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.	Rulemaking 12-03-014 (Filed March 22, 2012)

WOMEN'S ENERGY MATTERS
REPLY BRIEF IN TRACK 1 - LCRs

October 12, 2012

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TABLE OF CONTENTS

WOMEN'S ENERGY MATTERS
REPLY BRIEF IN TRACK 1 - LCRs

Women's Energy Matters (WEM) appreciates this opportunity to reply to opening briefs in Track 1 – the Local Capacity Requirements, pursuant to the schedule put forth on the last day of hearings in this matter, August 17, 2012.

We use the original SCE briefing outline for major sections, and unless otherwise noted, all citations to parties refer to their opening briefs.

I. EXECUTIVE SUMMARY

II. DETERMINATION OF LOCAL CAPACITY REQUIREMENTS (LCR) NEED IN CALIFORNIA INDEPENDENT SYSTEM OPERATOR (CAISO) STUDIES

A. CAISO's LCR And Once-Through Cooling (OTC) Generation Studies

Three distinct types of LCR need: (1) load serving, (2) contingency mitigations, and (3) renewables integration.

SONWGS

A4NR pointed out that the CAISO's seemingly conservative attitude towards procurement was thrown into doubt by its radically risky decision to ignore replacement resources for potentially lengthy and unexpected shutdowns of nuclear power plants, which AB1632 expected the CPUC, CEC, and CAISO to address.[1]

Parties were asked to put off the discussion of the long outage of the San Onofre Nuclear Waste Generating Station (SONWGS) until Track 2 of this proceeding, but it kept cropping up, nonetheless, undermining all the LCR estimates, whether CAISO's, SCE's, or other parties'. It is not at all clear that SONWGs' entire 2200 MW capacity needs to be replaced, but the fact remains that none of it was officially considered in Track 1, even though the nuclear plant serves the W. LA Basin LCRs, as well as San Diego LCR.

A4NR quoted Mr. Minick saying he likes to do long-range planning; he doesn't like band-aids: "*They may help a little bit, but their cost/benefit ratio may not be that good.*"[2] □ð

[1] A4NR. p. 3.
[2] A4NR, p. 8, quoting Minick, EH Vol. 6, pp. 956-957.

The plan to consider SONWGS in Track 2 was explained as necessary to consider the wider impacts and costs of retiring both SONWGS and Diablo Canyon Nuclear Power Plant (DCPP) by 2015 or 2021. However, the recently revised scenarios dropped DCPP from that menu. Apparently the Commission shares Minick's view that a long outage is a "very low risk probability"[3] even though it just happened! Something similar — or a whole lot worse — could easily happen to Diablo Canyon next year.

The myth of dispassionate professionals executing their jobs with care and precision was seldom less evident than in this track of this proceeding. The many voices speaking for the environment came off as having far more common sense.

The odd status of the distribution system as a utility fiefdom guarded against the prying eyes of the CAISO, CPUC or other parties was highlighted often. For example, CEJA noted,

> In addition to the contingency events being highly improbable, adding significant resources onto the system is not likely to prevent outages from happening. Events impacting the local distribution system, not large events on the bulk power system, are the cause of the majority of power interruptions.62 "These local distribution failures (mainly caused by weather, downed trees, etc.) were not the subject of the reliability assessment which formed CAISO's LCR needs determination."[4]

For the utilities, ISO and the Commission to keep the distribution system in a separate silo and pay hardly any attention to it, is almost as senseless as ignoring the likelihood of ancient nuclear power plants to break down, perhaps catastrophically. Virtually all preferred resources are connected to distribution, not transmission, which results in them being invisible to CAISO and the rest of us.[5]

The Commission needs to address the systematic exclusion of distribution resources from procurement. While there are many barriers to various preferred resources that must be removed, a great many improvements would come quickly once the Commission begins to open up distribution to the light of day. WEM's proposals for making inventories of all resources, but particularly preferred resources on distribution system, should be a top priority in Track 1 of this proceeding.

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[3] EH Vol. 6, pp. 934-935.
[4] CEJA, p. 12.
[5] EH Vol. 3, p. 532 (Millar).

