Decision 14-12-054 December 18, 2014

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Pacific Gas and Electric Company for Approval of its 2015 Forecast of Greenhouse Gas Revenue and Reconciliation for Return to Customers (U39E).	Application 14-05-025 (Filed May 30, 2014)

DECISION AUTHORIZING 2015 FORECAST OF GREENHOUSE GAS ALLOWANCE REVENUE AND RECONCILIATION FOR RETURN TO CUSTOMERS

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DECISION AUTHORIZING 2015 FORECAST OF GREENHOUSE GAS ALLOWANCE REVENUE AND RECONCILIATION FOR RETURN TO CUSTOMERS

Summary

In accordance with California Public Utilities Code Section 748.5, Assembly Bill 32,[1] Decision (D.) 12-12-033, D.13-12-041 and D.14-10-033 as corrected by D.14-10-055, this decision authorizes Pacific Gas and Electric Company to incorporate forecast greenhouse gas (GHG) cap-and-trade allowance auction revenues into 2015 customer rates. We authorize the forecast amounts of the California Climate Credit to be returned to residential customers beginning in 2015. All forecasts approved in this proceeding are subject to reconciliation of costs and revenues in subsequent proceedings. In addition, outreach and administrative expenses are subject to further reasonableness review at the time of the reconciliation.

This Decision also reconciles the recorded 2013 and 2014 GHG costs and allowance revenues approved in the 2014 forecast[2] for the purpose of determining the appropriate 2015 revenue return to customers.

1. Background

Rulemaking (R.) 11-03-012 addresses greenhouse gas (GHG)-related costs and allowance revenues for all investor-owned electric utilities, including Pacific Gas and Electric Company (PG&E). Decision (D.) 12-12-033[3] in R.11-03-012

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1 Statutes of 2006, Chapter 488.

2 D.13-12-041 approved forecast cost and revenues for inclusion in 2014 rates.

3 Ordering Paragraph 23 requires the five utilities to submit GHG Revenue Forecast Applications for the first three years of the Cap-and-Trade program (2013-2015).

requires PG&E to file an annual application for approval of forecast GHG costs and allowance revenues, including administrative and outreach costs, sufficient to calculate the amount of allowance revenue that will be returned to different customer classes each year.

Pursuant to D.12-12-033, five utilities[4] filed 2014 GHG Revenue Forecast Applications and the five applications were consolidated (Consolidated Proceeding, Application (A.) 13-08-002 et al.). The Phase 1 decision in the Consolidated Proceeding, D.13-12-041, was limited to information and approvals necessary to incorporate GHG costs and allowance revenues into 2014 rates and to issue the first California Climate Credit.[5] D.13-12-041 approved the forecasts with modifications for inclusion in 2014 rates, and concluded that the forecasts "should remain subject to true up against actual amounts in future GHG Revenue and Reconciliation Applications and actual administrative and customer outreach expenses remain subject to reasonableness review."[6]

The Commission adopted D.14-10-033 for Phase 2 of the Consolidated Proceeding on October 16, 2014, and two of its appendices were corrected by D.14-10-055 on October 30, 2014. D.14-10-033 describes methodologies and conventions to be used in GHG Revenue and Reconciliation Applications filed after 2013.[7] We use the standards adopted in D.14-10-033 to review PG&E's

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[4] The five utilities are Southern California Edison Company, PG&E, San Diego Gas & Electric Company, PacifiCorp, an Oregon Company, and Liberty Utilities (CalPeco Electric) LLC.

[5] The California Climate Credit received its official name in April 2014 by ruling in R.11-03-012. Prior to that time it was referred to as the "Climate Dividend."

[6] D.13-12-041, Conclusion of Law 3.

[7] A.13-08-002, *et al.*, Assigned Commissioner's and Administrative Law Judge's Phase 2 Scoping Memo and Ruling, February 19, 2014.

current application, A.14-05-025, to determine the reasonableness of both the recorded and forecasted variables discussed below.

