STATE OF CALIFORNIA EDMUND G. BROWN JR., *Governor*

PUBLIC UTILITIES COMMISSION
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TO PARTIES OF RECORD IN RULEMAKING 11-03-012

This is the proposed decision of Administrative Law Judge Melissa K. Semcer. This item is targeted to appear on Agenda No. 3326 for the Commission's November 14, 2013 Business Meeting, but may appear on a later agenda. Interested persons may monitor the Business Meeting agendas, which are posted on the Commission's website 10 days before each Business Meeting, for notice of when this item may be heard. The Commission may act on the item at that time, or it may hold an item to a later agenda.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision as provided in Article 14 of the Commission's Rules of Practice and Procedure (Rules), accessible on the Commission's website at www.cpuc.ca.gov. Pursuant to Rule 14.3, opening comments shall not exceed 15 pages.

Comments must be filed pursuant to Rule 1.13 either electronically or in hard copy. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. The current service list for this proceeding is available on the Commission's website at www.cpuc.ca.gov.

/s/ TIMOTHY J. SULLIVAN for KVC
Karen V. Clopton, Chief
Administrative Law Judge

KVC:lil

Attachment

Decision **PROPOSED DECISION OF ALJ SEMCER** (Mailed 10/10/2013)

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)

DECISION ADOPTING GREENHOUSE GAS ALLOWANCE REVENUE FORMULA AND DISTRIBUTION METHODOLOGY FOR SMALL BUSINESS CUSTOMERS AND MODIFYING DECISION 12-12-033

1. Summary

This decision adopts a greenhouse gas (GHG) revenue allocation formula and distribution methodology for small business customers, as those customers are defined in Decision (D).12-12-033, to be employed by California's investor-owned utilities, with the exception of Bear Valley Electric Service, a division of Golden State Water Company. The adopted GHG revenue allocation formula is found in Appendix 1 to this decision.

In addition, this decision modifies D.12-12-033 so that the transition assistance level to small business declines more smoothly in order to avoid discrete and large changes, which could be problematic for small business customers from year to year. To achieve this result, this decision alters the rate of decline (declination rate) of the low leakage risk[1] Industry Assistance factor

[1] Leakage risk refers to the potential that a business or industry, if it is subject to global commodity prices, may shift its business operations outside of California as a result of

Footnote continued on next page

used by the California Air Resources Board in the provision of transition assistance to emissions-intensive and trade-exposed customers. D.12-12-033 adopted the low leakage risk Industry Assistance factor as the appropriate transition assistance factor to apply to small business customers. Rather than follow the exact California Air Resources Board's low leakage risk Industry Assistance factor declination rate, this decision adopts a smooth rate of decline in the level of transition assistance provided to small business customers of 10% per year.

If, as proposed, the California Air Resources Board delays the decline of their Industry Assistance factors by one compliance period, that delay will apply to the return of GHG allowance revenue to small business customers, although the same smooth decline of 10% per year will remain in effect. The new yearly assistance factors, with and without a delay, are found in Appendix 2 to this decision. The Commission will consider the formulas and processes for distribution of GHG allowance revenues to emissions-intensive and trade-exposed utility customers in a subsequent decision.

Rulemaking 11-03-012 remains open.

2. Procedural History and Background

Under the California Air Resources Board's (ARB) Cap-and-Trade regulation,[2] the state's investor-owned utilities are granted an annual free allocation of greenhouse gas (GHG) allowances, which they are required to sell in ARB's quarterly allowance auctions. In Decision (D.) 12-12-033, the California

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the additional costs of the Cap-and-Trade program. For a more detailed discussion on leakage risk, see D.12-12-033 at 17.

[2] California Code of Regulation, Title 17, §§ 95800-96023.

