



# CITY OF REDDING

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November 12, 2008

L-040-300

Mary Nichols  
Chair  
California Air Resources Board  
1001 "I" Street  
Sacramento, CA 95812

**Subject:** City of Redding Comments to the California Air Resources Board's  
Proposed Scoping Plan

Dear Ms. Nichols:

Thank you for the opportunity to comment on the California Air Resources Board's (CARB) Proposed Scoping Plan (Proposed Plan) that was released October 2008. The City of Redding (Redding) appreciates the collaborative effort that the CARB has expended in developing this Proposed Plan and looks forward to working with the CARB in its rulemaking and implementation process to come.

Redding has a population of approximately 90,000 people and is located 2½ hours north of Sacramento at the northernmost end of the Sacramento Valley, situated along the I-5 corridor and the Sacramento River. Redding experiences extremely hot summer temperatures that often exceed 100 degrees. Redding is also a developing community with extensive open space and potential to grow, much like other Sacramento Valley cities. As a medium sized city, Redding offers a unique perspective on the effect that the Proposed Plan will have on the whole community, city services, and municipal utilities, like the city's locally-owned and operated electric utility, Redding Electric Utility. The fact that the electricity sector is being asked to take responsibility for approximately 40 percent of the state's emissions reductions burden, while only emitting 25 percent of the statewide emissions, brings the potential for serious economic impact on electric rates to the forefront. A comprehensive package of comments follows as Attachment A. Below, please find a summary of Redding's comments regarding the Proposed Plan:

- Redding is concerned with the amount, collection, and reimbursement process for fees collected from any AB 32 emissions reduction requirement. Redding believes that fees must be kept within the local community and managed by local governing authorities, which for Redding would be its City Council, in order to achieve the maximum amount of localized greenhouse gas (GHG) emission reductions.
- Redding does not support immediate implementation of a cap-and-trade program due to the potential unknown consequences of being out of sync with adjacent states. Redding suggests that a cap-and-trade program be put on hold for five years to allow capped entities time to develop implementation plans and actions towards the direct regulation requirements (such as increased renewable portfolio standards and energy efficiency programs), and further development of a



regional or federal climate change program. The existing Public Benefits Fund<sup>1</sup> could also be expanded during this interim period and the scope of the approved uses could be increased to include GHG reduction measures.

- Redding is concerned with the recommendation for local governments to reduce their GHG emissions by 15 percent from today's levels. The CARB must provide flexibility for reduction goals to vary by region in order to recognize both prior accomplishments made by growing communities and the wide array of climate zones within the state. If measures are not in place to account for these key variations, growing cities, such as Redding, may in effect show an increasing carbon footprint, when in fact the per-capita emissions are actually decreasing.
- The Proposed Plan supports the requirements of SB 375. SB 375 will ultimately require that land use entitlements be consistent with housing and transportation planning concepts established in Sacramento by the CARB, or future transportation dollars will be at risk. Without a clear recognition of the unique characteristics of each area, this approach exposes cities like Redding to arbitrary development criteria such as housing density requirements established in Sacramento.
- While electrification of vehicles is a great tool for reducing GHG emissions from the transportation sector, proper credit must be given to the electricity sector for the resulting transfer of emissions from the transportation sector. Although the Proposed Plan appropriately acknowledges that there will be an impact to electric utilities from electrification of the transportation sector, the potential load growth from plug-in vehicles could be tremendous, even during the off-peak hours.

Thank you again for the opportunity to comment on the CARB's Proposed Plan. Redding looks forward to working with the CARB in its rulemaking and implementation process over the next two years as the CARB's recommendations become more fully developed into regulations. Redding is confident that the CARB's recommendations can be implemented in a way to best serve the requirements of AB 32, the goals of the state, and the needs of the people within the City of Redding.

If you have any questions or would like to discuss this matter further, please contact Elizabeth Hadley at (530) 339-7327.

Sincerely,



Kurt Starman  
City Manager

Attachment A  
c: Honorable Mayor and City Council

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<sup>1</sup> In compliance with California's Assembly Bill 1890, Public Benefits Funds represent 2.85 percent of retail sales and fund low-income, energy efficiency, research and development, and renewable energy programs within each utility's respective service territory.

