

ORA DATA REQUEST
ORA-SDGE-144-CL8
SDG&E 2019 GRC – A.17-10-007
SDG&E RESPONSE
DATE RECEIVED: FEBRUARY 26, 2018
DATE RESPONDED: MARCH 12, 2018

Exhibit Reference: SDG&E-36-WP-R

SDG&E Witness: Steven Dais

Subject: Working Cash

Please provide the following:

1. This data request is a follow-up to data request ORA-SDGE-112-CL8, regarding greenhouse gas emissions allowance prepayments in the working cash determination.

1. Please provide a definition for the amounts that are charged to each of the following accounts, as reconciled in response to Question 2 of SDG&E's response to ORA-SDGE-112-CL8:

- a. GHG Allowances – Current
- b. GHG Allowances – Non-Current
- c. GHG Emission Liabilities – Current
- d. GHG Emission Liabilities – Non-Current

SDG&E Response 01:

- a. GHG Allowances – Current: This includes emissions credits that are forecasted to be used within the next year.
- b. GHG Allowances – Noncurrent: This includes credits that are not forecasted to be used within the next year.
- c. GHG Emission Liabilities – Current: This includes the portion of the liability to CARB (California Air Resources Board), which SDG&E incurs as it emits GHG, which is due within the next year.
- d. GHG Emission Liabilities – Noncurrent: This includes the portion of the liability to CARB (California Air Resources Board), which SDG&E incurs as it emits GHG, which is not due within the next year.

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2. Please provide the monthly balances of the accounts identified above in (1) over the period 2012-2017.

SDG&E Response 02:

Please note there was no recorded activity prior to 2014. Please refer to attachment ‘ORA-SDG&E-144-CL8 GHG Historical Balances 2014-2017 (CONFIDENTIAL).xlsx’ for a breakout of monthly balances by current and non-current amounts for years 2014 – 2017. This attachment is considered to have **Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023**. Confidential information has been shaded in gray.

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3. Please explain the requirements that SDG&E faces regarding the surrender of allowances to CARB, including surrender deadlines, compliance periods, and percentages of emissions liabilities that must be met each year. If any of these requirements provides for the discretion of the covered entity, please explain SDG&E’s strategy to meet the requirements.

SDG&E Response 03:

The table below summarizes compliance entities’ surrender requirements as directed in ARB’s Cap-and-Trade regulation, title 17, CCR, sections 95801-96022 (see section 95856). As an example, on 11/01/16 SDG&E must surrender compliance instruments to cover at least 30% of its compliance obligation; allowances can be vintage years 2015 or earlier. While SDG&E has discretion regarding which allowances are surrendered, once allowances are purchased, other than vintage, they are completely fungible.

Surrender Obligations as a Percent of Annual Compliance Obligation									
Surrender Date	Compliance Period (CP) / Compliance Year								Vintage Years
	CP1: '13-14		CP2: '15-17			CP3: '18-'20			
	2013	2014	2015	2016	2017	2018	2019	2020	
11/01/14	30%								2013
11/01/15	70%	100%							2014 or earlier
11/01/16			30%						2015 or earlier
11/01/17				30%					2016 or earlier
11/01/18			70%	70%	100%				2017 or earlier
11/01/19						30%			2018 or earlier
11/01/20							30%		2019 or earlier
11/01/21						70%	70%	100%	2020 or earlier

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4. Please explain SDG&E's strategy for the consignment and bidding of allowances at auction.

SDG&E Response 04:

Per the Cap-and-Trade regulation, title 17, CCR, section 95914, compliance entities are limited in their disclosure of auction participation information. SDG&E does, however, describe its general auction procurement strategies in Appendix F of confidential Advice Letter AL 2850 E-A, SDG&E's 2014 Long Term Procurement Plan.

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5. Please explain SDG&E's strategy for the purchase of allowances and offsets outside of the quarterly CARB auctions.

SDG&E Response 05:

SDG&E's procurement strategies are found in Appendix F of confidential Advice Letter AL 2850 E-A, SDG&E's 2014 Long Term Procurement Plan.

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6. SDG&E's Response to Question 4 of ORA-SDGE-112-CL8 indicates that the liabilities are incurred as GHGs are emitted. Please explain how these emissions are priced (denominated) into dollars by SDG&E, to arrive at the dollar balance of the emissions liability accounts.

SDG&E Response 06:

SDG&E calculates the weighted average cost price (WAC) of its compliance instruments as directed in Attachment C of D.15-01-24. Monthly emissions are assigned a cost based on this weighted average cost price, as directed in Attachment C.

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Please explain how the value of surrendered allowances is determined. If the surrendered allowances are priced at the same nominal amount as their original cost, please explain how SDG&E decides which allowances (i.e., which vintages) to surrender.

SDG&E Response 07:

SDG&E calculates the value of the surrendered allowances based upon the weighted average cost price (WAC) methodology. The previous vintage year of allowances are surrendered every November of each year using the compliance entities' surrender requirements as directed in ARB's Cap-and-Trade regulation. Please refer to the summarized table for question #3.

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7. Please explain if SDG&E realizes any gains through the transfer (sale) of allowances to other covered entities.
- a. If yes, please explain if and how these gains are recorded to the accounts identified above in (1), or any other applicable accounts.
 - b. If yes, please explain if and how these gains are shared by ratepayers and shareholders.

SDG&E Response 08:

- a. Any gains or losses would be realized by including the transaction in the WAC calculation. Results from the WAC calculation are used to assign monthly emissions costs, which flow into rates via the ERRRA balancing account.
- b. As described in 8(a), gains or losses flow into the WAC calculation, which contribute to the monthly emissions costs that go into the ERRRA balancing account for ratepayer cost recovery. No gains or losses are realized by shareholders. These costs/revenues are procurement-related costs/revenues that are a straight pass-through to SDG&E customers.