Public Utilities Commission (Commission) adopted a framework for the distribution of GHG allowance revenues obtained by the investor-owned utilities[3] through the consignment of free allowances at auction in accordance with ARB's Cap-and-Trade program and the parameters of California Public Utilities (Pub. Util.) Code Section 748.5.[4]

Section 748.5 requires the Commission to return allowance revenue to residential, small business, and emissions-intensive and trade-exposed (EITE) customers. D.12-12-033 set forth a framework for the distribution of allowances to these customer groups, but, lacking adequate record, deferred finalization of several implementation details to later decisions, in particular the finalization of formulas and associated processes for distribution of GHG allowance revenues to small business and EITE customers.

In Appendices A and B to D.12-12-033, the Commission presented proposed GHG revenue distribution formulas for EITE and small business customers, and directed the Commission's Energy Division to initiate a public workshop process within 60 days of issuance of that decision whereby interested parties could provide feedback on the proposed formulas. In addition, the decision directed, as part of the public workshop process, the identification of all required input sources as well as the process and timing of all information and

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[3] The investor-owned utilities include Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas and Electric Company (SDG&E), Liberty Utilities (formerly California Pacific Electric Company), and PacifiCorp. Bear Valley Electric Service, a division of Golden State Water Company, was exempted from the distribution methodologies adopted in D.12-12-033 due to the small amount of GHG revenues it will receive.

[4] All future references to sections of code shall pertain to the California Public Utilities Code.

data exchanges that must occur to calculate the GHG revenue return for small business and EITE customers. Energy Division staff were also directed to explore the appropriate timing of revenue return and, for EITE customers, whether the allowance revenue should be returned as an on-bill credit or off-bill check.

Finally, through the workshop process, Energy Division was directed to explore possible alternatives to the requirement adopted in D.12-12-033 that entities designated as EITE, but with annual GHG emissions less than 25,000 metric tons of carbon-dioxide-equivalent, be required to opt-into the Cap-and-Trade program. Subsequent to the workshops, D.12-12-033 directed the Energy Division to prepare and submit in Rulemaking 11-03-012 a workshop report setting forth recommended formulas, timing, and mechanics for the distribution of revenues to EITE and small business customers.[5]

Following the adoption of D.12-12-033, parties submitted comments on the proposed EITE and small business GHG revenue distribution formulas on February 6, 2013, and Energy Division staff facilitated a technical workshop on February 14-15, 2013. On May 20, 2013, Energy Division served a draft staff proposal presenting updated distribution formulas and distribution methodologies on the service list for this rulemaking.

Following the issuance of the draft staff proposal, Energy Division staff facilitated another technical workshop on June 7, 2013. The final staff proposal of the Energy Division, entitled Greenhouse Gas Allowance Revenue Allocation Methodologies for Emissions-Intensive and Trade-Exposed Entities and Small

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[5] D.12-12-033 at 150-151.

Businesses (Staff Proposal), was formally entered into the record of this rulemaking on July 10, 2013. On July 24, 2013 numerous parties submitted comments on the Staff Proposal.[6]

Today's decision addresses the portions of the Staff Proposal pertaining to the GHG revenue distribution formula and methodologies for small business customers. The Commission will consider the formulas and distribution methodologies for EITE entities in a subsequent decision.

3. Distribution of GHG Allowance Revenues to Small Business Customers

D.12-12-033, pursuant to § 748.5, defined small business customers as non-residential entities on General Service or Agricultural tariffs whose electric demand does not exceed 20 kilowatts in more than three months within the previous twelve-month period.[7]

The Commission adopted a GHG revenue distribution framework for small businesses that centered on the principle that the provision of transition assistance offers a way to ease small businesses into the Cap-and-Trade program and can ensure that small businesses have the necessary capital to invest in strategies to reduce their GHG costs. As such, the Commission decided to return GHG allowance revenues to small business customers in a manner that mirrors, as much as possible, the transition assistance methodology the Commission

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[6] Parties submitting comments on small business revenue distribution issues were: The Division of Ratepayer Advocates (DRA), The Joint Parties (Natural Resources Defense Council, Sierra Club California, the Greenlining Institute, National Consumer Law Center, and the Climate Protection Campaign), the Joint Utilities (PG&E, SCE, and SDG&E), and the Marin Energy Authority (MEA).

