

Decision 14-12-083 December 18, 2014

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Address  
Utility Cost and Revenue Issues Associated  
with Greenhouse Gas Emissions.

Rulemaking 11-03-012  
(Filed March 24, 2011)

**DECISION ADOPTING LOW CARBON FUEL STANDARD REVENUE  
ALLOCATION METHODOLOGY FOR THE INVESTOR-OWNED  
ELECTRIC AND NATURAL GAS UTILITIES**

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**DECISION ADOPTING LOW CARBON FUEL STANDARD REVENUE ALLOCATION METHODOLOGY FOR THE INVESTOR-OWNED ELECTRIC AND NATURAL GAS UTILITIES**

**Summary**

This decision adopts a methodology for allocating revenue generated from the sale of Low Carbon Fuel Standard (LCFS) credits by the electric and natural gas utilities. The electric investor-owned utilities are directed to allocate LCFS credit revenue to plug-in electric vehicle (PEV) customers by reducing the purchase cost of a PEV or by applying the revenue as a credit against the customer's electric utility bill annually. Electric utilities may return all LCFS revenue through one of these options or divide LCFS revenue between each of these options. Electric utilities may not return LCFS revenue by reducing the volumetric rate levied on the electricity used to re-charge PEVs at residential locations.

Natural gas investor-owned utility companies are directed to allocate LCFS credit revenue to natural gas vehicle customers by reducing the price of compressed natural gas fuel at utility-owned stations accessible to the public or via an on-bill credit for residential customers. Natural gas utilities may choose among these methodologies.

**1. Procedural History**

The Legislature, through the Global Warming Solutions Act of 2006, Assembly Bill (AB) 32,<sup>1</sup> and the Governor's Office, through Executive Order S-1-07, directed state government agencies to develop programs that reduce California's greenhouse gas (GHG) emissions. AB 32 granted the California Air

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<sup>1</sup> Statutes of 2006, Chapter 488.

Resources Board (ARB) authority to regulate California's GHG emissions. Issued on January 18, 2007, the Governor's Executive Order S-1-07 called for "a reduction of at least 10 percent in the carbon intensity of California's transportation fuels by 2020." Pursuant to AB 32 and Executive Order S-1-07, ARB developed the Low Carbon Fuel Standard (LCFS) regulation, which became effective April 15, 2010.<sup>2</sup>

On March 24, 2011, the Commission opened Rulemaking (R.) 11-03-012 to address the use of revenues generated from the sale of GHG emissions allowances allocated to the electric utilities by ARB pursuant to AB 32, the use of revenues the electric utilities may receive from the sale of LCFS credits, and the treatment of potential GHG compliance costs associated with electricity procurement.

The September 1, 2011 Scoping Ruling established three tracks in R.11-03-012 to address these issues. Track 1 focuses on the use of revenues generated by the auctioning of GHG allowances by the electric utilities as required by ARB; the Commission adopted rules for the use of this revenue in Decision (D.) 12-12-033. Track 2 addresses the use of revenues that the electric and natural gas utilities may receive from the sale of LCFS credits pursuant to ARB's LCFS regulation; as part of Track 2, the Commission issued D.14-05-021, as modified by D.14-07-003, authorizing the utilities to sell LCFS credits. Track 3 was to address GHG cost and revenue issues for natural gas utilities; subsequently Track 3 was removed from the scope of R.11-03-012 and is considered in a separate rulemaking, R.14-03-003. This decision pertains to

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<sup>2</sup> See California Code of Regulations, Title 17 Sections 95480 - 9540.  
<http://www.arb.ca.gov/regact/2009/lcfs09/lcfs09.htm>.

Track 2 of R.11-03-012 and adopts the methodology by which the electric and natural gas utilities shall return revenue from the sale of LCFS credits.

On February 8, 2012, the Administrative Law Judges (ALJs) in this proceeding issued a ruling requesting proposals for the use of revenues from the sale of LCFS credits. The ruling included, as an attachment, Energy Division staff's proposal for policy objectives and possible uses of revenue. Staff's proposed objectives by which the Commission could evaluate LCFS revenue use proposals were: be simple to administer, minimize the grid impacts of electric vehicle adoption, and facilitate and increase the adoption of electric vehicles. The ruling encouraged parties to comment on the relevance of the proposed objectives. The ruling also identified the following possible uses of revenue: (1) reduce electric vehicle rates, (2) subsidize utility infrastructure upgrade cost, (3) benefit Electric Vehicle Service Providers, or (4) provide an annual rebate to plug-in electric vehicle (PEVs) drivers. The ruling set forth deadlines for parties to submit initial and revised proposals, provide comments on the proposals, and file reply comments; these deadlines were modified in a March 14, 2012 ruling. On March 30, 2012, thirteen parties submitted nine proposals<sup>3</sup> for revenue return options to be discussed at a Commission workshop on April 18, 2012.

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<sup>3</sup> The following parties, individually or jointly, filed these proposals: Pacific Gas and Electric Company (PG&E), jointly by Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E), collectively the Electric IOUs; SDG&E jointly by Southern California Gas (SoCalGas); Division of Ratepayer Advocates (now called the Office of Ratepayer Advocates (ORA)); Marin Energy Authority (MEA); Natural Resources Defense Council (NRDC); Green Power Institute (GPI); International Council on Clean Transportation (ICCT); Electric Vehicle Service and Equipment Provider Coalition (EVSEP Coalition); BetterPlace, Coulomb Technologies, Inc., and ECotality, Inc.); and General Motors (GM).

A May 1, 2012 ALJ ruling requested additional information from the investor-owned utilities (IOUs) to supplement the record; the ruling also set a new deadline for parties to submit revised LCFS allocation proposals. On May 14, 2012, all but two (GPI and GM) of the parties that submitted initial proposals also submitted revised proposals. A second workshop was held on May 22, 2012 to discuss the revised proposals. On June 12, 2012, the original thirteen parties filed nine sets of opening comments on the proposals. Parties – with the exception of ICCT; the addition of Coulomb jointly with ECOtality; and the addition of American Honda Motor Company, Nissan North America, and Toyota Motor Engineering & Manufacturing North America jointly with GM – filed reply comments on July 10, 2012.

The 2011 amendments to ARB’s LCFS regulation became effective on November 26, 2012.<sup>4</sup>

On November 25, 2013, the Assigned Commissioner and ALJ issued a revised scoping memo inviting parties to submit updated proposals on January 8, 2014; Comments and reply comments were due on January 22, 2014 and January 29, 2014, respectively. PG&E, SCE, SDG&E jointly with SoCalGas, and GPI filed updated proposals. Charge Point, ARB, and California Center for Sustainable Energy (CCSE) also filed comments in this round of proposals.

## **2. Background**

The goal of the LCFS Program is to “reduce greenhouse gas emissions associated with the lifecycle of transportation fuels used in California.” The LCFS regulation establishes annual performance standards from 2011 through

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<sup>4</sup> <http://www.arb.ca.gov/regact/2011/lcfs2011/lcfs2011.htm>.

2020, measured as the average carbon intensity of fuels.<sup>5</sup> Fuel producers and importers must meet these standards by reducing the carbon intensity of their fuels and/or retiring credits.

### **2.1. Low Carbon Fuel Standard Program Credits**

Under the current LCFS regulation, entities that voluntarily opt-in to the LCFS program will earn credits for using transportation fuels with below-average levels of carbon intensity.<sup>6</sup> Natural gas utilities that own natural gas fueling stations and choose to opt-in to the LCFS program will receive LCFS credits associated with the use of approved alternative fuels to supply their own vehicle fleet as well as credits associated with customer purchases of alternative fuel if public access to utility-owned fueling stations is available. Under the LCFS regulation, electric utilities act as a proxy regulated entity on behalf of their customers and receive credits generated by their residential customers when those customers charge PEVs through their home electric service. The ARB regulation requires electrical distribution utilities, as opt-in regulated parties, to:

1. Use credit proceeds to directly benefit current PEV customers;
2. Educate the public on the benefits of PEV transportation; and
3. Provide rate options that encourage off-peak charging and minimize adverse impacts to the electrical grid.<sup>7</sup>

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<sup>5</sup> Section (§) 95482.

<sup>6</sup> Utilities subject to Commission jurisdiction, as providers of low-carbon fuels, will only generate LCFS credits that can be sold in the market; the utilities will not be purchasers of LCFS credits.

<sup>7</sup> Title 17, CCR, § 95484. Requirements for Regulated Parties.

In addition, natural gas and electric utilities may receive LCFS credits through other means, for example contractual assignment of LCFS credits to a natural gas utility from an independently-owned natural gas refueling station or to an electric utility from an Electric Vehicle Service Provider (EVSP), fleet, or business or workplace that chooses not to opt-in to the LCFS program as a regulated party.<sup>8</sup> Utilities that are the proxy regulated entities for the low-carbon fuels may then sell those credits, regardless of how those credits are received.

## **2.2. Previous Commission Policy on Electric Vehicles**

The Commission opened R.09-08-009 to consider alternative-fueled vehicle (AFV) tariffs, infrastructure, and policies to support California's GHG emissions reduction goals. The proceeding was divided into four phases. D.11-07-029, issued in Phase 2, of R.09-08-009 addressed a range of PEV policy issues, including utility rate design and outreach and education activities. D.11-07-029 directed the electric utilities to file plug-in hybrid and electric vehicle rate design proposals.<sup>9</sup> Currently, the three electric IOUs provide light duty PEV time-of-use (TOU) energy rates. The rates are structured to encourage PEV owners to recharge their vehicles during off-peak hours to ensure grid stability.

Issued in March of 2012, California Executive Order B-16-2012 set a target of 1.5 million zero-emission vehicles (ZEVs) on the roads in California by 2025.<sup>10</sup> In 2013, the Governor's Office also developed a "ZEV Action Plan" for state

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<sup>8</sup> California Air Resources Board Final Regulation Order, Section 95480.2.(d) and Section 95484(a)(6).

