

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



July 12, 2010

Advice Letter 2429-E

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

Subject: Procurement Plan Compliance Report: Fourth Quarter 2009

Dear Mr. Jazayeri:

Advice Letter 2429-E is effective February 1, 2010.

Sincerely,

A handwritten signature in blue ink that reads "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. 2429-E
Date AL filed: 2/1/10
Utility Contact Person: James Yee
Utility Phone No.626-302-2509

Date Utility Notified: 3/29/2009 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 March 30, 2010 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]**

February 1, 2010

ADVICE 2429-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Procurement Plan Compliance Report: Fourth 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 non-renewable procurement activities during the period October 1, 2009 through December 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 2009 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. Such public information includes two Independent Evaluator reports pertaining to SCE's Gas Request For Offers (RFO) and SCE's All-Source RFO (Attachments 2 and 3, respectively). 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. Attachments 4, 5, 6 and 7 hereto provide the required showings to support SCE's confidentiality designations.

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 General Order 96-B, 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 February 1, 2010, 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: jnj@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) 302-4039. 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) #: 2429-E Tier Designation: 2

Subject of AL: Procurement Plan Compliance Report: Fourth 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 Attachments 3, 4, and 5.

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: 2/1/10 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

Attachment 1

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

February 1st, 2010

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 is the guiding document for all information to be reported in the quarterly filings, and all QCR filings are submitted according to this 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) provides this report on its procurement transactions during the period October 1, 2009 through December 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 or Plan) 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 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, which clarifies and modifies D.06-06-066 and sets forth guidelines for distinguishing public data from confidential data in procurement-related data submissions to the CPUC and other entities. SCE's Quarterly Compliance Report (QCR) and Master Data Request documentation is designed to facilitate the separation of public data from confidential data, thereby increasing the amount of information

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.

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 3,213⁴ power, natural gas, SO₂, transmission, 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 authorized under the Plan and none of these transactions were executed with affiliates.

SCE's transactions executed during the Quarter were in conformance with the transaction limits and authorizations set forth in its Plan.⁵

As a result of its transaction activity, in combination with bids awarded to SCE by the California Independent System Operator (CAISO), 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 impacts 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, 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 and tenor limits that traders are prohibited from exceeding. In general,

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

⁴ These transactions do not include bids awarded to SCE by the California Independent System Operator or renewable energy transactions, the latter of which require Commission pre-approval.

⁵ 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.

SCE acts as a net purchaser (i.e., sales that do not exceed purchases from that counterparty within the same billing cycle) with respect to non-investment-grade counterparties. As a net purchaser, SCE is not exposed to any counterparty credit risk since there is no unsecured credit exposure to that counterparty at any given time. Although SCE might be exposed to delivery risk in these cases, it can replace the product by finding another seller on the market.

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.

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 was delegated by SCE's Board of Directors.

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

For most of the procurement decisions made during the Quarter, the "decision-maker" was an ES&M employee taking actions (*e.g.*, submitting an Integrated Forward Market (IFM) bid to the CAISO or engaging in day-ahead power purchases and sales) per an established

hedging strategy or plan or to achieve a particular objective (such as minimizing SCE's long or short energy position). For such decisions, transaction-specific briefing packages are not prepared. Briefing packages prepared during the Quarter for large or unusual transactions or for new hedging strategies that required case-by-case approval from SCE's 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 were presented to both the RMC and PRG, such presentations were 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 IFM and Congestion Revenue Rights (CRR) processes; a natural gas Request for Offers (Natural Gas RFO); an All Source electricity Request for Offers (All Source RFO); bilateral negotiations; and voice and electronic broker-traded transacting, as well as transacting through clearing houses. All these processes are permitted under the Plan.

Justification for Procurement Processes

A. CAISO IFM Participation

During the Quarter, SCE submitted IFM bids for its resources in accordance with CAISO's Market Redesign and Technology Upgrade (MRTU) implementation. SCE's IFM participation reduced the need to manage its energy position primarily through trading. The IFM bids awarded to SCE are summarized in the confidential workpapers.

B. CAISO Congestion Revenue Rights - Allocation and Auction

During the Quarter, SCE participated in the Tier 1 and Tier 2 Monthly CRR Allocation processes for November and December 2009 and January 2010, as well as the Tier 2 and Tier 3 Annual Allocation processes for 2010 Seasons 1, 2, 3, and 4, to hedge the congestion risk associated with SCE's expected use of the grid. SCE also participated in the Monthly CRR Auctions for November and December 2009, and January 2010, and in the Annual CRR Auction for 2010 Seasons 1, 2, 3 and 4.⁶

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.⁷ In compliance with Resolution E-4134, SCE includes the SCE Tier 1 and Tier 2 allocation and auction results obtained during the Quarter in its confidential workpapers.

SCE's participation in CAISO CRR auctions is authorized in its Plan. Moreover, this authority states that any CRRs awarded through an auction are *per se* reasonable, provided the bids for such CRRs meet the upfront achievable standards previously established by the Commission.⁸

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

Table 1
SCE Monthly 2009/2010 Congestion Revenue Rights
Obtained During the Quarter

<u>Period Effective</u>	<u>Off-Peak: MW</u>	<u>On-Peak: MW</u>
11/1/09-11/30/09	2,250	2,469
12/1/09-12/31/09	1,719	2,527
1/1/10-1/31/10	1,564	1,970

⁶ SCE's authorization to procure CRR and Long-Term CRR products is incorporated on Sheet 38 of its Conformed Plan.

⁷ *Id* at 11.

⁸ *Id* at 15-16.

Table 2

**SCE Seasonal 2010 Congestion Revenue Rights
Obtained During the Quarter**

<u>Period Effective</u>	<u>Off-Peak: MW</u>	<u>On-Peak: MW</u>
Q1	1,867	1,479
Q2	2,818	2,269
Q3	2,776	4,506
Q4	2,350	2,194

C. Fall 2009 Natural Gas RFO

On October 22, 2009, SCE issued a Natural Gas RFO seeking competitively-priced products to hedge part of its financial gas position from April 1, 2011 through March 31, 2014. SCE sought two products: 600,000 MMBtu/month of annual financial call options covering the entire term and 600,000 MMBtu/month of third-quarter-only financial call options from July 1, 2011 through September 30, 2013. In accordance with the Plan, the solicitation and documentation were posted on SCE's public website, and the announcement of the RFO was distributed electronically to major market participants, members of SCE's PRG, and SCE's entire advice letter service list. SCE's RMC was consulted throughout the evaluation process to provide guidance with respect to outstanding RFO issues. SCE's RMC approved the launch of the RFO on October 13, 2009. Additionally, SCE's PRG was advised of the RFO launch on October 14, 2009.

All counterparties were required to complete a Non-Disclosure Agreement (NDA) and an Agreement to Clear Transactions document to participate in the auction. These are the same documents that were required in the 2009 Spring Gas RFO.

SCE facilitated the final offer selection process of this RFO using an online auction platform from World Energy Solutions (WES). For each product, the only variable for participants to bid was price (\$/MMBtu). Without the need to co-optimize multiple products or variables for the same term, an online procurement auction was an efficient way to determine the final selected offers. The main benefits of using an online auction platform are: (1) reduced resources to facilitate the close of the RFO, (2) reduced transactional risk associated with bid submission, and (3) real-time price transparency for counterparties allowing them to refresh their bid to be more competitive.

On November 17, 2009, SCE held two 10-minute auctions, one for each product. At the end of each 10-minute auction SCE awarded offers to the least-cost bidders until SCE's target volume was filled in accordance with SCE's Plan. The deals were cleared through the New York Mercantile Exchange (NYMEX) Clearport immediately following the completion of each auction.

For this RFO, SCE retained an Independent Evaluator (IE) to ensure that the RFO process was managed fairly and that the selected counterparties were determined impartially. The public portion of the IE report is attached hereto. A list of presentations associated with this RFO is included in Confidential Attachment F. The executed agreements are listed in Confidential Attachment H.

D. 2009 All Source RFO

On July 7, 2009, SCE issued an All Source RFO seeking to obtain competitively priced products to hedge its physical, financial, and RA capacity position for electricity from January 1, 2011 through September 30, 2014 through various products. SCE also solicited financial call option products from July 1, 2010 through September 30, 2010 in order to hedge peak energy prices for the summer months of 2010. SCE's RMC approved the launch of the All Source RFO on June 23, 2009. Additionally, SCE's PRG was consulted about the All Source RFO on June

24, 2009. In accordance with SCE's Plan, the solicitation and documentation was posted on SCE's public website, and the announcement of the All Source RFO was distributed electronically to major market participants, members of SCE's PRG and SCE's entire advice letter service list.

Indicative offers were received on July 29, 2009. Counterparties were required to have completed NDAs by August 11, 2009. Short-listed counterparties were required to have completed International Swaps and Derivatives Association (ISDA) or Edison Electricity Institute (EEI) enabling agreements by September 17, 2009. Final offers were received on October 5, 2009 and on October 6, 2009 for physical and financial products, respectively. All contracts were executed with an effective date of October 7, 2009. The final results are summarized in SCE's Confidential Attachment H.

For this RFO, SCE retained an IE to ensure that the All Source RFO process was managed fairly and the selected counterparties and products were determined impartially. The public portion of the IE report is attached hereto. A list of presentations associated with this All Source RFO is included in Confidential Attachment F. The executed agreements are listed in Confidential Attachment H.

E. Bilateral Resource Adequacy Capacity Transactions

During the Quarter, SCE participated in bilaterally-negotiated purchases and sales of Resource Adequacy (RA) capacity for certain future months. SCE determined that it had excess Local RA capacity for 2010 and, with the encouragement of the CPUC, SCE sought structured transactions to sell its excess Local capacity while procuring needed System capacity for certain months. The executed RA transactions are listed in Confidential Attachment H, and details of a "strong showing" for these transactions can be found in Attachment M.

F. SO₂ Emissions Credit Transactions

The SO₂ market remained illiquid throughout the Quarter due to the ongoing 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 speculation about a possible replacement program to regulate emissions. SCE continued to sell a limited amount of its SO₂ emissions credits during the Quarter, albeit at a considerably slower pace than before these legal and regulatory uncertainties affected the market. Details pertaining to SCE's SO₂ transactions are included in the confidential workpapers.

