

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



August 13, 2009

Advice Letter 2340-E

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

Subject: Withdrawal of AL 2340-E - Updated Volume Limits for SO₂ Allowances

Dear Mr. Jazayeri:

Advice Letter 2340-E is withdrawn as requested in your letter dated August 10, 2009.

Sincerely,

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

Julie A. Fitch, Director
Energy Division

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



May 20, 2009

Advice Letter 2340-E

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

Subject: Updated Volume Limits for SO₂ Allowances

Dear Mr. Jazayeri:

The Energy Division is rescinding the reject letter we sent today, May 20, 2009.
We are instead suspending Advice Letter 2340-E.

If you have any questions, please feel free to call Kevin Dudney at (415) 703-2557.

Sincerely,

A handwritten signature in blue ink that reads "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division

PUBLIC VERSION

April 23, 2009

ADVICE 2340-E (U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Updated Volume Limits for SO₂ Allowances

PURPOSE

In compliance with Advice Letter (AL) 2133-E, approved with modifications by Resolution E-4112 on October 18, 2007, Southern California Edison Company (SCE) hereby submits for filing its current estimate of its surplus sulfur dioxide (SO₂) allowances available for sale and its updated Cumulative Sales Limits. These volumes are listed in Tables 1 and 2 below. SCE will also clarify in this filing the methodology it uses to track the proceeds from the sale of Post-2005 Mohave SO₂ allowances.

CONFIDENTIALITY

Portions of this advice letter (shaded in gray in the confidential version and redacted from the public version) are submitted to the Energy Division under seal along with a confidentiality declaration (Attachment A) pursuant to Decision (D.) 06-06-066, the Matrix of Allowed Confidential Treatment Investor Owned Utility (IOU) Data, Category XII-Monthly Portfolio Risk Assessment and D.08-04-023. Parties wishing to obtain access to the confidential version of this advice letter may contact Deana Ng in SCE's Law Department at Deana.Ng@sce.com or (626) 302-1936 to obtain a nondisclosure agreement.

BACKGROUND

SCE submitted AL 2133-E, "Request for Amendment of SCE's Assembly Bill 57 Procurement Plan to Include Sulfur Dioxide Emission Allowances and Related Products," on June 11, 2007. Subsequently, in compliance with Resolution E-4112 approving SCE's request, SCE modified its Preliminary Statement Part ZZ, ERRA, in AL 2181-E on November 19, 2007. SCE stated that the volumes represented in Table 2 of AL 2133-E were an estimate of SCE's surplus SO₂ allowances at the time and that

the estimate would be subject to change due to differences between projected and actual plant SO₂ emissions and updated forecasts. SCE also noted that it would update the table and volume limits, by advice filing, when such changes occur.

Since approval of AL 2133-E and as of December 31, 2008, the following changes to SCE's forecast of surplus allowances have occurred:

- Arizona Public Service (APS), as the operating agent for the Four Corners Generating Station (FCGS), transferred [REDACTED] allowances, [REDACTED] allowances, and [REDACTED] allowances from the FCGS' Environmental Protection Agency (EPA) account to SCE's EPA account. Future surplus allowances from FCGS will, by and large, be transferred annually after settlement of the plant's SO₂ account with the EPA.
- SCE, acting as the operating agent for Mohave Generating Station (MOGS), transferred [REDACTED] allowances, [REDACTED] allowances, and [REDACTED] allowances from the MOGS' EPA account(s) to SCE's EPA account.
- SCE, acting as the operating agent for MOGS, transferred all future vintage (2008 through 2037, including the perpetuity) allowances to the plant partners minus a hold-back of [REDACTED] allowances for every year from 2008 to 2037 for use by a new owner in the event that the plant is sold and restarted with flue gas desulfurization. This amounted to approximately [REDACTED] allowances for each vintage year 2008 through 2037, including the perpetuity, being transferred to SCE's EPA account.
- SCE transferred [REDACTED] allowances for every vintage year from 2007 to perpetuity to another SCE EPA account for company compliance use to offset SO₂ emissions from Mountainview Generating Station and the SCE Peakers. SO₂ allowances in this account are not considered to be allowances that SCE determines to be "available for sale."
- SCE sold [REDACTED] current vintage allowances in 22 transactions with eight different counterparties. (See discussion below in "Clarification of Current Vintage Year.")

