

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



October 14, 2009

Advice Letter 2341-E

Akbar Jazayeri
Vice President, Regulatory Operations
Southern California Edison Company
P O Box 800
Rosemead, CA 91770

Subject: Procurement Plan Compliance Report – First Quarter 2009

Dear Mr. Jazayeri:

Advice Letter 2341-E is effective April 30, 2009.

Sincerely,

A handwritten signature in cursive script, appearing to read "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division

ADVICE LETTER (AL) SUSPENSION NOTICE
ENERGY DIVISION

Utility Name: SCE
Utility No./Type U 338-E
Advice Letter No. 2341-E
Date AL filed: 4/30/09
Utility Contact Person: James Yee
Utility Phone No. 626-302-2509

Date Utility Notified: 6/29/2009 via: e-mail
[x] E-Mail to: james.yee@sce.com
Fax No.: N/A
ED Staff Contact: Nathaniel Skinner

For Internal Purposes Only:

Date Calendar Clerk Notified: ____/____/____
Date Commissioners/Advisors Notified: ____/____/____

[] INITIAL SUSPENSION (up to 120 DAYS)

This is to notify that the above-indicated AL is suspended for up to 120 days beginning June 30, 2009 for the following reason(s) below. If the AL requires a Commission resolution and the Commission's deliberation on the resolution prepared by Energy Division extends beyond the expiration of the initial suspension period, the advice letter will be automatically suspended for up to 180 days beyond the initial suspension period.

[] Section 455 Hearing is Required. A Commission resolution may be required to address the advice letter.

[] Advice Letter Requests a Commission Order.

[x] Advice Letter Requires Staff Review- Audit period to be extended

Expected duration of initial suspension period: 120 days.

[] FURTHER SUSPENSION (up to 180 DAYS beyond initial suspension period)

The AL requires a Commission resolution and the Commission's deliberation on the resolution prepared by Energy Division has extended beyond the expiration of the initial suspension period. The advice letter is suspended for up to 180 days beyond the initial suspension period.

If you have any questions regarding this matter, please contact Nathaniel Skinner at 415-703-1393 or via e-mail at nws@cpuc.ca.gov.

cc: Julie Fitch
Maria Salinas
Honesto Gatchalian

Protestants to the advice letter: **[List Protestants]**

April 30, 2009

ADVICE 2341-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Procurement Plan Compliance Report: First Quarter 2009

PURPOSE

In compliance with Ordering Paragraph 8 of Decision (D.) 02-10-062, and Ordering Paragraph 19 of D.03-12-062, Southern California Edison Company (SCE) hereby submits for filing its quarterly report, report attachments and report workpapers, demonstrating that SCE's electric and natural gas procurement activities during the period January 1 through March 31, 2009, were in conformance with the guidelines set forth in its Procurement Plan (Plan), approved by the California Public Utilities Commission (Commission) on July 31, 2008 in Resolution E-4185.

BACKGROUND

D.02-10-062 and D.03-12-062 were issued in Order Instituting Rulemaking (R.) 01-10-024 to Establish Policies and Cost Recovery Mechanisms for Generation Procurement and Renewable Resource Development. Among other things, D.03-12-062 approved SCE's first Procurement Plan, establishing upfront standards and practices under which SCE must conduct its procurement activities.

The Plan governing SCE's procurement during the fourth quarter 2008 was initially approved by the Commission on December 20, 2007 in D.07-12-052, which required SCE to make certain modifications to its Plan. Accordingly, on May 30, 2008 SCE submitted a conforming Plan in Advice 2246-E, which was approved on July 31, 2008 in Resolution E-4185.

The Commission requires SCE to file each quarter's procurement transactions that conform to its Plan by Advice Letter within 30 days of the end of the quarter. See D.07-12-052 at 185.

CONFIDENTIALITY

The report attached to this advice letter (Attachment 1) has been prepared so as to contain only public information. This advice letter also includes additional attachments and supporting workpapers that contain confidential protected material subject to the protections adopted in D.06-06-066 and D.08-04-023.

With respect to the attachments for which SCE is seeking confidential treatment, pursuant to D.08-04-023, SCE refers back to the confidentiality declaration, including its assertions regarding the length of time for which the information should remain confidential, that was included in Advice 2318-E as Attachment 4. Regarding SCE's confidential workpapers, please refer to Attachment 2 hereto.

Parties wishing to obtain access to confidential information for this compliance filing may contact Deana Ng in SCE's Law Department at Deana.Ng@sce.com or (626) 302-1936.

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.

TIER DESIGNATION

Pursuant to D.07-01-024, Energy Industry Rule 5.2, SCE believes this advice letter is subject to Energy Division disposition and should be classified as Tier 2 (effective after Staff approval).

EFFECTIVE DATE

This advice letter will become effective on April 30, 2009, subject to the review and approval of the Energy Division.

NOTICE

Anyone wishing to protest this advice letter may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received no later than 20 days after the date of this advice letter. Protests should be mailed to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
E-mail: inj@cpuc.ca.gov and mas@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
Vice President of Regulatory Operations
Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

Bruce Foster
Senior Vice President, Regulatory Affairs
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2040
San Francisco, California 94102
Facsimile: (415) 929-5540
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 4 of General Order No. (GO) 96-B, SCE is serving copies of this advice letter to the interested parties on SCE's GO 96-B service list, parties in the Procurement Review Group, and R.01-10-024. Address change requests to the GO 96-B service list should be directed by electronic mail to AdviceTariffManager@sce.com or (626) 302-2930. For changes to all other service lists, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at Process_Office@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 letter 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/AboutSCE/Regulatory/adviceletters>.

For questions, please contact Dhaval Dagli at (626) 302-4840 or by electronic mail at Dhaval.Dagli@sce.com.