This decision will review and reconcile the 2013 and 2014 recorded GHG costs and allowance revenues with the 2013 and 2014 forecast GHG costs and allowance revenues. It will also review and approve PG&E's 2015 GHG cost and allowance revenue forecasts for inclusion in 2015 customer rates. In doing so, we will examine the variables necessary to authorize rate changes and determine the residential and small business revenue return and California Climate Credits. The variables are:

1. **Recorded and Forecast Allowance Revenues**. These are the revenues received by a utility as a result of selling the allowances allocated to ratepayers by the state.
2. **Recorded and Forecast Administrative and Customer Outreach Expenses**. These are the costs incurred by a utility for administrative and customer outreach expenditures that relate to the allowance revenue return program.
3. **Recorded and Forecast Expenses for Approved Incremental Energy Efficiency (EE) and Clean Energy Programs**. D.12-12-033 allows utilities to use a portion of allowance revenues to fund EE and clean energy programs that have been approved by the Commission in other proceedings.
4. **Recorded and Forecast Emissions-Intensive and Trade-Exposed (EITE) Customer Return**. Using methodologies being developed in R.11-03-012, a portion of allowance revenues are returned to customers who qualify as EITE.[8] The EITE customer return is based on formulas

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

Footnote continued on next page

and made once per year. The actual EITE return will be calculated using the final EITE return formula determined in R.11-03-012.

5. **Recorded and Forecast Small Business Return**. Using a methodology adopted in R.11-03-012, a portion of allowance revenues are returned to customers who meet the definition of small business developed in R.11-03-012.[9] The Forecast Small Business Return is volumetric; it is calculated using the Forecast GHG Cost (*see* Item 8 below) and the volume of electricity used by the customer and is returned as a credit to the delivery component of the customer's monthly bill.

6. **Recorded and Forecast Volumetric Residential Return**. The residential rate return only applies to electricity usage above Tier 2. The residential rate return is volumetric; it is calculated based on the Forecast GHG Cost (*see* Item 8 below) and the volume of electricity used by the customer. It is returned as an offset to the delivery rate component, but does not appear on the customer's monthly bill.[10]

7. **Recorded and Forecast Residential California Climate Credit**. The Climate Credit is distributed to residential households after all the above expenses and customer returns have been made. It appears as a credit on the customer's bill twice per year. The Climate Credit is not

direction. The next GHG Revenue and Reconciliation Application will use the actual EITE return when calculating the Climate Credits for the next year.

[9] D.12-12-033 sets forth an overview of the methodology sufficient for purposes of forecasting the small business customer return for 2014. D.13-12-002 adopted a specific methodology.

[10] The two small utilities have not had caps imposed on their baseline rates and thus have not experienced the large disparities between lower and upper tiers that the large utilities have. Because the small utilities are able to pass GHG costs on to both lower and upper tiers, D.12-12-033 required the utilities to make their residential returns solely through the Climate Credit. For the large utilities, the Commission authorized this rate offset until such time as the differences between lower and upper-tier residential rates can be substantially reduced or eliminated. The Commission is currently considering this issue in R.12-06-013.

related to the volume of electricity used by the household: each household within a utility's territory receives the same Climate Credit.

8. **Recorded and Forecast GHG Costs**. These are the GHG emissions costs incurred directly or indirectly by a utility as a result of the GHG cap-and-trade program. Direct costs include, generally, the costs incurred to purchase compliance instruments[11] for plants run by the utility or the cost of providing physical or financial settlement specifically for GHG emissions from plants not owned or operated by the utility. Indirect costs generally reflect GHG costs embedded in the price of power purchased on the market or through contracts that do not include GHG settlement terms.

2. Procedural History

As required by D.13-12-041, PG&E filed its 2015 GHG Forecast Revenue and Reconciliation Application (2015 Forecast Application) on May 30, 2014. The Commission's Office of Ratepayer Advocates (ORA) filed a protest on July 2, 2014. On July 21, 2014, PG&E submitted Proof of Rule 3.2(e) Compliance.

On September 15, 2014, the assigned Administrative Law Judge (ALJ) issued a ruling requiring PG&E to provide supplemental information as set forth in the draft Phase 2 Proposed Decision in the Consolidated Proceeding, which mailed on September 12, 2014. The ruling directed PG&E to complete Attachments C and D to the Proposed Decision, serve supporting testimony if appropriate, and file this data by September 23, 2014. PG&E submitted its

[11] A covered entity must surrender one compliance instrument for each metric ton of carbon dioxide (CO_2) equivalent of GHG emissions for its compliance obligations. Allowances and offsets are the two types of compliance instruments in the cap-and-trade program. (California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms, Title 17, CCR (Cap-and-Trade Regulations), § 95856.) The regulation also limits the use of offsets to no more than 8% of compliance instruments in a compliance period. (Title 17 CCR § 95854).

supplemental information, including Attachments C and D, on September 23, 2014. PG&E also filed an amendment to its supplemental information on October 21, 2014.

