

Decision 18-12-016 December 13, 2018

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS &
ELECTRIC COMPANY (U902E) for
Approval of its 2019 Electric Procurement
Revenue Requirement Forecasts and
GHG-Related Forecasts.

Application 18-04-004

**DECISION ADOPTING SAN DIEGO GAS & ELECTRIC COMPANY'S
2019 ELECTRIC PROCUREMENT COST REVENUE REQUIREMENT
FORECAST AND 2019 FORECAST OF GREENHOUSE GAS
RELATED COSTS**

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**DECISION ADOPTING SAN DIEGO GAS & ELECTRIC COMPANY'S
2019 ELECTRIC PROCUREMENT COST REVENUE REQUIREMENT
FORECAST AND 2019 FORECAST OF GREENHOUSE GAS
RELATED COSTS**

Summary

Today's decision adopts 2019 forecast revenue requirements for San Diego Gas & Electric Company's (SDG&E) Energy Resource Recovery Account (ERRA), Competition Transition Charge (CTC), Local Generation Charge (LGC), and the San Onofre Nuclear Generating Station (SONGS) Unit 1 offsite Spent Fuel Storage Cost revenue requirement. The total 2019 forecasted revenue requirement of \$1,340.545 million¹ adopted herein consists of 1) \$1,230.297 million for ERRA revenue requirement (includes 2019 forecast greenhouse gas (GHG) costs and Power Charge Indifference Adjustment (PCIA) Revenue Requirement); 2) \$17.705 million for CTC; 3) \$179.592 million for LGC; 4) \$1.097 million for the SONGS Unit 1 Offsite Spent Fuel Storage Cost revenue requirement; and 5) \$88.670 million for GHG allowance revenue return allocations; and 6) \$523,747 for the Local Generation Balancing Account (LGBA) undercollection.

In accordance with California Public Utilities Code Section 748.5, Assembly Bill 32,² Decision (D.) 12-12-033, D.13-12-041 and D.14-10-033, as corrected by D.14-10-055 and D.15-01-024, this decision also authorizes SDG&E to incorporate forecast GHG cap-and-trade costs and allowance auction proceeds into 2019 customer rates. We authorize the forecast amounts of the California Climate Credit to be returned to residential customers beginning in 2019. All

¹ Includes Franchise Fees and Uncollectibles.

² Statutes of 2006, Chapter 488.

forecasts approved in this proceeding are subject to reconciliation of costs and proceeds in subsequent proceedings. In addition, outreach and administrative expenses are subject to further reasonableness review at the time of the reconciliation.

This decision authorizes the following GHG allowance proceeds return allocations: 1) \$0.469 million for Emissions-Intensive and Trade-Exposed customers; 2) \$2.798 million for small business; and 3) \$85.872 million for residential California Climate Credit, resulting in a semi-annual residential climate credit of \$31.32 per household. The total 2019 forecasted revenue requirement approved by this decision is \$1,340.545 million.

This decision also authorizes SDG&E to recover an undercollected balance recorded to the Local Generating Balancing Account in the amount of \$523,747.

This proceeding is closed.

1. Background

1.1. Historical Information Concerning the Energy Resource Recovery Account

In Decision (D.) 02-10-062, the Commission established the Energy Resource Recovery Account (ERRA) balancing account – the power procurement balancing account required by Public Utilities (Pub. Util.) Code Section 454.5(d)(3). Pursuant to D.02-10-062 and D.02-12-074, the purpose of the ERRA is to provide recovery of energy procurement costs, including expenses associated with fuel and purchased power, utility retained generation, California Independent System Operator (CAISO) related costs, and costs associated with the residual net short procurement requirements to serve San Diego Gas & Electric Company's (SDG&E's) bundled electric service customers.

The ERRA regulatory process includes: (1) an annual forecast proceeding to adopt a forecast of the utility's electric procurement cost revenue requirement

and electricity sales for the upcoming year, and (2) an annual compliance proceeding to review the utility's compliance in the preceding year regarding energy resource contract administration, least cost dispatch, fuel procurement, and the ERRA balancing account.

As set forth in Pub. Util. Code Section 454.5(d)(3), the balance of the ERRA is not to exceed five percent of the electric utility's actual recorded generation revenues for the prior calendar year, excluding revenues collected for the California Department of Water Resources (DWR).³ D.02-10-062 also established a trigger calculation designed to avoid the five percent threshold point that requires SDG&E to file an expedited application for approval to adjust its rates 60 days from when the ERRA balance reaches an under-collection or over-collection of four percent and is projected to exceed the five percent trigger.

The purpose of the Transition Cost Balancing Account (TCBA) is to accrue all ongoing Competition Transition Charge (CTC) revenues and recover all ongoing CTC-eligible generation-related costs. Pursuant to D.02-12-074 and D.02-11-022, payments to Qualifying Facilities (QFs) that are above the market benchmark proxy are charged to the TCBA. Eligible ongoing CTC expenses reflect the difference between the market proxy and the costs associated with the Portland General Electric and QF contracts.

In D.06-07-030 (as modified by D.07-01-030), we adopted the total portfolio methodology and market benchmark for determining the above-market costs associated with the utility/DWR total portfolio for deferring departing load charges. We replaced the DWR Power Charge as an element of the Cost

³ See D.02-10-062 at 62.

Responsibility Surcharge (CRS) with the Power Charge Indifference Adjustment (PCIA). The PCIA applies to departing load customers that are responsible for a share of the DWR power contracts or new generation resource commitments. The PCIA is intended to ensure that the departing load customers pay their share of the above-market portion of the DWR contract or new generation resource costs, and that bundled customers remain indifferent to customer departures.

The purpose of the total portfolio methodology is to reasonably ensure that bundled customers are indifferent with respect to departing load. Rather than focus on each individual resource cost, the total portfolio method recognizes that bundled customers are served from the entire portfolio of commodity resources and that when load departs the utility may, in general, offset a portion of the costs of departing load through additional market sales.

1.2. Historical Information Concerning Greenhouse Gas Allowance Proceeds

Rulemaking (R.) 11-03-012 addresses greenhouse gas (GHG)-related costs and allowance proceeds for all investor-owned electric utilities, including SDG&E. In D.12-12-033, the Commission required utilities to file applications for approval of forecast GHG costs and allowance proceeds, including administrative and customer outreach expenses, sufficient to calculate the amount of GHG allowance proceeds that should be returned to the different customer classes in 2014.

Pursuant to D.12-12-033, five utilities⁴ filed 2014 GHG Revenue Forecast Applications and the five applications were consolidated (Consolidated

⁴ The five utilities are Southern California Edison Company (SCE), Pacific Gas and Electric Company (PG&E), SDG&E, PacifiCorp, an Oregon Company, and Liberty Utilities (CalPeco Electric) LLC.

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 proceeds 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 its appendices were corrected by D.14-10-055 on October 30, 2014, and D.15-01-024 on January 21, 2015. D.14-10-033 describes methodologies and conventions to be used in GHG Revenue and Reconciliation Applications filed after 2013.⁷ The decision further adopted Confidentiality Protocols for cap-and-trade related data and required the utilities to use a proxy price in their forecasts. Lastly, the decision required the utilities to file GHG Forecast Revenue and Reconciliation Applications annually as part of their ERRA forecast applications. We use the standards adopted in D.14-10-033 to review SDG&E’s current application, A.17-04-016 to determine the reasonableness of both the recorded and forecasted variables discussed below.