Southern California Edison Company

Akbar Jazayeri

AJ:dd:jm
Enclosures

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: Southern California Edison Company (U 338-E)

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: James Yee

Phone #: (626) 302-2509

E-mail: James.Yee@sce.com

E-mail Disposition Notice to: AdviceTariffManager@sce.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
 PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2341-E

Tier Designation: 2

Subject of AL: Procurement Plan Compliance Report: First Quarter 2009

Keywords (choose from CPUC listing): Compliance, Procurement

AL filing type: Monthly Quarterly Annual One-Time Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

D.02-10-062 and D.03-12-062

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: _____

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Confidential treatment of advice letter requested? No Confidential treatment of workpapers requested? Yes

If yes, specification of confidential information: See Attachment 2

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement.

Name and contact information to request nondisclosure agreement/access to confidential information:

Deana Ng, Law Department, at (626) 302-1936 or Deana.Ng@sce.com

Resolution Required? Yes No

Requested effective date: 4/30/09 No. of tariff sheets: -0-

Estimated system annual revenue effect: (%): _____

Estimated system average rate effect (%): _____

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: None

Service affected and changes proposed¹: _____

Pending advice letters that revise the same tariff sheets: _____

¹ Discuss in AL if more space is needed.

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
inj@cpuc.ca.gov and mas@cpuc.ca.gov

Akbar Jazayeri
Vice President of Regulatory Operations
Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

Bruce Foster
Senior Vice President, Regulatory Affairs
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

Attachment 1

**SOUTHERN CALIFORNIA EDISON COMPANY
PROCUREMENT PLAN COMPLIANCE REPORT
FOR THE FIRST QUARTER OF 2009**

April 30th, 2009

Instructions

This document serves as the reformatted master data request for the quarterly compliance filings (QCRs) as directed by D.07-12-052. Quarterly compliance filings were first mandated in D.02-12-062, Appendix B, and were further clarified in D.03-06-076. This reformatted QCR master data request shall be the guiding document for all information to be reported in the quarterly filings, and all future QCR filings shall be submitted according to this new format. The QCR master data request is subject to revisions and updates based upon findings of subsequent Commission decisions and/or as deemed necessary by Energy Division staff.

IOUs are required to adhere to the following filing instructions:

- 1) All QCR reporting and data shall be submitted via CD through the quarterly advice letter process. Paper copies of the QCRs, including workpapers and the narrative, are no longer required.
- 2) All data shall be submitted in active Excel spreadsheets with all formulas explicitly reported/traceable, as applicable.
- 3) The QCRs shall be audited on a quarterly basis to determine compliance with AB 57 procurement rules. As part of the audit process, auditors may request any additional information deemed necessary to complete the review.
- 4) Responses to all data requests shall be submitted to the requesting division (e.g. Division of Water and Audits or Energy Division) within 10 business days of the initial request, unless staff grants a written extension.
- 5) Energy Division shall sign-off on the QCR advice letter filings at the conclusion of the audit process. Any findings of the quarterly audits shall be handled on a case by case basis, and approval of the QCRs is contingent upon satisfactory resolution of such findings.

List of Attachments

Attachment A
Transaction Details

Confidential Attachment B
Counterparties Information

Confidential Attachment C
Summary of Electric Transactions

Confidential Attachment D
Summary of Natural Gas Transactions

Attachment E
Summary of Other Transactions

Attachment F
Key Briefing Packages

Attachment G
Independent Evaluator Reports

Confidential Attachment H
New Contracts Executed / Contracts Amended

Attachment I
Summary of Retained Generation Investments
Completed During Fourth Quarter 2009

Confidential Attachment J
System Load Requirements/Conditions

Attachment K
Risk Management Strategy Communication and Management Disclosure

Attachment L
Reasonable Number of Analyses/Description of Models

Attachment M
Transactions Subject to Strong Showing

Introduction

Southern California Edison Company (“SCE”) is providing this report on its procurement transactions during the period January 1, 2009 through March 31, 2009 (“Quarter”), to demonstrate that those transactions were in compliance with the orders of the California Public Utilities Commission (“CPUC” or “Commission”), and with SCE’s Commission-approved AB-57 Procurement Plan.¹ SCE filed its proposed 2006 Long-Term Procurement Plan (“LTPP”) on December 11, 2006, and it was approved with certain modifications by D.07-12-052, effective December 20, 2007. On May 30, 2008 in Advice Letter 2246-E, SCE submitted its conformed 2006 Long-Term Procurement Plan (“Plan”), which the Commission approved on July 31, 2008, in Resolution E-4185.

D.07-12-052 provides that so long as “the procurement complies with a procurement limit methodology developed by [SCE] and approved by the Commission, [SCE] may execute a contract of under five years without preapproval for which deliveries end at any point within the 10-year LTPP procurement cycle. Absent an approved procurement limit methodology, the five-year duration clock begins either at the time the contracted resources begin delivery, if delivery begins within one year of contract execution, or at the time of contract execution if delivery does not begin within one year of contract execution. Calendar days are used for calculating contract duration.”²

On April 18, 2008, the Commission issued D.08-04-023 clarifying and modifying D.06-06-066, which sets forth guidelines to distinguish public data from confidential data in procurement-related data submissions to the CPUC and other entities. As a result, SCE’s Quarterly Compliance Report (“QCR”) and Master Data Request documentation is designed to

¹ The Commission initially established the requirement for quarterly filing of procurement transactions in D.02-10-062, Ordering Paragraph 8. This requirement was further clarified in D.03-06-076, D.03-12-062, D.04-07-028, and D.04-12-048.

² D.07-12-052, Ordering Paragraph 19.

facilitate the separation of public data from confidential data, thereby increasing the amount of information available to all QCR advice letter recipients, while concurrently protecting market-sensitive information as provided for in the D.06-06-066 IOU Matrix, as modified by D.08-04-023.³

Summary

During the Quarter SCE executed 6,340 power, natural gas, SO₂, and financial hedging transactions in support of the provision of reliable and competitively priced electric service to its bundled customers. All transactions during the Quarter were conducted using processes specified in the Plan and none of these transactions were executed with affiliates.

