

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



August 13, 2009

Advice Letter 2362-E

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

**Subject: Request for an Amendment to SCE's AB 57 Procurement
Plan – Additional Brokerages**

Dear Mr. Jazayeri:

Advice Letter 2362-E is effective August 6, 2009.

Sincerely,

A handwritten signature in blue ink, appearing to read "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division

July 17, 2009

ADVICE 2362-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Request for an Amendment to SCE's AB 57 Procurement Plan
- Additional Brokerages

PURPOSE

This advice filing requests that the California Public Utilities Commission (Commission or CPUC) approve an amendment to Southern California Edison Company's (SCE) Assembly Bill 57 (AB 57) Procurement Plan¹ (PP) to add ICAP United Inc., Valence Energy, LLC, and Black Barrel Energy, L.P. as additional authorized brokerages.

BACKGROUND

In its 2004 Short-Term PP, SCE stated that it "anticipates using different methods to execute transactions depending on product requirements and prevailing market conditions. SCE proposes to select appropriate method(s) depending on the transaction contemplated to ensure that transaction prices are competitive. If SCE determines that use of additional transaction methods and/or brokerages/exchanges would be beneficial during the term of the procurement plan SCE will propose such methods via the advice letter process."²

As anticipated in its 2004 Short-Term PP, SCE's list of authorized brokerages and exchanges has evolved over time. The current list of authorized brokerages and exchanges may be found in SCE's 2006 Conformed LTPP on Sheets 45 through 47.

¹ SCE filed its Proposed 2006 Long-Term Procurement Plan (LTPP) on December 11, 2006, and it was approved, with certain modifications, by Decision (D.)07-12-052, effective December 20, 2007. SCE's Conformed 2006 LTPP, which captures the modifications from D.07-12-052, was approved by Resolution E-4185, effective July 31, 2008.

² SCE's Proposed 2006 LTPP at Vol. 3, pp. 3-11, filed in Rulemaking 06-12-013 on December 11, 2006.

JUSTIFICATION

Access to brokerage firms is important for SCE's customers because it can provide enhanced price discovery, competition, and liquidity for physical, financial, and emissions-related products. SCE needs these products to hedge its customers' energy and energy-related product price exposure, as well as to minimize the environmental and emission costs associated with its portfolio. The addition of new brokers and exchanges to SCE's list of approved brokers and exchanges will increase SCE's procurement choices, allowing SCE to choose the lowest-cost hedging options for its customers.

BROKERS

Brokers do not take title to transacted products, but instead match anonymous buyers and sellers (collectively, "counterparties") for a fee. In order for a brokered transaction to proceed, each counterparty must have an enabling agreement in place with the other and must have authorized the broker to match it with that counterparty. Importantly, brokers do not reveal the names of potential counterparties to the market, but only reveal the identity of counterparties to each other after a match has been made. Brokers aid in market price discovery and increase market liquidity by allowing numerous counterparties to anonymously share and access pricing information at the same time. This activity is critical in volatile energy markets where it is not feasible to contact each potential counterparty directly for each potential transaction.

SCE requires new brokers to execute an SCE-form Brokerage Agreement that covers the applicable business terms, which include confidentiality. Such an agreement does not obligate SCE to transact business with that broker, but rather, provides the capability to do so if pricing is favorable. Because brokers do not take title to transacted products, SCE assumes no additional risk when it adds new brokers to its list of authorized brokers.

For the reasons set forth above, SCE believes that the products listed below meet the Commission's requirements for authorized products.

REQUEST FOR COMMISSION APPROVAL

New Brokerages

Through this advice letter, SCE seeks CPUC approval to engage two brokerage firms that specialize in natural gas products (Valence Energy, LLC and Black Barrel Energy, L.P.) and a brokerage firm (ICAP United Inc.) that is an industry leader in emissions and environmental product markets.

The Table below sets forth the additional brokerages for which SCE requests CPUC approval.

SCE requests that the Commission approve the following additions to the list of approved brokerages/exchanges in SCE's AB 57 PP:

Table: Proposed Brokerages and Products

PLATFORM	PLATFORM SPONSORS	DATE LAUNCHED	PRODUCTS TRADED AND/OR INFORMATION PROVIDED
Brokerages			
ICAP United Inc.	Subsidiary of ICAP, plc, a Publicly Traded Company	Established in 2005 by ICAP, plc through acquisition of United Fuels Int'l (founded in 1980) and its subsidiary United Power, Inc.	Electricity: Physical and Financial Environmental: Emissions Credits forwards and futures; SO ₂ Allowances (historic, current, and future vintages); Renewable Energy Credits (RECs); Direct purchases and sales, forward purchases and sales, purchases and sales of options.
Valence Energy, LLC	Parent: OTC Global Holdings, L.P., Owned by Private Investors	2008	Natural Gas: Physical and Financial; Direct purchases and sales, forward purchases and sales, purchase and sale of options and other natural gas derivative products.
Black Barrel Energy, L.P.	Partners: (99.9%) OTC Global Holdings, L.P and (0.1%) OTC Operating GP, LLC. (also owned by OTC Global Holdings, LP). These entities are owned by Private Investors	2005	Natural Gas: Physical and Financial; Direct purchases and sales, forward purchases and sales, purchase and sale of options and other natural gas derivative products.

