

Decision 14-10-055

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Edison Company (U338E) for Approval of Greenhouse Gas Cap-and-Trade Program Cost and Revenue Allocation.

Application 13-08-002
(Filed August 1, 2013)

And Related Matters.

Application 13-08-003
Application 13-08-005
Application 13-08-007
Application 13-08-008

ORDER CORRECTING ERROR IN DECISION 14-10-033

The Commission has been informed of an error in Decision (D.) 14-10-033 entitled "Phase 2 Decision Adopting Standard Procedures For Electric Utilities To File Greenhouse Gas Forecast Revenue And Reconciliation Requests." The errors are contained in Attachments C and D of D.14-10-033. The Attachments included inaccurate tables and notes. Attachments C and D are hereby corrected and replaced in their entirety with the attached templates.

Therefore, pursuant to Resolution A-4661, the above changes are made to D.14-10-033.

IT IS ORDERED that:

1. Decision 14-10-033 is corrected to replace the original Attachments C and D in their entirety with Attachments C and D attached hereto.
2. Application (A.) 13-08-002, A.13-08-003, A.13-08-005, A.13-08-007, and A.13-08-008 are closed.

This order is effective today.

Dated October 30, 2014, at San Francisco, California.

/s/ PAUL CLANON

PAUL CLANON
Executive Director

ATTACHMENT C

Calculation of Weighted Average Cost of Compliance Instruments

A utility's recorded direct costs include two variables: emissions and costs of compliance instruments. Recorded year direct greenhouse gas (GHG) costs represent the actual costs for utility owned generation, imports, tolls and other contracts for which the utility has responsibility for Cap-and-Trade costs.

Each month, a utility records its GHG costs to its respective balancing account. These costs are calculated as the weighted average cost (WAC) of compliance instruments held in inventory at the end of a month multiplied by the quantity of emissions generated in that month for which the utility has a physical compliance obligation. For financially settled tolling agreements that a utility records as a direct cost, these direct GHG costs should be based on actual contract settlement, not on the WAC. The recorded direct costs for the year are the sum of the monthly GHG expense entries for the year.

Under California's Cap-and-Trade Program, a covered entity must surrender one compliance instrument (an allowance or an offset) for each metric ton of GHG emissions. Allowances are designated with a vintage year. An entity may bank allowances from previous vintage years, but not borrow from future vintage years, to meet a compliance obligation. For example, if a utility holds a vintage year 2013 allowance in its inventory, it can surrender the allowance to meet its 2013 obligation, or bank the allowance to surrender in future years.

There are no restrictions on which vintage year of offsets a utility can use to meet a compliance obligation.¹

When a utility purchases or otherwise receives compliance instruments, it records:

- Transaction Date;
- Transaction Type (purchase, sale, etc.);
- Vintage (if applicable);
- Quantity of compliance instruments for transaction;
- Cost per compliance instrument for transaction;
- Total Cost of compliance instruments for this transaction calculated as the quantity multiplied by the cost; and
- Inventory Balance in dollars;
- Total Quantity of compliance instruments in inventory; and
- WAC of all compliance instruments to date.

When a utility sells, transfers, surrenders, or otherwise removes compliance instruments from its inventory, it records:

- Transaction Date;
- Transaction Type (purchase, sale, etc.);
- Vintage (if applicable);
- Quantity of compliance instruments for transaction;
- Sales price for transaction;

¹ ARB. Regulatory Guidance Document, Chapter 3. April 2013.
<http://www.arb.ca.gov/cc/capandtrade/guidance/20130419%20Guidance%20Document%20Ch%203%20posting.pdf>.

- Total Cost calculated as quantity of compliance instruments for transaction multiplied by the current WAC;
- Inventory Balance in dollars;
- Total Quantity of compliance instruments in inventory; and
- WAC of all eligible compliance instruments to date.

When a utility calculates the WAC of compliance instruments in inventory, it should consider all compliance instruments in its inventory that are valid for the current compliance period. Specifically, the calculation shall include all ARB Offsets, and allowances with a vintage year equal to or prior to the recorded year. For example, in recording 2014 costs, a utility shall calculate its WAC based on its inventory of all ARB Offsets and allowances with vintage years 2013 and 2014.