SCE's transactions during the Quarter were governed by transaction limits and authorizations set forth in its Plan.⁴ SCE's transactions executed during the Quarter were in conformance with these limits and authorizations.

As a result of its transaction activity, SCE was able to successfully mitigate a substantial portion of its forecast physical and financial residual net-short ("RNS") and residual net-long ("RNL") energy and natural gas positions during the Quarter. Details of SCE's transactions and their impact on its forecast RNS and RNL positions are contained in SCE's confidential workpapers.

All non-investment grade counterparties that SCE transacted with during the Quarter are shown in Confidential Attachment B. Consistent with SCE's established credit policy, each day, SCE's Risk Control Department monitors the cumulative notional value associated with transactions executed with non-investment grade counterparties. Each day, SCE's Risk Control Department provides its traders with an "OK to Trade" document that contains, among other things, counterparty credit limits that traders are prohibited from exceeding. Adherence by the

³ See D.06-06-066 Appendix 1 for details.

⁴ The updated procurement limits submitted in SCE's Plan were not approved by the Commission in D.07-12-052 and therefore, SCE remained subject to its pre-existing limits during the Quarter.

traders to these limits ensures that SCE will always be a net purchaser with respect to any transactions with non-investment-grade counterparties. Confidential Attachments C and D are summaries of the electric and gas transactions executed during the Quarter. The quantities shown in these attachments are based on the delivery periods specified in the transactions. Therefore, volumes received during the Quarter pursuant to transactions executed in prior quarters are excluded. Also excluded are transactions in the California Independent System Operator (“CAISO”) Real-Time and Ancillary Services markets, since these transactions are, for the most part, made by the CAISO on behalf of SCE.

Master Data Request Documentation

D.02-10-062, Appendix B, as clarified by D.03-06-076, sets forth specific elements to be addressed in this report. Each element is discussed below.

1. Identification of the ultimate decision maker(s) up to the Board level, approving the transactions.

For all procurement-related transactions executed during the Quarter, the ultimate authority responsible for transaction decisions was either the Vice President of SCE's Energy Supply and Management ("ES&M") department or members of SCE's Risk Management Committee ("RMC"). This authority has been delegated by SCE's Board of Directors.

2. The briefing package provided to the ultimate decision maker.

The "decision-maker" for a particular contemplated transaction depends on many factors, including term, volume, notional value, etc. For many of the transactions during the Quarter, the "decision-maker" was a gas or power transaction employee executing transactions (*e.g.*, Day-Ahead or Hour-Ahead power purchases and sales) per an established plan or to achieve a particular objective (such as balancing the portfolio supply and demand). For such transactions, briefing packages are not prepared. Briefing packages prepared during the Quarter for large or unusual transactions that required case-by-case approval from senior management are listed in Attachment F. These briefing packages are included in SCE's confidential workpapers.

If SCE gave key presentations to its Procurement Review Group ("PRG") during the Quarter that were not also given to the RMC, these PRG presentations are also listed in Attachment F. To the extent that identical briefing packages have been presented to both the RMC and PRG, such presentations are marked to reflect this fact.

3. Description of and justification for the procurement processes used to select the transactions

Description of Procurement Processes

The procurement processes used during the Quarter were: participation in the CAISO's Congestion Revenue Rights ("CRR") allocation and CRR and Firm Transmission Rights ("FTR") auction processes; acquisition of gas storage services through Southern California Gas Company's ("SoCalGas") annual open season; bilateral negotiations; and voice and electronic broker-traded transactions, as well as traded transactions through clearing houses. All these processes are permitted under the Plan.

Justification for Procurement Processes

A. CAISO Congestion Revenue Rights - Allocation and Auction

Congestion Revenue Rights entitle the holder to the value associated with the cost to relieve grid congestion between a source (electricity delivered to the grid) and a sink (electricity taken from the grid) under the revised CAISO market. CRRs are an important financial instrument that will allow SCE to hedge the risk of congestion associated with its portfolio of resources. The CAISO allocates and auctions CRRs on a quarterly and monthly basis. A portion of seasonal CRRs can be converted to Long-Term CRRs with a term of 10 years.

SCE participated in the Tier 1 and Tier 2 CRR Allocation process for April 2009 as well as the CRR Auction for April 2009.⁵ Pursuant to CPUC Resolution E-4134, SCE utilized an evaluation and selection process that adheres to the Commission-approved up-front standards for the procurement of CRRs. Key to this evaluation and selection process is the Commission's requirement that CRRs be used as a tool to hedge congestion risk and not to speculate. The

⁵ SCE's authorization to procure CRR and Long-Term CRR products is incorporated on Sheet 38 of its Conformed Plan.

Commission approved “only the acquisition of CRRs that closely resemble the load serving entity’s (“LSE’s”) expected grid usage both in the choice of source/sink combinations and in the duration of the CRR with respect to the length of the LSE’s energy supply contracts.”⁶ SCE’s review and evaluation process accounts for these requirements and ensures that all nominations are consistent with SCE’s expected use of the grid.

Resolution E-4134 also requires that SCE utilize methods to value CRRs and quantify the risk of the CRR.⁷ SCE performed an internal evaluation and utilized a consultant to value the CRRs and quantify the risk of the instrument. These data points were then utilized in SCE’s selection process.

Finally, Resolution E-4134 requires that SCE review its nominations with the Energy Division and PRG as well as report any CRR acquisitions in the QCR.⁸ In compliance with Resolution E-4134, SCE has included in its confidential workpapers the Tier 1, Tier 2, and auctioned CRRs which were awarded to SCE by the CAISO for April 2009.

During the Quarter, the CAISO published April 2009 CRR Tier 1 and Tier 2 allocation results as well as auction results.

In addition to the allocation process conducted during the Quarter, the CAISO also conducted the CRR auction process for April 2009. SCE participated in this auction pursuant to the authority granted in its LTPP. In particular, this authority states that any CRRs awarded through an auction are *per se* reasonable, provided the nominations of such CRRs meet the upfront achievable standards established as previously discussed in this section.⁹

⁶ Resolution E-4134, dated December 6, 2007, at 7.

