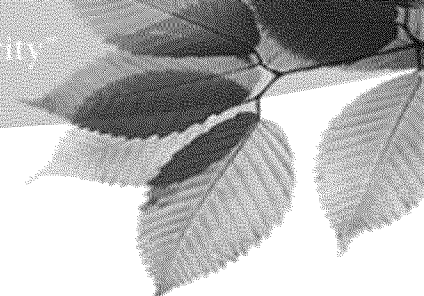


GHG Allowance Revenue Return Implementation Plan: Key Considerations

Energy Division Discussion

January 16, 2013



Ongoing Implementation Requirements

In the near term, the IOUs are required to:

- Create Outreach Plan
- Submit Advice Letters to establish required memo / balancing accounts
- **File Joint IOU “Implementation Plan” explaining a process to adopt the GHG revenue allocation methodology**

This Implementation Plan (due February 4) must address, at a minimum:

1. EITE return: estimate amount, differentiate from small business
2. Small business return: process & magnitude
3. Residential volumetric return: methodology & CCA / DA customers
4. Climate Dividend: calculation, master meter customers, Dividend > bill scenario
5. Calculating GHG costs
6. Administrative costs: estimate of upfront / ongoing costs in 2013
7. CCA / DA customer specifics
8. NEM customers: cash-out option
9. Master meter customers
10. List: all balancing accounts / tariff modifications

Flow of GHG allowance costs

- General tracking and pass-through of costs will be consistent with treatment of all other procurement costs (i.e., through ERRA)
- However, an added step is required to provide estimate of costs *per customer group* as required to calculate volumetric return

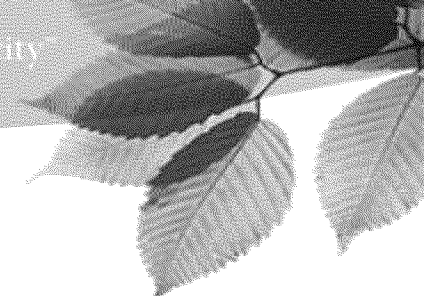
Overview

Outline flow of GHG costs to customers, including process to determine portion of costs “attributable” to each customer class