When a utility purchases compliance instruments, it holds these environmental assets in inventory at the purchase price. When a utility procures additional compliance instruments, its inventory increases and its WAC might change. At any period of time, the WAC is calculated as the total cost of all compliance instruments held in inventory, divided by the total quantity of compliance instruments.

For purposes of the WAC calculation, when compliance instruments are sold, transferred, or surrendered, they are taken out of inventory at the WAC; these transactions do not change the WAC of the remaining compliance instruments held in inventory. If the compliance instruments are sold at a higher (lower) price than the WAC, the utility will record a gain (loss) on the sale. For WAC calculation purposes, allowances remain on the balance sheets as inventory (current or noncurrent) until surrendered to ARB. When allowances are

surrendered to ARB, the balance sheet will be reduced by the number of allowances surrendered to ARB.

When the WAC is calculated at the end of the month, a utility will calculate recorded direct costs for the month as follows:

$$\text{Direct GHG Costs}_{\text{month}} = \text{WAC} \times \text{Direct Emissions Quantity}_{\text{month}}$$

Where:

“WAC” is the weighted average cost of all compliance instruments held in inventory that are eligible for that cap-and-trade compliance period.

“Direct Emissions Quantity” is the direct emissions for the entire month calculated in accordance with ARB standards, regardless of whether compliance instruments have been surrendered for these emissions. The emissions quantity is updated on at least a quarterly basis based on best available information. Emissions from financially settled tolling agreements should not be included in Direct Emissions Quantity for purposes of this calculation.

For example, when recording 2014 costs a utility shall calculate its WAC based on its inventory of all ARB Offsets and allowances with vintage years 2013 and 2014. Any allowances with vintage year 2015 will not be calculated in the WAC used for recording 2014 costs since the second compliance year begins in 2015. When recording 2015 costs, a utility shall calculate its WAC based on its inventory of all offsets and allowances with vintage years 2015, 2016 and 2017, plus any 2013 or 2014 allowances or offsets not used to meet its obligation in the first compliance period.

When a utility files its GHG Forecast Revenue and Reconciliation Application, it shall use Template C to show its WAC calculations. Each utility will use Template C to develop a calculation worksheet for each applicable compliance period. The application should also show a calculation of direct costs

based on the WAC formula above. This calculation of recorded direct costs should match the emissions expenses in the utility’s balancing accounts. GHG emissions from financially settled tolling agreements should NOT be included in this calculation.

If the Total Quantity in Inventory at the end of a month is equal to zero, the utility shall use the most recent ARB allowance auction clearing price instead of the WAC to calculate that month’s emissions cost. The utility will record this number in place of the “End of Month WAC” to calculate that month’s costs.

Template C: Reporting Template to Calculate Weighted Average Cost of Compliance Instruments

For tolling agreements with financial settlements, the following alternative calculation may be used:

$$\text{Direct Cost} = \text{Settlement Price} \times \text{Emissions Quantity}$$

Where:

“Settlement Price” is the unit price at which the utility will financially compensate its tolling counterparty for GHG (usually the ARB Auction Clearing Price); and

“Emissions Quantity” is the emissions obligation for the entire month calculated in accordance with the tolling agreement.

The WAC inventory table and the resulting WAC calculation are confidential.

(END OF ATTACHMENT C)

ATTACHMENT D

GHG Revenue and Reconciliation Application Form

Each utility should complete the five templates provided in Attachment D when submitting its GHG Revenue and Reconciliation Application or request. The utility should complete the templates for the forecast year (denoted as “Year t” in the templates) and any years for which it is recording or reconciling costs and revenues.

Clarifying notes follow each template to provide guidance for completing the template.

Gray shading in the template indicates confidential information. As described in the notes that accompany each template, a utility may mark additional data as confidential, based on its set of circumstances.

