

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-4117
October 18, 2007

R E S O L U T I O N

Resolution E-4117. This Resolution approves, with criteria for implementation, Southern California Edison's (SCE's) request to amend its AB 57 Procurement Plan and pending 2006 Procurement Plan to enable SCE to procure Long Term Congestion Revenue Rights (LTCRRs).

By Advice Letter 2142-E filed on July 24, 2007.

SUMMARY

The California Public Utilities Commission (Commission) approves, with criteria for implementation, SCE's request to amend its Assembly Bill (AB) 57 Procurement Plan and pending 2006 Procurement Plan for authority to procure LTCRRs with a term of up to ten years as hedges against congestion costs under the California Independent System Operator's (CAISO's) Market Redesign Technology Upgrade (MTRU) market.

The Commission approves, with criteria for implementation, SCE's request to amend its AB 57 Procurement Plan and pending 2006 Procurement Plan to enable SCE to procure LTCRRs that have a term of up to ten years from the CAISO as part of MRTU implementation.¹

¹As a result of this authorization, it is not necessary for SCE to seek formal Commission approval for each source/sink combination to be nominated prior to the CASIO allocation process. Rather, SCE shall present its proposed source/sink combinations at its Procurement Review Group meetings. Further, as discussed in greater depth below, any proposed nominations by SCE should reflect actual anticipated grid use during the term of the CRR sought rather than mere speculation. SCE's amended procurement Plan shall also meet the criteria specified in Public Utilities Code, section 454.5.

BACKGROUND

The CAISO will allocate CRRs to Load Serving Entities (LSEs) based on load-share.

Currently, LSEs may obtain Firm Transmission Rights (FTRs) with which they assure transmission of energy to load. Under MRTU, the CAISO will institute Locational Marginal Pricing (LMP), which will replace the current zonal model. The CAISO has suggested that LMP will help alleviate intra-zonal congestion.

Under MRTU, LSEs will no longer be able to obtain new FTRs. Rather, deliverability needs will be managed using financial tools called Congestion Revenue Rights (CRRs) rather than physical transmission rights. LMP is anticipated to expose each LSE to more volatile charges for transmission congestion than under the FTR/physical transmission rights paradigm.

A CRR will entitle its owner to be paid an amount equal to the difference between the price of energy at the source (generation) and sink (load) nodes. Thus, CRRs are designed to give the owner a hedge against congestion costs caused by price differences between generation resources and load. In the first rounds of the first year's² CRR distribution process, the CAISO will allocate CRRs to LSEs in quantities based on load-share³ and in source/sink combinations based on the LSE's actual grid use during the 2006 reference period. If an LSE obtains a CRR that matches its sources of power and its load, the CRR is expected to closely offset the congestion costs charged for delivering that power to load.

The CAISO's CRR allocation process consists of four tiers of allocation followed by an auction.

CAISO will distribute CRR in four tiers. Distribution of CRRs has different rules in different tiers. All CRRs distributed in the allocation tiers must, by CAISO

² In annual CRR allocations after the first year of MRTU, CAISO will not verify LSEs' actual use of resources.

³ The amount of CRRs an LSE may be allocated is limited by their adjusted load metric. The adjusted load metric is a measure established by the CAISO to represent the LSEs' load at peak hours.

rule, use the LSE's load aggregation point (a weighted average of LMPs for the LSE's Transmission Access Charge area⁴) as the sink. Tiers One and Two will, in year one of MRTU, be limited to nominations of CRRs with a source that can be verified as a source used by the LSE to procure power in 2006. These CRRs have a one-year term.⁵ After the first two tiers, the CAISO will hold Tier LT,⁶ in which LSEs may nominate the CRRs they received in the first two tiers for conversion into LTCRRs, preserving them for a period of up to 10 years.⁷ Following Tier LT, the CAISO will conduct Tier Three, in which LSEs may nominate CRRs from any source. Following Tier Three, the CAISO will auction remaining CRRs.

Neither CRRs obtained in Tier Three nor CRRs obtained in the auction may be converted into LTCRRs in the same year. The CRRs allocated in Tier 3 may be converted to LTCRRs in future years if and only if, in a future year, the LSE nominates and receives those CRRs in the tiers prior to Tier LT. Stated another way, the purchase of a CRR in the auction does not confer any priority on the LSE in later years' allocations, nor does purchase of a CRR at auction provide the owner with the ability to convert it to a LTCRR.

