City of Redding Electric Utility (Kamryn Hutson)

Please see the attached document for comments.

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March 5, 2026 | Submitted electronically

Ms. Rajinder Sahota
Deputy Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Comments on 45-Day Proposed Cap-and-Invest Regulations

The City of Redding Electric Utility (REU) appreciates the opportunity to provide comments on the California Air Resources Board's (CARB's) proposed amendments to the Cap-and-Invest Program (Program), released for public comment in January 2026 (Proposed Regulations).

REU is a community-owned utility that provides safe, reliable, and affordable electricity to approximately 46,000 residential and commercial customers within the City of Redding (City). The City is considered a low-income community with 11 of the 12 census tracts being designated low-income[1]. Therefore, REU is particularly vested in keeping electricity rates affordable for our most vulnerable customers.

REU writes to express our strong opposition to CARB's proposed amendments to the 2021-2030 Electrical Distribution Utility (EDU) allowance allocations. As proposed, CARB's revisions would significantly reduce the established 2027–2030 EDU allocations, materially increase costs for publicly owned utility (POU) customers, and undermine the planning certainty that POUs relied on when making early clean-energy investments.

Allowance allocations to POUs are provided on behalf of POU ratepayers. Under the Program, POUs are regulated entities through their ownership of electric generation and through power purchase agreements that include emissions costs in the price of power. POUs must set rates based on the cost of service, and the primary source of funding comes from rates. If CARB reduces allowances to POUs, many POUs will be forced to raise rates to cover the loss of these allowance values. The cost impacts from these reductions would ultimately be borne by our customers through higher energy bills and/or reduced utility programs and services.

Based on CARB's revised EDU allocation table for 2027–2030, REU is estimated to lose approximately **59,210** allowances (approximately **$3.53 million** in allowance value), based on the estimated average allowance price value of $60.

[1] California Priority Populations Mapping Tool 4.0: https://gis.carb.arb.ca.gov/portal/apps/experiencebuilder/experience/?id=5dc1218631fa46bc8d340b8e82548a6a&page=Priority-Populations-4_0

The fixed 10-year EDU allocation of allowances for 2021 to 2030, as established in the prior rulemaking, was intentionally designed to incentivize reductions in greenhouse gas (GHG) emissions from electricity generation while mitigating compliance-cost impacts for customers. In reliance on those established allocations, POUs planned and financed clean energy investments years in advance, relying on expected allowance value to help close financing gaps and keep customer electricity rates affordable. POUs that reduced emissions and needed fewer allowances for compliance were able to monetize the remaining allowance value and reinvest those funds in additional GHG-reducing projects and customer programs.

Allowance value supports emission-reducing investments and customer programs, including clean energy procurement, energy efficiency, transportation electrification, and programs that support low-income customers. For example, REU has also invested over $33.0 million of auction proceeds for programs to support EV adoption, energy efficiency, and electrification. These programs have reduced emissions by over 25,000 MTCO2e through 2024. CARB's proposed revisions to the 2027 to 2030 allocations could significantly erode that benefit and weaken incentives for continued early action.

REU urges CARB to also consider the challenges for procuring clean energy in today's environment. The proposed reduction in allowance allocation for EDUs does not adequately account for the limited availability of carbon-free resources in California prior to 2030. Many utilities, including REU, have been actively pursuing new carbon-free generation and storage resources; however, the development pipeline, permitting timelines, interconnection constraints, and supply chain limitations make it extremely difficult to bring new projects online within the timeframe contemplated by the proposed changes. For example, REU has been actively seeking new carbon-free resources but has found very few projects that can be delivered before the end of the decade. In practical terms, reducing allowance allocations before viable replacement resources are available does not accelerate decarbonization of utility portfolios. Instead, it increases compliance costs that must ultimately be borne by ratepayers.

At the same time, the utility is facing the loss of the Big Horn wind project, a critical renewable resource, sooner than anticipated, making even the replacement of existing renewable generation challenging. If REU is unable to secure a replacement carbon-free energy project, it could face a deficit of more than 300,000 allowances between 2027 to 2030. This would retire over 63% of the allowances proposed by CARB, significantly eroding our ability to offset compliance costs for REU's natural gas power plant used for reliability. Without sufficient new resources available to displace carbon-emitting generation in the near term, the proposed reduction in allowances risks functioning primarily as a cost shift rather than a meaningful emissions reduction mechanism.

With Assembly Bill (AB) 1207 (Irwin, Stats. 2025) now in effect, CARB's implementation of the Cap-and-Invest Program must reflect the Legislature's updated direction for the Program's reauthorization through 2045. Affordability was a central pillar of the legislation, and the statute makes clear that CARB must consider the effects of the regulations on affordability, cost-effectiveness, minimization of leakage in California, and achieving emissions reduction goals. Taken together, AB 1207 confirms that utility allowance allocations are not merely a compliance mechanism; they also serve an important ratepayer affordability function that CARB should preserve in this rulemaking.

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CARB should ensure that protecting ratepayers remains a focal point as changes to the Program are developed. It is essential that any modifications to allowance allocations maintain strong protections for ratepayers while continuing to support California's clean energy and climate objectives.

For these reasons, **REU** respectfully urges CARB to maintain the EDU allocations previously established for 2021-2030.

Thank you for the opportunity to provide feedback to CARB regarding the proposed amendments to the Program.

Nick Zettel
Electric Utility Director
City of Redding Electric Utility