



September 19, 2016

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

Re: Comments on Proposed Amendments to Cap-and-Trade Program

Dear Ms. Nichols:

Thank you for the opportunity to provide comments to the California Air Resources Board (CARB) regarding proposed amendments to the “California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanism Regulation” (Regulation).

Redding Electric Utility (REU) is a publicly owned utility that serves approximately 44,000 customers. REU is a covered entity under the Regulation and is subject to an additional California energy policy program, the Renewable Portfolio Standard (RPS) Program that requires electric utilities to procure 50% of their electricity from renewables by the year 2030.

In 2006, REU signed a 20-year contract through the M-S-R Public Power Agency to purchase energy from the Big Horn wind project located in the state of Washington. The wind energy is firmed and shaped in the Pacific Northwest before being delivered to Redding. The firming and shaping takes care of the intermittency of the wind and efficiently utilizes the high voltage transmission grid. This resource accounts for as much as 85 percent REU’s total renewable portfolio.

REU supports the comments submitted by the Northern California Power Agency (NCPA), the Modesto-Santa Clara-Redding (M-S-R) Public Power Agency, and the Joint Utility Group (JUG). The following comments are intended to emphasize REU’s concern regarding the proposed elimination of the RPS Adjustment after 2020.

Removing the RPS Adjustment as allowed in section 95852(b)(4) of the Regulation would have an estimated cost impact of over \$600,000 per year to REU’s customers. This critically restricts REU’s ability to procure additional renewable resources in order to meet the increased 50 percent renewable goal. While ARB Staff is proposing the Cap-and-Trade Regulation be modified to provide an allowance allocation in-lieu of the RPS adjustment, it appears that the RPS volume would not be fully recognized with this proposal, resulting in only



partial cost offset for REU's renewable investment. By proposing to treat REU's RPS-eligible resources as having a greenhouse gas (GHG) emission, REU's compliance obligation under the cap-and-trade program would reflect approximately 36,000 metric tons of CO₂e annually that is actually associated with RPS-eligible, zero-GHG resources.

REU urges CARB to retain the RPS adjustment in the Cap-and-Trade regulation and work with affected utilities on potential amendments that could ensure consistency among programs and provide greater clarity on utilization of the RPS Adjustment. Doing so, would allow utilities recognition of renewable investments while also ensuring the integrity of the Cap-and-Trade program.

Respectfully submitted,

A handwritten signature in blue ink that reads "William L. Hughes". The signature is fluid and cursive.

William L. Hughes
Electric Manager/Compliance Officer
Redding Electric Utility