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

Application of Southern California Edison Company (U 338-E) for Authority to, Among Other Things, Increase Its Authorized Revenues For Electric Service In 2012, And to Reflect That Increase In Rates.	Application 10-11-015 (November 23, 2010)

Prehearing Statement of the National Asian American Coalition, the Black Economic Council and the Latino Business Chamber of Greater Los Angeles

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Application of Southern California Edison Company (U 338-E) for Authority to, Among Other Things, Increase Its Authorized Revenues For Electric Service In 2012, And to Reflect That Increase In Rates.	Application 10-11-015 (November 23, 2010)

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The prehearing statement we are filing is applicable to both the Edison(A.10-11-015) and the Sempra cases (A.10-12-005/006) (SDG&E and SoCal Gas) as they apply to a number of general issues. We are also filing in Section II and III specific issues that may apply separately for Edison and for Sempra.

<u>Section I: Concerns As To Both Rate Cases During a Recession and Cutbacks in Essential Government Services.</u>

Both the Edison and Sempra rate cases were developed before Governor Brown became governor. Given the severity of sacrifices the governor is calling on all Californians to make, including government workers and low income ratepayers, it is unlikely that the underlying premises of this rate case will be embraced by the governor's newly-appointed commissioners. Neither the Sempra nor the Edison rate cases should move forward, even as to scheduling, until Governor Brown completes his CPUC appointments and the new commissioners have an opportunity for input as to appropriate direction and priority of massive rate increases during a Great Recession. These rate increases must be viewed in:

a) the context of a 23% <u>real</u> unemployment rate and a more than 30% <u>real</u> unemployment rate for Latinos, Blacks and Southeast Asian Americans;
b) in the context of the Great Recession in California that is overwhelming not just workers but homeowners facing foreclosure, small businesses denied credit and facing declining customer demand due to the economic conditions; and

c) in the context of the Governor calling for huge sacrifices from workers and deeply slashing critical government services to ratepayers at 200% or below the poverty level.

Once the Governor's appointments to the CPUC have been announced, we will request that President Peevey meet with the new commissioners to determine the advisability of proceeding forward at this time. We will also urge preliminary arguments on this issue.

<u>Overwhelming San Diego Rate Payer Opposition May Be Applicable to All Utilities:</u> We will within the next week, and prior to the prehearing conference, make available the results of a early January 2011 survey of 200 San Diego residents relating to SDG&E's proposed rate increases during the Great Recession. The survey questions are also applicable to Edison and SoCal Gas and are likely to produce similar results. The questions in the survey relate to:

a) support for the rate increase;
b) support for large executive compensation packages including pensions;
c) the desire of the ratepayers to offer an advisory vote on executive compensation packages;
d) overall customer satisfaction with SDG&E.

Due to the likely negative impact of this survey's results on rate increases, we have provided SDG&E's CEO with advance notice immediately after the survey was completed in early January and have met with a senior executive at SDG&E, after a preliminary conversation with its CEO, on January 14th.

It is our expectation that the results of this negative ratepayer poll on rate increases will encourage the Commission to conduct its own surveys. We urge that they occur before these rate proceedings commence. We will also be offering to all three companies the opportunity to conduct with us and/or DRA similar studies including, if they wish, an even larger sampling. [1]

Nonprofit Workloads: Given the massive workloads imposed on nonprofits by multibillion dollar rate increases involving thousands of pages of exhibits, there should be a time separation of at least six months, and possibly nine months, between the Edison and Sempra cases. The Edison case should probably have priority since it was filed a month earlier than Sempra, but we take no position as to priority.

Concerns as to Accuracy of Accounting Data Submitted: Edison and Sempra cases rely in large measure upon the accuracy of the accounting data and advice by Big Four accounting firms. In the context of the Ernst & Young civil fraud scandal and the very recent civil filing by the New York Attorney General against Ernst & Young, we urge that this Commission request an outside accounting opinion from a non- Big Four firm since all Big Four firms, and perhaps top twenty five CPA firms, have accounting practices and policies similar to those that have been challenged as fraudulent at Ernst & Young. We will urge that this Commission seek bids from other accounting firms with a request that an independent accounting report be provided within 90 days.

OIR on Diversity (R. 09-07-027): Since diversity issues will be a key issue as to the impact of rate increases on disproportionately large unemployed minority populations in Southern California, it will be urged that the proceeding not commence until there is a final decision relating to the OIR on diversity. The major issues in the diversity OIR relate to $27 million a year in technical assistance and capacity building, unbundling of contracts and a greater focus on contract and employment opportunities in green energy and other underutilitized procurement areas.

Section II: Specific Edison Issues

[1] Our survey expert contends that 200 randomly selected individuals for San Diego is statistically significant but believes that a survey of 500 could also be undertaken to reduce any margin of error. However, the survey results are so overwhelmingly negative that it appears unlikely that survey size will have any impact on the conclusions to be drawn.