A Prehearing Conference was held on September 25, 2014. The Assigned Commissioner's and Administrative Law Judge's Scoping Memo and Ruling (Scoping Memo) was issued on October 15, 2014.

As set forth in the Scoping Memo, the issues to be addressed in this proceeding are:

1. Are the utility's recorded 2013 and 2014 administrative and customer outreach expenses reasonable?
2. Should the utility's proposed reconciliation of recorded 2013 and 2014 GHG costs, allowance revenues, and administrative and outreach costs be approved?
3. Are the utility's forecasted 2015 GHG costs and allowance revenue amounts reasonable?
4. Are the utility's forecasted 2015 administrative and customer outreach expenses reasonable?
5. Does the utility appropriately calculate the 2015 California Climate Credit for residential households?
6. What safety considerations are raised by this proceeding?

The Scoping Memo also directed PG&E to file refreshed data through the third quarter, on November 5, 2014.

On October 15, 2014, California Large Energy Consumer Association filed a motion for party status which was granted by an e-mail ruling on October 22, 2014.

PG&E filed its fourth quarter update on November 5, 2014 (November Supplemental Filing), to refresh recorded and forecast data. ORA filed comments on November 13, 2014. PG&E filed reply comments on November 20, 2014.

On November 19, 2014, the ALJ issued a ruling requesting PG&E to clarify the information provided in its November Supplemental Filing. In response to the ALJ's ruling, on November 20, 2014 PG&E provided additional data to supplement its November Supplemental Filing. On November 25, 2014, PG&E filed an amendment to its November Supplemental Filing (November Amended Filing).

3. Discussion of Recorded and Forecast GHG Allowance Revenue, Expenses, Credits, and Costs

PG&E provided a fourth quarter update to its Application on November 5, 2014 and an amendment on November 25, 2014, to reflect updated information through the third quarter of 2014. This update was made to both forecast and recorded data. Specifically, PG&E updated its 2014 recorded costs, revenues, and expenses using actual data through September 2014 and estimates for October through November of 2014. The modeling methodology used in the update is consistent with the methodology used in the original application.

The information detailed below includes recorded data for 2013, partially recorded and partially forecast data for 2014, as well as forecasts for 2015. We find that PG&E has appropriately followed the requirements of D.12-12-033, D.14-10-033 and D.13-12-002 in forecasting its 2015 revenues and costs, reconciling its 2013 and 2014 recorded costs, and showing the reasonableness of its 2013 and 2014 administrative and outreach costs. We also approve the proposed 2015 residential Climate Credit of $24.76 per household.

3.1 Recorded and Forecast GHG Allowance Revenue

Each utility forecasts and records the total allowance revenue it receives each year. To determine the amount of this revenue that is available to return to customers in that year, the utility adjusts the forecast allowance revenue to account for: (1) any variance between the forecast and recorded allowance revenue in previous years that resulted in an over- or under-collection; (2) any applicable interest; (3) any applicable franchise fees and uncollectibles; and (4) authorized outreach and administrative expenses.

In addition, D.13-12-041 required all five of the regulated utilities to amortize their 2013 GHG costs and allowance revenues equally between 2014 and 2015, beginning with the month in which GHG costs and allowance revenues were first included in rates. Thus, the total amount of revenue available to return to customers in 2015 will reflect the remaining amortized 2013 revenues and the forecast 2015 revenues.

Pursuant to D.12-12-033, PG&E filed Advice Letter (AL) 4181-E to track outreach and administrative expenses in the GHG Expense Memorandum Account[12] and allowance revenues in the GHG Revenue Balancing Account. The GHG Revenue Balancing Account is a two-way balancing account that records GHG revenues, less revenue returns and any revenues approved to be set aside for outreach and administrative expenses. Any funds that were set aside for outreach and administrative activities but were unused roll over for use in subsequent years. While GHG costs were deferred from rates, PG&E tracked

[12] The memorandum account consists of three subaccounts: (1) Customer Outreach Subaccount for ongoing customer outreach and education, (2) Marketing and Public Relations Subaccount for consulting studies to be undertaken on customer outreach and education, and (3) Administrative Subaccount for administrative costs.

these costs in a sub-balancing account of ERRA; once recovery in rates began, PG&E transferred the costs to the main ERRA.[13]

3.1.1. Recorded Revenue

Based on the November 2014 update to PG&E's Application, the recorded GHG allowance revenues for 2013 and 2014 are $297 million and $284 million, respectively (Template D-1 of the November Amended Filing). The recorded 2013 data include actual recorded data for the 2013 year, while the recorded data for 2014 include actuals from January to September 2014 plus forecasts for October to December 2014.