⁷ *Id* at 13–15.

⁸ *Id* at 11.

⁹ *Id* at 15–16.

Table 1 below summarizes the CRRs allocated to SCE and purchased at auction during the Quarter.

Table 1
SCE Congestion Revenue Rights
Obtained for April 2009

	<u>Off-Peak: MW</u>	<u>On-Peak: MW</u>
4/1/2009-4/30/2009	1,063	2,780

B. CAISO Firm Transmission Rights

One of the procurement products approved by the Commission in SCE’s Plan is the purchase of firm transmission rights (“FTRs”) through participation in periodic CAISO auctions. FTRs hedge the cost of transmitting power across potentially congested CAISO zonal interfaces. While the FTR instrument was scheduled to be replaced with CRRs under the new Market Redesign and Technology Upgrade (“MRTU”), a potential for delay in the CAISO’s scheduled April 1, 2009 MRTU implementation necessitated an additional auction for FTRs. As it has done in prior years, SCE participated in the CAISO FTR auction held during January 27 and 28, 2009. The basis for SCE’s bids in the FTR auction was reviewed with SCE’s RMC and PRG prior to the auction. SCE successfully participated in the 2009 FTR Auction and received awards under bid limits SCE set for the Branch Groups of greatest interest.

FTRs acquired in the auction would have been effective during various time periods from April 1, 2009 through March 31, 2010. However, since the CAISO’s MRTU was successfully launched on April 1, 2009 and FTRs are now superseded by CRRs, the CAISO will refund all relevant auction costs paid by SCE.

C. Bilateral Resource Adequacy Capacity Sales

During the Quarter, SCE participated in another LSE's competitive solicitation to purchase (SCE selling) Resource Adequacy ("RA") capacity for certain future months. In estimating the value of its RA capacity surplus, SCE used an internal evaluation methodology, and also considered that its excess RA capacity would lose its RA value after each subsequent monthly RA filing deadline. The executed RA sale agreement is listed in Confidential Attachment H, and details of a "strong showing" for this sale can be found in Attachment M.

D. Acquisition of Gas Storage Services

Gas storage is an important asset used by SCE to efficiently manage the operational imbalance between gas supply and consumption. Gas storage may also be used to store gas purchased in one time period for consumption at a later date when prices may be higher or reliability more uncertain.

Gas storage within Southern California is only available from the Southern California Gas Company ("SoCalGas") if the contract is with the primary storage provider.¹⁰ As it has in the past, SCE participated in SoCalGas' annual Open Season for Transaction-Based Storage ("TBS") and was successful in acquiring needed quantities of firm inventory capacity, firm injection rights, and firm withdrawal rights for a one-year term commencing April 1, 2009. The resulting SCE-SoCalGas TBS contract is included in SCE's confidential workpapers.

E. SO₂ Emissions Credit Transactions

The SO₂ market remained illiquid throughout the Quarter due to the ongoing economic crisis and legal uncertainties surrounding the future of the Environmental Protection Agency's ("EPA") Acid Rain Program and the EPA's Clean Air Interstate Rule ("CAIR"), as well as

¹⁰ Gas storage services are sometimes available in the secondary market, but the services offered may not meet the needs, including timing, of the entity seeking storage services.

speculation about a possible replacement program to regulate emissions. SCE resumed sales of a limited amount of its SO₂ emissions credits during the Quarter, albeit at a considerably slower pace than before the legal and regulatory uncertainty plagued the market. Details pertaining to SCE's SO₂ transactions are included in the confidential workpapers.

F. Other Bilateral Transactions

In addition to the procurement processes discussed above, SCE executed a large number of short-term¹¹ bilateral transactions during the Quarter to cost-effectively minimize SCE's residual net energy and physical and financial natural gas positions as well as to hedge congestion risk. SCE also entered into 13 non-standard financial gas transactions bilaterally (1 outright call and 6 call-spreads), rather than through a brokerage or an exchange.¹² As discussed below, SCE did so in order to lower the cost of such transactions.

Non-Standard Financial Gas Transactions

These transactions specified the Southern California Border ("SoCal Border") as the financial settlement point. Standard New York Mercantile Exchange ("NYMEX") call option and call spread transactions use Henry Hub (a gas delivery point in Louisiana) as the financial settlement point. SCE's financial gas exposure is at the SoCal Border location, however, not at Henry Hub. Because call options and call spreads using SoCal Border financial settlement points are not traded on the NYMEX or Intercontinental Exchange ("ICE"), SCE executed "non-standard" SoCal Border call options and call spreads bilaterally to more effectively hedge SCE's gas price risk. Had SCE executed similar transactions through the NYMEX (using Henry Hub instead of the SoCal Border), SCE would have been exposed to the SoCal Border/Henry Hub price difference ("basis risk"), which could potentially lead to higher costs for SCE's customers.

¹¹ In SCE's approved Plan, "Short-Term Transactions" are defined as transactions with delivery terms up to, and including, one quarter in duration and up to one quarter forward.

¹² Under its plan, SCE is authorized to enter into negotiated bilateral contracts to purchase locational natural gas options and other "non-standard" products. See Plan at Sheets 16, 41. See also, D.03-12-062 at 39-40.

SCE has historically executed similar transactions through Commission-approved brokers. SCE has found, however, that a number of enabled counterparties will not reveal their option pricing to brokers for fear that this information will become known to their competitors. As a result, SCE has been able to obtain a greater number of competitive bids, and hence better pricing, by surveying its enabled counterparties directly and then contracting bilaterally with the counterparty that offers the best price.¹³

The Commission-required “strong showing” for these transactions is documented in SCE’s confidential workpapers and summarized in Attachment M.