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.

The Commission has reviewed the 2017 and 2018 recorded GHG costs and allowance proceeds. We also review and approve SDG&E's 2018 GHG costs and allowance proceeds forecasts for inclusion in 2019 customer rates. In doing so, we examine the variables necessary to authorize rate changes and determine the proceeds return and California Climate Credits. These variables are:

1. **Recorded and Forecast Allowance Proceeds.** These are the proceeds 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 proceeds 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 proceeds to fund EE and clean energy programs that have been approved by the Commission in other proceedings.
4. **Recorded and Forecast Emissions-Intensive and Energy-Intensive Trade-Exposed (EITE) Customer Return.** Using the methodology adopted in D.14-12-037, as modified by D.15-08-066 and D.16-07-007, a portion of allowance proceeds are returned to customers who qualify as EITE. The EITE customer return is based on formulas and made once per year.
5. **Recorded and Forecast Small Business Return.** Using the methodology adopted in D.14-12-037, as modified by D.15-08-006 and D.16-07-007, a portion of allowance proceeds are returned to customers who meet the definition of small business developed in R.11-03-012.⁸ The

⁸ 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.

Forecast Small Business Return is volumetric; it is calculated using the Forecast GHG Cost (*see* Item 7 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 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.
7. **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 instruments⁹ 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

On April 13, 2018, SDG&E filed A.18-04-004, its Application of San Diego Gas & Electric Company (U-902-E) for Approval of its 2019 Electric Procurement

⁹ A covered entity must surrender one compliance instrument for each metric ton (MT) of carbon dioxide 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), section 95856.) The regulation also limits the use of offsets to no more than 8 percent of compliance instruments in a compliance period (Title 17 CCR section 95854).

Revenue Requirement Forecasts and GHG-Related Forecasts (Application) and served associated testimony, in which SDG&E requests that the Commission approve its 2018 forecasted revenue requirement.

On May 10, 2018, Resolution ALJ-176-3416 preliminarily determined that this proceeding was ratesetting and that hearings would be necessary. On May 7, 2017, a protest was filed by the Office of Ratepayer Advocates (ORA)¹⁰ and on May 17, 2018, the Alliance for Retail Energy Markets (AREM) and Direct Access Customer Coalition (DACC) filed a response to the application. On May 25, 2018, SDG&E filed a reply to the protest and AREM's and DACC's Response.

On June 13, 2018, a prehearing conference (PHC) took place in San Francisco to establish the service list for the proceeding, discuss the scope of the proceeding, and develop a procedural timetable for the management of the proceeding.¹¹ On July 24, 2018, Solano Energy Alliance (SEA) filed a motion for party status, which was granted on August 2, 2018. On August 10, 2018, Commissioner Martha Guzman Aceves, the assigned Commissioner, issued her Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo).

On October 26, 2018,¹² DACC and SEA filed a joint motion to clarify updated testimony requirements and shorten the time to respond to the motion.

¹⁰ Senate Bill 854 (Stats. 2018, ch. 51) amended Pub. Util. Code Section 309.5(a) so that the Office of Ratepayers Advocates will be called the Public Advocates Office at the California Public Utilities Commission (Public Advocates Office). At the time of the filing, the Public Advocates Office was referred to as ORA. However, for conformity in this decision all future references to ORA will be Public Advocates Office.

¹¹ At the prehearing conference, the parties agreed to waive the normal 30-day comment period on the proposed decision and agreed to a shortened comment period.

¹² The motion was originally filed on October 26, 2018 and refiled on October 30, 2018.

Among other things, the joint motion requested that the schedule set forth in the Scoping Memo be changed so that reply comments on the November Update be changed from November 9, 2018 to November 21, 2018. On October 30, 2018, the assigned Administrative Law Judge (ALJ) issued a ruling granting request to shorten the time to respond to the motion and changed the schedule to coincide with the schedule set forth in Southern California Edison's (SCE) ERRAs forecasting proceeding.¹³

On November 7, 2018, SDG&E filed its November Update. Additionally, in compliance with D.18-10-109 Ordering Paragraph 3, SDG&E filed its version of the uniform common spreadsheet template for calculation of the PCIA rates. Comments on the November Update were filed by SEA on November 15, 2018 and DACC on November 16, 2018. SDG&E filed reply comments on November 18, 2018.

All rulings by the assigned Commissioner and ALJ are affirmed herein.

3. SDG&E'S ERRAs, CTC, LG Forecasts, SONGS

Unit 1 Offsite Spent Fuel Storage Requirement and LGBAs Undercollection

3.1. Overview

In its November Update, SDG&E requests a total 2019 forecast revenue requirement of \$1,340.545 million,¹⁴ which consists of: (1) \$1,230.297 million for

¹³ In aligning the SDG&E proceeding with the SCE forecast, the ALJ denied DACC's and SEA's request to provide comments on the November Update from November 21, 2018 to November 16, 2018. The request to submit comments on November 21, 2018, was denied because the Commission would not have adequate time to issue a decision in time for the December 13, 2018 agenda. However, the time to submit comments was changed from November 9, 2018 to November 16, 2018.

¹⁴ Includes franchise fees and uncollectibles (FF&U) as well as GHG costs and GHG allowance proceeds allocations.

ERRA; (2) \$17.705 million for CTC; (3) \$179.592 million for LGC; (4) \$1.097 million for SONGS Unit 1 Offsite Spent Fuel Storage Cost revenue requirement; and (5) \$523,747 for LGBA undercollection.

Based on its November Update, SDG&E projects a combined total decrease of \$113.713 million (a decrease of 0.72 cents per kilowatt-hour, or 3.0 percent to the current system average rate).¹⁵ Based on those numbers, SDG&E projects that a typical non-CARE residential customer in the inland climate zone using 500 kilowatt (kW) hours could see a monthly winter bill decrease of 2.9 percent or \$3.96.

For the first time in 2015, SDG&E requested to recover the San Onofre Generating Station (SONGS) Unit 1 Offsite Spent Fuel Storage Costs in the ERRA proceeding rather than in its General Rate Case (GRC).¹⁶ D.15-12-032 authorized SDG&E to recover SONGS Unit 1 Offsite Spent Fuel Storage Costs in the ERRA proceeding rather than its GRC. Accordingly, SDG&E requests \$1.097 million in SONGS Unit 1 Offsite Spent Fuel Storage Costs in this proceeding.

Additionally, in its November Update, SDG&E requests recovery of the undercollected balance of \$523,747 recorded to the LGBA.

The Public Advocates Office did not criticize or provide alternatives to SDG&E's proposed forecast ERRA and CTC revenue requirements, LGC, SONGS Unit 1 Offsite Spent Fuel Storage Cost revenue requirement or LGBA undercollection. Furthermore, no party claimed that SDG&E's proposed

¹⁵ Current rates effective January 1, 2018, per Advice Letter (AL) 3176-E.

¹⁶ SDG&E has a minority ownership in the SONGS facility. SDG&E wishes to mirror the approach used by SCE who owns a majority ownership interest in SONGS and includes the Offsite Spent Fuel Storage Costs in its ERRA proceedings.

forecasts were not in compliance with existing applicable Commission decisions, rules, and regulations.