[7] D.12-12-033 Conclusion of Law 11 and 12.

adopted for EITE customers, which is based upon the assistance provided to such entities by ARB under the Cap-and-Trade program (known as Industry Assistance.)[8]

Because small businesses are numerous and diverse, however, a facility-specific calculation of GHG revenue, as is recommended generally for EITE customers, would be impracticable. Therefore, the Commission opted to return revenues to small business customers on a volumetric basis declining in each of three compliance periods mirroring the ARB low leakage risk Industry Assistance factors adopted under ARB's Cap-and-Trade program (*See* Table 1). Thus, GHG revenues would be returned to small business customers as a function of their GHG costs multiplied by the applicable ARB low leakage assistance factor.

The Commission adopted the low leakage risk Industry Assistance factor with the understanding that most small businesses, except those also classified as EITE, represent a small leakage risk as a result of the implementation of the Cap-and-Trade program. The intent of the GHG revenue allocation framework adopted in D.12-12-033 is to phase in GHG costs (the carbon price signal) for small businesses over time, and the use of the low leakage assistance factor is an effective means to that end because it provides a known and vetted decline in the level of transition assistance.

As proposed in D.12-12-033, in the first Cap-and-Trade compliance period (2013-2014), small business customers would see an offset of 100% of their GHG costs, followed by a 50% GHG cost offset in the second compliance period

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[8] D.12-12-033 at 105-106.

(2015-2017) and a 30% GHG cost offset in the third compliance period (2018-2020). These are reflected in Table 1 below.

The Commission, however, lacking sufficient record, stopped short of adopting a specific small business GHG revenue distribution formula. A volumetric rebate formula modified to account for the low leakage assistance factors was proposed in Appendix B to D.12-12-033. In addition, the Commission also proposed that GHG allowance revenues be returned to small business customers on a monthly basis as an on-bill credit. The Commission deferred a final finding on these matters to the implementation process that is the subject of the instant decision.[9]

In D.12-12-033, the Commission also directed the investor-owned utilities to present the small business return as a separate line-item on electricity bills (to be provided on the delivery component of a customer's bill) to ensure that small businesses taking service from direct access or community choice aggregation providers receive equivalent compensation to their peers taking service from the investor-owned utilities.[10] The Commission stopped short of adopting a specific nomenclature for the small business return to appear on customer bills.

Table 1: Low Leakage Risk Factors for Small Business GHG Revenue Return as Proposed in D.12-12-033

Year	2013	2014	2015	2016	2017	2018	2019	2020
ARB Industry Assistance Factor	100	100	50	50	50	30	30	30

[9] *Id* at 107.

[10] *Id* at 108.

3.1. Small Business GHG Revenue Distribution Formula

This decision adopts the small business GHG revenue allocation formula presented in the Staff Proposal, with minor clarifying changes. The proposed formula mirrors, but with greater detail, the small business revenue allocation formula originally set forth in Appendix B to D.12-12-033. The adopted formula is described below and can also be found in Appendix 1 to this decision.

No party to this proceeding protested the proposed small business GHG revenue allocation formula, and the proposed formula complies with the small business GHG revenue distribution framework adopted in D.12-12-033.

A small modification is necessary to the explanation for the "$G_{ET,t}$" term to allow for the various Commission mechanisms for approval of the annual GHG cost forecast for the small investor-owned utilities. An additional modification is necessary to the explanation of the term "AF_t" to more accurately describe the adopted assistance factor for a given year, which will closely mirror, but not directly follow the Industry Assistance factor for the low leakage risk classification as defined in Table 8-1 of ARB's Cap-and-Trade regulation (described in more detail in Section 3.2).

Equation 1. Small Business Revenue Allocation

$AB_{ET,t} = AF_t \; x \; G_{ET,t}$

Where:

"$AB_{ET,t}$" is the monthly allocation of revenue in dollars per kilowatt-hour to an individual small business that procures electricity service on electrical tariff "ET" during budget year "t."

"AF_t" is the Industry Assistance factor for the low leakage risk classification for a given year as set forth in Appendix 2 to this decision.