G. Voice and Electronic Broker Transactions

As has been SCE’s practice, a significant number of transactions, both physical and financial, were executed during the Quarter via voice and electronic brokers to cost-effectively minimize SCE’s physical and financial residual net electrical energy, natural gas and SO₂ positions. For products available in actively traded markets, voice and electronic brokers are beneficial for at least two reasons: cost competitiveness is maximized and an efficient procurement process is employed.

4. Explanation/justification for the timing of the transactions.

Throughout the Quarter, SCE attempted to enter into electric and natural gas transactions (both physical and financial) needed to match forecast economic supply and demand ahead of the applicable scheduling deadlines or settlement period, while concurrently complying with the Commission’s resource adequacy requirements. This objective was achieved by gradually reducing the forecast open (*i.e.*, short or long) energy positions through the use of long-term,

¹³ Brokers only arrange transactions between two parties who have “enabled” each other to enter into such transactions. Therefore, SCE could not have transacted with a non-enabled party through a broker. Being “enabled” means the counter-parties have written contractual, credit, and collateral terms in place in order to expeditiously conduct transactions. Without the requisite “enabling” agreements in place, transactions cannot be conducted through a broker.

multi-month, month-ahead, multi-day, day-ahead, and hour-ahead transactions, employing both standard and non-standard products.

When selecting electrical energy transactions to match forecast economic supply and demand, the best-priced bids/offers were selected first (merit-order selection) among those available for the required products at the time of the transaction, subject to credit and other limitations and operational constraints. Such operational constraints include the local area reliability requirements of the CAISO, as set forth in D.04-07-028.

The timing of physical gas transactions was largely driven by the requirement to ensure that the delivery of fuel to the gas-fired electric facilities managed by SCE matched such facilities' forecast burn under least cost dispatch. This generally resulted in purchases during the day-of and day-ahead time frames.

Financial gas transactions are executed to hedge SCE's customers' exposure to volatile natural gas prices. SCE employs a number of different products to hedge this exposure including swaps, futures, call options and call spreads. The objective function of these hedges is to maintain SCE's 12-month TEVaR¹⁴ under the Commission-determined Consumer Risk Tolerance ("CRT") threshold.

In general, the timing associated with product execution is driven by the need to satisfy the Commission and CAISO's reliability criteria, while minimizing costs. For example, Spot Market transactions are executed to meet more immediate needs and longer term transactions are executed to minimize reliance on the Spot Market. For specific transactions, the timing of execution is supported by the need assessments contained in SCE's confidential workpapers.

¹⁴ TEVaR is "To Expiration Value at Risk."

5. Discussion of the system load requirements/conditions underlying the need for the Quarter's transactions.

SCE estimates that the energy demand for its bundled customers (not weather adjusted) during the Quarter was lower than the same period in 2008. This estimate is based on CAISO settlement data for January and most of February 2009 and an estimate of SCE bundled customer energy for late February and March 2009.

Temperatures were milder in the Quarter than in the same period last year as heating degree-days were well below normal for the period. The economy (measured by total wage and salary employment) and customer growth also declined as compared to the first quarter of 2008.

During the Quarter, hydro-electric generation from SCE's Big Creek facility was lower than the 25-year first quarter average. Below normal precipitation during the first quarter of 2009, following a lower than normal 2008 water year, resulted in reduced generation. Additionally, outages at Big Creek 2A, Big Creek 3, and Mammoth Pool powerhouses further reduced generation. Generation at SCE's Eastern Hydro-electric facilities was also below the 25-year first quarter average. Once more, below normal precipitation during the first quarter of 2009, following a lower than normal 2008 water year, resulted in reduced generation.

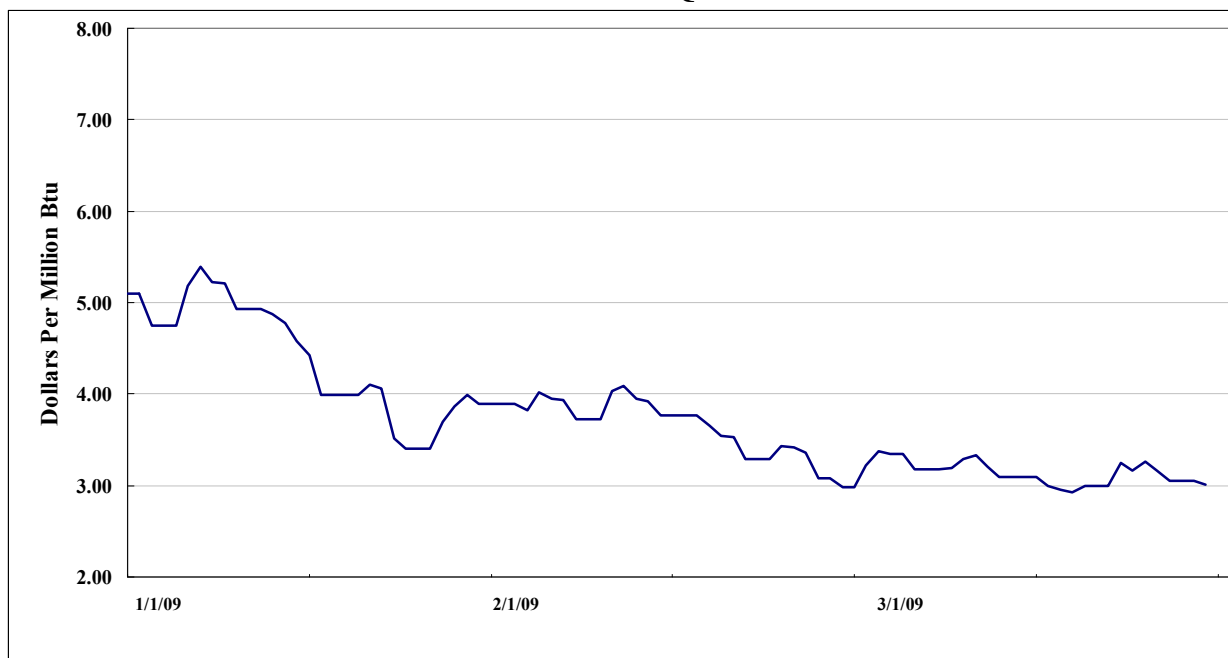
Production from SCE's remaining base-load coal resource was robust during the Quarter. Outages at the Four Corners Generating Station were infrequent and most were planned.