PROPOSAL

SCE proposes to amend its AB 57 PP to add three additional brokerages, and respectfully requests that the Commission approve the use of the additional brokerages specified above.

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 General Order (GO) 96-B, Energy Industry Rule 5.2, this advice letter is submitted with a Tier 2 designation.

EFFECTIVE DATE

This advice filing will become effective upon review and approval by the Commission.

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 no later than 20 days after the date of this advice filing. Protests should be mailed to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
E-mail: nj@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 GO 96-B, SCE is serving copies of this advice filing to the interested parties shown on the attached GO 96-B and R.04-04-003 service lists. Address change requests to the GO 96-B service list should be directed by electronic mail to AdviceTariffManager@sce.com or at (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 filing 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:sq
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) #: 2362-E Tier Designation: 2

Subject of AL: Request for an Amendment to SCE's AB 57 Procurement Plan - Additional Brokerages

Keywords (choose from CPUC listing): Procurement

AL filing type: Monthly Quarterly Annual One-Time Other

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

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 requested? Yes No

If yes, specification of confidential information:

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:

Resolution Required? Yes No

Requested effective date: Upon approval 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) 929-5540
E-mail: Karyn.Gansecki@sce.com



Southern California Edison
Rosemead, California (U 338-E)

SOUTHERN CALIFORNIA EDISON COMPANY'S
2006 LONG-TERM PROCUREMENT PLAN

UPDATED SHEETS FOR SOUTHERN CALIFORNIA EDISON COMPANY'S
CONFORMED 2006 LONG-TERM PROCUREMENT PLAN

Advice 2362-E
Decision 07-12-052

Issued by
Akbar Jazayeri
Vice President

Date Filed July 17, 2009
Effective _____
Resolution _____

SOUTHERN CALIFORNIA EDISON COMPANY'S
2006 LONG-TERM PROCUREMENT PLAN

Sheet 45-A

Brokers are pre-approved in SCE's AB 57 Procurement Plan in order for the transactions to be deemed reasonable prior to contract execution. Where practical and possible, SCE obtains multiple broker quotes to ensure SCE pays or receives a fair market price.

SCE's most current list of authorized brokers and exchanges is provided in Table II-4 below.

Table II-4

Authorized Brokers and Exchanges

Platform	Platform Sponsors	Date Launched	Products Traded and/or Information Provided
<u>Brokerages</u>			
Amerex (voice broker)	Private Investors	1991	Day Ahead, Balance of Month, Prompt Month, Quarterly, Calendar: Blocks; SO ₂ Allowances (historic, current and future vintages); Direct purchases and sales, forward purchases and sales, purchases and sales of options
American Energy Risk Management (voice broker)	Private Investors	1991	Natural Gas: Physical and Financial
<u>Black Barrel Energy, L.P.</u>	<u>Partners: (99.9%) OTC Global Holdings, L.P. and (0.1%) OTC Operating GP, LLC. (also owned by OTC Global Holdings, LP). These entities are owned by Private Investors</u>	<u>2005</u>	<u>Natural Gas: Physical and Financial; Direct purchases and sales, forward purchases and sales, purchase and sale of options and other natural gas derivative products.</u>
ICAP Energy, LLC (acquired APB Energy in 2002) (voice broker)	Intercapital Corporation (London Exchange)	1994	Day Ahead, Balance of Month, Prompt Month, Quarterly, Calendar: Blocks; SO ₂ Allowances (historic, current and future vintages); Direct purchases and sales, forward purchases and sales, purchases and sales of options