Besides the above general issues applicable to all of the companies, serious concerns exist as to the magnitude of Edison's $3.4 billion proposed rate increase over three years, which amounts to an annual rate increase of 7.5%. This is an extraordinary sum that has to be considered in the context of this recession, lack of inflation, the high unemployment rate and the lack of credit available to small businesses in the process of failing or unable to maintain their prior levels of service. [2]

Unusually High Rate of Return: These rate increases also have to be viewed in the context of Edison providing annual dividends over the last few years that are four to six times higher than the maximum available to ratepayers who purchase CDs.

Modest LAWPD Executive Compensation vs. Edison's Structure: We are in the process of having our expert examine the proposed executive compensation scale for state and local government executives including in the context of pay packages of comparable utilities such as the Los Angeles Water and Power District (LAWPD). Edison and its compensation expert, Hewitt contend that they do not have any LAWPD data, despite Hewitt using LAWPD data for certain comparisons with Edison. If this is unsuccessful, we will urge that the CPUC formally request such data from LAWPD. We are also in the process, so far unsuccessful, of attempting to secure such LAWPD data.

We are likely to recommend a pay scale that, except under extraordinary circumstances, is no more than twice that at LAWPD for comparable positions.

Advisory Rate Payer Vote on Executive Comp: Due to the growing demand by regulatory bodies for advisory shareholder approval of executive comp packages, we will also be urging a similar system be created at the CPUC for the real shareholders, the rate payers. We will be requesting that this Commission secure an independent survey of 250 to 1,000 ratepayers in the Edison case to secure their position on specific executive compensation packages and pensions for the top twenty five executives.

Early Public Hearings: Because of the magnitude of the rate increase and in the context of the Great Recession, including up to 50% unemployment rates in some regions served by Edison in

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[2] We do no concur with Edison's broad-brush criticisms of our tentative positions previously set forth in our request for party status. See Edison's January 12th criticisms of the issues mentioned in our party status that we will be exploring.

the Inland Empire, we urge early Public Participation Hearings in at least ten designated locations. We will request that thirty days before the hearings commence, that the public be provided with understandable and transparent information on the rate increases and on the differing views among the major parties, including Edison, DRA and intervenors herein, as well as for example, Greenlining Institute and TURN.

Diversity Issues: Depending upon the results of the pending OIR diversity case, we will be raising issues relating to:

a) unbundling of large contracts;

b) major allocations, based on overall procurement dollars, for technical assistance and capacity building for small minority and disabled veteran businesses;

c) inadequate contract and subcontract opportunities as to particular service and energy areas such as legal, accounting, advertising, and solar;

d) weaknesses in training programs designed to attract a greater number of minorities, particularly with engineering backgrounds; and

e) where applicable, we will be raising issues of inadequate number of minorities in key executive and professional areas and urge that the exemplary model at Sempra for professional women be embraced for minorities as well.

Other Issues, Including Energy Conservation: Due to the volume of exhibits and absence of discovery, we cannot at this time comment on all issues we will be raising. But it is likely we will be raising issues as to:

- energy conservation and CARE efforts as they affect those at 200% and below the poverty level;
- rate increases that discriminate against small businesses as opposed to large businesses;
- the method by which deposits are handled when the unemployment rate is above 5%;

- advisability and direction of solar and other renewable energy sources in the context of up to 98% of the benefits generally accruing to the top 2% of the population most of whom have prospered during the Great Recession;
- the SmartConnect revenue requirement may not be appropriate in the context of its original purposes and changed contexts;
- excessive pension benefits that are unaffordable and are based on policies contrary to those that Governor Brown and other governors are raising; [3]

- philanthropy to the underserved and minorities be at a minimum of 2% of pretax income as President Peevey has previously urged.

Section III: Specific Sempra Issues

Declining Gas Prices Raise Questions as to the Need for any Rate Increases

In both SDG&E and SoCal Gas, we will be questioning the need for any rate increases. We will also question, for example, a 13.4% small business rate increase at SDG&E in the context of declining natural gas prices, the predictions for the foreseeable future as to the abundance of natural gas and that natural gas prices will remain well below their historic costs.

We will be urging that SoCal Gas and SDG&E be a Test Case for actually decreasing rates (including at least a 10% decrease at SoCal Gas) and that the CPUC appoint an independent expert to determine future projected costs of natural gas. For example, since SoCal Gas and SDG&E prepared their applications for rate increases, the US Energy Department (December 2010) announced that their new estimates of domestic recoverable shale reserves had more than doubled (New York Times 1-17-11 " A Host of Benefits from Natural Gas").