<sup>9</sup> D.11-07-029 at Odering Paragraph 3.

<sup>10</sup> California Executive Order B-16-2012, issued on March 23, 2012, <http://gov.ca.gov/news.php?id=17463>.

agencies to support the ZEV target, and the Commission was identified as the lead agency on several action items.<sup>11</sup> In November 2013, the Commission closed R.09-08-009 and opened R.13-11-007 to continue consideration of issues relating to the expanding use of AFVs in California. Pursuant to Executive Order B-16-2012, the Commission began working with the California Energy Commission (CEC), the California Independent System Operator, and other stakeholders to develop a Vehicle-Grid Integration (VGI) Roadmap.<sup>12</sup> Published in February 2014, the VGI Roadmap describes the activities necessary to lay the groundwork for a system where PEVs both provide grid services and meet consumer transportation needs. The activities are divided into three tracks to: determine VGI value, develop enabling policy, and support enabling technology development.

### **2.3. Adoption of Electric Vehicles**

As of September 2014, California drivers purchased more than 100,000 PEVs.<sup>13</sup> The CEC estimates that by 2020, there could be more than one million PEVs on the road.<sup>14</sup>

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<sup>11</sup> Governor's Interagency Working Group on Zero-Emission Vehicles, 2013 ZEV Action Plan (ZEV Action Plan), February 2013, [http://opr.ca.gov/docs/Governor%27s\\_Office\\_ZEV\\_Action\\_Plan\\_%2802-13%29.pdf](http://opr.ca.gov/docs/Governor%27s_Office_ZEV_Action_Plan_%2802-13%29.pdf).

<sup>12</sup> California Vehicle-Grid Integration (VGI) Roadmap: Enabling vehicle-based grid services, February 2014. <http://www.caiso.com/Documents/Vehicle-GridIntegrationRoadmap.pdf>.

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[http://www.pevcollaborative.org/sites/all/themes/pev/files/docs/140908\\_News%20Release\\_Final.pdf](http://www.pevcollaborative.org/sites/all/themes/pev/files/docs/140908_News%20Release_Final.pdf).

<sup>14</sup> California Energy Commission, Staff Final Report. California Energy Demand 2014–2024 Final Forecast. December 2013. <http://www.energy.ca.gov/2013publications/CEC-200-2013-004/CEC-200-2013-004-SF-V1.pdf>. Using a mid-demand scenario based on table 11.

The California Clean Vehicle Rebate Program (CVRP) offers up to a \$2,500 rebate for the purchase of new, eligible zero-emission and plug-in hybrid light-duty vehicles. There are currently 30 models eligible for CVRP Incentive.<sup>15</sup>

### **3. Proposals for the Use of LCFS Revenue**

To provide guidance to parties for purposes of developing proposals addressing the use of LCFS credit revenues, as well as the Commission's evaluation of those proposals, the February 8, 2012, Ruling proposed the following three key policy objectives for use in assessing the proposals:

- (1) Administrative Simplicity
- (2) Minimize the grid impacts of PEV adoption
- (3) Facilitate the adoption of PEVs

The February 8, 2012, Ruling also encouraged parties to suggest alternative or additional policy objectives beyond those enumerated.

Parties proposed the following:

- Ensure visibility to maximize impact;
- Ensure consistency with the objectives and policies in R.09-08-009;
- Promote and support competition in the PEV markets;
- Avoid duplication; and
- Return revenue to current PEV customers in the manner they were generated.

Attachment A to the February 8, 2012 Ruling also identified the following four possible uses of revenue from the sale of LCFS credits as suggested by Energy Division staff:

1. Use revenue to reduce electric vehicle rates;

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<sup>15</sup> <http://energycenter.org/clean-vehicle-rebate-project>.

2. Use LCFS revenue to subsidize utility infrastructure upgrade cost;
3. Use LCFS revenue to benefit Electric Vehicle Service Providers; or
4. Return value in the form of an annual rebate to PEV drivers.

### **3.1. Summary of Proposals for Electric Utilities**

Parties responded to this guidance and proposed various mechanisms to return credit revenues. The party proposals can be grouped into four broad categories: 1) Volumetric Rate Reduction, 2) Charging Infrastructure Subsidies, 3) Annual Credit, and, 4) Vehicle Purchase Rebate. These categories are discussed below.

Several parties that submitted proposals in the first round submitted revised proposals in the second round. In the opening and reply comments, most parties recognized the value of the various proposals and suggested that it may be appropriate for the Commission to provide the utilities with the flexibility to return LCFS credit revenues in a way that best suits the utility and its customers.

#### **3.1.1. Reduction in EV Rates**

In Attachment A to the February 8, 2012 Ruling, staff noted that it is possible to return the LCFS credit revenue volumetrically to PEV customers by lowering PEV-specific rates that electric utilities currently offer to PEV owners. A volumetric revenue return is one in which the amount of revenue returned is determined by the volume of electricity a consumer purchases.

A number of parties raise implementation issues with this proposal. NRDC and the electric IOUs note that the majority of PEV drivers are not on PEV rates either due to lack of awareness of the rates, or because they have

determined the rates would not be beneficial. NRDC and ICCT suggest that while making rates more attractive could encourage some consumers to switch to PEVs, this method does not provide enough visibility to customers about the benefit they are receiving. NRDC suggests that if a usage-based credit were adopted, the utilities should promote customer awareness of the program through electronic and paper communications highlighting the amount of the return.

Parties raised additional challenges to this approach, including that it requires customer education; submetering is necessary for customers to access PEV rates; and customers must perform complex estimations of future rate savings in order to assess the value of the revenue. The EVSEP Coalition suggests the Commission implement a submetering protocol to remove the requirement that PEV customers purchase an expensive second meter before enrolling in PEV rates. GPI adds that the IOUs do not have a good estimate of the population of current PEV users in their service territories and suggests that proper tariffs, as addressed in R.09-08-009, and not LCFS revenue, should be used to incentivize off-peak charging.

### **3.1.2. Usage-based monthly on-bill credit**

In their initial proposal, the electric IOUs propose returning LCFS credit revenue volumetrically via an on-bill credit that is based on measured or estimated PEV charging. The utilities propose taking the total revenue from liquidated LCFS credits and dividing that number by the total kWh reported to ARB to generate the customer credits, yielding a flat cents-per-kWh allocation. The proposal allocates revenue proportionally either by direct kWh measurement for separately metered customers or by using estimated kWh for non-separately-metered customers.

ORA supports this proposal provided that LCFS credit revenue is sufficient to cover administrative costs and allow the return of at least 90% of the revenue to the ratepayers and suggests that this proposal best fits ARB and Commission objectives to directly benefit PEV customers, achieve administrative simplicity, and return the greatest amount of LCFS revenue to those who generated it.

MEA also supports an on-bill credit to all customers that own PEVs, whether they receive bundled or unbundled utility service. However, in contrast to the IOU proposal, they recommend that a separate generation-related line item be applied to the bills of PEV-owning customers. MEA also argues that customers who purchase cleaner energy generate a greater number of credits and should receive a higher return.

Several other parties raised concerns regarding a usage-based credit. GM objects to this proposal, stating that in the nascent stage of the PEV market, there is little evidence that anything besides a rebate on the purchase of a PEV will increase the adoption of PEVs.

The EVSEP Coalition also opposes on-bill credits, given that on-bill credits lack visibility due to the complexity of utility bills, and since customers may only pay attention to their total bills, and not each line item, the credit could “actually work against efforts to encourage conservation and off-peak PEV charging.”

### **3.1.3. Subsidies for Electrical Infrastructure and PEV Supply Equipment**

Attachment A to the February 8, 2012 Ruling also suggested that LCFS revenue returns could be used in two ways to reduce the cost of infrastructure associated with electric vehicles for PEV drivers. The first approach suggested by staff is to apply LCFS revenues to the cost of any distribution system

upgrades needed to accommodate PEV charging. At that time, excess PEV charging costs were treated as common facility costs. In other words, the cost of any distribution system upgrades triggered by additional load for PEV charging is not borne by the PEV driver but is spread among all of a utility's distribution customers instead. The "common treatment" of these costs was extended in D.13-06-014 and the Commission is scheduled to re-evaluate it in 2016.<sup>16</sup> The IOUs note that electric vehicle charging infrastructure costs and cost recovery methods are being considered as part of the load research track of the Alternative Fueled Vehicle Rulemaking.

The IOUs and EVSEP Coalition claim that using LCFS revenues to reduce the cost of distribution upgrades proposal does not comply with ARB's requirement that the value of the credits must benefit PEV drivers. NRDC, ORA and EVSEP also maintain that distribution system upgrades would benefit multiple customers, and would not directly benefit PEV customers and that, as long as the "common treatment" method for recovery of PEV-related distribution upgrade cost is in effect, providing subsidies to reduce electric utility infrastructure costs provides no separate benefit to PEV drivers. They maintain that, at best, this approach would simply avoid creating a disincentive for PEV ownership.

As an alternative approach to using LCFS revenues to support EV-related infrastructure, staff suggested providing LCFS revenues to EVSEPs, which may play an important role in deploying charging stations to households in California since the EVSPs are allowed to provide charging services in residential settings.

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<sup>16</sup> D.13-06-014 Ordering Paragraphs 1 and 2.

The EVSEP Coalition emphasizes the need to directly benefit current customers and suggests that the Commission “provide a targeted rebate to every PEV customer that uses it to invest in networked smart charging technology.” Providing revenues to EVSPs, therefore, would indirectly benefit infrastructure deployment.<sup>17</sup> The EVSEP Coalition proposes that during the initial implementation period (2013-2015), the Commission distribute LCFS credit revenues on a first-come-first-served basis in the form of rebates to PEV users that have invested in PEV service equipment that facilitates managed or “smart” charging during off-peak periods. In this proposal, the PEV customer would either receive the LCFS rebate as a direct pass-through or directly assign the LCFS rebate to a third party service provider to offset the purchase of smart grid enabled PEV service equipment.