G. Other Bilateral Transactions

In addition to the procurement processes discussed above, SCE executed a large number of short-term⁹ bilateral transactions during the Quarter to cost-effectively reduce SCE's residual net physical and financial electrical energy and natural gas positions as well as to hedge congestion risk. SCE also entered into 7 non-standard financial gas transactions bilaterally (5 purchases and 2 sales), rather than through a brokerage or an exchange.¹⁰ As discussed below, SCE did so in order to lower the cost of such transactions.

Non-Standard Financial Gas Transactions

The non-standard financial gas transactions entered into by SCE during the Quarter specified the Southern California Border (SoCal Border) as the financial settlement point. Standard NYMEX futures and options 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 and not at Henry Hub. Because options using SoCal Border financial settlement points

⁹ 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.

¹⁰ 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.

are not traded on the NYMEX or Intercontinental Exchange (ICE), SCE executed “non-standard” SoCal Border options 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.

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 is 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.

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

Non-CAISO Transmission Service

SCE recently redoubled its on-going effort to improve its data extraction processes and reporting accuracy as a result of recent CPUC findings on SCE's QCR submittals. SCE’s prior QCR preparation process required SCE’s QCR preparation team to provide instructions to the personnel who maintain SCE’s comprehensive deal capture system regarding which specific data should be queried from SCE’s deal capture system and provided for inclusion in the QCR submittals. During its re-examination of this process, SCE realized this presented a risk that some transactions could be overlooked due to human error in developing those database queries. In other words, SCE could potentially inadvertently omit a few transactions from being included in the QCR submittals, if the QCR preparation team was not fully aware of the types of transactions that may have occurred during that quarter—particularly where SCE may conduct a relatively small number of certain types of transactions on an infrequent basis. In order to

prevent such inadvertent omissions in the future, SCE revised its QCR preparation process such that SCE's personnel maintaining the comprehensive deal capture system will query the data for all transaction types that have occurred during the quarter, and then SCE's QCR preparation team will review all of the data and compile and reformat all such data that the Commission requires SCE to report in the QCR submittals.

Through this refined process, SCE recently identified a relatively small number of non-CAISO transmission service transactions that were inadvertently excluded from prior QCR workpapers. SCE references these transmission deals in Attachment E and provides details regarding all such transactions that were executed during Q4 2009, as well as all such transactions that were executed prior to Q4 2009, in its workpapers. The nature of these transactions is discussed below.

Occasionally, changing market and/or system conditions (*e.g.*, a capacity derate on a transmission path) create circumstances that could cause a quantity of energy under contract with SCE to be "stranded," absent intervention by SCE. In such events, SCE may acquire transmission service over a non-CAISO-controlled delivery path to sell the energy or redeliver it to a CAISO receipt point. The cost of this transmission service is set by FERC tariff and therefore is not negotiable. These transmission expenses are recorded in SCE's Energy Resource Recovery Account (ERRA). For the period January 1, 2004 through December 31, 2009, SCE entered into 226 such transactions, at a total expense of \$288,869.02. If such transactions occur again in the future, SCE intends to report such transmission service transactions in the QCR in the applicable period .

H. 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.

I. Exchange Transactions

As authorized under the Plan, SCE uses exchanges (NYMEX and ICE Clear) to transact certain standardized electricity and natural gas products directly with the exchange. Exchanges provide a liquid market in which to transact as they attract a large number of active buyers and sellers for the products they trade. Transacting through exchanges also reduces SCE's credit risk as compared to transacting with counterparties directly, as an exchange generally has better credit than any of its members or participants do individually. SCE also uses the clearing function of both NYMEX and ICE Clear for certain other standardized contracts that SCE enters into directly and through voice and electronic brokers. Under this arrangement, SCE and its counterparty can agree to take an already consummated deal to the exchange, and for a fee, have the exchange guarantee the deal with its superior credit. This reduces credit risk for both SCE and its counterparty, freeing up credit between the two parties and thereby allowing additional transactions.

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

In general, SCE's transaction objectives are to meet physical requirements for natural gas or electricity, to dispose of surplus natural gas, electricity or SO₂, and/or to hedge the cost of conducting transactions that achieve these objectives in short-term markets. Transaction timing is determined by a number of factors, including:

- the volume of transactions to be conducted,
- the risk of conducting the transactions later (*e.g.*, waiting to trade in the spot or real-time market),

- the Commission’s Consumer Risk Tolerance (CRT) goal,
- a desire to hedge gradually over time (to reduce exposure to a single or only a few market prices),
- current market conditions and liquidity, and
- SCE’s forecast of future market conditions and liquidity.

Generally, Spot Market transactions are executed to meet immediate needs and longer term transactions are executed to reduce exposure to the Spot Market based on forecast needs. For specific transactions, the timing of execution is supported by the need assessments contained in SCE’s confidential workpapers.

For Electrical Energy products, SCE’s timing objective was achieved by: (1) gradually reducing SCE’s forecasted open (*i.e.*, short or long) energy positions through the use of the procurement processes discussed in Section 3 above in forward, prompt month, balance of month, day-ahead over-the-counter (OTC), and hour-ahead markets; and (2) actively participating in the CAISO’s MRTU IFM and Hour-Ahead Scheduling Process (HASP) markets.

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 the forecast burn under least cost dispatch for those facilities. This generally resulted in purchases during the day-ahead and day-of timeframes.

SCE’s financial gas transactions were executed to hedge SCE’s customers’ exposure to volatile natural gas prices over differing time periods. During the Quarter, SCE employed swaps and options to hedge this exposure. The objective of these hedges is to maintain SCE’s 12-month TEVaR¹¹ under the Commission-determined CRT threshold.

¹¹ 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 October and November 2009 and an estimate of SCE bundled customer energy for late November and December 2009.

Temperatures were cooler in the Quarter than in the same period in 2008, as measured by cooling degree days (which declined over the same period in 2008) and heating degree days (which increased over the same period in 2008). The economy (measured by total wage and salary employment in the SCE Service Area) declined in the Quarter as compared to the fourth quarter of 2008. Bundled customer growth during the Quarter did not substantially increase.

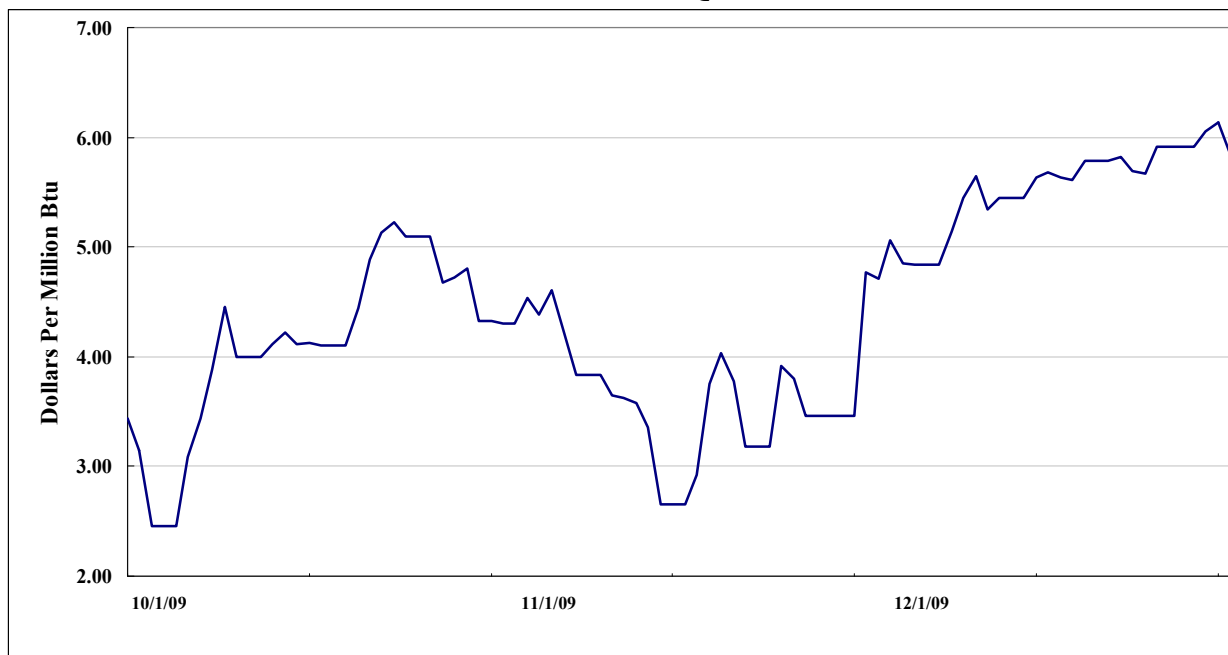
During the Quarter, hydro-electric generation from SCE's Big Creek facility was significantly below the 25-year fourth quarter average. The facility experienced a repair outage for much of the Quarter that essentially stopped its output. Generation at SCE's Eastern Hydro facilities during the Quarter was less than the 25-year fourth quarter average. The below normal precipitation during the year, especially during the first and second quarters of 2009, resulted in reduced generation.

Production from SCE's remaining base-load coal resource was robust during the Quarter. Four Corners Generating Station experienced a 10-day planned outage as well as a limited number of forced outages.

Adjusting for planned refueling outages, production from SCE's base-load nuclear resources was also robust during the Quarter. San Onofre Unit 2 experienced planned outages for refueling and steam generator replacement for the entire Quarter. Palo Verde Unit 1 experienced a planned 60-day refueling outage. Forced outages at Palo Verde were limited.

