

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



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REVENUE & TARIFFS DEPT
Advice Letter 1660-E/1660-E-A

January 5, 2004

Akbar Jazayeri
Director of Revenue and Tariffs
Southern California Edison Company
P O Box 800
Rosemead, CA 91770

Reference: Transitional Procurement Contracts

Dear Mr. Jazayeri:

Advice Letter 1660-E is effective December 5, 2002 by Resolution E-3802. Advice Letter 1660-E-A is effective February 13, 2003 by Resolution E-3810. A copy of the advice letter is included herewith for your records.

Sincerely,

A handwritten signature in cursive script that reads "Paul Clanon".

Paul Clanon, Director
Energy Division

jjr

January 7, 2003

ADVICE 1660-E-A
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: **Compliance Submission of Transitional Procurement
Contracts Pursuant to Commission Resolution E-3802
Issued in Response to SCE Advice 1660-E**

PURPOSE

In compliance with Resolution E-3802 and associated confidential transmittals dated December 6, 2002 and December 20, 2002 from the Energy Division of the California Public Utilities Commission (Commission), Southern California Edison Company (SCE) hereby submits for filing certain electric capacity procurement contracts for approval by the Commission. These contracts are being submitted in accordance with Findings Paragraph 11 and Ordering Paragraph 1 of Resolution E-3802.

Resolution E-3802 pre-approved, with certain modifications, SCE's proposed transitional electric capacity contracts and bid refresh and award process as provided in SCE's Advice 1660-E. This compliance filing submits for Commission review and approval the refreshed contract offers, bid analysis, and executed contracts that resulted from the SCE bid refresh process that was conducted pursuant to the pre-approval provided in Resolution E-3802. SCE requests that the Commission find that SCE conducted its bid refresh and contract award process in a manner consistent with the pre-approval provided by Resolution E-3802, and that the resulting electric capacity contracts are reasonable with respect to contract formation.

All attachments to this advice letter contain Confidential Protected Material subject to the protections in the May 1, 2002, Protective Order issued in Order Instituting

Rulemaking (OIR) 01-10-024, and pursuant to Public Utilities Code Section 583¹ and General Order 66C.

On December 24, 2002, SCE submitted a separate advice letter (Advice 1676-E) for the Commission's review and approval of renewables resources selected as part of the renewables Request for Offers (RFO) and Standard Offer 1 (SO1) contract extensions it intends to enter into pursuant to Decision (D.) 02-08-071.

BACKGROUND

D.02-08-071 was issued August 22, 2002, as an interim decision in OIR 01-10-024, to Establish Policies and Cost Recovery Mechanisms for Generation Procurement and Renewable Resource Development. This decision, among other things, authorized the respondent utilities to immediately seek to contract for a portion of their residual net-short energy and capacity requirements subject to expedited Commission review and pre-approval of these contracts. The Commission found it reasonable to authorize the utilities to seek to "procure a portion of their on-peak hourly residual net-short requirement reflected in a low-case residual net short scenario for products including ancillary services."² The Decision provides SCE with the authority to purchase: (1) capacity contracts; (2) forward energy products; (3) transportation of the physical commodity portion to be delivered pursuant to authorized capacity and energy contracts; (4) related fuel products, including natural gas supply, transportation, and storage for specific authorized capacity or energy contracts; and (5) energy exchanges, such as energy for capacity transactions, peak for off-peak exchanges, and seasonal exchanges.

Although the Order provided that the California Department of Water Resources (DWR) could serve as the creditworthy purchaser until SCE regains its investment-grade credit rating, SCE found that sellers were willing to contract directly with SCE. Therefore, since SCE believed the most favorable contract terms could be negotiated in agreements between SCE and the sellers without DWR involvement, the contracts submitted specify SCE as the sole counterparty and do not involve DWR in any manner.

Because of the limited time available before the utilities assume the procurement function on behalf of their customers, the Commission adopted an expedited

¹ No information furnished to the Commission by a public utility, or any business which is a subsidiary or affiliate of a public utility, or a Corporation which holds a controlling interest in a public utility, except those matters specifically required to be open to public inspection by this part, shall be open to public inspection or made public except on order of the Commission, or by the Commission or a Commissioner in the course of a hearing or proceeding. Any present or former officer or employee of the Commission who divulges any such information is guilty of a misdemeanor.