**ATTACHMENT A:  
City of Redding Comments to the California Air Resources Board's  
Proposed Scoping Plan**

**General Comments**

The City of Redding (Redding) is encouraged by the margin of safety the California Air Resources Board (CARB) included in the Proposed Scoping Plan (Proposed Plan) with respect to the potential reductions available, and sees a margin of safety as an acknowledgement that not every recommended greenhouse gas (GHG) reduction will produce the results desired. Redding is looking forward to working with the CARB in its rulemaking process over the next two years as the CARB's recommendations become more fully developed into regulations. Redding is confident that the CARB's recommendations can be implemented in a way to best serve the requirements of AB 32, the goals of the state, and the needs of the people within Redding. During this next phase of AB 32 implementation, Redding encourages the CARB to leave enough flexibility in the regulations it develops to encourage growth and expansion of new resources and approaches that aid GHG reductions.

The CARB states in the Proposed Plan that price incentives in concert with direct regulations will ensure the price of emissions are brought down to cost-effective levels. Redding is concerned with the impact this may have on our community members. The CARB must consider the immediate impacts of emissions costs on low-income households that may not be able to absorb the cost to reduce their GHG emissions in the short-term.

In particular, Redding is concerned with the amount, collection, and reimbursement process for fees collected from any AB 32 emissions reduction requirement. Redding believes that fees must be kept within the local community and managed by local governing authorities, which for Redding would be its City Council, in order to achieve the maximum amount of localized GHG emission reductions. One example of a locally designed program is the success of the Public Benefits Fund<sup>1</sup>. Redding has been able to utilize this program for important renewable energy and energy efficiency demonstration programs throughout the City. For example, Redding developed a thermal energy ice storage project at Redding's public library, designed to reduce peak air-conditioning demand. This project not only reduces the overall energy usage of this facility, but it also serves as an educational tool for patrons of the library.

Further, Redding believes that measurements of success must be evaluated using a carbon intensity approach (pounds per Megawatt-hour as opposed to total tons per year) within the electricity sector. Utilizing a carbon intensity approach accounts for load growth that will undoubtedly occur due to increases in population and electrification from fuel switching, and ensures electric utilities are given due credit for investments in energy efficiency and renewable energy projects. Currently, no universal measurement tool exists for tracking GHG emissions from the broad range of community activities. Instead emissions are measured using different methodologies that make

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comparisons between cities and across sectors extremely difficult. The CARB must insure that measurements of success are established in a fashion that does not penalize local jurisdictions with a one-size-fits-all measurement approach.

### **California Light Duty Vehicle Greenhouse Gas Standards Transportation Electrification**

Although the Proposed Plan appropriately acknowledges some of the impacts from electrification, proper credit must be given to the electricity sector for the resulting overall increase in electricity demand from the transportation sector. The potential load growth from plug-in vehicles is tremendous, especially in the off-peak hours. Electricity generation occurring during off-peak hours has the ability to increase a utility's carbon footprint. Using a carbon intensity approach (pounds per Megawatt-hour as opposed to total tons per year) for quantification of GHG success can aid in mitigating these sector transfer impacts. If a utility makes significant investments in energy efficiency and renewable energy programs, but its total load increases due to fuel switching from the transportation sector, its carbon footprint may increase in total tons per year but decrease in pounds per megawatt hour. This could produce an unintended negative outcome wherein utilities are forced to discourage plug-in vehicle charging to avoid GHG penalties.

Further dialogue on transportation electrification is needed due to the magnitude of this issue. Redding is eager to work with the CARB on developing tools to mitigate the potential unintended impacts of electrification on the electricity sector due to transfers from the transportation sector.

### **The Role of Local Governments**

Redding is concerned with the recommendation for local governments to reduce their GHG emissions by 15 percent from today's levels. The CARB must provide flexibility for reduction goals to vary by region in order to recognize both prior accomplishments made by growing communities and the wide array of climate zones within the state. If measures are not in place to account for these key variations, growing cities, such as Redding, may in effect show an increasing carbon footprint, when in fact the per capita emissions are actually decreasing.

Redding proposes that different baselines be developed to address GHG reduction efforts undertaken by fast-growing communities. Using a carbon intensity approach (pounds per Megawatt-hour or pounds per capita as opposed to total tons per year) for the emissions inventories of local governments is one way to address the variability in communities. A carbon intensity approach would also be effective with the recognition tools mentioned in the Proposed Plan, such as the Best Practices being developed by the California Climate Action Network, to ensure that all cities start from a level playing field.