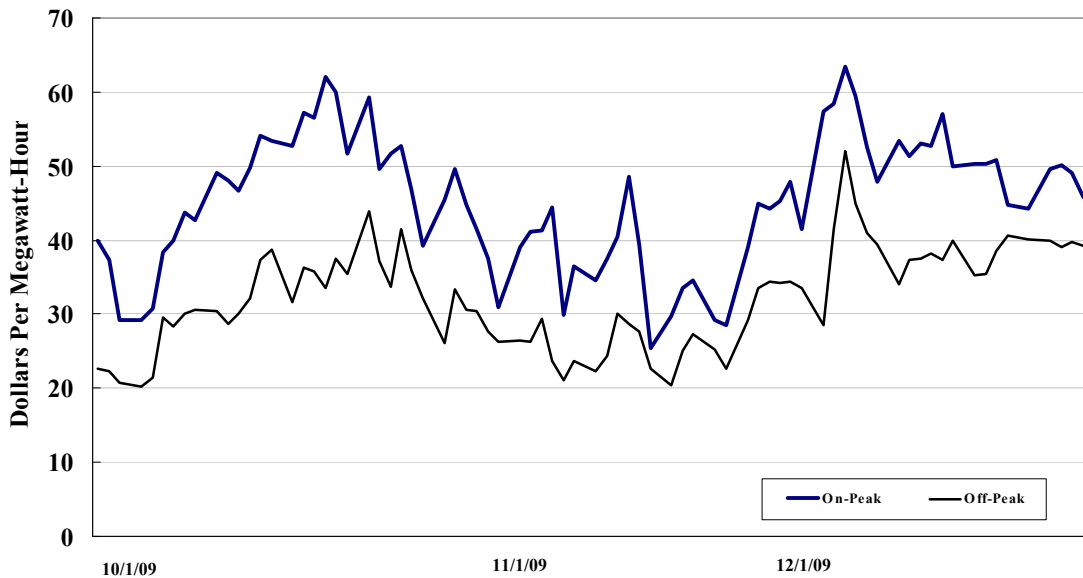
As illustrated in Chart 1 below, during the Quarter, daily index gas prices at the Southern California border ranged from a high of \$6.13/MMBtu to a low of \$2.45/MMBtu, as compared to SoCal Border prices from the fourth quarter of 2008, which ranged from a high of \$6.22/MMBtu to a low of \$2.49/MMBtu.

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



Southern California electricity prices for the IFM at SP-15 followed a price trend similar to natural gas during the Quarter. Average daily Locational Marginal Prices (LMPs) ranged from approximately \$20.27/MWh to \$52.04/MWh for off-peak power and from approximately \$25.43/MWh to \$63.39/MWh for on-peak power (see Chart 2 below), as compared to fourth quarter 2008, wherein indexed standard firm energy product prices ranged from approximately \$26/MWh to \$51/MWh for the off-peak product and from approximately \$40/MWh to \$70/MWh for the on-peak product.

Chart 2
SP-15 Average Daily LMP Prices
Published During the Fourth 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 contracts that have payments tied to the price of natural gas; (2) hedge the gas price risk associated with SCE’s generating resources that are fueled by natural gas; and (3) hedge the price risk associated with

SCE electric “gas tolling” contracts. SCE also supported gas hedges for allocated CDWR contracts (these hedges are discussed in SCE’s April ERRA filing). 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, quotes directly from counterparties and clearing houses to ensure these financial transactions were competitively priced. 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:

<u>Analysis Data</u>	<u>Workpaper Folder</u>
CAISO IFM market awards	CAISO Data
Forecast daily energy positions	Resource Plans
Short-term power market - beyond hour-ahead	Daily Power Trading Reports
Short-term gas market	Gas Market Notes
Bilateral location options	Strong Showing
Hour-ahead power market	Real-Time Price Surveys & Generation Operations Center Logs

10. Provide a reasonable number of analyses requested by the Commission or the PRG and provide the resulting outputs.

SCE prepared various analyses for briefings to its PRG during conference calls conducted on October 7, October 14, October 28, November 10, November 16, as well as for its face-to-face meeting on December 16, to keep the PRG informed on relevant procurement matters. Key topics discussed with SCE’s PRG during the Quarter included: sales of SCE’s 2010 Local RA capacity, SCE’s All Source RFO final selection process, the launching and selection process of SCE’s Fall Natural Gas RFO, SCE’s 2010 CRR Allocation and Auction strategy and bids, and an update on SCE’s hedging targets. SCE performed various analyses to develop the presentations discussed above, and to respond to questions from PRG participants about those presentations. SCE is not aware of any additional analyses pertinent to SCE’s procurement activities under its Plan that were requested by the Commission or the 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 includes 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) in Confidential Attachment I.

List of Confidential Workpapers

Description	File Name	Folder Name
Physical electric transactions	Physical Electric Deals – Q4 2009.xls	Transactions
Financial electric transactions	Financial Electric Deals – Q4 2009.xls	Transactions
Physical gas transactions	Physical Gas Deals – Q4 2009.xls	Transactions
Financial gas transactions	Financial Gas Deals – Q4 2009.xls	Transactions
Transmission transactions	Electric Transmission Deals - Q1 2004 - Q4 2009.xls	Transactions
SO2 emission credit transactions	SO2 Deals – Q4 2009.xls	Transactions
CRR Results	CRR Summary – Q4 2009.xls	CAISO Data
Briefings to senior management	Various	Key Briefings
Copies of contracts	Various	New Contracts
Initial daily resource plans	Current Plan mm-dd-yy.xls	Resource Plans
Resource plan updates	TD mmddy.xls	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_yy.pdf	Generation Operations Center Logs
CAISO IFM market awards	CAISO IFM Bid Award Summary – Q4 2009.xls	CAISO Data
Short-term gas trading data	Natgas Activities Log – [date].pdf	Gas Market Notes
Bilateral strong showing	Q4 2009-QCR Bilateral Location Options.pdf	Strong Showing
Confidential Addendums of IE Reports	Various	IE Reports

Attachment 2

Sedway Consulting, Inc.

INDEPENDENT EVALUATION REPORT
FOR SOUTHERN CALIFORNIA EDISON'S
FALL 2009 NATURAL GAS
REQUEST FOR OFFERS

Submitted by:

*Alan S. Taylor
Sedway Consulting, Inc.
Boulder, Colorado*

January 28, 2010

Introduction and Background

On October 22, 2009, Southern California Edison (SCE) issued a Natural Gas Request for Offers (Gas RFO) for products to mitigate the risk of gas-price increases for SCE's internal gas requirements. SCE's Gas RFO encompassed financial-hedge products for three years in duration and included annual and third-quarter-only (Q3, July through September) call options. No other types of gas hedging products were sought.

SCE decided to conduct a solicitation only for call options because, among other reasons, a single-product solicitation of a standardized product lent itself to a straightforward auction process that could allow SCE to select and execute winning bids very quickly. Participants in past Gas RFOs had indicated that they were uncomfortable honoring firm bid prices for very long (in some cases, minutes), given that movements in the market might render their bids unsupportable. Some bidders argued that they would have to build in a cushion and elevate their firm bid prices to allow for the possibility of the market moving against them between bid submission and bid award. Others stated that they simply would not bid in a solicitation that required them to keep their bids open for too long. In response to these concerns, SCE decided to employ an auction process, where it would seek bids for a single standardized product. Thus, no explicit evaluation would be needed because competition would only be on final price, with the lowest price bid(s) being awarded. Also, this decision afforded SCE the opportunity to become familiar with an Internet-based auction platform. However, it was recognized that it eliminated the ability for cross-product competition (e.g., between fixed-for-floating swaps versus call options) that had been available in previous SCE Gas RFOs.

SCE engaged World Energy Solutions (World Energy) to run the Internet-based electronic auction as this firm had auction systems already developed and had conducted thousands of on-line auctions for many firms and the U.S. government.

Role of Independent Evaluator and Focus of Report

The California Public Utilities Commission (CPUC) has issued several decisions that require California's investor-owned utilities to retain an Independent Evaluator (IE) in energy and gas-related solicitations.¹ In late 2009, in compliance with these CPUC decisions, SCE retained Sedway Consulting, Inc. (Sedway Consulting) as the IE to monitor SCE's Fall 2009 Gas RFO, provide an independent evaluation of SCE's process, and present the CPUC and SCE's Procurement Review Group (PRG) with information and assessments to ensure that the solicitation was conducted fairly and that the best products were acquired. This Independent Evaluation Report provides an assessment of SCE's Fall 2009 Gas RFO from the initial phase of the solicitation (i.e., the publicizing of the issuance of the RFO) through the final awarding of proposals. Specifically, this

¹ D.04-12-048 (Findings of Fact 94-95, Ordering Paragraph 28) and D.06-05-039 (Finding of Fact 20, Conclusion of Law 3, Ordering Paragraph 8).

report addresses Sedway Consulting's activities and conclusions regarding the following three areas/questions:

- **Gas RFO issuance and outreach activities**
- **Bidding process design and administration**
- **Auction process design and administration**

Overview of Conclusions

Sedway Consulting concludes that SCE conducted a fair and effective solicitation of call option bids in its Fall 2009 Gas RFO and made the correct selection decisions. Outreach activities conducted by SCE generated a robust market response and the auction process was fairly designed and administered. Sedway Consulting believes that SCE treated all interested counterparties consistently and fairly. That said, Sedway Consulting has several recommendations for consideration that may improve SCE's Gas RFO process going forward. Those recommendations are addressed in this report's confidential appendix. That confidential appendix also includes an overview of the submitted offers and confidential assessments of specific areas of the auction process. This material is being afforded confidential treatment for several reasons. First, it is important to protect counterparties from having their product pricing provided to competitors. Second, SCE's customers could be harmed if too much information was made publicly available, allowing some future counterparties to focus on manipulating the negotiation process and/or gaming subsequent solicitations rather than delivering the best products at the lowest possible prices. Third, submitted offer information is subject to confidentiality agreements that have been executed between SCE and each of the counterparties as part of the overall Gas RFO process.

The remainder of this report follows the template that was issued by the CPUC as part of R.06-02-013 (Attachment B: CPUC Independent Evaluator Template [Short Form]) to organize and structure IE reports regarding solicitations undertaken by California utilities. That template includes seven questions/topic areas that are depicted in boxes in this report and the confidential appendix.