NRDC agrees that LCFS regulations require that LCFS credit revenues directly benefit PEV customers and that EVSPs operating in the residential context as utility customers taking service on PEV rates should be considered PEV customers and should benefit from revenue return as would other PEV customers.<sup>18</sup>

GPI supports a rebate for interconnection and electrical upgrades of charging equipment, arguing that this rebate proposal would be more consistent with the intent of the LCFS credit program to expand the PEV market. GPI also offers an alternative rebate proposal in which the majority of LCFS revenues would be used to help defray the costs of capital-expense items, some funds would be used to facilitate the development of smart-charging capabilities for

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<sup>17</sup> EVSEP January 8, 2012 Comments at 9.

<sup>18</sup> NRDC January 8, 2012 Comments at 6.

PEVs, and some would be used for education and outreach. Instead of providing rebates for the purchase of PEVs, GPI's proposal would reduce the cost of the electrical hookups for PEVs. Charge Point supports GPI's proposal, reiterating that LCFS revenues should be used for direct rebates to customers purchasing smart charging equipment, rather than as small payments or bill credits.

The IOUs and ORA express concern that this proposal does not directly benefit the customers that generate LCFS credits. MEA also objects to this approach, arguing that subsidizing EVSPs does not guarantee that the LCFS benefits will be returned to PEV owners, and the Commission should not use LCFS revenues to "pick winners within the EVSP market."<sup>19</sup> MEA also notes that a rebate for charging equipment ties LCFS revenue to property ownership in addition to PEV ownership and that since not all customers are able to install charging equipment, certain PEV customers could not benefit from the rebate approach.

ORA also notes that it is unclear if benefitting EVSPs is necessary, given the proposed settlement between the Commission and NRG which would fund the construction of a statewide network of charging stations.<sup>20</sup>

ORA objects to the GPI proposal as excessively complicated and inequitable, noting that it may not be cost-effective due to the large allocation of funds to education and outreach and that the research component of GPI's proposal is redundant with the Commission's Electric Program Investment

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<sup>19</sup> MEA January 8, 2012 Comments at 6.

<sup>20</sup> ORA March 30, 2012 Comments at 5, citing "Governor Brown Announces \$120 Million Settlement to Fund Electric Car Charging Stations Across California," March 23, 2012, <http://gov.co.gov/home.php>.

Charge Program. SDG&E and SoCalGas also object, claiming that GPI's alternative proposal would not benefit current customers, and therefore would not benefit all PEV owners.

#### **3.1.4. Annual On-bill Rebate**

Attachment A to the February 8, 2012, Ruling also proposed returning revenue to PEV drivers via an annual check or on-bill rebate. ORA points out that, in this case, the LCFS annual rebate is not needed to maintain a carbon price signal, and notes that mechanisms such as an up-front, lower off-peak PEV charging rate would, consistent with the goals of the LCFS program, encourage customers to use an already lower-carbon alternative fuel- electricity- at its lowest carbon emissions value.

The EVSEP Coalition suggests that an annual rebate could encourage PEV purchases, but recommends that the Commission target any rebates to customers who charge off-peak or invest in smart charging equipment. ICCT argues that the rebate can provide grid reliability benefits by educating customers on time of use charging options and notifying utilities about PEV purchases and movements.

NRDC supports an annual rebate approach and notes that because rebate checks require action on the part of the customer in the form of cashing the check, customers may be more likely to recognize the program benefit. ICCT agrees that annual rebates are more visible than rate reductions, but notes that they are less visible than an upfront rebate. GPI also expresses concern that the marginal savings of an annual rebate might be insufficient to influence a consumer's decision to purchase of a PEV.

MEA further suggests that since the annual rebate would not correlate with actual PEV usage, the dissociation between the rebates and the customers'

consumption will not encourage PEV owners' electricity consumption habits toward minimizing grid impact.

PG&E supports an on-bill credit to current customers. PG&E's revised proposal recommends that the amount returned to PEV customers should be based on the customer's battery size, thus providing drivers that presumably drive more miles on electricity a larger rebate. PG&E recommends that the utilities work with the California Department of Motor Vehicles (DMV) to identify and provide all registered hybrid electric vehicle and battery electric vehicle owners with information about the availability and application process for the on-bill LCFS credit. PEV owners would then identify themselves to PG&E as a PEV owner to be eligible for the rebate. CCSE and ORA support PG&E's proposal.

ARB explains that it does not have the authority to use confidential DMV data to assist utilities in locating PEV customers but that the DMV can provide utilities with the addresses where electric vehicles are registered so utilities can contact these customers. PG&E counters that the code prohibits utilities from using the PEV addresses "for purposes of identifying the individual or individuals residing at the address;" therefore, PG&E must work to develop another solution to identify PEV customers.

GM cautions against using battery size as a "good proxy" for the generation of LCFS credits given that (1) current data suggests otherwise, and (2) PEV customers who generate more electric miles with a smaller battery will have a negative experience with the program. GPI contends that battery size is a poor indicator of the amount of electrified driving.

GPI believes that distributing all of the funds to drivers that self-identify fails to achieve the overall objective of the LCFS program, which is to increase

the market for electric transportation. They are also concerned that (1) “the payments available to registered PEV owners are not correlated to their actual usage of electricity for transportation;” and (2) “there is no mechanism to determine when a PEV owner either sells or junks his or her vehicle.”<sup>21</sup>

Marin Clean Energy (MCE; formerly Marin Energy Authority) is concerned with the opt-in nature of PG&E’s proposal, and recommends an opt-out approach to be more inclusive. MCE points to low levels of participation in other PG&E opt-in programs as evidence for putting more resources into identifying PEV customers.

ORA states that it is not clear whether a utility can rely on cross-referencing confidential DMV information with its customer address records to identify PEV owners in order to provide rebate information or education owners about charging options. Until there is clarification, ORA recommends basing customer communications on self-identification.

### **3.1.5. Up-front Purchase Rebate**

GM and SCE each propose to use LCFS revenue to reduce the cost of PEV ownership, encouraging a greater number of PEVs on the roads. GM recommends that the IOUs deposit LCFS credit revenue into California’s CVRP, a highly visible program that provides rebates for the purchase of a new PEV. GM maintains that “sales data for the Chevrolet Volt in California shows that vehicle-focused incentives directly increase market adoption of PEVs. During the first 15 months since launch, Volt sales in California without state incentives averaged less than 150 units per month. Now that the Volt qualifies for

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<sup>21</sup> GPI January 22, 2012 Comments at 2.

single-occupancy HOV (high occupancy vehicle) lane access and the \$1,500 state rebate, average monthly sales in California have increased to more than 400 units per month.”<sup>22</sup> GM contends that this approach can reduce administrative costs, because the program has already been developed.

ORA cautions that an upfront rebate would not conform to ARB’s requirement of benefitting current PEV customers. ORA is also concerned that the proposals may create equity issues for existing owners. For example, PEV owners that moved into California, those that purchase used PEVs, or those that lease PEVs might not receive the upfront rebate despite the fact that they use the vehicles that generate the LCFS credits. However, ORA acknowledges some of the benefits of the upfront rebate approach, such as high visibility and flexibility to expand eligibility to include existing PEVs.

ICCT proposes a larger one-time up-front rebate to PEV buyers that would monetize, and provide to the customer, the projected value of future LCFS credit generation for a fixed period such as five years. This approach would require a functioning market for credits where utilities could contract for future credit sales at fixed prices per ton.

The IOUs counter that upfront rebates require financing by non-participating utility customers and create unnecessary risk. They argue that there is substantial risk in advancing any amount of credit value given that there is no true market information on prices. Upfront rebates from credits, when compared to existing government tax credits and rebates, may be so low as to be relatively insignificant to purchasers. Additionally, the IOUs argue that the

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<sup>22</sup> GM June 12, 2012 Comments at 2-3.

LCFS regulation prohibits regulated parties from borrowing or using credits from anticipated future carbon intensity reductions.

In its January 2014 proposal, SCE proposed to return the LCFS credit revenue to PEV customers through a one-time “Clean Fuel Reward.” Under this proposal, SCE would work with PEV dealers who would provide SCE customers a simple voucher with a unique identifier to be redeemed from SCE. Residential PEV adopters, including existing PEV owners at the time of the program’s launch, buyers and lessees of new PEVs, and buyers and lessees of used PEV would be eligible to receive the Clean Fuel Reward. SCE would work with auto dealers to identify current and potential owners and all applicants would receive educational materials.

In addition to the Clean Fuel Reward that SCE would provide to PEV buyers and lessees, SCE also proposes paying a separate incentive to dealers. The payment to dealers would incent them to market the program to prospective PEV drivers. MCE and CCSE argue that the auto dealers should already have incentives to sell EVs, and should not require additional financial incentives, as proposed by SCE. ORA suggests that the \$50 dealer incentive might be too large. GPI favors the up-front capital approach, but expresses concern that there are opportunities to game the system by annually “trading ownership papers” to repeatedly generate LCFS rebates for a given vehicle.

NRDC supports SCE’s proposal, stating that the Clean Fuel Reward would provide a highly visible incentive to customers and an opportunity to engage auto dealers, who play a key role in the PEV market.

CCSE and MCE express concern about using a non-neutral third-party to provide the vouchers. MCE is particularly concerned that the burdensome customer outreach component of the program depends on the effectiveness of

auto dealers. MCE and CCSE argue that the auto dealers should already have incentives to sell PEVs, and should not require additional financial incentives, as proposed by SCE.