SCE requires Commission authorization under the current AB 57 Procurement Plan to enter into procurement transactions having delivery terms of more than five years.

SCE claims that it has authorization to obtain FTRs pursuant to its existing AB 57 Procurement Plan, which permits SCE to obtain "transmission products" with a term less than five years without Commission approval of specific transactions. Because CRRs are the transmission product that will replace FTRs, SCE believes

⁴ In Tier 3, an LSE may nominate a Sub-LAP, which is a weighted average for a limited area's LMP, as the source for a CRR. These nominations may not be renewed in the Priority Nomination Process (PNP) the following year.

⁵ In later years, Tier 1 and Tier 2 will not be limited to verified sources. However, prior to Tier 1 and Tier 2, LSEs will be able to re-nominate a limited share of the CRRs they were allocated in previous years. This supplemental re-nomination opportunity is known as the Priority Nomination Process (PNP).

⁶CAISO MRTU Tariff § 36.8.3.1.3.1.

⁷ While LTCRRs are a 10 year entitlement, a LTCRR may have a shorter term because it is expected to become partially or completely infeasible during the life of the LTCRR .

that its Procurement Plan allows it to obtain CRRs of duration of less than five years without Commission approval.⁸

SCE requests amendments to its AB 57 Procurement Plan and pending 2006 Procurement Plan so that it will have the authority to procure LTCRRs before the CAISO's LTCRR nomination deadline expires.

Under CAISO rules, only CRRs obtained in Tier One or Tier Two may be converted into LTCRRs. SCE claims that it is unable to identify to the Commission which CRRs it will nominate for conversion into LTCRRs prior to the results of the Tier One and Tier Two allocations by the CAISO. SCE also claims that there is very limited time between the date when SCE will be given the results of the Tier Two CRR allocation by the CAISO and the date that LTCRR nominations must be submitted to the CAISO. SCE claims that there will be insufficient time to seek Commission approval by application for specific LTCRR nominations before the CAISO deadline. Accordingly, SCE requests that the Commission modify its AB 57 Procurement Plan and pending 2006 Procurement Plan to grant it the authority to procure LTCRRs before the CAISO's nomination deadline.

SCE will nominate CRRs in accordance with CAISO rules.

In AL 2142-E, SCE claims that its nominations for LTCRRs are limited by CAISO rules. These rules limit the amount of LTCRRs SCE may seek as well as which CRRs those may be. The CAISO rules are the result of a public stakeholder process in which both SCE and the Commission participated.

NOTICE

In accordance with Section Four of General Order (GO) Number 96-B, SCE stated that it has served copies of the advice letter filing to interested parties on the service list of GO 96-B and R.06-02-013. Notice of SCE AL 2142-E was also made by publication in the Commission's Daily Calendar.

⁸ Commission Decision (D.) 04-12-048 *Opinion Adopting Pacific Gas And Electric Company, Southern California Edison Company And San Diego Gas & Electric Company's Long-Term Procurement Plans*, (LTPP Decision) issued December 16, 2004 in Rulemaking (R.) 04-04-003 at Ordering Paragraph 14.

PROTESTS

There were no protests of AL 2142-E.

SUSPENSIONS

Advice Letter 2142-E was suspended on August 14, 2007.

DISCUSSION

SCE is granted the authority to procure LTCRRs before the CAISO nomination deadline has expired, subject to CPUC direction.

In AL 2142-E, SCE requests that the Commission grant it the ability to procure LTCRRs before the CAISO established nomination deadline has expired. At the time SCE filed AL 2142-E, the deadline for nominations for LTCRRs to the CAISO was scheduled for September 21, 2007. Presently, that date is set for October 31, 2007. As a result, SCE's need for a timely resolution continues.

The Commission determines that SCE is correct in its assessment that there will not be enough time for a formal approval of SCE's LTCRR nominations following SCE's Tier One and Tier Two CRR awards made by the CAISO.⁹ Therefore, in this instance, we approve SCE's request for authorization to procure LTCRRs before the CAISO's nomination deadline.

While CRRs are allocated to LSEs without cost, they may impose costs on the LSE and ultimately its ratepayers during the duration of the CRR.

