

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

Order Instituting Rulemaking to Promote Policy and )  
Program Coordination and Integration in Electric )  
Utility Resource Planning )  
\_\_\_\_\_ )

R.04-04-003

**SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E)  
COMMENTS ON ASSIGNED COMMISSIONER'S RULING REGARDING NEXT STEPS IN  
PROCUREMENT PROCEEDING**

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Dated: **December 12, 2005**

**SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E)  
 COMMENTS ON ASSIGNED COMMISSIONER'S RULING REGARDING NEXT STEPS IN  
 PROCUREMENT PROCEEDING**

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**I.**

**INTRODUCTION**

Pursuant to the direction of California Public Utilities Commission (Commission) President Peevey in the Assigned Commissioner's Ruling Regarding Next Steps in Procurement Proceeding (ACR), issued December 2, 2005, Southern California Edison Company (SCE) respectfully submits these comments on the ACR. As requested in the ACR, SCE's comments address the following three primary issues: (1) the stated goals of the 2006 long-term procurement planning (LTPP) proceeding; (2) the preliminary Energy Division Staff work plan proposal attached as Appendix A to the ACR; and (3) the transmission planning collaboration document attached as Appendix B to the ACR.<sup>1</sup>

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<sup>1</sup> ACR at 12-13. The ACR also requests that parties generally comment on the use of California Energy Commission (CEC) information as inputs to the 2006 LTPP proceeding. *Id.* at 11. SCE has included general comments on this issue within Section II below.

## II.

### GENERAL COMMENTS REGARDING THE 2006 LTPP PROCEEDING

#### **A. ACR's Stated Goals of the LTPP Proceeding**

The ACR identified the following goals for, or issues to be addressed in, the 2006 LTPP proceeding: (1) an examination of the need for new generation, (2) a review of long term resource plans and an integrated resource planning process for all IOU planning areas, (3) the preparation of updates to IOU procurement policies and practices and new 10-year procurement plans, and (4) additional procurement policy issues not covered elsewhere.<sup>2</sup> These issues appear to be ordered in the ACR according to the Energy Division's view of highest priority (No.1) to the lowest priority (No. 4).

SCE would prioritize these issues somewhat differently. SCE agrees that the most important issue is ensuring investment in new generation infrastructure.<sup>3</sup> However, the second most important issue is the approval of new 10-year procurement plans (currently identified as issue number three). Both of these activities are essential to ensure the adequate reliability of supply in southern California generally (in terms of new generation), and for SCE's customers specifically (in terms of an approved procurement plan).

It is less important to address in the near term the other two issues, integrated resource planning and additional policy issues. In terms of additional policy issues, the most critical issue that has not yet been addressed is the future state of the retail market in California. This policy issue is even more critical than integrated resource planning, since the nature of the retail market structure is foundational to the resource plan itself. The critical questions from SCE's perspective are: Will Direct Access be reopened to all customers, as it was at the outset of deregulation? Will a core/non-core model be established and, if so, how will the non-core group be defined? Integrated resource plans (IRPs) that are developed without a foundational understanding of the underlying customer demand to be served are not particularly useful.

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<sup>2</sup> ACR, at 6.

<sup>3</sup> SCE suggested the initiation of such a proceeding to the Commission in SCE's Motion to Withdraw its Application related to a Request for Offers (RFO) for new generation resources (A.05-06-003), and appreciates the Commission's responsiveness to this important issue.

SCE would rank this “additional policy issue” third on the list, right after updating the procurement plans and policies.

Thus, of the ACR’s four identified issues, the least critical is the development of an IRP. SCE supports the development of an integrated resource plan in 2006, but believes other issues are far more critical in the near-term.

Development of IRPs is of low priority for the following reasons. First, it should be noted that IRPs have been historically developed for vertically integrated utilities with monopoly or near-monopoly retail market structures. Indeed every utility cited in Appendix A to the ACR – Energy Division Staff Draft Proposal for Long-Term Procurement Planning Proceeding Work Plan (Staff Proposal) – as having an IRP falls into this category.<sup>4</sup> California does not have a monopoly or near-monopoly retail market structure. California temporarily suspended Direct Access, and its future upon the expiration of California Department of Water Resources (DWR) power contracts is unclear. A load-serving entity’s (LSE’s) IRP must include its expected level of customer demand in order to establish meaningful actions it can take to meet that demand.