"$G_{ET,t}$" is the GHG Cap-and-Trade related cost, in dollars per kilowatt-hour, which is included in a small business customer's electrical tariff "ET." This cost is the annual Cap-and-Trade cost that each investor-owned utility will incur and which the Electric Revenue Recovery Account proceeding (or related proceedings for the small investor-owned utilities) or the annual GHG cost and revenue forecast proceedings authorized in D.12-12-033 Ordering Paragraph 23 for recovery in the generation component of rates. This GHG cost is apportioned to each electrical tariff "ET" via Commission approved generation cost allocation factors. The cost will therefore vary by utility and electrical tariff.

3.2. Assistance Factors

In the Staff Proposal, Energy Division recommends a modification to D.12-12-033 to apply a smoother declination rate to the small business GHG revenue return than the low leakage risk Industry Assistance factor declination rate set forth in Table 8-1 of ARB's Cap-and-Trade regulation (and found in Table 1 above). Although this approach would likely result in a small increase in the amount of revenue that small businesses will ultimately receive, it will smooth out the rate of decline and avoid discrete and large changes in transition assistance levels.

Therefore, as proposed by Energy Division staff, the assistance factor would decline at a rate of 10% a year, from 100% in 2013 to 30% in 2020 (*See* Table 2 below). The proposed modification of D.12-12-033 is unopposed by any party, and is specifically supported by DRA, MEA, and the Joint Utilities. However, the Joint Utilities, in their July 24, 2013 comments on the Staff Proposal present a slightly different declination path for consideration.

ARB, on July 15, 2013, proposed several modifications to the Cap-and-Trade regulation, including a delay by one compliance period in the reduction of its Industry Assistance factors, resulting in a low leakage risk Industry Assistance factor of 100% for the first and second compliance periods (2013-2017) and 50% for the third compliance period (2018-2020). In light of this proposed delay, and in keeping with the smoother declination path contained in the Staff Proposal, the Joint Utilities, in comments on the Staff Proposal,[11] propose the declination path set forth in Table 3.

Table 2: Energy Division Proposed Assistance Factors for Small Businesses

Year	2013	2014	2015	2016	2017	2018	2019	2020
Assistance Factor	100	90	80	70	60	50	40	30

[11] July 24, 2013 *Comments of the Joint Utilities*, Appendix at 8.

Table 3: Joint Utility Proposed Assistance Factors for Small Businesses

Year	2013	2014	2015	2016	2017	2018	2019	2020
Assistance Factor	100	100	100	90	80	70	60	50

Smoothing out the declination rate is a reasonable means of easing the transition of small businesses to a carbon price signal in their electricity rates without creating undue burden from large and discrete year over year changes to the level of transition assistance. Therefore, the Energy Division staff proposed declination rate, whereby the assistance factor provided to small businesses would decline by 10% per year, is adopted, and D.12-12-033 is modified to allow for this smooth declination. The adopted year over year declination rate can be found in Appendix 2 to this decision.

This decision also finds that the proposal of the Joint Utilities, in comments to the Staff Propsal, is reasonable. In D.12-12-033, the Commission tied the small business assistance factor to the low leakage risk Industry Assistance factor adopted by ARB in the Cap-and-Trade regulation. If ARB ultimately adopts a delay in the reduction of its Industry Assistance factors, the delay (and corresponding increase in assistance through the year 2020) should apply to the GHG allowance revenues received by small businesses. Therefore, if ARB approves a delay in the reduction of Industry Assistance allocations, that delay will apply to small business customers of the investor-owned electric utilities, but with a smooth declination rate at 10% per year beginning in 2016, as outlined in Appendix 2 Table 2, rather than 2014, as outlined in Appendix 2 Table 1. However, until the delay is officially adopted by the ARB, the original declination rate proposed in the Staff proposal will remain in effect. The delayed declination rate can be found in Appendix 2 to this decision.

