**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Integrate Procurement Policies and Consider Long-Term Procurement Plans.	R.06-02-013

PRE-WORKSHOP COMMENTS OF THE ALLIANCE FOR RETAIL ENERGY MARKETS ON NEW GENERATION POLICY ISSUES

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Order Instituting Rulemaking to Integrate Procurement Policies and Consider Long-Term Procurement Plans.	Rulemaking 06-02-013 (Filed February 16, 2006)

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THE ALLIANCE FOR RETAIL ENERGY MARKETS
ON NEW GENERATION POLICY ISSUES

Pursuant to Assigned Administrative Law Judge ("ALJ") Carol A. Brown's ruling of February 23, 2006,[1] and in accordance with the revised procedural schedule set by ALJ Brown at the prehearing conference held on February 28, 2006,[2] the Alliance for Retail Energy Markets[3] ("AReM") respectfully submits these pre-workshop comments on new generation policy issues.

I. INTRODUCTION

The Commission has determined that the "first order of business" for this proceeding will be "to examine the need for additional policies to support new generation and long-term contracts in California."[4] However, the Commission has already adopted numerous policies in its previous Long-Term Procurement Plan ("LTPP") and Resource Adequacy Requirements ("RAR") orders that, if allowed to be implemented and evaluated, should result in new investment in generation and transmission capacity. AReM is not suggesting that the Commission do nothing in the face of predictions of a generation shortfall. AReM is merely

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[1] Administrative Law Judge's Ruling Setting Prehearing Conference and Setting Workshop on Review of Policy Proposals to Support New Generation, p. 6.
[2] Transcript ("Tr.") at 61:2-6.
[3] AReM is a California mutual benefit corporation whose members are electric service providers that are active in California's direct access market. The positions taken in this filing represent the views of AReM but not necessarily those of any individual member of AReM or the affiliates of its members with respect to the issues addressed herein.

[4] OIR 06-02-013, p. 11.

stating the obvious: What the state sorely needs at this juncture is not new policies, but rather regulatory certainty. By continuing to make changes to its prior policy pronouncements before they have even had a chance to be implemented fully, the Commission is only perpetuating the very same aura of uncertainty that has hindered the development of new generation in the state for the past several years.

It is highly troubling that both the Commission's Order Instituting Rulemaking ("OIR") and ALJ Brown's February 23 Ruling clearly telegraph that the Commission has already made up its mind that more rules, regulations and administratively-determined market structures are what is needed to address the anticipated shortfall in generation. For example, ALJ Brown's ruling asks parties to "describe a policy proposal that serves that goal, such as the consideration of a transitional and/or permanent cost allocation or alternative mechanisms that would serve the same goal." Such proposals are the very antithesis of free market approaches and inevitably result in misallocations of costs that benefit certain parties to the detriment of others. In this situation, it is not difficult to predict that the parties who will benefit will be the investor-owned utilities ("IOUs"), while those that will suffer will be the state's non-utility load-serving entities ("LSEs") and their customers.

It also is remarkable that the Commission would even begin to consider adopting a cost allocation mechanism based on an incomplete procedural process that will produce no more of a record than written comments and a workshop or two. To the extent parties pursue proposals to allocate the costs of new generation procured by the utilities to energy service providers ("ESPs") or their customers, cross-examination will be necessary to test the foundations of any such proposals, and parties must be given the opportunity to fully brief the issues raised therein. Expediency at the expense of due process could result in unnecessary legal challenges.

AReM further urges the Commission to reject any proposals to require ESPs to file long-term procurement plans. Any attempt to impose such a requirement on ESPs would be legally suspect, poor public policy, and an ineffective way of facilitating the collaborative planning process called for in the OIR.

II. RESPONSES TO QUESTIONS POSED BY ALJ BROWN

As requested, AReM responds below to the questions raised in ALJ Brown's February 23 Ruling:

(1) Is there a need for the State to adopt additional policies to support the development of new generation and long-term contracts in California?

There is no need for additional policies to support the development of new generation. What the Commission and the State need to do is articulate their clear desire to support existing programs and competitive mechanisms that will support investment in new generation. Efforts already underway include implementing Resource Adequacy Requirements ("RAR") requirements for 2006, implementing local RARs for 2007, and examining and potentially implementing a market for tradable capacity products. The Commission should focus on implementing these programs and policies rather than engaging in endless policy development exercises.