Since natural gas is likely to be the quickest and most cost effective method of reducing greenhouse gas emissions, Sempra should be the leader in promoting use of natural gas at affordable prices to achieve a wide range of policy considerations. This includes a) natural gas as a substitute for the so-far unknown benefits and costs of electric car subsidies and b) as a

[3] See, for example virtual unanimity of government and public opposition to the request of 200 senior UC executives for pensions that are well below those offered to Edison and Sempra executives.

mechanism for substantially reducing our reliance on oil from unstable foreign dictatorships such as Saudi Arabia, Libya and Venezuela. [4]

A major issue in this case should therefore be how Sempra ratepayers benefit from low natural gas prices both in terms of rate reductions and securing incentives to switch to natural gas and cut greenhouse gas emissions. This is particularly important since the cost of solar and wind farm incentives appear to well exceed their benefits in the foreseeable future.

Unusually High Rate of Return: These rate increases also have to be viewed in the context of Sempra providing annual dividends over the last few years that are far higher than the maximum available to ratepayers who purchase CDs.

LAWPD v. Edison's Executive Comp Structure: We are in the process of having our expert examine the proposed executive compensation scale for state and local government, executives and in the context of utilities such as the Los Angeles Water and Power District (LAWPD). We are likely to recommend a pay scale that, except under extraordinary circumstances, is no more than twice that at LAWPD for comparable positions. See prior references in Section II to Edison relating to securing LAWPD's pay scale.

Advisory Rate Payer Vote on Executive Comp: Due to the growing demand by regulatory bodies for advisory shareholder approval of executive comp packages, we will also be urging a similar system be created at the CPUC for the real shareholders, the rate payers. We will be requesting that this Commission secure an independent survey of 250 to 1,000 ratepayers in the Sempra case to secure their position on specific executive compensation packages and pensions for their top twenty five executives.

Early Public Hearings: Because of the magnitude of the rate increase and in the context of the Great Recession, including up to 50% unemployment rates in some regions served by Sempra,

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[4] Today, the US imports 12 million barrels of oil daily. This adds $260 billion to our annual trade deficit. If just buses and trucks were converted to natural gas, we could reduce our oil imports by 25%. This would reduce our trade deficit by over $100 billion annually. As our reliance on oil from unstable dictatorships, see for example Tunisia's recent chaotic revolution as an example of unstable regimes in the Middle East.

we urge early Public Participation Hearings in at least ten designated locations. We will request that thirty days before the hearings commence, that the public be provided with understandable and transparent information on the rate increases and on the differing views among the major parties, including Sempra, DRA and intervenors herein, as well as for example, Greenlining Institute and TURN.

Diversity Issues: Depending upon the results of the pending OIR diversity case, we will be raising issues relating to:

a) unbundling of large contracts;

b)major allocations, based on overall procurement dollars, for technical assistance and capacity building for small minority and disabled veteran businesses;

c) inadequate contract and subcontract opportunities as to particular service and energy areas such as legal, accounting, advertising, and solar;

d) weaknesses in training programs designed to attract a greater number of minorities, particularly with engineering backgrounds; and

e) where applicable, we will be raising issues of inadequate number of minorities in key executive and professional areas and urge that the exemplary model at Sempra for professional women be embraced for minorities as well.

Other Issues, Including Energy Conservation: Due to the volume of exhibits and lack of discovery, we cannot at this time comment on all issues raised. But it is likely we will be raising issues as to:

- energy conservation and CARE efforts as they affect those at 200% and below the poverty level;
- rate increases that discriminate against small businesses as opposed to large businesses the method by which deposits are handled when the unemployment rate is above 5%;

- advisability and direction of solar and other renewable energy sources in the context of up to 98% of the benefits generally accruing to the top 2% of the population most of whom have prospered during the Great Recession;
- lavish pension benefits that are unaffordable based on policies contrary to those that Governor Brown and other governors are raising. [5]
- philanthropy to the underserved and minorities be at a minimum of 2% of pretax income as President Peevey has previously urged.

Respectfully Submitted,

/s/ Len Canty
Len Canty, Chairman — 1/18/11
Black Economic Council

/s/ Jorge Corralejo
Jorge Corralejo, Chairman — 1/18/11
Latino Business Chamber of Greater Los Angeles

/s/ Faith Bautista
Faith Bautista, President and CEO, — 1/18/11
National Asian American Coalition

/s/Robert Gnaizda
Robert Gnaizda, Of Counsel — 1/18/11
Aaron Lewis, law student, UC Hastings

[5] See, for example, virtual unanimity of government and public opposition to the request of 200 senior UC executives for pensions that are well below those offered to Edison and Sempra executives.

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CERTIFICATE OF SERVICE

I, Dyana Polk, am 18 years of age or older and a non-party to the within proceeding. I hereby certify that I have this day served a copy of

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on all known parties to Application 10-11-015 by transmitting an e-mail message with the document attached to each party named in the official service list and by faxing or mailing a properly addressed copy by first-class mail with postage prepaid to those whose e-mail address is not available.

I certify that the foregoing is true and correct.

Executed in San Bruno, CA on January 18, 2011.

/s/ Dyana Polk
Dyana Polk

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