

BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate
and Refine Procurement Policies and
Consider Long-Term Procurement Plans.

R.12-03-014

NOTICE OF EX PARTE COMMUNICATION

John W. Leslie
McKenna Long & Aldridge *LLP*
600 West Broadway, Suite 2600
San Diego, California 92101
Tel: (619) 699-2536
Fax: (619) 232-8311
E-Mail: jleslie@mckennalong.com

Attorneys for Shell Energy North America (US), L.P.

Date: September 7, 2012

BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans.

R.12-03-014

NOTICE OF EX PARTE COMMUNICATION

In accordance with Rule 8.4 of the Commission's Rules of Practice and Procedure, Shell Energy North America (US), L.P. ("Shell Energy") files this notice of an ex parte communication that occurred in the above-referenced proceeding on Wednesday, September 5, 2012. The ex parte communication was oral. The communication occurred in the Sacramento Convention Center at the annual CAISO symposium.

I.

The ex parte communication occurred through a brief encounter between a representative of Shell Energy and Commissioner Michel Florio. Shell Energy's representative was Michael Evans, General Manager, Regulatory Affairs. Mr. Evans had a brief conversation with Commissioner Florio during a break at the symposium. The communication was initiated by Mr. Evans. The conversation occurred at approximately 3:00 p.m. and lasted approximately 5 minutes.

II.

Mr. Evans discussed the CAISO's impending proposal to impose a new resource adequacy ("RA") procurement mandate on all LSEs, including ESPs, for three new flexible capacity products. Mr. Evans stated that with respect to the direct access ("DA") program, a three-year forward procurement requirement for RA capacity would impose a severe financial

burden on DA customers, and the liability would be difficult for those customers to carry on their balance sheets, inhibiting their ability to fund other capital expenditures intended for their core businesses.

Mr. Evans noted that California has stated its support for a hybrid market. Mr. Evans noted that the Commission can recognize that the IOU bundled customer does not carry the debt liability for the IOU's forward procurement of RA, as this is borne by the IOU, with guaranteed cost recovery assured through Commission-approved rates. However, the DA customer does not have this avenue available to it, and would have to carry the financial burden for the forward RA procurement, if the mandate is extended to ESPs who serve DA customers. The effect of a forward (three or more years) RA procurement obligation could force most DA customers back to the utility, and inhibit the hybrid market objective.

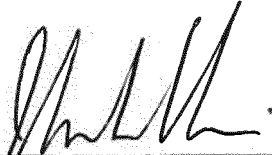
Mr. Evans stated that an alternative would be for the Commission to continue to direct IOU procurement through the LTPP by authorizing the IOUs to procure new RA flexible capacity products, as a hedge against the CAISOs' daily clearing of those products, similar to the current CAISO ancillary services markets. Today, the IOUs can procure ancillary services capacity (which they have access to through tolling agreements and utility-owned generation) and then bid that capacity into the CAISO ancillary services markets. The IOUs can then bid in ancillary services equal to their load obligation and net out (get charged and paid for) their supply and their obligation.

III.

To obtain a copy of this notice, please contact:

Sue Pote
McKenna Long & Aldridge LLP
600 West Broadway, Suite 2600
San Diego, California 92101-3391
Tel: (619) 699-5594
E-Mail: spote@mckennalong.com

Respectfully submitted,



John W. Leslie
McKenna Long & Aldridge LLP
600 West Broadway, Suite 2600
San Diego, California 92101
Tel: (619) 699-2536
Fax: (619) 232-8311
E-Mail: jleslie@mckennalong.com

Date: September 7, 2012

Attorneys for Shell Energy North America (US), L.P.

101988236.1