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

PUBLIC UTILITIES COMMISSION
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F I L E D
10-15-13
01:54 PM

October 15, 2013

Agenda ID #12494
Ratesetting

TO PARTIES OF RECORD IN RULEMAKING 11-03-012

This is the proposed decision of Administrative Law Judge (ALJ) Gamson. 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/ KAREN V. CLOPTON
Karen V. Clopton, Chief
Administrative Law Judge

KVC:jt2

Attachment

Decision **PROPOSED DECISION OF ALJ GAMSON** **(Mailed 10/15/2013)**

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 CAP-AND-TRADE GREENHOUSE GAS ALLOWANCE IMPLEMENTATION PLANS

Table of Contents

Title **Page**

DECISION ADOPTING CAP-AND-TRADE GREENHOUSE GAS ALLOWANCE IMPLEMENTATION PLANS 1
1. Summary 2
2. Procedural History 3
3. Implementation Issues 8
   3.1. GHG cost and revenue forecast methodology 11
   3.2. Administrative Costs 11
   3.3. Timing of Climate Dividend 12
   3.4. Relationship with ERRA Proceedings 15
   3.5. Characterization of Carryover Climate Dividend Credits 16
   3.6. Issues Deferred to Other Proceedings 17
4. Small IOUs 18
   4.1. Timing of Small Business Bill Credits 18
   4.2. Definition of Small Business Eligibility 19
5. Comments on Proposed Decision 21
6. Assignment of Proceeding 21
Findings of Fact 21
Conclusions of Law 22
ORDER 24

DECISION ADOPTING CAP-AND-TRADE GREENHOUSE GAS ALLOWANCE IMPLEMENTATION PLANS

1. Summary

In accordance with California Public Utilities Code Section 748.5,[1] Assembly Bill 32,[2] and other applicable statutes and regulations, this decision adopts utility greenhouse gas (GHG) Implementation Plans, with certain modifications, including a methodology for allocating GHG allowance revenues received by California's investor-owned utilities, including small and multi-jurisdictional utilities, as part of California's Cap-and-Trade program. This decision follows the directives of Decision 12-12-033 which set forth the requirements for allocating GHG revenues and required the utilities to file implementation plans.

The GHG Implementation Plans for Liberty Utilities[3] and PacifiCorp are approved, with minor modifications. The significant modifications or clarifications to the GHG Implementation Plans for Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas and Electric Company are as follows:

- The first Climate Dividend is expected to be provided on residential customer bills in April 2014. The next Climate Dividend will be in October, 2014;
- After 2014, the Climate Dividend will be provided on residential customer bills in April and October of each year; and

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[1] Statutes of 2012, Chapter 39.

[2] Statutes of 2006, Chapter 488.

[3] Formerly California Pacific Electric Company, LLC. Certain references from previous Commission decisions refer to this company as CalPeco.

- Administrative costs will be determined in each of these utilities' now-pending GHG applications (Application 13-08-002, et al.).

GHG cost and revenue forecasting methodologies and 2014 forecasts will be addressed in each of these utilities' now-pending GHG applications.

2. Procedural History

California is a national pacesetter in pursuing policies that promote the reduction of greenhouse gas (GHG) emissions, especially emissions related to the production and delivery of energy services. The Commission opened this rulemaking to address, among other issues, the use of revenues that electric utilities will generate from the auction of allowances allocated to them by the Air Resources Board (ARB) under its Cap-and-Trade program.

In Decision (D.) 12-12-033, we adopted a methodology for allocating GHG allowance revenues received by California's investor-owned utilities, including small and multi-jurisdictional utilities. That decision provides a discussion of the cap-and-trade system and its application to the Commission-regulated energy industry in California. D.12-12-033 also includes a comprehensive analysis of applicable statutes and regulations (including previous Commission decisions) related to the California cap-and-trade system for the California electricity industry.

The three large investor-owned utilities, Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas and Electric Company (SDG&E) (collectively, Large IOUs) were directed to allocate GHG allowance revenues, including accrued interest, in the following manner:

1. Compensate emissions-intensive and trade-exposed entities using methodologies based upon those developed by the ARB to address direct emissions cost exposure under the Cap-and-Trade program;

2. Offset the rate impacts of the Cap-and-Trade program in the electricity rates of small businesses, defined as entities with monthly demand not in excess of 20 kilowatts in more than three months within a twelve-month period, through a volumetrically calculated rate adjustment;
3. Given the disproportionate cost burden currently reflected in upper-tier residential rates and the limited ability to pass Cap-and-Trade costs through to residential customers on the basis of cost responsibility, neutralize the rate impacts of the Cap-and-Trade program on residential electricity rates through a volumetrically calculated rate adjustment.
4. Distribute all revenues remaining after accounting for the revenues allocated pursuant to the prior three uses to residential customers on an equal per residential account basis delivered as a semi-annual, on-bill credit.