In addition, the Commission needs to more clearly define the procurement role of the utilities. More specifically, the Commission needs to decide whether it supports open, competitive procurement from wholesale entities that will result in new infrastructure investment, or whether it wants the utilities to build new plant and simply pass on the costs and risks to ratepayers *a la* the regulated structure that existed prior to the passage of AB 1890? If the utilities are going to receive cost-of-service, rate-base treatment for infrastructure investments, why would others make investments in the same environment wherein they incur market risks, recovery risk and the potential of not having a market wherein the output of the facility could be sold? So long as the utilities are the primary source for new infrastructure investment and not the markets, the State will be running backwards to the regulated structure of the past.

Before the Commission adopts any new policies for the purposes of supporting investment in generation that call for allocating the costs to all customers, the Commission must first determine exactly how much new capacity is needed and where it is needed. The Commission must also ensure that the benefits—not just the costs—of the new capacity are allocated to all customers equitably. The Commission must also make clear how it intends for the next MW of needed capacity to be built and over what period so as not to create a never-ending process loop that leads to inefficient outcomes and new stranded costs.

The Commission must not under-estimate the potential harm to developing markets that its interim policies will have. In particular, allocating the costs of utility investments in new generation capacity to all customers or LSEs will create economic inefficiencies and distortions in relation to how customers will evaluate their competitive options by continuing to allocate utility procurement costs to all customers, whether or not those customers benefit from the purchase. AReM discusses three related issues below: (a) improper subsidies that could result from cost allocation schemes; (b) the anticompetitive implications of such schemes; and (c) the legal and practical problems associated with requiring ESPs to file long-term procurement plans.

a. Proposals That Will Result in Direct Access Customers Subsidizing the Costs of Generation for Bundled Service Customers Should Be Rejected.

Parties that advocate for the allocation of generation costs incurred by the IOUs to all customers, including direct access customers, frequently cite the growth in load as justification for their proposals. AReM assumes that this will be cited by parties that seek Commission approval of such administratively determined markets. It therefore is important to note that the statewide load growth that has occurred is <u>due to growth in utility bundled customer load</u>. Direct access as a percentage of statewide electric load has not increased since the ban on new customers was imposed by the Commission on September 20, 2001.

Moreover, there is essentially a "one-way street" that exists with respect to customer migration. Current direct access customers may opt for bundled service at the end of their then-current contracts with six-month's advance notice to the IOU and a commitment to remain on bundled service for three years. However, current bundled service customers may <u>not</u> opt for direct access. Both the fact that the State's load growth is attributable to bundled customers and the inability of customers to migrate to direct access support the proposition that each LSE should be responsible for procuring power for its own customer base, as the Commission has previously determined.

The Commission has elected to go down the road of an LSE obligation, with each LSE being responsible for meeting its own load and its own RA requirements. The Commission should not now shift in mid-stream to a "public good" approach where one LSE buys for the many, or to a hybrid approach in which each LSE has an obligation but some LSEs get the opportunity to buy for the many and share their costs with the many. This schizophrenic approach only creates and exacerbates market uncertainty, as well as anti-competitive outcomes, as the long sought after goal of market stability in California moves ever farther into the distance.

The February 23 Ruling states, "Section 380 requires the Commission to establish resource adequacy requirements that facilitate the development of new generation capacity and equitably allocate the cost of generating capacity."[5] [6] However, Section 380(b)(2) in fact directs that the Commission achieve the objective to "Equitably allocate the cost of generating capacity and prevent shifting of costs between customer classes." (Emphasis added.) The Commission thus has a statutory mandate not only to allocate the cost of generating capacity, but to do so in a manner that prevents cost shifting, including the shifting of costs between direct access and bundled service customers. Any cost allocation scheme that does not meet this standard will not comply with the statute. Moreover, Section 394(f) prohibits the Commission from regulating ESPs rates or terms and conditions of service. The imposition of "cost allocation" charges for new generation on ESPs and their customers would simply be a back door way of accomplishing that which is specifically forbidden to the Commission.

Furthermore, the Commission has only just instituted RA requirements for all LSEs, with the first round of compliance filings having been submitted on February 16, 2006. The Commission only issued its final decision on RAR last October. It is hardly reasonable to expect to have new infrastructure response in this time frame. By 2007, the Commission will have implemented its local RA requirement. Between the system and the local requirements, LSEs will be carrying and paying for capacity in excess of their peak requirements by 15-17%. While this may not produce immediate investment, it will support existing generators and attract new generation. Therefore, before the Commission determines whether and how to allocate costs associated with utility investments to direct access customers, the Commission must articulate on what basis those costs are legitimately, fairly and reasonably allocated to such customers given that ESPs are already complying with the Commission's orders regarding demonstration of resource adequacy,

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[5] *See* Pub. Util. Code § 380(b)(1) and (2).