Independent Evaluator Activities

- | |
|--|
| <p>1. Describe in detail the role of the IE throughout the solicitation.</p> |
|--|

SCE provided Sedway Consulting with access to all necessary materials and meetings and Sedway Consulting was able to monitor SCE's auction process. Sedway Consulting

reviewed SCE's RFO, outreach efforts, auction process/structure, communications with interested counterparties, and selection results. Members of the IE team:

- reviewed the RFO materials prior to their issuance,
- participated in SCE's bidders' conference call,
- were copied on all correspondence between SCE and interested counterparties,
- participated in internal SCE teleconferences related to the Gas RFO,
- monitored email negotiations between SCE and interested counterparties,
- participated in mock auction/selection exercises conducted by SCE,
- commented on auction concepts and decision documents,
- participated in SCE's planning meetings and executive-level Risk Management Committee (RMC) meetings in which auction process decisions were made,
- participated in all PRG meetings in which the Gas RFO auction process was discussed, and
- participated on-site in monitoring the final auctions.

Evaluation of Bidding and Selection Process

- | |
|---|
| <p>2. Please evaluate the fairness of the IOU's bidding and selection process (i.e., quantitative and qualitative methodology used to evaluate the bids, consistency of evaluation methods with criteria specified in the bid documents, etc.).</p> |
|---|

Design and Administration of SCE's Bidding Process

SCE's Fall 2009 Gas RFO solicited two call option products, one for Q3 call options and a second for annual call options, with the duration of the options spanning the Spring 2011 through Spring 2014 period. Specifically, the annual call options had a term of April 1, 2011 through March 31, 2014. The Q3 call options were only for the third-quarter months (July through September) of that time period. For each of these two products, SCE sought a maximum quantity of no more than 600,000 mmBtu/month.

In its Fall 2009 Gas RFO, SCE designed and administered a bidding process that entailed the following steps and requirements:

1. By October 29, 2009, bidders were required to submit a non-binding Notice of Intent to Offer, along with several RFO attachments/agreements with any comments.
2. By November 5, 2009 (the Qualification Date), each bidder was expected to have executed a Confidentiality Agreement and International Swaps and Derivatives

Association (ISDA) Agreement and Credit Support Annex. Also, bidders had to have executed World Energy's Wholesale Participation Agreement.

3. On November 6, 2009, SCE sent to counterparties confirmation of their qualification to participate in SCE's Gas RFO auction.
4. On the Lockdown Date (November 12, 2009), each qualified bidder was to have executed their Agreement to Clear Transactions (through NYMEX Clearport).
5. On November 13, 2009, SCE sent the call option strike prices for the two call option products (third quarter and annual) that it was seeking to all qualified bidders. Also, on this day, World Energy held a tutorial to step bidders through the auction process, allowing them to ask questions and become familiar with the auction platform.
6. On November 17, 2009, World Energy conducted two 10-minute auctions, the first (for third quarter call options) commenced at 8:00 AM, PPT, and the second (for annual call options) commenced at 9:00 AM, PPT.

Prior to the auctions on November 17, 2009, Sedway Consulting reviewed SCE's proposed auction process, conducted discussions and email exchanges with SCE and World Energy personnel, and participated in several mock auctions to develop a detailed understanding of how the Gas RFO's auction process would be performed.

Description of Auction Process

The World Energy auction system for SCE's Fall Gas RFO was a fairly straightforward platform for participants to submit electronic offers for SCE's requested call options. Qualified participants (i.e., those who met SCE's Gas RFO qualification requirements and who had executed a Wholesale Participation Agreement with World Energy) were provided username and passwords, allowing them to log into World Energy's auction platform. Once an auction was underway, a participant could submit a bid in the form of a \$/mmBtu price and an associated call option gas quantity (in 50,000 mmBtu/month increments up to a maximum of 600,000 mmBtu/month). The price could be no more than the maximum opening price that was set by SCE and displayed on the auction site.

Once a bidder submitted a bid that conformed to these requirements, a confirmation screen required the bidder to review the two pieces of information and confirm that the pair of values indeed represented its bid. After affirming that, the participant's bid was submitted, and there was no electronic opportunity for the bidder to withdraw the bid. The bidder had to honor its submitted and confirmed bid.

Only after submitting an initial bid was a bidder presented with feedback about the prevailing lowest bid price (which of course could be the bidder's offer). The prevailing lowest bid price was the only information provided to a participating bidder. The identity

of the lowest price bidder and the quantity associated with that bid were not provided. By refreshing the computer screen, the bidder was able to receive updated information regarding the prevailing lowest bid price. At any time during the 10-minute auction, an active bidder could submit additional bids. If the sum total quantity from a bidder's offers exceeded 600,000 mmBtu/month, the bidder's higher-priced offers that caused the sum total to exceed the 600,000 mmBtu/month limit were effectively eliminated. Each time the bidder placed a new bid and/or refreshed the computer screen, the prevailing lowest bid price was displayed. This promoted a declining price auction where all active bidders were provided feedback about whether their offer represented the lowest price or not. Of course, no bidder knew what quantity was behind the lowest price. If it was not the full 600,000 mmBtu/month that SCE sought, then the next higher-priced bid(s) could be selected to fulfill SCE's desired quantity. Thus, a bidder that did not submit a bid that qualified as the lowest-price bid could still potentially be selected for some portion of SCE's call option request.

If two bidders submitted winning bids at the same price, whichever bid was submitted earlier was given preference.

Administration of Auction/Selection Process

On November 17, 2009, the first of the two 10-minute auctions began at 8:00 AM, PPT, with SCE seeking up to 600,000 mmBtu/month of Q3 call options. Eleven bidders chose to participate, submitting 29 distinct bids. An hour later, the annual call option auction took place, with 12 bidders submitting 33 bids. In both cases, the bidders who submitted the lowest price bids were awarded SCE's purchase of the call options sought.

Sedway Consulting was on-site at SCE to monitor both auctions and SCE's decision process. In both cases, the winning bidders submitted bids that were quite competitive with price estimates that SCE's gas traders had forecasted as reasonable targets before the auctions commenced.

The decision documents for each auction were reviewed by Sedway Consulting. The final selections were made and both selected counterparties were notified of their status within 10 minutes of the close of each auction.

Assessment of Fairness of Auction Process

Sedway Consulting concludes that the design of SCE's auction process was rigorous and fair. The process did not favor one counterparty type over another, although arguably those bidders who were more familiar with on-line auction processes had a justifiable advantage. That said, World Energy provided all qualified bidders with an adequate opportunity to become acquainted with its auction platform.

Sedway Consulting confirmed that SCE appropriately and fairly administered the auction process that it had designed. Sedway Consulting concurred with SCE's selection

decisions. Those offers that were not selected were rejected because they were more expensive than the winning bids, as described further in Confidential Appendix A.

Sedway Consulting concludes that SCE designed and administered its auction and selection process fairly and selected the best offers to meet its risk mitigation needs. All counterparties were treated consistently and fairly and had equal opportunity to make the final selection by SCE.

Least Cost Best Fit Methodology

3. Describe the IOU's Least Cost Best Fit (LCBF) methodology (or provide the IOU's own description). Evaluate the strengths and weaknesses of the IOU's LCBF methodology. (This should include a thorough analysis of the RFO results.)

Sedway Consulting believes that SCE's RFO auction/selection process complied with the CPUC's "Least Cost Best Fit" (LCBF) criteria. By focusing the solicitation on a single standardized type of gas hedging product (call options), SCE was able to take advantage of an auction platform that resulted in the selection of the least cost bid for each of the two subproducts sought (Q3 and annual options). Subject to some recommendations that are discussed in the confidential appendix, Sedway Consulting believes that the two auctions were designed and executed to promote competition and achieve the lowest price bids that market participants were willing to offer.

As for the "best fit" concept, this solicitation helped SCE diversify and balance its gas hedging portfolio. As described in the confidential appendix, the call options that SCE sought as an addition to its portfolio achieved the best fit.

A thorough analysis of the RFO results and bid pricing is presented in the confidential appendix.

SCE's Outreach Activities

4. How did the IOU conduct outreach to bidders, and was the solicitation robust?

Sedway Consulting believes that SCE pursued reasonable and adequate procedures for notifying potential counterparties about the Gas RFO. When the Gas RFO was launched,

SCE notified regulatory agencies and numerous industry participants, including but not limited to the firms with which SCE was enabled with ISDA agreements.² Also, SCE dedicated a section of its company website to the Fall 2009 Gas RFO, providing a means for interested counterparties to download the RFO Instructions and related materials, familiarize themselves with the RFO timeline, and ask questions about the participation process. The website also provided contact information (both telephone numbers and email addresses) for the three SCE staff managing the Gas RFO so that interested counterparties could contact those staff with any questions or concerns they had regarding the Gas RFO.

On October 28, 2009, SCE held a Gas RFO bidders conference call (jointly with World Energy) for interested counterparties. The teleconference provided interested counterparties an opportunity to learn more about the Gas RFO, hear presentations from SCE and World Energy staff regarding key aspects of the RFO, and ask specific questions regarding the RFO participation process. SCE recorded the teleconference and made a replay available for interested counterparties via a teleconference bridge posted on the Gas RFO website.

Given this level and diversity of activity, Sedway Consulting concludes that SCE did an adequate job of publicizing the Fall 2009 Gas RFO, as ultimately evidenced by the robust response from interested counterparties.

Negotiation Issues

- | |
|---|
| <p>5. Describe project-specific negotiations. Highlight any areas of concern including unique terms and conditions.</p> |
|---|

Because all of the bidders were already ISDA-enabled and the call options sought in SCE's Fall 2009 Gas RFO would clear through NYMEX, there were relatively few matters to negotiate (i.e., there were no ISDAs or product confirmations to negotiate). Negotiations occurred over the Confidentiality Agreement and Agreement to Clear. Sedway Consulting monitored the email correspondence regarding these matters and believes that all bidders were treated consistently and provided with similar information.

² Having an ISDA agreement with SCE was a requirement for participation in the auctions. However, SCE was willing to entertain interest from other counterparties, provided that such counterparties were willing to attempt to negotiate an ISDA agreement in time to meet the Qualification Date.

6. If applicable, describe safeguards and methodologies employed by the IOU to compare affiliate bids or UOG ownership proposals. If a utility selected a bid from an affiliate or a bid that would result in utility asset ownerships, explain and analyze whether the IOU's selection of such bid(s) was appropriate.