Questions of how much of what types of LCR resources (if any) are needed really cannot be resolved until Track 2 of this proceeding at the earliest. The good news is that they don't have to be. As we discuss in the procurement methodology Section IV C, in the unlikely event that OTC plants need to be replaced or repowered with gas plants, they could be built in just three years, not seven. Since the earliest need projected here is 2018, we have up to three years to work out the kinks in all the utilities' distribution systems and remove the unnecessary barriers to preferred resources.

CEJA's detailed analysis demonstrated a wealth of uncounted resources that are already keeping the grid stable in the W. LA Basin, which could be grown further in the next few years:

> Specifically, CAISO's forecasted LCR need of 1,870 to 2,460 MW for the LA Basin would likely be eliminated if CAISO considered the available DR, EE, DG, Storage, CHP, and transmission options, which are thousands of MW above the need that CAISO found. As provided by Ms. May's table, the resources that should have been included in CAISO's assessment include:
>
> **Resources Not Included in CAISO's Analysis for LA Basin**
>
Resource	**Value**
Incremental EE	~ 1,934 MW
DR	~ 2,224 MW
DG	2,335 MW to 3,583 MW
CHP	at least 285 MW
Transmission Fixes	Need full assessment
Storage	Over 1,000 MW

> CEJA, p. 32.

WEM agrees with CEJA and most of the environmental parties that very little need exists, if any, for OTC replacements. Whatever small LCR need the Commission might find to exist in this Track 1 could be taken care of by preferred resources.[6] These resources may also be enough to replace SONWGS, though we won't be able to answer that question definitively until we get further into Track 2.

The most realistic and useful goal for the Track 1 decision would be to begin to *plug in preferred resources to long-term procurement*. This would involve ordering the utilities to catalogue the various preferred resources that already exist on their distribution

[6] CEJA noted the PV potential for LA County is 19,113 MW. CEJA, p. 25. NRDC noted that many major codes and standards as well as EE programs were not included in the Incremental EE study. NRDC, pp. 11-12.

systems, as WEM has recommended, and developing a system for tracking additional preferred resources in the future. The Commission should also create a process for defining the "characteristics" needed for LCR procurement, as well as "operational flexibility. Existing resources should be utilized to provide for the most stringent characteristics, until preferred resources that are capable of doing those tasks become become eligible in whatever venue the Commission determines for updating resource adequacy.

For years, California has been building two separate and very unequal power systems: conventional vs. preferred, with very little connection between them. This is the right time to connect them up and start enjoying the physical and economic health benefits of all the money and time spent on them.

B. Consideration Of Preferred Resources, Including Uncommitted Energy Efficiency, Demand Response, Combined Heat and Power, and Distributed Generation, In Determining Future LCR Needs

See other sections for discussion of this issue.

C. Appropriate Assumptions Concerning Retirement of OTC Generation

D. Transmission And Other Means Of Mitigation

Both DRA and A4NR spoke about the strange disagreement over the 600 MW load transfer between the Mira Loma and Rancho Vista substation.[7]

At first ISO witness Sparks seemed confident of his familiarity with this project and a supposed SCE "master plan" for distribution, but this evaporated under questioning.[8] Later, SCE witness Cabbell confirmed in response to WEM's questions that most of what happens on SCE's distribution system is withheld from ISO, "since they are not the operator of the distribution system."[9]

A4NR rightfully questioned the CAISO's estimates of LCR needs, "in light of the arbitrarily prescribed optimism concerning SONGS and the fantasy quality of the assumed Mira Loma/Rancho Loma load transfer…"[10]

[7] DRA, pp. 23-25; A4NR pp. 4-7.
[8] A4NR, pp. 4-5, quoting Sparks, EH Vol. 1, pp. 83-84.
[9] EH Vol. 5, pp. 822.
[10] A4NR, p. 9.

III. DETERMINATION OF LCR NEED SPECIFIC TO LA BASIN AND BIG CREEK/VENTURA AREA

A. LA Basin

B. Big Creek/Ventura Area

IV. PROCUREMENT OF LCR RESOURCES AND INCORPORATION OF THE PREFERRED LOADING ORDER IN LCR PROCUREMENT

A. Incorporation Of The Preferred Loading Order In LCR Procurement

B. Other Commission Policies and Consideration Affecting LCR Procurement

What's the rush?