[6] Feb. 23 Ruling, p. 4.

In summary, it would be inefficient and harmful to invent complicated new schemes and cost-allocation methodologies. The time spent on devising such schemes will cause even more protracted uncertainty in the California marketplace that will discourage investment and deter the very same long-term contracting that the Commission professes to seek. Such proposals will inevitably be complex, time-intensive and legally suspect. Moreover, as discussed below, they may well raise untoward anti-competitive implications.

b. Cost Allocation Schemes that Would Require Direct Access Customers to Pay for a Portion of the Costs of IOU Procurement Have Distinct Anti-Competitive Implications.

The Commission needs to consider whether the implementation of proposals to share the costs associated with new IOU generation will have unanticipated and undesirable anti-competitive effects. There have been efforts to squelch retail competition since it first began in 1998. Customers who wish to exercise their right of choice in the marketplace had that right eliminated in 2001. Lengthy minimum stay and advance notice requirements were placed on customers that wished to switch from direct access to bundled service. Significant exit fees were imposed on direct access, requiring customers to pay for power they never consumed, thus subsidizing the customers who actually consume the power. There was even an unsuccessful ballot initiative that would have forever banned the reopening of direct access.[7] Indeed, it is remarkable that direct access continues at near pre-suspension levels.

It should not be lost on observers that finally, after the aforementioned exit fees are about to be eliminated,[8] there are suddenly IOU calls for yet new charges to be imposed on direct

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[7] In the recent election in November of 2005, nearly two out of three California voters voted "no" on Proposition 80, giving the measure the distinction of failing by the election's biggest margin.

[8] SDG&E direct access customers have already paid off their Direct Access Cost Responsibility Surcharge ("DA CRS") undercollection balances and in fact are owed a refund for overpayment. PG&E customers will pay off their balances before summer 2006, and SCE customers will pay off their balances in 2008, six years earlier than was

access customers. It is, of course, to be expected that incumbent monopolies should fight to preserve their monopoly status. It is puzzling, however, that the Commission, rather than being cautious of proposal to impose new charges on direct access customers, might seriously consider facilitating such efforts without giving due consideration to the anti-competitive implications. Moreover, it would be fundamentally unfair for the IOUs to have any ability to affect the cost structure of their ESP competitors. Adoption of complex cost allocation proposals would cause precisely that result and offer a fertile ground for anti-competitive activities. AReM therefore recommends that the Scoping Memo to be issued after the March 14, 2006, workshop should therefore include the issue of anti-competitive implications of cost allocation proposals for within the scope of this proceeding.

c. ESPs Should Not be Required to File Long-Term Procurement Plans

The February 23 Ruling invites comments on "a requirement that non-utility load serving entities (LSE) file Long Term Procurement Plans."[9] AReM opposes the imposition of such a requirement on ESPs on both legal and practical grounds. The OIR indicates that, "the Commission names all LSEs as respondents to this long-term procurement planning proceeding, [footnote omitted] although we defer to the Assigned Commissioner and the Assigned ALJ to scope their participation in the proceeding."[10] It does not specify that ESPs are to file long-term procurement plans and indeed the references to such plans in the Ruling are in the context of the IOUs, with the exception of the footnote cited above. The OIR in fact indicates that:

> While we understand that ESPs and CCAs may not be subject to the same regulatory oversight as IOUs, we do expect that the

projected just last year. Unless market prices fall substantially, there will be no need for the DA CRS except to pay for the bond and ongoing CTC charges, the same charges that bundled customers pay.

[9] Feb. 23 Ruling, footnote 3.

[10] OIR, p. 4.

> Commission will use this proceeding to find a way to facilitate cooperative planning with all LSEs in order to achieve the objectives of Section 380. Our expectation is that this proceeding will build on the work of previous proceedings, and establish a collaborative planning process, that includes appropriate participation from state agencies, the California Independent System Operator (CAISO), and all LSEs, as appropriate.[11]

AReM members are not reluctant to participate in such a collaborative planning process insofar as it directly involves resource adequacy planning and compliance. AReM members are in fact already complying with the Commission's adopted RA requirements. Further, AReM will, to the best of its ability, seek to protect and defend the interests of the state's direct access customers. However, AReM is seriously concerned about the nexus the Commission seems to be trying to draw when referencing a statute specifically designed to "establish resource adequacy requirements for all load-serving entities,"[12] and from that devise a requirement that all non-utility LSEs must file long-term procurement plans that involve issues that are far broader than simple resource adequacy requirements.

