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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)

COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES IN RESPONSE TO ADMINISTRATIVE LAW JUDGE'S RULING SOLICITING COMMENTS ON THE IMPACT OF SENATE BILL 1018

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I. INTRODUCTION

Pursuant to the July 11, 2012 "Administrative Law Judge's Ruling Soliciting Comment from Parties on Impact of Senate Bill 1018," (ALJ Ruling) the Division of Ratepayer Advocates (DRA) submits the following comments and recommendations for the Commission's consideration in determining how the Utilities[1] should return greenhouse gas (GHG) allowance revenue to their customers given the requirements of newly enacted Senate Bill (SB) 1018.

II. DISCUSSION

SB 1018 adds Section 748.5 to the Public Utilities Code.[2] Section 748.5 specifically requires the return of greenhouse gas (GHG) allowance revenue to particular customer groups and to programs that meet the criteria of Section 748.5(c).[3] Since SB 1018 establishes new requirements for the Utilities' use of GHG allowance revenue, the ALJ Ruling asks parties to comment on the overall impact of SB 1018 on GHG revenue proposals submitted in this proceeding, as well posing a list of specific questions related to implementation of SB 1018. DRA's recommendations strive to maintain the priority of policy objectives that DRA presented throughout this proceeding, but there are some changes to DRA's policy objective priorities given the new framework established by SB 1018.

When implementing the requirements of SB 1018, the Commission should consider the intent of the language in the legislation, as it relates to the policy objectives of cap-and-trade, Assembly Bill (AB) 32, and the record of this current proceeding. The language in SB 1018 limits bill relief with the Utilities' GHG revenue to residential, small business, and emissions intensive, trade exposed (EITE) ratepayers. This requirement appears to reflect the belief that

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[1] DRA comments refer to Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) collectively as "Utilities".

[2] All Section references in DRA's comments are to the Public Utilities Code.

[3] Section 748.5(a) directs the Commission to require GHG allowance revenue to be "credited directly to the residential, small business, and emissions-intensive trade-exposed retail customers of the electrical corporation," except for revenue that the Commission may allocate to "clean energy and energy efficiency projects established pursuant to statue that are administered by the electrical corporation and that are not otherwise funded by another funding source" pursuant to Section 748.5(c).

medium and larger-sized businesses (not EITE) will be able to pass the additional costs, associated with increases in electricity rates due to cap-and-trade, directly onto consumers.

Limiting bill relief to only some customers varies from DRA's original proposal in which all ratepayers that incur costs due to the cap-and-trade program would receive bill relief. Given the new framework for bill relief, DRA now proposes implementation that balances its policy objectives, including minimizing costs and inequities to ratepayers, while facilitating customer understanding of transparent GHG costs and benefits, with the legislative intent. DRA recommends offsetting the bill increases due to cap-and-trade costs for small business and EITE customers, as well as the disproportionate share of cap-and-trade costs that Tier 3-5 residential ratepayers will absorb in rates. DRA proposes dividing the remaining GHG revenue evenly among all residential ratepayers, with the intent to ensure that all residential ratepayers, including Tier 1-2 ratepayers, receive a rebate that will mitigate GHG costs, including indirect GHG costs resulting from increased electricity prices.

Additionally, the language in SB 1018 allows the Commission to allocate up to 15% of the Utilities' revenue towards clean energy and energy efficiency projects established pursuant to statute that are administered by the electrical corporation and that are not otherwise funded by another funding source. This appears to prioritize new programs over existing programs and may reflect the Legislature's intent to establish eligible programs. SB 1018 nevertheless vests ultimate responsibility for program selection with the Commission, so it is essential that all programmatic investments with the Utilities' GHG revenue benefit electric sector ratepayers, and that the Commission select programs using criteria to select only programs that will deliver cost effective GHG reductions.