In accordance with CAISO rules, CRR allocations in Tier One and Tier Two, as well as their conversion into LTCRRs, are free of charge. The CRRs, however, may impose costs on the owner of the CRR. The CRRs are obligations, meaning that if they have a positive value, SCE will receive a payment; but if they become negatively valued due to changes in grid dynamics, SCE will be required to make a payment. The CRRs result in payments to the owner when the source

⁹ Under normal circumstances, SCE would be required to file a formal application seeking authority to procure products with duration of 5 years or greater. (LTPP Decision at p. 108.)

has a lower price than the sink, and charges to the owner when the source has a higher price than the sink. In this way, while CRRs may be obtained without a payment, they are not without potential costs to SCE and its ratepayers. The extended duration of LTCRRs magnifies the risk of reversal of the CRR value over the life of the LTCRR.

SCE shall use LTCRRs as hedges against congestion costs and not for speculation.

If SCE uses CRRs to hedge against congestion costs from its sources of power to its load, the CRR payments will tend to counteract the congestion charges. This will be true even if the price of energy at sources exceeds the prices of energy at load, because while the CRR will be a requirement for SCE to pay, the congestion charge will be a payment to SCE.

As the CPUC has stated in numerous filings related to the development of the MRTU program, the CPUC's support of the CAISO's MRTU market was conditioned upon the CAISO's allocation of CRRs to LSEs so that those LSEs obtain an adequate hedge against unpredictable transmission costs in the MRTU LMP paradigm.¹⁰ The Commission determines that allowing LSEs to hedge their procurement portfolio with CRRs representing their actual expected use of the grid will help minimize congestion charges that would otherwise be passed on to ratepayers.

While LSEs may obtain annual or seasonal CRRs to hedge expected transmission costs, CAISO limits the percentage of annual and/or seasonal CRRs that an LSE may re-nominate from season to season or year to year. As a result, the Commission considers it essential that SCE use LTCRRs as a method to manage risks arising from congestion costs in order to support the CPUC's goal of encouraging long-term energy supply adequacy.

¹⁰See e.g., *Motion For Leave To File Comments Out Of Time And Comments of the California Public Utilities Commission Regarding the California Independent System Operator's January 29th Compliance Filing*, filed on February 21, 2006 in FERC Docket No. RM06-08-000 at pp. 2-3; *Notice of Intervention, Limited Protest, and Comments Of The California Public Utilities Commission On The California ISO's MRTU Tariff*, filed on April 6, 2006 in FERC Docket No. ER06-615-000 at p. 3.

The CPUC is concerned, however, with the potential for LSEs' acquisition of CRRs, including LTCRRs, that do not reflect their actual expected grid use or a reasonably physically correlated CRR.¹¹ While valuable CRRs that do not reflect the LSE's actual grid use may supply a stream of income to the LSE that would ultimately accrue to the benefit of ratepayers, such CRRs may also turn negatively valued over time, leaving ratepayers at a loss. Thus, CRRs that are not reasonably related to actual grid use will not result in such a reduction of risk to ratepayers. Further, an LSE that obtains CRRs that do not represent its actual grid use may deprive another LSE of an accurate hedge. For these reasons, the Commission here approves only the acquisition of LTCRRs that closely resemble the LSE's expected grid usage both in the choice of source/sink combinations and in the duration of the CRR with respect to the length of the LSE's energy supply contracts.

The Commission approves SCE's acquisition of LTCRRs for the purpose of managing congestion cost risk, and opposes the use of LTCRRs as tools for financial speculation in the congestion market. SCE shall use LTCRRs in accordance with Commission expectation that it be used for hedging purposes only. In AL 2142-E, SCE claims that it will use LTCRRs as hedges for its actual expected energy transmission costs and not as a tool for speculation. Therefore, the Commission directs that SCE obtain LTCRRs that are valuable as hedges against congestion costs SCE may face, subject to risk assessment regarding the specific source/sink combinations.¹² SCE should not obtain LTCRRs that are unrelated to SCE's sources of power.

¹¹ The CPUC has argued and continues to believe that CRRs should be used for hedging, not for financial speculation. E.g. *Reply Comments of the California Public Utilities Commission on the California ISO's MRTU Tariff*, filed on May 16, 2006 in FERC Docket No, ER06-615-000 at pp. 18-20.

¹² Public Utilities Code, section 454.5 requires that the LSEs define in its AB 57 Procurement Plan the "electricity-related products" it intends to procure (§ 454.5, subd. (b)(1)); describe the duration, timing and range of quantities of each product to be procured (§ 454.5, subd. (b)(4); analyze price risk arising from its particular portfolio of electricity-related products (§ 454.5, subd. (b)(1)); and describe its "risk management policy, strategy, and practices" (§ 454.5, subd. (b)(9)(C)(10)). The CPUC expects that SCE should prepare this same type of information for Energy Division and the Procurement Review Group for the less formal review established here.

