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Assembly B. 32 Cost of months of the cost of the cost

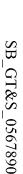
October 3, 2012



SB_GT&S_0567889

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 GH@emissions to fund the administrative costs of implementing the bill.
- ARBadopted 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 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 counts 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 count treatment was approved by the CPU@n December16, 2010 (D.10-12-026)





The CommissionShould 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 GRCcycles could lead to administrative inefficiency other sub-optimal outcomes.

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PF&F 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 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 IOUsfiled advice letters to obtain cost recovery

<u>June 24, 2010</u> – The CPUCapproved 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 becameeffective

August 2, 2010 - The IOUs filed Joint Application

<u>December16, 2010</u> – the CPUCssued a final decision (D.10-12-026) for Phase 1 granting the Joint-IOUs' request to establish memorandum counts to accrue the costs of the COI Fee invoices

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

<u>September, 2011</u> – The IOUs received their second set of invoices based on 2009 GH@ missions. The IOUs paid all invoices within 60 days of receipt.

<u>September, 2012 - The IOUs received their third set of invoices based on 2010 GHGemissions.</u>