A. Residential Bill Relief

SB 1018 focuses bill relief on residential and small business ratepayers, and excludes medium and large-sized businesses that are not EITE. Residential end-use consumers in theory will be incurring indirect GHG costs as they are internalized in the price of goods and services from medium and large-sized businesses in California. Therefore, in addition to the direct increases in electricity rates due to cap-and-trade costs that some residential ratepayers will experience, all residential ratepayers will also face indirect costs due to these increases in electricity rates, as businesses in California pass along their additional costs. The Commission should consider such indirect costs when developing bill relief for residential ratepayers under the new framework established by SB 1018, so that a portion of the bill relief for residential customers will mitigate these increases in goods and services costs as businesses' cap and trade-related costs are passed through to residential consumers.

Under this framework, which prioritizes residential, small business, and EITE bill relief, it is important to implement that bill relief in a manner that minimizes inequities, maximizes the accuracy of GHG pricing at the retail level, and facilitates customer awareness of GHG costs at the least cost to ratepayers. DRA recommends that the first step of residential bill relief is to neutralize the disproportionate GHG costs that Tier 3-5 ratepayers will absorb due to the capping of Tier 1 and 2 rates under SB 695. The Scoping Memo in this proceeding states that:

> "[o]ne could argue that the allowance revenues should be allocated to customers in a manner that recognizes and addresses the disproportionate burden upper tier users face under cap and trade. This suggests that it may be reasonable to use the revenues to reduce the emission costs reflected in the upper tiers to the level they would reach if the carbon costs could be spread across all residential energy consumption equally. Such an approach would preserve the price signal while not forcing upper tier customer to bear a cost burden disproportionate to their responsibility in the creation of the underlying greenhouse gas emissions."[4]

Under the requirements of SB 1018, DRA supports this methodology to use the Utilities' GHG revenue to reduce Tier 3-5 residential rates to the level they would reach if carbon costs could be spread across all residential ratepayers equally. DRA agrees that this will ensure that upper tier ratepayers do not incur disproportionate cap-and-trade costs and will result in a more accurate cap-and-trade GHG price signal in Tier 3-5 residential rates, as it will more closely reflect the marginal costs of cap-and-trade to residential ratepayers.

The next step for residential bill relief is for each Investor Owned Utility (IOU) to split its remaining share of GHG revenue (after the allocation of up to 15% to programmatic investments, after bill relief offsetting the bill increases due to cap-and-trade for EITE and small business ratepayers, and after neutralizing the disproportionate upper tier residential cap-and-trade costs) equally among all of its residential ratepayers and distribute in the form of an annual rebate or electric sector dividend check. This means that Tier 1 and 2 ratepayers, who are not

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[4] Assigned Commissioner and Administrative Law Judges' Joint Scoping Memo And Ruling, September 1, 2011, p. A-4.

incurring increased costs of electricity directly due to cap-and-trade, will be eligible to receive a portion of the Utilities' GHG revenue. The basis for this recommendation, which varies from DRA's original position, is that medium and large commercial and industrial customers are not eligible for bill relief under SB 1018, and theoretically will pass on GHG costs from increased electricity prices in the price of their goods and services. Recognizing that lower tier ratepayers, including low-usage and low-income ratepayers, will bear these economic impacts under cap-and-trade, DRA proposes to use the Utilities' GHG revenue to assist in mitigating these increased costs.

B. Response to ALJ Questions

Q1. What criteria should the Commission use to define a small business?

DRA recommends that for the purpose of defining small business for bill relief eligibility with the Utilities' GHG revenue, the Commission use the 20 kilowatt (kW) in demand limit established for the small business tariffs of SCE and SDG&E. The definition should be consistent across all three Utilities' service territories to ensure similar treatment for the small businesses that the Utilities serve. Therefore the Commission should not use PG&E's tariff for businesses drawing under 200 kW in demand, but instead should establish a uniform definition of small business, for implementing SB 1018, of not more than 20 kW in demand. In Decision (D.) 08-07-045, the Commission established a precedent identifying which commercial and industrial (C&I) customers are considered "small" commercial:

> "[i]t is reasonable to subdivide commercial and industrial customers with maximum load less than 200 kW into two subgroups: those with maximum demand between 20 kW and 200 kW, referred to as medium C&I, and those with maximum demand below 20 kW, referred to as small commercial."[5]

The Commission refined this in D.10-10-032, where the Commission defined small business customers of the Utilities as such:

> "[a] small business customer is defined as a non-residential customer with an annual electric usage of 40,000 kilowatt hours (kWh) or less, or an energy

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[5] Decision (D.) 08-07-045, Conclusion of Law 11, pp. 93-94.