The IOUs' long-term procurement plans and supporting testimony run into the multiple hundreds of pages and involve such issues as financial risk, collateral requirements, counter-party risk, demand side management, descriptions of current customer characteristics, summaries of existing supply- and demand-side resources, descriptions of power purchase agreements and generating assets, descriptions of the analytical approach used in developing the plan, load forecasts, gas price forecasts, analyses of gaps between supply and demand, discussion of various planning approaches and methodologies to fill those gaps, transmission and operational considerations in procurement planning, various procurement plan scenarios, and analyses for the utility's various procurement options.

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[11] OIR, p. 5.

[12] *See* P.U. Code §380(a).

Any attempt to impose similar obligations on ESPs would extend the language of existing law beyond any just and reasonable interpretation. In the first place, IOUs are defined as an "electrical corporation" (P.U. Code §218) and are public utilities. It is appropriate for public utilities to file such plans, as their rates, terms and conditions of service to retail customers are regulated by the Commission. Further, IOUs have imputed rates of return that are built into their rates if they reasonably manage their costs; includes recovery of all reasonable administrative and overheard costs. IOUs also have franchised monopoly service territories enforced by Commission rules and statute. The significant costs they incur in preparing such long-term procurement plans are recovered in rates from their customers, including direct access customers.

In contrast, ESPs, by definition, are not public utilities. Section 218.3 expressly provides that ESPs do "not include an electrical corporation, as defined in Section 218." ESPs have no guaranteed rate of return or profitability and face the risk of profit or loss as a regular part of doing business; all administrative and overhead costs must be recovered through individual customer contracts. ESPs have no guaranteed customer base and customers may opt for other suppliers or return to bundled service at the completion of their current contracts. These distinctions are significant and meaningful.

Assembly Bill ("AB") 57, the legislation that adopted the requirement that electrical corporations file long-term procurement plans for approval by the CPUC, did so to provide greater certainty to the IOUs regarding the cost recovery associated with purchases that are made in conformance with an approved procurement plan. ESPs do not seek cost-recovery from the CPUC, nor are they electrical corporations, to whom the statute specifically is referenced. Secondly, as an ESP offers electricity commodity and related energy services to its customers, to the extent the Commission would require the ESP to file procurement plans, and approve those plans, it is tantamount to the Commission regulating the rates, terms and conditions of service for the ESP, as electricity procurement is the single largest cost that the ESPs incur in offering their services. This "regulation" of ESP procurement by requiring ESPs to submit long-term procurement plans to the Commission, and the subsequent approval by the CPUC of those filed plans, would then violate Section 394(f) of the PU Code which expressly forbade the Commission from regulating the rates, terms and conditions of service for ESP.

To summarize, IOUs are monopoly public utilities whose long-term procurement plans, by virtue of AB 57, are regulated by the Commission, while ESPs are private companies that are not subject to Commission jurisdiction as it relates to the rates, terms and conditions of service. Requiring and approving long-term procurement plans from ESPs would be tantamount to regulating ESP procurement, and therefore, the ESP's rates, terms and condition of service. It would be counter-intuitive, and in contravention of the law to burden ESPs, who enjoy none of the monopoly benefits that accrue to IOUs, with utility-like obligations. Furthermore, it would be poor public policy to expose competitive entities that live and die in the competitive market to all of the scrutiny and exposure of regulatory oversight with none of the protections. Such duplicity of purpose will discourage existing ESPs from remaining in California and ensure no new ESPs locate to the state. It is, in effect, a step down the slippery slope of regulating a competitive market and eliminating meaningful customer choice for California consumers.

Currently, because of the lack of a clear commitment to the continuation and expansion of direct access in California, it is counter-intuitive to require entities to make long-term investments or for customers to make long-term commitments in this environment. Additionally, Sarbanes-Oxley[13] has imposed a number of new risk management requirements on corporations.

[13] Sarbanes-Oxley Act of 2002, PL 107-204, 116 Stat 745.