Secondly, transmission analysis (which is a critical component of traditional IRP) for large-scale transmission projects is performed at the CAISO system level, not at a distribution service area level or a retail level. Transmission analysis at a CAISO level cannot be traded off or compared with generation resources as part of one LSE’s resource plan. The basis for costs and benefits at the CAISO level is entirely different than on an individual LSE basis. For each (non-California) utility identified in the Staff Proposal, its transmission area is the same as its distribution service area, which in turn is the same as its retail service area. For California, however, this structure does not exist. Thus, the only approach for new large-scale transmission that makes sense is for benefits and costs to be evaluated on a CAISO basis, which incorporates all CAISO customers, whether they are bundled service customers, ESP customers, or participating municipal utility customers.

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<sup>4</sup> ACR, Appendix A at 9-10, n. 5.

Finally, every utility cited in the Staff Proposal relies on utility-owned generation to meet the bulk of its customers' needs. Again, California IOUs are in nowhere near the same situation, since they rely on power purchase contracts for 65 to 70 percent of their customers' needs. Therefore, it is difficult to state what specific actions can be undertaken to assure new generation will be available to meet forecasted needs in the current environment, other than indicating that an IOU will undertake a competitive solicitation in a particular timeframe.

Thus, SCE recommends that the Commission prioritize the stated issues for the 2006 LTPP as follows: (1) the need for new generation, (2) the adoption of new 10-year procurement plans and updates to IOU procurement policies and practices, (3) the nature of the California retail market structure upon expiration of DWR contracts, and (4) the review of long term resource plans and integrated resource planning process for all LSEs.

**B. Use of CEC Information and Analyses As Inputs in 2006 LTPP Proceeding**

The CEC is in a unique position to provide forecasts regarding the quantity and timing of new resources in particular transmission-constrained zones. The CEC has historically forecasted supply and demand balances for this purpose, with input from the CAISO for either the upcoming summer or for longer periods of time.

As the Commission is taking a specific look at the need for new generation resources in California, an updated forecast by the CEC would be most helpful. A forecast that looks at aggregate loads and resources during the peak period over the next seven to eight years could be used to determine the quantity of resources needed each year in the specific areas where the CAISO indicates new resources are required to ensure a reliable grid. Specifically, this additional analysis will provide key foundational information for the proposed first phase of the 2006 LTPP proceeding, as described in the Staff Proposal – determining the factual need for new generation resources and the allocation of the costs and benefits of those resources.

### III.

#### **COMMENTS ON THE COMMISSION STAFF'S DRAFT PROPOSAL (APPENDIX A)**

As requested in the Staff Proposal, SCE provides the following comments on the Proposal with respect to (1) whether the questions to be addressed in each proposed phase of the proceeding, as identified in the Staff Proposal, are appropriate; and (2) whether the proposed activities and timelines are feasible and/or sufficient.<sup>5</sup>

#### **A. Review of the Need For New Generation**

##### **1. Questions Identified in Staff Proposal**

SCE wholeheartedly endorses addressing the need for new generation and cost allocation proposals for such generation in a separate first phase of the 2006 LTPP proceeding. The questions set forth in the Staff Proposal relative to this subject, regarding: (1) establishing the factual need for new generation (ACR, Appendix A, at 4-5), and (2) a temporary and/or permanent mechanism for allocating costs and benefits related to new generation resources (ACR, Appendix A, at 5-6), are appropriate.<sup>6</sup>

##### **2. Feasibility of Proposed Activities and Timelines**

SCE generally endorses the Commission staff's proposed activities related to the new generation phase of the 2006 LTPP proceeding.<sup>7</sup> Specifically, SCE supports determinations of resource need and assessment of cost/benefit allocation proposals based on briefing by the parties. At this point, SCE believes the factual record necessary to decide these issues can be appropriately developed through briefing alone. However, SCE acknowledges that these issues may become contentious enough to warrant hearings. In either case (with or without Commission-ordered hearings), SCE is prepared to fully

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<sup>5</sup> *Id.*, Appendix A at 1.

<sup>6</sup> SCE believes the Commission should include the following issue in its assessment of the appropriate mechanism for allocating costs and benefits related to new generation resources: ensuring that LSEs acquiring new generation resources are appropriately including transmission system upgrade costs (which are recovered from all or a subset of users of the ISO Grid) in their procurement decision-making.