> demand of 20 kilowatt (kW) or less, or annual consumption of 10,000 therms of gas or less. Alternatively, a small business customer is a customer who meets the definition of "micro-business" in California Government Code Section 14837. Section 14837 defines a micro-business as a business, together with affiliates, that has average annual gross receipts of $3,500,000 or less over the previous three years, or is a manufacturer, as defined in Section 14837 subdivision (c), with 25 or fewer employees."[6]

It is most practical and administratively simple to maintain the definition of small business as drawing under 20 kW in demand for determining which businesses are eligible for bill relief with the Utilities' GHG revenue under SB 1018. The Utilities should have knowledge about which customers have the capacity to draw more or less than 20 kW in demand, and hence bill relief for those customers should be relatively simple to implement and maintain, and would not require significant after-the-fact verification of which businesses qualify. Alternatively, criteria such as number of employees and amount of annual revenue generated, as defined in the California Government Code Section 14837, would be less practical to use in this context as it would require self-verification by the businesses, or IOU inquiry and verification. This could add both delay and administrative expense to the process.

Q2. If a party recommends a definition of "small business" that does not rely on characteristics of customer load, such as maximum demand, how would small businesses be identified by the utilities?

DRA reserves the right to comment on this question and related questions in its reply comments.

Q3. What proportion of the total available greenhouse gas (GHG) allowance revenue should be returned to small business customers, or, alternatively, what share of total allowance revenue would be returned to small businesses under the distribution being proposed (See Question 4)?

DRA recommends that small businesses and EITE industries should receive bill relief in proportion to the cap-and-trade costs they incur, so that the increased costs of electricity due to cap-and-trade are offset. The proportion of the Utilities' GHG revenue that is returned to small

[6] D.10-10-032, pp.6-7 and 14.

business and EITE customers would be calculated by their usage, as in the Joint Utilities' and DRA's previous GHG revenue proposals. Based on informal data responses from the Utilities, the proportion of total annual bundled sales, attributed to the non-residential rate schedules comprised of 20 kW or lower demand customers is estimated to be 11.9% for PG&E, 6.5% for SCE, and 11.4% for SDG&E.[7] The proportion of total annual bundled sales to EITE ratepayers, as defined as entities eligible for receiving industry assistance allowances under California's cap-and-trade regulation,[8] is *estimated* to be 6.7% for PG&E, 4.9% for SCE and 1.2% for SDG&E.[9]

The intent of the legislature in including bill relief for small business ratepayers is presumably the same as for EITE ratepayers: to prevent economic leakage from California due to increased electricity prices under cap-and-trade. EITE ratepayers would face the risk of leaving California if they are forced to absorb the cap-and-trade costs in electricity rates (indirect GHG costs) and are not able to pass those costs on to their customers because they operate in markets in which prices are set outside of the state. Likewise, small businesses would face the risk of shutting down if the costs they incur due to increased electricity prices under cap-and-trade add more pressure to their bottom line than they are able to incur. The language in SB 1018 appears to reflect the Legislature's belief that in the economic conditions of present it is important to use the Utilities' GHG revenue to alleviate the upward pressure on costs for businesses that are most at risk of leaving the state or shutting down. In accordance with the intent of the language in SB 1018, small business and EITE ratepayers should be wholly protected from the increased costs of electricity due to cap-and-trade.