### **3.2. Proposals for Natural Gas Utilities**

SDG&E and SoCalGas filed proposals and comments related to natural gas utilities' abilities to use the revenue they receive from sale of LCFS credits. They state that the LCFS regulation does not restrict the credit proceeds for natural gas vehicles (NGV) as it does for PEVs. They propose that LCFS credits generated by providing natural gas as a transportation fuel should be returned to NGV in the form of a compressed natural gas (CNG) vehicle and/or home refueling appliance buy-down program.

ORA does not recommend that the Commission approve a LCFS program for credits generated from NGVs until more information is available about the costs and benefits of the potential program.

In their January 2014 filing, SDG&E and SoCalGas amended their proposal and no longer recommend a vehicle or refueling appliance buy-down program. Instead they recommend returning revenues to NGV customers as a credit at the pump by modifying their rate schedule for utility-funded fueling stations. Specifically, they recommend that "the amount of the LCFS credit would be determined on an annual basis by dividing the public access compression volumes developed in the most recent cost allocation proceeding into the revenue generated from LCFS credits resulting from CNG vehicles fueling at utility public access CNG refueling stations in the previous year net of any LCFS administration costs, including any LCFS credits assigned to the utilities by

third-party customers.”<sup>23</sup> ORA generally supports this proposal. PG&E proposes the revenue from NGVs be returned to NGV customers who refuel their NGV at the natural gas refueling stations owned by PG&E “as a volumetric on-bill credit based on amounts of natural gas measured at PG&E’s natural gas refueling stations.”<sup>24</sup>

The difference between the two NGV proposals, which both reduce the price of CNG fuel, is the point where the credit is applied. PG&E NGV refueling stations use PG&E’s proprietary billing cards to process fuel transactions upon the customer’s utility bill, while SoCalGas and SDG&E-owned NGV refueling stations use customers’ third-party issued credit cards to process transactions at prices published at the refueling station.

#### **4. Discussion**

##### **4.1. Summary**

In accordance with the LCFS regulation, this Decision adopts a methodology for allocating revenue generated from the sale of LCFS credits by the electric and natural gas utilities. The electric IOUs are directed to allocate LCFS credit revenue using one or both of the following methods:

- 1) Reduce the upfront purchase price of a PEV at the point-of-sale with a rebate, which could also be provided to existing PEV owners at the start of the program;
- 2) Reduce fuel costs for PEV drivers annually with a credit; and
- 3) Electric utilities may return all revenue through one of these options, or divide LCFS revenue between each of these options. Electric utilities may not return revenue

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<sup>23</sup> SCE January 8, 2014 Comments at 6.

<sup>24</sup> PG&E January 8, 2014 Comments at 4.

through electric vehicle rate reductions. Additional requirements are included later in this section.

The natural gas IOUs are directed to allocate LCFS credit revenue using one of the following methods:

- 1) Reduce the fuel price at the point-of-sale at IOU-owned compressed natural gas refueling stations; and
- 2) Reduce the volumetric energy rate levied on natural gas used for refueling NGVs for residential customers.

Natural gas utilities may return all revenue through either one of these options.

Additional requirements are included later in this section.

#### **4.2. Policy Objectives**

This decision adopts the following policy objectives to determine appropriate revenue return policies used in this proceeding:

Objective 1: Encourages AFV Adoption

Objective 2: Equitable Return to AFV Drivers

Objective 3: Encourages Prompt Utility Notification to minimize grid impacts

Objective 4: Administrative Simplicity

These objectives were derived from the three objectives proposed in Attachment A to the February 2012, Ruling and party comments. These objectives facilitate the achievement of the Commission's order<sup>25</sup> that pursued mechanisms to facilitate "notification" to track the location and re-location of PEVs on the electric grid. These objectives seek return policies that provide utilities with notification data that is (a) broadly applicable to both purchasers

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<sup>25</sup> D.11-07-029 Ordering Paragraph 1.

(of new and used vehicles) and existing owners; and (b) timely to minimize impacts on the grid.

Objective #2 adopts with modifications the IOUs' suggested objective to return revenue to customers in the manner that they were generated. The Commission agrees with the objective to allocate credit revenues to the drivers that generate them in order to be equitable in the compensation of vehicle customers. However, the Commission refines this objective to prioritize mechanisms that equitably return revenue in a way that:

- Credits customers that contributed to fuel carbon intensity reductions since the time that the utility opted into the LCFS program but have not yet received the credits' accrued value.
- Recognizes the societal benefits resulting from existing and future customers' use of low carbon fuels regardless of their enrollment in TOU rates or the utility's ability to directly meter that customers' usage.

We find that Compliance with the ARB Regulation, encouraging PEV adoption, and equitable return to PEV drivers should be the primary objectives for LCFS revenue return. Utility notification and administrative simplicity are considered secondary objectives, but remain important to the Commission's evaluation of revenue return options.

#### **4.3. LCFS Credit Revenue Distribution Methodology for Electric Utilities**

Below, each of the four suggested approaches to returning LCFS revenues for electric utilities are evaluated using the adopted program objectives described in Section 5.2 above. We conclude that annual credits and upfront rebates are the best options for achieving the Commission's objectives for the LCFS credit allocation. Usage-based bill credits, PEV rate reductions, and subsidies for charging infrastructure fail to meet the identified criteria or the requirements of

ARB's regulation, and electric utilities are prohibited from returning revenue using these approaches.

SCE asks that the Commission allow each utility the opportunity to implement its own unique LCFS plan. We agree with this approach, as it allows each utility to develop the LCFS plan that best meets the needs of its ratepayers as long as the electric utilities are limited to using either or both of the approved allocation methodologies. At this time, we cannot confidently predict the effectiveness of either approach in achieving the program objectives. Allowing the utilities to experiment may help reveal which, if either, approach is more effective, and the utilities may be able to tailor their programs in ways that meet the needs of their different ratepayers.

#### **4.3.1. Annual Credit**

Under an annual credit approach, the utility provides an annual rebate to PEV customers regardless of what rate schedule they are on. Unlike a reduction of EV-specific rates, this credit is not distributed proportionally to the amount of electricity consumed for PEV charging. Instead, some other metric is used to divide the LCFS revenue among customers. The revenue could be distributed equally to each vehicle or household, or it could be distributed based on an estimate of electricity consumed by the vehicle. PG&E suggests distributing the annual credit based on the battery size of the vehicle.

The annual credit approach is likely to perform well across all five program objectives. An annual credit is more equitable than a PEV rate reduction because an annual credit does not exclude those who are not on PEV tariffs. The annual credit could be set on a per household basis or based on other factors aimed at estimating the volume of LCFS credits generated by PEV drivers.

An annual credit can also encourage universal, prompt utility notification. For example, a credit provided when a utility is notified of the vehicle purchase would give customers an incentive to report their vehicle purchase as early as possible. Because an annual credit is larger and more transparent than a monthly usage-based rate reduction, customers may have a greater incentive to report their vehicle purchases as early as possible. For the same reason, an annual credit is likely to be more effective than a rate reduction for incenting PEV adoption.

An annual credit is likely to have moderate administrative complexity. While a rate reduction can be administered relatively easily through tariff changes, distributing a credit on an annual basis to PEV drivers requires additional effort to identify PEV drivers that are not on PEV tariffs. In addition, when administering an annual credit, the utility would have to track PEV ownership to ensure that it does not continue issuing credits after the PEV has been sold. Nevertheless, the Commission does not view these challenges as insurmountable and finds that overcoming them will provide the utilities with the additional benefit of tracking the location of PEVs on the distribution system.

In comments to the Proposed Decision, the electric utilities support a relaxation of the limitation to return LCFS credit revenue “on-bill.” SCE requests that utilities have discretion to determine which delivery method would achieve administrative simplicity. SDG&E identified that without a relaxation of this requirement, PEV drivers would only receive their credit revenue if they were also the customer of record on a utility account (e.g. to the exclusion of tenants). ORA opposes this request due to cost uncertainty. We agree that the description of the return mechanism should be modified to permit rebates as well as on- or

off-bill credits. The utilities shall describe the method to return LCFS credit revenue annually to customers in their Implementation Plans.

#### **4.3.2. One-time upfront PEV Ownership Rebate**

Another option for returning LCFS credit revenue is to provide a one-time rebate at the point of PEV sale or lease, possibly extending the rebate to existing PEV drivers at the time the program is put in place. This methodology meets all the CPUC objectives for LCFS revenue allocation.

Universal and prompt utility notification would be facilitated by using one-time rebates because the opportunity for a larger single payment disbursed shortly after the acquisition of a PEV will be more likely to motivate PEV drivers to notify their utilities. SCE states that it anticipates an up-front rebate will increase identification of residential PEV charging locations, which will help SCE anticipate system upgrades and educate customers about PEV rates (SCE-E, 7-8). NRDC also recognizes that a one-time rebate could help utilities achieve their notification goals (NRDC-F, 1).

A one-time rebate can achieve equitable distribution to all PEV drivers. Unlike a rate reduction that depends on PEV customers using PEV rates, a one-time rebate can be provided to every driver that buys or leases a PEV insofar as a utility successfully engages the PEV distributors in its service territory to help make customers aware of the rebate.

The rebate could also be provided to customers who already have PEVs at the start of the program and those who buy a used PEV (SCE-E, 4). Although it may be difficult for the utility to identify such PEV drivers (MCE-F, 6), there are ways to address that problem, such as using dealer records to identify existing PEV drivers and publicizing the existence of the rebate on the utility's website

(SCE-G, 4). Achieving distribution to existing PEV owners would further the goal of increasing utility awareness of the location of PEVs.

Of all the options for returning LCFS revenue, a one-time rebate is likely the best means to encourage PEV adoption because it would be provided to all PEV buyers as an up-front amount off the purchase of the EV. Moreover, some of the revenue could be provided to auto sales personnel, providing extra motivation to sell EVs. General Motors supports the upfront rebate would be the most effective method to support PEV adoption (GM-F, 3-4). Although ChargePoint does not believe that revenue levels will be high enough to impact PEV adoption, such a criticism would apply to all means of returning LCFS revenue (CP-F, 3).

