

RESOLUTION NO. 2014-110

A RESOLUTION OF THE LODI CITY COUNCIL APPROVING THE
LODI ELECTRIC UTILITY GREENHOUSE GAS FREE ALLOWANCE
PROCEEDS SPENDING PLAN

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WHEREAS, the California Cap and Trade Regulation allocates a specified number of allowances to qualified electrical distribution utilities for free; and

WHEREAS, the City of Lodi Electric Utility (LEU) receives these "free allowances" each year and is permitted to consign these allowances at auction and receive the proceeds from the sale; and

WHEREAS, California Cap and Trade Regulation restricts the manner in which the proceeds received from the sale of the freely-allocated allowances can be used and requires the LEU to report annually to the California Air Resources Board on the manner in which this allowance value is used; and

WHEREAS, the proceeds received from the sale of freely-allocated allowances must be used exclusively for the benefit of retail rate-payers consistent with the goals of Assembly Bill 32, the Global Warming Solutions Act of 2006; and

WHEREAS, LEU staff has drafted the attached Greenhouse Gas Free Allowance Proceeds Spending Plan and proposes to use the revenue received on renewable resources, energy efficiency, indirect costs associated with the implementation of Cap and Trade and/or Renewables Portfolio Standard activities, and projects/programs that address the potential for impacts of Cap and Trade regulations on low-income customers; and

WHEREAS, specific projects will be identified and funding for those projects will be approved in accordance with existing City policies and procedures; and

WHEREAS, revenues received from the sale of freely-allocated allowances will be deposited in the Environmental Compliance Fund 168 with funds appropriated as part of the annual budget process; and

WHEREAS, the City's Risk Oversight Committee was presented with the Greenhouse Gas Free Allowance Proceeds Spending Plan at its June 11, 2014, meeting and recommended City Council approval.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby approve the Lodi Electric Utility Greenhouse Gas Free Allowance Proceeds Spending Plan.

Dated: June 18, 2014

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I hereby certify that Resolution No. 2014-110 was passed and adopted by the City Council of the City of Lodi in a regular meeting held June 18, 2014, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Johnson, Mounce, Nakanishi, and Mayor Katzakian

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None



RANDI JOHL-OLSON
City Clerk/Legislative Affairs Officer

**LODI ELECTRIC UTILITY
GREENHOUSE GAS FREE ALLOWANCE PROCEEDS
SPENDING PLAN**

BACKGROUND

AB 32 requires California to return to 1990 levels of greenhouse gas emissions by 2020. All programs developed under AB 32 contribute to the reductions needed to achieve this goal. The Cap and Trade Program is a key element in California's climate plan and is designed to provide covered entities the flexibility to seek out and implement the lowest-cost options to reduce emissions.

The City of Lodi Electric Utility (LEU), as an electrical distribution utility, receives an annual direct allocation of California Greenhouse Gas (GHG) allowances, or "free allowances." These free allowances are currently scheduled for receipt by the LEU through 2020 and are consigned at auction. The City receives the proceeds which are currently deposited in the 168 Environmental Compliance Fund.

PURPOSE

The purpose of the Greenhouse Gas Free Allowance Proceeds Spending Plan is to identify activities and programs the LEU will pursue to spend the proceeds received at auction in accordance with regulations set forth by the California Air Resources Board. In summary, auction proceeds must be used for the benefit of retail ratepayers consistent with the goals of AB 32.

PLAN

The LEU Greenhouse Gas Free Allowance Proceeds Spending Plan includes the following options and will be reviewed each year as part of the annual budget process as to which specific programs and activities will be implemented:

1. Investments in renewable resources including, but not limited to, generation projects or the purchase of electricity.
2. Investments in energy efficiency programs
3. Projects or programs that address the indirect costs from implementation of Cap and Trade and/or Renewables Portfolio Standard activities
4. Projects or programs that address the potential for impacts of the Cap and Trade regulations on low-income customers

Specific projects will be identified and funding for those projects will be approved in accordance with existing City policies and procedures.

The LEU will report to the CARB by June 30 of each year, how it has spent, or plans to spend, the proceeds received through auction of its GHG free allowances and will seek approval from its Risk Oversight Committee prior to submitting said report.