PG&E projects a balance of $134 million in its GHG Revenue Balancing Account at the end of 2014. This amount reflects the 2013 allowance revenue to be amortized in 2015, adjusted for expenses, revenue returns, and any reconciliation between 2014 forecast and recorded values.

PG&E appropriately calculated the allowance revenues recorded for 2013 and 2014. PG&E correctly amortized its 2013 Net GHG Revenues for return in 2014 and 2015.

3.1.2. Forecast Revenue

PG&E's 2015 forecast GHG allowance revenue collection is $301 million. The forecast in the November Amended Filing resulted in a slight increase in the forecast amount of allowance revenue from the original application filed on May 30, 2014. The increase is due to PG&E's updated forecast proxy price,

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[13] PG&E Advice Letter 4168-E created the Greenhouse Gas Sub-account to temporarily track GHG costs.

consistent with its ERRA application.[14] Including the 2013 revenues to be returned in 2015 and adjusting for expenses and reconciliation, PG&E forecasts $437 million in revenue available for customer returns in 2015. This revenue is forecast to be returned to EITE, small business, and residential customers in 2015 in the amounts shown in Template D-1 of PG&E's November Amended Filing.

PG&E provided sufficient information for evaluating forecast GHG allowance revenues. The methodologies used for forecasting GHG costs and revenues, expenses, and calculating the revenue returns and Climate Credit are consistent with D.13-10-033 (as corrected by D.13-10-055) and the guidance provided in R.11-03-012 to date. Further, the assumptions used by PG&E when making its calculations are reasonable and appropriate for purposes of calculating revenue returns.

3.2 Recorded and Forecast Administrative and Outreach Expenses

3.2.1 Recorded Administrative and Outreach Expenses

In its 2013 Forecast Revenue and Reconciliation Application, PG&E forecasted $1.4 million for 2013 administrative expenses to implement GHG revenue returns to customers and $400,000 for outreach expenses. D.13-12-041 approved PG&E's total forecast of $1.8 million for administrative and outreach expenses, and PG&E credited its GHG Expense Memorandum Account with the

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[14] D.14-10-033 requires PG&E to use a methodology consistent with its ERRA methodology for calculating for calculating forward prices for other commodities. At the time of the original application, the forecast proxy price was $12.35 based on an April 14, 2014 Intercontinental Exchange settlement price, but as of the November update it increased to $12.55 based on a September 15, 2014 settlement price.

$1.8 million.[15] In 2013, PG&E recorded $1.3 million in outreach and administrative costs (November Amended Filing Template D-3). This left a balance of $500,000 in the memorandum account at the end of 2013. Recorded administrative and outreach costs in 2013 were lower than anticipated because the start date for the GHG revenue return was delayed from January 2014 to April and May of 2014. 2013 administrative activities included general program management and IT/billing system enhancements. Outreach expenses in 2013 included PG&E's share of the Targetbase expense.

Additionally, in 2013 PG&E received one invoice from the Center for Sustainable Energy in the amount of $20,000. Pursuant to Ordering Paragraph 16 of D.12-12-033, PG&E rolled forward the balance of the $1.68 million in customer outreach fund for the Center for Sustainable Energy's use in conducting 2014 outreach.

For 2014, PG&E recorded $2.9 million in administrative and outreach expenses (November Amended Filing Template D-3). The recorded 2014 data includes actuals from January to September 2014, plus forecasts from October to December 2014. The administrative activities include program management, IT/billing system enhancements, and customer support. The outreach activities include PG&E's portion of the payment to the Center for Sustainable Energy for statewide outreach and education, and some costs for PG&E to conduct outreach and education. PG&E is not requesting recovery of the difference between 2014

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[15] Resolution E-4611 required PG&E to consign its 2013 outreach and education budget to the Center for Sustainable Energy to develop and administer a competitively neutral, statewide outreach and education program. PG&E's share of the Center for Sustainable Energy's budget cap was $1.7 million in addition to the $1.8 million it forecast for 2013 outreach and administrative costs.

forecast and 2014 recorded expenses in this application, because its 2014 expenses are not finalized.

