Decision 15-02-005 February 12, 2015

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 its 2015 Greenhouse Gas Cap-and-Trade Program Cost and Revenue Forecast and Reconciliation.	Application 14-06-010 (Filed June 11, 2014)

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

TABLE OF CONTENTS

Title **Page**

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 Southern California Edison to incorporate forecast greenhouse gas (GHG) cap-and-trade related costs and GHG 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 with recorded 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 Southern California Edison Company (SCE). Decision (D.) 12-12-033[3] in R.11-03-012 requires SCE to file an annual application for approval of forecast

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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).

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 SCE's

[4] The five utilities are Southern California Edison Company (SCE), Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Utah Power & Light 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.14-06-010 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 2015 forecast GHG costs and allowance revenues. It will also review and approve SCE's 2015 GHG cost and allowance revenue forecasts for inclusion in 2015 customer rates. In doing so, we will examine the variables necessary for authorizing rate changes and determining the California Climate Credit. 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

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

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

5. **Recorded and Forecast Small Businesses 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 related to the volume of electricity used by the household: each household within a utility's territory receives the same Climate Credit.

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[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 they are able to pass GHG costs on to both lower and upper tiers, D.12-12-033 required the small 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.

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, SCE filed its 2015 Greenhouse Gas Forecast Revenue and Reconciliation Application (2015 Forecast Application) on June 11, 2014. On July 21, 2014, a protest was filed by the Office of Ratepayer Advocates (ORA). On August 14, 2014, SCE filed Proof of Compliance with Rules 3.2(b)-(e), which it amended on August 25, 2014.

On September 17, 2014, the assigned Administrative Law Judge (ALJ) for the Consolidated Proceeding issued a ruling requiring SCE 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 SCE to complete Attachments C and D to the Proposed Decision and

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[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.)

serve supporting testimony if appropriate when making its annual filing. SCE submitted a supplemental filing on September 23, 2014.[12]

A Prehearing Conference was held on September 24, 2014. The Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo) was issued on October 15, 2014, which required SCE to file updated testimony on November 6, 2014. SCE filed its "2015 GHG Cost and Forecast Revenue and Reconciliation Testimony of Southern California Edison Company Updated Testimony" (Updated Testimony) as Exhibit SCE-3 on November 6, 2014, which included refreshed data through the third quarter of 2014. SCE and ORA both filed opening briefs on November 17, 2014, and SCE filed a reply brief dated December 3, 2014 (Reply Brief).

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

1. Are SCE's forecasts of GHG costs for 2015 reasonable?
2. Are SCE's forecasts of GHG-related administrative and customer outreach costs reasonable?
3. Are SCE's forecasts of GHG allowance revenue and revenue returns reasonable?
4. Should SCE's reconciliation of recorded 2013 and 2014 GHG costs, allowance revenues and administrative and outreach costs be approved?
5. Does SCE appropriately calculate the 2015 California Climate Credit for residential households?

Are any safety considerations raised by this proceeding?

[12] SCE submitted both a Public Version and a Confidential Version of its supplemental filing. For purposes of this decision, all references are to the Public Version.

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

The Updated Testimony reflects information available through the third quarter of 2014. The information provided in the Updated Testimony and the modeling methodologies used are consistent with the requirements of D.14-10-033 as corrected by D.14-10-055. The information presented in the Updated Testimony includes revised forecasts of 2015 GHG costs, 2015 allowance revenues, 2014 end-of-year balancing account balances, revised recorded 2013 and 2014 GHG costs, and revised 2015 rate impacts. The information detailed below includes recorded data for 2013, recorded data through September 2014, forecast data for the remaining months of 2014, and forecasts for 2015.

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 any variance between the forecast and recorded allowance revenue, GHG costs and expenses from prior years.

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.

3.1.1. Recorded Revenue

Based on the Updated Testimony to SCE's Application, the recorded GHG allowance revenues for 2013 and 2014 are $384.638 million and $368.730 million respectively. The recorded 2013 data includes actual recorded data for 2013, while the recorded data for 2014 include actuals from January to September 2014 plus forecast data from October to December 2014.

Adjusting for interest, franchise fees and uncollectibles, administrative expenses, customer outreach expenses and revenue allocations to customers in 2014, SCE projects that the 2014 end of year revenue balance will be $160.837 million, which will be available for the 2015 allocation.