SCE will record the revenues and costs related to congestion charges and CRRs into its Energy Resource Recovery Account (ERRA) balancing account.

In advice letter 2142-E, SCE did not address the treatment for recording revenues and costs related to congestion charges and CRRs. However, in response to an Energy Division data request, SCE claims CRR charges and payments will be debited from or credited to its corresponding ERRA balancing account.

SCE is currently authorized to record the congestion costs associated with the purchasing of FTRs in its corresponding ERRA balancing account. SCE claims that in dealing with the allocated CRRs, including LTCRRs, the allocation of costs and revenues does not differ from the accounting for costs and revenues from the previous Firm Transmission Right (FTR) system. However, the attributes of CRRs and the process for making congestion rights available to the market differs from the FTR process. CRRs are financial instruments and do not convey any right to scheduling priority. Therefore, the Commission determines that it is necessary to track the revenues and costs related to congestion charges in a separate ERRA balancing account, in a line-item distinct from FTRs. As such, we direct SCE to modify its ERRA Preliminary Statement, Part ZZ, to include the recording of congestion revenues and costs related to CRRs separately from FTRs.

SCE is directed to record a credit or debit entry equal to any expense associated with its CRR procurement transactions. SCE is directed to file updated tariff sheets by advice letter within 30 days of the date of this Resolution. The updated tariff sheets shall modify SCE's Preliminary Statement, Part ZZ, of ERRA and incorporate a new tracking account to record revenues and costs associated with CRR transactions only.

CRR entries that are recorded into the ERRA balancing account are subject to review at the Commission.

All entries recorded into SCE's ERRA balancing account, including CRR entries, are examined by the Commission in its review of SCE's Quarterly Compliance Reports and annually in a review of the ERRA balancing account. Using the Quarterly Compliance Report and the ERRA review process, the Commission will determine whether SCE has complied with the upfront and achievable standards contained in its Commission-approved AB 57 Procurement Plan.

SCE's AB 57 Procurement Plan and pending 2006 Procurement Plan shall be amended.

The Commission conditionally authorizes amendments to SCE's AB 57 Procurement Plan and pending 2006 Procurement Plan to allow SCE to procure LTCRRs from the CAISO as requested by SCE in AL 2142-E. Within 30 days of the date of this Resolution SCE is directed to file updates to its Commission-approved AB 57 Procurement Plan to reflect the additional procurement authority granted by this Resolution. SCE is further directed to include in its amended Procurement Plan product definition of the CRR products it seeks to procure, and any other information necessary to qualify compliance with the upfront standards required by AB 57 Procurement Plan.¹³

We note that SCE's AB 57 Procurement Plan is filed with the Commission bi-annually. As part of the current Long Term Procurement Plan (LTPP) proceeding (R.06-02-013), the potential impacts of MRTU upon Investor Owned Utility procurement are being examined. It is anticipated that subsequent LTPP proceedings will examine in more detail potential impacts of MRTU, including CRRs, on Investor Owned Utility procurement activities.

SCE shall consult with Energy Division and the PRG regarding its LTCRR nominations prior to submitting those nominations, and report the transactions in its Quarterly Compliance Report (QCR).

The Commission directs that SCE shall consult with the PRG regarding its proposed LTCRR nominations, of which the Commission's Energy Division is an *ex officio* member, prior to participating in the CAISO's CRR nomination process. SCE shall provide periodic updates at least quarterly to the PRG on how its previously obtained LTCRRs are performing. SCE shall also report these transactions in its Quarterly Compliance Report (QCR). The Commission expects that the QCRs and PRG presentations will contain, at a minimum, for each LTCRR, the term, source and sink, relation to grid use, expected value, and past performance.

¹³ See, e.g., the requirements codified in Public Utilities Code, section 454.5, discussed above at fn. 14.

SCE is authorized to purchase LTCCRs with a duration of more than 5 years without filing a formal application.