<sup>7</sup> Appendix A, pp. 5, 6-7.

participate in this phase on the expedited schedule proposed by Commission Staff that results in a Draft Decision on these issues by April 2006.

SCE believes the issues related to new generation resources are properly prioritized as the first phase of the 2006 LTPP proceeding, and strongly supports the proposed timetable for this phase of the proceeding. If the Commission determines that hearings on new generation issues are necessary, SCE urges the Commission to schedule the hearings and briefing in February 2006 (possibly extending briefing into early March 2006 if necessary). By doing so, the assigned Administrative Law Judge can, and should, still issue his or her Draft Decision on these issues in April 2006, as currently proposed.

In addition, prior to the issuance of this ACR and associated Staff Proposal, SCE had begun to develop (and is still in the process of developing) a separate Application to the Commission to propose a revised framework for allocating the benefits and costs related to the procurement of new generation resources. This framework would enable SCE to enter into long-term contracts to secure new generation resources on behalf of all of its distribution customers, in accordance with AB 380.

SCE is evaluating whether it should proceed with its Application in parallel with the 2006 LTPP proceeding, or work within the new generation phase of the proceeding as described in the Staff Proposal. If SCE elects to proceed with its Application and the Commission later implements the new generation phase of the 2006 LTPP proceeding as described in the Staff Proposal, SCE would be willing to consolidate the Application's proceedings with 2006 LTPP new generation phase and proceed on the timetable set forth in the Staff Proposal.

**B. Review of Long Term Resource Plans and Integrated Resource Planning Process for all IOU Planning Areas**

**1. Questions Identified in Staff Proposal**

The questions to be addressed in this phase of the 2006 LTPP proceeding, as identified in the Staff Proposal (ACR, Appendix A, at 8-9) are appropriate. However, as discussed above, SCE believes this issue and the related questions are less critical than the 10-year procurement plans and the issue of the future California retail market structure.



In addition to the questions identified in the Staff Proposal, SCE urges the Commission to address an additional question in this phase of the proceeding:

*Should the Commission forward a formal communication to FERC expressing support for a limited waiver of the FERC Standards of Conduct (applicable to “policy staff” of regulated utilities’ internal marketing units) in connection with the IRP process?*

Inclusion of this additional question in this phase of the proceeding is necessary to determine the proper scope of participation in the development of California’s IRP framework.

Currently, the FERC Standards of Conduct (the Standards) impose significant restrictions on the disclosure of transmission information to employees of a regulated utility’s internal marketing group, including policy staff from whom this Commission and other state agencies have sought input as California formulates its IRP framework.<sup>8</sup> The intent of the Standards is to prohibit disclosure of transmission information that may be used by sellers of energy to gain an advantage over competitors. However, due to the Standards’ restrictions, the state may not be receiving the full benefit of available IRP expertise within the utilities.

If California is to benefit from all IRP expertise within the state, SCE believes a waiver of the Standards should be granted for disclosure of transmission information to “policy staff” of regulated utilities’ internal marketing units. This would be a very specific, limited waiver that would allow for the disclosure of transmission information to such “policy staff” only for the purposes of their participation in IRP proceedings and informal meetings hosted by state agencies advancing IRPs. Consistent with the spirit and purpose of the FERC Standards, such a waiver would not extend to traders within a regulated utility’s marketing group or to any of its unregulated affiliates.

## **2. Feasibility of Activities and Timeline**

SCE believes the activities identified in the IRP section of the Staff Proposal are appropriate.<sup>9</sup>

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<sup>8</sup> Order No. 2004, *Standards of Conduct for Transmission Providers*, FERC Stats. & Regs. Preambles ¶ 31,155 (2003) and 18 C.F.R. §§ 358.4(e)(1), 358.5(a)(1), 358.5(b)(1)-(2).

<sup>9</sup> ACR, Appendix A at 9-10.

On the other hand, the proposed timeline for this phase is problematic. As discussed above, the activities relating to IRPs should occur in the last phase of this proceeding. Moreover, according to the draft proposal, an initial two-day workshop on IRPs would take place only one month before a second set of workshops intended to allow respondents to present proposed/draft IRPs prior to filing (February and March 2006).<sup>10</sup> A fully developed IRP that incorporates transmission and generation options as described in the Staff Proposal will require four to six months to complete. However, the Staff Proposal would allow only one month for this process to occur. One month is not nearly enough time to develop draft IRPs, especially if the point of these workshops is to solicit feedback from others regarding the direction of the plans. The timetable adopted by the Commission should provide at least four months between the first and second IRP workshops.

