

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking on the Commission's
Own Motion to Conduct a Comprehensive
Examination of Investor Owned Electric Utilities'
Residential Rate Structures, the Transition to Time
Varying and Dynamic Rates, and Other Statutory
Obligations.

Rulemaking 12-06-013
(Filed June 21, 2012)

**OPENING PHASE 2 BRIEF OF SAN DIEGO GAS & ELECTRIC COMPANY (U902E)
ON WHETHER THE CALIFORNIA CLIMATE CREDIT BE NOT INCLUDED IN THE
CALCULATION OF THE EFFECTIVE DISCOUNT PERCENTAGE FOR CARE
RATES**

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Dated: April 7, 2014

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I. INTRODUCTION

Pursuant to the Ruling that was served electronically by Administrative Law Judge (“ALJ”) McKinney on March 26, 2014, San Diego Gas and Electric Company (“SDG&E”) hereby submits its Opening Brief on whether the California Climate Credit should be included in the calculation of the effective discount percentage for California Alternate Rates for Energy (“CARE”) rates when determining if the effective discount is within the statutory range of 30-35% herein. This Opening Brief is being submitted concurrently with the Joint Brief filed on behalf of San Diego Gas & Electric Company (“SDG&E”), The Office of Ratepayer Advocates (“ORA”), The Utility Reform Network (“TURN”), The Utility Consumers’ Action Network (“UCAN”), The San Diego Consumers’ Action Network (“SDCAN”), and The Coalition Of California Utility Employees (“CUE”) (“Settling Parties”) in support of the Settlement Agreement that has been entered into to resolve SDG&E-specific issues in Phase 2 of this proceeding.

II. BACKGROUND

Most of the background relevant to consideration of issues in this proceeding is summarized in the Joint Opening Brief submitted on behalf of the Settling Parties. Relevant to this Brief is the Prehearing Conference that was held on January 8, 2014 as well as the Second Amended Scoping Memo And Ruling Of Assigned Commissioner And Assigned Administrative Law Judge (“Second Amended Scoping Memo”) that was issued January 24, 2014 and the Ruling that was served electronically by ALJ McKinney on March 26, 2014.

In the Second Amended Scoping Memo, the utilities were ordered to re-submit their interim rate design proposals in revised and simplified format so a timely decision could be issued in this proceeding, as follows:

“At the January 8 PHC, we indicated that in order to fairly evaluate the IOU rate change proposals in time to implement new residential rates in 2014, the IOUs would need to revise and simplify their proposals. The IOUs were also ordered to submit additional testimony showing rate comparisons in a standardized format.”¹

Consistent with this direction, SDG&E simplified, revised and resubmitted its Interim Rate Design proposal. Subsequently, SDG&E entered into a settlement with the Settling Parties on the basis of its simplified proposal. The Settlement Agreement will be superseded by the Commission’s determinations on longer-term, issues in Phase I of this proceeding.

¹ See, Second Amended Scoping Memo and Ruling of Assigned Commissioner and Assigned Administrative Law Judge (Second Amended Scoping Memo) that was issued January 24, 2014, at p. 2.

III. WHETHER THE CALIFORNIA CLIMATE CREDIT SHOULD BE INCLUDED IN THE CALCULATION OF THE EFFECTIVE CARE DISCOUNT SHOULD BE CONSIDERED IN PHASE 1 OF THIS PROCEEDING

As the forgoing section demonstrates, the Commission has taken great care to streamline the issues to be considered in Phase 2 of this proceeding so a timely decision can be issued.

Longer-term issues will be considered in Phase 1.