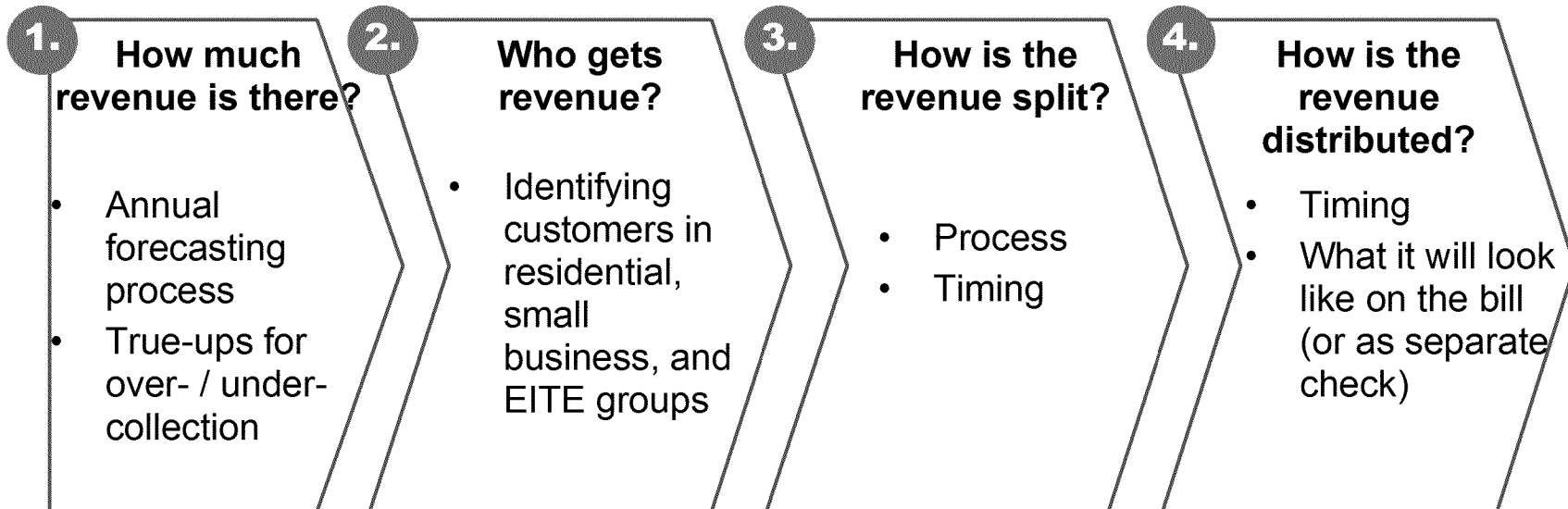
Key Considerations

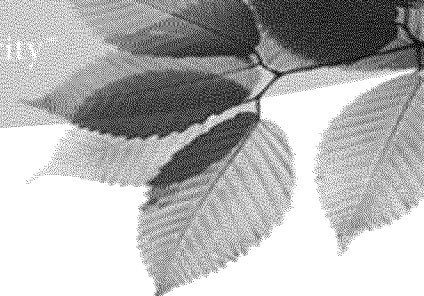
- What is considered a “cost” that can be included?
- ERRA process: any unordinary circumstances?
 - Over- / under-collection: recommend that be rolled into all ERRA accounting
- Adjustments needed to generation allocators to “split” costs among customer classes?
- Suggested reporting schedule

Flow of GHG allowance revenues



There are four key steps in determining the flow of allowance revenues from auction to customers





1. How much revenue is there?

Overview

Provide plan for annual forecast of total revenue

Key Considerations

- Timing: when will forecast be conducted?
- Contents: what auctions will constitute a “year”?
- Reporting: when / how will forecast be reported to CPUC?
- True-ups for over- / under-collection:
 - Timing?
 - Account-wide basis?

Dependencies / Open Questions

- Will need to be aligned with GHG cost forecasting

2. Who gets revenue?

Overview

Determine which customers qualify to receive allowance revenue

Key Considerations

- All:
 - How often will lists be updated?
 - How are non-active accounts treated?
- Residential customers:
 - How to include DA / CCA?
 - Identifying master-meter customers
- Commercial / Industrial customers
 - Are all non-residential classes included?
 - How to identify small business / EITE customers?
 - How to track overlap in classes?
 - Will tracking happen on a customer or service account level?
 - Any special DA / CCA considerations?

Dependencies / Open Questions

- Should IOUs provide recommendations of who will be considered EITE?

3. How is revenue split?

Overview

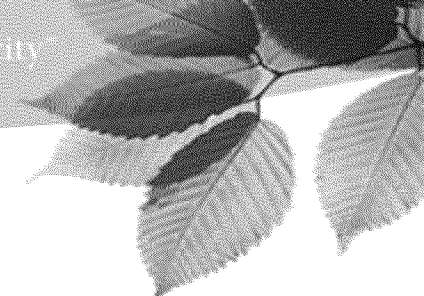
Outline process for splitting revenue among residential, small business, and EITE customers

Key Considerations

- Inclusion of admin / outreach costs
- EITE calculation
 - Annual forecast
 - Timing of actual calculation
 - Data that will be required to calculate each customer's portion
- Volumetric return
 - Method: using GHG cost forecasts to determine portions for each class
 - Calculating a ¢ / kWh value

Dependencies / Open Questions

- Significant detail required from workshop process to finalize Appendix A (EITE methodology)
- SCE will have to provide rationale for why using the GHG cost forecasts is an appropriate proxy for actual GHG costs (*this will tie in closely to GHG cost section*)



4. How is revenue distributed?

Overview

Establish billing process for returning revenue to customers

Key Considerations

- Residential customers:
 - Identify necessary tariff changes
 - Suggest timing / format for Climate Dividend
- Small business customers:
 - Identify necessary tariff changes
 - Outline form of “line item”
- EITE: recommend format

Dependencies / Open Questions

- Commission still has final control over many specifics of commercial and industrial methodology
- Once this general process is established, next step is to establish Climate Dividend specifics (master meters, NEM customers, etc.)