D.12-12-033 described the rationale and process for returning GHG revenues to residential customers in more detail, as follows (footnotes omitted):[4]

> We take a bifurcated approach in allocating these revenues to residential customers in recognition of the inequities that exist among residential customers in terms of a disproportionate allocation of cost burdens that have arisen as a result of the statutorily mandated features of residential rate design.
>
> With this in mind, we direct the investor-owned utilities to first return revenues to residential customers on a volumetric basis in an amount equivalent to, and not exceeding, the Cap-and-Trade-related program costs that are embedded in the applicable residential rates. Although this approach violates our fundamental objective of preserving the carbon price signal, we believe the specific limitations

[4] In the following quotations from D.12-12-033, the following acronyms are used: "EITE" stands for emissions intensive and trade-exposed; "DA" stands for Direct Access; "CCA" stands for Community Choice Aggregators; "TOU" stands for time-of-use; and "DRA" stands for Division of Ratepayer Advocates (now Office of Ratepayer Advocates or ORA).

> imposed by SB 695 governing the allocation of cost responsibility in residential rates requires an exception. By returning the revenues in this manner, we intend to insulate residential customers who consume electricity in the upper tiers from bearing additional costs under the Cap-and-Trade program given the disproportionate cost burden upper tier customers currently bear compared to customers on lower tier rates, a circumstance that will be exacerbated under the Cap-and-Trade program. After allocating revenues for this purpose, the remaining revenues shall be returned equally on a per residential account basis (a non-volumetric return) to help defray the indirect costs of the Cap-and-Trade program that will ultimately be borne by residential customers.

D.12-12-033 continues by discussing in more detail how to return GHG revenues to residential customers:

> While our decision to use allowance revenue to eliminate Cap-and-Trade-related costs from residential rates is seemingly at odds with our general preference to preserve the carbon price signal in electricity rates, we believe an exception in the residential rate class is appropriate given the differences in cost burden that exist in tiered rates. As discussed above, upper-tier residential rates are already well above the marginal costs of electricity even absent any GHG costs. To include GHG costs in upper-tier residential rates that are beyond the cost responsibility of customers in these upper tiers is not appropriate. Therefore, we agree with the Joint Utilities that it is appropriate to use GHG allowance revenues to offset all GHG costs in upper-tier residential rates. We disagree with DRA that only GHG costs associated with electricity consumption in the lower tier rates should be offset in upper-tier rates. Doing so would maintain the existing inequity between lower-tier and upper-tier rates; lower-tier residential customers would still see no price signal, while upper-tier customers would experience a further price increase – an outcome that seems unfair given the strong incentive for conservation already present in upper-tier rates.
>
> In electing to offset all Cap-and-Trade-related costs in upper-tier residential rates, however, we wish to underscore that we are only adopting this approach as a result of the disproportionate costs allocated to upper-tier customers under the current tiered residential

rate structure, which would be further exacerbated by the inclusion of GHG costs. Should the differences between lower and upper-tier residential rates be substantially reduced or eliminated, it would no longer be appropriate to use allowance revenue for this purpose. In that event, the carbon price signal should be fully reflected in residential rates and all remaining revenue should be returned on a non-volumetric basis as described below. It is for this reason that we do not authorize an offset of GHG costs in residential rates by the small and multi-jurisdictional utilities (with the exception of Bear Valley); as mentioned earlier, these utilities are not bound by the limitations on cost increases of lower-tier residential rates set forth in AB 1X and SB 695. Therefore, PacifiCorp and CalPeco must skip this step in the allocation of GHG allowance revenue to residential customers. We discuss PacifiCorp and CalPeco's GHG revenue allocation methodology in more detail later in this decision.