3.2.2 Forecast Administrative and Outreach Expenses

PG&E's 2015 forecast of GHG administrative expenses is $1.1 million for program administration, IT program maintenance, and contact center call handling (November Amended Filing Template D-3). PG&E's 2015 forecast of GHG customer outreach expenses is $826,000 (November Amended Filing Template D-3). PG&E proposes to use an integrated, multi-channel campaign to build customer awareness of the GHG revenue returns, provide education on the benefits of the cap-and-trade program and provide ongoing support to customers to reduce GHG emissions. PG&E's total 2015 forecast of administrative and outreach expenses is $1.9 million. Adjusting for the current $500,000 balance in PG&E's memorandum account, PG&E is requesting to set aside an additional $1.38 million in its Greenhouse Gas Expense Memorandum Account for 2015 administrative and outreach activities.

In its comments to PG&E's November Supplemental testimony and comments to the Proposed Decision, ORA recommended PG&E be instructed to further justify the reasonableness of its proposed administrative and customer outreach expenses. ORA is concerned with PG&E's assumption for call frequency and length, the projected $1.70 per minute cost to handle customer inquiries, assumptions regarding information technology program maintenance cost, coordination with the Center for Sustainable Energy to reduce duplicative outreach efforts and PG&E's lack of cost reduction from last year's projections.[16]

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[16] ORA Comment on PG&E's November Supplemental Testimony.

We find that PG&E has sufficiently addressed these issues in its prepared testimony and in its reply comments filed on November 20, 2014.

PG&E forecasted a reduction in calls for each month in 2015 versus 2014[17] due to customer familiarity with the program and sufficiently described how it arrived at the $1.70 cost per minute to handle customer inquiries as well as its IT program costs.[18] We also find PG&E's outreach and marketing efforts to be distinct from the outreach efforts conducted by the Center for Sustainable Energy.[19] In its reply comments, PG&E described its efforts to achieve efficiency and cost reduction by reusing the same bill messages for April and October California Climate Credits and reducing refresher training for its call center staff.[20]

We find PG&E's 2013 recorded and 2014 partially recorded expenses to be reasonable and authorize PG&E to offset its 2015 forecast with the over-collection from 2013. We hereby adopt PG&E's 2015 administrative and customer outreach forecast, and authorize it to set aside a net of $1.38 million to fund its 2015 administrative and customer outreach expenses.

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[17] PG&E Prepared Testimony at 1-4. *See* also PG&E Reply Comments at 1.

[18] *Ibid*.

[19] Resolution E-4611 authorized utilities to conduct outreach efforts that are infeasible for the Center for Sustainable Energy to conduct including bill messages, bill inserts, emails, website content and call centers.

[20] PG&E Reply Comment, at 4-5.

3.3 Recorded and Forecast Expenses Approved for Incremental Energy Efficiency and Clean Energy Programs.

D.12-12-033 allows for a portion of GHG allowance revenues to be used for clean energy or energy efficiency programs approved in relevant proceedings. PG&E has not requested or received approval of a clean energy or energy efficiency project in accordance with D.12-12-033, so it does not forecast or record an amount for this variable. Therefore, this decision will not discuss this variable.

3.4 Recorded and Forecast Emissions-Intensive and Trade-Exposed Customer Return.

PG&E has not implemented GHG revenue return to EITE customers because the EITE revenue return methodology is currently under Commission consideration; therefore, PG&E does not have recorded data for the EITE Customer Return in 2014.

To forecast revenues that will be distributed to other eligible customer groups in 2015, PG&E first needed to estimate revenues that will be distributed to EITE customers in 2015. To simplify this estimate, PG&E adopted the following assumption: EITE customers would be returned revenues that match their cents-per-kilowatt-hour cap-and-trade "unit cost."[21] This method is the same as the approach used to calculate the small business and residential volumetric returns. In doing so, PG&E estimated its 2015 EITE Customer Return to be $24.8 million (November Amended Filing Template D-1). We find $24.8 million to be reasonable for the purpose of calculating the revenue return available to other customers.

[21] PG&E Prepared Testimony at 4-1 to 4-2.