3.1.2. Forecast Revenue

SCE forecasts that it will receive $397.199 million in allowance revenue in 2015, which is in addition to the forecast revenue balance of $160.837 million from 2014 described above. The updated November forecast resulted in an increase in the forecast reflected in the original application filed on June 11, 2014, and it reflects a revised proxy price with updated market prices. SCE reports in Table V-11 of its Updated Testimony that the total forecast allowance revenue available in 2015 is $562.499 million, which includes interest, franchise fees and uncollectible and the revenue balance from 2014.

3.2. Recorded and Forecast Administrative and Outreach Expenses

3.2.1. Administrative Expenses

SCE forecasted $850,000 for 2013 administrative expenses to implement GHG revenue returns to customers.[13] Recorded administrative expenses in 2013 were $326,828, resulting in an over collection of $523,172. SCE reported that administrative expenses were related to IT activities: analysis, design and development, construction, system testing, and implementation and

[13] Table III-6, at 13 of Updated Testimony.

maintenance to achieve the following system enhancements: small business account eligibility verification; GHG credit calculation and disbursement; Climate Credit check disbursement for eligible NEM customers; new system profiles and identifiers; tracking and reconciliation of revenue disbursements; bill display notifications, including new line items and bill messages.

SCE forecasted $50,000 in 2014 administrative expenses, and recorded a total of $139,136 in 2014 administrative expenses. In 2015, SCE forecasts $30,000 in on-going IT-related administrative expenses. In its Reply Brief, SCE explains that these expenses are to support ongoing billing system activities to disburse GHG allowance revenue, including testing for accuracy, account maintenance, changes to assistance factors, and semi-annual disbursements for the residential Climate Credit, and these forecasts include direct labor costs.[14]

3.2.2. Outreach Expenses

SCE forecasted customer outreach expenditures in 2013 of $225,000 to pay for the Targetbase contract, plus an additional $1.4 million to be consigned to the Center for Sustainable Energy (CSE). Despite these forecasts, SCE recorded no actual outreach expenses in 2013. For 2014, SCE forecasted no outreach and education expenses, and it recorded a total of $1.838 million in expenses. These recorded expenses included $210,818 in internal marketing costs associated with the April and October climate credit outreach, $227,000 for the Targetbase contract, and $1.4 million consigned to CSE.[15]

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14 Reply Brief, at 3.

15 Updated Testimony, at 13.

In D.12-12-033, the Commission capped SCE's 2013 customer outreach activities at $1.4 million,[16] in addition to funds authorized for the outside public relations firm (Targetbase). In October 2013, the Commission issued resolution E-4611 which ordered California Center for Sustainable Energy (now the Center for Sustainable Energy) to develop a competitively neutral outreach and education program for the first California Climate Credit utilizing 2013 outreach funds authorized in D.12-12-033.[17] Pursuant to OP 16 of D.12-12-033, SCE rolled forward the balance of the $1.4 million customer outreach funds authorized for 2013 to be consigned to CSE for 2014 outreach activities.

For 2015, SCE forecasts a total of $562,500 in outreach expenses, which includes customer call center expenses, SCE marketing activities (emails, bill inserts), and expenses related to an external marketing and advertising agency. In its Reply Brief, SCE contends that forecasted 2015 outreach amounts are subject to approval in another proceeding, A.13-08-027, which is considering long-term Climate Credit-related outreach activities, and that its 2015 forecast outreach expenses reflect information filed in that proceeding.[18]

3.3. Recorded and Forecast Expenses Approved for Incremental Energy Efficiency (EE) and Clean Energy Program

SCE has not requested or received approval of clean energy and EE projects 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.

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16 D.12-12-033, OP 14 capped total customer outreach funding for PG&E, SCE and SDG&E at $3.85 million.