CEERT's brief stated that OTC gas plants can be repowered or replaced in only 3 years, not 7 years as utilities and ISO insisted. CEERT, pp. 34-35. Clearly, this means there would be enough time for construction of gas plants closer to the current OTC closure dates, in the unlikely case that preferred resources were unable to fill a need (if any) that were identified in R1203014.

CEERT also noted that the State Water Resources Control Board's OTC Compliance Policy "left room to reconsider or even suspend its final compliance schedules to permit the continued operation of an existing OTC power plant if required to maintain reliability of the electric system."

WEM doesn't believe it would be necessary to delay the OTC closure. However, if preferred resources were much slower to perform than expected (or prevented by utility or CAISO intransigeance), the Commission should still consider the other environmental downside of building new gas plants, vs. keeping old ones around for a couple years longer. While new plants are cleaner than old ones at first, their environmental performance degrades with age. Power plants built in this decade would still be running in 2050, possibly even 2080.

The cumulative air impacts and GHG impacts of another half century or more of fossil fuel power use should be weighed against a half-decade (perhaps) of additional OTC use.

C. If A Need Is Determined, How The Commission Should Direct LCR Need To Be Met

WEM's proposed auction process for preferred resources to meet LCR needs

SCE recommended a forward capacity market mechanism run by CAISO.[11] Unfortunately, CAISO's obstinate refusal to consider preferred resources in this proceeding does not bode well for ISO to accomodate preferred resources in a forward capacity market for LCRs.

WEM introduced ISO-New England's Manual (Exh. WEM X ISO-2) and the results of ISO-NE's first auction for demand side resources (in Exh. WEM-1) — wherein EE and DR each won approximately 1000 MW of contracts. However, Mr. Millar refused to discuss whether CAISO ever discussed best practices with other ISOs. He insisted that this example had nothing to do with opening up the LCRs to preferred resources:

> It looks like they have done wonderful work in helping advance their procurement of systemwide resources, but in terms of, as I flip through the document, how much of this translates to helping us with the local capacity issue, I don't know. And I don't see a lot of relevance, but I really don't have that level of familiarity with their programs.[12]

This is despite sections of the ISO-NE Manual such as Section 9.3 *Requirements for Real-Time Demand Response Resources and Real-Time Emergency Generation Resources,* which relate to more "stringent" requirements for responding to a grid contingency — including communications protocols for quick response time.

ENERNOC noted other that markets recognize that Demand Response can meet stringent requirements:

> As Mr. Hoffman testified, the ability for DR resources to provide synchronous reserves (spinning reserves) already occurs in markets, like Pennsylvania-New Jersey-Maryland Interconnection (PJM), and DR resources are being used for load following purposes in Bonneville Power Administration's (BPA's) service territory, on a pilot basis, for purposes of managing renewable intermittency.[13]

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[11] SCE, pp. 14-15, 21.
[12] EH Vol. 3, p. 524.
[13] EnerNOC, p. 20.

EnerNOC summarized it well:

> In fact, California is lagging behind several other markets that use DR resources to provide some of the very LCR attributes identified by the CAISO. The existence of these products nationally is a clear indication that similar DR resources could be provided in California as well.28Thus, from an industry perspective, a capability exists today for providing fast-response, locally-dispatchable DR resources, and those resources should be developed so as to avert the need for more thermal generation.[14]

Given SCE's abdication of responsibility for procurement, and the stubborn backwardness of CAISO's witnesses when it comes to preferred resources, California might be better off with an auction process conducted by an independent entity directed by the Commission, as WEM proposed. *Please see WEM's comments on the Storage-LTPP Workshop (pp. 7-8) for further discussion of this issue.*

SCE's proposal for developing a procurement mix that includes preferred resources

Many parties agreed with WEM that Mr. Cushnie's proposed plan was unacceptable — a backroom sweetheart deal which would provide early approval for gas power plants and bypass preferred resources, except for a company-run "economic analysis" that would at best result in a bit of window dressing later on.

For example, CEERT stated that its witness, Caldwell, "recommended that the Commission *not* grant 'utility discretion to ignore the Loading Order and conduct a 'risk free' (free for the IOUs – certainly, not so for ratepayers), open-ended procurement of conventional LCR resources with only a Commission rubberstamp contract approval at the end.'"[15]

SCE insisted that it must take action now to procure new LCR generation "due to long lead times for construction of new generation in the LA Basin" which it claimed is seven years.[16] Gas plants are the only resources that could take such a long time.

