Decision **PROPOSED DECISION OF ALJ MCKINNEY** (Mailed 11/19/13)

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, 2013)
And Related Matters.	Application 13-08-003 Application 13-08-005 Application 13-08-007 Application 13-08-008

PHASE 1 DECISION ADOPTING CAP-AND-TRADE GREENHOUSE GAS PROGRAM COST AND ALLOWANCE REVENUE FORECASTS FOR INCORPORATION INTO 2014 ELECTRICITY RATES

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PHASE 1 DECISION ADOPTING CAP-AND-TRADE GREENHOUSE GAS PROGRAM COST AND ALLOWANCE REVENUE FORECASTS FOR INCORPORATION INTO 2014 ELECTRICITY RATES

1. Summary

In accordance with California Public Utilities Code Section 748.5, Assembly Bill 32,[1] and Decision 12-12-033, this decision authorizes California's investor-owned electric utilities, including small and multi-jurisdictional utilities, to incorporate forecast greenhouse gas (GHG) cap-and-trade related costs and forecast GHG allowance auction revenues into 2014 customer rates. This decision also authorizes the forecast amounts of the Climate Dividend to be returned to residential customers for the first time in 2014. All forecasts approved in these consolidated proceedings are subject to true-up against actual costs and revenues in subsequent proceedings. In addition, administrative expenses are subject to further reasonableness review at the time of the true-up.

2. Background

Rulemaking (R.) 11-03-012 addresses greenhouse gas (GHG)-related costs and allowance revenues for all electric utilities. Decision (D.) 12-12-033 in R.11-03-012 required five electric utilities to file applications for approval of forecast GHG costs and revenues, including administrative and customer outreach expenses, sufficient to calculate the GHG revenue return to customers for 2014. The utilities are the three large utilities (Southern California Edison Company (SCE), Pacific Gas and Electric Company (PG&E), and San Diego Gas & Electric Company (SDG&E)) and the two small utilities (PacifiCorp, an Oregon Company (PacifiCorp) and Liberty Utilities (CalPeco Electric) LLC

[1] Statutes of 2006, Chapter 488.

(Liberty Utilities)). Although there are existing proceedings, such as Energy Resource Recovery Accounts (ERRA) and Energy Cost Adjustment Clause (ECAC) Forecast Proceedings,[2] that examine forecast procurement-related revenue requirements, the Commission reasoned that, in the early years of the cap-and-trade program, it would be prudent to take a "more comprehensive and detailed approach" to evaluating the GHG costs and revenues. (D.12-12-033, at 147.) Thus, D.12-12-033 requires utilities to file annual applications, separate from ERRA and ECAC that request approval of forecasts for inclusion in the next year's rates, and reconcile actual GHG costs and allowance revenues with forecasts from prior years. These reconciliation applications are referred to in this decision generally as "GHG Revenue and Reconciliation Applications" and the applications specifically addressed in this decision are referred to herein as the "2014 GHG Revenue Forecast Applications."

The purpose of these consolidated proceedings is two-fold: First, to review and approve various GHG cost and allowance revenue forecasts related to GHG compliance for inclusion in customer rates and payment of the Climate Dividend, and, second, to develop and approve the methodologies and conventions to be used going forward for (1) determining forecast and actual GHG costs and revenues and (2) truing up of those GHG costs and revenues.

[2] The three large utilities have regularly scheduled annual ERRA Forecast Proceedings. The two small utilities have ECAC proceedings.

Prompt distribution of the Climate Dividend to residential customers and introduction of GHG costs in rates are of critical importance. In order to ensure that the introduction of GHG costs in rates and the first distribution of allowance revenue takes place in early 2014, these consolidated proceedings have been separated into two phases.

This Phase 1 is limited to information and approvals necessary to incorporate GHG costs and revenues into 2014 rates and to issue the first Climate Dividend. Phase 2 will review methodologies used to forecast costs, revenues and other variables in more detail and, where appropriate, approve methodologies to be used in future filings. Phase 2 will also address other issues identified in D.12-12-033, including the long-term process for true up of GHG costs and revenues.

Under the cap-and-trade program, utilities must forecast both GHG costs and allowance revenues. First, utilities incur GHG costs both by purchasing allowances for their own compliance obligation under the cap-and-trade program and, indirectly, through GHG costs embedded in the price of wholesale electricity. These GHG costs are incorporated into the generation component of electricity rates in the same manner as other procurement-related costs, and they result in a carbon price signal intended to incent an overall reduction in GHG emissions. Second, the state allocates GHG allowances to ratepayers with the utilities acting as an intermediary to hold and then sell the allowances for ratepayer benefit. The revenue from the sale of these GHG allowances is then returned to ratepayers and helps to offset the increases in electricity costs that result from GHG compliance. D.12-12-033 sets forth the details of the revenue return contemplated by statute.

The variables necessary for determining the rate changes and the Climate Dividend, are as follows:

1. **Forecast GHG Costs**. These are the GHG emissions costs incurred directly or indirectly by a utility as a result of the GHG cap-and-trade program. Direct costs include, generally, the costs incurred to purchase allowances[3] for plants run by the utility; and indirect costs generally reflect GHG costs embedded in the price of power purchased on the market.
2. **Forecast Allowance Revenues**. These are the revenues received by a utility as a result of selling the allowances allocated to ratepayers by the state.
3. **Forecast Administrative and Customer Outreach Expenses**. These are the costs incurred by a utility for administrative and customer outreach expenditures that relate to the new program. Administrative and customer outreach expenses incurred in 2013 are included as part of the Climate Dividend calculation for 2014.[4]
4. **Forecast Set Aside for Incremental Energy Efficiency and Clean Energy Programs**. D.12-12-033 allows utilities to set aside a portion of allowance revenues to fund energy efficiency and clean energy programs that have been approved by the Commission in other proceedings. At this time, none of the utilities have had a program approved for funding through this mechanism. To avoid unnecessarily delaying this Phase 1 Decision, none of the utilities will be setting aside revenues for such programs at this time.

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[3] Alternatively, the utility can purchase other types of compliance instruments.

[4] Note that PG&E and SDG&E have elected to spread expenses from 2013 over both 2014 and 2015, as described in more detail later in this Phase 1 Decision.

5. **Forecast Emissions-Intensive and Trade-Exposed (EITE) Customer Return**. Using a methodology being developed in R.11-03-012, a portion of allowance revenues are returned to customers who qualify as EITE.[5] The EITE customer return is based on a formula and made once per year. For purposes of this Phase 1 Decision only, the EITE customer return is based on forecast usage by EITE customers.
6. **Forecast Small Businesses Return**. Using a methodology being developed in R.11-03-012, a portion of allowance revenues are returned to customers who meet the definition of small business developed in R.11-03-012.[6] The small business return is volumetric; it is calculated based on the volume of electricity used by the customer and is returned in the customer's monthly bill.
7. **Forecast Residential Return**. The residential rate return only applies to electricity usage above Tier 2. The residential rate return is volumetric; it is calculated based on the volume of electricity used by the customer and is returned in the customer's monthly bill. The two small utilities have not had caps imposed on their baseline rates and thus have not experienced the large disparities between lower and upper tiers that the large utilities have. Because they are able to pass GHG costs on to both lower and upper tiers, D.12-12033 required the small utilities to make their residential returns solely through the Climate Dividend.

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[5] D.12-12-033 sets forth an overview of the proposed methodology sufficient for purposes of forecasting the EITE return for 2014. Future decisions in R.11-03-012 are expected to provide additional direction.

[6] D.12-12-033 sets forth an overview of the methodology sufficient for purposes of forecasting the small business customer return for 2014. A proposed decision was issued in the GHG Rulemaking on October 10, 2013.

8. **Forecast Climate Dividend**. The Climate Dividend is a credit distributed to residential households after all the above expenses and customer returns have been made. It appears as a credit on the customer's bill twice per year.[7] The Climate Dividend is not related to the volume of electricity used by the household.

In order to incorporate GHG costs, allowance revenues, and related expenses into rates for the next year, the utilities must use forecasts for certain variables. This Phase 1 Decision approves those forecasts for use in calculating the Climate Dividend and updating rates in 2014. However, when the utilities file their GHG Revenue and Reconciliation Applications later in 2014, the forecasts from 2013 will be trued up against the actuals from 2013. The process will be repeated for 2014 forecasts in 2015. Approval in this Phase 1 Decision does not replace review and approval of the actual expenditures. For example, this decision approves administrative costs for use in calculating customer returns and the Climate Dividend. The administrative costs remain subject to review and approval in future GHG Revenue and Reconciliation Applications. The requirements for filing future GHG Revenue and Reconciliation Applications, and the methodologies used for forecasting, will be litigated and approved in Phase 2 of these consolidated proceedings.

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[7] D.12-12-033 sets forth the requirement for the Climate Dividend to be paid twice annually. If approved, a proposed decision issued in R.11-03-012 on October 15, 2013 recommends setting the credit months as April and October of each year.

Similarly, approval of the forecast aggregate EITE return in this Phase 1 Decision does not replace the actual EITE return. The actual EITE return will be calculated using the final EITE return formula determined in R.11-03-012. The next GHG Revenue and Reconciliation Application will use the actual EITE return when calculating the Climate Dividends for the next year.

3. Procedural History

Pursuant to D.12-12-033, the utilities filed their 2014 GHG Revenue Forecast Applications on August 1, 2013. Following submission of the initial applications, the Office of Ratepayer Advocates (ORA)[8] submitted protests to the applications of PG&E and SDG&E and a response to SCE's application.

On September 5, 2013, the assigned Administrative Law Judge (ALJ) issued a ruling consolidating the proceedings, inviting parties to submit a prehearing conference (PHC) statement and ordering the utilities to complete a Supplemental Information Sheet. The Supplemental Information Sheet was intended to serve as a comprehensive standardized tool for efficient review and evaluation of the forecasts from all five utilities.

A PHC was held on September 23, 2013. The Assigned Commissioner's and Administrative Law Judge's Scoping Memo and Ruling (Scoping Memo) was issued on October 4, 2013.

