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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Edison Company (U338E) for Approval of Greenhouse Gas Cap-and-Trade Program Cost and Revenue Allocation.	Application 13-08-002 (filed August 1, 2008)

RESPONSE OF THE DIVISION OF RATEPAYER ADVOCATES

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September 4, 2013

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I. INTRODUCTION

Pursuant to Rule 2.6(a) and (c) of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, the Division of Ratepayer Advocates ("DRA") hereby submits the following response to the *Application of Southern California Edison for Approval of Greenhouse Gas Cap-and-Trade Program Revenue Allocation and Return to Customers*, Application ("A.") 13-08-002, which was filed on August 1, 2013 and appeared on the Daily Calendar on August 4, 2013.

In Order Instituting Rulemaking (R.) 11-03-012, on December 28, 2012, the Commission issued Decision (D.) 12-12-033 Adopting Cap-and-Trade Greenhouse Gas Allowance Revenue Allocation Methodology for the Investor Owned Electric Utilities ("D.12-12-033") directing the investor-owned utilities ("IOUs") to file applications ("GHG Applications") by August 1 of each year, beginning in 2013. D.12-12-033 required the GHG Applications to forecast (1) GHG cap-and-trade compliance-related costs ("GHG costs"); (2) administrative and customer outreach costs for the subsequent year; and (3) cap-and-trade allowance auction revenue ("GHG revenue") to be distributed to eligible customer classes per the adopted methodology.[1]

[1] D.12-12-033, Ordering Paragraph (OP) 23, pp. 214-215.

In its Application, Southern California Edison ("SCE") requests approval of (1) its forecast for GHG revenue return and GHG administrative and outreach costs, and (2) its requested amount, timing, and methodology of GHG revenue return to SCE's customers. Additionally, SCE submits its forecast of GHG costs, which are subject to approval in SCE's 2013 and 2014 Energy Resource Recovery Account ("ERRA") applications.[2]

II. DISCUSSION

A. Issues Raised by the Application

DRA has reviewed SCE's Application and its accompanying GHG Cost and Revenue Forecast and Reconciliation Testimony ("Testimony"). DRA does not protest the Application, and provides discussion on the following issues based on its review of the Application and Testimony:

1. SCE's Forecast of GHG Revenue is Reasonable

DRA has reviewed the Application and the accompanying Testimony to assess the reasonableness of SCE's GHG revenue forecast. SCE forecasts total allowance revenue of $466.024 million in 2014 and $421.572 million in 2013,[3] which are the products of the total volume of allowances that the CARB has allocated to SCE for each year and forecasted prices for those allowances. SCE used a forecasted price of $14.70/metric ton ("MT") for allowances for the remainder of 2013[4] and $14.75/MT for 2014, based on the most recently available allowance prices on the Intercontinental Exchange ("ICE") at the time of this Application. DRA finds that SCE's forecast of GHG revenue for 2013 and 2014

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[2] Application of Southern California Edison Company for Approval of Greenhouse Gas Cap-and-Trade Program Revenue Allocation and Return to Customers (Aug. 1, 2013), p. 2 [hereinafter "Application"].

[3] GHG Cost and Revenue Forecast and Reconciliation Testimony of Southern California Edison Company, Application 13-08-002, pp. 24–25 [hereinafter "SCE's Testimony"].

[4] At the time of this Application, SCE had consigned allowances and generated GHG revenue in CARB's November 2012, February 2013, and May 2013 GHG auctions. SCE's 2013 forecast of GHG revenue includes actual recorded GHG revenue from those three auctions, and forecasted amounts for CARB's August 2013 and November 2013 GHG auctions.

is reasonable at the time of this Application, and should be updated in November based on new information that develops.

2. SCE's Forecast of GHG Administrative and Outreach Costs Are Reasonable

DRA has reviewed the Application and accompanying Testimony and conducted discovery to assess the reasonableness of SCE's GHG administrative and outreach cost forecasts. For 2013, SCE estimates that approximately $800,000 in up-front administrative costs and $50,000 in on-going administrative labor costs are necessary to upgrade its billing system and internal business processes to implement the GHG revenue allocation methodology.[5] For 2014, SCE forecasts that $50,000 in incremental administrative labor costs will be necessary to comply with D.12-12-033, consistent with SCE's estimate for on-going administrative labor costs.[6]

As of the date of this Application, SCE has not recorded any GHG marketing, education and outreach costs and does not anticipate incurring many, if any, GHG customer outreach costs in 2013. SCE has yet to receive an invoice for its share of the Targetbase marketing and public relations report, and will assume its share of those costs in accordance with D.12-12-033.[7] For 2014, SCE projects customer outreach expenditures of $587,500, which includes $190,000 to cover administrative costs incurred by SCE's Customer Contact Center for handling increased call volume about the CA Climate Dividend.[8] As SCE notes, these activities can and should be fully funded through the already set-aside $1.4 million from 2013 GHG revenue, which will remain largely unspent in 2013 and thus rolled over to 2014.[9]

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[5] SCE Testimony, p. 17.

[6] SCE Testimony, p. 18.

[7] D.12-12-033, OP 12 and OP 13.