Mr. Cushnie was coy about the gas plants:

> I don't think there's any worry that we're going to rush out and build a lot of power plants under PPAs. That's the last thing we want to do. But we are doing it

[14] Ibid, p. 9.
[15] CEERT, p. 35, quoting Caldwell at Exh. CEERT-02, p. 3.
[16] SCE, p. 8; 19.

> because the system does have reliability needs coming up with the OTC retirements.[17]

Mr. Cushnie was clear that preferred resources would only be addressed long after gas plants would be under construction:

> As I indicated earlier today, it is my recommendation that we not try to include demand reduction programs in that solicitation because the need that we're targeting begins in 2018 to 2020 and continues somewhat indefinitely. And it's my experience that a demand reduction program cannot be commercially put in place seven, eight years into the future of its need.[18]

SCE defies logic with its argument that preferred resource alternatives would somehow be considered in the application process:

> The application for approval of any proposed PPAs will allow introduction of updated information on the availability of preferred resources to meet the LCR need and their costeffectiveness. No further study is needed of this issue before authorizing SCE to commence its procurement activities.[19]

The Commission would be unable to seriously consider preferred resource alternatives once it came to an application proceeding, unless the barriers that currently exist to preferred resources were first removed — which has to happen here in the Rulemaking. Other proceedings may also need to address certain long-standing barriers, for example the energy efficiency rulemaking would need to fix glaring omissions in EM&V such as the omission of location data. A decision in the LTPP would probably have to first issue a finding that it is necessary to have that data, in order to get the ball rolling over in EE.

CEERT urged the Commission to remove barriers that exist in the Resource Adequacy proceeding too:

> [T]he Commission should require, *before any directed LCR procurement is authorized*, (1) that a stakeholder process, jointly held in both this LTPP rulemaking and R.11-10-012 (RA), be initiated (to include the utilities, CAISO,

[17] SCE, p. 3, fn. 8, quoting Cushnie, EH 4, pp. 760-761.
[18] EH Vol. 4, p. 679 (emphasis added).
[19] SCE, p. 14.

> prospective bidders, and other interested parties) "to establish metrics and protocols for dispatchability and performance of aggregated EE, DG and DR preferred resources in an LCR solicitation" and (2) that SCE be required to "conduct a Request for Qualification (RFQ) to establish the likely quantity and price range of these qualified preferred resources that may be available in the appropriate locations to satisfy the identified LCR need."[20]

It would be virtually impossible for an application proceeding to take the time necessary to remove such barriers, while a developer, a utility and ISO complain about delays. Their complaints would be justifiable in that an application decision applies narrowly to a particular project, rather than a whole class of projects.

CEERT described a step by step process to address these barriers in this proceeding:

> Thus, *first,* the Commission must specifically define any and all required "flexible" attributes or "operational characteristics" required for resources to meet an LCR need, with distinctions, if any, as to how these terms are used or applied in an RA versus LTPP context. *Second*, the Commission should find that there is no present LCR need for the Big Creek/Ventura area based on the testimony of SCE, DRA, and CEJA, among others. *Third*, before any procurement is authorized for the LA Basin, any rules or economic assessments required to ensure that the Commission's Loading Order has been and will be fairly considered in reducing and meeting this procurement and that all transmission solutions have been considered that could reduce or negate the LCR need must be completed. *Fourth,* the Commission can then authorize an LCR procurement for SCE, tailored to the outcome of this data. Under no circumstances, given the impact on ratepayers and state policy, should the Commission approve SCE's request to be given "discretion" as to when and how to procure these resources.[21]

As mentioned above, CEERT noted that OTC plants could be repowered or replaced in as little as 3 years.[22] In other words there's plenty of time for the Commission to give the issues in this proceeding the time they deserve, rather than being stampeded into overriding preferred resources for gas power plants.

Stuck in the past or moving forward?

The Alliance for Nuclear Responsibility was one of the only non-utility parties that endorsed CAISO and SCE's plan to go forward quickly to replace or repower OTC resources. It seemed to deride the attention on preferred resources:

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[20] CEERT, p. 36.
[21] Ibid, p. 37.
[22] CEERT, pp. 34-35.