Template D-1: Annual Allowance Revenue Receipts and Customer Returns*

Line	Description	Year t-1		Year t	
		Forecast	Recorded	Forecast	Recorded
1	Proxy GHG Price (\$/MT)	-	N/A	-	N/A
2	Allocated Allowances (MT)	-	-	-	-
3	Revenues (\$)				
4	Prior Balance	N/A	N/A	-	-
5	Allowance Revenue	-	-	-	-
6	Interest	-	-	-	-
7	Franchise Fees and Uncollectibles	-	-	-	-
8	Subtotal Revenues	-	-	-	-
9	Expenses (\$)				
10	Outreach and Administrative Expenses (from Template D3)	-	-	-	-
11	Franchise Fees and Uncollectibles	-	-	-	-
12	Interest	-	-	-	-
13	Subtotal Expenses	-	-	-	-
14	Allowance Revenue Approved for Clean Energy or Energy Efficiency Programs (\$)	-	-	-	-
15	Net GHG Revenues (\$) (Line 8 + Line 13 + Line 14)	-	-	-	-
16	GHG Revenues to be Distributed in Future Years (\$)	-	-	-	-
17	Net GHG Revenues Available for Customers in Forecast Year (\$) (Line 15 + Line 16)	-	-	-	-
18	GHG Revenue Returned to Eligible Customers (\$)				
19	EITE Customer Return	-	-	-	-
20	Small Business Volumetric Return	-	-	-	-
21	Residential Volumetric Return	-	-	-	-
22	Subtotal EITE + Volumetric Returns	-	-	-	-
23	Number of Households Eligible for the California Climate Credit	-	-	-	-
24	Per-Household Semi-Annual Climate Credit (\$) (0.5 x (Line 17 + 22) ÷ Line 23)	-	-	-	-
25	Revenue Distributed for the Climate Credit (\$) (2 x Line 23 x Line 24)	-	-	-	-
26	Revenue Balance (\$)	N/A	-	N/A	-

***Template D-1 Notes**

Line 1: Proxy GHG Price

- The forward ICE settlement price of GHG allowances of the forecast year's vintage with December delivery of the forecast year, with a quote date consistent with natural gas and power price forward curves used in the ERRR/ECAC forecast.
- Proxy GHG Price is applicable to the forecast column only.
- Proxy GHG Price was not used prior to 2015.

Line 2: Allocated Allowances

- Number of allowances the California Air Resources Board allocates to each utility on behalf of its customers.

Line 3: Revenues

- Revenue from selling 100% of allocated allowances.
- If a utility records revenues received as negative values in this template, it should record expenses and revenues returned as positive values.

Line 4: Prior Balance

- Forecasted or recorded end-of-year balance in each utility's respective GHG revenue balancing account.
- Not applicable to 2013, as there was no balance prior to 2013.

Line 5: Allowance Revenue

- Forecast Allowance Revenue equals the Proxy GHG Price multiplied by the number of Allocated Allowances to the utility in a given year.
- Recorded Allowance Revenue is the total value of allowances consigned and sold at auction for a given year.

Line 6: Interest

- Recorded Interest is the interest booked to the revenue balancing account.

Line 7: Franchise Fees and Uncollectibles

- Calculated by multiplying the utility's GRC-authorized FF&U factor by the allowance revenue (including any interest).

Lines 10-12: Expenses

- Recorded Expenses reflect actual expenses recorded by filing date plus additional estimated year-end recorded expenses.

Line 10: Outreach and Administrative Expenses

- Utilities enter the total from Template D3 on this line, net of any balance in the outreach expense memorandum account or administrative expense balancing account. Note any previous year's balance applied here.

Line 11: Franchise Fees and Uncollectibles

- If a utility calculates expense-related FF&Us separately from Revenue FF&Us above, utility will enter that number here.
- Calculated by multiplying the utility's GRC-authorized FF&U factor by the outreach and administrative expenses.

Line 12: Interest

- If applicable.

Line 14: Allowance Revenue Approved for Clean Energy or EE Programs

- Amount of revenue, if any, that the Commission has authorized in other proceedings to fund clean energy or EE programs.