**SOUTHERN CALIFORNIA EDISON COMPANY'S
2006 LONG-TERM PROCUREMENT PLAN**

Sheet 46-A

Platform	Platform Sponsors	Date Launched	Products Traded and/or Information Provided
Automated Power Exchange	Private Investors	1998	Retail Demand
Cantor Fitzgerald	Private Investors	1945	SO ₂ Allowances only (historic, current and future vintages); Direct purchases and sales, forward purchases and sales, purchases and sales of options
Castlebridge Partners LLC (voice broker)	Private investors	1997	Weather-triggered options
CHOICE! Energy LP (voice broker)	Private Investors	1993	Gas: Day Ahead, Swing Monthly, Seasons, Calendar, Physical, Financial, Options
GFI Brokers LLC	Private Investors	2000	Natural Gas: Physical and Financial; SO ₂ Allowances (historic, current and future vintages); Direct purchases and sales, forward purchases and sales, purchases and sales of options
<u>ICAP United, Inc.</u>	<u>Publicly Traded</u>	<u>2005¹</u>	<u>Physical Energy: SO₂, NO_x, CO₂. Energy Derivatives: SO₂ and NO_x options, CO₂ swaps, RECs, RGGI and Renewables.</u>
INFA Energy Brokers	Private Investors	2005	Natural Gas: Physical and Financial
Intercontinental Exchange (ICE)	Brokers, Energy Companies	2000	Intra-Day Hourly, Day Ahead, Monthly, Yearly
IVG Energy, Ltd (voice broker)	Private Investors	2004	Electricity: Physical and Financial Natural Gas: Physical and Financial
Landmark (voice broker)	Private investors	2002	Hour Ahead
Tullete Liberty Inc. (acquired Natsource and changed its name in 2004) (voice broker)	Partners include: Tullete & Tokyo Liberty, Inc., Tokyo Tanshi Co., Ltd., Pareto AS, Mitsubishi International Corporation, Hafslund Invest AS	1994	Day Ahead, Monthly, Quarterly, Calendar; Physical, Financial, Options; SO ₂ Allowances (historic, current and future vintages); Direct purchases and sales, forward purchases and sales, purchases and sales of options
Prebon Energy (voice broker)	Subsidiary of Prebon Yamane	Gas 1992 Electricity 1995	Day Ahead, Monthly, Quarterly, Calendar; Physical, Financial, Options; SO ₂ Allowances (historic, current and future vintages); Direct purchases and sales, purchases and sales of options
Saddleback Energy	Private Investors	2002	Natural Gas: Physical and Financial

¹ When ICAP Group bought United Power as part of United Fuels International, Inc.

**SOUTHERN CALIFORNIA EDISON COMPANY'S
2006 LONG-TERM PROCUREMENT PLAN**

Sheet 47-A

Platform	Platform Sponsors	Date Launched	Products Traded and/or Information Provided
Smith Barney (now Citigroup)	n.a.	1892	Exchange commodities (Gas)
Spectron (voice broker)	Private Investors	1988	Natural Gas: Physical and Financial; SO ₂ Allowances (historic, current and future vintages); Direct purchases and sales, forward purchases and sales, purchases and sales of options
TFS Energy (voice broker)	Subsidiary of TFS Brokers	1995	Limited Day Ahead, Monthly, Quarterly, Calendar; Physical, Financial, Options; SO ₂ Allowances (historic, current and future vintages); Direct purchases and sales, forward purchases and sales, purchases and sales of options
<u>Valence Energy, LLC</u>	<u>Parent: OTC Global Holdings, L.P., Owned by Private Investors</u>	<u>2008</u>	<u>Natural Gas: Physical and Financial; Direct purchases and sales, forward purchases and sales, purchase and sale of options and other natural gas derivative products.</u>
World Energy Solutions, Inc.	Publicly Traded	1999	Purchase and sale of physical and financial Electrical Energy and Capacity, Natural Gas, Emissions Allowances and Green Attributes and options.

Exchanges and Their Associated Clearing Firms

NYMEX: Member Clearing Firms Listed Below		1872	As Below
ABN AMRO Global Energy Futures	n.a.	1824	NYMEX Exchange gas products; e.g., futures, swaps, options
Calyon Financial Inc.	n.a.	1987	NYMEX Exchange gas products; e.g., futures, swaps, options
Citigroup Global Markets, Inc. (formerly Solomon Smith Barney)	n.a.	1892	NYMEX Exchange gas products; e.g., futures, swaps, options

Advice 2362-E
Decision 07-12-052

Issued by
Akbar Jazayeri
Vice President

Date Filed July 17, 2009
Effective _____
Resolution _____

**SOUTHERN CALIFORNIA EDISON COMPANY'S
2006 LONG-TERM PROCUREMENT PLAN**

Sheet 47.5-A

Platform	Platform Sponsors	Date Launched	Products Traded and/or Information Provided
Prudential ²	n.a.	1880	n.a.
Chicago Climate Futures Exchange		2002	SFI Futures
UBS	n.a.	1824	NYMEX Exchange gas products; e.g., futures, swaps, options; CCFE SFI Futures and Options
Calyon Financial, Inc.	n.a.	1987	NYMEX Exchange gas products; e.g., futures, swaps, options; CCFE SFI Futures and Options
Intercontinental Exchange (ICE)		2000	Electricity: Physical and Financial; Natural Gas: Physical and Financial; Environmental: emission allowances and renewable energy credits
UBS	n.a.	1824	Electricity: Physical and Financial; Natural Gas: Physical and Financial; Environmental: emission allowances and renewable energy credits
Calyon Financial Inc.	n.a.	1987	Electricity: Physical and Financial; Natural Gas: Physical and Financial; Environmental: emission allowances and renewable energy credits
Citigroup	n.a.	1892	Electricity: Physical and Financial; Natural Gas: Physical and Financial; Environmental: emission allowances and renewable energy credits

(1) [Enabling Agreements](#)

SCE enters into trading enabling agreements in order to transact products in the over-the-counter (OTC)³ markets which are not available or otherwise advantageously purchased through an exchange (e.g., NYMEX). OTC transactions can reduce

² On July 1, 2003, Prudential Financial, Inc. and the Wachovia Corporation joined forces to combine their retail securities brokerage and businesses within Wachovia Securities, LLC

³ "Over-the-counter" refers to brokered or direct bilateral transactions that do not take place through an exchange.