No SCE affiliates participated in this Gas RFO, nor were any utility ownership proposals offered.

Conclusion

7. Do you agree with the IOU that the contract(s) merit Commission approval? Explain.

Sedway Consulting believes that SCE conducted a fair and effective solicitation/auction for offers received in response to its October 22, 2009 Gas RFO. All submitted offers were treated consistently, appropriately, and without bias.

Sedway Consulting was provided access to all necessary materials and meetings and was able to monitor the auction process directly. Sedway Consulting reviewed SCE's procedures, made recommendations where appropriate, and did not identify any bias for or against any specific counterparty or submitted offer. Thus, Sedway Consulting views the final selection decision as reasonable and sound.

Sedway Consulting monitored communications between SCE and interested counterparties and believes that SCE treated all counterparties consistently and fairly. Sedway Consulting concludes that SCE made the appropriate selection and rejection decisions in conducting its Fall 2009 Gas RFO. As described more fully in the confidential appendix, Sedway Consulting agrees with the IOU that the selected offers merit Commission approval.

Attachment 3



Van Horn Consulting

*Energy, Economic, Regulatory
& Environmental Consultants*
Orinda, CA 94563

Public Report

Independent Evaluator Report For Southern California Edison's 2009 All-Source Request For Offers

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Orinda, CA 94563
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Mike Katz
Ed Remedios
Andy Van Horn

January 25, 2010



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I. INTRODUCTION

Van Horn Consulting (VHC) prepared this public report, as well as a confidential Addendum, in its role as the Independent Evaluator (IE) for Southern California Edison’s (SCE’s) 2009 All-Source Request for Offers (RFO) for supply resources, issued on July 7, 2009.¹ SCE issued this RFO, in order to support reliability within its service territory, supply energy to bundled customers and meet other portfolio needs, including system and local Resource Adequacy (RA). SCE also sought offers for daily financial call options to hedge the risk of a high energy price scenario in 2010. VHC has assessed the fairness of SCE’s RFO solicitation, evaluation methods, short list selections and the proposed contracts resulting from this RFO.

The IE review process resulted from a series of California Public Utilities Commission (CPUC or Commission) rulings and decisions affecting California’s Investor-owned Utilities (IOUs). The CPUC’s December 2004 decision on long-term resource procurement (D.04-12-048) stated that it would “require the use of an IE for resource procurement where there are affiliates, IOU-built or IOU-turnkey bidders” from that point forward (pp. 135f). The CPUC’s intent was to ensure that a utility did not favor itself or an affiliate. Decision 07-12-052, Conclusion of Law, item 24, states “IEs are valuable to the procurement process and we direct the IOUs to utilize IEs according to the parameters established in this decision and in D.04-12-048.” On page 140, the Decision also states: “Further, given that IOUs may not know with certainty whether or not it or its affiliate will bid on a particular solicitation, the Commission requires that an IE be utilized for all competitive RFOs² that seek products of more than three months in duration.³” Under the decisions cited above, the role of the IE is to assist the utility in RFO design and observe the utility’s procurement, evaluation and contract negotiation processes, in order to provide an opinion concerning “fairness.” In addition to the CPUC’s requirements, the Federal Energy Regulatory Commission (FERC) requires an IE to prevent a bias and to avoid preferences favoring the selection of affiliate offers over offers from other participants.⁴

In 2008, the CPUC ruled that: “parties are to use the attached templates for the purposes specified on the templates: The IEs are to use the IE templates, either the short form or the long form, when preparing their reports on the utilities’ RFOs, and the utilities are to use

¹ The confidential Addendum includes details of offers received and evaluation results, project-specific negotiations, discussion of affiliate offers, if any, and recommendations on specific areas of the RFO process. This information is confidential to protect current offerors and to avoid offerors in future RFOs from gaining knowledge of SCE’s specific methods of evaluation that could lead to manipulating the process. Review and access to the confidential portions are restricted, subject to PUC Sections 454.5(g), 583, D.06-06-066, and General Order (GO) 66-C.

² Competitive RFOs include those issued to satisfy service area needs and to provide specific supply-side resources not covered by the Commission’s Energy Efficiency (EE) and Demand Response (DR) programs.

³ This requirement creates uniformity between the contract length for which an IOU must consult its Procurement Review Group (PRG) and the IE process.

⁴ 108 FERC ¶61,081 (2004): “Opinion and Order ... Announcing New Guidelines for Evaluating Section 203 Affiliate Transactions.” VHC is not aware of any additional CPUC requirements for the IE review of Demand-Side Management programs acquired via an RFO process.



the contract approval template when submitting a request to the Commission for approval of a resource contract. These templates are to be used for the purposes specified until further notice.”⁵

The CPUC requires that “This short form template should be used for transactions that do not require submission of an application for CPUC approval, including those transactions that are documented in the IOU’s Quarterly Compliance Report (QCR) and/or are submitted to the Commission for approval via advice letter.” Consistent with the CPUC ruling, this report answers the CPUC’s Short Form template questions. VHC also provides additional comments and observations regarding SCE’s solicitation, evaluation and contracting process that may not be required by the IE Template questions, but that VHC believes are relevant to its assessment for this report.

This report does not contain confidential and/or privileged materials. However, the confidential Addendum provides confidential information, in which review and access are restricted, subject to PUC Sections 454.5(g), 583, D.06-06-066, and General Order (GO) 66-C.

II. PRODUCT OVERVIEW

SCE requested the following products in this RFO:

- Unit Contingent Dispatchable Toll, providing both capacity and energy, and referred to as an RA Toll,
- Unit Contingent Dispatchable Toll without Resource Adequacy Benefits, referred to as an Energy Only Toll,
- Unit Contingent Non-Dispatchable Qualifying Facilities Toll,
- Resource Adequacy Capacity (SCE to buy and SCE to sell), referred to as RA capacity only or RA Tags, and a
- Daily Financial Call Option with various strike heat rates.

The durations of the contracts requested range from 3 to 45 months.

⁵ “Administrative Law Judge’s Ruling Issuing Templates For Independent Evaluator Reports And Contract Approval Requests,” Rulemaking 06-02-013, dated May 8, 2008.



The following table shows a summary of the products requested in the RFO.

Table 1. Products Requested in the 2009 RFO

PRODUCT	DELIVERY POINT	MINIMUM QTY	PRICING		CONTRACT DELIVERY PERIOD					HEAT RATES (MMBtu/MWh)
			CAPACITY	ENERGY	DELIVERY PERIOD NOT TO EXCEED	EARLIEST START DATE	LATEST END DATE	DELIVERY PERIOD	DELIVERY PERIOD INTERVAL	
Dispatchable Unit Contingent T/dl	CASO	25 MW	Flat Price	N/A	45 Months	01/01/11	09/30/14	Year Round	N/A	N/A
Dispatchable Unit Contingent T/dl without RA Benefits	CASO	25 MW	Flat Price	N/A	45 Months	01/01/11	09/30/14	Year Round	N/A	N/A
Non-Dispatchable QF Tol	CASO	1 MW	As-Available Capacity Payment and Firm Capacity Payment	Indexed to Gas	45 Months	01/01/11	09/30/14	Year Round (One Year Minimum)	N/A	N/A
Resource Adequacy Capacity (SCE to sd)	CASO	10 MW	Flat Price	N/A	12 Months	01/01/10	12/31/10	Monthly Quarterly Year Round	N/A	N/A
Resource Adequacy Capacity (SCE to buy)	CASO	10 MW	Flat Price	N/A	45 Months	01/01/11	09/30/14	Aug. Only Q3 May - Oct Year Round	N/A	N/A
Daily Financial Call Option	SP15_EZGTH	25 MW	N/A	Heat Rate Strike	3 months	07/01/10	09/30/10	Q3	6x16, on-peak	20, 25, 30
Daily Financial Call Option	SP15_EZGTH	25 MW	N/A	Heat Rate Strike	45 Months	01/01/11	09/30/14	Q3 May - Oct Year Round	6x16, on-peak	9.0, 9.5, 10, 11

The key differences between the products requested in the 2009 RFO compared to the 2008 RFO are:

1. The 2008 RFO included both physical and financial call options, whereas the 2009 RFO only solicited financial call options.
2. Although both 2008 and 2009 had call options with heat rate strike prices, the specific heat rates differed between the two years.

On September 2, 2009, SCE notified its Procurement Review Group (PRG) that SCE would not pursue RA sales at this time. This occurred because changes in the California Energy Commission’s (CEC’s) load forecast, Demand-Side Management forecasts and transmission restrictions changed SCE’s expected surplus in RA capacity for 2010.



III. SUMMARY OF RESULTS AND CONCLUSIONS

SCE selected a combination of offers for tolls, RA capacity and financial call options to meet portions of its anticipated energy and capacity needs in 2010 through 2014. VHC believes that SCE used reasonable selection criteria to minimize costs and risks to customers. VHC found no intentional or unintentional biases to unfairly select particular product types or specific offers. There were no affiliate offers that were awarded contracts. The confidential Addendum provides more discussion of the specific offers selected and various confidential issues.

IV. RESPONSES TO QUESTIONS IN THE SHORT FORM TEMPLATE

VHC’s responses to the Commission’s Short Form Template Questions are provided below. Confidential comments, data and responses to some questions are provided in VHC’s separate confidential Addendum to this report.

A. Role of the Independent Evaluator (IE)

1. Describe in detail the role of the IE throughout the solicitation.

VHC began its role as an IE for SCE on March 3, 2009. VHC is one of the IEs that SCE has engaged to monitor and assess its various procurement solicitations that require an IE. As the IE for the 2009 All-Source RFO, VHC has performed two principal functions:

- Ensure that SCE carries out a fair and unbiased solicitation, offer evaluation, selection and contracting process, and
- Provide advice to improve processes, evaluation techniques and assumptions.

