

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

Application of Southern California Edison)	
Company (U 338-E) or Authorized Cost of)	A.07-05-003
Capital for Utility Operations for 2008)	(Filed May 8, 2007)
_____)	
)	
And Related Proceedings.)	A.07-05-007
_____)	A.07-05-008

**RESPONSE OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) TO
REQUEST OF AGLET CONSUMER ALLIANCE AND THE UTILITY REFORM
NETWORK FOR AWARD OF COMPENSATION**

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**RESPONSE OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) TO REQUEST
OF AGLET CONSUMER ALLIANCE AND THE UTILITY REFORM NETWORK FOR
AWARD OF COMPENSATION**

Table Of Contents

I.	LEGAL STANDARDS REGARDING COMPENSATION	1
II.	AGLET/TURN'S CONTRIBUTION WAS NOT SUBSTANTIAL	2
III.	AGLET/TURN'S PURPORTED CONTRIBUTIONS DUPLICATE THE WORK OF OTHER PARTIES.....	3
IV.	CONCLUSION.....	6

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Table Of Authorities

CPUC DECISIONS

D.07-12-0492, 3, 6

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Pursuant to Section 1804(c) of the California Public Utilities Code and the Rules of Practice and Procedure of the California Public Utilities Commission (“CPUC” or “Commission”), Southern California Edison Company (“SCE”) responds to the request for intervenor compensation filed on February 19, 2008 (“Request”) by the Coalition comprised of Aglet Consumer Alliance and The Utility Reform Network (“Aglet/TURN” or “Coalition”). As discussed more completely below, Aglet/TURN’s request is excessive and should be reduced as required by the rules governing the intervenor compensation program.

I.

LEGAL STANDARDS REGARDING COMPENSATION

In evaluating Aglet/TURN’s request for compensation, the Commission should take into account the relevant legal standard set forth by California law. Specifically, for compensation to be awarded, (1) the customer’s presentation must have made a substantial contribution to the

adoption of the Commission’s decision¹ and (2) the customer’s presentation should avoid duplicating the participation of other parties or be unnecessary.² Based on these two standards, Aglet/TURN’s contribution does not merit an award of the size requested.

II.

AGLET/TURN’S CONTRIBUTION WAS NOT SUBSTANTIAL

The most important issue in Phase I of this application was the determination of the applicant utilities’ return on equity for 2008. Key components of this determination are the financial model results presented by the parties. Conclusions of Law 6 and 7 in D.07-12-049 found that the reasonableness of Aglet/TURN’s financial model results could not be determined and Aglet/TURN’s financial model results “should be given minimal weight.”³ Since Aglet/TURN’s financial modeling resulted in only a minimal and unsubstantial contribution to the Commission’s decision in Phase I, the Commission should reduce or entirely deny Aglet/TURN’s requested compensation for its financial modeling efforts.

Regarding other parts of the Phase I decision, Aglet/TURN’s contribution was minimal or non-existent. Aglet/TURN, with its affiliate UCAN, recommended that Pacific Gas & Electric’s 52% equity ratio be reviewed, but the Commission deferred any action on this issue.⁴

Aglet/TURN and UCAN argued that the California regulatory climate was above average from an investor’s perspective, and while the Commission did recognize arguments regarding balancing accounts and memorandum accounts, these arguments duplicate arguments made by FEA (Federal Executive Agencies).⁵ In addition, data on balancing accounts and memorandum accounts was first requested by Administrative Law Judge Michael Galvin at the prehearing

¹ PUC §§ 1801.3(d), 1803(a).

² PUC § 1801.3(f).

³ D.07-12-049, mimeo, Conclusion of Law 7, p. 54.

⁴ D.07-12-049, mimeo, pp. 4-5.

⁵ D.07-12-049, mimeo, pp. 31-32.

conference.⁶ Aglet/TURN and UCAN’s data on return on equity awards presented in support of their favorable regulatory climate argument was ignored.⁷

Finally, Aglet/TURN and UCAN calculated an average pension fund return that was referenced by the Phase I decision, but the decision concluded that “[p]ension return assumptions are not comparable to the ROE used in utility ratemaking” and relieved Pacific Gas & Electric of any obligation to compare pension return assumptions to ratemaking return on equity in future proceedings.⁸

SCE cannot find any other explicit mention of Aglet/TURN in D.07-12-049 regarding the resolution of any other matter decided in Phase I.⁹

III.