LSEs are ordinarily required to file a formal application seeking authority to procure energy-related products with duration of 5 years or greater.¹⁴ In this case, however, FERC has only recently ruled on the design of CAISO's LTCRR nomination process, and a variety of requests for rehearing remain pending on those decisions. Thus, market participants did not have firm information regarding the LTCRR design specifications and allocation process at a time that would allow filing of a formal Application with this Commission. Further, the quick turnaround required by the CAISO's allocation process between the first tiers of CRR allocation and the LT CRR allocation impedes formal CPUC review of the exact identity and quantity of LTCRRs to be nominated.

The CPUC believes, however, that in this limited circumstance, a one-time deviation from the requirement for a formal application is appropriate for several reasons. As discussed above, the LSEs will be required to discuss their proposed CRR selections with the Commission's Energy Division and consumer protection organizations in the PRG process and will be required to provide information and analysis of their proposed CRR selections within their requested modifications to their AB 57 Procurement Plans. The Commission anticipates that it will develop a long-term plan to formally review proposed CRR selections within the Long-term Procurement Proceeding (R.06-02-013 or successor proceeding).

We do not anticipate a need for evidentiary hearings, as most who are interested in the subject of CRRs have participated in stakeholder discussions at the CAISO and litigation at FERC.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. It will be placed on the Commission's agenda on October 18, 2007, 30 days from the date it was mailed.

¹⁴ LTPP Decision at p. 108.

However, AL 2142-E is not protested and this resolution grants SCE's request with guidelines. Therefore, no public comment period is legally required. Nevertheless, the Commission allows for a reduced review and comment period. Accordingly, pursuant to Public Utilities Code section 311(g)(2) and Commission Rules of Practice and Procedure Rule 14.6(c)(2), the otherwise applicable 30-day period for public review and comment is reduced to 20 days. This draft resolution was mailed to interested parties for review on September 18, 2007 and comments are due on October 8, 2007. Reply comments will be due 7 days later, on October 15, 2007.

Any party who believes that hearings are required to adduce adjudicatory facts may request hearings in their opening comments. The request should indicate the specific nature of any controverted evidence that would be presented in a hearing.¹⁵ Evidentiary hearings are warranted only to the extent there are material factual disputed issues and that any adopted evidentiary hearing shall be focused on resolving essential factual disputes.¹⁶ The assigned Commissioner or ALJ will determine the need for hearings.

SCE filed comments in response to Resolution E-4117. Also, PG&E filed comments on a similar resolution, Resolution E-4122, which addressed similar issues for PG&E. These comments were helpful to the Commission in adding clarity to the resolution. Due to the non-controversial and helpful nature of these comments, the Commission has made the changes suggested by these comments to this Resolution.

In addition, San Diego Gas & Electric (SDG&E) filed comments on October 9, 2007, asking that the Resolution include more restrictions on SCE's procurement of CRRs.¹⁷ SDG&E claims that a variety of factors resulted in the 2006 base year

¹⁵ For an example of the propriety with dispensing of evidentiary hearings see Rulemaking (R.) 07-01-021, *Order Instituting Rulemaking To Address The Needs Of Telecommunications Customers Who Have Limited English Proficiency* at p. 13; 2007 Cal. PUC LEXIS 1.

¹⁶ D.04-05-033, *Final Opinion On Motion For Authority To Waive Test Year 2005 Cost Of Capital Application*, 2004 Cal. PUC LEXIS 266 at fn. 14.

¹⁷ SCE filed reply comments on October 15, 2007. PG&E filed reply comments to a similar SDG&E comment on Resolution E-4122 on October 15, 2007.

for CRR allocations being a poor representation of SDG&E's expected grid use, placing SDG&E in a disadvantaged situation with regard to CRR procurement. Specifically, SDG&E requests that the Commission 1) direct SCE not to seek renewal in the Priority Nomination Process (PNP) Tier of CRRs obtained pursuant to the 2006 source-verification priority mechanism once the initial term of the underlying commercial arrangement has expired, and 2) direct SCE not to convert CRRs obtained pursuant to the 2006 source-verification mechanism to LTCRRs unless the underlying commercial arrangement is of ten years duration or longer.

The Commission finds that the additional restrictions that SDG&E requests be placed on SCE's CRR procurement activities may impose risk that could lead to negative consequences..

Both proposed restrictions are ill-advised because they would create discriminatory effects against the regulated utilities, creating a position of advantage for other market participants. The Commission believes it would be a poor policy to force utilities into a situation where they are systematically disadvantaged against other market participants because such a situation may result in increased costs for utility ratepayers.