VHC’s primary focus has been to ensure the fair and non-discriminatory treatment of all offers and to avoid economic evaluation techniques and assumptions that could lead to unintended or unfair biases in the selection of resources (e.g., unintended preferences for certain types of technologies; the mix of peaking, dispatchable resources and baseload resources; financial versus physical products, and/or start-date and contract term preferences). VHC has generally not focused on the absolute valuation of offers, but rather has focused on the relative costs, benefits and adders, in order to ensure a proper ranking and selection of the offers for short-listing and negotiations and to pick the final offers for contracts.

VHC team members performed the following functions over the course of the solicitation and contract selection process:



- Met with key RFO team members and SCE executives to get a broad overview of the SCE RFO process,
- Reviewed extensive internal documentation of the evaluation methodology,
- Reviewed “lessons learned” presentations for the 2008 All-Source RFO,
- Reviewed the IE report for the 2008 All-Source RFO,
- Sent various memos to SCE highlighting areas for clarification and discussion,
- Checked and validated Net Present Value (NPV) \$/kW–month calculations for indicative offers and for VHC test offers for each product type,
- Reviewed and discussed key assumptions that could influence the ranking and selection of offers,
- Examined the methods and assumptions for calculating the costs and benefits of offers, including capacity values, forward natural gas prices, forward electric prices, ancillary services (AS) and adders for Greenhouse Gases (GHG), credit, collateral and debt equivalence (DE),
- Examined the set of constraints that are used in the selection of offers,
- Provided comments and suggestions regarding key assumptions and methodologies,
- Participated in All-Source planning and evaluation meetings,
- Participated in All-Source Bidders Conference Call
- Participated in SCE’s Risk Management Committee (RMC) meetings that discussed the 2009 RFO process and results,
- Participated in PRG meetings that discussed the 2009 RFO process and results,
- Participated in weekly process and evaluation meetings,
- Monitored and reviewed red-line changes to contracts,
- Participated in change-control meetings,
- Monitored all interactions with SCE affiliates that provided offers in this RFO,
- Reviewed the receipt and processing of indicative offers on July 29 and final offers on October 6 and 7,
- Participated in the offer selection meeting on October 7, 2009,
- Observed the notification calls to winning offerors, and
- Participated in the “Lessons Learned Meeting” on November 18, 2009.

B. Fairness of SCE’s Bidding and Selection Process

2. Please evaluate the fairness of the IOU’s bidding and selection process. (i.e., quantitative and qualitative methodology used to evaluate bids, consistency of evaluation methods with criteria specified in bid documents, etc.)

VHC examined SCE’s RFO process from the design of the RFO to the ultimate selection of contracts to ensure that SCE created and implemented a fair process for all offerors. VHC also monitored SCE’s offer evaluation and selection to assess that it was performed according to the criteria specified in the offer documents and internal guidelines. VHC



looked for instances where the offer evaluation or selection deviated from the criteria specified in the offer documents or from SCE’s internal guidelines. In addition, VHC looked for both intentional and unintentional biases and preferences that might unfairly influence the selection. Intentional bias might result in the unfair selection of SCE affiliate offers that would be in the interest of SCE shareholders

Unintentional biases might include unfair preferences for certain product types or technologies that result from the design of the RFO, the improper use of evaluation techniques or the choice of underlying assumptions. Differing treatments of offerors by contract negotiators could also result in unintentional bias. VHC participated in the bi-weekly meetings that discussed red-lined changes to pro-forma contracts for the various offers. Note that all terms and conditions do not have to be identical for each contract for a specific product type in order for the treatment of counterparties to be fair. However, fairness does mean that the process and rationale for changes to standard terms and conditions for proposed contracts have been vetted and are not arbitrary.

Fairness Assessment and Conclusions

VHC has concluded that SCE ran the evaluation and selection process without unfair preferences for one type of product over another product. VHC examined the results from the indicative offer assessments and found the relative results and trends to be reasonable and appropriate. For example, in the evaluation the tolls with progressively lower heat rates yielded progressively higher net energy values. VHC found the process to calculate the energy value from tolls versus call options to be consistent in both assumptions and approach. Furthermore, VHC had many discussions and other communications regarding calculations of the capacity value, energy benefits, AS benefits, discount rate, collateral requirements and the credit risk and GHG adders. VHC found that SCE’s broad set of assumptions and the 25 scenarios used to quantify the ranking and selection of offers were fair and reasonable.

Although no affiliate offers were selected in this RFO, VHC found no preferential treatment in favor of or against affiliate offers. There were no unique terms and conditions that would have provided preferential revenue enhancements or risk reductions for affiliate offers compared to other offers. The economic evaluation of the affiliate offers was consistent with that for other offers.

VHC found the final portfolio of offers selected by SCE to be reasonable and consistent with the evaluation criteria. The selection was based on weighing: 1) the NPV of different portfolio selections, 2) meeting portions of the future procurement needs at reasonable costs, and 3) assessing the price risks of meeting future needs in this RFO versus subsequent RFOs.



Additional VHC Fairness Assessment and Conclusions are:

- SCE uses an excellent methodology, models and metrics (lowest NPV cost) to find the least-cost combination of offers under multiple scenarios.
- The highly automated calculation processes and the attention of various groups to the processes for the review and evaluation of offers lower the probabilities of computational and data entry errors.
- Dual entries of data are used for toll offers to ensure accurate modeling of offers.
- Data from offer spreadsheets for daily financial call options and RA Tags are electronically transferred to evaluation models.
- There are no subjective or qualitative adders that were used to select offers.

Once the criteria and constraints applied in the evaluation process were determined, perhaps the primary area for subjective decisions in the selection process was the final determination of the number of offers to be selected for each product. The amount and type of offers selected are discussed in more detail in the confidential addendum.

C. Description of SCE’s Evaluation and Selection Process

3. Describe the IOU’s Least Cost Best Fit (LCBF) methodology (or provide the IOU’s own description). Evaluate the strengths and weaknesses of the IOU’s LCBF methodology. (This should include a thorough analysis of the RFO results.)

SCE has a two-phase evaluation process. The first phase screens indicative offers using a set of criteria including price to create a “short list” of offers to be evaluated in the second phase. The offers are ranked using a \$/kW-month (NPV) net benefits calculation. The net benefits are defined as the difference of monthly benefits and monthly costs. A key purpose of the first phase is to gather the indicative offer characteristics into the evaluation models to allow a fast assessment of the final offers, once the final offers are submitted. Note that SCE and counterparties agree to terms and conditions before the final offers are submitted. Offers are removed for not complying with the RFO rules and for being outliers with respect to NPV. All monthly costs and benefits are discounted on a monthly (rather than yearly) basis using a pre-determined discount rate. Projects with a positive NPV have greater benefits relative to costs.

The analysis applies 25 price scenarios in the selection of the short-list. These scenarios combine 25 electric and 5 natural gas price scenarios. The 25 scenarios are created by a technical assessment of price volatility in the gas and electric markets.

After terms and conditions are finalized refreshed, binding offer prices are received, the second phase evaluation selected the sets of offers that provide the



highest NPV of net benefits for various draws⁶ subject to the criteria and constraints applied. Results included the total NPV for each draw and the \$/kW-month (NPV) net benefits for individual offers. The net benefits are defined as the difference of monthly benefits and monthly costs.⁷ The final ranking involves analyses conducted over a two-day period using a series of models to find the least-cost set of offers. The portfolio optimization model (C-Plex) finds the least-cost set of offers for each draw. For the 2011 to 2014 period eleven draws were examined to capture a range of need increasing from the minimum amounts required to the maximum amounts allowed.

The second phase of the evaluation process also included a separate analysis of 14 draws to select the high heat rate strike options for the 3rd quarter of 2010. These contracts can be viewed as purchasing an insurance policy to account for low probability scenarios that might drive market prices up to the ISO price limit of \$2,500/MWh. A series of increasing purchase amounts are sorted by their economic attractiveness and are compared to the hedge value created.

The benefits and costs for the various products are calculated in the following manner:

Capacity Value

Each product that provides capacity that counts toward meeting SCE’s needed system and/or local capacity requirement receives a monthly capacity value. The capacity value varies by month with the highest values in the highest load months. Offers located in the LA Basin and Ventura areas receive higher capacity values, if needed, than other offers, since local generation provides both local and system reliability benefits.

Energy Value

The energy values for various products are calculated as described in this section. SCE calculates the energy values of tolls with dispatch capabilities by using the results from production simulation modeling under 25 scenarios. These probabilistic results provide an “expected” value for each offer.

Financial call options are evaluated against the price curves from the 25 scenarios. These are the same price curves that are used in the production simulation model for calculating the energy value of tolls.

The energy benefits of non-dispatchable tolls and QFs with fixed energy delivery

⁶ Each draw represents a least cost portfolio of offers. The first draw represents a least cost portfolio meeting the minimum procurement needs as specified by SCE for each product solicited and the last draw represents a least-cost portfolio meeting the maximum procurement needs as specified by SCE for each product solicited.

⁷ The calculations incorporate the estimated costs of Greenhouse Gas (GHG) emission allowances.



profiles are based on the replacement energy costs derived from an energy price curve.

The energy price curves are derived from forward electric and natural gas market prices for the first years and forecast prices for subsequent years. A price curve or shape based on hourly energy prices throughout the year is then applied to the forecast of yearly energy prices to create the forecast of hourly prices for each year.

AS Benefits

Dispatchable tolls receive AS benefits for spin, non-spin, regulation up (reg-up) and regulation down (reg-down). SCE uses production simulation models to calculate spin revenues. Non-spin revenues are calculated simply for units that can meet the 10 minute start-up requirements. SCE estimates the reg-up and reg-down revenues separately from the production simulation modeling.

GHG Benefits

CPUC Decision 07-12-052, December 20, 2007 mandates the inclusion of a GHG adder for comparing RFO offers.⁸

In its 2008 Market Price Referent (MPR) decision, D.08-10-026, on page 38, the Commission’s Findings of Fact regarding the MPR model state:

“In view of the rapid developments in GHG regulation, it is reasonable to set criteria for the modeling of GHG compliance costs to require that the model include at least:

- public availability;
- use of multiple scenarios and sources of information;
- use of realistic and public assessments of policy proposals and scenarios;
and
- use of the most current reliable information that conforms to the other three criteria.”