In its protest, the Public Advocates Office stated that it planned to investigate the reasonableness of SDG&E's 2019 ERRR forecast, including but not limited to: (1) SDG&E's analysis of the underlying natural gas prices, load, and other cost inputs to the model used by SDG&E in determining the forecasted revenue requirement; and (2) whether SDG&E's estimates of combined revenue requirement, total ERRR revenue requirement, CTC revenue requirement, LGC revenue requirement, SONGS Unit 1 Offsite Spent Fuel Storage Cost revenue requirement and LGBA undercollection should be adopted. AReM and DACC's primary interest was in the calculation and rate treatment of costs that are charged to Direct Access customers. This includes, but not limited to the calculation of PCIA¹⁷, CTC and LGC. SEA's primary interest is also in the calculation of the PCIA.

3.2. Discussion and Conclusion Concerning ERRR, CTC, LG Forecasts, SONGS Unit 1 Offsite Spent Fuel Storage Requirement and LGBA Undercollection

As neither ORA nor AReM/DACC and SEA served testimony on these issues, and all parties agreed that hearings were not necessary, we conclude that

¹⁷ On October 19, 2018, the Commission issued D.18-10-019 modifying the PCIA methodology in Rulemaking (R.) 17-06-026. Prior to this, the PCIA was calculated pursuant to D.11-12-018. Effective with D.18-10-019, PCIA calculations will follow the process set forth in Appendix A of D.18-10-019.

the issues presented by the interested parties in their protests have been resolved¹⁸.

We adopt SDG&E's requested forecast 2019 ERRA, CTC, and LG revenue requirements and market benchmarks. Additionally, we approve the SONGS Unit 1 Offsite Spent Fuel Storage Cost revenue requirement that SDG&E requests in the amount of \$1.097 million and the LGBA undercollection of \$523,747.

4. Discussion of Recorded and Forecast GHG Allowance Proceeds, Expenses, Credits, and Costs

SDG&E provided a fourth quarter update to its Application on November 7, 2018. This Update was made to both forecast and recorded data. Specifically, SDG&E updated its 2018 allowance proceeds using actual data through September 2018 and estimates for October through December of 2018 and its 2018 recorded costs expenses using actual data through October 2018 with estimates for November through December 2018.

The information detailed below includes recorded data for 2017, partially recorded and partially forecast data for 2018, as well as forecasts for 2019. We find that SDG&E has appropriately followed the requirements of D.12-12-033, D.14-10-033 and D.13-12-002 in forecasting its 2019 revenues and costs, reconciling its 2017 and 2018 recorded costs, and showing the reasonableness of its 2017 and 2018 administrative and outreach costs. We also approve the proposed 2019 semi-annual residential Climate Credit of \$31.32 per household.

¹⁸ SDG&E, DACC and SEA continue to disagree on the PCIA adjustment and presented their respective positions in their comments on the November Update and Reply Comments to the November Update. We will discuss the issues concerning the PCIA later in this decision.

Pursuant to D.12-12-033, SDG&E filed AL 2452-E-A to establish a sub-account within the ERRA to record GHG costs. While GHG costs were deferred from rates, SDG&E tracked these costs in a sub-balancing account of ERRA; once recovery in rates began, SDG&E transferred the costs to the main ERRA. The AL also created the GHG Customer Outreach and Education Memorandum Account (GHGCOEMA), the GHG Administrative Costs Memorandum Account (GHGACMA), and the GHG Revenue Balancing Account (GHGRBA). 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.

4.1. Recorded and Forecast GHG Allowance Proceeds

Each utility forecasts and records the total allowance proceeds it receives each year. To determine the amount of these proceeds that are available to return to customers in that year, the utility adjusts the forecast allowance proceeds to account for: (1) any variance between the forecast and recorded allowance proceeds 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 accordance with the GHG allocation methodology adopted in D.12-12-033, SDG&E's GHG allowance proceeds returned will be allocated to ratepayers, including direct access and community choice aggregation customers.

4.1.1. Recorded Allowance Proceeds

Based on the November 2018 update to SDG&E's Application, the recorded GHG allowance proceeds for 2017 and 2018 are \$92,539,677 and

\$94,230,697 respectively (Template D-1 of the November Update). The recorded 2017 data includes actual recorded data for the 2017 year, while the recorded data for 2018 includes actuals from January to September 2018 plus forecasts for October to December 2018. SDG&E appropriately calculated the allowance proceeds recorded for 2017 and 2018 and correctly amortized its Net GHG Revenues.

4.1.2. Forecast Allowance Proceeds

SDG&E's 2019 forecast GHG allowance proceeds collection is \$101.156 million. Including the proceeds from prior years to be returned in 2019 and adjusting for expenses and reconciliation, SDG&E forecasts \$89.138 million in proceeds available for customer returns in 2019. These proceeds are forecast to be returned to EITE, small business, and residential customers in 2019 in the amounts shown in Template D-1 of SDG&E's November Update.

SDG&E provided sufficient information for evaluating forecast GHG allowance proceeds. The methodologies used for forecasting GHG costs and proceeds, expenses, and calculating the revenue returns and Climate Credit are consistent with D.14-10-033 (as corrected by D.14-10-055 and D.15-01-024) and the guidance provided in R.11-03-012 to date. Further, the assumptions used by SDG&E when making its calculations are reasonable and appropriate for purposes of calculating proceeds distribution.

4.2. Recorded and Forecast Administrative and Outreach Expenses

4.2.1. Recorded Administrative and Outreach Expenses

In 2013, the Commission directed the investor-owned utilities (IOUs) to hire a firm with marketing and public relations expertise to evaluate the feasibility and benefit of the use of a third-party administrator for customer

outreach and education activities going forward. The IOUs retained Targetbase, to independently assess the Education and Outreach needs.

In 2013, SDG&E's Education and Outreach Effort included an estimated cost of \$750,000. This amount was authorized by D.12-12-033. Resolution E-4611 required SDG&E to consign its 2013 outreach and education budget of \$750,000 to the Center for Sustainable Energy (CSE) to develop and administer a competitively neutral, statewide outreach and education program. Due to delays in program implementation, CSE's outreach and education effort did not begin until 2014. In 2013, SDG&E did not record any outreach or administrative expenses.

For 2016, SDG&E recorded \$56,424 in administrative and outreach expenses (Template D-3 of the November Update). The outreach activities include SDG&E's portion of the payments to CSE for statewide outreach and education, and Targetbase.

For 2017, SDG&E recorded \$34,770 in administrative and outreach expenses and for 2018 SDG&E recorded \$23,343 in administrative and outreach expenses¹⁹ (Template D-3 of the November Update). The recorded 2018 data includes actuals from January to September 2018, plus forecasts from October to December 2018.

4.2.2. Forecast Administrative and Outreach Expenses

SDG&E's 2019 forecast of GHG administrative expenses is \$47,500 for customer e-mails and bill inserts and the direct labor costs associated with basic

¹⁹ Administrative activities include program management, e-mail and bill inserts.

administrative activities (Template D-3 November Update). SDG&E plans to use the \$47,500 for other administrative costs such as bill inserts, emails and IT related costs.²⁰

We find SDG&E's 2017 recorded and 2018 partially recorded expenses to be reasonable. We hereby adopt SDG&E's 2019 administrative and customer outreach forecast.