3.3. Timing, Method, and Name of Small Business Return

In the Staff Proposal, Energy Division recommends that GHG revenues be returned to small business customers on a monthly basis as an on-bill credit, as was recommended in D.12-12-033. As the Staff Proposal notes, D.12-12-033 "clearly envisions that the small business return would affect the GHG price signal in rates,"[12] and a monthly volumetric return achieves that end and is less administratively complex than other alternatives, such as a semi-annual bill credit. This recommendation is unopposed by any party and is explicitly supported by MEA.

However, in its March 15, 2013 filing in this proceeding of its Greenhouse Gas Allowance Revenue Return Implementation Plan, Liberty Utilities (formerly CalPeco) proposed that it should be permitted to deliver the small business credit to customers on a semi-annual basis in conjunction with the schedule ultimately approved for the Climate Dividend.[13]

A monthly on-bill credit comports with the small business GHG revenue return framework adopted in D.12-12-033 and is therefore approved here as consistent with findings of that decision. As directed in D.12-12-033, the investor-owned utilities must present the small business return as a separate

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[12] Staff Proposal at 95.

[13] Liberty Utilities' *Greenhouse Gas Allowance Revenue Return Implementation Plan* at 2. The Climate Dividend is to be returned on a semi-annual basis; the exact months of return will be determined in the proposed decision addressing the utilities' implementation plans.

line-item on electricity bills (to be provided on the delivery component of a customer's bill) to ensure that small businesses taking service from direct access or community choice aggregation providers receive equivalent compensation to their peers taking service from the investor-owned utilities.[14]

In D.12-12-033, the Commission, recognizing that the administrative costs to implement the adopted GHG revenue allocation methodology exactly as prescribed for the large investor-owned utilities may be excessive for the smaller utilities, allowed PacifiCorp and Liberty Utilities the opportunity to request modifications to the adopted GHG revenue distribution methodology ultimately approved in D.12-12-033. Liberty Utilities, in its March 15, 2013 filing, states that returning the small business return on a semi-annual basis, rather than a monthly basis, would relieve some administrative burden associated with identifying qualifying small business customers.

While relief of administrative burden for the small investor-owned utilities is a priority for the Commission, the Commission also intended the small business return to provide a clear transition into the presence of a carbon price signal in small business customers' rates. Providing the return on a semi-annual basis could result in confusion about the purpose of the small business credit and would dampen the presence of a price signal in the months the credit is offered. Therefore, Liberty Utilities request is denied; all utilities must return the small business credit to small business customers on a monthly basis.

D.12-12-033 did not adopt a specific nomenclature to be used for the small business revenue return on customers' bills. In their July 24, 2013 comments, the

[14] D.12-12-033 at 108.

Joint Parties argue that the on-bill line-item credits for small business and EITE entities should be consistent and clearly marked to facilitate customer understanding. The Joint Parties recommend that, at a minimum, the small business return should appear on bills with a title consistent with those in the Staff Proposal for the EITE revenue return.

In the Staff Proposal, Energy Division proposes that the EITE on-bill credit "should appear on bills with a clear and consistent title across all the [investor-owned utilities], with reasonable variations as necessary to account for character limitations of each [investor-owned utilities]'s billing system."[15] The Staff Proposal lists several naming options for the EITE revenue return and recommends that the investor-owned utilities be given some flexibility, with approval by Energy Division, to use a different description if subsequent research by outreach and education consultants suggests better ways of communicating the source and purpose of the revenue allocation.

The Commission was clear in D.12-12-033 that the GHG revenues returned to customers should be denoted in such a way as to unambiguously attribute the revenues to the California Cap-and-Trade program, not a discretionary allocation made by the investor-owned utilities.[16] Therefore, while no specific examples were put forward in either D.12-12-033 or the Staff Proposal, the investor-owned utilities must consistently denote on customer bills the small business GHG revenue return in a manner that makes clear its attribution to the California Cap-and-Trade program. Rather than leaving the selection of a title

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[15] Staff Proposal at 98.

[16] D.12-12-033 at 138.

for the small business return to the utilities, which could result in different characterizations across utilities and customer confusion, we adopt today the title of "CA Climate Credit." However, if subsequent research by outreach and education consultants suggests better ways of communicating the source and purpose of the revenue allocation, Energy Division may change the title upon written letter by the Director of the Energy Division to the utilities and service on the service list of this or a subsequent rulemaking.

