAL USE OF ALLOCATED ALLOWANCE VALUE AND PROCEEDS OF GHG ALLOWANCES (THROUGH 2024)

Qualifying Expense	DC Fast Charger at City Hall	Ice Energy Pilot Program	City-Wide LED Street Lights	Excess Renewable Energy	Total
CC Approval	10/6/2015	3/3/2015	9/6/2016	9/6/2016	
Year	Proceeds (\$)				
2016	\$28,205	\$300,000	\$0	\$0	\$328,205
2017	\$0	\$1,543,340	\$159,309	\$0	\$1,702,649
2018	\$0	\$514,528	\$300,274	\$7,547,593	\$8,362,395
2019	\$0	\$1,826,002	\$346,742	\$3,456,067	\$5,628,811
2020	\$0	\$0	\$2,397,538	\$5,535,680	\$7,933,218
2021	\$0	\$0	\$2,564,193	\$8,102,097	\$10,666,290
2022	\$0	\$0	\$1,852,780	\$11,450,421	\$13,303,201
2023	\$0	\$0	\$2,026,476	\$11,344,851	\$13,371,327
2024	\$0	\$0	\$112,491	\$8,067,230	\$8,179,721
<b>Total</b>	<b>\$28,205</b>	<b>\$4,183,870</b>	<b>\$9,759,803</b>	<b>\$55,503,939</b>	<b>\$69,475,817</b>
<b>Reserve Balance (including interest) as of December 31, 2024</b>					<b>\$31,812,720</b>


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### PLAUSIBLE FUTURE USE OF ALLOWANCE PROCEEDS (THROUGH 2030)

Qualifying Expense	EV Charging Infrastructure	RPU Owned Energy Storage Projects	RPU Owned Local Solar Projects	Excess Renewable Energy
Time-Frame	Proceeds (\$)			
2026-2030	Up to \$10,000,000	Up to \$15,000,000	Up to \$5,000,000	all remaining funds

1. EV Charging Infrastructure
2. RPU Owned Energy Storage Projects
3. RPU Owned Local Solar Projects
4. Excess Renewable Energy


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## PLAUSIBLE FUTURE USE OF ALLOWANCE PROCEEDS (THROUGH 2030)

### **EV Charging Infrastructure:** (up to \$10,000,000)

1. RPU must electrify its fleet of vehicles (CARB mandate)
2. Major EV charging infrastructure project – Utility Operations Center (UOC)
3. Additional projects needed – POE Facility, JW North Facility

### **RPU Owned Energy Storage Projects:** (up to \$15,000,000)

1. Springs generation facility reaching end-of-life, to be retired by 2030
2. Proposed replacement (see 2023 IRP): 36 MW / 144 MWh Battery Energy Storage facility that provides same energy and RA benefits
3. Total project costs expected to be ~ \$60,000,000



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## PLAUSIBLE FUTURE USE OF ALLOWANCE PROCEEDS (THROUGH 2030)

### **RPU Owned Local Solar Projects:** (up to \$5,000,000)

1. Staff considering repowering solar PV carport facility at the UOC
2. Proposed facility would become a CAISO asset and include an additional BES system for back-up power (and energy arbitrage opportunities)
3. Total project cost TBD / Alternatively, may be paid for using Public Benefit Charge funds

### **Excess Renewable Energy:** (all remaining funds)

1. Consistent with past and current practices
2. Benefits all ratepayers and directly reduces ratepayer bills (via lower rate increases over time)



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## INTERNAL RPU GUIDELINES

Since the inception of the Cap & Trade Program, staff have always relied on the following three supplemental questionnaire guidelines when considering how to best use and allocate allowance proceeds:

1. *Does the proposed project or program provide tangible health, quality-of-life, and/or economic benefits to all RPU ratepayers? (Or if not all ratepayers, then at least all ratepayers in the targeted customer class(es)?)*
2. *Does the proposed project or program offset unavoidable costs that the Utility would otherwise have to incur and then collect from RPU ratepayers? (In other words, will it help keep RPU Electric rates / customer bills lower than they otherwise would be without such funding?)*
3. *Will the proposed project or program assist the Utility in meeting and/or exceeding its' adopted decarbonization goals, and/or facilitate a meaningful reduction in the Utility's carbon footprint?*



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## RECOMMENDATION

That the Board of Public Utilities receive and file this update on the City of Riverside's allowable use of value and proceeds from the sale of Greenhouse Gas Allowances.



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