A related issue is that the timetable is contingent on the level of “guidance” given to respondents. Greater prescriptiveness on the output makes the analysis faster to complete, but these restrictions have the consequence of reduced plan “ownership” by the respondent LSEs, since their respective IRPs would not be based on their own best judgment. A longer schedule with higher-level guidance from the Commission and Energy Division Staff will yield better quality plans that are based on an appropriate amount of input from the Commission, stakeholders, and the LSEs.

**C. Updates to IOU Procurement Policies and Practices, Including Review and Approval of New 10-Year Procurement Plans**

**1. Questions Identified In Staff Proposal**

The Staff Proposal lists several questions that may be considered in this phase of the 2006 LTPP proceeding.<sup>11</sup> SCE supports the inclusion of the last three proposed questions in this phase, as they are written in the Staff Proposal.<sup>12</sup> The first proposed question lists numerous issues and would ask the

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<sup>10</sup> *Id.*, Appendix A at 13.

<sup>11</sup> *Id.*, Appendix A at 10-11.

<sup>12</sup> *Id.*, Appendix A at 11. These questions are: (a) Are there any workshops required to discuss specific procurement issues? (b) How should the procurement-related policy recommendations noted in the CEC’s Transmittal Report be handled in this phase of the proceeding? and (c) Should the IOUs prepare and file

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parties to litigate the inclusion of these issues as part of the IOU procurement plans. SCE believes that only the following high-priority issues should be included in this first question: (1) IOU use of TeVar to measure the customer risk tolerance threshold in its procurement practices<sup>13</sup>; (2) evaluation of the Level Playing Field in IOU procurement<sup>14</sup>; and (3) examination of portfolio risk policies used by IOUs in procurement<sup>15</sup>. For the reasons discussed below, the other issues identified as part of the first proposed question should not be included in this proceeding.

- **IOU gas hedging practices for electricity portfolios and procedures for modifying gas hedging strategies**

SCE opposes filing the specifics of its gas hedging practices for electricity portfolios and the procedures for modifying gas hedging strategies as part of its procurement plan. This information is highly confidential and market sensitive. If its hedging strategies were publicly revealed, there would be immediate and direct harm to SCE and its customers.

- **Use of GHG adder in procurement practices of IOUs**

In Commission Decision (D.) 04-12-048 and other recent Commission decisions, the Commission provided detailed direction on the proper use of the greenhouse gas (GHG) adder in IOU procurement practices. Thus, SCE believes that it is not necessary to revisit this issue in this proceeding. Instead, any remaining issues associated with the GHG adder are merely ones of implementation detail, which should

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comprehensive procurement policies and practices that incorporate the numerous decisions, rules, and laws that govern their procurement?

<sup>13</sup> SCE believes that as part of the consideration of this issue, the Commission should consider whether the risk screening obligation for IOU procurement transactions should continue. In prior decisions, the Commission has imposed a risk screening obligation that allows SCE to enter into contracts to procure resources for periods of three years or longer only if SCE can demonstrate that signing such contracts reduces procurement cost risks, or in other words, reduces TeVar. It is SCE's experience that the risk screening obligation is an impediment to meeting SCE's established minimum resource adequacy requirements in 2006 and beyond.

<sup>14</sup> SCE supports inclusion of this issue to the extent the Commission intends to review whether (i) IOU-owned projects can be proposed on a level-playing field basis, in light of the Commission's previous decisions that translate into an asymmetric treatment of cost-overruns versus cost under-runs, and (ii) whether the Commission's requirement that IOU projects "compete" with Independent Power Producers' projects is reasonable.

<sup>15</sup> SCE urges the Commission not to delve into specific confidential risk management procedures and hedging strategies of the IOUs in connection with addressing this issue.

be left to the discretion of the IOUs to include in their procurement plan documents, as and where appropriate.

- **Credit risk policies used by IOUs in procurement**

SCE described its credit risk policies in detail in both its 2003<sup>16</sup> and 2004<sup>17</sup> Short-Term Procurement Plans, which the Commission approved in D.03-12-062 and D.04-12-048. In addition, the Commission, in D.03-12-062, also noted a credit contraction in the utility industry that prevailed at that time, and directed the IOUs to explore the use of alternative credit mechanisms when dealing with non-investment grade counterparties.<sup>18</sup> Given that this issue has been addressed in previous procurement plans and Commission decisions, at this time SCE does not believe that the Commission needs to revisit the broad issue of IOU credit policies in this proceeding.