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

The Air Resources board (ARB) allocates cap-and-trade allowances to SDG&E. SDG&E is required to place all of these allowances for sale in ARB's 2019 quarterly auctions. The available funds for such projects are equal to 15 percent of the forecasted revenue or \$15.2 million. (Montanez November Updated Testimony at 23).

4.3.1. 2017 Clean Energy and Energy Efficiency Project Allocation

In accordance with Section 2870, the Commission may allocate up to 15 percent of the revenues received by an electric corporation from its sales of allocated GHG allowances to specific Clean Energy and/or Energy Efficiency Projects that are not funded by another source and are already approved by the Commission.

Pursuant to D.18-06-027, which adopted three new programs to promote the installation of renewable generation among residential customers in

²⁰ In 2015, 2016, and 2017 there was no statewide outreach effort. If there is no statewide outreach in 2018, SDG&E will use the funding outlined here to provide additional messaging about GHG allowance revenues in the local market, as directed by and coordinated with the Energy Division and other utilities.

disadvantaged communities (DACs). The DAC-single-family Solar Homes (DAC-SASH), the DAC-Green Tariff (DAC-GT) and the Community Solar Green Tariff (CSGT). SDG&E shall fund these programs through GHG allowance revenues proceeds and if such funds are exhausted, the programs will be funded through public purpose program (PPP) funds.

DAC-SASH funding is estimated to be \$1.03 million. On August 24, 2018, SDG&E filed AL 3262-E-A with an estimated budget of \$2,113,700 for DAC-GT and \$390,500 for CSGT for 2019. SDG&E is currently waiting for approval of this, which is currently suspended by the Commission. In the event that this advice letter is not approved prior to the issuance of a decision in this proceeding, SDG&E contends that it will remove this funding and adjust the GHG Allowance Revenues available for return. As on November 30, 2018, AL 3262-E-A remains suspended. If the advice letter is not approved before SDG&E implements its 2019 ERRa forecast pursuant to the final decision, SDG&E will revise the total ERRa revenue requirement and CCC to remove the GHG funds set aside for these programs and reflect those updated values in its implementation advice letter. Specifically, SDG&E will remove the DAC-Green Tariff (DAC-GT) Program funding of \$2.1143 million (\$2.139 million including FF&U), and the Community Solar Green Tariff (CSGT) Program funding of \$0.3910 million (\$0.395 million including FF&U. Removal of these GHG Allowance Revenue set-asides will result in an increase in the semi-annual CCC and an overall decrease to SDG&E's total ERRa Revenue Requirement. We disagree with SDG&E and find that shall continue to maintain the DAC-GT and CSGT funding regardless of whether AL 3262-E-A is approved.

Template D-1 at Line 14 lists the forecast and recorded funding in the amount of \$10.3 million for 2018. The amount forecasted for 2019 is \$13.6 million.

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

Facilities identified as EITE customers are more formally referred to as Industrial Covered Entities that qualify for Industry Assistance in the ARB cap-and-trade Regulation. However, the EITEs may be expanded for purposes of revenue return. In 2018, EITE customers began to receive EITE returns in the amount of \$0.469 million. The forecasted amount of revenue return set aside for EITE customers in 2019, is \$0.469 million. (Gill November Updated Testimony at 9).

4.5. Recorded and Forecast Volumetric Small Business Return

In accordance with D.12-12-033, SDG&E distributes its Small Business Return through monthly volumetric credits. The volumetric returns are designed to partially offset the GHG costs that are embedded in rates. Small businesses are defined as non-residential customers on a general service or agricultural tariff with monthly demand not exceeding 20 kW for more than three months in a 12-month period. Bundled, Direct Access (DA), and Community Choice Aggregator (CCA) small business customers will be given a volumetric return in dollars per kilowatt hour (kWh). This credit is volumetrically-calculated based on the amount of GHG-related costs that are allocated to the defined bundled small business customers, differentiated by customer class (Gill November Updated Testimony at 10-11).

4.5.1. Recorded and Forecast Small Business California Climate Credit

SDG&E's 2018 recorded Small Business California Volumetric Return is \$4.170 million and 2019 forecast for its Small Business Volumetric Return is \$2,798 million (Template D-1 November Update). This forecast is reasonable for the purpose of calculating the proceeds 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.13-12-002.²¹ For 2019, the Industry Assistance Factor is 60 percent.

4.5.2. Recorded and Forecast Volumetric Residential Return

On July 3, 2015, the Commission issued D.15-07-001 on Residential Rate Design Reform. In this decision, the Commission determined that the residential volumetric GHG rate offset would end and instead residential customers would receive their revenue return only through the residential semi-annual California Climate Credit.

4.6. Recorded and Forecast California Climate Credit

SDG&E distributed a semi-annual, residential Climate Credit in 2018 of \$33.50. The 2019 forecast of the residential Climate Credit is \$31.32 per household (Template D-1 November Update). 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, SDG&E will

²¹ See D.13-12-002, Table 2 of Appendix 2.

divide the total proceeds 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 bill, but not necessarily applied exclusively to distribution charges. This location on the bill ensures that DA and CCA customers receive their fair portion of allowance proceeds, as is required by D.12-12-003. We approve SDG&E's 2019 semi-annual residential California Climate Credit of \$31.32 for each household.

4.7. Summary of GHG Allowance Proceeds

Table 1 below summarizes the approved calculation of the allowance proceeds for Forecast Year 2019.

Allowance Proceeds Balance from Prior Years	(\$686,192)
Allowance Proceeds Received in 2019	(\$101,156,404)
Interest	\$251,035
Franchise Fees and Uncollectibles	(\$1,061,344)
Outreach and Administrative Expenses	(\$135,316)
Allowance Revenue Approved for Clean Energy or Energy Efficiency Programs	\$13,649,840
Net GHG Proceeds Available for Customers in Forecast Year	(\$89,138,380)
EITE Customer Return	\$468,650
Small Business Volumetric Return	\$2,798,095
Proceeds Available for Climate Credit	\$85,871,635
Number of Households Eligible for the California Climate Credit	1,370.670
Per-Household Semi-Annual Climate Credit	\$31.32

5. Recorded and Forecast GHG Costs

SDG&E's total ERRRA revenue requirement includes GHG costs. SDG&E has two categories of GHG costs, direct costs and indirect costs. Direct costs reflect SDG&E's GHG costs from utility-owned generation plants in California, California generators with whom SDG&E has contracts where SDG&E is responsible for GHG costs, and electricity imports. Indirect costs are embedded in market electricity prices or charged to SDG&E by third parties under contract with SDG&E for energy supply.

SDG&E's authorized GHG costs are collected from bundled customers through the generation component of rates. While SDG&E does have some unbundled customers, it does not pass any of its GHG costs onto these customers; rather, the electricity provider of the unbundled customer will collect GHG costs via the generation component of the customer's bill.

5.1. Recorded GHG Costs

For the purpose of reporting recorded direct GHG costs, D.14-10-033 requires each utility to multiply recorded direct GHG emissions by the weighted average cost of eligible compliance instruments that it holds in inventory. SDG&E provides the confidential calculations of its direct costs in Template D-2 and D-5 of Attachment G in its November Update.²² To report 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.