Table 1, below, updates Table 2 of AL 2133-E, SCE's projected "available for sale" SO₂ allowances by vintage year. The table distinguishes Post-2005 Mohave allowances from SCE's other allowances. The "Total" amount represents the number of surplus SO₂ allowances available for sale or to hedge and, therefore, also represents an upper limit on the amount of SO₂ allowances SCE can sell or hedge. The table uses a "Reason Code" to explain changes since the filing of AL 2133-E:

- 1: Mohave in: Transfers into the SCE EPA account from the MOGS EPA account.

- 2: Four Corners in: Transfers into the SCE EPA account from FCGS' EPA account.
- 3: Sales out: Completed sales of allowances out of the SCE EPA account as of 10/01/08.
- 4: Other out: Transfers out of the SCE EPA account for reasons not otherwise mentioned in this list.
- 5: Company use out: Allowances transferred from the SCE EPA account to another SCE EPA account for company compliance use to offset SCE SO₂ emissions.
- 6: Other in: Transfers in for reasons not otherwise mentioned in this list.
- 7: Mohave out: Transfers out of the SCE EPA account to the MOGS' EPA account.

TABLE 2: Cumulative Sales Position Limits

Vintage Year	Projected Sales Position Limits Updated as of 12/31/08				
	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012
█	█	█	█	█	█
█	█	█	█	█	█
█	█	█	█	█	█

Table 2 updates Table 3 in AL 2133-E due to the changes enumerated above.

Clarification of “Vintage Year” for Purposes of Tracking Proceeds and Costs From Sales of Currently Usable Allowances

In AL 2133-E, the section titled “Treatment of Proceeds From Sales of Post-2005 Mohave SO₂ Allowances,” SCE stated:

[W]hen transacting, SCE will not distinguish between allowances in its different accounts. Instead, SCE will treat all allowances as fungible elements in a single portfolio in order to eliminate any perception (or reality) of different treatment of the post-2005 Mohave SO₂ allowances as compared to other allowances. In other words, the proceeds and costs resulting from any SCE transactions for SO₂ Products will be split *pro rata* according to the proportion of unused Post-2005 Mohave Allowances to the total allowances in SCE’s Total Unused SO₂ Allowance portfolio by vintage year. (Emphasis added.)

In implementing this methodology, however, SCE concluded that for any sales of allowances of current or prior vintage years (Current Vintage Allowances), splitting the sales proceeds and costs according to specific vintage year would not be consistent with the principle of treating all allowances equally and could lead to the possibility or perception that SCE is treating the Post-2005 Mohave SO₂ allowances differently than the other allowances. This is because: (a) all Current Vintage Allowances are usable immediately and therefore are treated and valued identically by the market, regardless of their specific vintage year; (b) within SCE’s overall holding of Current Vintage Allowances (*i.e.*, currently the allowances of vintages 2000 through 2008) the proportion of Post-2005 Mohave allowances relative to all unused SCE SO₂ allowances is not the same in each year (there are no Post-2005 Mohave allowances in vintages 2000 through 2005, but there are in the later vintages).

For example, under that methodology, if a buyer sought to purchase 100 Current Vintage Allowances, SCE could sell 100 Vintage-2005 allowances or 100 Vintage-2006 allowances (the buyer would be completely indifferent and would pay the same price regardless), but if SCE’s sale proceeds and costs were split by specific vintage year, only the latter sale would result in any proceeds or costs being allocable to the Post-2005 Mohave allowances. Therefore, to avoid this problem, SCE has done, and will continue to do, the following in any transactions of Current Vintage Allowances: SCE splits the proceeds and costs *pro rata* according to the proportion of (i) the total

unused Post-2005 Mohave allowances, relative to (ii) the total unused Current Vintage Allowance portfolio (currently 2000 through 2008).¹

For any sales of future vintage allowances (currently vintage years 2009 and beyond) this problem does not exist and the appropriate, nondiscriminatory splitting of the sale proceeds and costs is by specific vintage year, as indicated in AL 2133-E. This is because the allowances first become usable in their vintage year; accordingly, the allowance market places a different value on each future vintage, and in any transactions of future vintage allowances the parties specify exactly which vintage is being bought and sold.

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 Resolution E-4112 and D.07-01-024, Energy Industry Rule 5.2, this advice letter is submitted with a Tier 2 designation.

EFFECTIVE DATE

This advice filing will become effective on May 23, 2009, the 30th calendar day after the date filed.