An up-front PEV ownership rebate would be moderately complex to administer, since it would involve outreach to car dealers, verification of second-hand transactions and outreach to existing PEV owners. Those complexities are not insurmountable, however, and we find that the other benefits of this method of revenue return outweigh the potential administrative complexity. For that reason, we will allow the electric utilities to return revenue to PEV buyers and owners through a one-time, up-front rebate.

#### **4.3.3. Electric Vehicle Rate Reduction**

Returning LCFS revenue through a rate reduction for electric vehicles ranks highly on two of the four program objectives, and such an approach is clearly permitted under the ARB LCFS regulation. It is also administratively simple because it can be executed by forecasting the number of credits, value of credits, and electric vehicle load at the start of each year with ex-post true-ups occurring at the end of each year.

In contrast, a rate reduction will likely fail to achieve the other two objectives. As NRDC and the electric IOUs point out, the majority of PEV drivers in IOU service territories are not currently on PEV rates. It is unclear how a rate reduction would reach these customers, since the utility would not likely be able to identify these households. If the rate reduction were large enough to induce a large number of PEV drivers to enroll in PEV rates, the returns could be distributed more equitably. However, we find the arguments of NRDC and ICCT persuasive that a rate reduction is unlikely to be high enough to induce customers to switch to PEV rates – particularly since some PEV drivers may have legitimate reasons not to enroll in PEV rates, such as metering costs – and thus this method is unlikely to induce prompt and universal utility notification.

Finally, we conclude that a PEV rate reduction would have little impact on PEV adoption, since the PEV drivers would have to be on the PEV rate and be savvy about electric rates and energy usage in order to calculate the total savings from the LCFS credit. Because this approach fails to satisfy most of the key objectives for LCFS revenue return, we will prohibit the electric utilities from returning revenue using a PEV rate reduction.

#### **4.3.4. Infrastructure Subsidy**

Several parties recommend use of LCFS revenue to reduce infrastructure costs. ChargePoint and GPI argue that LCFS revenue should be used to subsidize the installation of smart charging infrastructure.

As noted by SCE, however, using LCFS revenue to fund charging equipment would not meet the ARB requirement that LCFS revenue be used for the benefit of current PEV customers, since many customers charge using the cord set provided with the vehicle and do not purchase additional charging

equipment. In addition, since both current and future PEV drivers who do not purchase charging equipment would not benefit from such a distribution methodology, this methodology would not ensure equitable distribution of LCFS revenue – one of the Commission’s primary policy goals.

Although an infrastructure subsidy may help support PEV adoption and utility notification, it would fail to meet two critical criteria – compliance with ARB requirements and equitable revenue distribution to PEV drivers. Because this type of revenue distribution may not comply with ARB’s regulation and may fail to meet critical policy objectives, we will prohibit utilities from using LCFS revenues as an infrastructure subsidy.

#### **4.4. Flexibility in Revenue Return Method**

SCE, PG&E, GM, NRDC and ARB all ask that the Commission allow utilities flexibility in their revenue return programs, particularly during the initial years of implementation. We will allow the utilities to select among the two options that we approve in this Decision.

Rather than specifying which option each utility must use, we will permit each utility to choose between an annual credit and a one-time upfront rebate. Utilities may also opt to distribute LCFS revenue under both of these methodologies during a given year. The two revenue return mechanisms are intended to complement each other in the cases of continued increases in PEV adoption and the ongoing use of and LCFS credits generated from individual vehicles, and there may be situations where a utility finds it necessary to complement the upfront purchase rebate with an annual rebate.

First, as the ratio of the stock of EVs to the incremental sales in a given year increases over time and an increasing number of credits are generated per new PEV sold or leased, it may be necessary to direct some revenue to compensating

the drivers that are generating credits to avoid inadvertently incentivizing customers to delay their adoption for purposes of waiting for a higher purchase rebate. Second, it is possible that the revenue generated over the operational lifetime of a given PEV will exceed the revenue that it may have received in the form of a purchase rebate. Supplementing the upfront rebate with annual credits will enable continued fuel savings that can be transferred with the PEV during ownership changes.

#### **4.5. Differentiation Based on Carbon Content**

PG&E and MCE both suggest that the calculation of the credit recognize the differences in the carbon intensity of the electricity each individual customer uses as a transportation fuel. PG&E states: “The electricity generation mix should also be taken into account when determining the on-bill credit value for customers, because customers who charge their vehicles with electricity generated by a higher proportion of carbon free resources are generating more LCFS credits and therefore should be rewarded with a higher on-bill credit value.”

ARB currently does not differentiate the carbon intensity of the electricity each individual customer uses when customers create credits, but it does permit regulated entities to use default values or to propose an alternative methodology to calculate carbon intensity. While we are concerned about the administrative cost of calculating and differentiating the revenue return to customers by carbon content, we agree that the utilities should be permitted to propose an alternative methodology to ARB. However, given the time for a utility and/or other load serving entity to appropriately scope the modifications to the ARB tool used to determine carbon intensity and receive approval for an alternative methodology, we will not require the utilities to differentiate LCFS revenues to

individual customers in their Implementation Plans. In order to timely implement the overall LCFS program, the utilities' Implementation Plan should describe the process they will follow to calculate, identify applicable customers, and return credit revenues generated from an alternative methodology if they intend to pursue this option. Once the utilities receive approval from the ARB Executive Officer for the alternative methodology, they should update their Implementation Plans via Tier 2 Advice Letter.

#### **4.6. Implementation Requirements for Electric Utilities**

While this Decision adopts two broad methods for returning LCFS revenues to PEV drivers, there are a number of implementation details critical to both methods that will need to be resolved. In D.14-05-021, the Commission anticipated that certain implementation details would need to be further developed and ordered the utilities to file LCFS Implementation Plans via Tier 2 Advice Letter no later than 60 days following the adoption of the Decision adopting policies for LCFS revenue return. In this Decision, we reiterate and refine that order. In addition to any information required by D.14-05-021, the utilities' implementation plans should also address each of the following issues:

- How will the utility calculate the number of LCFS credits generated by each customer?
- Who receives the revenue from the sale of LCFS credits?
- How are LCFS revenue recipients identified?
- How will the utility calculate the amount of revenue to be distributed to each customer?
- By what means is the revenue distributed to the customer and how frequently is revenue distributed?
- How will vehicle ownership changes be identified, addressed and tracked?

- How will the utility track and true-up revenues and disbursements from the program?
- How will the program be marketed in a competitively neutral manner so that PEV owners, regardless of their load serving entity, are aware that they are eligible to receive LCFS revenue?
- How will utilities receive and distribute credits generated by non-residential customers?

Each of these questions is described in more detail below. In addition to answering each of these questions, the electric utilities' Implementation Plans should describe any other implementation details or critical steps from the process of calculating the volume of LCFS credits to the disbursement of revenue to customers. If a utility wishes to change its selected method for returning LCFS revenue to customers, it should do so through a subsequent Tier 2 Advice Filing. Each utility should evaluate whether parts of this implementation plan should be submitted confidentially, in compliance with ARB and CPUC requirements concerning this data.

#### **4.6.1. Calculation of LCFS Credits**

In its LCFS implementation plan, each electric utility should specify how the generation of LCFS credits will be calculated for each PEV driver. If the utility selects an annual rebate, will the utility use actual metered data in instances when the PEV owner is on a PEV rate? The Carbon Intensity Lookup Table in ARB's LCFS regulation includes carbon intensity for both average and marginal electricity generation.<sup>26</sup> Alternatively, the ARB Regulation allows regulated parties to propose an alternative carbon intensity pathway for

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<sup>26</sup> § 95486 (b) of the California Code of Regulation. Table 6: Carbon Intensity Lookup Table for Gasoline and Fuels that Substitute for Gasoline at 64.

approval by ARB.<sup>27</sup> The utility should specify which metric will be used for calculating LCFS credits.

#### **4.6.2. Definition and Identification of Revenue Recipients**

For either a point-of-sale credit program or an annual credit, the utility should specifically identify which party will receive the credit allowance. The utility should specify whether credits will be made available to non-residential PEV drivers, as well as any other parties, such as car dealers, that might be allocated revenue.

For all customers receiving a rebate, the utility should specify how it will identify the customer.

##### For the up-front rebate:

- How will the utility identify and verify existing PEV drivers?
- How will the utility identify and verify drivers buying a used EV?

##### For the annual rebate:

- How will the utility identify and verify current PEV drivers?
- How will the utility be aware when those customers sell their PEVs?
- How will the utility track ownership to ensure that only those customers that continue to own a PEV receive an annual rebate?

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<sup>27</sup> § 95486 (b) of the California Code of Regulation. Method 2B - New Pathway Generated by California-Modified GREET (v.1.8.b).

#### **4.6.3. Credit Calculation**

For each means of distributing LCFS credit revenues, the utility will need to determine how much revenue to apportion to each customer. For a one-time rebate, the utility should describe how it will determine how much revenue to provide to each purchaser of a new PEV, a used PEV, and existing PEV owners in a given year. For an annual credit or rebate, the utility should describe how it will calculate the amount of revenue to return to PEV owners annually. The utility should also describe whether it will attempt to apportion revenue based on an estimate of vehicle electricity consumption, and whether it will differentiate between vehicles where the electricity consumption is known (because they are directly metered) and those for which the electricity consumption is not known.

Ideally, credit revenues should be apportioned in such a way that they reflect the usage of clean transportation fuel that created them. PG&E recommends that the credit be distributed based on battery size, as a proxy for measuring vehicle miles travelled. GM argued that battery size is not indicative of annual miles travelled. We are not convinced that battery size is a reasonable proxy for electric vehicle miles travelled, but we will not prohibit its use or any other metric, as long as the utility can justify how that characteristic is used to estimate the number of credits a particular PEV driver generates.