Production from SCE's base-load nuclear resources was average during the Quarter, driven primarily by a planned outage at San Onofre Unit 2.

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As illustrated in Chart 1 below, daily index gas prices at the southern California border decreased during the Quarter, ranging from a high of \$5.39/MMBtu to a low of \$2.93/MMBtu.

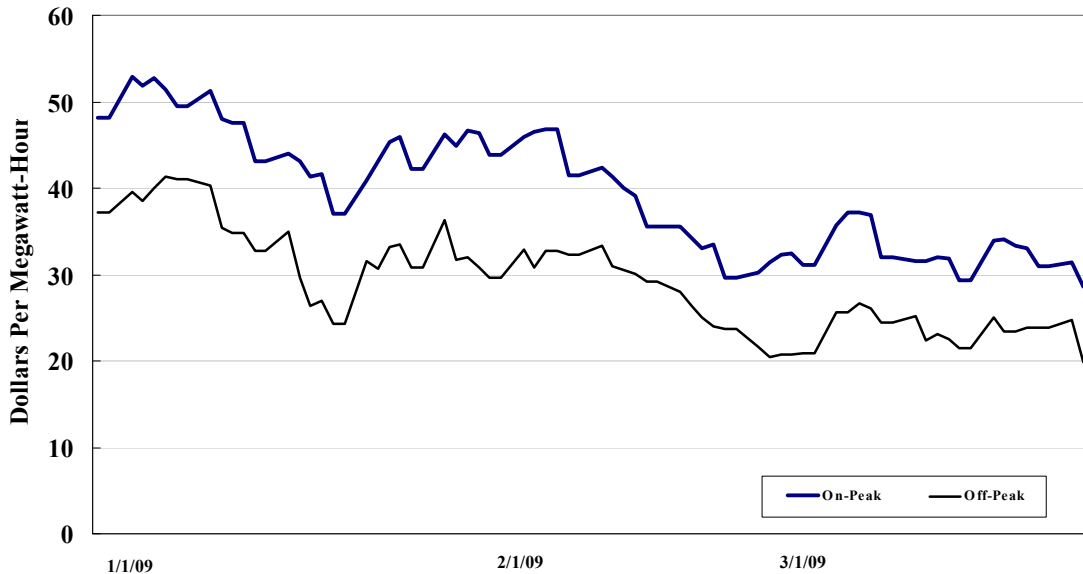
Chart 1
Daily Southern California Border Gas Prices
Published For First Quarter 2009



Southern California electricity prices for day-ahead deliveries at SP-15 also followed a price trend similar to natural gas during the Quarter. Standard firm energy products ranged from approximately \$19.87/MWh to \$41.33/MWh for the off-peak product and from approximately \$28.52/MWh to \$52.95/MWh for the on-peak product (*see* Chart 2 below).¹⁵

¹⁵ Data Source: *Dow Jones*

Chart 2
SP-15 Day-Ahead Electricity Price Indices
Published During the First Quarter 2009



A summary of SCE’s forecast of monthly energy positions is included in Confidential Attachment J.

6. Discussion of how the quarter’s transactions meet the goals of the risk management strategy reflected in the Plan.

As set forth in Sheets 77-99 of its conformed Plan, SCE employs a comprehensive and multi-faceted approach in an effort to achieve the goals of its risk management strategy. As shown in the diagram on Sheet 78 of the conformed Plan, SCE’s hedging activities are an important component of this strategy.

During the Quarter, SCE entered into various financial transactions designed to: (1) hedge the gas price risk associated with SCE’s existing Qualifying Facility (“QF”) contracts that have payments tied to the price of natural gas; (2) hedge the gas price risk associated with SCE’s non-QF generating and contract resources which have exposure to gas market price fluctuations; and (3) hedge the price risk associated with SCE electric contracts. The financial products employed by SCE to manage risk were all permitted under, and consistent with the goals of,

SCE's Plan. SCE used electronic brokers, voice brokers, and quotes directly from counterparties to ensure these financial transactions were competitively priced.

During the Quarter, SCE executed some "collar" transactions to augment its financial gas hedging strategy and help mitigate risk in a gas market with down-trending prices. One of the product types permitted in SCE's Plan is a structured transaction (see Plan Sheet 39), which enables SCE to combine one or more product types. A collar is an example of such a structured transaction as it is a financial product that combines the attributes of two other hedging products—call options and put options (calls and puts are allowed in the Plan and are shown on Sheet 37). Although already permitted under its Plan, SCE sought and obtained RMC authorization to use put options as part of its collar transaction strategy. Details of SCE's financial transactions are included in SCE's confidential workpapers.

7. Copy of each contract.

A list of contracts executed and/or modified by SCE during the Quarter, including enabling agreements for physical and financial gas and power products, is shown in Confidential Attachment H, which contains a reference to copies of these contracts contained in SCE's confidential workpapers.

8. The valuation results for contracts of three months or greater duration

SCE's process for the evaluation and selection of contracts for resources with durations of three months or greater is described in its conformed Plan on Sheets 51-63.

9. An electronic copy of any data or forecasts used to analyze the transactions.

Because transaction personnel are continuously monitoring a wide range of market information on a 24-hour-per-day, 7-day-per-week basis, it is not feasible to provide all the data and forecasts used to analyze all potential and executed transactions. However, key analysis data utilized during the Quarter is contained in the following confidential workpaper folders:

Analysis Data

Workpaper Folder

Forecast daily energy positions
Short-term power market - beyond hour-ahead
Short-term gas market
Bilateral location options
Hour-ahead power market

Resource Plans
Daily Power Trading Reports
Gas Market Notes
Strong Showing
Real-Time Price Surveys & Generation
Operations Center Logs

10. Provide a reasonable number of analyses requested by the Commission or the Procurement Review Group (PRG) and provide the resulting outputs.