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[8] The Office of Ratepayer Advocates was formerly known as the Division of Ratepayer Advocates. (*See* Stats. 2013, Ch. 356, Sec. 42.)

As set forth in the Scoping Memo, the issues to be addressed in Phase 1 are:

1. Are the utilities' forecast 2013 and 2014 cost and revenue amounts reasonable?
2. Are the utilities' forecast 2013 and 2014 administrative and customer outreach costs reasonable?
3. Are the utilities' plans for amortizing 2013 costs and revenues reasonable?
4. To the extent not already addressed in R.11-03-012, are the utilities' plans for payment of Climate Dividends and updating of rates for 2014 reasonable?
5. Is the following procedure for coordinating the Phase 1 decision in this proceeding (the 2014 GHG Revenue Forecast Decision) with ERRA and Energy Cost Adjustment Clause (ECAC) account proceedings and related rate adjustments reasonable?

   Once GHG revenues and costs are approved in the 2014 GHG Revenue Forecast Decision, each utility must file a tier 1 advice letter no later than December 31, 2013 to implement all changes necessary to assure the introduction of GHG costs and revenues in rates on January 1, 2014, and the payment of the first Climate Dividend in early 2014. Each utility shall be responsible for coordinating the filing of such advice letter with any ERRA-related or other rate adjustments so as to minimize the number of rate changes while at the same time ensuring that the first Climate Dividend will be paid in early 2014. The advice letter shall address:

   A. Updates to 2014 GHG revenue return amounts if updates are required by the 2014 GHG Revenue Forecast Decision.

B. Changes to tariff sheets as follows:

- Residential rate schedules (including master-metered rate schedules) to include the authorized 2014 Climate Dividend Amount,
- Residential rate schedules (including master-metered rate schedules) and small business rate schedules to include the volumetric $/kWh GHG credit to offset all or the authorized portion of the amount of GHG compliance costs in rates, and
- Remaining rate schedules to include increases in all customer groups' generation $/kWh rates to collect authorized GHG compliance costs.

2014 Forecast GHG Costs: SCE and SDG&E 2014 Forecast GHG Costs will be evaluated in these consolidated proceedings. SCE and SDG&E 2014 GHG costs approved in the 2014 GHG Revenue Forecast Decision may be adopted by reference in the corresponding 2014 ERRA proceeding at the discretion of the Administrative Law Judge assigned to that ERRA proceeding.

6. In ERRA forecast proceedings, utilities may file an updated forecast prior to the issuance of a decision. In the event that ERRA 2013 or 2014 forecasts are modified after issuance of the 2014 GHG Revenue Forecast Decision, should the utilities be required to adjust their calculation of 2014 or 2013 GHG costs and revenues, and the resulting Climate Dividend, after the issuance of the 2014 GHG Forecast Decision? If so, what documentation or review should be required?

7. D.12-12-033 requires the utilities to file GHG Revenue Forecast Applications in 2013, 2014 and 2015. The applications filed in 2014 and 2015 will also include reconciliation of forecast and actual GHG compliance costs and revenues. [9] These consolidated proceedings will address the 2013 GHG Revenue Applications in Phase 1, but Phase 2 will also set forth the procedure for future GHG Revenue Forecast Applications. What steps should be taken to ensure that the applications filed in 2014 and 2015 are efficiently and reasonably coordinated with ERRA and ECAC proceedings?
8. What actions should be taken to coordinate the 2014 GHG Revenue Forecast Decision with other anticipated decisions in R.11-03-012 (such as decisions on the implementation plans, the small business revenue allocation formulae, the emissions-intensive and trade-exposed (EITE) expansion study budget and scope, and the EITE revenue allocation formulae), and decisions in the individual utility applications for 2014/2015 outreach plans?[10]

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[9] "For the first three years of the Cap-and-Trade program, the utilities, with the exception of Bear Valley, should file an application setting forth forecasted GHG costs for the subsequent year and forecasted GHG revenues to be distributed to each eligible customer class. Customer outreach and administrative costs should also be forecast. Beginning in 2014, applications should also include a detailed accounting of GHG costs incurred for the previous year (based upon a method to be approved in a subsequent phase of this proceeding) as well as revenues distributed, including customer outreach and administrative costs. Customer outreach and administrative costs should be subject to reasonableness review." (D.12-12-033, Ordering Paragraph 67.)

[10] The five applications for approval of 2014 and 2015 outreach plans are A.13-08-027, A.13-08-028, A.13-09-001, A.13-09-002, and A.13-09-003 (GHG Customer Outreach Plans).

Pursuant to the Scoping Memo, parties filed intervenor testimony on October 9, 2013 and the utilities filed Reply Testimony on October 16, 2013. Concurrent opening briefs were filed on October 30, 2013 and concurrent reply briefs were filed on November 6, 2013.

By e-mail ruling on November 5, 2013, the small utilities were instructed to file supplemental information regarding their planned procedure and schedule for updating rates pursuant to this decision.

By e-mail ruling on November 7, 2013, utilities were instructed that any updates to current and known variables must be submitted no later than November 8, 2013. Utilities were provided with a standardized Summary Accounting Table template to use to provide the updated information. At a status conference on November 14, 2013, the parties discussed use of the updates in this Phase 1 Decision. The status conference also addressed other matters such as coordination of the start date for new rates with other proceedings.

By e-mail ruling on November 8, 2013, the assigned ALJ received into evidence the written testimony offered by the parties.

A number of relevant procedural events outside of these consolidated proceedings occurred after issuance of the Scoping Memo.

On October 21, 2013, Resolution E-4611 was issued. Resolution E-4611 directed the three large utilities to take certain actions in connection with their customer outreach and education programs and budgets. In addition, the first PHC was held in the consolidated proceeding for GHG Customer Outreach Plans. Although Resolution E-4611 and the consolidated proceeding for GHG Customer Outreach Plans will change the amount of funds required for customer

outreach and how those funds are used, for purposes of this Phase 1 Decision we will rely on the forecasts previously made by the utilities.[11] Future Revenue and Reconciliation Applications will allow for true up of the forecast customer outreach expenses against actual expenditures approved by the Commission. Similarly, Resolution E-4611 may lead some of the three large utilities to recategorize certain expenses as administrative, but for purposes of this Phase 1 Decision, we will continue to rely on the forecasts made in the original applications.

On December 5, 2013, the Commission approved two decisions in R.11-03-012 that impact treatment of GHG costs and allowance revenues: (1) D.13-12-002 Adopting Greenhouse Gas Allowance Revenue Formula and Distribution Methodology for Small Business Customers and Modifying Decision 12-12-033 (Small Business Customer Formula Decision); and (2) D.13-12-003 Adopting Cap-and-Trade Greenhouse Gas Allowance Implementation Plans (Implementation Plan Decision).

On November 20, 2013, the day after the proposed decision was mailed, PG&E determined that its forecast of administrative expenses was incorrect. Specifically, PG&E determined that its estimate for customer inquiry training costs should be reduced by $100,000. On December 6, 2013, PG&E filed a Motion to Set Aside Submission and Reopen the Record (PG&E Motion) so that this change in the forecast could be included in the Phase 1 Decision. The PG&E Motion sought to reopen and correct the evidentiary record to reflect the correct

[11] SDG&E provided an update to their forecast customer outreach expenses taking into account Resolution E-4611 and we have accepted SDG&E's updated customer outreach forecast.

forecast for administrative expenses. No party objected to PG&E's motion, and we agree that it is desirable to have a more accurate forecast. Therefore, the PG&E Motion is granted. The revised exhibits are admitted into evidence with the designation "R" for revised, as set forth in Attachment A. This Phase 1 Decision reflects the corrected figures and references the revised exhibits where appropriate.

4. Applicants Proposals

4.1. SCE

Except for the November 2013 update described below, SCE's GHG cost and revenue forecasts have remained consistent since it filed its application on August 1, 2013 along with confidential and public versions of testimony. On September 18, 2013, SCE filed both a confidential and a public version of its PHC Statement and Supplemental Information Sheet. On October 16, 2013, SCE filed Reply Testimony. On October 30, 2013, SCE filed its Opening Brief and on November 6, 2013, SCE filed its Reply Brief. SCE filed its Proof of Rule 3.2 Compliance on October 3, 2013. On November 8, 2013, SCE served additional testimony updating its forecast amounts to take into account changes in current and known variables. SCE's forecast is summarized in Table I-1 of Exhibit SCE-3C.

Forecast GHG Compliance Costs: The public version of SCE's application and testimony forecast GHG compliance costs of $271 million for 2013. This amount is the same as the amount approved for GHG costs in SCE's 2013 ERRA Forecast Proceeding. (D.13-10-052; Exhibit SCE-1 at 13.) For 2014, SCE estimated the price per allowance would be $12.48, based on publicly available allowance price indices. (Exhibit SCE-3 at 4.) In addition, SCE incurred 2013 GHG compliance costs in 2012 in the first California Air Resources Board (ARB)

auction. SCE included these costs incurred in 2012 in the 2013 GHG cost forecast approved in its 2013 ERRA Forecast Proceeding.

Forecast Allowance Revenue: The public version of SCE's application and testimony forecast allowance revenues of $398.586 million for 2013. The forecast used actual revenues for auctions occurring before November 1, 2013. SCE has included revenues from the sale of allowances in 2012 in its 2013 allowance revenue forecast. For 2014, SCE used its forecast price per allowance estimate to calculate both its forecast costs and forecast revenue.

November 2013 Update to Forecast GHG Cost and Allowance Revenue: SCE updated its GHG cost and revenue allowance forecast in supplemental testimony served on November 8, 2013 and made consistent updates in its 2014 ERRA Forecast Proceeding. The update was limited to changes resulting from market price forecast and other known changes based on recorded activity or updated forecasts. SCE included appropriate spreadsheets and calculations as supporting materials. The updated forecast resulted in a decrease in the forecast amount of the Climate Dividend for 2014 compared to the amount in the application filed on August 1, 2013.

Customer Outreach Expenses: SCE forecast customer outreach expenses combined for 2013 and 2014 at $1.4 million, plus an additional $225,000 for SCE's portion of the Targetbase contract.[12] This $1.4 million forecast represents the amount of funds D.12-12-033 authorized SCE to set aside for use in 2013. These

[12] D.12-12-033 directed the utilities to hire an independent third-party marketing firm to propose a GHG revenue return outreach program. D.12-12-033 authorized a budget of $500,000 to be split proportionally between the utilities. The utilities hired Targetbase.

funds were subsequently addressed by in Resolution E-4611. The forecast includes projected actual expenditures of $587,500 in 2014, $190,000 of which SCE expects will cover administrative costs to be incurred by SCE's Customer Contact Center for handling increased call volume about the Climate Dividend and other customer outreach activities such as on-bill messaging, social media, work with community and faith-based organizations, and website development to educate customers about cap-and-trade program.[13]

Administrative Expenses: SCE forecast combined 2013 and 2014 administrative expenses at $900,000. This forecast includes $850,000 in up front administrative costs in 2013 and $50,000 in ongoing administrative labor costs in 2014. SCE states that its most significant administrative expense will be the initial upgrades to its billing system necessary to handle the Climate Dividend. Because the Climate Dividend is not based on customer usage, SCE must implement new processes to calculate, apply, track and report Climate Dividend amounts for each customer.

SCE proposes amortizing and distributing GHG costs and allowance revenues attributable to 2013 over a two year period. SCE states that this amortization period is reasonable because it will spread 2013 GHG costs over a two year period, meaning that customers will see a smaller increase in their bills than they would if the amortization was completed in a single year.

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[13] Forecast 2014 Customer Outreach costs were initially $587,500, but after filing its GHG Customer Outreach Plan on September 1, 2013, SCE proposed to update its forecast customer outreach costs in November to include an additional $250,000 for a centralized agency. (SCE Supplemental Information Sheet at 4.)

After determining the forecast GHG cost, allowance revenue, customer outreach and administrative expenses, and applying a 24 month amortization period to 2013 costs and revenues, SCE calculated its forecast distributions for 2014. The resulting Climate Dividend pool in 2014 would be approximately $355.268 million (including $194.793 million attributable to 2013 allowance revenues). This results in an estimated Climate Dividend for each household of $40.00 paid twice per year.

SCE recommends that a Tier 1 Advice Letter be used to implement all changes to tariffs that are necessary to incorporate forecast GHG costs, revenues, and the Climate Dividend into 2014 rates. SCE identified the following tariff changes:

> (1) residential rate schedules, including master-metered rate schedules, to include the authorized 2014 climate dividend amounts, (2) residential rate schedules, including master-metered rate schedules, and small business rate schedule to include the volumetric [dollars per kilowatt hour ($/kWh)] distribution rate set (credit) so as to offset all or a portion of the amount of cap-and-trade costs in generation rates, and (3) remaining rate schedules to include increases in all bundled customer groups' generation $/kWh rates to collect authorized cap-and-trade costs. (Exhibit SCE-2 at 5.)

4.2. PG&E

Since filing its original 2014 GHG Revenue Forecast Application, PG&E has made a number of changes and corrections to its calculations. PG&E filed its 2014 GHG Revenue Forecast Applications on August 1, 2013, along with confidential and public versions of its prepared testimony. On September 18, 2013, PG&E filed a PHC statement and both confidential and public versions of its Supplemental Information Sheet. On October 14, 2013, PG&E filed a Motion

to File Revised Supplemental Information Sheet attaching a confidential version of its Revised Supplemental Information Sheet. On October 16, 2013, PG&E filed Rebuttal Testimony. On October 30, 2013, PG&E filed its Opening Brief and on November 6, 2013, PG&E filed its Reply Brief. PG&E filed its Proof of Rule 3.2 Compliance on October 3, 2013. On November 8, 2013, PG&E served additional testimony updating its forecast amounts to take into account changes in current and known variables. On December 6, 2013, PG&E served revised testimony correcting its forecast administrative expenses. PG&E's forecast is summarized in the Proposed 2014 Allowance Revenue Return table. (Exhibit PG&E 7C-R.)

Forecast GHG Compliance Costs**:** PG&E's forecast GHG costs for 2013 were approved in its 2013 ERRA Forecast Proceedings. (A.12-06-002.) For 2013, PG&E forecast $181.1 million in GHG compliance costs, which reflects franchise fees and uncollectibles. A decision in A.13-05-015 is expected in late 2013. For both 2013 and 2014, GHG costs are linked to forecasted dispatch of PG&E's portfolio. For market purchases, assumptions must be made about generation, heat rate and the corresponding GHG costs embedded in the market price.

Forecast Allowance Revenue: PG&E forecast 2013 allowance revenue using actual auction prices for auctions occurring prior to November 2013. Allowance revenue for the remainder of 2013 and for 2014 is a forecast based on the forecast cost per allowance as calculated on PG&E's internal proprietary forward curve which is derived from multiple broker quotes. The total allowance revenue is determined by multiplying the price by the total allowances allocated by ARB to PG&E. In addition, in making its calculation of revenues available to customers, PG&E included forecast franchise fees and allowances as well as interest.

November 2013 Update to Forecast GHG Cost and Allowance Revenue: PG&E updated its GHG cost and revenue allowance forecast in supplemental testimony served on November 8, 2013 and made consistent updates in its 2014 ERRA Forecast Proceeding. The update was limited to changes resulting from market price forecast and other known changes based on recorded activity or updated forecasts. PG&E included appropriate spreadsheets and calculations as supporting materials. The updated forecast resulted in a decrease in the forecast amount of the Climate Dividend for 2014 compared to the amount in the application filed on August 1, 2013.

Customer Outreach Expenses: PG&E forecast customer outreach expenses combined for 2013 and 2014 at $1,036,000. This includes $420,500 in 2013 outreach expenses, half of which PG&E proposes to amortize in 2014 rates, plus $826,000 in forecast 2014 outreach expenses. PG&E did not include its share of the Targetbase contract in its forecast outreach costs and intends to include any actual expenditures associated with Targetbase in its 2014 GHG Revenue and Reconciliation Application. PG&E filed its GHG Customer Outreach Plan for 2014 and 2015 on September 3, 2013 (A.13-09-002).

Administrative Expenses: PG&E forecast administrative expenses of $1.4 million in 2013 and $3.33 million in 2014.[14] PG&E proposed to amortize half of forecast 2013 administrative expenses in 2014 rates, for a total of $4.030 million in forecast administrative costs to be recorded in 2014. The forecast 2013 expenses include program management costs of $238,000 and IT costs of $1,162,000. The planned IT work includes configuring rate tables for

[14] This amount reflects the correction described in the PG&E Motion and Exhibit 7C-R.

each of the steps of the revenue return waterfall, implementing billing changes, and programming and coding support. For 2014, PG&E's forecast expenses include a significant amount for expected increase in customer call volume attributable to the Climate Dividend and other aspects of the program.

In its Rebuttal Testimony, PG&E explained that based on its experience with the SmartDay program, it expects that this new program will result in a significant increase in customer inquiry support costs. (Exhibit PG&E-3 at 1.) PG&E argues that even if this forecast turns out to be higher than actual costs, it is subject to two-way balancing account treatment.

Like SCE, PG&E proposes to amortize 2013 GHG costs and allowance revenues over a 24-month period. Thus, the Climate Dividends for 2014 and 2015 will each include an equal share of the 2013 revenues.

PG&E prepared its forecast 2014 distributions for EITE customers, small business customers and residential customers in accordance with guidance under R.11-03-012 as available on August 1, 2013. Likewise, the 2014 forecast Climate Dividend was calculated in accordance with D.12-12-033. The forecasts result in a forecast Climate Dividend of approximately $29.82 to be paid semi-annually in 2014.

4.3. SDG&E

SDG&E made several changes in its request after filing its 2014 GHG Revenue Forecast Application. Most notably, SDG&E agreed not to include a revenue set aside of $11 million to fund incremental energy efficiency and clean energy programs at this time.[15] SDG&E filed a Reply to ORA's Protest on

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[15] Because all forecasts will be trued up with actual expenditures in a subsequent proceeding, it is possible that such a program could be approved in another proceeding

Footnote continued on next page

September 16, 2013. SDG&E filed its Proof of Rule 3.2 Compliance on September 16, 2013. On September 18, 2013, SDG&E filed its PHC Statement, Supplemental Information Sheet (in confidential and public versions) and a Motion to File under Seal. SDG&E also filed public and confidential prepared supplemental testimony in support of the Supplemental Information Sheet. On October 16, 2013, SDG&E filed prepared reply testimony. On October 30, 2013, SDG&E filed its Opening Brief and on November 6, 2013, SDG&E filed its Reply Brief. On November 12 and 13, 2013, SDG&E served additional testimony updating its forecast amounts to take into account changes in current and known variables.[16] SDG&E's forecast is summarized in Table S2-1 Proposed 2014 Allowance Revenue Return Including $750,000 Funding of Exhibit SDG&E 11C.

Forecast GHG Compliance Costs: SDG&E provided a detailed explanation of its methodology for calculating direct and indirect GHG costs. (*See*, Supplemental Information Sheet at A-1.) For 2013, SDG&E's forecast GHG compliance costs were adopted in SDG&E's ERRA Forecast Proceeding. (*See*, D.13-10-053.) For 2014, SDG&E's forecast GHG compliance costs were reviewed in these consolidated proceedings and authorized in this Phase 1 Decision.

Forecast Allowance Revenue: SDG&E's forecast 2013 allowance revenue is based on the same price forecasts used for GHG costs for 2013 supplemented with the actual price of $10.09 per allowance sold at auction in 2012.

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in 2014, in which case incorporation of the actual costs would be examined in the subsequent true up proceeding.

[16] The ALJ granted an extension for SDG&E to file its Updated Summary Accounting Table on November 12, 2013. SDG&E submitted a corrected version of the November 12, 2013 testimony on November 13, 2013.

November 2013 Update to Forecast GHG Cost and Allowance Revenue: SDG&E updated its GHG cost and revenue allowance forecast in supplemental testimony served on November 12, 2013 and made consistent updates in its 2014 ERRA Forecast Proceeding. The update was limited to changes resulting from market price forecast and other known changes based on recorded activity or updated forecasts. SDG&E included appropriate spreadsheets and calculations as supporting materials. The updated forecast resulted in a decrease in the amount of the Climate Dividend for 2014.

Customer Outreach Expenses: SDG&E forecast combined 2013 and 2014 customer outreach expenses at approximately $977,500. Of this total, $750,000 is attributed to 2013 costs, which represents the revised budget SDG&E proposed its Opening Brief to account for the requirements of Resolution E-4611. In addition, SDG&E forecast $52,500 in 2013 for its share of costs for the Targetbase report. SDG&E forecast $175,000 in outreach costs for 2014. SDG&E filed its GHG Customer Outreach Plan for 2014/2015 on August 30, 2013. (*See*, A.13-08-026). SDG&E proposed to amortize half of its 2013 outreach costs in 2014, and as a result SDG&E forecast $576,000 in total 2014 outreach costs for use in its calculation of the 2014 revenue returns and Climate Dividend. (Exhibit SDG&E-4 at Table S-1.)

Administrative Expenses: For 2013, SDG&E forecast administrative costs between $350,000 and $500,000. This includes IT costs associated with billing system changes, such as the creation of new billing system calculations, eligibility verification and system testing. (Exhibit SDG&E-1 at RJ-6.) For 2014, SDG&E forecast administrative costs of $12,500, which represents direct labor costs. Based on this, SDG&E uses $225,000 in administrative costs in its calculation of the revenue return and the Climate Dividend for 2014. This

total reflects 50% of forecast 2013 administrative costs (a simple average of $350,000 and $500,000) plus 2014 costs.

Like SCE and PG&E, SDG&E proposes to amortize GHG costs and allowance revenues attributed to 2013 over a 24 month period. SDG&E's Reply Testimony states that the revenue will not be distributed "evenly" across the two years because the EITE return is only made once per year, the residential and small business returns are made monthly, and the Climate Dividend is paid twice per year.

SDG&E disagrees with the recommendation of California Large Energy Consumers Association (CLECA) recommendation to set aside a reserve based on 25% of the expected GHG costs for residential, small business and EITE customers. (Exhibit SDG&E Opening Brief at 3.) However, SDG&E agrees that a contingency reserve equal to 25% of EITE forecast revenue return might be prudent.

SDG&E prepared its forecast 2014 distributions for EITE customers, small business customers and residential customers in accordance with guidance under R.11-03-012 as available on August 1, 2013. Likewise, the 2014 forecast Climate Dividend was calculated in accordance with D.12-12-033. The forecasts result in a forecast 2014 Climate Dividend pool that would be $88.739 million. This results in an estimated Climate Dividend for each household of $36.24 twice per year. (Exhibit SDG&E-11.) These figures represent SDG&E's updated 2013 outreach cost forecasts and the removal of SDG&E's earlier proposed $11 million allowance revenue set aside for energy efficiency and clean energy programs. (SDG&E Opening Brief at 11-12.) As stated at the PHC, at this time the Commission will not authorize such a set aside.

4.4. Liberty

Liberty Utilities has not changed its forecast since originally filing its 2014 GHG Revenue Forecast Application on August 1, 2013. No party filed a response or protest to Liberty Utilities application. On September 18, 2013, Liberty Utilities filed its PHC Statement with its Supplemental Information Sheet attached as confidential and a Motion to File the Supplemental Information Sheet under Seal. Liberty Utilities did not file reply testimony or briefs. On November 8, 2013, Liberty Utilities submitted additional information on the process it intended to use to implement rate changes. Liberty Utilities has not filed Proof of Rule 3.2 Compliance. Liberty Utilities' GHG cost, revenue and return forecast is summarized in Exhibit LU-1C Exhibit 2, 2013 & 2014 GHG Cost Summary.

Forecast GHG Compliance Costs: Liberty Utilities bases it per allowance cost on forecasts derived from Evolution Market's Daily Pricing Report and its load forecast was based on historical data. Indirect costs were forecast using actual historical expense amounts.

Forecast Allowance Revenue: Like its forecast for GHG costs, Liberty Utilities based it per allowance price forecast on pricing data from Evolution Market's Daily Pricing Reports.

Customer Outreach Expenses: Liberty Utilities forecast customer outreach expenses for 2013 of approximately $22,000 based on an annualization of actual costs incurred at the time of filing. Liberty Utilities expected 2014 customer outreach expenses to be approximately twice that of 2013, for a combined total of approximately $65,000.

Administrative Expenses: Liberty Utilities forecast administrative costs for 2013 of $150,429. For 2014, Liberty Utilities expected administrative costs would increase slightly, for a combined total of approximately $163,492.

Liberty Utilities proposes to amortize GHG costs and allowance revenues attributed to 2013 over a 12-month period.

Liberty Utilities prepared its forecast 2014 distributions in accordance with guidance under R.11-03-012 as available on August 1, 2013. Likewise, the 2014 forecast Climate Dividend was calculated in accordance with D.12-12-033. Liberty Utilities states that it does not have any customers that qualify for the EITE distribution. Because Liberty Utilities does not have a tiered residential rate structure, there is no volumetric return for any of Liberty Utilities' residential customers. Instead, the return to residential customers is made solely through the Climate Dividend. The above forecasts result in an estimated Climate Dividend pool of over $3 million in 2014, including allowance revenue for 2013 and 2014.

Liberty Utilities proposes that, after the Commission approves its forecast, Liberty Utilities will file a Tier 2 Advice Letter. The advice letter would include a new rate schedule with the proposed surcharge to collect GHG allowance costs from all customers and a new rate schedule to establish the amount of the GHG allowance revenue to return to the eligible class of customers. Following submission of the advice letter, Liberty Utilities would provide customers with the notice required by Rule 4.2 of General Order 96-B. Liberty Utilities states that if this Phase 1 Decision is issued before the end of 2013, and if the advice letter is approved quickly, GHG costs and revenues could be included in customer rates as early as February 1, 2013.

4.5. PacifiCorp

PacifiCorp's forecast has remained consistent since originally filing its 2014 GHG Revenue Forecast Application on August 1, 2013. On September 18, 2013, PacifiCorp filed its PHC Statement, confidential testimony containing its Supplemental Information Sheet (Exhibit PAC-1C) and a Motion to File under Seal. On October 16, 2013, PacifiCorp filed Reply Testimony responding to concerns raised by the California Farm Bureau Federation (CFBF) about PacifiCorp's identification of agricultural customers eligible for the small business return. PacifiCorp did not file an opening or reply brief. On November 8, 2013, PacifiCorp submitted additional information on the process it intends to use to implement rate changes. PacifiCorp has not filed Proof of Rule 3.2 Compliance. PacifiCorp's forecast is summarized in PacifiCorp Proposed 2014 Allowance Revenue Return, Exhibit B to Exhibit PAC-3C.

As described in the Implementation Plan filed in R.11-03-012, PacifiCorp proposes to define small business customers consistent with its existing definition in tariff Schedule A-25, which applies to customers whose electric service demand has not registered 20 kW or above more than once in an 18-month period. In contrast, the definition in D.12-12-033 uses a 12-month period, but does provide the opportunity for PacifiCorp to modify the definition. CFBF objected to PacifiCorp's proposed definition and requested that PacifiCorp be required to use the Commission definition of "small business" to identify eligible agricultural customers. In its Reply Testimony, PacifiCorp agreed to use the Commission definition of "small business" to identify qualified agricultural pumping customers served under PacifiCorp rate schedule PA-20. Based on this, schedule PA-20 agricultural customers who do not exceed 20 kW in more than three months within a 12-month period would be considered small businesses

qualifying for the GHG allowance revenue return. However, PacifiCorp's Reply Testimony reiterated that it would be burdensome and costly to change the definition for other business customers.

Other than concerns regarding PacifiCorp's determination of eligible small business customers, no party filed a response or protest to PacifiCorp's application. Determination of small business customer eligibility has been addressed in R.11-03-012. (*See*, D.13-12-003.)

Forecast GHG Compliance Costs: PacifiCorp forecast slightly less than $7 million for its 2013 direct and indirect GHG costs. For 2013, the figures are based on some actual data and some forecasts. The allowance price forecasts for 2013 and 2014 are derived from estimates provided by "various forecast vendors." (*Id*. at 6.)

Forecast Allowance Revenue: Likewise, PacifiCorp's forecast allowance revenue is based on actual data and forecasts (for 2013) and forecasts (for 2014).

November 2013 Update to Forecast GHG Cost and Allowance Revenue: PacifiCorp updated its GHG cost and revenue allowance forecast in supplemental testimony served on November 8, 2013 and made consistent updates in its 2014 ECAC Forecast Proceeding. The update was limited to changes resulting from market price forecast, a change in PacifiCorp's proposed interpretation of small business eligibility, and other known changes based on recorded activity or updated forecasts. PacifiCorp included appropriate spreadsheets and calculations as supporting materials. The updated forecast resulted in a decrease in the amount of the Climate Dividend for 2014.

Customer Outreach Expenses; Administrative Expenses: In its application and its Supplemental Information Sheet, PacifiCorp forecast customer outreach expenses of $58,500 in 2013 and $110,000 in 2014, and administrative expenses of $0 for both 2013 and 2014. PacifiCorp noted that the outreach cost forecast was subject to treatment of its Advice Letter 488-E and that its administrative expense forecast was subject to treatment of its proposed Implementation Plan. The Implementation Plan proposed decision was issued on October 15, 2013 and expected to be on the Commission's December 5, 2013 agenda.

PacifiCorp proposes to amortize GHG costs and allowance revenues attributed to 2013 over a 24 month period.

PacifiCorp prepared its forecast 2014 distributions in accordance with guidance under R.11-03-012 as available on August 1, 2013. Likewise, the 2014 forecast Climate Dividend was calculated in accordance with D.12-12-033. PacifiCorp states that it has not identified any customers that qualify as EITE distributions. (Exhibit PAC-1C at 11.) Because PacifiCorp does not have a tiered residential rate structure, there is no volumetric return for any of PacifiCorp's residential customers. Instead, the return to residential customers is made solely through the Climate Dividend. The forecasts result in a forecast semi-annual per household Climate Dividend for 2014 of approximately $194.37.

PacifiCorp proposes that after the Commission approves its forecast PacifiCorp will file a Tier 2 Advice Letter. The advice letter would include a new rate schedule with the proposed surcharge to collect GHG allowance costs from all customers and a new rate schedule to establish the amount of the GHG allowance revenue to return to the eligible class of customers. Following submission of the advice letter, PacifiCorp would provide customers with the notice required by Rule 4.2 of General Order 96-B. PacifiCorp states that if this

Phase 1 Decision is issued before the end of 2013, and if the advice letter is approved quickly, GHG costs and revenues could be included in customer rates as early as March 3, 2013. Alternatively, PacifiCorp states that GO 96-B permits the Commission to authorize rates to go into effect in less than 30 days after the bill insert cycle runs, in which case the rates could be effective in February 2013. PacifiCorp notes that this schedule is contingent on approval of its Implementation Plan without changes in the Implementation Plan Decision.

5. Position of Parties

Although parties raised a number of issues, there was general agreement that the two-way balancing account treatment, and the scheduled true-up and evaluation in the GHG Revenue and Reconciliation Applications to be filed in 2014, provide sufficient protection to address most concerns. In addition, some concerns raised will be addressed in Phase 2 of these consolidated proceedings.

ORA limited its comments to the applications filed by the three large utilities. ORA identified one area of concern in each of their applications. For SCE, ORA was concerned that treatment of SCE's costs incurred from purchasing 2013 allowances from the November 2012 ARB auction were not properly accounted for in SCE's forecast 2013 GHG costs. However, this concern has been resolved and, for purposes of this Phase 1 Decision, ORA agrees with the final treatment of SCE's cost incurred from the 2012 purchase. For SDG&E, ORA noted that unlike the other two large utilities, SDG&E is not using any actual figures from 2013 ARB auctions in its calculation of allowance revenues. For PG&E, ORA questioned the assumptions used by PG&E to forecast administrative expenses and sought additional explanation of the basis for the forecast.

ORA agreed that a Tier 1 advice letter is a satisfactory approach for the large utilities to implement any tariff changes required by this decision.

Finally, ORA stated that additional review should be allowed before changes are made to 2013 or 2014 GHG cost forecasts based on filings or decisions in ERRA Forecast Proceedings. ORA argued that if any of the utilities modified its 2013 or 2014 GHG cost forecast in an ERRA Forecast Proceeding, the utility should be required to adjust the corresponding calculation of GHG costs and allowance revenues in this consolidated proceeding, and to show the impact of the revised calculation on the GHG revenue return. Any such update should be accompanied by supporting documentation and updated spreadsheets.

CLECA and Energy Producers and Users Coalition (EPUC) filed a concurrent Opening Brief. CLECA/EPUC argue that the utilities should be ordered to reserve a contingency of 25% of the EITE and volumetric returns used in calculating the Climate Dividend. CLECA/EPUC state that the reserve would ensure that there are sufficient funds for customer returns prioritized by statute and D.12-12-033 (EITE customers, small business customers, and high tier residential customers). CLECA/EPUC also argue that the proposed reserve would avoid creating unreasonable expectations for future Climate Dividends in the event that the current forecast underestimates the amount of priority customer returns required for 2014. CLECA/EPUC note that although SDG&E disagreed with the reserve as proposed by CLECA/EPUC, SDG&E did agree that a contingency reserve of 25% for EITE customers would be prudent. (CLECA/EPUC Opening Brief at 3, citing Exhibit SDG&E-7 at DTB-3.)

CLECA/EPUC advocate for maximum transparency for customers and provide a suggested list of information that should be communicated to customers regarding GHG-associated rate increases. In addition, CLECA/EPUC advocate use of a proxy price for allowances as a means to improve transparency.

Finally, CLECA/EPUC contend that for direct access customers the 2013 revenues should be amortized over a single year. CLECA/EPUC argue that, unlike bundled customers, direct access customers have already paid their share of GHG costs for 2013 and that, as a result, amortization over two years will create a further delay of the 2013 revenue return to this customer group.

Marin Energy Authority (MEA) asked that the decision in these consolidated proceedings clearly require both GHG costs and allowance revenues from 2013, including interest, to be returned to customers "through an even split between 2014 and 2015 rates," amortized evenly across the full two-year period. (MEA Opening Brief at 2.)

MEA also asked that this Phase 1 Decision make it clear that "approval" of forecast administrative and customer outreach expenses in this decision does not mean that these expenses are adopted for use in other proceedings. Rather, final approval of the actual expenditures will be decided at a later date. In particular, MEA argues that in light of the changes to outreach plans made by Resolution E-4611, and the pending GHG Customer Outreach Plans, it is premature to approve the forecast customer outreach expenses in these consolidated proceedings.

6. Discussion

6.1. Overview

For purposes of this Phase 1 Decision only, when considering whether forecasts are reasonable, the Commission (i) considered whether the utilities as a group reached consistent results taking into account each utility's relative exposure to GHG emissions costs as well as the proportionate size of each utility's customer base; (ii) eliminated requests that would require detailed analysis of complex new issues such as a set aside for energy efficiency or clean energy projects; and (iii) reviewed methodologies for consistency with D.12-12-033 and other decisions in R.11-03-012. In addition, the Commission took into consideration the existing two-way balancing account treatment of GHG costs and revenues, and the fact that utilities will file GHG Revenue and Reconciliation Applications in 2014.

It is important to note that while we find the forecasts reasonable (as described in more detail below), today's Phase 1 Decision allows for re-evaluation of the forecasts in other proceedings.

6.2. Forecast 2013 and 2014 GHG Cost and Allowance Revenue Amounts are Reasonable

The utilities provided sufficient information for evaluating forecast GHG cost and allowance revenues. The methodologies used for forecasting GHG costs and revenues, expenses, and calculating the revenue returns and Climate Dividend are consistent with D.12-12-033 and the guidance provided in R.11-03-012 to date. The GHG costs and allowance revenues will continue to be tracked in their respective two-way balancing accounts, and the utilities' methodologies will be reviewed in more detail in Phase 2 of these consolidated proceedings. Further, the assumptions used by the utilities when making these

calculations are reasonable and appropriate for purposes of incorporating GHG costs and allowance revenues into customer bills starting in 2014 and for calculating the first Climate Dividend.

6.3. It is not necessary to reduce 2014 Climate Dividends by reserving a portion of the revenues. Several parties supported creation of a revenue reserve as a tool to prevent overpayment of the Climate Dividend in 2014. Parties were concerned that estimation inaccuracies could result in insufficient funds being available for priority customer classes such as EITE customers and that residential customers would have unreasonable expectations for future Climate Dividend amounts. The first concern is addressed by the fact that any over or under payment of the Climate Dividend will be trued-up in the next GHG Revenue and Reconciliation Applications. In addition, the proposed reserve would be too small to make a meaningful impact on the size of the Climate Dividend. For example, a reserve sized at 25 percent of the forecast EITE payments would be equivalent to less than two percent of the Climate Dividend pool. Forecast 2013 and 2014 Customer Outreach Costs are Reasonable

The utilities' forecast customer outreach costs are reasonable for purposes of this Phase 1 Decision. Although we are aware that Resolution E-4611 has already ordered changes in the amount of revenues to be used by the three large utilities for customer outreach, and that the pending GHG Customer Outreach Plans will make further changes, for the purposes of calculating the Climate Dividend in 2014 we are approving the numbers set forth by the utilities in their applications (as modified per this Phase 1 Decision). The following table summarizes the forecast customer outreach expenses by utility.

Table 1. Approved Outreach Cost Forecasts for Use in 2014 Revenue Accounting

Utility	Approved Total Forecast (2014+ Amortized 2013 Costs)	Does Approved Total include Targetbase?	Total Amount Consigned to California Center for Sustainable Energy under R. E-4611
SCE	$1,625,000	Yes	$1,400,000
PG&E	$1,036,000	No	$1,700,000
SDG&E	$576,000	Yes	$750,000
Liberty	$65,027	N/A	N/A
PacifiCorp	$139,250	N/A	N/A

We will accept these forecasts as reasonable for the purpose of calculating revenue available for the 2014 Climate Dividend with the knowledge that differences between these forecasts and the 2014 outreach budgets approved in a decision on the GHG Customer Outreach Plans will be reconciled in subsequent GHG Revenue and Reconciliation Applications. Our approval of these forecasts does not establish a cap on 2014 outreach expenditures, nor is it a finding that actual expenditures of these amounts are necessarily reasonable.

6.4. Forecast 2013 and 2014 Administrative Costs are Reasonable

Similarly, the forecast administrative costs for 2013 and 2014 are reasonable for the purposes of calculating the 2014 Climate Dividend. Under Resolution E-4611, administrative costs can include utility-specific outreach costs, such as bill inserts and increased call center inquiries. Although in these consolidated proceedings some utilities did not include these expenses, the utilities should make necessary adjustments in their 2014 GHG Revenue and Reconciliation Applications. It is important to note that the cost forecasts

approved in this Phase 1 Decision are for purposes of calculating the Climate Dividend and do not represent either a budget cap or an approved budget for actual expenditures. Actual expenditures will be evaluated for reasonableness and the forecasts will be trued up against actual expenditures in subsequent proceedings.

6.5. The Utilities' Plans for Amortizing 2013 GHG Costs, Expenses and Allowance Revenues are Reasonable

SCE, PG&E, SDG&E and PacifiCorp have all proposed to amortize GHG costs and allowance revenues allocable to 2013 over a two year period. This amortization will begin in 2014 and extend for 24 months. As the large utilities and PacifiCorp have proposed, 2013 GHG costs will be amortized evenly each month over 2014 and 2015, with half of 2013 costs being amortized in 2014 and the remainder occurring in 2015. Similarly, 2013 allowance revenue will be amortized equally between 2014 and 2015; however, revenue cannot be amortized on an equal month-by-month basis since some revenue will be returned volumetrically each month in proportion to GHG costs, and other returns, such as the Climate Dividend and EITE return, will occur at discrete times during the year. We agree with MEA that the manner in which 2013 GHG costs and revenues are amortized should not present an opportunity to gain a competitive advantage, and we find that the approach proposed by the utilities is reasonable and fair.

Although CLECA/EPUC make a strong argument that direct access customers should receive 2013 revenues over a 12-month period instead of the 24-month period approved for other customers, this approach would likely burden utilities by requiring them to set up two different amortization plans. Additionally, this proposal is inconsistent with the competitive neutrality

provisions of D.12-12-033, which require that the "dollars per kWh magnitude of the volumetric return that the investor-owned utilities provide to residential and small business CCA and DA customers must be equivalent to the magnitude of the volumetric return provided to corresponding [bundled] customers of the investor-owned utilities."[17] Therefore, we reject this request. As we have clarified earlier, EITE customers, whether direct access or bundled utility customers, will receive revenue according to EITE allocation methodologies established in R.11-03-012.

Liberty Utilities has asked to amortize 2013 costs over a 12-month period. However, for consistency among the utilities, and because Liberty Utilities did not identify a substantial benefit to deviating from the 24-month period proposed by all the other utilities, we have adopted the 24-month amortization period for Liberty Utilities, subject to the timing consideration below.

In the event that GHG costs and revenues are not incorporated into rates on January 1, 2014, the forecast 2013 and 2014 GHG costs and revenues should be amortized over a reduced amortization period as follows: (1) The amounts attributed to the forecast 2013 GHG costs and allowance revenues should be allocated equally to 2014 and 2015; and (2) The forecast GHG costs and revenues specific to 2014 should be amortized over the remaining months of 2014.

The question of appropriate procedure and time period for amortizing amounts from the balancing accounts was discussed at the status conference on November 14, 2014. A number of utilities argued in favor of a reduced amortization period so that all amortization would align with calendar years and

[17] D.12-12-033 at 131 and Finding of Fact 138 and Conclusion of Law 44.

would be concluded at the end of 2015. The shortened amortization period allows for efficient accounting and billing. In contrast, a 24-month amortization period that extends into 2016 would create challenges for accounting and billing. No party objected to an amortization period set to end in calendar year 2015.

In comments on the proposed decision, PacifiCorp requested permission to amortize 2014 GHG costs and revenues over a full 12 months if GHG cost recovery does not begin on January 1, 2014. PacifiCorp argued that this authority will allow it to mitigate rate shock in 2014 and to spread some of its 2014 costs into 2015 rates. Consistent with treatment of the other utilities, PacifiCorp proposes to fully amortize 2013, 2014, and 2015 GHG costs and revenues by the end of the 2015 calendar year. As a multi-jurisdictional utility, ARB regulates PacifiCorp differently under the GHG Cap and Trade program from all other investor-owned utilities. Given this regulatory disparity and its effects on PacifiCorp's overall GHG costs, it is reasonable to allow PacifiCorp additional flexibility to amortize 2014 GHG costs into rates.

6.6. Utilities Should File Tier 1 Advice Letters to Update Rates and Set Climate Dividend

Each utility should use a Tier 1 Advice Letter to make the changes necessary to implement the rate changes authorized in this decision. A Tier 1 Advice Letter is effective upon filing, pending Energy Division disposition, and is used for routine or compliance-type filings where the rates or the changes have previously been approved by a decision. Through the Tier 1 Advice Letter, the utility is merely notifying the Commission that the changes are being implemented. The Scoping Memo proposed using the Tier 1 Advice Letter. Several parties supported the use of the Tier 1 Advice Letter process and no party opposed it.

D.12-12-033 requires that prior to incorporating GHG costs and revenues into customer rates, the Energy Division Director shall issue a letter (Energy Division Director Letter). The purpose of the letter is to ensure that various conditions precedent have been met and the program is ready to be rolled out to customers. Therefore, the utilities are directed not to file their advice letters until after issuance of the Energy Division Director Letter.

The Energy Division Director Letter will set the due date for the advice letters and the effective date for the revised tariff sheets. In the event that January 1, 2014 is the effective date, the Energy Division Director will issue the letter not later than December 19, 2013. In the event of a later effective date, the Energy Division Director Letter will allow at least 15 days for utilities to file their advice letters.

There was strong support from the parties for requiring the utilities to each file a Tier 1 Advice Letter to make the necessary tariff changes. No party objected to this process. Although both small utilities stated a preference for a Tier 2 Advice Letter because it would allow for a shorter customer notice period, we believe that for consistency and transparency, all utilities should use the same Tier 1 advice letter and should comply with the same customer notice requirements.

For the two small utilities, the Tier 1 Advice Letter should be coordinated with their required Rule 3.2 notifications and should include Rule 3.2 proof of compliance.

In the event that GHG costs and revenues are not incorporated into rates on January 1, 2014, then the forecast amounts for 2014 should be amortized over the remaining months of 2014. In this way, we will avoid creating a new pool of uncollected forecast GHG cost and revenues that will need to be amortized at a later date.

The Advice Letters filed pursuant to this Phase 1 Decision should use the amounts approved herein, except that (1) the calculation of the return to qualified small businesses should be updated if required by the Small Business Customer Formula Decision and (2) if the new rates are not effective January 1, 2014, then tariff schedule-level GHG costs authorized in this Phase 1 Decision should be updated to reflect the new adjusted amortization period described above.

The timing of the Energy Division Director Letter, issuance of this Phase 1 Decision, and the required Advice Letter filings, as well as the need to amortize costs that accrue after January 1, 2014, were discussed at the November 14, 2013 status conference. Parties supported the procedure described in this section, and no party objected.

6.7. Coordination with ERRA and ECAC Forecast Proceedings

This Phase 1 Decision relies on the GHG cost forecast from SCE's 2013 ERRA Forecast Proceeding (A.12-08-001, approved in D.13-10-052.) For 2014, SCE's GHG cost forecast has been reviewed in these consolidated proceedings and approved in this Phase 1 Decision. The approved 2014 GHG cost forecast found reasonable in these consolidated proceedings may be adopted in SCE's 2014 ERRA Forecast Proceeding (A.13-08-004) at the discretion of the assigned ALJ in that proceeding. To improve future coordination, SCE's next

GHG Revenue and Reconciliation Application should be made concurrently with its 2015 ERRA Forecast Proceeding Application.

This Phase 1 Decision relies on the GHG cost forecast from PG&E's 2013 ERRA Forecast Proceeding (A.12-06-002, approved in D-12-12-008). For 2014, PG&E's GHG cost forecast has been reviewed in these consolidated proceedings and approved in this Phase 1 Decision. The approved 2014 GHG cost forecast found reasonable in these consolidated proceedings may be adopted in PG&E's 2014 ERRA Forecast Proceeding (A.13-05-015) at the discretion of the assigned ALJ in that proceeding.[18] To improve future coordination, PG&E's next GHG Revenue and Reconciliation Application should be made concurrently with its 2015 ERRA Forecast Proceeding Application.

This Phase 1 Decision relies on the GHG cost forecast from SDG&E's 2013 ERRA Forecast Proceeding (A.12-10-002, approved in D.13-10-053.) For 2014, SDG&E's GHG cost forecast has been reviewed in these consolidated proceedings and approved in this decision. The approved 2014 GHG cost forecast found reasonable in these consolidated proceedings may be adopted in SDG&E's 2014 ERRA Forecast Proceeding (A.13-09-017) at the discretion of the assigned ALJ in that proceeding. To improve future coordination, SDG&E's next GHG Revenue and Reconciliation Application should be made concurrently with its 2015 ERRA Forecast Proceeding application.

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[18] The proposed decision in A.13-05-015 is on the agenda for the Commission's December 19, 2013 meeting. If approved, it would authorize the GHG cost forecast on which this Phase 1 Decision relies.

PacifiCorp's GHG cost forecast has been reviewed in these consolidated proceedings and approved in this decision. The approved 2014 GHG cost forecast found reasonable in these consolidated proceedings may be adopted in PacifiCorp's 2014 ECAC proceeding (A.13-08-001) at the discretion of the assigned ALJ in that proceeding. PacifiCorp should file its GHG Revenue and Reconciliation Applications concurrently with its ECAC applications, or, if no ECAC application is anticipated in a given year, PacifiCorp should file its GHG Revenue and Reconciliation Application on August 1 of that year.

Because Liberty Utilities does not have a current ECAC proceeding, there is no need to designate a specific coordination approach for this year. Liberty Utilities should file future GHG Revenue and Reconciliation Applications concurrently with its ECAC applications, or, if no ECAC application is anticipated in a given year, Liberty Utilities should file its GHG Revenue and Reconciliation Application on August 1 of that year.

7. Phase 2 Look Ahead

As discussed at the PHC and in the Scoping Memo, Phase 2 will address other issues identified in D.12-12-033. A second PHC will be scheduled for Phase 2, and a separate Scoping and Memo and Ruling will be issued to clearly identify the issues to be resolved in Phase 2. At this time these issues are expected to include the following:

- Development of rules for calculating a proxy GHG allowance price to be used in future proceedings.
- Reasonableness review of methodologies used by utilities to determine forecast GHG costs and allowance revenues, as well as estimating indirect GHG costs.
- Determining the long-term process for true up of actual GHG costs and revenues against forecasts.

- Determining steps to take to ensure that the GHG Revenue and Reconciliation Applications filed in 2014 and 2015 are efficiently and reasonably coordinated with ERRA Forecast Proceedings and ECAC proceedings.
- Consideration of a separate track for the two small utilities to ensure that the two small utilities and their ratepayers are not unduly burdened by participation in Phase 2.
- Finalization of the Confidentiality Protocols.

8. Confidentiality Protocols

As required by the Scoping Memo, the large utilities have facilitated a working group to draft Confidentiality Protocols that meet the requirements of ARB as well as the requirements of the Commission. These Confidentiality Protocols are intended to ensure that information made publicly available and shared between parties in these consolidated proceedings and future GHG Revenue and Reconciliation Applications does not violate the ARB cap-and-trade regulations and provides adequate public disclosure and transparency. They are also intended to simplify and provide certainty for utilities and intervenors in future GHG Revenue and Reconciliation Applications.

The draft Confidentiality Protocols are required to address the following:

- Identify what information should not be disclosed under the ARB nondisclosure regulations.
- Identify subsets of information that can be disclosed to the public, to parties that sign a non-disclosure agreement (NDA), and to parties that are market participants as described in D.06-06-066.
- Require parties requesting confidential treatment of information to continue to follow standard Commission procedures for requesting confidential treatment (even if the information falls under the ARB nondisclosure restrictions).

As of November 19, 2013, the utilities were finalizing a draft of the Confidentiality Protocols and a confidentiality matrix similar to that used in D.06-06-066. ARB had agreed to review the draft Confidentiality Protocols and provide feedback to the Commission.

Until this process is complete, all motions to file under seal will remain pending.

In the process of developing the Confidentiality Protocols, several parties and ARB have recommended the use of a proxy price to be used in future GHG cost and allowance revenue forecasts. The proxy price would be developed using a common methodology and publicly available pricing data. Each utility would use this proxy for both their forecast cost per GHG allowance and their forecast revenue per GHG allowance. The use of a proxy price, and the methodology for determining any such proxy price, are expected to be addressed in Phase 2 of these consolidated proceedings.

9. 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 December 9, 2013 by SCE, PG&E, SDG&E, PacifiCorp, and CLECA/EPUC, and reply comments were filed on December 16, 2013 by SCE.

In their comments, both SCE and PG&E made corrections to some of the figures in the proposed decision. PG&E also requested modifications related to its determination that its forecast administrative expenses should be reduced by $100,000. These changes have been made.

SDG&E made several comments which did not require changes to the decision. First, SDG&E noted the importance of Commission approval of on-bill messaging prior to introduction of GHG costs and revenues into rates. This issue is being addressed by Energy Division staff outside of this proceeding and in the consolidated proceeding for GHG Customer Outreach Plans. Second, SDG&E seeks permission to file its next GHG Revenue and Reconciliation Application on August 1 in the event that a Phase 2 decision in this proceeding does not issue before March 15, 2014. Rather than address this request in this Phase 1 Decision, we recommend that if the Phase 2 decision does not issue promptly in 2014, utilities seek an appropriate accommodation at that time. Third, SDG&E seeks to have the Confidentiality Protocols finalized before its next GHG Revenue and Reconciliation Application is due. Again, we recommend that if the Phase 2 decision does not issue promptly in 2014, utilities seek an appropriate accommodation at that time.

PacifiCorp requested the ability to amortize 2014 costs over a 12-month period in the event that GHG costs and revenues are not introduced on January 1, 2014. This request is addressed in Section 6.5 above, and in the ordering paragraphs. PacifiCorp requested clarifying language in the ordering paragraph addressing compliance with Rule 32. This change has been made.

PacifiCorp also renewed its request to create a second track for Phase 2 for the two small utilities. This request, however, cannot be resolved until the scope of Phase 2 is determined.

CLECA/EPUC's comments argue for direct access customers to receive 100% of their share of 2013 GHG allowance auction revenues in 2014. These comments are addressed in Section 6.5 above. This proposal is inconsistent with the competitive neutrality provisions of D.12-12-033. In addition, in its reply

comments, SCE emphasized that managing two different amortization periods would create a burden on the utility. It is important to note that EITE customers, whether direct access or bundled utility customers, will receive revenue according to EITE allocation methodologies established in R.11-03-012.

CLECA/EPUC also asked that this Phase 1 Decision clarify that EITE distributions will be prioritized over other customer distributions. Prioritization has already been addressed in R.11-03-012. These consolidated proceedings will not change the order of prioritization. The utilities' revenue allocation for EITE and the small business customer class approved in this decision are forecasts only. The actual amounts of revenue that individual EITE and small business customers will receive in 2014 will be based on the formulas and methodologies developed in R.11-03-012. The revenue allocation forecasts we approve herein for EITE and small business customers *in aggregate* do not limit the total amount of revenue that utilities may allocate to these customers in 2014. Rather, these forecasts are for the sole purpose of setting the fixed semi-annual Climate Dividend that households will receive in 2014.

CLECA/EPUC also asks that the Phase 1 Decision clarify that the GHG Revenue and Reconciliation Application process must ensure adequate public disclosure and transparency of GHG-related data for utility customers. We agree that this is an important aspect of the GHG Revenue and Reconciliation Application process. It will be addressed in the finalization of the Confidentiality Protocols and in Phase 2.

10. Assignment of Proceeding; Procedural Issues

Michael R. Peevey is the assigned Commissioner and Jeanne M. McKinney is the assigned ALJ in these consolidated proceedings.

These consolidated proceedings have been categorized as ratesetting. It has been preliminarily determined that hearings will be necessary for Phase 2 of these consolidated proceedings.

Findings of Fact

1. The proposed forecast GHG cost and allowance revenues returns, including Climate Dividends, for the utilities are set forth in each utility's Summary Accounting Table, as identified below:

- SCE's forecast is summarized in Table I-1 of Exhibit SCE-3C.
- PG&E's forecast is summarized in the Proposed 2014 Allowance Revenue Return table. (Exhibit PG&E 7C-R.)
- SDG&E's forecast is summarized in Table S2-1 Proposed 2014 Allowance Revenue Return (Including $750,000 Funding), Exhibit SDG&E 11C.
- Liberty Utilities' GHG cost, revenue and return forecast is summarized in Exhibit LU-1C Exhibit 2, 2013 and 2014 GHG Cost Summary Exhibit.
- PacifiCorp's forecast is summarized in PacifiCorp Proposed 2014 Allowance Revenue Return, Exhibit B to Exhibit PAC-3C.

2. The rate changes authorized in this Phase 1 Decision will result in each eligible household receiving a Climate Dividend credit twice per year.

3. Pursuant to D.12-12-033, each utility has been tracking GHG costs and allowance revenues in a two-way balancing account and tracking administrative and outreach expenditures associated with the program in memorandum accounts.

4. D.12-12-033 required each utility to file an application on August 1, 2013, seeking approval of 2013 and 2014 forecast GHG costs, allowance revenues, administrative and customer outreach expenses, in order to calculate GHG costs, volumetric returns and Climate Dividends for inclusion in 2014 rates.

5. D.12-12-033 allows for a portion of GHG allowance revenues to be set aside for energy efficiency and clean energy programs approved in relevant proceedings.

6. As of the date of this Phase 1 Decision, no utility has had an energy efficiency or clean energy program approved in another proceeding for which the allowance revenues could be used.

7. The procedure and timing for a utility to request a set aside of allowance revenues for energy efficiency or clean energy programs will be addressed in a later phase of these consolidated proceedings.

8. The forecast GHG cost and allowance revenues, and the actual expenditures for administration and customer outreach will be reviewed in a later proceeding and corresponding adjustments will be made to the customer rates and returns for the next year.

9. It is appropriate and consistent with D.12-12-033 to amortize forecast GHG costs and revenues for 2013 over a period of 24 months or less as part of 2014 and 2015 electricity rates and customer revenue returns.

10. It is appropriate and consistent with D.12-12-033 to reduce the amortization period to less than 24 months if necessary in order to prevent the amortization period from extending into 2016.

11. The deferred 2013 GHG cost and allowance revenue amounts should be amortized equally between 2014 and 2015.

12. In the event that GHG costs and revenues are not incorporated into rates on January 1, 2014, it is reasonable to adjust the amortization period for PacifiCorp's 2014 costs and revenues to allow recovery over a 12 month period ending in 2015.

13. The three large utilities and PacifiCorp request an amortization period of 24 months and Liberty Utilities requests an amortization period of 12 months.

14. The return for EITE customers is made only once per year.

15. The actual amount of revenue that individual EITE customers will receive in 2014 will be determined using the EITE allocation formulas and methodologies being developed in R.11-03-012 and is not constrained by the EITE forecasts approved in this Phase 1 Decision.

16. It is inconsistent with D.12-12-033 to amortize volumetric 2013 GHG allowance revenues for direct access customers over a different period of time than for bundled utility customers.

17. The 2014 GHG Revenue Forecast Applications were made prior to issuance of Resolution E-4611. Resolution E-4611 directed the three large utilities to make changes to categorization of expenditures related to customer outreach and administration of the cap-and-trade program. Resolution E-4611 directed the three large utilities to consign their 2013 outreach and education budgets to the California Center for Sustainable Energy.

18. The utilities appropriately forecasted GHG costs and allowance revenues, and the corresponding returns to customers, consistent with D.12-12-033 and the other decisions issued in R.11-03-012 as of today's date.

19. SCE's 2013 GHG cost forecast is consistent with SCE's 2013 ERRA forecast adopted in D.13-10-052.

20. PG&E's 2013 GHG cost forecast is consistent with PG&E's 2013 ERRA forecast adopted in D-12-12-008 and PG&E's 2014 GHG cost forecast is consistent with PG&E's 2014 ERRA forecast being litigated in A.13-05-015.

21. SDG&E's 2013 GHG cost forecast is consistent with SDG&E's 2013 ERRA forecast adopted in D.13-10-053.

22. SDG&E's Summary Accounting Table includes an updated forecast amount for 2013 customer outreach that is consistent with Resolution E-4211.

23. SCE's Summary Accounting Table and PG&E's Summary Accounting Table are based on the administrative and customer outreach costs forecast prior to issuance of Resolution E-4211.

24. Tier 1 Advice Letters are appropriate for implementing rate changes pursuant to a Commission decision.

25. Pursuant to D.12-12-033, utilities cannot include GHG costs and allowance revenues in rates until authorized by a letter from the Director of Energy Division.

26. Each of the three large utilities filed Rule 3.2 Proof of Compliance for rate changes that may result from this Phase 1 Decision.

27. Each of the two small utilities must comply with customer notice requirements, such as Rule 3.2, before implementing any rate changes pursuant to this Phase 1 Decision.

28. The methodologies used to forecast GHG costs and allowance revenues are reasonable, but do not represent final methodologies. Further revisions to methodologies will be made in Phase 2 of these consolidated proceedings or in R.11-03-012.

29. Evaluation of a utility's GHG cost forecasts in future GHG Revenue and Reconciliation Applications and of the same utility's ERRA Forecast Proceeding

or ECAC Application will be more efficient if the utility files both applications concurrently.

30. Between the date on which applications in these consolidated proceedings were filed and the date of this Phase 1 Decision, two decisions were issued in R.11-03-012: the Small Business Customer Formula Decision and the Implementation Plan Decision.

Conclusions of Law

1. The utilities should not make a set aside for energy efficiency or clean energy programs at this time.

2. The process and timing for approval of a set aside for energy efficiency or clean energy programs should be examined in Phase 2 of these consolidated proceedings.

3. In accordance with D.12-12-033, the forecasts approved in these consolidated proceedings should be used for the purpose of incorporating GHG costs and allowance revenues into 2014 rates, but should remain subject to true up against actual amounts in future GHG Revenue and Reconciliation Applications and actual administrative and customer outreach expenses remain subject to reasonableness review.

4. It is reasonable to rely on GHG cost forecasts for 2013 from 2013 ERRA Forecast Proceedings.

5. It is reasonable and consistent with D.12-12-033 to amortize 2013 GHG costs and allowance revenues evenly over 24 months or less.

6. It is reasonable and consistent with D.12-12-033 to reduce the amortization period to less than 24 months if necessary in order to prevent the amortization period from extending into 2016.

7. In the event that forecast GHG costs and revenues are not included in rates on January 1, 2014, the amount of 2013 and 2014 forecast GHG costs and revenues to be authorized for inclusion in 2014 customer rates should be amortized over the remaining months of 2014, or in the case of PacifiCorp, 2014 forecast costs and revenues may be amortized over a 12 month period beginning in 2014 and ending in 2015.

8. It is inconsistent with D.12-12-033 to amortize deferred volumetric allowance revenues for direct access customers over a different period of time than for bundled utility customers.

9. For purposes of this Phase 1 Decision, it is reasonable to use the administrative and customer outreach forecasts made by the utilities prior to issuance of Resolution E-4611.

10. The amounts and calculations in the Summary Accounting Tables are appropriate and consistent with D.12-12-033 and other decisions made to date in R.11-03-012.

11. Each of SCE, PG&E, SDG&E, PacifiCorp, and Liberty Utilities should be authorized to modify its rates to implement GHG costs and allowance revenues in accordance with that utility's Summary Accounting Table.

12. Liberty Utilities should be ordered to revise the amounts and calculations in its Summary Accounting Table to amortize 2013 GHG costs and allowance revenues over a 24 month period and Liberty Utilities should be authorized to modify its rates to implement GHG costs and allowance revenues in accordance with its Summary Accounting Table as so revised.

13. Advice Letters to implement changed tariff sheets in accordance with this Phase 1 Decision should be filed as GO 96-B Tier 1 Advice Letters.

14. D.12-12-033 requires the Director of Energy Division to issue a letter before GHG costs and revenues are incorporated into customer rates.

15. The Director of Energy Division should issue the letter required by D.12-12-033 before utilities file their Advice Letters pursuant to this Phase 1 Decision.

16. There is no need for evidentiary hearings for Phase 1 of these consolidated proceedings.

17. The PG&E Motion should be granted and the record in Phase 1 should be reopened for the limited purpose of admitting the exhibits listed in Attachment A into evidence.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company (SCE) shall modify its rates to issue a semi-annual Climate Dividend in 2014 and to include in rates the forecasted greenhouse gas costs and revenues consistent with the amounts set forth in Table I-1 of Exhibit SCE-3C.

2. Pacific Gas and Electric Company (PG&E) shall modify its rates to issue a semi-annual Climate Dividend in 2014 and to include in rates the forecasted greenhouse gas costs and revenues consistent with the amounts set forth in the Proposed 2014 Allowance Revenue Return table. (Exhibit PG&E 7C-R.)

3. San Diego Gas &Electric Company shall modify its rates to issue a semi-annual Climate Dividend in 2014 and to include in rates the forecasted greenhouse gas costs and revenues consistent with the amounts set forth in Table S2-1 Proposed 2014 Allowance Revenue Return (Including $750,000 Funding) Exhibit SDG&E 11C.

4. PacifiCorp, an Oregon Company, shall modify its rates to issue a semi-annual Climate Dividend in 2014 and to include in rates the forecasted greenhouse gas costs and revenues consistent with the amounts set forth in PacifiCorp Proposed 2014 Allowance Revenue Return, Exhibit B to Exhibit PAC-3C.

5. Liberty Utilities (CalPeco Electric), LLC (Liberty Utilities), is hereby ordered to revise the amounts and calculations in Exhibit LU-1C Exhibit 2, 2013 and 2014 Greenhouse Gas Cost Summary, to amortize 2013 greenhouse gas (GHG) costs and allowance revenues over a 24-month period. Liberty Utilities shall modify its rates to issue a semi-annual Climate Dividend in 2014 and to include in rates the forecasted GHG costs and revenues consistent with the amounts set forth in Exhibit LU-1C Exhibit 2, 2013 and 2014 Greenhouse Gas Cost Summary as so modified.

6. If the rate changes authorized by this decision are not effective on January 1, 2014, then the affected utility shall calculate the amounts to be included in customer rates so that amount is amortized over the remaining months of 2014, or in the case of PacifiCorp, over a 12-month period ending in 2015.

7. After the Director of the Energy Division issues the letter required by Ordering Paragraph 21 of Decision 12-12-033 (Energy Division Director's Letter), each utility shall submit the necessary advice letters with the Energy Division under Tier 1 of General Order 96-B to implement the rate changes authorized by this decision. The Energy Division Director's Letter will include the timing for submittal of the advice letters and the effective date for the revised tariff sheets. The advice letter shall include changed tariff sheets and supporting documentation for:

a. Residential rate schedules (including master-metered rate schedules) to include the authorized 2014 Climate Dividend Amount;

b. Residential rate schedules (including master-metered rated schedules) and small business rate schedules to include the volumetric dollars per kilowatt hour greenhouse gas (GHG) credit to offset all or the authorized portion of the amount of GHG compliance costs in rates; and

c. Remaining rate schedules to include increases in all customer groups' generation dollars per kilowatt hour rates to collect authorized GHG compliance costs.

8. Prior to submitting advice letters as required under Ordering Paragraph 7, and starting no later than the date of this decision, Liberty Utilities (CalPeco Electric) LLC and PacifiCorp, an Oregon Company, must each begin to take all steps necessary to comply with Rule 3.2 of the Commission's Rules of Practice and Procedure. Liberty Utilities (CalPeco Electric) LLC and PacifiCorp, an Oregon Company shall each include proof of Rule 3.2 compliance with their advice letter.

9. Authorization and approval of forecasts in this Phase 1 Decision is limited to the purpose of using such forecasts to adjust 2014 rates to include forecast greenhouse gas costs and allowance revenues and forecast administrative and customer outreach expenses.

10. Southern California Edison Company, Pacific Gas and Electric Company, San Diego Gas & Electric Company, PacifiCorp, an Oregon Company, and Liberty Utilities (CalPeco Electric), LLC must each amortize 2013 Greenhouse Gas (GHG) costs and 2013 allowance revenues equally between 2014 and 2015, beginning with the month in which GHG costs and allowance revenues are first included in rates.

11. Southern California Edison Company's next Greenhouse Gas Revenue and Reconciliation Application shall be filed concurrently with its 2015 Energy Resource Recovery Accounts Forecast Proceeding Application.

12. Pacific Gas and Electric Company's next Greenhouse Gas Revenue and Reconciliation Application shall be filed concurrently with its 2015 Energy Resource Recovery Accounts Forecast Proceeding Application.

13. San Diego Gas & Electric Company's next Greenhouse Gas Revenue and Reconciliation Application shall be filed concurrently with its 2015 Energy Resource Recovery Accounts Forecast Proceeding Application.

14. PacifiCorp, an Oregon Company (PacifiCorp), shall file future Greenhouse Gas (GHG) Revenue and Reconciliation Applications concurrently with its future Energy Cost Adjustment Clause (ECAC) Forecast Proceeding applications, or, if no ECAC application is anticipated in a given year, PacifiCorp shall file its GHG Revenue and Reconciliation Application on August 1 of that year.

15. Liberty Utilities (CalPeco Electric), LLC (Liberty Utilities) shall file future Greenhouse Gas (GHG) Revenue and Reconciliation Applications concurrently with its future Energy Cost Adjustment Clause (ECAC) Forecast Proceeding applications, or, if no ECAC application is anticipated in a given year, Liberty Utilities shall file its GHG Revenue and Reconciliation Application on August 1st of that year.

16. The Motion of Pacific Gas and Electric Company to Set Aside Submission and Reopen the Record is granted and the record for Phase 1 is reopened for the limited purpose of admitting the exhibits listed in Attachment A into evidence. The exhibits listed in Attachment A are hereby admitted into evidence.

17. Pursuant to California Public Utilities Code Section 1701.5 and for purposes of reviewing the issues delineated in the Scoping Memo of October 4, 2013, Phase 1 of this proceeding is closed.

18. These consolidated proceedings remain open to consider the remaining issues in Phase 2.

This order is effective today.

Dated _____, at San Francisco, California.

ATTACHMENT A

Exh. No.	Sponsor/Witness	Description
PG&E-1-R	PG&E/ Molly J. Hoyt Angelia H. Lim Lisa R. Long Tysen Streib	Prepared Testimony, dated August 1, 2013 (Revised December 6, 2013)
PG&E-3-R	PG&E/ Steve Phillips	Prepared Rebuttal Testimony, dated October 16, 2013 (Revised December 6, 2013)
PG&E-7C-R	PG&E/ Angelia Lim, Tysen Streib	PG&E Updated Summary Accounting Table (confidential version) dated November 8, 2013 (Revised December 6, 2013)
PG&E-8C-R	PG&E/ Angelia Lim, Tysen Streib	PG&E Workpapers (01-04) Supporting Updated Summary Accounting Table (confidential version) dated November 8, 2013 (Revised December 6, 2013)

(END OF ATTACHMENT A)