BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Address Utility Cost and Revenue Issues Associated with Greenhouse Gas Emissions.	Rulemaking 11-03-012 (Filed March 24, 2011)

NOTICE OF *EX PARTE* COMMUNICATION OF THE DIVISION OF RATEPAYER ADVOCATES

In accordance with Rules 8.2, 8.3, and 8.5of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the Division of Ratepayer Advocates ("DRA") submits this notice of the following *ex parte* communication in connection with the Commission's rulemaking to determine revenue issues associated with greenhouse gas (GHG) emissions revenue.

The communication took place on April 6, 2012 from approximately 11 am to 11:50 a.m. at the Commission's headquarters in San Francisco. DRA initiated the communication, which was oral and written, with President Peevey's advisor Scott Murtishaw. Representing DRA were Chloe Lukins, Jordan Parrillo, and Diana Lee. As explained in the attached hand out that was distributed at the meeting, DRA recommends directly returning 90% of GHG allowance revenue to ratepayers in the form of annual off-the-bill rebate checks or annual bill reductions, and allocating the remaining 10% to finance energy efficiency investments.

Copies of this Notice may be obtained by contacting Sue Muniz at (415) 703-1858 or sam@cpuc.ca.gov.

Respectfully submitted,

/s/ DIANA L. LEE

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April 6, 2012

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ATTACHMENT

DRA
DIVISION OF RATEPAYER ADVOCATES

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PROCEEDING NO: R.11-03-012 April 2012

CPUC Action: PD expected in June 2012

GHG Proceeding

Cap-and-Trade Allowance Revenue

DRA Position: Adopt DRA's proposal to directly return 90% of allowance revenue to ratepayers in the form of annual off-the-bill rebate checks or annual bill reductions, and to allocate the remaining 10% to finance energy efficiency investments.

Background

- IOUs will generate revenue from the sale of freely-allocated GHG allowances under ARB's cap-and-trade program.
- ARB's Cap-and-Trade Regulation requires that the IOUs' GHG revenue is used exclusively for the benefit of retail ratepayers, consistent with the goals of AB 32.
- The CPUC, ARB, and EAAC have all recognized that bill relief from GHG revenue should be designed so as not to dampen the price signal resulting from the Cap-and-Trade program.

Directly Return 90% of GHG Revenue to Ratepayers via Annual Rebates in Order to Reinforce State Policy Objectives

- Provide bill relief to mitigate increased costs of electricity due to AB 32 programs, while keeping the price of carbon set by Cap-and-Trade transparent in retail electricity rates.
  - Maintain a transparent carbon price to inform customers about the rate impacts of the Cap-and-Trade program.
- Provide a tangible benefit from GHG revenue that can facilitate customer understanding and promote energy efficiency and energy conservation.
  - Leverage the opportunity of customer contact with rebates to educate and engage customers in carbon mitigation behavior.
  - Target all customers to receive educational information whether or not bills increase.

(continued)

- Prevent economic and emissions leakage from California.
  - Provide bill relief directly to ratepayers that are incurring higher costs due to AB 32 measures.
  - Mitigate bill increases from the IOUs' expected Cap-and-Trade cost burden, as well as from a portion of the above-market renewable costs associated with early investments in renewables, which is consistent with ARB's reasoning for free allocation.

Use Remaining 10% of GHG Revenue to Provide Financing for Energy Efficiency Investments

- Fund DRA's proposed Consolidated Financing Program for energy efficiency investments, which will address a significant market barrier to implementing more costly energy efficiency improvements.
  - Develop and implement financing mechanisms for energy efficiency that leverage ratepayer capital with private capital.
- Finance investments that permanently reduce energy consumption to lower customer bills and reduce emissions in the long-term.