3.4. Data Transfers

As noted in the Staff Proposal, "the definition of a small business in D.12-12-033 provides a straightforward method for utilities to identify entities that are entitled to an allocation of revenue."[17] For this reason, no additional data reporting from small businesses or data-transfers from ARB are necessary to implement the small business GHG revenue return.

3.5. Future Changes to Formulas and Methodologies

As stated in D.12-12-033, on a prospective basis from the issuance of decisions adopting specific GHG revenue allocation formulas for EITE and small business customers, Energy Division may make minor updates to the adopted formulas as necessary through the issuance of a resolution with opportunity for stakeholder input and comment.[18] This authority to make minor modifications is extended to include minor updates and changes to the adopted distribution methodologies of the small business GHG revenue return. The Energy Division,

[17] Staff Proposal at 97.

[18] D.12-12-033 at 151.

however, must make these revisions through issuance of a resolution to be considered by the full Commission.

4. Comments on Proposed Decision

The proposed decision of Administrative Law Judge (ALJ) Semcer in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on ______, and reply comments were filed on _____ by _____.

5. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Melissa K. Semcer is the assigned ALJ in this proceeding.

Findings of Fact

1. The small business GHG revenue allocation formula proposed by Energy Division staff mirrors, but with greater detail, the small business revenue allocation formula originally set forth in Appendix B to D.12-12-033.

2. Smoothing the low leakage risk assistance factor declination rate to decline at a rate of 10% annually will avoid discrete and large changes in transition assistance levels for small businesses. The slight increase in the amount of transition assistance that will ultimately be received by small businesses customers is outweighed by the benefit of a smooth declination rate.

3. The start of the decline in the assistance factors for small business customers is contingent upon the low leakage risk Industry Assistance factors adopted by ARB. If ARB were to delay the decline in assistance, then it is reasonable to adopt the same delay in the return of GHG allowance revenue provided to small business customers of the investor-owned electric utilities.

4. A monthly, on-bill GHG allowance revenue return is administratively simple and achieves the objective adopted in D.12-12-033 of transitioning small business toward the presence of a carbon price signal in their electricity rates.

5. A semi-annual credit of GHG allowance revenues to small business customers, as requested by Liberty Utilities, could result in confusion about the purpose of the credit and would dampen the carbon price signal in small business customers' rates in the months the credit is offered.

6. In D.12-12-033, the Commission did not adopt a specific name for the GHG allowance revenue return to small business customers.

7. Leaving the selection of the name for the small business GHG allowance revenue return to the utilities could result in different characterizations across utilities and could create customer confusion.

8. No additional data reporting by small business customers or data transfers from ARB are necessary to implement the small business GHG revenue return.

Conclusions of Law

1. The small business GHG revenue allocation formula presented in the Staff Proposal comports with the small business GHG revenue allocation framework adopted in D.12-12-033 and should be adopted.

2. D.12-12-033 should be modified to provide for a smooth declination rate of 10% annually for the low leakage risk assistance factors to avoid discrete and large changes in transition assistance levels for small businesses.

3. If the ARB adopts a delay to the start of the decline in its low leakage risk Industry Assistance factors, a corresponding delay should occur in the decline of transition assistance to small business customers; however, the decline, once commenced, should occur at a smooth rate of 10% annually.

4. A monthly, on-bill GHG allowance revenue distribution should be adopted for small business customers. As directed in D.12-12-033, the investor-owned utilities should present the small business return as a separate line-item credit on the delivery component of a customer's bill.

5. Liberty Utilities' request to return GHG allowance revenues to small business customers on a semi-annual basis should be denied.

6. To facilitate customer understanding, the name of the small business GHG revenue return, as it appears on customer bills, should be consistent across utilities and clearly marked.

7. It is appropriate to adopt the name "CA Climate Credit" for use on utility bills to describe the GHG small business allowance revenue credit.