#### **4.6.4. Method of Distribution**

Utilities should specify the means by which they will distribute revenues to customers. Will the revenue be provided via a bill credit or separate check? If provided via a bill credit, what will happen if the amount of the credit exceeds the customer's bill? At what point in time will credits be distributed? How will the utility ensure that customers are aware they are getting a credit? How will

credits be provided to customers on net energy metering tariffs that zero out their bill?

#### **4.6.5. Vehicle Ownership Changes**

For an annual credit or rebate, the electric utility should describe how it will identify vehicle ownership changes, cease payments to the previous PEV owners, and begin payments to the new PEV owners. The utility should also describe how they will identify customers that cease to own a PEV because the vehicle was scrapped, rather than sold.

#### **4.6.6. Program Outreach to Customers and Dealers**

Utilities should include funding for LCFS-related outreach programs as part of their LCFS implementation plans. These programs should be funded from LCFS revenue, and the utilities should specify outreach budgets and specific outreach activities in their implementation plans, including whether the utilities will be conducting outreach to auto dealers. In the context of auto sales that do not involve a dealer, the utilities should determine whether the dealer incentive is provided to the driver or not.

The utilities should leverage best practices, through collaboration with industry stakeholders, to ensure that as many alternative fuel vehicle drivers and potential buyers become aware of the LCFS program. The utilities' implementation plans shall provide examples of messaging, channels, and processes to administer the program.

These outreach efforts should be aligned with the objectives set forth in the D.11-07-029. In this case, we highlight that Decision's requirement for information to be communicated in a competitively neutral manner in order for customers to receive the LCFS revenues that they generated, regardless of their load serving entity. In addition, the programs used to promote the LCFS

program should be coordinated with broader alternative-fueled vehicle outreach efforts managed by the utilities, including outreach to customers about PEV specific rates, including those made available through the PEV Submetering Pilots approved in D.13-11-002.

In comments to the Proposed Decision, MCE requests that the Commission require the utilities to be competitively neutral in their administration of the LCFS program. We agree. In their LCFS implementation plans, the utilities should explain how they will administer and market the LCFS program in a competitively neutral manner that recognizes the state of California as the origin of the credits.

#### **4.6.7. Non-Residential PEV Ownership**

Under ARB's LCFS Regulation, the electric utility is eligible to opt-in as the regulated entity for their service territory to generate LCFS credits for residential customers.<sup>28</sup> ARB's regulation identifies a number of other situations in which the electric utility is not the provider of transportation fuel or in which the PEVs are not owned by residential customers. In these situations – which include workplace charging stations, public charging stations operated by non-utility service providers, and commercial fleets – ARB allows entities other than the utility to opt-in as the regulated party. If another entity does not opt-in as the regulated party, the electric utility may do so.

Thus, for each utility's LCFS Implementation Plan, that utility should identify whether or not it will serve as the regulated party for specific non-residential sites, workplace charging sites and commercial fleets that do not

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<sup>28</sup> ARB Regulation § 95484(a)(6)(B)-(D).

opt-in as a regulated party. The utility should also specify how it would accept (e.g. contractual assignment) and disburse credit revenue in these instances. In addition, the utility should identify whether and to what party the utility will provide LCFS revenue in situations where a residential or non-residential customer leases a PEV rather than owns it outright.

#### **4.6.8. Other Allocation Issues**

In addition to providing a general description of how the utilities will calculate, market and disburse revenues from the sale of LCFS credits, and answering the questions listed above, each utility's LCFS Implementation Plan should address other implementation issues the utility might anticipate.

#### **4.7. LCFS Credit Revenue Distribution for Natural Gas Utilities**

This Decision approves two methodologies by which natural gas utilities may distribute LCFS revenue – a price discount at the point of sale of CNG fuel at IOU public-access stations; and on-bill credits for utility customers. Gas utilities are allowed to choose either or both of these methodologies.

As explained below, there are several structural differences between natural gas and electricity in implementing the return program. In addition, ARB does not impose the same restrictions for gas utilities to participate in the program as for electric utilities.<sup>29</sup> We evaluate below the two natural gas credit proposals against the policy objectives enumerated in Section 2. Because natural gas utilities offer public fueling and utility-owned sites that are accessible to all CNG vehicle drivers, returning revenue through reductions in natural gas rates at utility-owned fueling stations will be permitted. The utilities may also use an

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<sup>29</sup> LCFS Regulation Section 95484(a)(6)(A).

on-bill credit to return revenue generated at public fueling stations if customer purchase of that fuel is linked to utility accounts.

Finally, natural gas utilities should address how they will calculate and return LCFS revenue to residential customers that fuel NGVs at home, as well as to third-party commercial fleets that choose not to be the regulated party under the LCFS regulation.

#### **4.7.1. Price Discount at IOU Public Access Stations**

SDG&E and SoCal Gas propose to discount the price of CNG fuel at publicly-accessible stations. A price discount applied at a public refueling station would return credit revenue to a CNG vehicle customer by reducing the price of fuel sold. ARB's regulation identifies the regulated party as the entity that owns the fueling equipment at the facility where CNG is dispensed for transportation fuel.<sup>30</sup> It is administratively simple to both measure credits generated and return them to customers using this singular billing and fueling infrastructure. To the extent price reductions from the sale of credits affect customers' price sensitivity to other transportation options, returning revenue in this may encourage CNGV adoption.

This mechanism equitably returns revenue to CNG drivers, since the credit revenues will directly benefit the customers responsible for generating them.

#### **4.7.2. On-Bill Rebate for NGV Drivers**

PG&E's proposal will also leverage public access CNG fueling infrastructure for purposes of generating LCFS credits, but will return the revenue from credit sales to customers on their utility bills. As a prerequisite in

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<sup>30</sup> LCFS Regulation Section 95484(a)(5)(A).

this case, NGV drivers must authenticate their identity to access the infrastructure, which would link CNG sales at utility refueling stations with their utility accounts for billing purposes.

The program design characteristics of this proposal are substantially similar to the above proposal to reduce the fuel price at the pump. Returning revenue through a bill credit should utilize existing billing infrastructure to return credit revenue to customers in a way that is easy for customers to understand. This mechanism may return revenue equitably and efficiently to NGV drivers in a way that complies with the LCFS regulation and may encourage NGV adoption by providing drivers with a tangible, easy to understand benefit. This proposal could be used both for PG&E-owned filling stations and for customers with refueling equipment at home.

#### **4.8. Implementation Requirements for Natural Gas Utilities**

Implementing LCFS revenue return for NGVs requires addressing similar implementation questions as for the electric utilities. As with the electric utilities, the Commission will require the natural gas utilities to file Implementation Plans via Tier 2 Advice Letter that address the questions below and provide a detailed description of how revenue from the sale of LCFS credits will be distributed to customers.

- How will the utility calculate the number of LCFS credits generated by each customer?
- Who receives the revenue from the sale of LCFS credits?
- How will the utility calculate the amount of revenue to be distributed to each customer or the amount of the rate reduction?
- By what means is the revenue distributed to the customer?

- How will vehicle ownership changes be identified and addressed (if applicable)?
- How will the utility true up any discrepancies between revenue and distributions to customers in a given year?
- How will the program be marketed so that CNG vehicle owners are aware that they are eligible to receive LCFS revenue?
- How will the utility track and true-up revenues and disbursements from the program?
- How do utilities receive and distribute credits generated by non-residential customers?
- How will natural gas utilities return revenue to customers that refuel their NGVs at their own facilities?

Each utility should evaluate whether parts of this implementation plan should be submitted confidentially, in compliance with ARB and CPUC requirements concerning this data.

#### **4.8.1. Non-Utility Ownership of Fueling Equipment**

Similar to the case in which the electric utilities are eligible to opt-in as the regulated party for LCFS credits generated from non-residential PEVs, gas utilities are eligible to become a regulated party for LCFS credits generated from the use of natural gas at non-utility CNG fueling infrastructure.<sup>31</sup> Thus, for each utility's LCFS Implementation Plan, that utility should identify whether or not it will serve as the regulated party for non-utility fueling infrastructure including public and residential fueling stations and specify how it would identify

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<sup>31</sup> ARB Regulation § 95480.2.(d).

customers, accept (e.g. contractual assignment) and disburse credit revenue for these types of customers as price discounts or on-bill rebates.

## **5. Reporting and Evaluation of LCFS Revenue Distribution**

### **5.1. Annual Reports**

Several parties call for the Commission to evaluate the adopted distribution methodology. GM asks to establish processes and metrics to evaluate the different revenue return methodologies and their effect on the PEV market. We agree that the various methods for returning revenue to customers should be evaluated and potentially adjusted, but the value of such an evaluation should be balanced against the cost of conducting one. Generally, evaluations of utility programs are conducted by third-party evaluation contractors, which can have costs in the millions of dollars.

In addition, in D.14-05-021, the Commission has already directed the utilities to file confidential annual reports to the Energy Division Director containing information on the sale of LCFS credits. That decision further directed the utilities to report the amount of revenue disbursed to customers and the means by which the revenue was disbursed, following the adoption of a decision on the disbursement method. This decision further clarifies the reporting requirement to include: a description of the program, including how PEV drivers were identified and how the program was marketed; the volume of LCFS credits generated and sold; the volume of revenue generated; the number of drivers to whom LCFS credit revenue was returned; the monetary value returned to each driver; administrative and marketing expenses; any other costs, including outreach to auto dealers. As directed in D.14-05-021, this report should be provided on April 30 of each year for the previous years' data. The utilities

should file a confidential version of this report with the CPUC Energy Division and a public version, with confidential information redacted, to the service list of this proceeding (or its successor) as well as the Alternative-Fueled Vehicle Proceeding.