Finally, it is important to note that not all residential customers of PG&E, SCE and SDG&E are on tiered rates. Residential customers may choose non-tiered, TOU rates in some circumstances. Importantly, TOU rates are not subject to the same cost-allocation limitations and inequities as tiered rates, where customers on upper-tier rates must bear the costs resulting from the activities of other customers taking service on lower-tier rates. As a result, customers on residential TOU rates pay prices that more accurately reflect, and are in proportion to, the actual Cap-and-Trade-related costs they are responsible for creating. Thus, viewed only in this regard, there is no compelling policy rationale for offsetting the GHG costs that will be reflected in TOU rates. However, because residential TOU rates are not mandatory, we decline to include GHG costs in residential TOU tariffs. Doing so would require residential TOU customers to bear GHG costs while residential customers on tiered rates would not, and it is not our desire to create a perverse incentive for customers to remain on tiered rates despite the possible advantages that TOU rates would otherwise offer. Therefore, like customers on tiered rates, residential customers on TOU rates shall be compensated for all GHG costs incurred.

D.12-12-033 next discusses the mechanics of the process:

We adopt the proposal of the Joint Utilities and direct PG&E, SCE and SDG&E to offset GHG costs in residential rates in the monthly billing cycle in which they are incurred. Furthermore, we agree with the Joint Utilities that, at this point, the volumetric GHG cost offset in residential rates should not be highlighted as a separate line-item on bills. While we agree with DRA that it is essential to facilitate customer awareness of GHG costs and the application of GHG revenues, we believe that it will cause confusion to highlight the volumetric offset of GHG costs in residential rates, especially because we mandate the return of all remaining revenues as an on-bill credit that is visible via a separate line-item.

Finally, as described in greater detail in the section discussing CCA and DA customers below, in order to ensure that residential customers of CCAs and Energy Service Providers receive their proportional share of GHG allowance revenues to offset GHG costs in residential rates, we require that allowance revenues be returned to residential customers via a delivery rate component that all residential customers pay (as proposed by the Joint Utilities). In this way, all residential customers, whether taking service as bundled customers or from a CCA or Energy Service Provider, receive a proportional share of the GHG revenue needed to offset the GHG costs allocated to the residential customer class.

In order to implement the volumetric rate offset to residential customers, the utilities will need to calculate GHG costs in residential rates. The process for approving the cost calculation methodology and other implementation details is discussed in Section 6.

D.12-12-033 continues:

Once EITE and small business entities are compensated, GHG costs due to the Cap-and-Trade program are offset within residential rates, and allowance revenue is set aside for customer education and general administrative costs (as discussed in more detail below), we direct the utilities to return all remaining GHG allowance revenue to residential ratepayers on an equal, per-account basis. The return will be known as a "climate dividend."

D.12-12-033 then discussed in detail the calculation, form and frequency of the Climate Dividend, treatment of net-metering and master-meter customers, and distribution to CCA and DA customers.

3. Implementation Issues

As D.12-12-033 states: "There are many implementation details that must be addressed related to the utilities' administration of our adopted GHG allowance return methodology. Below, we set forth the processes that shall be followed by the utilities and Energy Division staff to fully implement all outstanding aspects of our adopted methodology. Implementation details shall be finalized in a third phase in Track 1 of this proceeding."

This is the decision for the implementation phase of this proceeding. Issues for this phase include:

1. GHG cost and revenue forecast and reconciliation. D.12-12-033 stated: "However, we agree with the investor-owned utilities in principle that applying the Generation Cost Allocators to estimated Cap-and-Trade costs, instead of allowance revenues, may provide a potentially simplified approach to determining the amount of allowance revenues required to provide the volumetric return to residential and small business customers. A reasonable proxy appears to be the application of each utility's Commission approved generation costs allocator applied to forecasted GHG costs. Although we defer a final finding on this matter to the implementation phase of this proceeding, we believe this conceptual approach has merit that should be further developed and refined."
2. Per Ordering Paragraph 27, PG&E, SCE and SDG&E were directed to jointly file a report in this proceeding within 45 days of the effective date of D.12-12-033, addressing how they intend to implement the adopted GHG revenue allocation methodology. The reports were to provide information on the following issues:

a. EITE Return: Describe how the utilities will estimate and set aside an appropriate amount of allowance revenue to cover the allocation to EITE customers as defined in this decision, including EITE customers served by CCA or DA providers. The utilities must also set forth a proposed methodology to ensure that EITE customers that are also classified as small business customers do not receive duplicative GHG allowance revenues;

b. Small Business Volumetric Return: Describe the process the utilities will use to identify small business customers that qualify for the allowance revenue return as defined in this decision, recognizing that some small business customers will be served by CCA or DA providers. Also, define the methodology the utilities will employ to determine what magnitude of volumetric return, in dollars per kWh, will be applied to the rates of qualifying small businesses;