AGLET/TURN’S PURPORTED CONTRIBUTIONS DUPLICATE THE WORK OF OTHER PARTIES

Table III-1 and Table III-2 list Aglet/TURN’s specific purported contributions to the Commission’s decision in this application. As shown in these tables, the bulk of Aglet/TURN’s “contributions” duplicated the work of other parties and Aglet/TURN’s work was not explicitly recognized for substantially contributing to D.07-12-049 in many instances. For this reason, the Commission should consider reducing Aglet/TURN’s intervenor compensation award.

⁶ ALJ Galvin, PHC Tr. 3:23-4:2.

⁷ D.07-12-049, mimeo, p. 32.

⁸ D.07-12-049, mimeo, pp. 44-45.

⁹ This is confirmed by a search of D.07-12-049 for the terms “Aglet” and “ATU.”

Table III-1
Evaluation Of Specific Aglet/TURN Claims, Part 1

Line No.	Aglet/TURN Request, Page(s)	Subject of Claim	SCE Recommendation	Reason/Comment
1	4-6	Aglet/TURN's "modeling inputs and results ... were within the ranges ... of other parties."	Deny compensation for modeling estimates	Duplicated work of other parties (DRA, Ex. 34; FEA, Ex. 44)
2	6	PG&E comparison group of non-utility firms	Deny compensation	Duplicated work of other parties (DRA, Ex. 34; FEA, Ex. 44); Aglet/TURN work not cited in D.07-12-049
3	6-7	Exclusion of Fama-French results	Deny compensation	Duplicated work of other parties (DRA, Ex. 34; FEA, Ex. 44); Aglet/TURN work not cited in D.07-12-049
4	7	Debt equivalence	Deny compensation	Duplicated work of other parties (DRA, Ex. 34; FEA, Ex. 44); Aglet/TURN work not cited in D.07-12-049; Commission relied on D.05-12-043
5	7-8	Business risks; procurement risk	Deny compensation	Procurement risk identified by at least three other parties (PG&E, Ex. 23; SCE, Ex. 4; SDG&E, Ex. 1 and Ex. 12)
6	8	Regulatory risks	Grant compensation	D.07-12-049 cited Aglet/TURN at pp. 31-33.
7	8	Return on equity on SDG&E SONGS investment	No recommendation	D.07-12-049 cites a single fact from Aglet/TURN Ex. 55. Remainder of reasons for denial not based on Aglet/TURN testimony.
8	9	Ranges of reasonableness and authorized returns	Deny compensation	D.07-12-049 accorded "minimal weight" to Aglet/TURN financial models (and proposed decision accorded "no weight"); Aglet/TURN opposed CPUC findings on return on equity
9	9-10	Pension fund assumptions	Deny compensation	Commission rejected Aglet/TURN position. The cited quotation "a topic that is worth exploring" does not appear in D.07-12-049.

Table III-2
Evaluation Of Specific Aglet/TURN Claims, Part 2

Line No.	Aglet/TURN Request, Page(s)	Subject of Claim	SCE Recommendation	Reason/Comment
10	10	Credit quality and financial health	Deny compensation	Credit quality guidelines submitted in prior application (A.05-05-006, et al., Ex. 2, Appendix D); SCE submitted financial projections (Ex. 4, pp. 18-21), as did PG&E (Ex. 23, Ex. 25, and Ex. 26), and SDG&E (Ex. 2), contrary to Aglet/TURN claims that only Aglet, TURN, and UCAN submitted evidence on utility financial projections
11	10-11	SDG&E capital structure proposal	No recommendation	Duplicated work of other party (FEA, Ex. 44, pp. 87-92); D.07-12-049 does not cite Aglet/TURN/UCAN on this issue

IV.

CONCLUSION

Aglet/TURN's contribution to D.07-12-049 was minimal and largely duplicated the work of other parties to this application. For these two reasons, the Commission should substantially reduce Aglet/TURN's request for intervenor compensation.

Respectfully submitted,

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March 20, 2008

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 RESPONSE OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) TO REQUEST OF AGLET CONSUMER ALLIANCE AND THE UTILITY REFORM NETWORK FOR AWARD OF COMPENSATION 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.

Executed this **20th day of March, 2008**, at Rosemead, California.

/s/Alejandra Arzola

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[TOP OF PAGE](#)
[BACK TO INDEX OF SERVICE LISTS](#)