[8] SCE Testimony, p. 20.

[9] SCE Testimony, p. 20.

DRA finds that SCE's 2013 and 2014 GHG administrative and outreach cost forecasts are reasonable. Importantly, DRA understands that actual 2013 GHG administrative and outreach costs will be included in the IOU's August 1, 2014 GHG Applications, which will enable the Commission and other interested stakeholders to conduct a review of these costs for reasonableness.

3. SCE's Requested Amount, Timing, and Methodology of GHG Revenue Return to SCE's Customers is Reasonable and in Accordance with D.12-12-033

DRA has reviewed the Application and accompanying Testimony to assess the reasonableness of SCE's requested amount, timing and methodology of GHG revenue return to SCE's customers and to ensure it is consistent with the requirements in D.12-12-033 and the ongoing Commission GHG revenue implementation plan process. Based on SCE's forecasts of its 2013 and 2014 GHG costs, 2013 and 2014 GHG administrative and outreach costs, 2013 and 2014 GHG revenues, and SCE's approved Bundled Generation Cost Allocators, DRA finds that the requested amount of GHG revenue to be returned to emissions-intensive and trade-exposed (EITE), small business, and residential customers is reasonable,[10] understanding that this forecast will be updated upon final Commission determination for EITE revenue allocation formulas in R.11-03-012.[11]

SCE states that it will begin the simultaneous recovery in rates of GHG costs and the return of GHG revenue upon the issuance of final Commission decisions on SCE's 2013 and 2014 ERRA forecast applications and this Application.[12] GHG revenue will be returned to EITE customers on an annual basis, and SCE proposes to conduct the EITE return in either the February, March

[10] SCE Testimony, p. 29.

[11] SCE Testimony, p.30.

[12] SCE Testimony, p. 32.

or April billing cycle, depending on when the Climate Dividend disbursement occurs. GHG revenue will be returned to small business customers and eligible residential customers on a monthly basis, based on the monthly volumetric usage. Lastly, GHG revenue will be returned to all residential "households", in the form of a Climate Dividend, on a semi-annual basis. SCE proposes to distribute the Climate Dividend in February 2014 and August 2014.[13] DRA finds that the requested timing of GHG revenue return in SCE's Application is reasonable and in accordance with D.12-12-033.

DRA finds that SCE's methodology to return GHG revenue to its eligible customers is in accordance with the Commission-authorized methodology in D.12-12-033 and the Joint IOU's Amended GHG Revenue Return Implementation Plan, which is currently pending final Commission approval.

4. SCE's Forecast of GHG Costs is Consistent with SCE's 2013 and 2014 ERRA Applications

DRA has reviewed the Application and accompanying Testimony to ensure that the GHG cost forecasts are consistent with SCE's GHG cost forecasts in its 2013 and 2014 ERRA forecast applications. SCE forecasted its GHG costs in its 2013 and 2014 ERRA Forecast Applications.[14] DRA finds that the forecasts of 2013 and 2014 GHG costs utilized in SCE's Application are consistent with SCE's forecasts of GHG costs in its 2013 and 2014 ERRA forecast applications.

5. SCE's Proposal to Amortize 2013 GHG Costs and Revenues is Reasonable and in Accordance with D.12-12-033

DRA has reviewed the Application and accompanying Testimony to assess the reasonableness of SCE's proposal to amortize 2013 GHG costs and revenues and to ensure it is consistent with the requirements in D.12-12-033 and the

[13] SCE Testimony, pp. 32–35.

[14] *See* SCE 2013 ERRA Forecast Application (A.12-08-002) and SCE 2014 ERRA Forecast Application (A.13-08-004).

ongoing Commission GHG revenue implementation plan process. SCE proposes to amortize its 2013 GHG costs over a two-year period from 2014 through 2015.[15] Similarly, SCE proposes a two-year amortization for the distribution of the 2013 GHG revenue to be distributed in 2014 and 2015.[16] DRA finds SCE's approach to amortize its 2013 GHG costs and revenues over a two-year period from 2014 through 2015 to be reasonable and in accordance with D.12-12-033, which states that SCE is required to amortize the outstanding [GHG] cost and revenue balances in the GHG sub-balancing account and the GHG Revenue Balancing Account, including accrued interest, over a reasonable period so that all deferred costs and revenues are distributed within 24 months.[17]

III. CATEGORIZATION, HEARINGS, AND SCHEDULE

SCE proposes that this Application be categorized as ratesetting. DRA does not object to the proposed categorization. SCE claims that evidentiary hearings are not needed for this Application. DRA agrees.

SCE proposes an expedited schedule that would allow SCE to receive a decision authorizing it to commence returning GHG revenue to its customers in February 2014. DRA agrees with SCE's proposed schedule.

IV. CONCLUSION

DRA respectfully submits this response, and recommends that the Commission approve SCE's (1) forecast for GHG revenue return and GHG administrative and outreach costs, and (2) requested amount, timing and methodology of GHG revenue to SCE's customers.

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[15] SCE Testimony, p.14.

[16] SCE Testimony, p.26.

[17] D.12-12-033, OP 21.

Respectfully submitted,

/s/ ROBERT HAGA

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