Line 15: Net GHG Revenues Available for Customers

- Revenue net of Expenses and Allowance Revenue for Clean Energy or EE.

Line 16: GHG Revenues to be Distributed in Future Years

- Of GHG Revenues collected in 2013, 50% is to be returned to customers in 2014 and 50% in 2015. These revenues are held in the utility's balancing account until they are distributed. When reporting recorded 2013 and 2014 revenues, and for the 2015 forecast year, the utility will indicate the amount of collected GHG revenues that will remain in the balancing account to be distributed in future years. This line can be omitted beginning in the 2016 forecast year after all revenue from 2013 and 2014 has been amortized in rates.

Lines 19-21: GHG Revenue Returned to Eligible Customers

- Recorded revenue returned to eligible customers should reflect recorded revenue returned to customers as of the filing date as well as estimated year-end recorded revenue returned to customers.

Line 19: EITE Customer Return

- As the revenue allocation formula and distribution methodologies for emissions intensive and trade exposed (EITE) customers has not been finalized as of the mailing of this decision, the forecast is based on total sales to expected bundled and unbundled EITE-eligible customers multiplied by the GHG cost in rates for these customers.
- Once EITE customers have begun receiving an EITE return, the forecast return is based on the recorded prior-year revenue returned to EITE customers.

Line 20: Small Business Volumetric Return

- Forecast based on expected bundled and unbundled sales to small business customers multiplied by forecast volumetric GHG costs in rates and appropriate assistance factors.

Line 21: Residential Volumetric Return

- Forecast based on expected bundled and unbundled sales to residential customers multiplied by the volumetric GHG costs in rates.

Line 24: Per-Household Semi-Annual Climate Credit

- The recorded amount exactly equals the forecast for that year, as the forecast is used to calculate the amount of the Climate Credit.

Line 25: Revenue Distributed for the Climate Credit

- Forecast Revenue Distributed for the Climate Credit is the net allowance revenue available for customers less the subtotal of EITE and volumetric revenue returns.
- Recorded Revenue Distributed for the Climate Credit is the actual amount returned to all households.

Line 26: Revenue Balance

- The recorded Revenue Balance will be the known or estimated amount recorded in the utility's respective balancing account on December 31 of that year.
- Only applicable to the recorded column.
- The Revenue Balance at the end of one year then becomes the Prior Balance (line 4) of the next year.

Template D-2: Annual GHG Emissions and Associated Costs**

Line	Description	Year t-1		Year t	
		Forecast	Recorded	Forecast	Recorded
1	Direct GHG Emissions (MTCO₂e)				
2	Utility Owned Generation (UOG)	-	-	-	-
3	Tolling Agreements	-	-	-	-
4	Energy Imports (Specified)	-	-	-	-
5	Energy imports (Unspecified)	-	-	-	-
6	Qualifying Facility (QF) Contracts	-	-	-	-
7	Contracts with Financial Settlement	-	-	-	-
8	Subtotal	-	-	-	-
9	Indirect GHG Emissions (MTCO₂e)				
10	CAISO Market Purchases	-	-	-	-
11	Contract Purchases	-	-	-	-
12	Subtotal	-	-	-	-
13	Total Emissions (MTCO₂e)	-	-	-	-
14	Proxy GHG Price (\$/MT)	-	-	-	-
15	GHG Costs (\$)				
16	Direct GHG Costs	-	-	-	-
17	Direct GHG Costs - Financial Settlement	-	-	-	-
18	Indirect GHG Costs	-	-	-	-
19	Previous Year's Forecast Reconciliation (Line 21)	N/A	N/A	-	-
20	Total Costs	-	-	-	-
21	Forecast Variance (\$)	N/A	-	N/A	-

Gray shading indicates confidential information. As described in the notes below, based on a utility's particular circumstances additional cost data may be confidential.

****Template D-2 Notes**

Line 1: Direct GHG Emissions

- Direct GHG Emissions are confidential.
- Utilities will provide data for all categories of Direct GHG Emissions that are applicable to their operations.
- If a utility is a multi-jurisdictional retail provider (MJRP) that reports MJRP emissions, the utility shall add a line under Direct GHG Emissions to include MJRP emissions. This value is confidential.

