

Submitted Electronically

August 17, 2023

Ms. Rajinder Sahota
Deputy Executive Officer, Climate Change and Research
California Air Resources Board
1001 I Street
Sacramento CA 95812

Re: Redding Electric Utility Comments on Potential Amendments to the Cap-and-Trade Regulation

Dear Ms. Sahota:

The City of Redding's Electric Utility Department (REU) appreciates the opportunity to provide comments to the California Air Resources Board (CARB) regarding the July 27, 2023 workshop to discuss potential amendments to the Cap-and-Trade Program regulation (Program).

REU is the City of Redding's publicly owned utility serving approximately 44,000 customers. Established in 1887, Redding is a low-income community that is home to approximately 93,600 residents. REU is a covered entity under the Cap-and-Trade program and has been participating since the program began in 2012. The Utility is a member of the Northern California Power Agency (NCPA), the California Municipal Utilities Association (CMUA), and the Joint Utility Group (JUG). REU supports comments submitted on the workshop from these groups, in addition to providing the following input specific to our utility.

Experience from recent years shows that economic and community conditions are dynamic. As community needs change, retaining flexibility in the use of allowances is vital for ensuring the program funding provides the most positive impact on the quality of life of REU's customers.

REU supports the Cap-and-Trade Program as a vital part of the State's climate strategy and urges CARB to continue implementing the Program in ways that benefit local communities while reducing greenhouse gases. The Program has made it possible for REU to develop and implement greenhouse gas emission reduction projects that are vetted through the Redding City Council and deliver direct benefits to low-income citizens, reduce upward pressure on ratepayer energy bills, and provide benefits for the entire community.

As reported to CARB through REU's 2022 EDU Allowance Value Reporting Form, the utility invested in projects resulting in an estimated lifetime GHG emission reduction of 6050 MTCO₂e in 2022 alone. These projects reduced related criteria air pollution, increased access to clean transportation, implemented energy efficiency measures, and supported economic development opportunities. However, diminishing allowances have posed a challenge in sustaining funding for customer programs, given that allocations were reduced by 66% beginning in 2021.

As the allowance allocation balances have been reduced over the years, REU has increasingly relied upon the currently allocated allowances when meeting compliance obligations. CARB's consideration to consign POU allowances would significantly alter Redding's current process for meeting carbon obligations for generation from the Redding Power Plant. Additional decreases in allowance allocations would impact REU's power supply cost and create upward rate pressure for customers; therefore, it is paramount that the value of allowances is preserved along with the assurance of receiving the entire projected allocations.

Due to declining allowance allocations, REU plans to allocate future Cap-and-Trade revenues to supplement the cost of meeting clean energy mandates rather than customer programs. Maintaining flexibility and optionality for the use of allowance revenue is paramount to maintaining affordable rates and mitigating impacts on Redding's low-income communities.

Through its involvement in the Cap-and-Trade program, REU has effectively leveraged allowance values to curtail greenhouse gas emissions, channeling these resources into valuable programs aimed at assisting with state compliance commitments. This strategic approach has led to cost reductions that benefit all ratepayers. Redding urges CARB to preserve the program's flexibility to utilize allowance value consistent with the provisions of the regulation, and in ways that benefit the quality of life of our community.

Respectfully submitted,

Joseph Bowers
Assistant Director - *Resources*
Redding Electric Utility
jbowers@cityofredding.org
(530) 339-7377