Q4. What distribution mechanism should be used to return revenues to small business customers? As one example, the GHG allowance auction revenues allocated to the "small business" class could be returned on an equal

[7] Appendix A – Informal Data Responses of PG&E, SCE, and SDG&E to DRA's informal request for information related to ALJ Ruling Soliciting Comment Regarding SB 1018 plus procedural question; July 27, 2012.

[8] Identified by the California Air Resources Board in Table 8-1 of the Final Regulation Order for Cap-and-Trade Regulation.

[9] Appendix A – Informal Data Responses of PG&E, SCE, and SDG&E to DRA's informal request for information related to ALJ Ruling Soliciting Comment Regarding SB 1018 plus procedural question; July 27, 2012.

cents per kilowatt-hour basis. Assuming a return based on a methodology other than a volumetric return, should revenue be returned on a per business basis or on a per utility account basis (recognizing that some businesses may have multiple accounts)?

DRA recommends that bill relief for small business ratepayers should be implemented in the same manner as for EITE ratepayers, and that the distribution mechanism should be a quarterly, on-bill line credit proportional to the cap-and-trade costs incurred by those ratepayers.[10] DRA believes that this approach maintains the benefits of preserving a transparent carbon price signal in kWh rates while protecting eligible businesses facing increased electricity costs due to cap-and-trade. While DRA also maintains the benefits of an annual off-bill rebate as presented throughout this proceeding, DRA has reconsidered that approach for the classes of non-residential ratepayers identified by the Legislature. DRA recommends that those ratepayers should be protected from increased electricity costs due to cap-and-trade without a year-long, time-lag approach as DRA originally proposed. Small businesses could likely be the most negatively impacted by a year-long, time-lag approach, so it is appropriate to revise that approach under the framework established by SB 1018, which emphasizes EITE and small business bill relief. Additionally, EITE ratepayers would realize the least benefits of an annual, off-bill rebate check (i.e. compared to residential ratepayers), as these ratepayers should have a more sophisticated awareness of their electricity usage and resulting bill impacts.

In light of these considerations for small business and EITE ratepayers, a quarterly, on-bill line credit would satisfy the policy objectives best. The full offset of cap-and-trade costs for these businesses would prevent leakage due to increased electricity prices resulting from cap-and-trade costs. The time-lag between when GHG costs are incurred and when the GHG revenue is received would preserve the carbon price signal in monthly kWh rates. Separate line items for GHG costs and for GHG revenue credits could help facilitate customer understanding of the impacts of GHG on customer bills, as well as the benefits of AB 32 and cap-and-trade as implemented in California. This approach would also be administratively easy to implement,

[10] This is consistent with TURN's proposal for returning allowance revenue to ratepayers. Opening Comments of The Utility Reform Network on Revised Cap-and-Trade Revenue Allocation Proposals, January 31, 2012, p.5.

and after reconsideration DRA believes is most appropriate for the classes of non-residential ratepayers identified by the Legislature.

Q5. In regards to customer outreach, how should the Commission implement Section 748.5(b)?

Section 748.5(b) requires that not later than January 1, 2013 the Commission require:

> "the adoption and implementation of a customer outreach plan for each electrical corporation, including, but not limited to, such measures as notices in bills and through media outlets, for purposes of obtaining the maximum feasible public awareness of the crediting of greenhouse gas allowance revenues."

DRA's proposal to return revenues to residential customers through an annual rebate will provide an opportunity to educate residential customers about crediting GHG revenues, and how customers can reduce their electricity costs through conservation and energy efficiency. For non-residential customers that would not receive an annual rebate, a customer outreach plan would need to consider other measures, including bill notices, information on the Utilities' websites, and other media outlets. Customers whose monthly bills increase because of the cap-and-trade program should see a line item on each bill listing the monthly increase and explaining that it is as a result of GHG costs for electricity.

While DRA believes that ideally, the customer outreach plan about the "crediting of greenhouse gas allowance revenues" would be funded from GHG allowance revenue, it is unclear that using allowance revenues to fund the customer outreach plan would comply with the requirement in Section 748.5 (a) that revenues (except those used to fund energy efficiency and clean energy projects pursuant to Section 748.5 9 (c)) be "credited directly" to residential, small business and EITE customers.

