To: Jason Houck

From: SCE, SDG&E, PG&E

Re: Comments on Draft Staff Proposal

Date: June 14, 2013

1) The Emission Factor (slides 12-15)

The choice of a statewide or utility and third-party specific emissions factor is a policy decision that must weigh competing objectives. The IOUs support calculations that most closely reflect the true electricity-related GHG costs for EITE entities, avoid any competitive issues between the IOUs and third-party electricity providers, and are simple.

If utility and third-party specific emissions factor are adopted, the IOUs recommend that the same emission factor should be used for both bundled and Energy Service Provider (ESP) / Community Choice Aggregation (CCA) customers to eliminate potential inequities. Since switching between an ESP/ CCA and the utility does not require a change in location, the emission factor should be the same so as to not provide a competitive advantage or disadvantage to a particular retail supplier, consistent with D.12-12-033.

Regarding the four methodologies examined to determine a utility-specific emission factor, the IOUs do not support options B and C due to the inclusion of the loss factor. This inclusion essentially converts the emission factor from emissions per unit of electricity consumed to emissions per unit of electricity produced (total produced electricity is higher than consumption due to losses in the transmission and distribution process). While options B and C would produce utility portfolio emissions factors that may be appropriate for some purposes, they would be inconsistent with the purpose of the emissions factor in this case, which is used to compensate EITE customers for GHG costs for energy consumed.

2) Dollar Conversion (slide 20)

The dollar conversion is the sales-weighted average market clearing price of allowances sold at auction of the same vintage as the compliance year for which compensation is being provided. As a discussion item, Energy Division asked whether D_t should reflect the sales-weighted average price of vintage "t" allowances sold at previous auctions.

The IOUs do not recommend including prices from the advance auction in the dollar conversion factor. Including prices from advance auction would require an assumed holding cost for three years, with an assumption about the appropriate interest rate for an EITE customer. The cost in 2015 of 2015 vintage allowances sold in 2012 at $10/MT would be very different if a 3% interest rate is used ($10.93/MT) compared to a 13% interest rate ($14.43/MT).

3) Method of Return (slide 35)

For EITE revenue return:

- The Staff Proposal suggests, as an example, that the on-bill credit could be listed as "California Cap-and-Trade Industrial Assistance". The IOUs agree with the recommendation of a clear and consistent title across all IOUs but some bill presentment limitations on the number of characters that can be displayed may have to be taken into account.

- In order to leverage existing business processes and policies for payment application, the IOUs recommend returning EITE revenue as an on-bill credit. After the credit has been applied to the account, the customer can contact the IOU to receive a refund check for any remaining credit balance. The IOUs' refund processing systems do not provide the ability to include "California Cap-and-Trade Industrial Assistance" on the check or on the check stub. The IOUs believe that the customer outreach and education can be achieved using other means and channels.

- The IOUs cannot currently provide customers with the ability to automatically request a check for any remaining credit balance, as there may or may not be a negative balance due after the credit is applied. The request would have to be made each year.

For Small Business revenue return, the IOUs support Staff's recommendation of a monthly return. It avoids the complexities and challenges associated with mixing a deferred volumetric revenue return and the monthly qualification of a small business as eligible (i.e. as a customer with a monthly electricity demand that does not exceed 20kW in more than three months within a twelve-month period).

4) Opt-in alternative for less than 10,000 MT (slide 34)

The Staff Proposal is neutral on whether to provide industrial assistance to customers less than 10,000 $MTCO_{2e}$ per year without requiring them to opt-in to the ARB cap-and-trade program. For equity purposes, the CPUC should provide allowance revenue to these EITE customers. However, the utilities are cognizant of the administrative difficulties in verifying whether the customers identified in slide 34 are in the proper NAICs code. Perhaps this issue can be addressed in the follow-up that will look at whether other industries will also qualify.

The process of self-certification seems to be the best way to identify the proper NAICS code. There is some discrepancy as to how different agencies classify entities into a NAICS code where there are multiple products within the same firm or where the products have changed over time.

5) Data Requirements (slide 36)

For SDG&E the EITE customer would need to report “account number,” not “primary meter number.” Billing is done at the account level; so the account number would need to be provided to SDG&E.