This directly affects ESPs because they are not allowed to go out beyond their current portfolio of customers and take a "long" power position without having significant cash reserves to compensate. At a minimum, long-term requirements or obligations should be coupled with a clear articulation of the market structure for DA and a defined opening of the retail market. If the Commission wants long-term results to emanate from a market structure that has not heard clearly articulated long-term support, it needs to make its policy objectives compliment and enhance that market structure. We don't ask business travelers to buy the airplane; we don't ask overnight guests to buy the hotel; we shouldn't ask ESPs or DA customers who can't tell whether or not the DA program is going to exist from year-to-year to make long-term infrastructure investment commitments.

In summary, requiring ESPs to provide long-term procurement plans would be an unnecessary regulatory encroachment and burden, particularly when the Commission has no legal authority to do so. AReM therefore urges strongly that that the Commission reject any proposals to impose such a requirement on ESPs.

(2) Is there a need for the Commission to act urgently?

Before adopting any additional policies to support utility investment in new generation capacity, it is imperative that the Commission identify where, when and for whom the investment is required. IOUs have an obligation to plan and provide for the customers that they reasonably expect to serve. The former LTPP required the IOUs to include forecasts of load migration resulting either from an expansion of the DA market, under low, most-likely, and high scenarios, as well as the potential for CCA migration. This entire body of information was then used to determine the appropriate level at which the IOUs should procure. This information is vitally important to move forward. If the IOUs have had significant load growth within their service territory over the past few years, then obviously, the IOUs may need to acquire additional assets to serve their load reliably. However, that determination should take load migration into account.

If the IOUs contract to have more capacity built than they need for their bundled customers, there may be some value in having the IOUs sell that capacity to other LSEs in their markets to offset the costs that bundled customers would otherwise receive, until the load grows into the new capacity. As new capacity can be built on other than a fully contracted basis, with a portion of the capacity being merchant, the revenues from a portion of the capacity can be recovered on a merchant basis (i.e., from market sales). The Commission should not limit its concept of how to provide the right incentives to be only cost allocation.

(3) Why is the existing regulatory authority insufficient to ensure that contracting for new generation occurs?

AReM would respectfully ask the question differently. Is the problem that there is not enough existing regulatory authority to ensure contracting for new generation occurs? Or is the difficulty that the utility has the option to buy or build and therefore the balance tips toward building versus buying from wholesale entities? Is the hybrid market structure, which makes it unclear as to whom is responsible for new infrastructure investment as between the utilities or the wholesale market participants, generators or marketers, to blame? If the utility can build plant, make a rate of return on the investment, and allocate costs in a manner that no other market participant can, that puts the utility in a position superior to anyone else in the market and therefore discourages investment by anyone other than the utility. AReM would humbly suggest that as long as the IOUs are able to hold onto over 88% of the retail market, without contest, it reinforces the utilities' role as a procurer of energy and capacity for the vast majority of

California utility load. If the Commission wishes for that investment to occur outside of the utility, it needs to make the load contestable and diminish the role of utility cost-of-service investment.

(4) How will ratepayers be affected by adoption or rejection of the policies proposed?

Of primary importance is avoiding the creation of the next iteration of CTC or "cost responsibility surcharges" for DA customers related to this potential "new wave" of utility investments. The Commission can do this by minimizing the amount of investment to that which is absolutely required; determining who actually needs the capacity before doing any allocation of costs; if costs are allocated to DA customers, ensuring that DA customers receive commensurate benefits for the capacity they pay for, including a reduction of their RAR, as bundled customers receive; exploring the possibility of allowing some mix of cost-based and financing and operation where excess capacity is sold, as opposed to allocated; minimizing the period over which this distortion to customers rates and economic alternative will occur; and making a commensurate and express commitment to implementing a lasting retail market structure. AReM will comment on this in more detail once it has had an opportunity to review the policies proposed by other parties. As a general principle, the Commission should be mindful of the principle not to seek so-called reliability at any cost.

(5) How much new generation would the new policies apply to? If the policies apply to all contracts for new generation, on what date would application begin, and until what date/event would it continue?

This is a perfect example of the type of complex and unmanageable questions that will arise should the Commission order the IOUs to procure power for customers other than their own. Because only the Commission and supposedly the Procurement Review Group will have access to the needs of the IOUs, it is difficult to determine how much new capacity is required. However, ESPs expressly reject the idea of having the PRG review ESP submissions, as that will compromise the security of ESP data.