Regardless of the source of funding, the customer outreach plan should be designed to minimize the cost to ratepayers. The Commission should ensure that that the outreach about the cap-and-trade program is leveraged with education and outreach related to other ongoing programs, including energy efficiency, the California Solar Initiative and any other billing changes, such as those related to time variant pricing.

The Commission should direct the Utilities to submit via Advice Letters, in a timeframe allowing adoption by the end of 2012, the information that they will convey to customers, so that parties can review and the Commission can approve, prior to distribution of the information beginning in 2013. As with other aspects of the cap-and-trade program, the Commission should revisit the effectiveness of the customer outreach program at the end of each compliance period.

Q6. The statute stipulates that "The commission may allocate up to 15 percent of the revenues, including any accrued interest… for clean energy and energy efficiency projects established pursuant to statute that are administered by the electrical corporation and that are not otherwise funded by another funding source." How do this cap and the limitation that the projects must be "established pursuant to statute" and not be "otherwise funded" affect or change proposals currently before us?

DRA previously recommended that the Commission establish a Consolidated Financing Program in the service territories of the Utilities by executing a contract with the California Advanced Energy and Alternative Transportation Authority (CAEATFA) to be the program administrator. The purpose of the Consolidated Financing Program would be to fund, develop, and implement financing mechanisms that would leverage the capital raised from ratepayers with private capital to make low interest loans or financing available for energy efficiency projects, thereby addressing a significant market barrier to implementing more costly energy efficiency improvements. DRA continues to believe that its proposed Consolidated Financing Program would reduce GHG emissions in a manner incremental to existing energy efficiency programs and consistent with the goals of AB 32. However, DRA's proposal that the Commission establish a Consolidated Financing Program to be administered by CAEATFA would not meet SB 1018's requirements that the program for clean energy and energy efficiency projects be "established pursuant to statute" and "administered by the electrical corporation." It is unclear what existing programs for clean energy and energy efficiency projects would meet the criteria of "established pursuant to statue that are administered by the electrical corporation and that are not otherwise funded by another funding source."

Given the absence of existing programs that appear to meet the criteria of Section 748.5(c), the Commission should reserve judgment on whether and how to fund any such programs. DRA recommends that the Commission consider the development of criteria for evaluating such programs that may be identified, and that those criteria include funding only for programs that would deliver cost effective GHG reductions. If no such programs are identified, then all the GHG allowance revenue should be returned to ratepayers through direct bill relief as outlined in these comments.

III. CONCLUSION

SB 1018 creates a new framework for returning GHG allowance revenue to the Utilities' ratepayers that excludes certain classes of ratepayers from bill relief. DRA's comments reflect its revised recommendations under SB 1018's new framework. Given the evolving landscape for implementing cap-and-trade in California, including increased Legislative involvement and requirements, it is important that the Commission revisit any adopted proposal for using Utilities' GHG revenue after each compliance period of the program, to ensure that the adopted proposals are accomplishing the policy objectives of the State and the Commission.

Respectfully submitted,

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August 1, 2012

APPENDIX A

Response to DRA Data Request re: GHG OIR
Pacific Gas and Electric Company
Analysis and Rates Department
July 26, 2012

1. Are the IOUs able to estimate what percentage of total bundled sales (and/or of total additional generation costs attributed to GHG costs) is to EITE industry ratepayers? If so, can you please provide DRA with those estimates?

PG&E Response: PG&E notes that Energy-Intensive Trade-Exposed (EITE) was not defined in SB 1018 and has not been defined by the CPUC. In addition, PG&E is currently evaluating the appropriate definition to propose in this proceeding. PG&E responds to this request with no intention to endorse a particular definition for EITE.

