



November 4, 2016

Ms. Rajinder Sahota
Chief, Climate Change Program Planning & Management Branch
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Re: Comments on Staff Proposal for Post-2020 Allocation to Electrical Distribution Utilities

Dear Ms. Sahota:

Thank you for the opportunity to provide comments to the California Air Resources Board's (CARB) "Cap-and-Trade Regulation Post-2020 Allocation to Electrical Distribution Utilities Informal Staff Proposal" (Allocation Proposal). Redding Electric Utility (REU) is a publicly owned utility that serves approximately 44,000 customers. REU is a covered entity under the cap-and-trade program and has been participating since the program began in 2012. REU is additionally subject to California's Renewable Portfolio Standard (RPS) Program that requires electric utilities to procure 50% of their electricity from renewable resources by 2030.

REU supports the cap-and-trade program continuing past 2020; this program is an essential element of California's cost effective carbon reduction plan. Additionally, REU has spent considerable time and money developing an internal policy and program in order to comply with the program, these efforts should not be ignored.

REU supports staff's decision to retain the RPS adjustment. Removing the RPS Adjustment would have cost REU's ratepayers over \$600,000 per year and restricted REU's ability to procure additional renewable resources in order to meet the new 50% goal.

REU supports the continued used of offsets at the current 8% level. This cost containment mechanism provides an opportunity for covered entities to invest in local activities that provide global benefit.

The Allocation Proposal suggests a steep drop in allowances to the electric distribution utilities (EDU) that would essentially require REU to reduce its emissions by 65% rather than the statewide goal of 40%. This proposal as it stands would cost REU over \$7 million and take away from funds available to procure new renewable resources or other carbon reduction



projects. Additionally, the Allocation Proposal assumes Redding's carbon-free contracts with the Western Area Power Administration will continue past 2024; this is not a certainty. If the POUs do not renew their WAPA contracts past 2024, REU would be critically short of allowances resulting in a cost impact of \$24 million to REU's ratepayers.

REU supports an Allocation that accounts for load growth, such as is presented in Option 1, however REU encourages CARB to work with the JUG on an alternative proposal that fully addresses the cost impact to the EDUs.

REU is a member of the Northern California Power Agency (NCPA), the M-S-R Public Power Agency, and the Joint Utility Group (JUG) and additionally supports the comments from these groups on the Allocation Proposal. We look forward to working with you as this process develops.

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