> What should never be forgotten, however, is that the "loading order" derives from an ***action*** plan (emphasis added) -- not a sterile metaphysical debate.... A4NR is qualitatively satisfied – its quantitative qualms are described in Section II. A. above – with the manner in which the ISO has specified the need for procurement.... R.12-03-014 should not be diverted into a doctrinal dispute about the degree to which preferred resources can diminish the needs identified by the ISO. Doing so would be a perversion of the "loading order."[23]

WEM is happy to see diverse strategies for how to kill nukes. In a time of desperation, traditional solutions can be the most direct path — everybody knows what to do. But it's also possible that we could move faster and farther on the path forward, although (and perhaps because) it's less well-known.

For many years, anti-nuclear activists were afraid to say anything against gas resources, believing that they could provide a transition away from nukes. Large-scale renewables advocates were also willing to believe that gas plants were the only viable solution for "renewables integration."[24] As A4NR asserted, "Those who see California's 33% renewables target as a floor rather than a ceiling might actually prefer an LCR strategy met entirely by gas-fired generation."[25]

Perhaps A4NR missed the memos on fracking, or the environmental injustice of purportedly "clean" gas power plants poisoning poor communities. Or the neat trick in the NRC regulations that force "alternatives" for replacing nuclear power plants to consist of only one resource, rather than a mix of resources.[26] The only alternatives that can fit that bill are gas and coal power plants. This fiction allows the nuclear industry to claim that the only alternatives to nukes cause global warming, while (supposedly) nuclear power plant operations do not.

The claim of "no clean alternatives" was heavily used to promote the juggernaut of the nuclear renaissance, which was peculiarly timed to coincide exactly with the sudden revelation of global warming in 2005-06.

Thankfully, the rollout of the nuclear renaissance has been partially blocked, for now, by the rubble of Fukushima — which is the only good thing that could be said of the ongoing disaster that continues to threaten the very survival of the human experiment. But it is quite

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[23] A4NR, p. 10.
[24] Even the terminology is going quickly out of date, as last year's "renewables integration" is now called "operating flexibility." Some still assume that these words are code for gas plants, but many parties in this proceeding are proving that there are other answers, which are already cost-effective or will be soon.
[25] Ibid, p. 13.
[26] See WEM's Comment on PD in Track 1 (R1005006), pp. 16-18.

possible that people in power around the world and here in California will continue to overlook the "unthinkable" and find reasons to romance the nuclear monster instead of stuffing it into well-guarded caves for its endless restless sleep.

WEM believes that more enthusiasm can be generated for getting off nukes if we're headed in the direction of preferred resources — rather than insisting that we should sign up for another half century of fossil fuels that may not even last that long.

The really exciting thing about this moment in history, is that finally, preferred resources are ready to step up to take the place of nuclear power — and OTC plants in local capacity areas too for that matter. Technically and economically, we're finally where we need to be. Policies restricting air and water pollution are driving up the cost of gas. Large scale renewables are being built, with transmission to bring them into town, but there are also cost-effective local alternatives. The price of solar panels has dropped by more than half, with panels incorporating inverters and even storage on the near horizon. Other types of storage are coming into their own, and year-by-year California is becoming more sophisticated about energy efficiency methods and financing as well as demand response.

The distinction between supply-side and demand-side resources is more porous than previously believed. Load reductions are simply the way demand-side resources work — these can be as real, tangible and measurable as generation that serves the load. Either way, preferred resources can compete for procurement contracts in many US markets.

Yes, preferred resources tend to be diminutive, and up to now CA utilities have neglected to track them with any specificity. But just as supermarkets keep track of millions of heads of lettuce, cantaloupes, light bulbs and cans of peas from wholesale purchase through checkout by favored customers with frequent buyer cards, LSE s should carefully track tiny preferred resources.

To the extent that California has failed to insist on making preferred resources fully accountable, this can be remedied, because other markets have demonstrated that it can be done. The political will needs to be mobilized, which is no joke — WEM is very clear on that.

But calling this a "doctrinal dispute" shows an old-fashioned adherence to the old central-station power supply model of the 1900s. The task of the 21st century is to build preferred resources as fast as possible, while reducing greenhouse gas emissions by 70-80% in the next 20-30 years (preferably less). This can be achieved most quickly and cheaply if

substantial load *reductions* are paired with clean renewable supplies, storage and enhancements to transmission/ distribution.