For purposes of this data response only, to estimate the percentage of total bundled sales attributed to EITE industry ratepayers, PG&E assumes EITE industry ratepayers are customers in industries eligible for receiving industry assistance under California's cap and trade regulation. Those industry groups are identified by North American Industry Classification System (NAICS) code in Table 8-1 of the final regulation order for cap and trade regulation issued by the California Air Resources Board. That table is located on pages 100-102 of the following report:
http://www.arb.ca.gov/regact/2010/capandtrade10/capandtrade10.htm.

PG&E does not currently define its customers by NAICS code for any billing purpose, but the utility does informally maintain NAICS classifications in its billing system. PG&E used 2011 customer usage data and the NAICS classifications in PG&E's billing system to estimate EITE sales, and used that sales figure as a forecast for EITE sales in 2013. This EITE sales forecast was then divided by PG&E's 2013 sales forecast to calculate the percentage of total bundled sales figures below.

The percentage of total bundled sales (kWh), including residential sales, attributed to EITE ratepayers is 6.7%. If residential sales are excluded from the denominator, the percentage of total bundled non-residential sales attributed to EITE ratepayers increases to 11.5%.

2. Are the IOUs able to estimate what percentage of total bundled sales (and/or of total additional generation costs attributed to GHG costs) is to non-residential ratepayers that draw under 20 kW in demand? If so, can you please provide DRA with those estimates?

PG&E Response: PG&E cannot precisely determine the percentage of total bundled sales to non-residential ratepayers that draw under 20 kW in demand because the utility does not maintain demand data for non-residential customers on the smaller rate schedule for which demand charges do not apply. Also, PG&E's small and medium-sized commercial customers with annual peak demand up to 499 kW can currently choose among the A-1 (Small General Service), A-6 (Small General Time-of-Use Service), A-10 (Medium General Demand-Metered

Service), and E-19V (Voluntary Time-of-Use) rate schedules regardless of whether their demand is above or below 20 kW.[1] Of these four rate schedules, only A-10 and E-19V include a demand charge.[2]

In response to this request, PG&E has *estimated* sales for non-residential ratepayers with demands less than 20 kW by providing the percentage of total bundled sales on rate schedules that predominantly include customers with demand less than 20 kW. These rate schedules include Schedules A-1 and A-6 for commercial customers and schedules AG-1A, AG-4A, AG-5A, AG-RA, and AG-VA for agricultural customers. Because these schedules include some customers with demand greater than 20 kW the actual percentage of sales for customers that draw under 20 kW demand would be lower than these figures provided below.

The percentage of total bundled sales (kWh), including residential sales, attributed to the non-residential rate schedules predominantly comprised of less than 20 kW demand customers is 11.9% based on PG&E's 2013 sales forecast. If residential sales are excluded from the denominator, the percentage of total bundled non-residential sales attributed to rate schedules predominantly comprised of less than 20 kW demand customers increases to 20.5%.

3. Looking at the Joint IOU Rate Impact Model, is it accurate to say that the values in the Illustrative Bill Impact tabs labeled 'Non-CARE T3T5 sales as portion of residential sales' (PG&E, SCE) and 'Non-CARE T3T4 sales as portion of residential sales' (SDG&E) represent the portion of residential ratepayers that will absorb all of the GHG cost impacts allocated to the residential customer class? Do those values represent the current reality to the best of the IOU's knowledge?

PG&E Response: Yes, the 23 percent figure in Cell A12 of the "PG&E Illustrative Bill Impacts" tab of the Joint IOU Rate Impact Model represents the percentage of residential sales that will absorb all of the GHG cost impacts allocated to the residential class. This percentage is calculated by dividing upper-tier (i.e., Tier 3 and above) non-CARE sales by total residential (non-CARE and CARE) sales. In the illustrative example from the Joint IOU Rate Impact Model, Cell E6 in the "PG&E AB32 Cost & Credit Alloc" tab shows that the increase in the generation rate for the entire residential class would be $0.00224 per kWh.[3] However, since the total rates for lower-tier sales (and CARE sales) are not allowed to increase due to SB 695 restrictions, the non-CARE upper-tier rates must increase by a lot more, $0.00954 (which is

[1] Per a settlement agreement in Phase 2 of PG&E's 2011 General Rate Case implemented by D.11-12-053, this will change on November 1, 2012, when a 75 kW boundary line will be established between Schedules A-1 and A-10.