3.5 Recorded and Forecast Volumetric Small Businesses Return and Residential Return.

In accordance with D.12-12-033, PG&E distributes its Small Business Return and Residential Return through monthly volumetric credits. The volumetric returns are designed to offset the GHG costs that are embedded in rates. The basis for these volumetric revenue returns is the rate-specific cents-per-kilowatt-hour cap-and-trade "unit costs." This is determined by:

1. Calculating the total forecast cap-and-trade costs allocable to each applicable rate schedule based on the imputed generation cost allocators.
2. Calculating and applying a true-up adjustment to reflect the difference between the recorded 2014 costs and the forecasted costs that were used to set the 2014 volumetric rates.
3. The total costs allocable to each rate schedule will be divided by the rate schedule's forecasted annual kWh usage, which will result in a cents-per-kilowatt-hour GHG "unit cost" for each group.

3.5.1 Recorded and Forecast Small Businesses Return

PG&E's 2014 recorded Small Business Return is $27.7 million and 2015 forecast for its Small Business Return is $26.0 million (November Amended Filing Template D-1). This forecast is reasonable for the purpose of calculating the revenue return available to other customers.

The exact credit per customer will be determined by multiplying the cap-and-trade unit cost for the customer's rate schedule by the customer's monthly usage and then adjusting by the Industry Assistance Factors determined in D.13-12-002.[22] For 2013 through 2015, the Industry Assistance Factor is 100%.

3.5.2 Recorded and Forecast Volumetric Residential Return.

PG&E's 2014 recorded Volumetric Residential Return is $127.4 million and 2015 forecast for its Volumetric Residential Return is $143.1 million (November Amended Filing Template D-1). To calculate this return PG&E applies allowance revenue to fully offset the unit GHG cost to all applicable usage.[23] Moreover, the cap-and-trade allowance revenue will be returned through a credit to the distribution component of all bundled, Direct Access, and Community Choice Aggregator customers' bills. This forecast is reasonable for the purpose of calculating the revenue return available for the Residential Climate Credit.

3.6 Recorded and Forecast California Climate Credit.

PG&E distributed a semi-annual, residential Climate Credit in 2014 of $29.81 per household. The 2015 forecast of the residential Climate Credit is $24.76 per household (November Amended Filing Template D-1). As stated in D.13-12-003, all residential households will receive a California Climate Credit distributed as a separate on-bill line item credit twice a year (every April and October billing cycle). To calculate the amount of each climate credit payment, PG&E will divide the total revenues remaining among all eligible residential households based on service accounts, including master meter subaccounts. The credit is rounded to the nearest cent and applied to the distribution portion of the

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[22] *See* D.13-12-002, Table 1 at 8.

[23] Only non-CARE residential customers in Tier 3 or 4 usage (for standard tiered and optional rate schedules, including Time-of-Use rate schedules) will receive the residential volumetric return.

bill, but not necessarily applied exclusively to distribution charges. This location on the bill ensures that Direct Access and Community Choice Aggregation customers receive their fair portion of allowance revenues, as is required by D.12-12-003. We approve PG&E's 2015 semi-annual residential Climate Credit of $24.76 for each household.

4. Recorded and Forecast GHG Costs

PG&E has two categories of GHG costs, direct costs and indirect costs. Direct costs reflect PG&E's GHG costs from utility-owned generation plants, procurement of electricity from third parties under tolling agreements, and electricity imports. Indirect costs are embedded in market electricity prices, or charged to PG&E by third parties under contract with PG&E for energy supply.

4.1.1. Recorded GHG Costs

For the purpose of reporting recorded direct GHG costs, D.14-10-033 required each utility to multiply recorded direct GHG emissions by the weighted average cost (WAC) of eligible compliance instruments that it holds in inventory. For the purpose of reporting recorded indirect GHG costs, D.14-10-033 required each utility to multiply the recorded indirect GHG emissions by the annual average of the daily CAISO GHG Allowance Price Index. A utility's direct GHG emissions is confidential. Because PG&E is reporting its total emissions publicly, it must also keep its indirect GHG emissions confidential to avoid revealing its direct GHG emissions.

PG&E's recorded GHG costs are $212.9 million for 2013 and $226.8 million for 2014 (November Amended Filing Template D-2-C). PG&E's recorded GHG costs were calculated and reconciled appropriately and are reasonable for the purpose of calculating the small business and residential volumetric returns.