SDG&E's recorded GHG costs for 2018 (Template D-2 and D-5 November Update) were calculated appropriately.

²² Confidentiality is discussed in detail in Section 8.3 of this decision.

A utility's direct GHG emissions are confidential. Because SDG&E is reporting its total emissions publicly, it must also keep its indirect GHG emissions confidential to avoid revealing its direct GHG emissions.

5.2. Forecast GHG Costs

SDG&E seeks recovery of its forecast 2019 GHG costs in this application as part of the total ERRA revenue requirement. It provides a separate calculation of forecast GHG costs in order to calculate the small business volumetric return. The GHG cost forecast is equal to the expected emissions, both direct and indirect, multiplied by the forecasted proxy GHG price resulting in forecasted GHG costs for 2019 of \$51.5 million for ERRA and \$10.3 million for Local Generation (Montanez November Updated Testimony at 22). An updated proxy price for the 2019 GHG emissions price of \$16.35 per MT was derived using an October 1, 2018 assessment of 2018 GHG market prices based on the average of forward prices on the Intercontinental Exchange over the previous 22-day period, consistent with the period used for forecasting natural gas and electricity prices associated with the forecast of emissions.

Any variance between the forecast of GHG costs incorporated into rates and actual GHG costs incurred will be captured as part of the larger ERRA true-up process. For the purposes of calculating the small business volumetric credit, SDG&E appropriately applies prior years' reconciliation to the 2019 forecast of GHG costs and applies the appropriate 70 percent assistance factor for 2019.²³ The total 2019 forecast GHG costs, including reconciliation (Template D-2 of the November Update), are reasonable for calculating the small business volumetric return.

²³ The Industry Assistance Factors are set forth in D.13-12-002, Appendix 2, Table 2.

5.3. Comparison of 2017 Recorded VS Actual Year-End Balances in GHG Balancing Accounts

Pursuant to D.14-10-033, the IOUs must reconcile forecast amounts with recorded amounts until actuals are available for the forecast year.

In the November update to its application SDG&E provided a comparison of the 2017 year-end recorded/forecasted balances with the 2017 year-end actual balances in the GHG balancing accounts. The GHGRBA is where GHG allowances proceeds are recorded. GHG expenses are recorded in the GHGCOEMA and GHGACMA.

Table four in the Updated November Testimony shows a 2017 year-end recorded balance of \$(4,295.169) in the GHGRBA. The 2017 year-end recorded balance for the GHGCOEMA is (\$141,485) and \$2,448 for the GHGACMA. The actual 2017 year-end balances are (\$141,452) for the GHGCOEMA and \$12,573 for the GHGACMA.

5.4. Reconciliation of 2018 GHG Allowance Proceeds and Expenses

Pursuant to OP 11 of D.14-10-033, SDG&E provided a fourth quarter update by presenting its 2018 GHG Allowance Revenue and Expense Reconciliation. This process consists of updating the 2018 recorded amounts to determine the December 31, 2018 true-up balances for the GHGRBA, GHGCOEMA and GHGACMA.

Template D-1 of the November Update Attachment G shows a December 31, 2018 recorded balance of (\$0.686) million in the GHGRBA. This reflects activity recorded through September 30, 2018 and forecasted for the last three months of 2018 including amounts of \$10.348 million of revenue

transferred from the GHGACMA, GHGCOEMA and multifamily solar (NGO November Updated Testimony).

In Template D-3, SDG&E presents \$0.048 million for total 2018 outreach and administrative expenses. This reflects activity recorded through September 30, 2018 and forecasted for the last three months of 2018 for GHGCOEMA and GHGACMA. Table 2 below shows a summary of all activity recorded in these accounts.

The December 31, 2018 GHGRBA true-up balance is (\$0.686) million as shown in Template D-1 and the combined December 31, 2018 GHGCOEMA and GHGACMA expense true-up balance is (\$0.183) million as presented in Table 2, line 11. The total prior year true-up for the revenue and expense reconciliation is (\$0.869) million.

Table 2 below, provides the GHGCOEMA and GHGACMA recorded under/(over) collection and expense true-up for 2018.

Line	Description	2018 Recorded (\$)
1	Beginning 1/1/2018 GHGCOEMA Balance	(141,452)
2	Transfer from GHGRBA	1,485
3	Expenses	-
4	Interest	(2,583)
5	Ending 12/31/2018 GHGCOEMA Balance (Line 1 + Line 2 + Line 3 + Line 4)	(142,550)
6	Beginning 1/1/2018 GHGACMA Balance	(12,573)
7	Transfer from GHGRBA	(49,948)
8	Expenses	23,343
9	Interest	(1,088)
10	Ending 12/31/2018 GHGACMA Balance (Line 6 + Line 7 + Line 8 + Line 9)	(40,266)
11	12/31/2018 Expense True-Up (Line 5 + Line 10)	(182,816)

We find the reconciliation of 2018 allowance proceeds and expenses to be reasonable and in compliance with applicable decisions.

5.5. Green Tariff Shared Renewables Program and Enhanced Community Renewables Program

In 2013, California enacted the Green Tariff Shared Renewables (GTSR) Program established in SB 43. On January 29, 2015, the Commission issued D.15-01-051, which implements SB 43, by adopting program requirements for the IOUs' GTSR programs. This program has two features administered by the utilities: (1) a Green Tariff component, which allows customers to purchase energy with a greater share of renewables; and (2) an Enhanced Community Renewables (ECR) component, which are recorded in separate subaccounts with the GTSRBA. SDG&E's GTSR program began in 2016 and recorded minimal activity during the year as described in SDG&E's Annual GTSR Program Report filed on March 15, 2017. (Ngo November Updated Testimony at 9.) As of the time of the November Update, SDG&E's ECR Program has not yet begun. Therefore, SDG&E is not requesting recovery in this Application. (NGO November Updated Testimony at 9-10.)

6. Modifications to the Power Charge Indifference Adjustment Methodology

On October 19, 2018, the Commission issued D.18-10-019, which made revisions to the method the PCIA is calculated. Among other things, the decision made changes to the calculation for both major components of the PCIA, the Market Price Benchmark (MBP) and the Total Portfolio Cost (TPC). The decision also changed the revenue factors for vintage indifference amounts to be consistent with the factors that the Investor Owned Utilities (IOUs) use to allocate generation costs to bundled service customers. The decision also

eliminated the 10-year eligibility limit for certain utility owned generation (UOG).

Ordering Paragraph 1 of D.18-10-019 sets forth the following;

The Commission's Energy Division shall calculate the following values and make them available to interested parties at the beginning of November each year: (1) the Brown Power Index, (2) the renewable procurement standard (RPS) Adder, and (3) the resource adequacy (RA) adder.

