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FOR IMMEDIATE RELEASE
PRESS RELEASE
Media Contact: Terrie Prosper, 415.703.1366, news@cpuc.ca.gov
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CPUC ALLOCATES 85 PERCENT OF REVENUE FROM SALE OF UTILITIES' GREENHOUSE GAS ALLOWANCES TO RESIDENTIAL CUSTOMERS

SAN FRANCISCO, December 20, 2012 - The California Public Utilities Commission (CPUC) today issued a decision that will direct approximately 85 percent of the revenues generated from the sale of greenhouse gas emission allowances allocated to the investor-owned electric utilities to households as a both rate reduction and a semi-annual "climate dividend."

As part of the California Air Resources Board's (ARB) Greenhouse Gas Cap-and-Trade program, the ARB allocated allowances to the state's electric distribution utilities to help compensate electricity customers for the costs that will be incurred under Cap-and-Trade. The investor-owned electric utilities are required to sell all of their allowances at ARB's quarterly auctions, and the proceeds from the auction are to be used for the benefit of retail ratepayers, consistent with the goals of Assembly Bill 32. The total amount of revenue to be returned to ratepayers between 2013 and 2020 is expected to range from $5.7 billion to $22.6 billion.

For most non-residential customers, the CPUC's decision today follows the "polluter pays" principle by reflecting the cost of greenhouse gas emission allowances in rates. By putting a price on greenhouse gas pollution, this approach maintains the incentive provided by the Cap-and-Trade program to reduce total greenhouse gas emissions through increased efficiency and greater reliance on clean generating technologies. Preserving the carbon price signal is critical to providing appropriate incentives for businesses and individuals to reduce greenhouse gas emissions when making decisions regarding their energy use. However, in some circumstances, other important factors need to be considered. Following an extensive, stakeholder driven process, the CPUC has allocated the revenues as follows:

- To ensure the program does not disadvantage California industries, the investor-owned utilities will return allowance revenues to businesses operating in industries identified by the ARB as emissions-intensive and trade-exposed, such as cement and glass manufacturing. These businesses emit large amounts of greenhouse gas emissions and operate in highly competitive markets. This allocation of revenue is expected to cover the majority of the Cap-and-Trade-related costs these industries will experience in electricity rates while preserving incentives for these entities to reduce their emissions.

- Consistent with the direction provided by Senate Bill 1018, investor-owned utilities will use allowance revenue to offset the Cap-and-Trade costs in small business electricity rates. Over the 2013-2020 period, the level of compensation to small businesses will decline, and the electricity rates small businesses are subject to will gradually rise to reflect the cost of carbon. This gradual transition is intended to enable small businesses to adjust to the Cap-and-Trade program through investments in energy efficiency, operational improvements, and clean energy technologies. Qualifying small businesses are non-residential customers – including agriculture, nonprofits, and others – that consume less than 20 kilowatts of power.

- Allowance revenues will be used to mitigate the carbon costs that would otherwise be reflected in residential rates. While not consistent with the general preference to preserve the carbon pollution price signal, the CPUC determined that an exception is warranted given the tiered structure of residential rates, which due to statutory constraints prevents carbon costs associated with residential consumption from being passed through to lower-tiers. The CPUC said that including additional carbon costs resulting from the Cap-and-Trade program only in upper-tier rates would be unfair to customers with consumption in the upper tiers.

- The remaining revenues will be given to residential customers as an equal semi-annual bill credit for each residential account. This climate dividend is intended to help offset any increases in the costs of goods and services that may result from the Cap-and-Trade program. This holds entities to account for their contributions to climate change, while limiting the impact of the Cap-and-Trade program on household budgets.

“Today’s decision is ground-breaking in two ways,” said CPUC President Michael R. Peevey. “First, the cost of emitting greenhouse gas pollution will now be reflected in most non-residential customers’ rates, creating a strong incentive for businesses throughout California to invest in energy efficiency and clean energy. Second, residential customers will receive 85 percent of the revenues from the sale of the utilities’ greenhouse gas allowances, mostly in the form of a semi-annual climate dividend. This precedent-setting decision marks the first time that a Cap-and-Trade program has returned pollution payments from large emitters directly to households to compensate them for any price increases that may result from Cap-and-Trade.”

“I support this decision allocating a greenhouse gas allowance to utility customers,” said Commissioner Timothy Alan Simon. “Allocation of revenue from the sale of greenhouse gas allowances is a critical piece of the state’s Cap-and-Trade program and will set paths for numerous stakeholders, as well as other states and nations, as California continues to set greenhouse gas emission policy.”

Said Commissioner Catherine J.K. Sandoval, “Consistent with legislative goals, this decision increases affordability of electric services for residents and businesses, supports price transparency, promotes California’s economic competitiveness, and protects its environment.”

Added Commissioner Mark J. Ferron, “Tackling climate change is a top priority. The carbon price signal that the Cap-and-Trade program creates, and that this decision helps maintain, will again make California a leader in effective climate policy.”

The proposal voted on today is available at http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M039/K594/39594673.PDF.

For more information on the CPUC, please visit www.cpuc.ca.gov.

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