SCE prepared various analyses for briefings to its PRG during conference calls conducted on January 7, January 21, February 4, February 18, February 24, and March 4, as well as in its in-person meeting on March 9, to keep the PRG informed on relevant procurement matters. Key topics discussed with SCE's PRG during the Quarter included: SCE's participation in the CAISO 2009-2010 FTR Auction, SCE's preparation efforts for the CAISO MRTU implementation, SCE's MRTU bid strategy, SCE's proposal for showing excess RA capacity, and authorization for SCE to use put options in its hedging activities . Other than the analyses performed to provide the data and information in the presentations discussed above, no additional analyses pertinent to SCE's procurement activities under its Plan were requested by the Commission or its PRG during the Quarter.

11. Any other information sought by the Commission under the Public Utilities Code.

In its ongoing review of prior quarterly compliance reports, the Commission's auditing staff requested information for prior quarters through the established data request process. SCE has not included its responses to such data requests in this submission.

Additional Reporting Requirement Pursuant To Decision 07-01-039

As required by Ordering Paragraph 12 of D.07-01-039, SCE has included in Confidential Attachment I its investments in retained generation that were completed during the Quarter, as

well as any multiple contracts of less than five years with the “same supplier, resource or facility” (Section 5.1, p. 152 of D.07-01-039).

List of Confidential Workpapers

Description	File Name	Folder Name
Physical electric transactions	Physical Electric Deals – Q1 2009.xls	Transactions
Financial electric transactions	Financial Electric Deals – Q1 2009.xls	Transactions
Physical gas transactions	Physical Gas Deals – Q1 2009.xls	Transactions
Financial gas transactions	Financial Gas Deals – Q1 2009.xls	Transactions
SO2 emission credit transactions	SO2 Deals – Q1 2009.xls	Transactions
CRR Results	CRR Summary – Q1 2009.xls	Transactions
Briefings to senior management	Various	Key Briefings
Copies of contracts	Various	New Contracts
Daily resource plans - #1	Current Plan mmyy.zip	Resource Plans
Daily resource plans - #2	Contracts mmyy.zip	Resource Plans
Daily resource plans - #3	Resource Plan DA mmyy.zip	Resource Plans
Short-term power trading data	Yyyymmdd Daily Report.xls	Daily Power Trading Reports
Hour-ahead power trading data	mmddyyyPriceSurvey.xls	Real-Time Price Surveys
Daily power system conditions	Confidential - GOC Log for mm_dd_yyyy.pdf	Generation Operations Center Logs
Short-term gas trading data	Natgas Activities Log – [date].pdf	Gas Market Notes
Bilateral strong showing	Q1 2009-QCR Bilateral Location Options.pdf Strong Showing for SCE's RA Sale.doc	Strong Showing

Attachment 2

**DECLARATION OF THOMAS W. FILLMORE REGARDING THE
CONFIDENTIALITY OF CERTAIN DATA**

I, THOMAS W. FILLMORE, declare and state:

1. I am a project manager in the Southern California Edison (SCE) Energy Supply and Management Department. As such, I have reviewed the confidential workpapers submitted by SCE in support of this First Quarter 2009 Procurement Plan Compliance Report on a compact disc (QCR Workpaper CD). I make this declaration in accordance with Commission Decisions (D.) 06-06-066 and D.08-04-023, issued in Rulemaking 05-06-040. I have personal knowledge of the facts and representations herein and, if called upon to testify, could and would do so, except for those facts expressly stated to be based upon information and belief, and as to those matters, I believe them to be true.

2. I have reviewed the workpapers contained in the QCR Workpaper CD and determined that the workpapers contain a mixture of confidential information, including information from the following categories in the Matrix of Allowed Confidential Treatment Investor Owned Utility (IOU) Data (Matrix) of D.06-06-066 and D.08-04-023:

Workpaper Description	Matrix Category	Matrix Confidentiality Treatment	Confidentiality Designation
Short-Term Electric Transaction Details	VII.B. Bilateral Contracts Terms and Conditions – Electric: Contracts and Power Purchase Agreements Between Utilities and Non-Affiliated Third Parties (except RPS) [Matrix category applies to purchases; but equal confidential treatment of sales sought by analogy]	Contract summaries public. Other terms confidential for three years from date contract states deliveries to begin; or one year following expiration, whichever comes first.	Confidential data (terms other than contract summaries) shaded to facilitate redaction.
Short-Term Physical Natural Gas Transaction Details	I.B.2. Historical Information (gas): Utility Recorded Gas Procurement and Cost Information.	Confidential for one year.	Confidential data shaded to facilitate redaction.

Short-Term Financial Natural Gas Transaction Details	I.B.2. Historical Information (gas): Utility Recorded Gas Procurement and Cost Information.	Confidential for one year.	Confidential data shaded to facilitate redaction.
Generation Operations Center Logs	<p>IV.A. Resource Planning Information – Electric: Forecast of IOU Generation Resources (MW and MWh);</p> <p>IV.B. Resource Planning Information – Electric: Forecast of Qualifying Facility Generation;</p> <p>IV.C. Resource Planning Information – Electric: Forecast of IOU Hydro Greater than 30 Megawatts (MW);</p> <p>IV.F. Resource Planning Information – Electric: Forecast of Post-1/1/2003 ("New World") Bilateral Contracts;</p> <p>IV.G Resource Planning Information – Electric: Forecast of DWR Contracts.</p>	<p>Confidential for three years;</p> <p>Confidential for three years;</p> <p>Confidential for three years;</p> <p>Individual contract information confidential for three years, or until one year following expiration, whichever comes first;</p> <p>Individual contract information confidential for three years, or until one year following expiration, whichever comes first.</p>	Entire document designated confidential, as redaction not feasible.