In July 2009, the CPUC’s Energy Division released its “Straw Proposal on LTPP Planning Standards” in Phase 1 of R.08-02-007, July 2009. In this report, the Energy Division recommended that “CO₂ costs should be assessed based on reasonable assumptions about the

⁸ CPUC Decision 07-12-052, p 152 states: “All resources within an RFO should be compared against one another on a consistent, LCBF basis using the GHG adder to increase the costs of fossil resources....” The Commission also indicated that the methodology and assumptions used in making GHG calculations for LTPP should comport with the direction given in AB 32 and SB 1368. (Ibid., p 232.)



future direction of GHG reduction policies, or based on actual policy, to the extent that such policies have been finalized.”⁹

SCE updated its annual GHG adder for this RFO by utilizing a more recent and representative GHG allowance price projection.

Contract Costs

The contract costs can include fixed, variable and start-up costs. Realized variable costs and start-up costs for tolls are estimated from production simulation modeling. SCE also converts the contract capacity costs into \$/kW-month (NPV), in order to compare offers.

Fuel Costs

Fuel costs for tolling agreements are the expected costs under the 25 scenarios from production simulation modeling.

Energy Revenues

Energy revenues for tolls are the expected revenues under the 25 scenarios from the production simulation modeling. Net energy revenues for financial call options are based on the expected (probabilistic) spread in heat rate strike prices versus the forecasted implied marginal heat rates (IMHR) obtained under the five natural gas price scenarios.

Locational Impacts

The methodology SCE used to calculate locational impacts in the evaluation of offers is discussed in the Confidential Addendum.

Collateral and Credit Risk Adders

Both SCE and counterparties may perceive that there would be credit risk associated with the offers and, thus, seek collateral as protection. SCE has been using Collateral and Credit Risk Adders for All-Source RFO valuation since January 2005. Since SCE will not post collateral for contracts procured in this RFO, no collateral adder is considered to account for SCE collateral posting.

SCE estimates the amount of collateral a counterparty should post from SCE’s expected exposure to loss (based on a Mark-to-Market simulation during the life of the contract), the variance of the exposure and the probability of the counterparty defaulting. If a counterparty

⁹ Simon Baker, Energy Division Straw Proposal for LTPP Planning Standards, prepared by the CPUC Energy Division in accord with the Phase 1 Scoping Memo in the 2008 Long-Term Procurement Plan Rulemaking (R.) 08-02-007, July 2009, p. 76.



does not post the full collateral, SCE includes a Credit Risk Adder based on the deficit in the amount of collateral in its comparative evaluation of offers.

Debt Equivalence (DE) Adder

Long-term contracts are viewed by debt rating agencies as a long-term financial or debt-like liability. The CPUC authorized “the investor-owned utilities (IOUs) to recognize the effects of DE when comparing power purchase agreements (PPA) against PPAs in their bid evaluations, but not when a utility-owned generation (UOG) project is being considered,” and allowed the use of a 20% risk factor.¹⁰

SCE used the CPUC’s authorized methodology for calculating DE adders and computed the adder based on the unavoidable costs of a contract (i.e., capacity payments for tolls and tags and premium payments for options).

D. Validation of SCE’s Evaluation Results

VHC used the following process to validate the calculations of costs and benefits for each product type and the ultimate selection of a portfolio of offers.

1. Reviewed calculations of \$/kW-month (NPV).

VHC examined each of the components of the cost and benefits calculation for each product type. VHC also examined key assumptions and calculation techniques for each cost and benefit component. Cost components include capacity payments, energy costs, and collateral, credit and DE adders. Benefit components include capacity value, energy and AS revenues. VHC’s detailed comments regarding some these components are found in the confidential section of the report.

2. Mock runs.

In preparation for its selection of offers, SCE conducted mock runs. VHC participated in the mock runs to test the models and assumptions. VHC requested that several test offers be run and examined the results. This allowed VHC to confirm that the NPV results were calculated correctly and that the general trends and differences in energy values for various products were reasonable.

3. Final review and selection of offers.

VHC participated in the final selection of offers on October 6, 2009. VHC examined the costs and benefits for the marginal offers that were

¹⁰ CPUC Decision 08-11-008.



accepted and rejected. The purpose of examining marginal offers was to ensure that the results of the optimization model were reasonable.

Key Strengths

- The modeling used 25 scenarios to allow the economic evaluation to capture the expected (or extrinsic) value of dispatchable tolls and call options. This is clearly superior to a single scenario assessment which would tend to underestimate values of dispatchable tolls and call options.
- SCE’s C-Plex optimization finds the lowest NPV combination of offers for different draws taking constraints into account.
- VHC views the \$/kW-month (NPV) as a reasonable metric for reviewing offers that make the final selection, since it allows comparison of contracts with various durations and start dates. Furthermore, the calculations capture differences in values by month of the year.
- The modeling, analysis and review of contracts conducted by SCE are very sophisticated. The process works well because of the attention to detail, checks during the evaluation and the high degree of communication among SCE’s staff groups that participate in the RFO.

Weaknesses

VHC did not find any significant weaknesses in the evaluation methods. However, VHC did note the following refinements that may further improve SCE’s selection process in future RFOs.

- Locational value differences within SP15 currently only consider line losses as estimated by (Generation Meter Multipliers) GMMs. VHC understands that SCE will examine the California ISO’s Market Redesign and Technology Upgrade (MRTU) nodal pricing results to determine if and how values depend on interconnection points.
- The forecast of AS revenues for regulation up and regulation down for tolls is extremely difficult to estimate. VHC has suggested SCE conduct further comparisons of the AS revenues estimated from models with more recent settlement data from existing contracts and/or SCE-owned power plants.
- The Implied Marginal Heat Rate (IMHR), which directly affects the energy value of offers, is derived from technical assessments of the implied volatility of the forward natural gas and electric market prices. VHC believes the ranges used are reasonable for this RFO. However, VHC recommends a fundamental look at different stress case scenarios to see if such analysis might provide additional insights into the future volatility of the IMHR.



- SCE’s hourly production cost simulations use 25 scenarios based on 5 cases for the natural gas forecast and 25 cases for the power price forecast. Volatilities are estimated and correlations between power and gas prices are incorporated. To enhance the robustness of the scenario analysis, the uncertainty in load growth, could be also be treated as an additional uncertain variable that will affect the expected NPV of the different offers. By examining correlations the number of overall scenarios can probably be kept near to or at 25.

VHC’s Least-Cost Best-Fit Conclusions

VHC believes that the SCE evaluation methodologies comply with the Commission’s Least Cost Best Fit methodology requirements. Furthermore, VHC believes that SCE’s sophisticated methodologies lead to an appropriate selection of offers.

E. SCE’s Outreach

4. How did the IOU conduct outreach to bidders, and was the solicitation robust?

VHC believes that SCE’s outreach to publicize and notify prospective offerors into this RFO was reasonable and similar to the outreach efforts of other utilities in California for their RFOs. SCE has run this All-Source RFO for the past 8 years over the same general time frame with robust responses from offerors.

On July 7, 2009, SCE notified approximately 1,500 contacts (compiled from previous power supply solicitations, regulatory service lists, members of the media, etc.) that the RFO had been released. On the same day, SCE posted the solicitation on its company website, providing a means for interested parties to download the RFO and related materials. The SCE web site provides an effective way for prospective offerors to ask questions, and read posted responses. Several weeks later, on July 21, 2009, SCE held a bidders’ conference call to provide an overview of the 2009 All-Source solicitation. The conference call provided prospective offerors an overview of the solicitation and the opportunity to ask questions. VHC participated in this conference call.

VHC believes that the response from offerors was robust and notes that SCE received more offers this year than in its 2008 RFO.

F. Project-specific Negotiations

5. Describe project-specific negotiations. Highlight any areas of concern including unique terms and conditions.

SCE has a team of negotiators that finalize all contracts terms and conditions before the final, binding offer prices are submitted. During the negotiation process, SCE has bi-weekly



meetings at which contract negotiators discuss the changes to terms and conditions requested by counterparties. SCE allows some flexibility and variations in the pro-forma contract in certain areas, so long as the changes do not lead to significant increases in ratepayer risks. The confidential Addendum provides more discussion of the project-specific negotiations in this RFO.

G. Affiliate Offers and UOG Ownership Proposals (If Applicable)

6. If applicable, describe safeguards and methodologies employed by the IOU to compare affiliate bids or Utility-Owned Generation (UOG) ownership proposals. If a utility selected a bid from an affiliate or a bid that would result in utility asset ownerships, explain and analyze whether the IOU’s selection of such bid(s) was appropriate.

SCE and the IE employed a host of safeguards to ensure that there was no preferential treatment of affiliate offers. Mike Katz was on site to monitor the opening of both indicative and final offers. VHC also monitored all communications between SCE and any affiliates that submitted an offer.

In addition, VHC performed a detailed review of the underlying assumptions and the economic evaluation results for all affiliate offers, in order to ensure that preferential treatment was not given.

Finally, no affiliate offers were selected in this RFO.

H. VHC’s Recommendations

7. Do you agree with the IOU that the contract(s) merit Commission approval? Explain.

Yes, VHC agrees with SCE that the contracts selected in this RFO merit Commission approval. As discussed throughout this report, SCE ran a fair solicitation to find a set of contracts to meet its future needs. Based on our interactions with SCE and our review of its RFO processes, methods and results, VHC believes these contracts were selected without unfair biases or preferential treatment to the participants. Overall, SCE’s process follows Commission guidelines for making a least-cost best-fit selection. Therefore, the contracts merit Commission approval.