c. Residential Volumetric Return: Define the methodology the utilities will employ to determine what magnitude of volumetric return, in dollars per kWh, will be applied to the rates of residential customers to fully offset the GHG costs that will be reflected in residential rates, recognizing that some residential customers are served by CCA or DA providers;

d. Residential Climate Dividend: Describe the methodology the utilities will employ to estimate the amount of allowance revenue that will remain for the non-volumetric return to residential customers (after offsetting GHG costs in residential rates, providing a return to small businesses and EITE customers, and accounting for customer education and overall administrative costs). Describe the methodology the utilities will use to determine the amount of allowance revenue that will be returned to each residential account recognizing that some households may have more than one account owing to, for example, multiple meters on a single residential premises. This methodology can include a buffer, if necessary, to ensure that adequate funds remain to compensate EITE customers. Describe the methodology the utilities will use to address the circumstances where the climate dividend exceeds a

customer's monthly bill for multiple months and/or a customer with a climate dividend balance leaves a utility's service territory. Provide an estimate of the per-residential account return for 2013;

e. GHG Costs: Describe the methodology the utilities will employ to calculate realized GHG costs against which to apply GHG allowance revenues.

f. Administrative Costs: Provide an estimate and supporting analysis of the up-front and ongoing administrative costs that will be incurred in order to implement our adopted GHG revenue allocation methodology (including any billing system upgrades, etc., that may be necessary) for calendar year 2013;

g. CCA and DA Customers: Describe the exact process that will be used to distribute GHG allowance revenue to CCA and DA customers;

h. Describe the methodology the utilities will use to implement the interim cash-out provision for net-metering customers for instances in which residential Cap-and-Trade program bill credits (the climate dividend) would otherwise be stranded if the value exceeds the bills a customer faces during the calendar year in which the customer received the bill credits;

i. Propose a methodology for distributing the residential climate dividend equitably to master-meter customers; and

j. List all necessary balancing accounts and tariff modifications that will be required to track GHG costs and revenues for each customer group eligible to receive GHG allowance revenues.

PG&E, SCE and SDG&E (Large IOUs, filing jointly) timely filed their implementation plans on February 13, 2013.[5] Energy Producers & Users Coalition, California Large Energy Consumers Association, California Manufacturers & Technology Association (collectively, Large Users) jointly filed

[5] An amendment was filed on March 26, 2013.

comments. In addition, DRA, CCSF, and MEA filed comments on the implementation plans. On May 31, 2013, ALJ Hecht issued the "Ruling Requiring Supplemental Filings Related to Utility Implementation Reports" seeking further information from these utilities. In response to this Ruling, the utilities filed a joint supplement to their implementation plan on June 19, 2013. DRA, CMTA and the Large Users filed comments on the joint utility supplemental filing.

We have reviewed in detail the Large IOUs' Implementation Plan[6] and the comments of parties. This decision approves the Implementation Plan of the Large IOUs with the modifications and clarifications discussed below.

3.1. GHG cost and revenue forecast methodology

Section 2 of the Implementation Plan contains the utilities' proposed forecast methodologies for GHG costs and revenues and trueing up of revenues. We will approve these methodologies with the understanding that forecasted GHG costs and estimates of actual GHG costs will be addressed in the utilities' GHG applications (Application (A.) 13-08-002, et al.) filed August 1, 2013, and that the forecasting and true-up methodologies may need further review and revision in these applications.

3.2. Administrative Costs

Sections 2.2, 2.2.1 and 2.2.2 of the Implementation Plan describe the anticipated administrative and outreach costs and levels. For 2013, SDG&E expects administrative costs to be between $350,000 and $500,000, SCE projects

[6] For simplicity, we heretofore refer to the Implementation Plan as revised in the June 13, 2013 filing as the "Implementation Plan."

around $800,000, and PG&E estimates its costs to be around $1.4 million. These figures are increases from the February 13, 2013 version of the Implementation Plan. In that filing, for 2013 SDG&E expected administrative costs to be between $150,000 and $250,000, SCE projected costs of $400,000, and PG&E estimated its costs to be around $700,000. Put another way, the IOU estimates approximately doubled from the original Implementation Plan to the revised plan.

In its July 1, 2013 comments, DRA claims the projected increase in estimated 2013 administrative costs is unsupported, and recommends that the Commission require additional information. The Large IOUs reply that the process of modifying the utilities' internal systems to facilitate implementation, which began after February 2013, exposed additional complexity involved in the planning, analyzing, building, testing and deployment of allowance revenue to customers. They point out that these costs will be revised in the GHG applications, where they will be given more scrutiny by DRA and others.