NOTICE

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

¹ The ratios used for this allocation of proceeds and costs are determined based on the allowance inventory that SCE has available to sell at the time of the sale. The ratios do not include any allowances that SCE may receive in the future, but has not yet received. Specifically, the ratios would not include any allowances that may be transferred in the future from the common Mohave account of the Mohave co-owners, from Four Corners, or from the account that SCE maintains for its own company compliance needs. Also, the ratio of the Post-2005 Mohave allowances to the total portfolio is held constant regardless of sales (*i.e.*, in effect, each sale is satisfied by a pro-rata share of the Post-2005 Mohave allowances and the other allowances), and it changes only if allowances are transferred into or out of a portfolio for reasons other than sales, including at the beginning of each year when that year's vintage changes into Current Vintage Allowances.

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
E-mail: inj@cpuc.ca.gov and mas@cpuc.ca.gov

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

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

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

Bruce Foster
Senior Vice President, Regulatory Affairs
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2040
San Francisco, California 94102
Facsimile: (415) 929-5540
E-mail: Karyn.Gansecki@sce.com

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

In accordance with Section 4 of General Order No. (GO) 96-B, SCE is serving copies of the Public Version of this advice filing to the interested parties shown on the attached GO 96-B, A.06-12-022, and R.06-02-013 service lists. Address change requests to the GO 96-B service list should be directed by electronic mail to AdviceTariffManager@sce.com or at (626) 302-2930. For changes to all other service lists, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

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

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

Southern California Edison Company

Akbar Jazayeri

AJ:dd:sq
Enclosures

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

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

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

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: James Yee

Phone #: (626) 302-2509

E-mail: James.Yee@sce.com

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

EXPLANATION OF UTILITY TYPE

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

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2340-E Tier Designation: 2

Subject of AL: Updated Volume Limits for SO₂ Allowances

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 #:
E-4112

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

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

Confidential treatment requested? Yes No

If yes, specification of confidential information: See Attachment A.

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: 5/23/09 No. of tariff sheets: -0-

Estimated system annual revenue effect: (%): _____

Estimated system average rate effect (%): _____

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

Tariff schedules affected: None

Service affected and changes proposed¹: _____

Pending advice letters that revise the same tariff sheets: _____

¹ Discuss in AL if more space is needed.

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

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

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

Bruce Foster
Senior Vice President, Regulatory Affairs
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2040
San Francisco, California 94102
Facsimile: (415) 929-5540
E-mail: Karyn.Gansecki@sce.com

Attachment A

**DECLARATION OF ROBERT GRIMM REGARDING THE
CONFIDENTIALITY OF CERTAIN DATA**

I, ROBERT GRIMM, declare and state:

1. I am the Manager of Natural Gas Planning in the Energy Planning Division of the Energy Supply and Management Department at Southern California Edison Company (SCE). As such, I had responsibility for preparing SCE's Advice Letter regarding sulfur dioxide allowances and related products ("SO₂ Advice Letter"). 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 contained in the SO₂ Advice Letter that is market-sensitive, but does not fall into a category of the Matrix of Allowed Confidential Treatment Investor Owned Utility (IOU) Data (Matrix) appended to D.06-06-066. A description of the data and the asserted justification for confidential treatment of that data is listed below:

Data	Page	Reason for Confidential Protection
Specific quantities of SO ₂ allowances transferred to or among various accounts that affect SCE's overall SO ₂ position.	p. 2	If revealed, the data would allow other parties to know SCE's net short or long position. By knowing this info, the party(-ies) would be able to determine the amount of purchases or sales SCE were about to enter into, and would adjust their bids accordingly.
Table 1: Projected amount of unused allowances and sales position limit (updated 12/31/08).	p. 4	If revealed, the data would allow other parties to know SCE's net short or long position. By knowing this info, the party(-ies) would be able to determine the amount of purchases or sales SCE were about to enter into, and would adjust their bids accordingly.
Table 2: Projected sales position limits (updated 12/31/08).	p. 5	If revealed, the data would allow other parties to know SCE's net short or long position. By knowing this info, the party(-ies) would be able to determine the amount

		of purchases or sales SCE were about to enter into, and would adjust their bids accordingly.
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3. 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, without hindering SCE's ability to provide Commission Staff with sufficient information to review SCE's Advice Letter.

4. I am informed and believe and thereon allege that the data in the tables 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 April 23, 2009 at Rosemead, California.


ROBERT GRIMM