A4NR invoked the energy crisis:

> A proven antidote to the market power which still lurks in corners of California's electricity system is abundant capacity. When tallied, the downward pressure on overall price per kWh can substantially outweigh the costs of building incremental capacity.[27]

WEM deeply respects and sympathizes with the people who were in a position of being responsible for dealing with that crisis but lacking wide authority for creative solutions. Over-procurement of gas plants may well have been the best response to that problem. WEM thinks there are other, better solutions to this one, and we hope the Commission will have the courage to pursue them.

D. Appropriate Method(s) of Procurement

E. Timing Of Procurement

See section C, above.

V. INCORPORATION OF FLEXIBLE CAPACITY ATTRIBUTES IN LCR PROCUREMENT

A. If A Need Is Determined, Should Flexible Capacity Attributes Be Incorporated Into Procurement

SCE pretends that flexible capacity has been addressed in Track 1 and the next step is for SCE and CAISO to work out the details together (i.e. without public participation at the Commission):

> SCE will also cooperate with the CAISO to determine the operating requirements and flexibility needs for LCR resources. In its direct and cross-examination testimony, CAISO identified a number of attributes of flexible generation, including: "voltage support, flexibility, frequency response, sustained energy supply, reliable responsiveness, no significant use limitations, and the ability to provide energy regulation, operating reserves, and load following."82 This should give SCE sufficient guidance for now as to the desirable flexible attributes for new LCR procurement.[28]

In fact, there was very little ability to investigate the attributes of flexible capacity in Track 1. CEERT described in detail the procedural changes that resulted in proposed

[27] A4NR, pp. 21-22.
[28] SCE, p. 20-21.

definitions of "flexible capacity" being unavailable in time to vet this issue in Track 1 of this proceeding.[29] Clearly, no substantive decision on this issue can be made in this track.

B. Additional Rules, Not Already Covered By Resource Adequacy (RA) Rules, To Govern LCR Procurement

WEM discussed this issue earlier this week in our 10-9-12 Comments on the Storage – LTPP Workshop, which we incorporate herein by reference. The 9-14-12 ALJ Ruling stated that these comments can be applied to either Track 1 or Track 2.

VI. COST ALLOCATION MECHANISM (CAM)

A. Proposed Allocation Of Costs Of Needed LCR Resources

B. Should CAM Be Modified At This Time?

C. Should Load Serving Entities (LSEs) Be Able To Opt Out Of CAM?

VII. OTHER ISSUES

A. SCE Capital Structure Proposal

SCE provided a bit more information in their brief about the precarious condition of the company:

> In SCE's recent Cost of Capital application, SCE projected a 2013 DE of about $2.5 billion. The LCR procurement PPAs could more than double this DE, increasing it by between $0.9 billion and $2.9 billion.120 An increase of this magnitude could have serious effects on SCE's credit metrics and could even possibly trigger "a downgrade of SCE's credit rating that would adversely impact SCE, its suppliers, and its customers."[30]

It is noteworthy that the cost of SCE's failed San Onofre steam generators plus the recently installed replacement reactor head and turbines runs close to a billion dollars. The question whether these can still be charged to ratepayers will be hotly debated in the OII which Pres. Peevey pledged to finally open in November.

The OII will also review the propriety of SCE collecting $57 million /month from ratepayers for operating funds for a non-operating nuclear power plant since SONWGS shut down, plus the costs of replacement resources. Together, these come to another ¾ billion dollars.

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[29] CEERT, pp. 37-40.
[30] SCE, p. 30.

Given these questionable expenditures, which may end up being charged to shareholders, not ratepayers, SCE is already facing a possible downgrade in its credit rating, even before any LCR procurement.

What steps is SCE and/or its parent company taking to clean up its act, other than gouging ratepayers for indefensible expenses? SCE is laying off 750 workers — but shareholders will continue to enjoy what amounts to corporate welfare checks, under the circumstances . Its September 6, 2012 press release announced:

> The Board of Directors of Edison International (NYSE: EIX) today declared a quarterly common stock dividend of $0.325 per share, payable on October 31, 2012, to shareholders of record on September 28, 2012.
>
> Additionally, the Board of Directors of Southern California Edison Company today declared the following dividends:
>
> A quarterly dividend of $1.02 per share on the Series A preference stock, payable on October 31, 2012, to shareholders of record on October 5, 2012.
>
> A quarterly dividend of $1.50 per share on the Series C preference stock, payable on October 31, 2012, to shareholders of record on October 5, 2012.