- a. The Brown Power Index shall continue to be calculated using the methodology adopted in D.06-07-030.
- b. The RPS Adder shall be calculated using reported prices from purchases and sales of renewable energy by the investor-owned utilities (IOUs), Community Choice Aggregators (CCAs) and ESPs during the year two years prior to the forecast year (year n-2) for delivery in the forecast year (year n). For the 2019 RPS Adder forecast only, the Energy Division shall use the most recently published Platts Portfolio Content Category (PCC) 1 REC index mid value (California Bundled REC (Bucket 1)) as of November 1, 2018. The RPS Adder for each utility will be the sum of the Platts PCC 1 REC index value and its brown power index.
- c. The RA Adder shall be calculated using reported purchase and sales prices from IOU, CCA, and Electric Service Provider (ESP) transactions made during (year n-1) for deliveries in (year n). A zero or *de minimis* price shall be assigned for capacity expected to remain unsold. The RA Adder shall be calculated in a manner that reflects the three types of RA capacity: system, local, and flexible. For the 2019 RA Adder only, the Energy Division shall use the weighted average system and local RA prices in the most recent annual RA report.

7. Comments of DACC

DACC filed comments on the November Update. DACC contends that at least one element of D.18-10-019 is not being properly implemented: the creation of actual PCIA rates from the calculated Power Charge Indifference Amount. (Comments on November Update of DACC at 1-2). They also contend that additional time is needed and that the Commission should order all parties in this proceeding and the other two IOU's ERRA proceedings and in R.17-06-026 to meet and confer on the proper way to allocate the indifference amount among customer classes and vintages and set PCIA rates. DACC requests that SDG&E maintain its current revenue allocation and rate design calculations protocols until the details of D.18-10-019 can be settled.

7.1. Comments of SEA

In its comments, SEA contends that SDG&E failed to comply with the guidance provided by the Commission regarding revenue allocation factors. They also contend that SDG&E's approach to introducing or reintroducing resources into the PCIA change as a result of the removal of the "10-Year Rule" for UOG and energy storage cost requires additional analysis (Comments of SEA on November Update at 2). Additionally, SEA contends that the ERRA proceeding is not designed to implement D.18-10-019 and that only limited time has been provided to the parties to analyze testimony and conduct discovery.

7.2. SDG&E's Reply to DACC's and SEA's Comments

SDG&E maintains it has clearly and unambiguously followed the provision of D.18-10-019 with respect to revenue allocation factors by using factors that are consistent with those used to allocate generation costs to bundled customers. SDG&E provided additional information on its approach to resources included in the PCIA charge as result of the removal of the "10-Year

rule.” (SDG&E Reply Comments at 1). Finally, SDG&E refutes the allegations that DACC and SEA were not afforded ample time to review the November Update. (*Id.* at 2).

D.18-10-019 adopted “a revised methodology [to be] used to calculate the PCIA that take effect on January 1, 2019. (D.18-10-019 at 3.). In section 9.2 of D.18-10-019, the “joint utilities recommended changing the revenue allocation factors for vintage indifference amounts to be consistent with the factors used to allocate generation costs to their bundled service customers” to avoid a disparity caused by using two different types of revenue allocation factors.

The joint proposal was opposed by several parties. The Commission evaluated their objections and ultimately concluded that “we find the proposal made by the Joint Utilities²⁴ in Exhibit IOU-1 should be adopted in this decision, so that the revenue allocation factors for the vintage indifference amounts are consistent with the factors used to allocate generation costs to the Joint Utilities bundled service customers.”²⁵

SDG&E asserts that it will use current generation allocation factors based on bundled customer service groups’ load profiles for its revenue allocation factors.²⁶ Both SEA and DACC assert that this approach is flawed and inconsistent with D.18-10-019 because this approach is not identical to the approach used by PG&E and SCE.

The difference in approach among the Joint Utilities was fully explained by SDG&E in Attachment 1 of SDG&E’s Reply Comments on the November

²⁴ The Joint Utilities include SDG&E, Southern California Edison (SCE) and PG&E.

²⁵ D.18-10-019 at 124. See also, Ordering Paragraph Number 4 in D.18-10-019).

²⁶ Attachment A to SEA’s Comments “Response to

Update. Additionally, while PG&E and SCE have Commission-adopted generation allocation factors based on customer load profiles at the system level, SDG&E does not.²⁷ The difference between SDG&E's approach and the approach of the other utilities is justified and appropriate.

SEA requested further explanation of SDG&E's approach to applying costs and vintages to resources that were introduced or re-introduced into the PCIA eligible portfolio cost category. SDG&E correctly notes that the previous PCIA methodology included a provision that the costs of non-renewable utility-owned generation resources that had been in operation for ten or greater years should be excluded from the PCIA calculation. To comply with this, SDG&E excluded the costs of the Palomar Energy Center and the Miramar I Energy Facility in previous ERRA filings. These costs were excluded from PCIA in the April filing of the 2019 ERRA Forecast. However, with the removal of the "10-Year rule," these costs were correctly included in the PCIA in the November Update.

As it relates to the allegation that it is not appropriate to include the PCIA issue in the ERRA forecast proceedings, D.18-10-019 clearly indicates that the Commission sought to adopt a PCIA proposal that "could be implemented in time to replace the current PCIA by January 1, 2019."²⁸

The Commission was aware that the IOUs would be implementing a revised PCIA in the November 2018 ERRA Updates, to be effective

²⁷ See, SDG&E Reply Comments on the November Update at 4. SDG&E notes that it may propose such factors that may be adopted later by the Commission in a future GRC Phase II proceeding, but they currently do not exist and therefore cannot be used.

²⁸ See, D.18-10-019 at 16.

January 1, 2019. Therefore, the ERRA forecast proceeding is the correct proceeding to address the PCIA component of D.18-10-019.

The Commission also recognizes that in order to implement the PCIA changes by January 1, 2019, that the parties would have to work with a compressed time schedule. However, we conclude that DACC and SEA were given adequate time to address the PCIA issues.

On October 30, 2018, in compliance with D.18-10-019, SDG&E served all parties to this proceeding with its version of the uniform common spreadsheet template for calculation of the PCIA rates, and accompanying document describing updates to the spreadsheet. Additionally, SDG&E participated in the November 8, 2018 workshop at the Commission, during which it responded to questions. Furthermore, SDG&E voluntarily complied with SEA's requested three-day turnaround time on discovery responses.

We therefore, conclude that SDG&E is doing what was mandated in D.18-19-019 by using revenue allocation factors that are consistent with its generation allocation factors for bundled service customers.

8. Safety

The health and safety impacts of GHGs are among the many reasons that the Legislature enacted 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 the incidences of infectious diseases, asthma, and other human health-related problems.”²⁹

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.

9. Implementation of Rates

In order to implement the authority granted herein, SDG&E must file a Tier 1 AL within 30 days of the issuance date of this decision.

10. Other Procedural Matters

10.1. Change in Determination of Need for Hearings

In Resolution ALJ 176-3416, dated May 10, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were necessary. In the Scoping Memo, the assigned Commissioner stated that evidentiary hearings would be held if necessary. Given that no hearings were held in the current proceeding, we change our preliminary and Scoping Memo determination regarding hearings, to no hearings necessary.

10.2. Admittance of Testimony and Exhibits into Record

Since evidentiary hearings were not held in A.18-04-004, there was no opportunity to enter prepared testimony and exhibits into the record. In order to fairly assess the record, it is necessary to include all testimony and exhibits served by SDG&E. In its motion of November 7, 2018, SDG&E requested,

²⁹ AB 32 Section 38501(a).

pursuant to Rule 13.8 of the Commission's Rules of Practice and Procedure,³⁰ that the Commission receive the public and confidential version of its Exhibits into the record of A.18-04-004. Therefore, we identify the public and confidential versions of SDG&E's supporting testimony as Exhibits SDG&E-1, -2, -3, -4, -5, 6; and -7³¹ and Exhibits SDG&E-1C, -2C, -3C, -4C, -5C, -6C and -7C.³² Given the necessity of SDG&E's testimony to our assessment of the proposals put forth, we admit into evidence the public and confidential versions of SDG&E's Exhibits mentioned above³³. On November 27, 2018, SDG&E submitted a motion to Amend Prepared Testimony and Attachment G to Application (Motion to Amend). The Motion to Amend corrected certain errors that SDG&E identified in the Updated Prepared Direct Testimony of Ana Garza-Beutz, the Updated Prepared Direct Testimony of Kellen C. Gill, and Attachment G to the Application. The Motion to Amend was accompanied by a Motion for Leave to File Confidential Materials Under Seal as well as amended versions of the testimony of Updated Prepared Direct Testimony of Ana Garza-Beutz (public

³⁰ For the remainder of this decision all reference to Rules refer to the Commission's Rules of Practice and Procedure.

³¹ Exhibit SDG&E-1 - Direct Testimony of Jennifer Montanez; Exhibit SDG&E-2 - Direct Testimony of Khoang Ngo; Exhibit SDG&E-3 - Direct Testimony of Ana Garza-Beutz; Exhibit SDG&E-4 - Direct Testimony of Monica V. Chihwaro; Exhibit SDG&E-5 - Direct Testimony of Janell McKay; Exhibit SDG&E-6 - Direct Testimony of Rolland Mollen; and Exhibit SDG&E-7 - SDG&E 2018 ERRRA/GHG Updated Prepared Direct Testimony (Montanez, NGO, Garza-Beutz, Chihwaro, Gill and Tanjuaquio). At the time of the November Updates, McKay and Mollen no longer worked for SDG&E. Witness Gill adopts the testimony of McKay and witness Tanjuaquio adopts the testimony of Mollen.

³² Exhibit SDG&E-1C - Direct Testimony of Jennifer Montanez - Confidential; Exhibit SDG&E-2C - Direct Testimony of Khoang Ngo - Confidential; Exhibit SDG&E-3C - Direct Testimony of Anna Garza-Beutz - Confidential; Exhibit SDG&E-4C - Direct Testimony of Monica V. Chihwaro - Confidential; and Exhibit SDG&E-5C - SDG&E 2018 ERRRA/GHG Updated Prepared Testimony - Confidential (Montanez, Ngo, Garza-Beutz, and Chihwaro).

and confidential versions), Attachment G to the Application (public and confidential versions), and the Updated Prepared Direct Testimony on Kellen C. Gill (public version only).

10.3. Motion to Seal

ARB's cap-and-trade regulations prohibit disclosure of auction-related information in most circumstances.³⁴ 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 to maximize the amount of information that utilities can make publicly available, while ensuring they do not disclose market sensitive information.

SDG&E has submitted public and confidential versions of its testimony. Pursuant to Rule 11.5, D.06-06-066 and D.08-04-023, and the ARB's rules and regulations, SDG&E filed a motion requesting that the confidential supplemental information be filed under seal. Pursuant to Rule 11.5, portions of the record of a proceeding (such as served testimony) may be sealed.

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

We grant confidential treatment of and seal (as detailed in the ordering paragraphs herein) Exhibits SDG&E-1C, -2C, -3C, -4C, -5C, and the confidential portions in Templates D-2 and D-5 contained in Attachment G (GHG Revenue

³⁴ 17 CCR § 95914(c).

and Reconciliation Form) submitted with SDG&E's Application on April 13, 2018 and updated on November 7, 2017. The documents placed under seal shall remain under seal for the applicable period of time set forth in the Confidentiality Matrix in D.14-10-033.

10.4. Compliance with the Authority Granted Herein

Within 30 days of the effective date of this decision, SDG&E shall submit the necessary AL with the Energy Division under Tier 1 to implement the rate changes authorized by this decision.

11. Reduction of Comment Period

Pursuant to Rule 14.6(b), all parties stipulated to reduce the 30-day public review and comment period required by Section 311 of the Pub. Util. Code to (3) three days. SDG&E and Solana Energy Alliance filed comments on November 30, 2018. SDG&E's comments mainly were focused on correcting omissions or errors contained in the Proposed Decision. We made the suggested corrections as necessary.

Reply comments were filed by SEA and SDG&E on December 3, 2018. SEA's comments focused solely on the following: 1) that the schedule in this proceeding did not allow for adequate time to review and analyze the changes to the implementation of the PCIA as required by D.18-10-019. (2) SDG&E's revenue allocation factors should be modified in the future; and (3) SEA has been unable to determine whether utility owned generation is being addressed consistently with D.18-10-019. We note that Rule 14.3(c) requires that comments on a proposed decision "focus on factual, legal or technical errors in the proposed decision ... and in citing such errors shall make specific references to the record or applicable law."

In part SEA's comments were not directed at factual, legal or technical errors in the proposed decision, but rather on the timing issues related to the implementation of D.18-10-019. Section 7.2 of this decision already addressed the concerns raised SEA in its comments. Therefore, we do not find it necessary to address them again. Finally, SEA provided no factual basis for us to change our conclusion that SDG&E is in compliance with D.18-10-019. However, that being said, it is worth noting that future changes may require that SDG&E modify its revenue allocation factors in future filings.

12. Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner and Gerald F. Kelly is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. SDG&E's updated 2019 forecast ERRA revenue requirement is \$1,230.297 million, which will be included in 2019 rates.
2. SDG&E's updated 2019 forecast CTC revenue requirement is \$17.705 million which will be included in 2019 rates.
3. SDG&E's updated LGC is \$179.592 million, which will be included in 2019 rates.
4. SDG&E's updated 2019 PCIA revenue requirement is \$492.776 million, to be collected through the PCIA rates authorized in this decision.
5. SDG&E's SONGS Unit 1 Offsite Spent Fuel Storage Cost revenue requirement of \$1.097 million will be included in 2019 rates.
6. SDG&E's GHG allowance revenue return allocation is \$88.860 million.
7. SDG&E's undercollected balance in the LGBA is \$523,747.
8. The proposed forecast GHG cost and allowance proceeds distribution to customers, including the residential California Climate Credit, for SDG&E are set

forth in SDG&E's November Update, as well as the amended testimony served on November 27, 2018.

9. Pursuant to D.12-12-033, SDG&E has been tracking GHG costs and allowance proceeds in two-way balancing accounts and tracking administrative and outreach expenditures associated with the program in memorandum accounts.

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

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

12. The 2019 forecast GHG allowance proceeds, GHG costs, returns to Emissions-Intensive and Trade-Exposed customers, and volumetric returns are set forth in Templates D-1 and D-2 of SDG&E's Updated GHG Revenue and Reconciliation Application Form in its November Update.

13. The 2018 recorded GHG administrative and outreach expenses are \$23,343.

14. The net forecast GHG administrative and outreach expenses to be set aside for 2019 are \$(135,316).

15. The 2019 forecast semi-annual residential California Climate Credit is \$31.32 per household.

16. In Resolution ALJ 176-3416, dated May 10, 2018, the Commission preliminarily categorized this proceeding as ratesetting, and preliminarily determined that hearings were necessary. In the Scoping Memo, the assigned Commissioner stated that evidentiary hearings would be held if necessary. No hearings were held.

17. SDG&E requested the admittance of its exhibits into evidence pursuant to Rule 13.8.

18. Pursuant to D.06-06-066 and D.08-04-023, as well as Rule 11.5, SDG&E requested the sealing of and confidential treatment of selected exhibits.

19. Rule 11.5 addresses sealing all or part of an evidentiary record; and D.06-06-066 addresses our practices regarding confidential information, such as electric procurement data (that may be market sensitive) submitted to the Commission.

20. D.14-10-033 addresses, in part, the confidentiality of GHG documents and contains the Confidentiality Matrix.

Conclusions of Law

1. The Commission should adopt SDG&E's 2019 forecast as follows: ERRA revenue requirement of \$1,230.297 million in 2019 rates; CTC revenue requirement of \$17.705 million in 2019 rates; SONGS Unit 1 Offsite Spent Fuel Storage Cost revenue requirement of \$1.097 million; and LGC is \$179.592 million in 2019 rates. In sum, a \$1,340.545 million total of 2019 forecasted revenue requirement.

2. The Commission should authorize SDG&E's request to recover the undercollected balance recorded to the LGBA in the amount of \$523,747.

3. SDG&E appropriately forecasted GHG costs and allowance proceeds, and the corresponding returns to customers, consistent with D.12-12-033, D.14-10-033 (as corrected by D.14-10-055 and D.15-01-024), and the other decisions issued in R.11-03-012 to date.

4. The amounts and calculations in SDG&E's November Updated Testimony, as well as revisions served on November 27, 2018 are appropriate and consistent

with the instructions and templates provided in

D.14-10-033 as corrected by D.14-10-055 and D.15-01-024.

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

6. The recorded and forecast GHG allowance proceeds are reasonable.

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

8. The recorded and forecast GHG costs are reasonable.

9. \$88.670 million of GHG proceeds should be returned to SDG&E customers.

10. SDG&E should be authorized to modify its tariffs to reflect (1) the forecast 2019 GHG allowance proceeds and the reconciled 2017 and (2) 2018 GHG allowance proceeds specified in its November Update.

11. ALs to implement changed tariff sheets in accordance with this Decision should be filed as Tier 1 ALs.

12. SDG&E's request to treat selected versions of its testimony as confidential should be granted, as detailed herein.

13. SDG&E's request to receive testimony into the record, should be granted, as detailed herein.

14. Exhibits SDG&E-1C, -2C, -3C, -4C, -5C, and the confidential portions in Templates D-2 and D-5 contained in Attachment G (GHG Revenue and Reconciliation Form) submitted with SDG&E's Application on April 13, 2018, updated on November 7, 2018, and on November 27, 2018 should be sealed and treated confidentially. The documents placed under seal should remain under seal for the applicable period of time set forth in the Confidentiality Matrix in D.14-10-033.

15. All rulings issued by the assigned Commissioner and ALJ should be affirmed herein; and all motions not specifically addressed herein or previously addressed by the assigned Commissioner or ALJ, should be denied.

16. Given that no hearings were held in the current proceeding, we should change our preliminary and Scoping Memo determination regarding hearings, to no hearings necessary.

17. SDG&E is in compliance with the mandates of D.18-10-019 by using revenue allocation factors that are consistent with its generation allocation factors for bundled service customers.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company's 2018 request for the following ratesetting inputs are adopted as follows: 1) an Energy Resource Recovery Account forecast revenue requirement of an estimated \$1,230.297 million; 2) Ongoing Competition Transition Charge forecast revenue requirement of \$17.705 million; 3) 2017 Local Generation Charge of \$179.592 million; and 4) San Onofre Nuclear Generating Station Unit 1 Offsite Spent Fuel Storage Cost revenue requirement of \$1.099 million. In sum, a \$1,340.545 million total for 2019 forecasted revenue requirement.

2. San Diego Gas & Electric Company's proposed 2019 Local Generation Charge rates are approved.

3. San Diego Gas & Electric Company's updated 2019 Power Charge Indifference Adjustment revenue requirement is \$492.776 million, to be collected through the PCIA rates authorized in this decision.

4. San Diego Gas & Electric Company's proposed 2019 Power Charge Indifference Adjustment Rates are approved.

5. San Diego Gas & Electric Company's request to recover the undercollected balance recorded to the Local Generating Balance Account in the amount of \$523,747 is approved.

6. \$88.670 million of Greenhouse Gas allowance proceeds must be returned to San Diego Gas & Electric Company customers.

7. San Diego Gas & Electric Company's rate component for the Green Tariff Shared Renewables Program is approved.

8. San Diego Gas & Electric Company shall continue to fund the Disadvantaged Community Green Tariff and Community Solar Green Tariff programs pending the review of Advice Letter 3263-E-A.

9. San Diego Gas & Electric Company's (SDG&E) request to treat as confidential and seal portions of the evidentiary record, in particular, Exhibits SDG&E-1C, -2C, -3C, -4C, -5C, and the confidential portions in Templates D-2 and D-5 contained in Attachment G (Greenhouse Gas Revenue and Reconciliation Form) submitted with SDG&E's Application on April 13, 2018, updated on November 7, 2017 and on November 27, 2018, is approved. The documents placed under seal shall remain under seal for the applicable period of time set forth in the Confidentiality Matrix in Decision 14-10-033. During this period, this information will remain under seal and confidential, and shall not be made accessible or disclosed to anyone other than the Commission staff or on the further order or ruling of the Commission, assigned Commissioner, the assigned Administrative Law Judge (ALJ), the Law and Motion ALJ, the Chief ALJ, or the Assistant Chief ALJ, or as ordered by a court of competent jurisdiction. If SDG&E believes that it is necessary for this

information to remain under seal for longer than three years, SDG&E may file a new motion stating the justification of further withholding of the information from public inspection. This motion shall be filed at least 30 days before the expiration of today's limited protective order.

10. Within 30 days of the effective date of this decision, San Diego Gas & Electric Company shall submit the necessary Advice Letters (ALs) with the Energy Division under Tier 1 to implement the authority and rate changes authorized by this decision. The AL shall include changed tariff sheets and supporting documentation for:

- a. Residential rate schedules (including master-metered rate schedules) to include the authorized 2019 Climate Credit Amount;
- b. Small business rate schedules to include the volumetric dollars per kilowatt hour greenhouse gas rate offset for small business customers; and
- c. The amounts approved in Ordering Paragraph 1.

11. All rulings issued by the assigned Commissioner and Administrative Law Judge (ALJ) are affirmed herein; and all motions not specifically addressed herein or previously addressed by the assigned Commissioner or ALJ, are denied.

12. The prepared testimony of San Diego Gas & Electric Company, consisting of the public and confidential versions of Exhibits SDG&E-1 through -7 is received into evidence.

13. The determination made in the assigned Commissioner's Scoping Memo and Ruling that hearings were necessary is changed to no hearings necessary.

14. Today's decision is effective immediately.

15. Application 18-04-004 is closed.

This order is effective today.

Dated December 13, 2018, at San Francisco, California.

MICHAEL PICKER

President

CARLA J. PETERMAN

LIANE M. RANDOLPH

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

Commissioners