We will not specifically approve the projected administrative costs in the Implementation Plan. We agree with the Large IOUs that the August 1, 2013 GHG applications are the proper venue for scrutiny of these costs.

3.3. Timing of Climate Dividend

Section 5.4 of the Implementation Plan describes the methodology for calculating and distributing the Climate Dividend on a semi-annual basis for residential, DA/CCA, and master meter customers. Estimates for the per-residential account Climate Dividend for 2013 are $65 for SCE, $40 for PG&E and $24 for SDG&E. We approve the proposed methodology; the actual Climate Dividend amounts will be determined in the utility GHG applications.

Section 5.4 of the Implementation Plan also proposes the timing for the semi-annual Climate Dividend, proposing a distribution in February and August

of each year. The rationale is to ensure that at least one semi-annual payment is aligned with a high-usage summer month.[7]

We will adjust the Climate Dividend semi-annual distributions to April and October of each year. We prefer not to have a distribution in the summer months. For much of the state, peak usage occurs in the summer; this is the time of year when energy efficiency efforts and demand response programs are most needed and most effective. We do not want to reduce incentives for customers to conserve or effectively manage usage in the summer months, as the Climate Dividend would alter such price signals to the extent customers do not understand the nature of the Climate Dividend.

The June 19, 2013 Large IOUs' Comments at 17 describe the amount of time that the IOUs assert they require to implement each portion of the revenue return to customers, including the Climate Dividend. The IOUs estimate it will take a minimum of eight to nine months from the date of this decision to prepare to distribute the Climate Dividend. This timing appears to stem from time needed to implement changes to utility billing systems.

The Large IOUs have known that the Climate Dividend is to be distributed to customers since at least December of 2012 (the date of D.12-12-033). There is no clear reason why preparations for the Climate Dividend should not have begun at least by December of 2012. Certainly, the Large IOUs have known the exact parameters of their own proposal, which was filed in February of 2013. As noted above, the Large IOUs claim they identified greater complexity in their

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[7] The bill in a month is based on usage for the period before that bill. For example, a climate dividend distributed in February will offset costs incurred in the monthly billing period which ends before the February bill.

billing systems after their February 2013 filing. However, even if we assume for the sake of argument that it will take at least eight months to prepare to distribute the Climate Dividend, this task could have been completed as early as eight months after the February 2013 filing, or October of 2013 (before the date of this decision).

No party protested the proposal in the Implementation Plan for return of the Climate Dividend. It is true that there is always some uncertainty about Commission approval of the specific methodology in the plan; further the Large IOUs claim that it may take an unspecified time of more than eight or nine months to implement necessary changes to prepare for the first Climate Dividend. However, no specific maximum amount of time for this task is specified. There is no information in the record to indicate that it may take longer than the asserted eight or nine months. While we are not requiring any changes (other than to change the semi-annual dates of the Climate Dividend issuance after 2014, which should not impact the first distribution in 2014), it is reasonable to allow a certain amount of time to finalize preparation for return of the first Climate Dividend. It is not reasonable to allow an open-ended amount of time for this task; customers should have some certainty about their upcoming bills. Further, it will be necessary to know the specific timing of the first Climate Dividend in order to effectively mount the required outreach program.[8]

We find that it is not necessary to allow nine months or more from the date of this decision to return the first Climate Dividend. Allowing 12 months from the filing of the original Implementation Plan, and eight months from the revised

[8] IOU outreach programs are being considered in separate applications, all of which are currently pending decisions.

plan, leads to February of 2014. In order to give the Large IOUs sufficient time to prepare for the first Climate Dividend, provide certainty to customers and allow for an effective outreach effort, and to align the first Climate Dividend with the date we establish for future Climate Dividends, we will require that the first Climate Dividend be distributed in the April 2014 billing cycle.

Ordering Paragraph 66 of D.12-12-033 states:

> Upon determination by the Commission that the GHG revenue allocation methodology is ready to be implemented, which shall occur through a written letter issued by the Director of the Energy Division and served on the service list of this proceeding (following the adoption of necessary decisions addressing implementation in this proceeding), the utilities should simultaneously begin the prospective allocation of GHG-related costs to all customers. The outstanding cost and revenue balances accumulated in the GHG cost sub-account and the GHG Revenue Balancing Account should be amortized over a reasonable period so that all deferred costs are recovered and all deferred revenues are distributed within 24 months. Interest should be accrued at the standard Commission-approved interest rate traditionally used for accruals in balancing accounts.