[2] Agricultural customers taking service on the "A" options of PG&E's Schedules AG-1, AG-4, and AG-5 are also not demand metered. Rather, they pay a demand charge based upon the connected load of their pump. Customers are placed on these schedules if their pump's connected load is less than 35 kW (35 horsepower).

[3] These results are based the allowance and carbon price assumptions made, as well as the rates and revenue allocations in place at the time the Joint IOU rate Impact Model was developed.

calculated by dividing \$0.00224 by 0.23), in order to collect the required revenue (see Cell B12 of the "PG&E Illustrative Bill Impacts" tab).

As described in Appendix A of the Joint IOUs' January 31, 2012 Comments, the Conservation Incentive Adjustment (CIA) rate component is the mechanism by which the generation rates in all tiers increase while the total rates for Tiers 1 and 2 remain unchanged. Essentially, the negative CIA rates in Tiers 1 and 2 become even more negative to offset the increase in the generation rates in those tiers, while the positive CIA rates in Tiers 3 and 4 become even more positive.

In response to the question of whether the 23 percent figure represents current reality, the answer is that it is forecasted to decrease slightly. Based upon PG&E's 2013 forecast of residential sales (filed last month in PG&E's ERRA Forecasting Application, A.12-06-002), non-CARE upper-tier sales represent 22 percent of total residential sales.

DRA Informal Data Request
SCE Response
July 31, 2012

A.1
SCE notes that the term “emissions-intensive, trade-exposed” (EITE) customers was not defined in SB1018 and has not been defined by the CPUC. In addition, SCE is currently evaluating the appropriate definition to propose in this proceeding. SCE responds to this request with no intention to endorse a particular definition for EITE. To estimate the percentage of total bundled sales attributed to EITE industry ratepayers, SCE assumes EITE industry ratepayers as customers in industries eligible for receiving industry assistance under California’s cap-and-trade regulation. Those industry groups are identified by North American Industry Classification System (NAICS) code and listed in Table 8-1 of the final regulation order for cap and trade regulation issued by the California Air Resources Board. That table is located on pages 100-102 of the following report:
http://www.arb.ca.gov/regact/2010/capandtrade10/capandtrade10.htm.

SCE does not currently define its customers by NAICS code for any billing purpose, but the utility does informally maintain NAICS classifications in its billing system. SCE used 2010 customer usage data and the NAICS classifications in SCE’s billing system to forecast 2011 EITE sales. These EITE sales were then divided by SCE’s 2011 sales forecast to calculate the percentage of total bundled sales figures below. The percentage of total bundled sales (kWh), including residential sales, attributed to EITE ratepayers is 4.9%. If residential sales are excluded from the denominator, the percentage of total bundled non-residential sales attributed to EITE ratepayers increases to 8.0%.

A.2
SCE cannot precisely determine the percentage of total bundled sales to non-residential ratepayers that draw 20 kW or less in demand because the utility does not maintain demand data for non-residential customers on the smaller rate schedule for which demand charges do not apply. In response to this request, SCE has estimated sales for non-residential ratepayers with demands 20 kW or less by providing the percentage of total bundled sales on rate schedules that includes by definition customers with demand 20 kW or less. These rate schedules include Schedules GS-1, TOU-GS-1, and TOU-EV-3 for commercial customers. Agricultural customers who might be 20kW or less are excluded from this estimate because SCE is unable to separate sales associated with these customers from other Agricultural / Pumping customer sales.

The percentage of total bundled sales (kWh), including residential sales, attributed to the non-residential rate schedules comprised of 20 kW or lower demand customers is 6.5% based on SCE’s 2011 sales forecast. If residential sales are excluded from the denominator, the percentage of total bundled non-residential sales attributed to rate schedules predominantly comprised of 20 kW of lower demand customers increases to 10.7%.