SDG&E appreciates the Commission's efforts to streamline the issues to be resolved in Phase 2 of this proceeding so a timely decision can be issued. The issue of whether the California Climate Credit should be included in the calculation of the effective discount percentage for CARE rates when determining if the effective discount is within the statutory range of 30-35% is an important issue, but is not an issue that needs to be resolved in Phase 2 of this proceeding. In fact, consideration of this issue could trigger unnecessary contention, resulting in unnecessary delays in the consideration of the Settlement Agreements that have already been submitted separately on behalf of all of the utilities in this proceeding. None of this is necessary to address the streamlined scope of issues in Phase 2 of this proceeding. Instead, SDG&E respectfully requests that this issue be considered in Phase 1, together with other longer-term rate design issues that need not be resolved in order to consider the Settlement that has been submitted herein on behalf of the Settling Parties. However, should the treatment of the California Climate Credit be deemed a "Phase 2 issue," SDG&E requests that this topic not delay a decision on the Settlement Agreements of the respective utilities as the California Climate Credit is a separate issue that is not dependent on the Settlement Agreements.

IV. THE CALIFORNIA CLIMATE CREDIT SHOULD BE INCLUDED IN THE CALCULATION OF THE EFFECTIVE DISCOUNT PERCENTAGE FOR CARE RATES

California Public Utilities Code Section 739.1(c)(1) sets forth the following direction on how to calculate the effective CARE discount rate:

(1) The average effective CARE discount shall not be less than 30 percent or more than 35 percent of the revenues that would have been produced for the same billed usage by non-CARE customers. The average effective discount determined by the commission shall reflect any charges not paid by CARE customers, including payments for the California Solar Initiative, payments for the self-generation incentive program made pursuant to Section 379.6, payment of the separate rate component to fund the CARE program made pursuant to subdivision (a) of Section 381, payments made to the Department of Water Resources pursuant to Division 27 (commencing with Section 80000) of the Water Code, and any discount in a fixed charge. The average effective CARE discount shall be calculated as a weighted average of the CARE discounts provided to individual customers.

In D.12-12-033 (issued in Rulemaking 11-03-012 *Order Instituting Rulemaking to Address Utility Cost and Revenue Issues Associated with Greenhouse Gas Emissions*), the Commission made it clear that the structure of the California Climate Credit was intended to provide low income customers with additional benefits. For that reason, the California Climate Credit should be included as part of the average effective CARE discount calculation. In that regard, the Commission found the following with regard to the California Climate Credit (previously named the Climate Dividend):

Furthermore, by returning remaining GHG allowance revenue to all residential customers (and not only those that bear direct GHG costs,) we achieve our policy objective of reducing adverse impacts to low-income households. As stated earlier in this decision, low-income households' non-energy expenses will likely increase as a result of the Cap-and-Trade program as medium and large businesses pass through their own Cap-and-Trade-related costs in the price of their goods and services. The impact of these price

increases will likely be proportionally greater on lower income households, as these households tend to spend a greater proportion of their incomes on basic goods and services.²

The Commission amplified its position that the Climate Dividend was being structured to create additional benefits for low income customers in the following Findings of Fact to D. 12-12-033:

117. A non-volumetric return (climate dividend) of remaining GHG revenues to residential customers on an equal per-residential account basis provides a greater return as a share of income to lower-income households. This is the most equitable method of distributing remaining GHG revenues to residential customers given the neutralization of GHG costs in residential customers' rates.

120. Applying the climate dividend directly to residential customers' bills as an on-bill return will largely ensure that all residential ratepayers receive their portion of GHG allowance revenues.

121. An on-bill return of GHG allowance revenues to electricity customers will result in a decrease in electricity bills; however, that decrease will free up money for other purposes that customers would otherwise use to pay their electricity bills.³

Under these circumstances, it is appropriate to include the Climate Dividend in calculation of the effective CARE discount.

² D.12-12-033, at p. 110.

³ D.12-12-033, at p. 181.

V. CONCLUSION

For the forgoing reasons, SDG&E respectfully submits that the California Climate Credit constitutes a charge “not paid by CARE customers,” and it should be included in calculation of the effective CARE discount. SDG&E requests that the issue of the California Climate Credit not delay the issuance of a decision on Phase 2 of this proceeding.

Dated: April 7, 2014

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