- **Use of Independent Evaluator in procurement bid evaluations**

SCE believes that the Commission has already issued specific and durable guidelines regarding the use of Independent Evaluators (IEs) in procurement solicitations that do not need to be revisited. For example, in D.04-12-048, the Commission mandated the use of third-party IEs in resource solicitations where affiliates, IOU-built projects, or IOU turnkey bids are involved. In Ordering Paragraphs 26-29 of the Decision, the Commission clearly described the standards applicable to the retention of and scope of responsibilities for IEs, and the IOUs' obligations to consult with their respective IEs in connection with the RFO process. These enunciated standards are certainly sufficient to guide IOUs in the use of IEs for procurement bid evaluations.

- **Role of Procurement Review Groups in IOU procurement**

The Commission has given clear direction to the IOUs on the establishment of the utilities' PRGs, as well as on topics or occasions for consultation with their PRGs, in several decisions and in approving

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<sup>16</sup> Southern California Edison Company's Modified Short-Term Procurement Plan Pursuant to D.02-10-062, Volume II, Section III.L.

<sup>17</sup> Southern California Edison Company's 2004 Short-Term Procurement Plan, Section III.M.

<sup>18</sup> D.03-12-062, Ordering Paragraphs 10-11, and discussion at Section III.F therein.

procurement plans and other procurement activities.<sup>19</sup> SCE strongly believes that PRG consultation function has been thoroughly reviewed by the Commission, and furthermore, this process is working very well. As a result, it is not necessary for the Commission to invest further time and resources to review it again in this proceeding.

- **Practices and procedures used by IOUs in their RFOs, including use of all source or all party RFOs**

SCE believes that the Commission should not excessively manage the IOUs' procurement process, and should not impose rules that would limit the IOUs' ability to effectuate the Commission's general mandates, such as resource adequacy and renewable portfolio standards. RFO practices and procedures will vary among the IOUs and according to the type of product being procured. It would be unproductive to try to develop a "one size fits all" approach for various RFOs. SCE therefore recommends that the Commission exclude this issue from this proceeding.

## **2. Feasibility of Activities and Proposed Schedule**

SCE generally supports the proposed activities and schedule identified in the Staff Proposal for this phase of the proceeding (including a workshop to be held in February 2006, filing of updated procurement plans in May 2006, hearings in July 2006, and a draft decision issued in November 2006). However, SCE does not believe hearings are necessary with respect to Commission review of the IOUs' procurement practices (especially since the Commission has established processes such as the PRG to conduct appropriate review of procurement practices). SCE urges the Commission to limit the procurement practices discussion to only the issues described by SCE above as warranting further review at this time.

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<sup>19</sup> D.02-10-062, Appendix C; D.03-12-062, at Sections III.C.1 and III.H; D.04-01-050, Conclusion of Law 42; and D.04-12-048, Ordering Paragraph 15.

**D. Procurement Policy Issues Not Handled in R.04-04-003**

A major, unresolved policy issue in California is the future state of the retail market. Under current law, Direct Access has been suspended until contracts between the DWR and certain counterparties expire. However, neither the Legislature nor the Commission has determined the retail market structure after those contracts expire. This uncertainty has a dramatic and negative effect on the viability of many retail service providers and the investment in generation. Because this important issue remains undecided, none of the entities responsible for meeting future customer load are willing to commit to the construction of new generation resources. Accordingly, SCE strongly urges the Commission to address this issue in the 2006 LTPP proceeding.

**IV.**

**COMMENTS ON THE TRANSMISSION PLANNING COLLABORATION DOCUMENT**

**(APPENDIX B)**

As an initial matter, SCE wishes to emphasize here – consistent with its statements in a recent filing with the Commission – the importance of expediting the transmission review process.<sup>20</sup> The Commission can facilitate needed investment in new transmission by removing barriers in its permitting process. The Commission should give due consideration to the planning work performed by the CAISO, consistent with its statutory responsibilities, in evaluating whether a project is needed, even if the CAISO’s approval is not binding on the Commission. In other words, if the CAISO has reviewed a project under its statutory mandate in Public Utilities Code Section 345 to “ensure efficient use and reliable operation of the transmission grid” and found a transmission line is needed, the Commission can and should rely on that finding. The Commission is not required to independently reevaluate the need for the line in order to support its approval of the project. Removing such a costly, duplicative step in the

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<sup>20</sup> SCE discussed the importance of expediting the transmission review process in the context of the Renewable Portfolio Standard in the SCE Supplement to its Renewable Procurement Plan 2005-2014, filed in Commission Proceeding R.04-04-026, December 7, 2005. Similar principles to those described in that prior filing apply here, as described below.

transmission review process would be an appropriate and highly beneficial step in expediting the development of crucial new transmission lines.

