

Decision 11-07-013 July 14, 2011

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company (U39M) San Diego Gas & Electric Company (U902M), Southern California Edison Company (U338M), and Southern California Gas Company (U904G) for Authority to Increase Electric and Natural Gas Rates and Charges to Recover California Air Resources Board Assembly Bill 32 Cost of Implementation Fee.

Application 10-08-002
(Filed August 2, 2010)

Application of Southwest Gas Corporation (U905G) to Establish Memorandum Account to Track and Record California Air Resources Board Assembly Bill 32 Cost of Implementation Fees.

Application 11-03-010
(Filed March 17, 2011)

**AUTHORIZING SOUTHWEST GAS CORPORATION
TO ESTABLISH A MEMORANDUM ACCOUNT TO RECORD
IMPLEMENTATION FEE COSTS**

Summary

This decision allows Southwest Gas Corporation (Southwest) to establish a memorandum account to record the costs of fees imposed by the California Air Resources Board pursuant to Assembly Bill 32. This consolidated proceeding remains open. Possible recovery of the costs recorded in the memorandum account will be considered at a later date.

Background

On September 27, 2006, Governor Schwarzenegger signed Assembly Bill (AB) 32, the California Global Warming Solutions Act (Nuñez, Chapter 488, Statutes of 2006), which authorized the Air Resources Board (ARB) to adopt measures necessary to reduce California's statewide greenhouse gas (GHG) emissions to the 1990 level by 2020. AB 32 provides that ARB may adopt a schedule of fees on GHG emissions to recover its administrative costs associated with the implementation of AB 32. ARB adopted the AB 32 Cost of Implementation Fee (AB 32 Fee) on September 25, 2009, with instructions to ARB's Executive Officer to make certain changes before approving the final version. The final version of the AB 32 Fee regulation was approved by the Office of Administrative Law on June 17, 2010. The AB 32 Fee regulation instructs ARB staff to issue invoices for the first annual AB 32 Fee obligation within 30 days of the passage of the state budget, which was signed by Governor Schwarzenegger on October 8, 2010. Payment of the fee is due within 60 days of receipt of the invoice.

Southwest's application is similar to (and has been consolidated with) an earlier application jointly filed by Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE), and Southern California Gas Company (SoCalGas). The latter utilities requested authority for rate increases to collect the costs of AB 32 fees from their respective end-use gas transportation and bundled electric generation customers. Decision (D.)10-12-026 authorized a memorandum account for PG&E, SDG&E, SCE, and SoCalGas to record any fees pending final disposition of the request. Subsequently, Southwest also applied for a memorandum account to record AB 32 fees. Southwest plans to seek recovery of these fees in a

general rate case likely to be filed in late 2012 for a 2014 test year. These two applications were consolidated by ruling.

Discussion

In D.10-12-026, the Commission authorized memorandum accounts for PG&E, SDG&E, SCE, and SoCalGas pending the outcome of Phase II of this proceeding. In that decision the Commission found it was timely and reasonable to authorize memorandum accounts while considering the merits of the utilities' proposal. Similarly, Southwest should be able to record costs in a memorandum account pending the final decision on the question of cost recovery in rates.

Today's decision therefore authorizes the establishment of the AB 32 Fee memorandum account proposed by Southwest. We defer, either to a subsequent phase of this proceeding or to Southwest's next general rate case, a determination of whether costs incurred and recorded in the memorandum account will be recoverable in rates, and the appropriate manner in which any approved costs will be recovered. This decision does not prejudge any issues regarding cost recovery.

Categorization and Need for Hearing

The preliminary categorization of A.11-03-010 is ratesetting. (Administrative Law Judge (ALJ) Resolution 176-3271 dated March 24, 2001.) In this decision we affirm the preliminary categorization. The ratesetting categorization was confirmed for A.10-08-002 in D.10-12-026. We find that evidentiary hearings are not needed for Phase I of these proceedings to authorize a memorandum account. Phase II will be scoped separately, at which time we will determine whether an evidentiary hearing will be necessary in that phase on cost recovery. Specifically, regarding Southwest, the Commission may choose to

resolve the cost recovery issues in Southwest's test year 2014 general rate case rather than Phase II.

Comments on Proposed Decision

No protests were filed in this proceeding. Therefore, this is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

Assignment of Proceeding

Mark J. Ferron is the assigned Commissioner and Douglas Long is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Southwest, in common with other investor-owned gas and electric utilities in California, is incurring costs as the result of fees imposed by the ARB pursuant to AB 32. The Commission has not yet ruled on whether the costs for these fees are recoverable in rates.

2. Pending a decision on the recoverability of these costs, the Commission has authorized PG&E, SCE, SDG&E, and SoCalGas to establish memorandum accounts in which to record their AB 32 fees. Establishment of these accounts does not prejudice any cost recovery issues.

3. It is reasonable to authorize Southwest to file a Tier 1 advice letter to establish a memorandum account such as those described in Finding of Fact 2.

Conclusions of Law

1. Today's decision does not address whether or when cost recovery of the AB 32 Fee is warranted, and it does not prejudice the outcome of any subsequent decision on those issues.

2. Today's decision should be made effective immediately.

O R D E R

IT IS ORDERED that Southwest Gas Corporation may file a Tier 1 advice letter to establish a memorandum account to record its actual expenditures to record the costs of fees imposed by the California Air Resources Board pursuant to Assembly Bill 32.

This order is effective today.

Dated July 14, 2011, at San Francisco, California.

MICHAEL R. PEEVEY

President

TIMOTHY ALAN SIMON

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

MARK J. FERRON

Commissioners