4.1.2. Forecast GHG Costs

In this application, the sole purpose of the Forecast GHG Costs is to allocate the 2015 volumetric revenue returns to different customer classes. The 2013 and 2014 GHG cost reconciliation is included for the purpose of adjusting the 2015 volumetric GHG revenue return to reflect differences between the 2013/2014 forecast and the recorded amounts.

PG&E did not use a proxy price to forecast its 2013 and 2014 GHG costs. Instead, both forecasts were calculated using confidential GHG forward price curves. D.14-10-033 found that while it was appropriate for PG&E to use a confidential price for consistency with ERRA, to provide transparency and a tool for comparison of GHG costs, PG&E must also provide a public illustrative total GHG cost forecast. For its 2015 forecast, PG&E used its confidential GHG forward price curves, consistent with those used in ERRA, and reports total forecast costs confidentially (November Amended Filing Template D-2-C). To provide a public version of its cost forecast, PG&E also provided an illustrative GHG cost forecast for 2015 using a proxy price, which is the September 15, 2014 settlement price of an Intercontinental Exchange California Carbon Allowance futures contract with a 2015 vintage year for delivery in December 2015. The public, illustrative total GHG cost forecast, including the 2014 reconciliation, is $187.4 million (November Amended Filing Template D-2).

In either case, PG&E appropriately reconciled 2013 and 2014 recorded costs with forecast costs, and applied the balances to adjust the total 2015 costs. The forecast of GHG costs using PG&E's confidential GHG forward price curves is reasonable for the purpose of calculating the small business and residential volumetric returns.

4.2. Coordination with ERRA Forecast Proceeding

On May 30, 2014, PG&E filed an application for Adoption of Electric Revenue Requirements and Rates Associated with its 2015 ERRA and Generation Non-Bypassable Charges Forecast. PG&E's ERRA application, A.14-05-024, seeks recovery of procurement-related costs, including the direct and indirect GHG costs described in this decision. PG&E seeks recovery of 2015 forecast GHG costs in the ERRA Forecast Application, and not in this 2015 GHG Forecast Revenue and Reconciliation Application.

PG&E's 2015 forecast of direct GHG costs in this proceeding is consistent with its direct GHG costs reported in its 2015 ERRA forecast being litigated in A.14-05-024.[24]

5. Safety

The health and safety impacts of GHGs are among the many reasons that the Legislature enacted Assembly Bill (AB) 32. Specifically, the Legislature found and declared that global warming caused by GHG "poses a serious threat to the economic well-being, public health, natural resources, and the environment of California. The potential adverse impacts of global warming include the exacerbation of air quality problems, a reduction in the quality and supply of water to the state from the Sierra snowpack, a rise in sea levels resulting in the displacement of thousands of coastal businesses and residences, damage to marine ecosystems and the natural environment, and an increase in

[24] On November 4, 2014, PG&E provided a November Update to its ERRA Testimony. Table 7-1

the incidences of infectious diseases, asthma, and other human health-related problems."[25]

This decision implements a key part of the GHG reduction program envisioned by AB 32 and Public Utilities Code Section 748.5 and, as a result, will improve the health and safety of California residents.

6. Motions for Confidential Treatment

ARB's cap-and-trade regulations prohibit disclosure of auction-related information in most circumstances.[26] ARB's goal is to prevent market collusion. The Commission is interested in ensuring that the public has access to information related to utility rates, but also has its own rules to protect the confidentiality of market sensitive information. D.14-10-033 established Confidentiality Protocols[27] to maximize the amount of information that utilities can make publicly available, which ensuring they do not disclose market sensitive information.

On September 23, 2014, PG&E filed a motion requesting that the confidential supplemental information remain under seal.

The information referenced in the motions to file under seal and the information contained in the exhibits filed under seal constitute commercially sensitive material and include information that falls under the "ARB Confidential" and "Confidential" categories in the Confidentiality Matrix.

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[25] AB 32 § 38501(a).

[26] 17 CCR § 95914(c).

[27] *See* Attachment A.

The motion to file under seal is hereby granted and the confidential treatment of the exhibits is affirmed on the terms set forth in the Confidentiality Matrix.