17 Resolution E-4611 at 2-3 and 18.

18 Reply Brief, at 7.

3.4. Recorded and Forecast EITE Customer Return

SCE has not implemented the GHG return to EITE customers because the EITE revenue return methodology is still currently under consideration in R.11-03-012; therefore, SCE does not have recorded data for the EITE Customer Return for 2013. However, in order to estimate revenues that will be distributed to other eligible customer groups, SCE estimated revenues that will be distributed to EITE customers in 2014 and 2015, and SCE reserved approximately $30 million for EITE customers in 2014, which is reflected as recorded EITE revenue in Table V-11 in the Updated Testimony. To simplify the estimate of revenue to be allocated to EITE customers, SCE adopted the following assumption: EITE customers would be returned revenues in an amount that matches their cents-per-kilowatt-hour GHG costs reflected in generation rates. This method is the same as the approach used to calculate the small business and residential volumetric returns. Based on this methodology, SCE estimates its 2015 EITE Customer Return to be $34.673 million.[19]

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

In accordance with D.12-12-033, SCE distributes its Small Business Return and Residential Return through monthly volumetric credits. The basis for these volumetric revenue returns is the rate-specific cents-per-kilowatt-hour cap-and-trade "unit costs." For 2015 this is determined by:

1. Calculating the total forecast cap-and-trade costs allocable to each applicable rate schedule based on the generation cost allocators.

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19 Updated Testimony, at 20.

2. Calculating and applying a true-up adjustment for each year's cost to reflect the difference between the estimated recorded 2013 and 2014 costs and the forecasted costs that were used in setting the 2014 volumetric rates.

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

SCE's recorded 2014 Small Business Return is $38.667 million. SCE's forecast for its 2015 Small Business Return is $39.496 million.[20] 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 that amount by the Industry Assistance Factors specified in D.13-12-002.[21] Since the 2015 return is a combination of the amortized 2013 returns and the 2015 returns, the Industry Assistance Factor will be applied to the forecast 2015 costs as reconciled to reflect differences between forecast and recorded GHG costs in 2013 and 2014.

3.5.2. Recorded and Forecast Volumetric Residential Return

SCE's 2014 recorded Volumetric Residential Return is $176.151 million. SCE's forecast for its 2015 Volumetric Residential Return is $225.679 million. To calculate this return SCE applies allowance revenue to fully offset the unit GHG cost to all applicable usage. Moreover, the cap-and-trade allowance revenue will

[20] Table V-11, Updated Testimony, at 20.

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

be returned through a credit to the distribution component of all bundled, Direct Access and Community Choice Aggregator customers' bills.

3.6. Recorded and Forecast California Climate Credit

SCE's recorded allowance revenue distributed for the 2014 residential Climate Credit is $352.787 million,[22] which is slightly lower than the 2014 forecast due to fewer eligible households than initially expected. The forecast total 2015 residential Climate Credit is $262.052 million, which will result in a $29.0 semi-annual per-household credit.[23]

3.7. Recorded and Forecast GHG Cost

In this application, SCE has asked for approval of its forecast 2015 GHG costs for recovery in rates. Pursuant to D.14-10-033, approval of GHG costs in future years will occur through SCE's annual ERRA forecast application.

SCE's forecasts of GHG costs for 2013, 2014 and 2015 were based on a public proxy price. For 2013, forecast GHG costs were $271.064 million, and recorded costs were $313.850, resulting in an undercollection of $42.786 million. In 2014, forecast GHG costs were $284.383 million, and recorded GHG costs were $293.032 million, resulting in an undercollection of $8.649 million. SCE's Updated Testimony includes forecast 2015 GHG costs of $312.515 million, based on a public GHG allowance proxy price of $12.65/MT. This updated forecast is an increase of $10.915 million from the initial June 11, 2014 filing and is primarily due to an increase in the GHG allowance proxy price between June and October 2014. SCE explains in its Updated Testimony that its 2015 GHG cost

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[22] Table V-11, line 25.

[23] Updated Testimony, Table V-10.

forecast should be adjusted to account for the $51.435 million total undercollection from 2013 and 2014;[24] however, this adjustment is not correctly reflected in Table II-4 of the Updated Testimony, which contains a math error that excludes the $42.786 million undercollection associated with recorded 2013 GHG costs from being properly reflected in total forecast 2015 GHG costs as reconciled with the previous forecasts. When corrected to properly reflect SCE's recorded 2013 and 2014 GHG costs, SCE's total 2015 GHG cost forecast would be $363.950 million, not $321.164 million. In addition, D.13-12-041 authorized recovery of 50% of 2013 GHG costs in 2015 customer rates.[25] Thus, $135.532 million of authorized 2013 GHG costs will be added to the 2015 cost forecast, making the total SCE 2015 GHG cost forecast $499.482.