Every two years, the Commission's Energy Division will use these reports to complete a review and evaluation of the LCFS program to ensure that the utilities' implementation of the program was reasonable and that it remains flexible and responsive to the needs of customers and the evolving alternative fuel vehicle market. Subsequent to this biennial review and evaluation of the programs, Energy Division will serve its evaluation report on the service list for this, or any successor proceeding. Afterward, a utility may request to implement an alternative revenue return mechanism, including mechanisms not identified in herein, to respond for example, to: lessons learned from implementation, any changes in the State's AFV-related policy, or market information. This alternative revenue return proposal shall be submitted via a Tier 2 Advice Letter.

## **5.2. Balancing Account True-ups**

In its revised LCFS proposal, PG&E recommended that the utilities participating in the program submit for Commission approval via Tier 2 Advice Letter an annual forecast of the revenues from the sale of LCFS credits, as well as balancing account true-ups. We find this proposal reasonable. For the first year of the program, this information should be submitted along with the Tier 2 Advice Letters containing the utilities' LCFS implementation plans. For subsequent years, the Advice Letters should be filed no later than September 30 with information for the following year.

Information included in these annual filings should include:

- An estimate of the number of credits the utility expects to generate for the following year;
- An estimate of the amount of revenue the utility expects to generate from the sale of those credits;
- An estimate of the balance that will be in the utility's balancing account on January 1 of the following year;
- An estimate of the cost of administering the LCFS credit program in the following year, including customer outreach expenses;
- An estimate of the amount of revenue that will be distributed to customers in the following year; and
- An estimate of the number of drivers to whom credits will be distributed and the value that will be distributed to each driver.

## **6. Administrative Costs**

In D.14-05-021, the Commission determined that the utilities could recover the costs associated with administering the sale of LCFS credits from the revenues received from the sale of those credits. Additionally, the Commission found that the administrative costs should be kept sufficiently low so as not to materially impact the amount of LCFS revenue returned to customers.<sup>32</sup>

In D.14-05-021, the Commission recognized that the utilities would not be able to accurately predict administrative costs until it had determined a method for distributing LCFS revenues to customers, and it ordered the utilities to forecast 2014 and 2015 administrative costs in the utilities' Tier 2 Advice Letter filings establishing LCFS implementation plans. Because the Commission will not approve the LCFS program until 2015, however, it is reasonable to require

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<sup>32</sup> D.14-05-021, Conclusion of Law 6 and Ordering Paragraph 4.

the utilities to forecast 2015 and 2016 administrative costs, rather than 2014 and 2015 administrative costs.

Finally, D.14-05-021 required the utilities to report administrative costs in their annual reports. We reiterate that requirement here. However, D.14-05-021 deferred the final requirements on administrative costs to this Decision. We direct the utilities to endeavor to minimize costs of administering the program. Furthermore, the utilities shall indicate in their Implementation Plans how they will ensure that non-participating customers are not liable for program costs.

## **7. Categorization and Need for Hearing**

The September 1, 2011 Scoping Memo confirmed the categorization of this proceeding as ratesetting and set forth a process by which parties could request hearings. No requests for hearings were received, and all issues in Track 2 of this proceeding were sufficiently addressed through proposals, workshops and comments. Therefore, we confirm our initial determination that evidentiary hearings are not needed in Track 2 of this proceeding.

## **8. Comments on Proposed Decision**

The proposed decision of ALJ Halligan 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 8, 2014 by ChargePoint, GM, GPI, MCE, NRDC, ORA, PG&E, SCE and jointly by SDG&E and SoCalGas, and reply comments were filed on December 15, 2014 by ORA, PG&E, SCE, and jointly by SDG&E and SoCalGas.

All comments and reply comments have been considered and, where appropriate, revisions have been incorporated into this decision.

## **9. Assignment of Proceeding**

Michael R. Peevey is the assigned Commissioner and Julie Halligan is the assigned ALJ in this proceeding.

### **Findings of Fact**

1. Under ARB's LCFS regulation, utilities act as a proxy regulated entity on behalf of their customers and receive credits generated by their residential customers when those customers charge PEVs through their home electric service.

2. Natural gas utilities that own natural gas fueling stations and choose to opt-in to the LCFS program will receive LCFS credits associated with the use of approved alternative fuels to supply their own vehicle fleet as well as credits associated with customer purchases of alternative fuel if public access to utility-owned fueling stations is available.

3. ARB set requirements for electrical distribution utilities which, as opt-in regulated parties, must: use credit proceeds to directly benefit current PEV customers, educate the public on the benefits of PEV transportation, and provide rate options that encourage off-peak charging and minimize adverse impacts to the electrical grid.

4. To help inform the development of party proposals addressing the use of LCFS credit revenues, as well as the Commission's evaluation of those proposals, a February 8, 2012 ruling in this proceeding proposed policy objectives against which proposals could be assessed.

5. Parties submitted proposals for the use of LCFS revenue through comments and reply comments submitted on March 3, 2012, May 14, 2012, January 8, 2014, January 22, 2014, and January 29, 2014.

6. A volumetric rate reduction would reduce the rates that PEV drivers pay on their PEV tariff.

7. The majority of PEV drivers in IOU service territories are not currently on PEV rates. It is unclear how a volumetric return would reach customers that are not on PEV rates.

8. A volumetric rate reduction fails to achieve equitable return of revenue and would likely have minimal impact on PEV adoption.

9. A volumetric rate reduction is unlikely to be large enough to induce customers to switch to PEV rates. As a result, a volumetric rate reduction is unlikely to generate utility notification benefits.

10. Under an annual credit approach, the utility provides an annual rebate to PEV customers regardless of what rate schedule they are on.

11. An annual credit can achieve both equitable revenue distribution and PEV adoption.

12. An annual credit does not exclude those not on PEV tariffs and may result in universal and prompt notification to the utility regarding the presence of PEV users.

13. An annual credit may incent PEV adoption.

14. An annual credit may have moderate administrative complexity.

15. An upfront rebate provides a one-time rebate at the point of PEV sale or to existing PEV owners at the time the program is put in place.

16. Universal and prompt utility notification is possible using a one-time rebate.

17. A one-time rebate can achieve equitable distribution to all PEV drivers.

18. Of all the options for returning LCFS revenue, a one-time ownership rebate is likely the best means to encourage PEV adoption because it would be provided to all PEV buyers an up-front amount off the purchase of the PEV.

19. An up-front PEV ownership rebate would be moderately complex to administer, since it would involve outreach to car dealers, verification of second-hand transactions and outreach to existing PEV owners.

20. Using LCFS revenue to reduce the cost of infrastructure purchase and installation may support PEV adoption and utility notification.

21. Using LCFS revenue to fund charging equipment would not meet the ARB requirement that LCFS revenue be used for the benefit of current PEV customers.

22. Many parties requested that the Commission grant utilities flexibility in their revenue return programs, particularly during the initial years of implementation.

23. There are numerous implementation details critical to each methodology that will need to be resolved prior to implementation.

24. There are several structural differences between natural gas and electricity in implementing the return program.

25. ARB does not impose the same restrictions for gas utilities to participate in the program, as for electric utilities.

26. The proposals from parties identified two methodologies that natural gas utilities might distribute LCFS revenue - a price discount at the point of sale of CNG fuel at IOU public-access stations; and on-bill credits for utility customers.

27. It is administratively simple to both measure credits generated and return them to customers using a price discount at the CNG stations owned by utilities.

28. An on-bill rebate for NGV drivers would return LCFS revenue to NGV drivers through their utility bill.

29. A price discount at public CNG fueling stations would pass LCFS revenue to NGV drivers by reducing the price they pay at the pump for CNG from utility-owned, publicly-accessible CNG fueling stations.

30. A price discount at utility-owned CNG fueling stations would be administratively simple to implement and achieve equitable returns.

31. An annual on-bill rebate to NGV drivers would return LCFS revenue generated from NGV sales to NGV drivers through their utility bill.

32. In D.14-05-021, the Commission determined that the utilities could recover the costs associated with administering the sale of LCFS credits from the revenues received from the sale of those credits.

33. In D.14-05-021, the Commission recognized that the utilities would not be able to accurately predict administrative costs until it had determined a method for distributing LCFS revenues to customers, and it ordered the utilities to forecast 2014 and 2015 administrative costs in the utilities' Tier 2 Advice Letter filings establishing LCFS implementation plans.

34. D.14-05-021 required the utilities to report administrative costs in their annual reports.

### **Conclusions of Law**

1. Because a volumetric PEV rate reduction fails to satisfy most of the key objectives for LCFS revenue return, the Commission should prohibit the electric utilities from returning revenue using this method.

2. It is reasonable to authorize the utilities to utilize an annual credit as a means to return LCFS revenues to PEV customers.

3. The benefits of an upfront purchase rebate outweigh the potential administrative complexity and will allow the Electric Utilities to return revenue to PEV buyers and owners through an up-front rebate.

4. An infrastructure rebate may not comply with ARB's regulation and may fail to meet critical policy objectives, therefore the Commission should not authorize the utilities to utilize an infrastructure rebate as a means to return LCFS revenues to PEV customers.

5. It is reasonable to authorize the utilities to develop individual LCFS Implementation Plans to appropriately tailor their LCFS revenue return programs to the needs of PEV drivers in their individual territories.

6. The electric IOUs should be authorized to allocate LCFS credit revenue using either or both of the following methods: 1) reduce the upfront purchase price of a PEV at the point-of-sale with a rebate, which could also be provided to existing PEV owners at the start of the program; and 2) Reduce fuel costs for PEV owners annually with a credit.

7. The natural gas IOUs should be authorized to allocate LCFS credit revenue using either or both of the following methods: 1) Reduce the fuel price at the point-of-sale at IOU-owned compressed natural gas refueling stations; and 2) Reduced volumetric energy rate levied on natural gas used for refueling NGVs for residential customers.

8. In Decision 14-05-021, the Commission anticipated that certain implementation details would need to be further developed and ordered the utilities to file LCFS Implementation Plans via Tier 2 Advice Letter no later than 60 days following the adoption of the Decision adopting policies for LCFS revenue return.