7. Reduction of Comment Period

Pursuant to Rule 14.6(b) of the Commission's Rules of Practice and Procedure, all parties stipulated to reduce the 30-day public review and comment period required by Section 311 of the Public Utilities Code to 10 days. Pursuant to the parties' stipulation, ORA filed its comments on December 13, 2014 and PG&E filed comments on December 15, 2014. In response to comments, we have revised the discussion sections and the Ordering Paragraphs to clarify that PG&E may consolidate the revenue changes that result from this decision with its Annual Electric True-up Advice Letter.

8. Assignment of Proceeding; Procedural Issues

Michel Peter Florio is the assigned Commissioner and S. Pat Tsen is the assigned ALJ in these consolidated proceedings.

Findings of Fact

1. The proposed forecast GHG cost and allowance revenue returns to customers, including the residential California Climate Credit, for PG&E are set forth in PG&E's November Amended Filing.

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

3. D.13-12-041 required PG&E to file an application concurrent with its ERRA forecast application, seeking approval of 2015 forecast GHG costs, allowance revenues, and administrative and customer outreach expenses, in order to

calculate volumetric allowance revenue returns and the residential Climate Credit for inclusion in rates beginning in 2015.

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

5. PG&E has not requested or received approval of a clean energy or energy efficiency program in another proceeding for which the allowance revenues could be used.

6. PG&E filed Rule 3.2 Proof of Compliance for rate changes that may result from this proceeding.

7. The 2015 forecast GHG allowance revenue, GHG costs, revenue returns to Emissions-Intensive and Trade-Exposed customers, and volumetric returns are set forth in PG&E's Templates D-1 and D-2 of its November Amended Filing.

8. The net forecast administrative and outreach expenses to be set aside for 2015 are $1.38 million.

9. The 2015 forecast residential California Climate Credit is $24.76 per household.

10. The 2013 and 2014 recorded administrative and outreach expenses are $1.3 million and $2.9 million, respectively.

11. PG&E reports its GHG costs in its ERRA Application, and seeks recovery of those costs in the ERRA proceeding.

Conclusions of Law

1. PG&E appropriately forecasted GHG costs and allowance revenues, and the corresponding returns to customers, consistent with D.12-12-033, D.14-10-033 (as corrected by D.14-10-055), and the other decisions issued in R.11-03-012 as of today's date.

2. PG&E's 2015 GHG cost forecast is consistent with its 2015 ERRA forecast being litigated in A.14-05-024.

3. The amounts and calculations in PG&E's November Amended Filing are appropriate and consistent with the instructions and templates provided in D.14-10-033 as corrected by D.14-10-055.

4. The methodologies used to forecast GHG costs and allowance revenues and reconcile prior forecasts with recorded amounts are reasonable.

5. The recorded and forecast GHG allowance revenues are reasonable.

6. The recorded and forecast GHG costs are reasonable.

7. The recorded and forecast administrative and outreach costs are reasonable.

8. PG&E should be authorized to modify its tariffs to reflect the forecast 2015 GHG allowance revenues and the reconciled 2013 and 2014 GHG allowance revenues specified in its November Amended Filing.

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

10. There is no need for evidentiary hearings for this proceeding.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) shall modify its tariffs to issue a semi-annual residential California Climate Credit and to include in rates the forecasted greenhouse gas revenues consistent with the amounts set forth in Template D-1 of PG&E's November Amended Filing and as summarized in Table 1 of this decision.

Table 1: Summary of PG&E's Approved 2015 Forecast GHG Revenue Returns

Net GHG Revenues Available for Customers in Forecast Year	**(437,206,000)**
GHG Revenue Returned to Eligible Customers	
EITE Customer Return	$24,818,000
Small Business Volumetric Return	$25,962,000
Residential Volumetric Return	$143,131,000
Subtotal EITE + Volumetric Returns	**$193,911,000**
Number of Households Eligible for the California Climate Credit	4,912,750
Per-Household Semi-Annual Climate Credit	$24.76
Revenue Distributed for the Climate Credit	**$243,295,000**

2. Within 30 days of the effective date of this decision, Pacific Gas and Electric Company shall submit the necessary Advice Letters with the Energy Division under Tier 1 of General Order 96-B to implement the rate changes authorized by this decision. PG&E may consolidate these revenue changes through the Annual Electric True-up Advice Letter process. The Advice Letter shall include changed tariff sheets and supporting documentation for:

a. Residential rate schedules (including master-metered rate schedules) to include the authorized 2015 Climate Credit Amount; and

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

3. This proceeding is closed.

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