



Assembly Bill 32 Cost of Implementation Fee

October 10, 2012



Cost of Implementation (COI) Fee Overview

- Assembly Bill 32 authorizes the California Air Resources Board (ARB) to adopt a schedule of fees to be paid by sources of GHG emissions to fund the administrative costs of implementing the bill.
- ARB adopted the regulation in September 2009; it formally took effect in July 2010.
- The fees are therefore mandated by state law and imposed directly on the IOUs as a consequence of their retail utility operations and service provided to customers:
 - Natural gas fees shall be paid for each therm of natural gas delivered to any end user in California (except electricity generation).
 - First Deliverer of Electricity (includes in-state and imported power) fees shall be paid for emissions associated with megawatt-hours delivered to the California grid.
 - Smaller facilities under a specific operating threshold and cogeneration facilities are exempt from paying the COI Fee
- IOUs are required to pay all fees within 60 days upon receipt of invoice from ARB.



The Joint IOU Application

- The Joint IOU Application requests:
 1. approval of memorandum accounts to accrue COI Fees subject to the outcome of the proceeding; and
 2. authority to recover actual invoiced costs through the IOUs gas and electric rates prior to future General Rate Cases (GRC)
- Phase 1 of the proceeding adopting memorandum account treatment was approved by the CPU on December 16, 2010 (D.10-12-026)



The Commission Should Approve the AD

- The Alternate Decision of Commissioner Ferron authorizes recovery of the COI fees recorded in the memorandum accounts and states that future costs may be requested in the utilities' GRCs as a forecast cost
 - The AD concludes that it is in customers' best interest to have a uniform outcome across service territories on recovery of the COI Fee and that a patchwork approach of differing recovery schedules based on different GRC cycles could lead to administrative inefficiency and other sub-optimal outcomes.



Chronology

June 2009 – In anticipation of the COI Fee regulation, Julie Fitch sent a letter to Mary Nichols telling her that the “Energy Division believes that the CPUCan easily accommodate the gas utilities’ need to recover the cost of the fee from ratepayers.”

September 2009 – The COI Fee was adopted by ARB

Q1, 2010 – The Joint IOUs filed advice letters to obtain cost recovery

June 24, 2010 – The CPUApproved Resolution G-3447, denying without prejudice the Joint IOUs’ request to recover the cost of the ARBAdministration Fee via advice filing. The Resolution instructed the utilities to file their requests via application instead

July 17, 2010 – COI Fee became effective

August 2, 2010 – The IOUs filed Joint Application

December 16, 2010 – the CPU issued a final decision (D.10-12-026) for Phase 1 granting the Joint-IOUs’ request to establish memorandum accounts to accrue the costs of the COI Fee invoices

April, 2011 – The IOUs received their first set of invoices based on 2008 GHG emissions. Supplemental invoices were also sent to SDG&E and SoCalGas in July. The IOUs paid all invoices within 60 days of receipt

September, 2011 – The IOUs received their second set of invoices based on 2009 GHG emissions. The IOUs paid all invoices within 60 days of receipt.

September, 2012 – The IOUs received their third set of invoices based on 2010 GHG emissions.