9. It is reasonable to authorize the utilities to utilize a price discount at IOU-owned fueling stations to return revenue to CNG drivers, since the credit revenues will substantively benefit the customers responsible for generating them.

10. The program design characteristics of an on-bill rebate to NGV drivers are substantially similar to the above proposal to reduce the fuel price at the pump. This mechanism may return revenue equitably and efficiently to NGV drivers in a way that complies with the LCFS regulation and may encourage NGV adoption by providing drivers with a tangible, easy-to-understand benefit.

11. Implementing LCFS revenue return for NGVs requires addressing the same implementation questions as for the electric utilities.

12. Natural gas utilities may distribute LCFS revenue through one of two methods - a price discount at the point of sale of CNG fuel at IOU public-access stations; and on-bill credits for utility customers. Gas utilities are allowed to choose either or both of these methodologies.

## **O R D E R**

### **IT IS ORDERED** that:

1. Pacific Gas and Electric Company, San Diego Gas and Electric Company, and Southern California Edison Company shall return to customers revenue from the sale of Low-Carbon Fuel Standard credits using either or both of the following methods: a) a one-time, up-front rebate provided when a plug-in electric vehicle is sold or at the start of the program to those who already own plug-in electric vehicles; b) an annual rebate distributed as a credit to the customer owning an electric vehicle.

2. Pacific Gas and Electric Company, San Diego Gas and Electric Company, and Southern California Gas Company shall return to customers revenue from the sale of Low-Carbon Fuel Standard credits using either of the following methods: a) reduce the fuel price at the point-of-sale at Investor-Owned Utility owned compressed natural gas refueling stations; b) reduce the volumetric

energy rate levied on natural gas used for refueling natural gas vehicles for customers. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall submit Low Carbon Fuel Standard (LCFS) revenue return Implementation Plans via Tier 2 Advice Letters no later than 90 days following the effective date of this decision. The Advice Letter shall comprehensively address each of the following issues, in addition to any information required by Decision 14-05-021:

- a. How will the utility calculate the number of LCFS credits generated by each customer?
- b. Who receives the revenue from the sale of LCFS credits?
- c. How are LCFS revenue recipients identified?
- d. How will the utility calculate the amount of revenue to be distributed to each customer?
- e. By what means is the revenue distributed to the customer and how frequently is revenue distributed?
- f. How will vehicle ownership changes be identified, addressed, and tracked?
- g. How will the utility track and true-up revenues and disbursements from the program?
- h. How will the program be marketed in a competitively neutral manner so that plug-in electric vehicle owners, regardless of their load serving entity are aware that they are eligible to receive LCFS revenue?
- i. How do utilities receive and distribute credits generated by non-residential customers?

3. Within 90 days following the effective date of this decision, Pacific Gas and Electric Company, Southern California Gas Company and San Diego Gas & Company shall file Implementation Plans via Tier 2 Advice Letter including a detailed description of how revenue from the sale of Low Carbon Fuel Standard (LCFS) credits will be distributed to customers, including:

- a. How will the utility calculate the number of LCFS credits generated by each customer?
- b. Who receives the revenue from the sale of LCFS credits?
- c. How will the utility calculate the amount of revenue to be distributed to each customer or the amount of the rate reduction?
- d. By what means is the revenue distributed to the customer?
- e. How will the utility true up any discrepancies between revenue and distributions to customers in a given year?
- f. How will the program be marketed so that compressed natural gas vehicle owners are aware that they are eligible to receive LCFS revenue?
- g. How will vehicle ownership changes be identified and addressed?
- h. How will the utility track and true-up revenues and disbursements from the program?
- i. How do utilities receive and distribute credits generated by non-residential customers?
- j. How will natural gas utilities return revenue to customers that refuel their natural gas vehicles at their own facilities?

4. Beginning in 2016, and for each subsequent year of the program, the investor owned utilities shall submit a report on the implementation of their Low Carbon Fuel Standard (LCFS) program to the Director of the Energy Division. This report must include: A description of the program, including how electric vehicle drivers were identified; the volume of LCFS credits generated and sold; the means by which the credits were sold; the amount of revenue generated; the number of drivers to whom LCFS credit revenue was returned; the monetary value returned to each driver; how the program was marketed to drivers; administrative and marketing expenses; any other costs, including outreach to auto dealers. The report should also include any information required by

Decision 14-05-021. The report should be provided on April 30 of each year for the previous years' data.

5. Beginning in 2015 and in each subsequent year of the program, the utilities shall submit via Tier 2 Advice Letter no later than September 30 the following information:

- a. An estimate of the number of credits the utility expects to generate for the following year;
- b. An estimate of the amount of revenue the utility expects to generate from the sale of those credits;
- c. An estimate of the balance that will be in the utility's balancing account on January 1 of the following year;
- d. An estimate of the cost of administering the Low Carbon Fuel Standard credit program in the following year, including customer outreach expenses;
- e. An estimate of the amount of revenue that will be distributed to customers in the following year; and
- f. An estimate of the number of drivers to whom credits will be distributed and the value that will be distributed to each driver.

6. The Commission's Energy Division shall review the utilities' implementation of the Low Carbon Fuel Standard Program every two years to ensure that revenue is returned in a manner that is responsive to the evolving alternative fuel vehicle markets and may consider alternative proposals for revenue return submitted by Tier 2 Advice Letters.

7. Rulemaking 11-03-012 remains open.

This order is effective today.

Dated December 18, 2014, at San Francisco, California.

MICHAEL R. PEEVEY

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

CARLA J. PETERMAN

MICHAEL PICKER

Commissioners

## Appendix A: Tier 2 Advice Letter Filing Requirements

Tier 2 Advice Letters filed with the Commission addressing utility plans for the sale of Low-Carbon Fuel Standard credits and distribution of revenue must include, at a minimum:

1. A description of the proposed limits on the volume of Low-Carbon Fuel Standard (LCFS) credits to be sold at any given time, the planned timing of LCFS credit sales, and any proposed limitations on the transactional length of LCFS credit sales.
2. A description of the process for selecting brokers.
3. Proposed credit and collateral requirements.
4. Necessary information relevant to the establishment of Low-Carbon Fuel Standard revenue balancing accounts.
5. An annual forecast of the revenues from the sale of LCFS credits, a forecast of the number of customers receiving revenues and the amounts to be disbursed, and balancing account true-ups.
6. A description of the proposed plan to distribute LCFS credits to customers, including the following information for electric utilities:
  - a. How will the utility calculate the number of LCFS credits generated by each customer?
  - b. Who receives the revenue from the sale of LCFS credits?
  - c. How are LCFS revenue recipients identified?
  - d. How will the utility calculate the amount of revenue to be distributed to each customer?
  - e. By what means is the revenue distributed to the customer and how frequently is revenue distributed?
  - f. How will vehicle ownership changes be identified, addressed, and tracked?
  - g. How will the utility track and true-up revenues and disbursements from the program?

- h. How will the program be marketed in a competitively neutral manner so that PEV owners, regardless of their load serving entity are aware that they are eligible to receive LCFS revenue?
  - i. How will utilities receive and distribute credits generated by non-residential customers?
7. A description of the proposed plan to distribute LCFS credits to customers, including the following information for natural gas utilities:
- a. How will the utility calculate the number of LCFS credits generated by each customer?
  - b. Who receives the revenue from the sale of LCFS credits?
  - c. How will the utility calculate the amount of revenue to be distributed to each customer or the amount of the rate reduction?
  - d. By what means is the revenue distributed to the customer?
  - e. How will the utility true up any discrepancies between revenue and distributions to customers in a given year?
  - f. How will the program be marketed so that CNG vehicle owners are aware that they are eligible to receive LCFS revenue?
  - g. How will the utility track and true-up revenues and disbursements from the program?
  - h. How do utilities receive and distribute credits generated by non-residential customers?
  - i. How will natural gas utilities return revenue to customers that refuel their natural gas vehicles at their own facilities?

(END OF APPENDIX A)

## Appendix B: Updated Low-Carbon Fuel Standard Reporting Requirements

1. Utilities with Procurement Review Groups must report sales of Low-Carbon Fuel Standard credits to their Procurement Review Group at least quarterly.
2. Utilities without Procurement Review groups must report sales of LCFS credits to the Commission's Energy Division, and the Office of Ratepayer Advocates.
3. Utilities must also file a confidential report with the Energy Division Director by April 30 of each year containing information about LCFS credit sales for the prior year, concurrent to the Annual LCFS Compliance Report that regulated parties must submit to the Air Resources Board.
4. Low-Carbon Fuel Standard (LCFS) annual reports must demonstrate that the standards approved in the utilities' Tier 2 Advice Letters were applied appropriately, and reports must detail the number of sales, the means by which the credits were sold, the volume of credits sold, the revenue generated by each sale, and administrative costs.
5. Annual Reports must include the following information: A description of the LCFS revenue return program, including how PEV drivers were identified and how the program was marketed; the number of drivers to whom LCFS credit revenue was returned; the monetary value returned to each driver; administrative and marketing expenses; any other costs, including outreach to auto dealers.

(End of Appendix B)

## Appendix C: Annual LCFS Credit and Revenue Estimates

Tier 2 Advice Letter filed no later than September 30 of each year beginning in 2015 containing information about LCFS credits and revenues for the following calendar year:

1. An estimate of the number of credits the utility expects to generate for the following year;
2. An estimate of the amount of revenue the utility expects to generate from the sale of those credits;
3. An estimate of the balance that will be in the utility's balancing account on January 1 of the following year;
4. An estimate of the cost of administering the LCFS credit program in the following year, including customer outreach expenses;
5. An estimate of the amount of revenue that will be distributed to customers in the following year; and
6. An estimate of the number of drivers to whom credits will be distributed and the value that will be distributed to each driver.

(End of Appendix C)