Rather, the Commission shall rely on the criteria for implementation discussed in the body of this Resolution to ensure that SDG&E, PG&E and SCE seek to hedge actual expected grid use and do not engage in speculation. Further, as stated above, we fully intend to examine all aspects of the MRTU market, including CRRs of all types and durations, and the impact it may have upon IOU procurement activities in our Long Term Procurement Proceeding, R.06-02-013, or any successor proceeding.

Therefore the Commission rejects SDG&E's proposals for additional restrictions on CRR procurement.

FINDINGS

1. CAISO's MRTU program will establish LMP pricing, which results in the potential that LSEs such as SCE may face volatile transmission congestion charges.

2. MRTU establishes CRRs as hedges against congestion costs, including LTCRRs with a term of up to ten years.
3. CRR allocations are obtained free of charge, but holding CRRs may result in substantial costs upon the owner, which may include ratepayers if the CRR is owned by an LSE. The extended length of LTCRRs magnifies such risk.
4. SCE's LTCRR nominations are limited in amount & location by CAISO rules.
5. Allowing SCE to hedge a significant portion of its procurement portfolio will help to minimize congestion charges that would otherwise be passed on to ratepayers.
6. SCE's AB 57 Procurement Plan requires Commission approval before entry into transactions with duration longer than five years, requiring Commission approval to obtain LTCRRs.
7. SCE will not have enough time to seek Commission approval of its Tier LT nominations due to the short time after the release of Tier 2 results.
8. SCE is currently authorized by the Commission to record the congestion costs associated with FTRs in its ERRA balancing account
9. The attributes of CRRs and the process for making congestion rights available to the market differs from the previous FTR system that CRRs will replace.
10. It is necessary to track the revenues and costs related to CRRs separately from the congestion costs associated with FTRs and to update SCE's Preliminary Statement, Part ZZ, of ERRA.
11. All entries recorded into SCE's ERRA balancing account, including CRR entries, must to be reviewed by the Commission for Procurement Plan compliance on an annual basis.
12. It is reasonable for SCE to record revenues and costs related to congestion charges and CRRs into its ERRA balancing account.
13. It is necessary for SCE to consult with the Procurement Review Group on LTCRR nominations prior to such nominations and to include the transactions in its Quarterly Compliance Report report.
14. SCE shall report in its Quarterly Compliance Report and to the PRG, at a minimum, for each CRR, the term, source, sink, relation to grid use, expected value, and past performance.
15. The timeframe for LTCRR nominations has changed since SCE filed AL 2142-E, but there is still a need to move quickly so that SCE can procure LTCRRs prior to the CAISO's nomination deadline.
16. Advice Letter 2142-E was not protested and it was suspended on August 14, 2007.
17. LSEs subject to AB 57 Procurement Plan requirements must include in their procurement plans a variety of descriptions of the energy-related products

they intend to procure, volume and duration of those products, and risks posed by ownership of such products.

18. LSEs must ordinarily formally apply for Commission approval of agreements to acquire energy-related products of five-years or greater duration.
19. The instant resolution is a one-time deviation from the ordinary requirement of a formal application for acquisition of energy-related products with five-year or greater duration due to parties' lack of sufficient time to formally address these issues between FERC approval of the relevant products and processes and CAISO allocation of the products.
20. It is expected that the formal processes for Commission approval of LTCRR acquisition will be addressed in the LTPP proceeding.

THEREFORE IT IS ORDERED THAT:

1. SCE is granted authority to procure LTCRRs so that it may meet the CAISO's nomination deadline.
2. SCE's AB 57 Procurement Plan and pending 2006 Procurement Plan shall be amended by AL 2142-E subject to the implementation guidelines established in Resolution E-4117.
3. SCE shall use LTCRR nominations to hedge costs of transmission of power and it shall not use LTCRRs as a method of financial speculation in congestion markets.
4. SCE shall consult with the PRG prior to nominations, and shall include the transactions in its Quarterly Compliance Report.
5. SCE shall record the revenues and costs related to CRR transactions into its ERRA balancing account separately from FTRs, modify its Preliminary Statement Part ZZ of ERRA to include the recording of CRR entries separately, and file updated tariff sheets by advice letter filing within 30 days of the date of this Resolution.
6. All Entries recorded into SCE's ERRA balancing account, including entries for CRR transactions, will be reviewed by the Commission. During the ERRA review, the Commission will determine if SCE has complied with its approved Procurement Plan.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on October 18, 2007; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON
Paul Clanon
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners