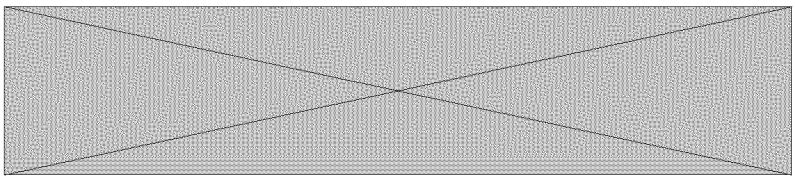
From:	Pagedar, Sujata
Sent:	10/28/2011 12:23:24 PM
To:	'Kalafut, Jennifer' (jennifer.kalafut@cpuc.ca.gov); 'andrew.schwartz@cpuc.ca.gov' (andrew.schwartz@cpuc.ca.gov)
Cc:	Warner, Christopher (Law) (/O=PG&E/OU=Corporate/cn=Recipients/cn=CJW5); Allen, Meredith (/O=PG&E/OU=Corporate/cn=Recipients/cn=MEAe); 'claire.torchia@sce.com' (claire.torchia@sce.com); Ng, Deana M (DNg@semprautilities.com); Peacock, Tanya (TPeacock@semprautilities.com)
Bcc:	
Subject:	RE: utility walk through of rate impact model in R.11-03-012

Andy,

Pacific Gas & Electric Company, Southern California Edison Company and San Diego Gas and Electric Company (the "Joint IOUs") are providing this response to your question of what amount of revenue would be needed to "buy down" the excess GHG costs that Tiers 3, 4 and 5) customers bear on behalf of Tiers 1 and 2.

This table provides a response to this question:



We derived this response from the Joint IOUs' Rate Impact Model filed on September 27. The model assumes a price of $10 per metric ton; using a different price would alter the results.

The specific calculation is detailed below.

o "Avg res class GHG Cost" is from cell E6 on "PG&E AB32 Cost & Credit Alloc2" tab,

o T3-T5 (i.e., Tier 3 through Tier 5) GHG Cost is from cell B12 on "PG&E Illustrative Bill Impacts2" tab,

o Difference is just line 2 minus line 1,

o T3-T5 sales is a product of cell A12 on "PG&E Illustrative Bill Impacts2" tab and total res class sales from cell I6 on "PG&E AB32 Cost & Credit Alloc2" tab

o T3-T5 Additional GHG Cost Burden is the product of the previous two lines.

The reason that upper-tier consumers have to pay 4.26 times the average residential cost ($0.00954 divided by $0.00224) is because with the T1T2 rates being capped, the recovery of residential allocated costs must then be recovered through T3-T5 rates only and those associated sales represent just 23.5% of total residential sales (one divided by 0.235 equals 4.26). Another way to think about it is if the upper-tier share of total residential sales was one-quarter, then those sales would have to pay four times as much as the class average cost. If the upper-tier share was one-fifth, they would have to pay five times as much. Since 23.5 percent is in between one-fifth and one-quarter, the upper-tier consumers have to pay an amount in between 4 and 5 times as much, or 4.26 times the class average cost.

The Joint IOU Proposal, filed in this proceeding on October 5, is designed to offset the GHG costs fairly and equitably in a cost-based fashion, by providing the credits only on the portion of sales that are subject to GHG costs and no credits to the sales that bear no GHG costs (i.e., to non-CARE Tier 1 and 2 sales or to any CARE sales). If an additional $53 million was provided to the upper tiers on top of the Joint IOU Proposal, this revenue would need to come out of the allocations to non-residential customers. The Joint IOUs do not support this approach.

Please let me know if you have any follow up questions.

Thanks,

Sujata

Sujata Pagedar

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