**A. Incorporation of Transmission Planning Information Into The Long-Term Procurement Plan**

Participating Transmission Owners (PTOs) are currently collaborating with the CAISO to develop more details of its planning process. Final agreement on process requires much more definition of the specific activities. As such, it is imperative that this Commission, the CAISO, the CEC, and the PTOs coordinate their further dialogue. It is also imperative that a balance be struck between the assignment of specific responsibilities to the CAISO and the PTOs for the transmission planning aspect of the 2006 LTPP proceeding. The CAISO has information which paints a broad picture of the system requirements and has market information on generation and path flows that is not available to any of the PTOs. The final planning process should also recognize and take full advantage of each PTO's knowledge and expertise with regard to its own system, as well as its inherent obligation to reliably and cost-effectively serve its customers.

**B. Role of Third Party Developers**

It is vital that PTOs continue to remain the transmission provider of choice within their prescribed service territory and that third-party providers are not given the opportunity to "cherry pick" projects for which the incumbent PTO's customers must ultimately pay. As the CAISO recently described in its proposed revisions to its transmission planning process, PTOs must be given the right-of-first-refusal in developing a transmission project before the project is made available to an independent transmission developer.

Additionally, once a PTO commits to build a transmission project, the CPUC/CAISO should not be permitted to award the project to a third party based upon failure to meet Certificate of Public Convenience and Necessity (CPCN) permitting schedules. Meeting a CPCN milestone is not entirely within the control of the PTO and the failure to meet a milestone alone is not a sufficient basis to award to a third party the right to develop an approved project.

Finally, the CPUC should also be cognizant of the potential effects from balkanization or atomization (the notion of having fragmented ownership of grid components) of the grid. These issues can create additional uncertainty and delays which affect operators, customers, and investors. As a practical matter, network efficiency and reliability would be best accomplished by permitting the existing owners to upgrade and expand facilities for their territory in a streamlined and efficient process.



V.

**CONCLUSION**

For the foregoing reasons, SCE respectfully requests that the Commission modify the scope and timeline of the 2006 LTPP in accordance with SCE's recommendations described above.

Respectfully submitted,

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December 12, 2005

**CERTIFICATE OF SERVICE**

I hereby certify that, pursuant to the Commission's Rules of Practice and Procedure, I have this day served a true copy of SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) COMMENTS ON ASSIGNED COMMISSIONER'S RULING REGARDING NEXT STEPS IN PROCUREMENT PROCEEDING on all parties identified on the attached service list(s). Service was effected by one or more means indicated below:

- Transmitting the copies via e-mail to all parties who have provided an e-mail address. First class mail will be used if electronic service cannot be effectuated.
- Placing the copies in sealed envelopes and causing such envelopes to be delivered by hand or by overnight courier to the offices of the Commission or other addressee(s).
- Placing copies in properly addressed sealed envelopes and depositing such copies in the United States mail with first-class postage prepaid to all parties.
- Directing Prographics to place the copies in properly addressed sealed envelopes and to deposit such envelopes in the United States mail with first-class postage prepaid to all parties.

Executed this **12th day of December, 2005**, at Rosemead, California.

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Samantha Bertolone  
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December 12, 2005

Docket Clerk  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, California 94102

RE: **R.04-04-003**

Dear Docket Clerk:

Enclosed for filing with the Commission are the original and five copies of **SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) COMMENTS ON ASSIGNED COMMISSIONER'S RULING REGARDING NEXT STEPS IN PROCUREMENT PROCEEDING** in the above-referenced proceeding.

We request that a copy of this document be file-stamped and returned for our records. A self-addressed, stamped envelope is enclosed for your convenience.

Your courtesy in this matter is appreciated.

Very truly yours,

**Michael A. Backstrom**

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Enclosures

cc: All Parties of Record  
(U 338-E)