Consistent with this Ordering Paragraph, the Director of the Energy Division shall make the final determination of the date for when GHG cost and revenue distribution begins, including the Climate Dividend. Regarding the timing of GHG costs and volumetric revenue in rates, the Large IOUs shall be prepared to return GHG costs and revenues in rates on January 1, 2014, because this timing is consistent with other rate changes made at the beginning of the calendar year (such as in the ERRA proceedings).

3.4. Relationship with ERRA Proceedings

We will require the Implementation Plan to be revised with regard to the relationship between GHG cost forecasts and other proceedings. In Section 2.1 of

the IOUs' revised implementation plans, they state: "To account for the difference in timing of each IOU's ERRA forecast proceeding and to ensure that treatment of cap-and-trade costs is consistent with treatment of total procurement costs, the cap-and-trade costs should continue to be approved in each IOU's ERRA forecast proceeding." We reject this approach; this issue has now been addressed in a September 5, 2013 Ruling and an October 4, 2013 Scoping Memo and Ruling in A.13-08-002, et al. The A.13-08-002, et al. scoping memo anticipates that 2014 GHG cost forecasts for SCE and SDG&E will be litigated and approved in A.13-08-002, and that the 2014 GHG cost forecast for PG&E will be adopted from PG&E's 2014 ERRA proceeding, provided that PG&E's 2014 ERRA proceeding is completed in 2013. The scope of A.13-08-002, et al. also includes consideration of coordination between future ERRA proceedings, Energy Cost Adjustment Clause account (ECAC) proceedings, and GHG revenue forecast applications. Accordingly, we defer consideration of this issue to A.13-08-002, et al.

3.5. Characterization of Carryover Climate Dividend Credits

In the June 19, 2013 Large IOUs' Comments beginning at page 8, SDG&E explains that when a Climate Dividend exceeds a customer's total bill and rolls over into the subsequent month's bill that this subsequent bill will include a bill message explaining that the Climate Dividend has been applied. This message would appear on future bills until the credit is exhausted.

This approach is reasonable, both for the clarity it provides to customers, who may not understand the origin of excess bill credits, and for the additional customer education benefit this messaging will provide towards this Commission's goal of increasing customer awareness of the Climate Dividend.

We recognize that depending on each utility's billing system it may not be possible to identify whether a bill credit is entirely due to a Climate Dividend or is in part due to other credits that may appear on a customer's bill. Similarly, the Large IOUs explain in Section 5.4.3 of the Implementation Plan that it may not be possible to directly label a credit on bills in a manner that clearly identifies the funds as remaining Climate Dividend credit. Given this potential limitation and the importance of raising awareness of the Climate Dividend, we find it appropriate that PG&E and SCE should mirror SDG&E's approach. Therefore, if a Climate Dividend results in excess bill credit that rolls over to a subsequent month's bill, each utility should include on this bill a message explaining that a Climate Dividend has been applied to the bill, and this message should continue to appear on future bills until bill credits are exhausted.

3.6. Issues Deferred to Other Proceedings

Parties raise other issues in the Implementation Plan that they seek to have dealt with or clarified in this proceeding. Two of these issues should be deferred from consideration in this decision:

1. Implementation details concerning EITE customer eligibility and identification, discussed in Sections 3.3.1, 3.3.2 and 3.3.3 of the Implementation Plan, as well as the timing of the EITE revenue return, should be addressed in subsequent decisions in this proceeding on the EITE revenue allocation methodologies.
2. The forecast of first-year revenue returned to EITEs (addressed in Section 4.2 of the Implementation Plan) should be considered in the utilities' August 1, 2013 GHG applications.

We agree with parties that there remain outstanding uncertainties associated with these issues, but these issues should be finalized in other decisions, as indicated above.

4. Small IOUs

On March 15, 2013 PacifiCorp and Liberty Utilities separately and timely filed their implementation plans. There were no comments on either plan. We have reviewed in detail the implementation plans of PacifiCorp and Liberty Utilities, and apart from the items discussed below we find no issues of concern. We approve these implementation plans as filed, with the following modifications and clarifications.

Liberty Utilities' Plan at Section II.1 proposes to return allowance revenue to EITE customers based directly on the customer's usage multiplied by the GHG costs in the customer's rates. This proposal to return revenue volumetrically is inconsistent with D.12-12-033 and would represent a significant deviation from the decision's conclusions. Though Liberty Utilities indicates that it is unaware of any EITE customers in its territory, if customers do meet the eligibility criteria for the EITE return Liberty Utilities must implement the EITE return in a manner consistent with D.12-12-033. Final rules about EITE customer eligibility and the methodologies to calculate how much revenue should be returned to EITE customers will be addressed in subsequent decisions in this proceeding on the EITE revenue allocation methodologies.