A.3
Yes, in effect. The GHG cost impacts would in fact be allocated to all residential customers through the commodity rate. However, due to the capping of Tier 1 and Tier 2 rates under Senate Bill (“SB”) 695, these costs will only be reflected in total rates associated with the Non-CARE T3T4 sales for SDG&E and the Non-CARE Tier 3 through Tier 5 sales for PG&E and SCE (with the exclusion of a small percentage of

sales under optional rates not governed by SB 695). The commodity (or generation) rates can increase for T1 and T2 (and for CARE) without the total rate increasing for those sales. This occurs via changes to the Total Rate Adjustment Component (in the case of SDG&E) or the Conservation Incentive Adjustment (in the case of PG&E and SCE) rate components in the various tiers. Values represent the illustrative rate impacts based on rates effective at the time the Rate Impact Model was developed; actual impact to residential ratepayers will depend upon a customer's usage and rates in effect beginning 2013.

GHG OIR R.11-03-012, July 27, 2012

SDG&E Response to DRA's informal request for information related to ALJ Ruling soliciting comment regarding SB1018 plus procedural question; received on July 17, 2012.

Q.1. Are the IOUs able to estimate what percentage of total bundled sales (and/or of total additional generation costs attributed to GHG costs) is to EITE industry ratepayers? If so, can you please provide DRA with those estimates?

A.1 Energy-Intensive Trade-Exposed (EITE) was not defined in SB1018 and has not been defined by the CPUC. In responding to this request, SDG&E is not endorsing a particular definition for EITE.

For purposes of estimating the percentage of the total bundled sales attributed to EITE industry ratepayers, SDG&E assumes EITE industry ratepayers are all customers eligible for receiving industry assistance allowances under California's cap and trade regulation, regardless of size.

Using this definition, SDG&E estimates that 1.2% of total system bundled kWh (including residential) in 2011 was from EITE industry ratepayers.

Q.2. Are the IOUs able to estimate what percentage of total bundled sales (and/or of total additional generation costs attributed to GHG costs) is to non-residential ratepayers that draw under 20 kW in demand? If so, can you please provide DRA with those estimates?

A.2. SDG&E estimates that 11.4% of total system bundled kWh (including residential) in 2011 was from non-residential ratepayers that draw under 20 kW in demand. SDG&E defined a non-residential ratepayer that draws under 20 kW in demand as customer that does not equal or exceed 20 kW for 12 consecutive months; or, if demand metering was not available, a customer that did not equal or exceed 12,000 kWh per month for 12 consecutive months.

Q.3. Looking at the Joint IOU Rate Impact Model, is it accurate to say that the values in the Illustrative Bill Impact tabs labeled 'Non-CARE T3T5 sales as portion of residential sales' (PG&E, SCE) and 'Non-CARE T3T4 sales as portion of residential sales' (SDG&E) represent the portion of residential ratepayers that will absorb all of the GHG cost impacts allocated to the residential customer class? Do those values represent the current reality to the best of the IOU's knowledge?

A.3. Yes, in effect. The GHG cost impacts would in fact be allocated to all residential customers through the commodity rate. However, due to the capping of T1T2 rates under AB1X/SB695, these costs will only be reflected in total rates associated with the Non-CARE T3T4 sales for SDG&E and the Non-CARE T3T5 sales for PG&E and SCE (with the exclusion of a small percentage of sales under optional rates not governed by AB1X/SB695). The commodity (or generation) rates can increase for T1 and T2 (and for CARE) without the total rate increasing for those sales. This occurs via changes to the Total Rate Adjustment Component (in the case of SDG&E) or the Conservation Incentive Adjustment (in the case of PG&E and SCE) rate components in the various tiers. Values represent the illustrative rate impacts based on rates effective at the time the Rate Impact Model was developed; actual impact to residential ratepayers will depend upon a customer's usage and rates in effect beginning 2013.