(6) How does the proposal apply to the need determinations made by the Commission for Pacific Gas and Electric Company and Southern California Edison Company in Ordering Paragraphs (OP) 4 and 5 in D.04-12-048?

The need determinations made for Pacific Gas & Electric Company ("PG&E") in D.04-12-048 specify that it is reasonable for the utility to add 1,200 megawatts ("MW") of "capacity and new peaking generation in 2008 and an additional 1,000 MW of new peaking and dispatchable generation in 2010 through RFOs ..."[14] It also notes that those commitments may need to be increased or expedited for PG&E to meet its 2006 resources adequacy obligation and that PG&E is authorized to justify to the Commission why higher levels might be desirable. The Commission is in the best position to determine whether or not PG&E has or has not met its 2006 RAR. For Southern California Edison Company ("SCE"), the decision said that the utility's LTPP resource plan was reasonable and that SCE had "demonstrated that its primary residual resource need through 2011 is for peaking, dispatchable and shaping resources."[15] The decision further noted that it may be prudent for the utility to add some long-term resources. This hardly sounds like a dire situation or raising a red flag about the near-term adequacy of SCE's system.

Any proposals that may be made by parties to this proceeding should not apply to an unspecified larger amount of generation. Rather, PG&E and SCE should be required to update their currently approved plans and the Commission should consider the application of any new

[14] *See* D.04-12-038, p. 238.

[15] Ibid.

proposal to those updates once it and other interested parties have had the ability to evaluate thoroughly the utilities' updated plans, preferably through evidentiary hearings. As noted above, AReM believes that both IOUs and non-utility LSEs should be responsible for their own procurement.

(7) How will the proposal affect the Commission's ability to consider capacity markets in R.05-12-013? Are there steps the Commission can take to ensure that new policies do not foreclose the possibility of capacity markets?

AReM still believes that some market transparency surrounding the availability and the price of capacity, as well as some standardization relative to the capacity product, is necessary to promote transactions on a more commercially friendly basis. AReM will comment on this important issue after being able to review the associated proposals offered by other parties in the RAR docket. However, as a general comment, AReM supports the implementation of a market for tradable capacity as a transparent and effective means for LSEs to meet and manage their RA obligations. As noted in its paper filed on this topic on September 23, 2005, AReM has grave concerns about establishing a capacity market that is based on an administratively determined demand curve such as that used in other regions of the country.

Furthermore, implementing complicated cost allocation schemes will frustrate the development of capacity markets because it will constrain the ability of potential participants to become fully involved in such a market. Markets need many buyers and many sellers in order to be effective. However, if non-utility LSEs suddenly find that, by Commission fiat, the scope of their procurement activities has been reduced so that an IOU can procure for their account, then their need to participate in a new capacity market will be reduced. This is in fact yet another reason why adoption of complex cost allocation proposal would be detrimental to the interests of the California marketplace.

III. CONCLUSION

AReM urges the Commission not to move forward precipitously to adopt a cost allocation proposal that will take procurement responsibility away from the parties who best know the needs of their own customers. ESPs no more want the IOUs to assume any of their procurement duties than the IOUs would want ESPs to assume procurement responsibility for bundled service customers. Moreover, it would be fundamentally unfair for the IOUs to have any ability to affect the cost structure of their non-utility competitors.

Further, AReM reiterates its clear opposition expressed above with respect to any expansion of the current role of the ESPs, as respondents in this docket, beyond RA compliance to include the requirement that non-utility LSEs to file long-term procurement plans. AReM believes that such an action would be legally suspect, delay this proceeding and not cause any productive information to be provided. AReM notes with approval the final sentence of The Utility Reform Network's post-workshop reply comments: "The goals of this proceeding will not be achieved if the case gets bogged down in debating a wide range of procurement-related issues that are at best peripheral to the consideration of <u>the utilities'</u> LTPPs."[16] (Emphasis added.) Put simply, this proceeding will indeed become bogged down if the Commission wastes time on

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[16] Post Workshop Reply Comments of The Utility Reform Network at pp. 3-4.

trying to design complicated cost allocation proposals and to require ESPs to submit long-term procurement plans that are more properly the function of the utilities.

Respectfully submitted,

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Date: March 7, 2006

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing document on all parties of record in the above-captioned proceeding by serving an electronic copy on their email addresses of record and by mailing a properly addressed copy by first-class mail with postage prepaid to each party for whom an email address is not available.

Executed on March 7, 2006, at Woodland Hills, California.

Michelle Dangott

Michelle Dangott