It is striking that Edison had more than a half-billion dollars of EE funds already in hand as of January 31, 2012, the day SONWGS went down. But despite the company's crying wolf to the press about possible rolling blackouts this summer, not a nickel of that EE money was targeted to reduce the LCR load, thereby reducing the replacement resources needed in the W. Los Angeles basin. What a damning indictment of the company's mismanagement of its EE resources — and the Commission's failure to order utilities to actually utilize energy efficiency in procurement.

WEM certainly hopes that the Track 1 decision will begin to rectify that. SCE's half-billion dollars of EE procurement funds lying useless in this supposed emergency demonstrates more clearly than ever that EE is not yet "integrated" in any meaningful way in procurement — making the loading order and the "Energy Action Plan" mere lip service.

Meanwhile, the Commission needs to figure out how to deal responsibly with a utility that is nearly as non-functional as its nuclear plant, instead of using ratepayer

funds to prop up a mismanaged corporation on the brink of collapse.[31] Something akin to receivership should be considered, prior to outright bankruptcy, to protect ratepayers from further gouging as the company continues to slide.

While this is not the proceeding to consider these issues comprehensively, it must deal with the company's inability to fulfill its procurement obligations — recognizing that the expenditures that SCE admits could trigger a credit rating downgrade are not in the future, they have already occurred — the question is only how soon the Commission will recognize that these must be charged to shareholders, not ratepayers.

It's not just SCE ratepayers that stand to lose by the company's bad fiscal management. SCE dreams of pinning the costs of any LCR procurement on all LSE's in its system through the CAM — even sticking PG&E and SDG&E customers with the costs of any Commission-ordered "flexibility" for its LCRs.[32] The Commission must reject both of these proposals.

CPUC should authorize only a competitive process, including preferred resources, for SCE's LCR procurement (if any need is found in this proceeding or in Track 2 consideration of LCRs for the SONWGS outage). SCE should be removed from this process and the CPUC should oversee the auction, as WEM recommends.

Over the next two years, the Commission should encourage local communities in SCE's jurisdiction and non-utility resource providers and financing entities, to establish non-profit Community Choice Aggregation to handle procurement and energy efficiency throughout SCE territory. This would be a better path to ensure just and reasonable rates for SCE ratepayers, rather than letting the company flounder while pretending to conduct business as usual, and continuing to prioritize shareholder interests at the expense of its ratepayers and workers.

In the absence of CPUC efforts to find sensible resolution, SCE assets, including its crippled nuclear plant, could end up being sold for pennies on the dollar to a reckless company like Entergy, which specializes in undermining local control and keeping

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[31] As discussed in WEM's Opening Brief, p. 30, it appears that there may have been a sweetheart deal between SCE and its affiliate, EME, for restarting the Huntington Beach Power Plant to cover for the SONWGS outage, which steered more ratepayer funds into Edison's coffers in potential violation of affiliate transaction rules. This should be part of the OII and/or the LCR for the SONWGS outage, which the ALJ promised would be part of Track 2 in this proceeding.

[32] SCE, p. 22; Ibid, p. 20.

damaged reactors running, as with Vermont Yankee.[33] Such a sale would make it more likely that the nuclear plant would be restarted, putting $8 million people at risk of a nuclear accident, which could crash the grid and cause billions of losses to the electricity system and trillions of losses to California's economy — as we have seen in Japan.

B. Coordination off Overlapping Issues Between R.12-03-014 (LTPP), R.11-10-023 (RA), And A.11-05-023

C. SCE Statewide Cost Allocation Proposal

D. CAISO Backstop Procurement Authority To Avoid Violating Federal Reliability Requirements

E. Potential for Edison International's Poor Choices to Impact SCE

VIII. CONCLUSION

Dated: October 12, 2012

Respectfully Submitted,

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[33] Just in the last couple years, Edison was negotiating for Entergy to buy SONWGS.