The Local Governments Operations (LGO) Protocols that the CARB recently adopted are a voluntary tool for local governments to use for inventorying their GHG emissions. If the CARB decides the LGO Protocols must become mandatory for local governments, then the CARB should reopen the proceeding and revise the LGO Protocols with new input from local governments. Further, the CARB must invite all local governments to have a seat at the table when developing Community Emissions Protocols (CEPs), and must ensure an adequate representation of the wide array of communities from San Diego all the way to the Oregon border. Redding would support a regional approach to the formation of the CEPs that includes local representation, and would be willing to make local resources available in support of such an effort.

Finally, Redding agrees with the emphasis that local governments can reduce their own GHG emissions; however, Redding does not believe it has the authority to require the same reductions for individual Redding residents.

### **California Cap-and-Trade Program Linked to Western Climate Initiative**

Redding does not support immediate implementation of a cap-and-trade program due to the potential unknown consequences of being out of sync with adjacent states. Redding believes a cap-and-trade program should be postponed a minimum of five years and suggests the CARB consider an alternative measure during the interim period. Redding proposes the success of the existing Public Benefits program be further enhanced. Such an approach could be accomplished by expanding the level of the existing Public Benefits Fund and increasing the scope of the approved uses for Public Benefits programs to include GHG reduction measures based on their utility's reduction requirements. Utility customers would pay into the Public Benefits Fund based upon annual verified emissions reports that have been submitted by the utility to the CARB.

For example, if the anticipated impact from a cap-and-trade approach is approximately \$1 million for Redding, Redding's Public Benefits Fund would be increased from its current level of 2.85 percent to 4 percent. These additional Public Benefits dollars would ensure that funds are retained by retail providers, such as Redding, and spent on local measures for GHG reductions in the communities where the funds were derived from. This expanded Public Benefits option could be utilized for a minimum of five years after the AB 32 compliance program begins. If the program is successful, a cap-and-trade program could be postponed until a regional or national system can be carefully and thoughtfully structured. If a cap-and-trade program is determined to be necessary, Redding supports a universal start date concurrent with all states that have joined the Western Climate Initiative (WCI) ready to participate. By delaying the start date of a cap-and-trade program, additional time would allow the WCI program to be ready for multi-state participation, transportation fuels could be incorporated into the cap at the onset, and other electricity sector reduction recommendations, such as increased Renewable Portfolio Standards (RPS) and expanded energy efficiency programs, would have time to be fully executed.

Redding disagrees with the use of an auction in any cap-and-trade market due to the potential for market manipulation and impacts to grid reliability. At a minimum, the CARB should align its auction recommendations with the WCI goal that increases the auction to only 25 percent by 2020. A transition to a full 100 percent auction should only be considered in context of the 2050 GHG goal. Further, if any funds are collected from Redding's customers from a cap-and-trade auction, such funds should be directly kept within the local community and managed by local governing authorities in order to achieve the maximum amount of localized GHG emission reductions.

Redding agrees with the CARB's proposal to include up to 49 percent of the emissions reductions from offsets, as these offsets will likely be a successful tool for reducing California's GHG emissions outside of a cap-and-trade program.

The Proposed Plan does not recommend that additional allowances be generated for new facilities. Redding believes that new facility offsets should be further explored and suggests that the CARB consider setting aside a pool of allowances for new entrants.

Finally, Redding looks forward to working with the CARB over the next two years as the CARB explores the development of a cap-and-trade program for California.

### **Energy Efficiency**

Redding is concerned that the energy efficiency requirements put forth in the CARB's Proposed Plan were developed by the California Public Utility's Commission for Investor-Owned Utilities (IOUs), rather than for Publicly-Owned Utilities (POUs) such as Redding Electric Utility. California's POUs have been consistently recognized for their ongoing energy efficiency programs. These efficiency programs have been developed by each POU separately and distinctly to meet the needs of their local economy, customers, and respective communities. The CARB should not recommend any program under a one-size-fits-all approach. Rather Redding believes that local governments should be allowed to implement energy efficiency goals that best fit the unique characteristics of each individual city. If one-size-fits-all goals are enacted, Redding's customers could be required to implement programs that are uneconomical or inefficient for the participants and Redding Electric Utility. POUs must be given the flexibility to continue to develop energy efficiency programs that are cost-effective and achievable for their respective customers. To do otherwise could ultimately be to the detriment of the fundamental goals of AB 32.