Line 2: Utility Owned Generation

- Emissions based on forecasted or actual plant output, the facility-specific heat rate assumption, and ARB-specified emissions factors for fuels.
- This value is confidential.

Line 3: Tolling Agreements

- Emissions based on forecasted or actual plant output purchased by utility, the contract-specific heat rate assumption, and ARB-specified emissions factors for fuels.
- This value is confidential.

Line 4: Energy Imports (Specified)

- Emissions based on forecasted or actual plant output purchased by utility and the facility-specific emissions factor.
- This value is confidential.

Line 5: Energy Imports (Unspecified)

- Emissions based on forecasted or actual plant output purchased by utility, the ARB emissions factor for unspecified imports, the ARB transmission loss correction factor, and any applicable RPS adjustment.
- This value is confidential.

Line 6: Qualifying Facility Contracts

- Physically settled emissions based on forecasted or actual plant output purchased by utility and the contract-specific settlement terms.
- This value is confidential.

Line 7: Contracts with Financial Settlement

- Emissions from utility contracts in which the utility is responsible for providing financial settlement specifically for GHG costs. At its discretion, the utility may choose instead to record financially settled emissions as a new row under Indirect GHG Emissions.
- This value is confidential.

Line 8: Subtotal

- This value is confidential.

Line 9: Indirect GHG Emissions

- Because Total Emissions are public except when a utility only reports direct emissions, Indirect GHG Emissions must be confidential to avoid revealing Direct GHG Emissions.
- Utilities will provide data for all categories of Indirect GHG Emissions that are applicable to their operations. Utilities that have no Indirect Emissions do not need to complete this section.

Line 10: CAISO Market Purchases

- Emissions based on net market energy purchases and either ARB's emission factor for generic system power or a market heat rate-implied emission factor.
- This value is confidential.

Line 11: Contract Purchases

- Emissions based on forecasted or actual plant output purchased by the utility and contract-specific settlement terms.
- This value is confidential.

Line 12: Subtotal

- This value is confidential.

Line 13: Total Emissions

- Total of direct and indirect emissions.

- This value is confidential if a utility has only direct emissions, because it would reveal their direct compliance exposure.

Line 14: Proxy GHG Price

- The forecast Proxy GHG Price is used to forecast Direct GHG Costs and Indirect GHG Costs.
- The forecast Proxy GHG Price is the forward ICE settlement price with December delivery of the forecast year, with a quote date consistent with natural gas and power price forward curves used in the ERRA/ECAC forecast. This value is public. PG&E separately calculates a confidential GHG price which it uses to forecast procurement costs for ratemaking purposes in the ERRA forecast proceeding.
- PG&E must use a confidential internal GHG allowance price forecast for the Proxy GHG Price if this is consistent with its ERRA methodology.
- The recorded Proxy GHG Price is used to calculate the recorded Indirect GHG Costs. The value is the average of the daily published prices of the California System Operator (CAISO) GHG Allowance Price Index for that year. This value is public.

Line 16: Direct GHG Costs

- The Direct GHG Costs included the cost of Direct GHG Emissions in Lines 2 through 7 only.
- Forecast direct costs are the Forecasted Proxy Price (or confidential price for PG&E) multiplied by forecasted direct emissions.
- Recorded direct costs are the sum of each month's WAC of compliance instrument inventory multiplied by that month's actual direct emissions, as shown in Template C.
- These values are confidential to avoid revealing a utility's Direct GHG Emissions.

Line 17: Direct GHG Costs - Financial Settlement

- The Direct GHG Costs for Contracts with Financial Settlement include the cost of Direct GHG Emissions in Line 7.

- Forecast direct costs with financial settlement are the Forecast Proxy Price (or confidential price for PG&E) multiplied by forecast direct emissions.
- Recorded direct costs are the sum of each month's cost of financially settling the GHG cost component of contracts.
- These values are confidential to avoid revealing a utility's Direct GHG Emissions.