Daily Power Trading Reports	<p>VI.B. Net Open Position Information – Electric: Utility Bundled Net Open (Long or Short) Position for Energy (MWh);</p> <p>VIII.A. Competitive Solicitation (Bidding) Information – Electric.</p>	<p>Front three years of forecast data confidential;</p> <p>Total number of projects and megawatts bid by resource type public after final contracts submitted to CPUC for approval.</p>	Entire document designated confidential, as redaction not feasible.
Gas Market Notes	<p>I.A.4. Natural Gas Information: Forecasts (gas); Long Term Fuel (gas) Buying and Hedging Plans;</p> <p>I.A.5. Natural Gas Information: Forecasts (gas); Monthly California Department of Water and Resources (DWR) Gas Position Updates, Including Information About Hedging Activities;</p> <p>I.B.2. Historical Gas Information (gas): Utility Recorded Procurement and Cost Information;</p> <p>VIII.A. Competitive Solicitation (Bidding) Information – Electric: Bid Information [by analogy].</p>	<p>Confidential for three years;</p> <p>Confidential for three years.</p> <p>Confidential for one year;</p> <p>Total number of projects and megawatts bid by resource type public after final contracts submitted to CPUC for approval.</p>	Entire document designated confidential, as redaction not feasible.

Daily Resource Plans	II.A.2. Cost Forecast Data – Electric: Electric Price Forecasts: Utility Electric Price Forecasts;	Confidential for three years;	Entire document designated confidential, as redaction is not feasible.
	II.B.1. Cost Forecast Data – Electric: Generation Cost Forecasts: Utility Retained Generation (URG);	Confidential for three years;	
	II.B.2. Cost Forecast Data – Electric: Generation Cost Forecasts: DWR Contracts;	Variable cost of dispatchable resources confidential. All other information public.	
	II.B.3. Cost Forecast Data – Electric: Generation Cost Forecasts: QF Contracts;	Confidential for three years;	
	II.B.4. Cost Forecast Data – Electric: Generation Cost Forecasts: Non-QF Bilateral Contracts;	Confidential for three years;	
	IV.A. Resource Planning Information – Electric: Forecast of IOU Generation Resources (MW and MWh);	Confidential for three years;	
	IV.B. Resource Planning Information – Electric: Forecast of Qualifying Facility Generation;	Confidential for three years;	
IV.C. Resource Planning Information – Electric: Forecast of IOU Hydro	Confidential for three years;		

	<p>Greater than 30 Megawatts (MW);</p> <p>IV.F. Resource Planning Information – Electric: Forecast of Post-1/1/2003 (“New World”) Bilateral Contracts;</p> <p>IV.G Resource Planning Information – Electric: Forecast of DWR Contracts;</p> <p>V.B. Load Forecast Information and Data – Electric: LSE Total Peak Load Forecast – Bundled Customer (MW);</p> <p>VI.A. Net Open Position Information – Electric: Utility Bundled Net Open (Long or Short) Position for Capacity (MW);</p> <p>VI.B. Net Open Position Information – Electric: Utility Bundled Net Open (Long or Short) Position for Energy (MWh).</p>	<p>Individual contract information confidential for three years, or until one year following expiration, whichever comes first;</p> <p>Individual contract information confidential for three years, or until one year following expiration, whichever comes first;</p> <p>Front three years of forecast data confidential;</p> <p>Front three years of forecast data confidential;</p> <p>Front three years of forecast data confidential.</p>	
Real Time Price Surveys	VIII.A. Competitive Solicitation (Bidding) Information – Electric: Bid Information.	Total number of projects and megawatts bid by resource type public after final contracts submitted to CPUC for approval.	Entire document designated confidential, as redaction is not feasible.

New Contracts Executed	VII.B. Bilateral Contracts Terms and Conditions – Electric: Contracts and Power Purchase Agreements Between Utilities and Non-Affiliated Third Parties (except RPS)	Contract summaries public. Other terms confidential for three years from date contract states deliveries to begin; or until one year following expiration, whichever comes first.	Entire document designated confidential, as redaction is not feasible.
Key Briefing Presentations to RMC/PRG Members	VI.A. Net Open Position Information – Electric: Utility Bundled Net Open (Long or Short) Position for Capacity (MW) VIII.A. Competitive Solicitation (Bidding) Information – Electric: Bid Information VIII.B. Competitive Solicitation (Bidding) Information – Electric: Specific Quantitative Analysis Involved in Scoring and Evaluation of Participating Bids	Front three years for forecast data confidential; Total number of projects and megawatts bid by resource type public after final contracts submitted to CPUC for approval. Evaluation guidelines should be public. Other information confidential for three years after winning bidders selected.	Each entire briefing document designated confidential, as redaction is not feasible.

3. SCE is also seeking confidential treatment of certain sulfur dioxide emission allowance transaction data that is market-sensitive, but does not fall into a category on the Matrix. Set forth below is an explanation of why the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure of the data while still remaining responsive to the Commission.

Description of the Data	Location of the Data	Basis for Assertion of Confidentiality
Sulfur dioxide emission allowance transactions	EXCEL file included with SCE's confidential workpaper CD	This data would reveal the timing, volume and revenue derived from SCE's sales of sulfur dioxide emission allowances to other market participants, potentially reducing the market price SCE could obtain in future SCE transactions.

4. I am informed and believe that SCE is complying with the limitations on confidentiality specified in the Matrix that pertain to the data listed in the tables above.

5. The data contained in the workpapers cannot be aggregated, summarized, masked or otherwise protected in a manner that would allow partial disclosure of the data while still providing the detailed transaction information required by the Commission. Nor would it be feasible to further redact the information contained in those workpapers in order to allow additional partial disclosure within the time allotted for SCE to compile and submit its workpapers to Commission staff.

6. I am informed and believe that the information contained in the workpapers has never been made publicly available.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on April 29, 2009 at Rosemead, California.



 THOMAS W. FILLMORE