4. Discussion

SCE provided sufficient information for the Commission to evaluate recorded 2013 and 2014 allowance revenues, as well as forecast 2015 allowance revenues. The methodologies used for recording and forecasting GHG allowance and revenues are consistent with D.14-10-033, D.12-12-033 and the guidance provided in R.11-03-012 to date

SCE's forecast of 2015 customer outreach costs and administrative costs are reasonable for the purpose of calculating revenue available for the 2015 residential Climate Credit. SCE's administrative activities for 2013 and 2014 included up-font and ongoing IT-related expenses characterized by analysis, design and development, construction, system testing, and implementation and maintenance to enhance systems to fulfill obligations to successfully return

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[24] Updated Testimony at 8-9.

[25] D.13-12-041, Ordering Paragraph (OP) 10.

allowance revenue to small business and residential customers. SCE's customer outreach and education activities for 2013 and 2014 included consigning revenue to CSE and Targetbase, as required by Commission orders, as well as internal marketing costs to distribute bill inserts, letters and emails for the April and October 2014 Climate Credit.

SCE's recorded 2013 and 2014 outreach and administrative activities and expenses are reasonable, and it is appropriate to allow SCE to recover these expenses with allowance revenue. The reasonableness of recorded 2015 outreach and administrative expenses will be considered in SCE's 2016 ERRA forecast proceeding.

SCE has provided sufficient information for the Commission to evaluate the reasonableness of its forecast 2015 GHG costs. SCE's forecast of $312.515 million in total 2015 GHG costs follows the methodologies required by D.14-10-033. Similarly, SCE properly recorded 2013 and 2014 GHG costs on an accrual basis according to the methodology required in D.14-10-033. SCE demonstrated that its combined reconciled 2013 and 2014 GHG cost forecasts resulted in an undercollection of $51.435 million. SCE's approved forecast of 2015 GHG costs as reconciled with recorded 2013 and 2014 GHG costs should be $499.482 million, and it is appropriate for SCE to modify its tariffs to recover these GHG costs in rates in 2015.

SCE's forecast of allowance revenue that it expects to return to customers in 2105 was calculated in a manner consistent with D.12-12-033, D.13-12-033, and D.14-10-033. It is appropriate to authorize SCE to return allowance revenue to eligible EITE customers, small businesses, and residential customers as reflected in Tables V-11, V-12 and V-13 to its Updated Testimony. It is also appropriate for residential customers to receive a $29.00 California Climate Credit semi-annually in 2015. SCE's authorized GHG allowance revenue allocation forecasts for 2015 are summarized in Table 1 below:

$499,481,898
$561,900,331
($34,673,000)
($39,496,000)
($225,679,000)
($299,848,000)
4,487,449
$29.00

5. Motions for Confidential Treatment

SCE submitted both public and confidential versions of Exhibit SCE-1, SCE-2 and SCE-3. By motion, SCE has requested that the confidential versions of the exhibits remain under seal. Because information related to GHG allowance trading is subject to the Commission's and to ARB's rules on confidential information, D.14-10-033 set forth Confidentiality Protocols and a Confidentiality Matrix for use by the Commission in these proceedings.

The confidential versions of the exhibits contain commercially sensitive material, including material that falls under ARB Confidential and Confidential categories in the Confidentiality Matrix. The motions to file under seal are hereby granted and the confidential treatment of the exhibits is affirmed on the terms set forth in the Confidentiality Matrix. Motions to file under seal in future

GHG forecast revenue and reconciliation applications should include a Confidentiality Matrix.

6. Safety Considerations

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 GHGs "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 the incidences of infectious diseases, asthma, and other human health-related problems."[26]

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.

7. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties on January 9, 2015 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 January 29, 2015 by SCE, and reply comments were filed on February 3, 2015 by CLECA. The comments have been considered and are incorporated in this Decision.

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[26] AB 32 Findings and Declarations.

8. Assignment of Proceeding

Michel Peter Florio is the assigned Commissioner and Patricia B. Miles is the assigned ALJ in this proceeding.

Findings of Fact

1. The proposed forecast GHG cost and allowance revenue returns to SCE's customers, including the residential California Climate Credit, are set forth in the Updated Testimony.