² D.02-08-071, Finding of Fact 9.

procedural schedule for review and approval of these contracts that would allow the Commission's Energy Division to place a Resolution on the Commission agenda for approval of these contracts within approximately 30 days of the filing of an Advice Letter. The Commission also instructed the utilities to convene Procurement Review Groups (PRG) consisting of non-market participant parties who had agreed to the Protective Order governing this proceeding. The Commission instructed each utility to review with its PRG the utility's overall transitional procurement strategy, procurement process, and specific proposed transitional procurement contracts prior to the submission of their Advice Letter(s) to the Commission. Participants in SCE's PRG include members of the Commission's Energy Division (ED) and Office of Ratepayer Advocates (ORA) staff, The Utility Reform Network (TURN), Natural Resources Defense Council (NRDC), California Energy Commission (CEC), Consumers' Union (CU), California Utility Employees (CUE), and the DWR.

On November 5, 2002, SCE submitted Advice 1660-E to the Commission seeking pre-approval of certain electric capacity contracts, subject to final award pursuant to a specified bid refresh process. On November 12, 2002, ORA, TURN, and CUE submitted confidential protests to Advice 1660-E. SCE submitted a confidential response to the protests on November 15, 2002. On December 5, 2002, the Commission issued Resolution E-3802 approving SCE's Advice 1660-E, subject to certain modifications. Confidential modifications were transmitted to SCE in letters dated December 6, 2002 and December 20, 2002 by Mr. Paul Clannon, Director of Commission's Energy Division.

REQUEST FOR COMMISSION APPROVAL

Pursuant to the accelerated advice letter process set forth in Appendix B of D.02-08-071 and the pre-approval of the bid refresh and award process provided in Resolution E-3802, SCE asks that the Commission issue a resolution no later than February 11, 2003 with findings that:

1. The contracts in Confidential Appendix D are reasonable and prudent for all purposes, including, but not limited to, recovery in full in retail rates under the Public Utilities Code for the full terms of the contracts; and
2. SCE's solicitation and bid refresh process that resulted in the final contracts has been conducted reasonably.

Because two contracts (identified in Confidential Appendix D) provide that SCE may terminate such contracts if the Commission indicates, by January 31, 2003, that the contract will not be approved for certain reasons, SCE respectfully requests that the Commission issue a resolution on these two contracts at its

January 30, 2003 meeting. This would enable SCE to take advantage of the termination clause, if necessary, which could reduce contracting risk for the utility at no cost to ratepayers.

The following confidential appendices are provided to demonstrate the reasonableness of these procurement contracts.

- **Description of Competitive Bid Refreshment Process (Confidential Appendix A)**
- **Bid Refresh Award Analysis (Confidential Appendix B)**
- **Responses To Master Data Request In Appendix C Of D.02-08-071 (Confidential Appendix C)**
- **Summary Table/Description Of Contracts, Executed Contracts, and “red-lined” Contracts (Confidential Appendix D)**

No cost information is required for this advice filing.

This advice filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any other schedule or rule.

EFFECTIVE DATE

This advice filing will become effective on February 11, 2003, pursuant to the Procurement Contract Review Process set forth in Appendix B of D.02-08-071.

NOTICE

Anyone wishing to protest this advice filing may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received by the Energy Division and SCE no later than 7 days after the date of this advice filing. Protests should be mailed to:

IMC Program Manager
Energy Division
c/o Jerry Royer
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, California 94102
Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above).

In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile or electronically to the attention of:

Akbar Jazayeri
Director of Revenue and Tariffs
c/o Emelyn Lawler
Southern California Edison Company
2244 Walnut Grove Avenue, Rm. 303
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: Emelyn.Lawler@sce.com

Bruce Foster
Vice President of Regulatory Operations
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2040
San Francisco, California 94102
Facsimile: (415) 673-1116
E-mail: Karyn.Gansecki@sce.com

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

In accordance with Section III, Paragraph G, of General Order No. 96-A, SCE is mailing copies of this advice filing to the interested parties shown on the attached service list and R.01-10-024. Address change requests to the attached GO 96-A Service List should be directed to Emelyn Lawler at (626) 302-3985 or by electronic mail at Emelyn.Lawler@sce.com. For changes to the R.01-10-024 Service List, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at ven@cpuc.ca.gov.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the advice filing open for public inspection at SCE's corporate headquarters. To view other SCE advice letters filed with the Commission, log on to SCE's web site at <http://www.sce.com/> and choose Regulatory Info Center/Advice Letters.

For questions, please contact John Jurewitz at (626) 302-1705 or by electronic mail at John.Jurewitz@sce.com.

Southern California Edison Company

Akbar Jazayeri

AJ;jh/jj
Enclosures

Description of Competitive Bid Refreshment Process

(Confidential Appendix A)

Bid Refresh Award Analysis

(Confidential Appendix B)

**Responses To Master Data
Request In Appendix C Of
D.02-08-071**

(Confidential Appendix C)

**Summary Table/Description Of
Contracts and Form of Contracts**

(Confidential Appendix D)