Any proposed energy efficiency program requirement from the CARB should take into account the program's cost-effectiveness, impact on electric rates, and a comparison to other GHG emissions reduction alternatives. All utilities, including Redding Electric Utility, are required to file cost-effectiveness analyses of their energy efficiency programs each year under state law. Similarly, every three years utilities must prepare ten-year forecasts on the cost-effectiveness and achievable energy savings within their respective service territories. These mandated forecasts and reporting requirements are designed to assist utilities in preparing additional cost-effective energy efficiency programs for the future. The reporting requirements also aid in assessing the economic value of the programs to the utility, program participants, and the overall impact of each program. Requiring a program outside of existing parameters could lead to increased inefficiency and additional resource costs and harmful environmental impacts.

### **Renewable Portfolio Standards**

The CARB states that increasing renewable energy statewide will encourage investments in transmission infrastructure. Redding agrees that a 33 percent renewable energy goal by 2020 can be achievable only after transmission access and system integration issues are managed, and these are issues that will not be solved easily or quickly. Redding believes the definition of renewable energy needs to be re-evaluated to recognize all carbon free resources, such as large hydro. Further, Redding has concern that all routes to renewable energy sources, both within state and out of state, will need to be considered in order for the state to meet its aggressive targets.

Redding appreciates the CARB's acknowledgement that grid integration requirements of renewable resources, like wind and solar, must be understood and taken into account in order for the state to achieve its renewable energy goals. Redding encourages the CARB to monitor the Bonneville Power Agency's Wind Integration rate case analytics to gain additional information on system requirements.

Redding does not support the use of a Feed-In Tariff (FIT) as a GHG reduction tool for several reasons, including the conflict for local control and decision-making with respect to contract pricing and future renewable resource acquisition. By instituting a FIT requirement through the CPUC or CEC, the CARB will be supporting a program that is designed to address a symptom, not the problem. A FIT is designed to “standardize” the renewable contract process and may exacerbate the problems surrounding renewable development, including transmission access, siting and permitting (environmental process), system integration, and credit/collateral requirements. Further, a FIT designed at the state level may hinder the local integrated resource planning process currently employed by the POUs, making it more difficult to acquire renewables.

### **Million Solar Roofs Program**

Redding believes that the present SB 1 programs do not provide the appropriate incentives relative to each local utility - one size does not fit all. Despite offering aggressive rebates and incentives, Redding has seen little interest from customers for new solar installations. Redding believes the spirit of the Million Solar Roofs Program was designed to foster solar energy, and the letter of the law was written to wean the solar industry from government subsidy over the next ten years. The eight-year extension to the Federal Investment Tax Credit does provide solar with an important step toward its long-term success. However, local economic conditions are preventing the solar industry from being sustainable unless government intervention continues, installation costs come down, and equipment efficiency is improved.

Thus, Redding proposes that the CARB consider giving utilities greater flexibility in their program implementation. One way this flexibility could be achieved is by allowing utilities to adjust their rebates annually in a way that best meets the needs of their local community, rather than the mandated reduction of 7.5 percent per year.

### **Regional Transportation-Related Greenhouse Gas Targets**

For communities like Redding to meet the challenges presented by AB 32, there must be recognition by the CARB and those who influence land use policy at the state level, of the unique development patterns of communities like those in Shasta County. The University of California has estimated that even with national adoption of California’s low carbon fuel standard and tailpipe emissions standard, GHG emissions from the projected rise in vehicle-per-miles traveled will overcome the gains that can be made from such regulatory measures. To address the costs of reducing sprawl in the fashion envisioned by the CARB’s Proposed Plan, major financial support from the state must be provided to help local jurisdictions implement the changes in land use and transportation practices that will result. Without such support from the state for construction of infrastructure and the provision of alternative transportation methods, Redding and other Shasta County jurisdictions are unlikely to succeed in our efforts to reduce GHG emissions.

Redding understands the CARB approach in the Proposed Plan insofar as it calls for the development of regional targets; however, it must be recognized when setting the regional targets and any related rule making, that significant emission reductions from changes in land use practices are unlikely to be realized until well after the 2020 goal. Such changes will be incremental because the traffic patterns associated with existing homes and jobs will not change regardless of other changes in land use practices. Redding encourages the CARB to bring local expertise to bear on this issue as the regional targets are set. It is the only rational way in which

the unique characteristics of an area can be considered in the decision-making - failing to do so is likely to be a major error in the implementation of AB 32 goals.