Attachment 4

**DECLARATION OF LISA MARTIN REGARDING THE CONFIDENTIALITY
OF CERTAIN DATA**

I, Lisa Martin, declare and state:

1. I am Manager of Natural Gas Contracts at Southern California Edison (SCE). As such, I supervised the preparation of the SCE Fall 2009 Gas RFO IE Report - Confidential Appendix A.doc. I make this declaration in accordance with D.08-04-023 and D.06-06-066 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. SCE is seeking confidential treatment under General Order 66-C and Public Utilities Code section 583 of certain data that is market-sensitive, but does not fall into a category of the Matrix. That confidential data and the asserted justification for confidential treatment of that data is listed below:

Data	Pages	Justification for Confidential Protection
Word document entitled: SCE Fall 2009 Gas RFO IE Report - Confidential Appendix A.doc	All Pages	This portion of the IE report contains the specific competitive bid information used in the scoring and evaluation of competitive bids for the Natural Gas RFO. Matrix Category VIII.B offers confidential protection for similar data for electric products. The confidential appendix also contains details of SCE's natural gas hedging strategy, which is protected under Matrix Category I.A.4 . If this data were to be revealed, future RFO participants could manipulate their bids based on the analysis, resulting in potentially increased costs to SCE's ratepayers.

3. I am informed and believe and thereon allege that the data in the table in paragraph 2 above cannot be aggregated, redacted, summarized, masked or otherwise protected in a manner that would allow partial disclosure of the data while still protecting confidential information, because the Data Request requires that the data be provided in this form.

4. I am informed and believe and thereon allege that the data in the table in paragraphs 2 above 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 January 29, 2010 at Rosemead, California.

Lisa L. Martin

Lisa Martin

Attachment 5

**DECLARATION OF JESSE BRYSON REGARDING THE CONFIDENTIALITY
OF CERTAIN DATA**

I, Jesse Bryson, declare and state:

1. I am Manager of Power Contracts at Southern California Edison (SCE). As such, I supervised the preparation of the Q4 2009 All Source RFO IE Report Confidential Addendum. I make this declaration in accordance with D.08-04-023 and D.06-06-066 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 document titled "Independent Evaluator's Confidential Addendum for Southern California Edison's 2009 All-Source Request for Offers". Listed below are the data for which SCE is seeking confidential protection and the categories of the Matrix of Allowed Confidential Treatment Investor Owned Utility (IOU) Data (Matrix) appended to D.06-06-066 to which these data correspond.

Location of Data	Pages	Matrix Category	Limitations on Confidentiality Specified in Matrix
PDF file titled: VHC_IE_Report_Confidential_Addendum_SCE_2009_RFO-Jan-25-2010.pdf	All	VIII.B Specific quantitative analysis involved in scoring and evaluation of participating bids	Evaluation guidelines should be public. Other information confidential for three years after winning bidders selected.

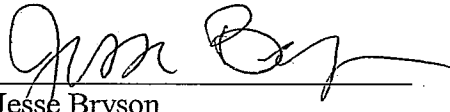
3. I am informed and believe that SCE is complying with the limitations on confidentiality specified in the Matrix that pertain to the data listed in the table above.

4. I am informed and believe and thereon allege that the data in the tables in paragraph 2 above cannot be aggregated, redacted, summarized, masked or otherwise protected in a manner that would allow partial disclosure of the data while still protecting the confidential information.

5. I am informed and believe and thereon allege that the data in the table in paragraph 2 above 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 January 29, 2010 at Rosemead, California.



Jesse Bryson

Attachment 6

**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 Fourth Quarter 2009 Procurement Plan Compliance Report on a compact disc (Confidential 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 Confidential 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 Electric Transmission Capacity Transactions	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 one year following expiration, whichever	Confidential data (terms other than contract summaries) shaded to facilitate redaction.

Workpaper Description	Matrix Category	Matrix Confidentiality Treatment	Confidentiality Designation
	[Matrix category applies to purchases; but equal confidential treatment of sales sought by analogy]	comes first.	
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</p>	Entire document designated confidential, as redaction not feasible.

Workpaper Description	Matrix Category	Matrix Confidentiality Treatment	Confidentiality Designation
		following expiration, whichever comes first.	
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</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</p>	Entire document designated confidential, as redaction not feasible.

Workpaper Description	Matrix Category	Matrix Confidentiality Treatment	Confidentiality Designation
	analogy].	submitted to CPUC for approval.	
Daily Resource Plans	<p>II.A.2. Cost Forecast Data – Electric: Electric Price Forecasts: Utility Electric Price Forecasts;</p> <p>II.B.1. Cost Forecast Data – Electric: Generation Cost Forecasts: Utility Retained Generation (URG);</p> <p>II.B.2. Cost Forecast Data – Electric: Generation Cost Forecasts: DWR Contracts;</p> <p>II.B.3. Cost Forecast Data – Electric: Generation Cost Forecasts: QF Contracts;</p> <p>II.B.4. Cost Forecast Data – Electric: Generation Cost Forecasts: Non-QF Bilateral Contracts;</p> <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>Confidential for three years;</p> <p>Confidential for three years;</p> <p>Variable cost of dispatchable resources confidential. All other information public.</p> <p>Confidential for three years;</p> <p>Confidential for three years;</p> <p>Confidential for three years;</p> <p>Confidential for three years;</p>	Entire document designated confidential, as redaction is not feasible.

Workpaper Description	Matrix Category	Matrix Confidentiality Treatment	Confidentiality Designation
	IV.C. Resource Planning Information – Electric: Forecast of IOU Hydro Greater than 30 Megawatts (MW);	Confidential for three years;	
	IV.F. Resource Planning Information – Electric: Forecast of Post-1/1/2003 (“New World”) Bilateral Contracts;	Individual contract information confidential for three years, or until one year following expiration, whichever comes first;	
	IV.G Resource Planning Information – Electric: Forecast of DWR Contracts;	Individual contract information confidential for three years, or until one year following expiration, whichever comes first;	
	V.B. Load Forecast Information and Data – Electric: LSE Total Peak Load Forecast – Bundled Customer (MW);	Front three years of forecast data confidential;	
	VI.A. Net Open Position Information – Electric: Utility Bundled Net Open (Long or Short) Position for Capacity (MW);	Front three years of forecast data confidential;	
	VI.B. Net Open Position Information – Electric: Utility Bundled Net Open (Long or Short) Position for Energy (MWh).	Front three years of forecast data confidential.	
Real Time Price Surveys	VIII.A. Competitive Solicitation (Bidding)	Total number of projects and	Entire document designated

Workpaper Description	Matrix Category	Matrix Confidentiality Treatment	Confidentiality Designation
	Information – Electric: Bid Information.	megawatts bid by resource type public after final contracts submitted to CPUC for approval.	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)	Front three years for forecast data confidential;	Each entire briefing document designated confidential, as redaction is not feasible.
	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.	
	VIII.B. Competitive Solicitation (Bidding) Information – Electric: Specific Quantitative Analysis Involved in Scoring and Evaluation of Participating Bids	Evaluation guidelines should be public. Other information confidential for three years after winning bidders selected.	

3. 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 table above.

4. SCE is also seeking confidential treatment under GO-66C and Public Utilities Code section 454.5(g) of certain sulfur dioxide emission allowance transaction data that is

market-sensitive, but does not fall into a category on the Matrix. A description of the confidential data and the asserted justification for confidential treatment of that data is listed below:

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.
CAISO Data	EXCEL file included with SCE's confidential workpaper CD	As SCE's spot market activity varies little from day to day, and as this data depicts SCE's hourly, daily, and monthly net short/long position in the spot market, revealing this data to other market participants could put SCE at a competitive disadvantage and enable counterparties to increase the prices paid and/or decrease the prices received by SCE in future spot market transactions.

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 confidential 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 January 29, 2010 at Rosemead, California.


 THOMAS W. FILLMORE

Attachment 7

**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 Southern California Edison's (SCE's) Energy Supply and Management Department (ES&M). As such, I had responsibility for managing the preparation of confidential attachments contained in SCE's Fourth Quarter 2009 Procurement Plan Compliance Report (Q4 2009 QCR). I make this declaration in accordance with Decisions 06-06-066 and 08-04-023 issued in R.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 confidential attachments to the Q4 2009 QCR (Attachments). Listed below are the data in the Attachments for which SCE is seeking confidential protection and the categories on the Matrix of Allowed Confidential Treatment Investor Owned Utility (IOU) Data (Matrix) to which these data correspond. Also set forth is an explanation of why the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that would allow partial disclosure:

Location of Confidential Data	Line, Column or Table Number	Matrix Category	Reason why data cannot be aggregated, etc.
Attachment B	Table 1 - Collateral Type/Credit Mechanism Column	VII.B – Bilateral Contract Terms and Conditions – Contracts and Power purchase agreements between utilities and non-affiliated third parties.	Data required to be presented in this form to fully comply with CPUC request.
Attachment B	Table 2 - Transaction Value Column	VII.B – Bilateral Contract Terms and Conditions – Contracts and Power Purchase Agreements between Utilities and Non-affiliated Third Parties; I.B.2 Utility recorded gas procurement and cost information.	Data required to be presented in this form to fully comply with CPUC request

Attachment C	All shaded columns	XIII Energy Division Monthly Data Request AB57	Data required to be presented in this form to fully comply with CPUC request
Attachment D	All shaded columns	I.B.2 – Utility Recorded Procurement and Cost Information; I.A.4. Long-term fuel (gas) buying and hedging plans.	Data required to be presented in this form to fully comply with CPUC request
Attachment H	All shaded columns	VII.B - Bilateral Contract Terms and Conditions – Contracts and Power purchase agreements between utilities and non-affiliated third parties. I.B.2 – Utility Recorded Procurement and Cost Information; I.A.4. Long-term fuel (gas) buying and hedging plans.	Data required to be presented in this form to fully comply with CPUC request
Attachment J	All shaded data	VI.A – Net Open Position Information – Utility Bundled Net Open Position for Capacity.	Data required to be presented in this form to fully comply with CPUC request

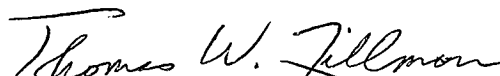
3. I am informed and believe that SCE is complying with the limitations on confidentiality specified in the Matrix that pertain to the data listed in the table above.

4. I am informed and believe and thereon allege that the data in the table above cannot be aggregated, redacted, summarized, masked or otherwise protected in a manner that would allow partial disclosure of the data while still protecting confidential information.

5. I am informed and believe and thereon allege that the data in the table in paragraph 2 above 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 January 29, 2010 at Rosemead, California.


THOMAS W. FILLMORE