Line 18: Indirect GHG Costs

- Forecast Indirect GHG Costs are the Forecast Proxy Price multiplied by forecast subtotal of Indirect GHG Emissions.
- Recorded Indirect GHG Costs equal the subtotal of Indirect GHG Emissions multiplied by annual average of CAISO's daily GHG Allowance Price Index computed by averaging the published daily price for the recorded year and dividing by the number of days in that year.

Line 19: Previous Year's Forecast Reconciliation

- Equals Forecast Variance (line 21) from the year the utility is reconciling.
- This value is confidential if the previous year's Forecast Variance is confidential.

Line 20: Total Costs

- Forecast of total costs are confidential if utility uses a confidential price for its Forecast Proxy Price (line 14). In that case, utility's GHG application must include an illustrative public GHG cost using the public forecast proxy price.
- This value is also confidential if a utility has only direct costs.

Line 21: Forecast Variance

- Total recorded costs minus total forecasted costs for the year.
- If the forecast of Total Costs (line 20) is confidential, the forecast variance is also confidential.

-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

*****Template D-3 Notes**

Lines 1-3: Utility Outreach Expenses

- Utilities provide detail on the categories of outreach activities they forecast and actually work on.
- Examples of outreach categories include customer call center outreach, internal marketing efforts, printed materials, postage, and contracts with external marketing consultants.
- Utilities will insert line items to account for applicable outreach sub-categories, including the examples listed here and any other relevant sub-categories.

Lines 4-6: Utility Administrative Expenses

- Utilities provide detail on the type of administrative activities they forecast and actually complete.
- Examples of administrative work include general program management, IT enhancements, billing system enhancements, IT program management and oversight, and customer call center training.
- Utilities will insert line items to account for applicable administrative sub-categories, including the examples listed here and any other relevant sub-categories.

Line 8: Additional (Non-Utility) Statewide Outreach

- Utility's portion of expenses for a third-party to support statewide outreach.

Template D-4: Forecast Revenue Requirement and Revenues by Rate Schedule****

--	--	--	--	--

--	--	--	--	--

******Template D-4 Notes**

Column A: Rate Schedule

- Utilities add rows to the template to populate Column A with all applicable rate schedules.

Columns B-E: Bundled Customers

- Data in these columns are for bundled sales/customers.

Column B: Forecast Sales

- Provide by rate schedule and in total.
- Confidential, unless subject to disclosure in another Commission proceeding.

Column C: Forecast GHG Revenue Requirement

- Provide by rate schedule and in total for the forecast year.
- This value is confidential if the utility uses a confidential internal price to forecast GHG costs.

Column D: Rate Impact of Forecast GHG Revenue Requirement

- For each line, this equals Column C divided by Column B.
- The rate impact does not include the impact of the revenue credit.
- If a utility's Forecast GHG Revenue Requirement is confidential, this value is also confidential. If this value is confidential, the utility shall insert an additional column to show an illustrative, public rate impact by rate schedule using a proxy GHG price.

Column E: Forecast GHG Revenue

- Provide by rate schedule and in total for the forecast year using the proxy price.
- The sum of Column E and Column I should equal that year's Net GHG Revenues Available for Customers in Forecast Year (Line 17 of Template D-1).

Columns F-I: Unbundled Customers

- If a utility serves unbundled customers, it will complete columns F through I in the same manner it completed these fields for bundled customers in columns B through E.

Template D-5: History of Revenue, Costs, and Emissions Intensity*****



*******Template D-5 Notes**

Lines 1-3

- Complete each line for the forecast year, and up to five preceding years.
- Fill in the headers with the actual years and indicate which years are forecasts, rather than actuals.

Line 1: Total GHG Revenue

- Equals the Net GHG Revenues Available for Customers from Template D-1. Utilities should report recorded values for prior years and forecast values when recorded values are not available.

Line 3: Emissions Intensity

- Emissions Intensity for the forecast year is confidential.

(END OF ATTACHMENT D)