

Carbon 'credit' coming for PG&E electricity customers

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Emissions from the smoke stacks at a coal-burning

power plant

Electrical customers of Pacific Gas and Electric Co. and other major California utilities are getting a credit on their April bills, courtesy of the state's effort to buffer ratepayers from the costs of fighting global warming.

State regulators on Monday finalized the "California Climate Credit," which is designed to cushion electric ratepayers against rate increases caused by the state's climate-change law. Residential customers who get their electricity from PG&E will get a \$29.81 credit on their April bills, regardless of how much power they use. They'll get the same credit in October.

Small-business owners will get credits monthly, although the amount will vary with usage.

The credits only apply to investor-owned utilities. Municipals like the Sacramento Municipal Utility District won't be handing out any credits, although utility officials said they have other mechanisms to hold down electricity rates.

The credits stem from California's cap-and-trade market, which requires more than 400 of the largest industrial polluters in California to pay for the carbon they spew by purchasing emissions allowances. The bill comes to more than \$1 billion a year.

Electric utilities and their customers are given special treatment under California's climate-change law, which is the basis for the cap-and-trade market.

The main reason: Electric utilities and their customers are already shouldering a heavy burden in the fight against greenhouse gases because of their heavy use of solar, wind and other renewable energy sources. Renewables are generally more expensive than conventional sources of electricity. So the Legislature directed the California Air Resources Board, which oversees the cap-and-trade market, to buffer utility ratepayers from “duplicative” costs.

The state agency devised a complicated system for treating electric utilities. Unlike cement manufacturers and other affected companies, the utilities get all their emissions allowances for free. However, the investor-owned utilities are required to auction off their allowances, and then go back into the cap-and-trade market and purchase whatever allowances they need to meet their volume of carbon emissions.

The “Climate Credit,” approved by the Air Resources Board and the Public Utilities Commission, comes from the cash generated when the utilities sell off their carbon allowances. It’s designed to offset the costs the utilities incur when they buy the allowances they need.

Why such a roundabout system? Partly to make sure there are lots of allowances floating around, ensuring a healthy market.

As for other utilities, such as SMUD, the system is simpler. SMUD gets its allowances for free, too, but isn’t required to auction them off, said utility spokesman Obadiah Bartholomy. He said SMUD, because of its heavy concentration of renewable energy, has more than enough carbon allowances to meet its obligation under the climate law.

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