4.1. Timing of Small Business Bill Credits

Liberty Utilities' Plan at Section II.2 proposes to return allowance revenue to small business customers on a semi-annual basis in conjunction with the timing of the Climate Dividend. Ordering Paragraph 25 of D.12-12-033 provides that an Energy Division workshop process will explore the appropriate timing of GHG revenue distribution to small business customers. This workshop process has completed, and our consideration of Energy Division's proposals resulting from this workshop process will occur in subsequent decisions in this

proceeding. We decline to address Liberty Utilities' proposal at this time, and we find that it is more appropriate to consider Liberty Utilities' proposal in these subsequent decisions.

4.2. Definition of Small Business Eligibility

PacifiCorp's Plan at Section 3 proposes a modification to the definition of small business in D.12-12-033. PacifiCorp proposes that it should be permitted to use its existing tariff Schedule A-25, which defines a small business as a customer whose electricity demand does not exceed 20 kilowatts more than once within a consecutive 18-month period. Agricultural customers that meet the definition of small business in Schedule A-25 would also be eligible to receive allowance revenue. By comparison, the definition of small business in D.12-12-033 allows customers to exceed 20 kW of demand up to three times in a year.

D.12-12-033 concludes that "it is reasonable to allow PacifiCorp and CalPeco flexibility, as needed, to implement the GHG allowance revenue allocation methodology adopted in this decision. PacifiCorp and CalPeco should provide a detailed explanation to justify any deviations, and deviations should be subject to review and approval by the Commission."[9] PacifiCorp reasons that the modification it requests is minor and warranted to maintain consistency with approved tariffs, to enhance clarity for customers, and to reduce overall administrative challenges and costs.

We agree that it is reasonable to approve PacifiCorp's request to use its existing Schedule A-25 definition of small business, and that agricultural customers that meet the demand restrictions of Schedule A-25 should also be

[9] D.12-12-033, Conclusion of Law 71.

eligible to receive allowance revenue. If PacifiCorp seeks approval from the Commission at a later date to substantively revise tariff Schedule A-25, the Commission should reconsider whether the revised Schedule A-25 definition of small business, or the original definition provided in D.12-12-033, should be used on an ongoing basis.

4.3. Master Meter Customers

In Section 10 of its Plan, PacifiCorp requests guidance about how it should allocate revenue to master metered customers. Like the Large IOUs,[10] PacifiCorp proposes to allocate revenue to master metered customers in a manner that would treat each sub-metered unit as a single household for the purpose of determining how many households are eligible for the Climate Dividend. We find this approach reasonable, even though the limits of information currently available to the utilities may result in some revenue being assigned to temporarily unoccupied subunits. PacifiCorp explains that it annually requests its master metered customers to report information about the occupancy rates of their sub-metered units, but PacifiCorp voiced concerns about the accuracy and completeness of this information. If the utilities had complete and regularly updated information about the occupancy rates of sub-metered units each month, it might be appropriate to consider occupancy rates when evaluating how many sub-units should qualify for the Climate Dividend. However, this information appears to be unavailable at this time, and it is not within the scope of this proceeding to reevaluate mater metered customers' reporting obligations to the utilities.

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[10] Large IOUs Joint Implementation Plan Section 5.4.2.

5. Comments on Proposed Decision

The proposed decision of the Administrative Law Judge (ALJ) 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 _____.

6. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and David M. Gamson is the assigned ALJ in this proceeding.

Findings of Fact

1. The utilities timely filed their GHG Implementation Plan, with revisions and responses to questions from the ALJ.

2. No party commented on the GHG Implementation Plans of Liberty Utilities or PacifiCorp. Comments were received on the Large IOUs' Implementation Plan.

3. Liberty Utilities' proposals regarding return of allowance revenues to EITE customers (if any) and return of allowance revenue to small business customers will be further considered in its GHG application.

4. The revised Implementation Plan of the Large IOUs is responsive to D.12-12-033. Certain clarifications or modifications are necessary to coordinate with activities in other proceedings or parts of this proceeding.

5. The Large IOUs' proposed forecast methodologies for GHG costs and revenues and trueing up of revenues are reasonable, but do not represent final methodologies. Further revisions may be necessary in the consolidated proceeding on the utilities' GHG applications (A.13-08-002, et al.) filed August 1, 2013.