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

3. In 2014 SCE made a one-time update to its ERRA balancing account to switch from cash to accrual accounting for GHG costs.

4. D.13-12-041 required SCE to file an application concurrent with its ERRA forecast application, seeking approval of 2015 forecast GHG costs, allowance revenues, administrative and customer outreach expenses in order to calculate GHG costs, volumetric allowance revenue returns and the residential Climate Credits for inclusion in 2015 rates.

5. 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.

6. SCE has not had an energy efficiency or clean energy program approved in another proceeding for which the allowance revenues could be used.

7. SCE filed Rule 3.2 Proof of Compliance for rate changes that may result from this proceeding.

8. The 2015 forecast of GHG allowance revenue receipts is $397.199 million.

9. The forecast administrative and outreach costs for 2015 are $592,500.

10. The total 2015 forecast EITE Customer Return is $34.673 million.

11. The total 2015 forecast volumetric Small Businesses Return is $39.496 million.

12. The total 2015 forecast volumetric Residential Return is $225.679 million.

13. The total 2015 forecast residential California Climate Credit allocation is $262.52 million, and $29.00 semi-annually per household.

14. The 2015 forecast GHG costs as reconciled with recorded 2013 and 2014 GHG costs are $363.950 million.

15. D.13-12-041 authorizes recovery of 50% of 2013 GHG costs ($135.532 million) in 2015 customer rates which increases the total 2015 GHG costs to $499.482 million.

16. The 2013 and 2014 recorded administrative and outreach expenses are $326,828 and $1,976,954, respectively, and both recorded expenses are reasonable.

17. The exhibits subject to the motions to file under seal contain commercially sensitive material and ARB allowance auction participation information that is entitled to confidential treatment.

18. Exhibits SCE-2 and SCE-3 should be included in the evidentiary record for this proceeding.

Conclusions of Law

1. The amounts and calculations are consistent with D.12-12-033, D.14-10-033 and other decisions issued in R.11-03-012 as of today's date.

2. The methodologies used to forecast GHG costs and allowance revenues, and to reconcile prior forecasts with recorded amounts, are reasonable with the corrected math error noted in this decision.

3. The recorded and forecast GHG allowance revenue are reasonable.

4. The recorded and forecast GHG costs are reasonable.

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

6. SCE should be authorized to modify its tariffs to reflect the forecast 2015 GHG costs, as reconciled with recorded 2013 and 2014 GHG costs, and the forecast 2015 allowance revenues set forth in Table 1 of this decision.

7. An Advice Letter to implement changed tariff sheets in accordance with this decision should be filed as a General Order 96-B Tier 1 Advice Letter.

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

9. The exhibits subject to the motions to file under seal contain commercially sensitive material and ARB trading information that is entitled to confidential treatment under the Confidentiality Protocols and Confidentiality Matrix, and under other rules applicable to the Commission.

10. Exhibits SCE-2 and SCE-3 should be included in the evidentiary record for this proceeding.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company (SCE) shall modify its tariffs to issue a semi-annual residential California Climate Credit and to include in rates the forecasted greenhouse gas costs and revenues consistent with the amounts set forth in Table 1 of this decision. SCE shall submit the necessary Advice Letter with the Energy Division under Tier 1 of General Order 96-B to implement the rate changes authorized by this decision. 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;

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

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

2. If the rate changes authorized by this decision are not effective on January 1, 2015, then Southern California Edison Company shall calculate the volumetric greenhouse gas costs and volumetric allowance revenue amounts to be included in customer rates so that the amounts set forth in Exhibit SCE-3 are amortized over a 12 month period following the effective date of this decision.

3. Exhibits SCE-2 and SCE-3 are added to the evidentiary record.

4. The confidential versions of Exhibits SCE-2 and SCE-3 were filed under seal and shall remain under seal for the applicable period of time set forth in the Confidentiality Matrix attached to Decision 14-10-033 and shall not be made accessible or disclosed to anyone other than the Commission and its staff except on the further order or ruling of the Commission, the assigned Commissioner, the assigned Administrative Law Judge (ALJ) or the ALJ then designated as Law and Motion Judge.

5. Application 14-06-010 is closed.

This order is effective today.

Dated February 12, 2015, at San Francisco, California.

MICHAEL PICKER
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
CARLA J. PETERMAN
LIANE M. RANDOLPH
Commissioners