8. If subsequent research by outreach and education consultants suggests better ways of communicating the source and purpose of the revenue allocation, Energy Division may change the title upon written letter by the Director of the Energy Division to the utilities and service on the service list of R.11-03-012 or a subsequent rulemaking.

9. As set forth in D.12-12-033, Energy Division may make minor updates to the adopted small business GHG revenue allocation formula as necessary through the issuance of a resolution with opportunity for stakeholder input and comment. This authority to make minor modifications should be extended to include minor updates and changes to the adopted distribution methodologies of the small business GHG revenue return. The Energy Division must make these revisions through the issuance of a resolution to be considered by the full Commission.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas and Electric Company, Liberty Utilities (formerly CalPeco), and PacifiCorp must distribute greenhouse gas allowance revenues to small business customers as a monthly volumetric bill credit according to the formula set forth in Appendix 1 to this decision.

2. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas and Electric Company, Liberty Utilities (formerly CalPeco), and PacifiCorp must employ the assistance factors set forth in Table 1 of Appendix 2 to this decision when calculating the monthly volumetric small business greenhouse gas revenue return. If the California Air Resources Board adopts a delay in the decline of Industry Assistance factors, Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas and Electric Company, Liberty Utilities (formerly CalPeco), and PacifiCorp must employ the delayed assistance factors set forth in Table 2 of Appendix 2 to this decision.

3. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas and Electric Company, Liberty Utilities (formerly CalPeco), and PacifiCorp must return greenhouse gas allowance revenues to small business customers on a monthly basis presented as an on-bill credit. Liberty Utilities' request to return greenhouse gas allowance revenue to small business customers on a semi-annual basis is denied.

4. As directed in Decision 12-12-033, Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas and Electric Company, Liberty Utilities (formerly CalPeco), and PacifiCorp must present the small business greenhouse gas revenue return as a separate line-item on electricity bills

(to be provided on the delivery component of a customer's bill) to ensure that small businesses taking service from direct access or community choice aggregation providers receive equivalent compensation to their peers taking service from the investor-owned utilities.

5. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas and Electric Company, Liberty Utilities (formerly CalPeco), and PacifiCorp must designate the small business greenhouse gas revenue return on customer bills as the "CA Climate Credit."

6. Rulemaking 11-03-012 remains open.

This order is effective today.

Dated ____________________________, at San Francisco, California.

APPENDIX 1

Small Business Greenhouse Gas Revenue Allocation Formula

Equation 1. Small Business Revenue Allocation

$AB_{ET,t} = AF_t \: x \: G_{ET,t}$

Where:

"$AB_{ET,t}$" is the monthly allocation of revenue in dollars per kilowatt-hour to an individual small business that procures electricity service on electrical tariff "ET" during budget year "t."

"AF_t" is the Industry Assistance factor for the low leakage risk classification for a given year as set forth in Appendix 2 to this decision.

"$G_{ET,t}$" is the GHG Cap-and-Trade related cost, in dollars per kilowatt-hour, which is included in a small business customer's electrical tariff "ET." This cost is the annual Cap-and-Trade cost that each investor-owned utility will incur, and which the Electric Revenue Recovery Account proceeding (or related proceedings for the small investor-owned utilities) or the annual GHG cost and revenue forecast proceedings authorized in D.12-12-033 Ordering Paragraph 23 for recovery in the generation component of rates. This GHG cost is apportioned to each electrical tariff "ET" via Commission approved generation cost allocation factors. The cost will therefore vary by utility and electrical tariff.

(END OF APPENDIX 1)

APPENDIX 2

Small Business Assistance Factors

Table 1: Small Business Assistance Factors: Smooth Declination Rate, no ARB Delay

Year	2013	2014	201 5	201 6	201 7	201 8	201 9	202 0
Assistance Factor	100	90	80	70	60	50	40	30

Table 2: Small Businesses Assistance Factors: Smooth Declination Rate, With ARB Delay

Year	2013	2014	201 5	201 6	201 7	201 8	201 9	202 0
Assistance Factor	100	100	100	90	80	70	60	50

(END OF APPENDIX 2)