The Proposed Plan does not identify how local agencies will acquire the funds that will be needed to build, or more importantly rebuild, local infrastructure in a way that can support the fundamental changes in growth and development practices that are called for in the Proposed Plan. This will be a major challenge for local and state governments, particularly given the current economic conditions. The CARB should work directly with the legislature and the Governor's office to identify and direct the financial resources to local governments, like Redding, that will be needed to accommodate the extent of local planning and decision-making efforts that will be required to implement the regional targets effectively.

Such incentives need not always include new direct funding, but can include additional relief from the California Environmental Quality Act, or changes in the law that will allow local redevelopment funds to be used more flexibly. Although it can be easier to invent penalties to force compliance from local governments, it is more effective to provide incentives that will help local communities achieve real carbon reductions from the transportation and land use sectors.

As mentioned previously, the fees collected from any AB 32 emissions reduction requirement must be kept within the local community and managed by local governing authorities. A portion of these local funds could be available for implementing the needed land use changes if they are not diverted to state coffers. This will achieve the maximum amount of localized GHG emission reductions in the fastest possible timeframe.

### **Sustainable Forests**

The CARB has rightfully acknowledged the potential of biomass fuels for both reducing fire hazards, and as an energy source to factor into the expansion of renewable energy. Redding believes that biomass energy is a great source of renewable energy within the state. It is of particular importance to the residents of Shasta County where forest thinning for biomass fuel could help to reduce the impacts from forest fires. Redding believes financial incentives and state support should be encouraged to help increase the use of biomass energy.

### **Energy Efficiency and Co-Benefits for Large Industrial Sources**

Redding agrees with the CARB that there is much that can be done to improve the efficiency of large industrial sources. However, Redding believes that these large industrial facilities should first be given an opportunity to implement their own reduction measures before mandatory audits and reduction measures are dictated by the CARB.

### **High Global Warming Potential Gases**

#### ***SF6 Leak Reduction and Recycling in Electrical Applications***

Redding greatly appreciates the CARB's acknowledgement of ongoing SF6 best practices being implemented by electric utilities today. Redding has reasoned that the GHG inventory has shown the electricity sector has already reduced SF6 emissions to below 1990 levels. We are pleased that the CARB recognized these prior achievements by the electricity sector, and Redding looks

forward to continuing to work with the CARB in the development on the SF6 regulations that call for enhanced leak detection and SF6 recycling standards.

## **Water**

Redding believes that any money collected from Redding's customers using a public goods charge on water and wastewater should stay within the City of Redding, and not go to outside agencies. These funds would assist Redding in moving forward with development and implementation of programs for:

- Water Use Efficiency related programs for water conservation in water use appliance replacement and landscaped water standards;
- Water Recycling that may place pipe to utilize water from Redding's wastewater plants for irrigation or other industrial uses;
- Water System Energy Efficiency to reduce energy demands for pump operations;
- Reuse Urban Runoff through the redirection of storm water runoff to recharge groundwater supplies; and
- Increase Renewable Energy Production from Water by exploring the installation of power generating opportunities through large water and wastewater piping systems as well as the capture of gases from the wastewater treatment process.

## **Recycling and Waste**

Redding operates a landfill and transfer facility in cooperation with the Cities of Anderson and Shasta Lake and the County of Shasta. Redding's programs include a recycling and composting process. Through the implementation of a public goods charge, or some component of the fees/rates received for services, Redding believes that further enhancements of these programs can occur.

Redding's landfill, owned by the County of Shasta, has likely opportunities to capture methane gases. The methane gas produced at the landfill may be sufficient to produce enough energy for the operations of the facility and perhaps additional energy would be available to send to the state power grid. Research into this option is an area which Redding believes is appropriate and that the state should provide incentives for.

As indicated, Redding currently operates a recycling program. Currently a diversion rate of 54 percent has been achieved. An additional program where commercial customers remove and reuse building materials from the wastestream is an area that Redding believes should be further developed. A variety of implementation approaches may be needed to increase commercial waste diversion, increase recycling opportunities, and enhance market development to utilize items obtained from commercial recycling. Support from the state to further and fund these activities should be encouraged as much as possible.

## **Conclusion**

Redding looks forward to working with the CARB in its rulemaking and implementation process over the next two years as the CARB's recommendations become more fully developed into regulations. Redding is confident that the CARB's recommendations can be implemented in a way to best serve the requirements of AB 32, the goals of the state, and the needs of the people within the City of Redding.