6. The Large IOUs' revised Implementation Plan includes projected administrative costs. Reasonableness of these costs cannot be determined in this decision.

7. A Climate Dividend distribution in summer months may reduce incentives for customers to conserve or effectively manage usage in the summer months, as the Climate Dividend would alter such price signals to the extent that customers do not understand the nature of the Climate Dividend.

8. The Large IOUs require a lead time of up to several months to implement the first Climate Dividend on residential customer bills.

9. The October 4, 2013 Scoping Memo and Ruling in A.13-08-002, et al. determined that 2014 GHG cost forecasts will be addressed in that consolidated proceeding.

10. Final eligibility criteria for EITE customers cannot be determined in this decision.

11. SDG&E has a different proposal from PG&E and SCE for what to do when a Climate Dividend exceeds a customer's total bill and rolls over into the subsequent month's bill. SDG&E's proposal is that this subsequent bill will include a bill message explaining that the Climate Dividend has been applied. This message would appear on future bills until the credit is exhausted.

Conclusions of Law

1. The Implementation Plans of Liberty Utilities and PacifiCorp should be approved with certain clarifications or modifications.

2. It is reasonable to approve PacifiCorp's request to use its existing Schedule A-25 definition of small business.

3. It is reasonable to approve PacifiCorp's request that agricultural customers that meet the demand restrictions of Schedule A-25 should also be eligible to receive allowance revenue.

4. Liberty Utilities proposal regarding return of allowance revenues to EITE customers (if any) is inconsistent with D.12-12-033 and should not be adopted.

5. Liberty Utilities proposal regarding the return of allowance revenue to small business customers on a semi-annual basis should not be adopted at this time.

6. The revised Implementation Plan of the Large IOUs should be approved with certain clarifications or modifications.

7. Forecast and actual GHG costs and revenues should be addressed [jh61]in the Large IOUs' GHG applications (A.13-08-002, et al.) filed August 1, 2013.

8. The projected administrative costs in the Large IOUs' revised Implementation Plan should be scrutinized in these utilities' August 1, 2013 GHG applications.

9. The semi-annual Climate Dividend should be provided in non-summer months. It is reasonable to provide the Climate Dividend in April and October of each year.

10. It is reasonable to provide the first Climate Dividend to residential customers in April, 2014, subject to a determination of the Director of the Energy Division that it must occur later.

11. SDG&E's proposal for communications with customers when a Climate Dividend exceeds a customer's total bill and rolls over into the subsequent month's bill is reasonable and should be adopted for all three Large IOUs.

O R D E R

IT IS ORDERED that:

1. The revised greenhouse gas (GHG) Implementation Plan of the Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas and Electric Company (collectively, Large IOUs) is approved with the following clarifications or modifications:

   a. Forecast and actual GHG costs and revenues will be addressed in the Large IOUs' GHG applications (Applications 13-08-002, et al.) filed August 1, 2013.

   b. The projected administrative costs in the Large IOUs' revised Implementation Plan will be scrutinized in the Large IOUs' August 1, 2013 GHG applications.

   c. The first Climate Dividend will be provided to residential customers in April, 2014, subject to a determination of the Director of the Energy Division that it must occur later. The second Climate Dividend shall be provided to residential customers in October, 2014.

   d. After 2014, the semi-annual Climate Dividend shall be provided in April and October of each year.

   e. 2014 GHG cost and revenue forecasts are not approved at this time and will be determined in Large IOUs' August 1, 2013 GHG applications.

   f. For all Large IOUs, when a Climate Dividend exceeds a customer's total bill and rolls over into the subsequent month's bill, this subsequent bill shall include a bill message explaining that the Climate Dividend has been applied. This message shall appear on future bills until the credit is exhausted.

2. Liberty Utilities' Implementation Plan is approved, with the following modifications:

   a. Liberty Utilities proposal regarding return of allowance revenues to EITE customers (if any) is not adopted. Liberty Utilities must

implement this provision in a manner consistent with Decision 12-12-033 and in subsequent decisions in this proceeding.

b. Liberty Utilities proposal regarding the timing of the return of allowance revenue to small business customers is not adopted. Liberty Utilities must implement this provision in a manner consistent with subsequent decisions in this proceeding.

3. PacifiCorp's Implementation Plan is approved.

4. Rulemaking 11-13-012 remains open.

This order is effective today.

Dated _____, at San Francisco, California.