COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY TO CALIFORNIA AIR RESOURCES BOARD ON CRITERIA FOR COMPLIANCE OFFSETS IN A CAP-AND-TRADE PROGRAM

MICHAEL D. MONTOYA
CATHY KARLSTAD
NANCY CHUNG ALLRED

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: 626 302-3102
Facsimile: 626 302-1935
E-mail: nancy.allred@sce.com

Dated: **May 21, 2009**

COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY TO CALIFORNIA AIR RESOURCES BOARD ON CRITERIA FOR COMPLIANCE OFFSETS IN A CAP-AND-TRADE PROGRAM

TABLE OF CONTENTS

I.

INTRODUCTION

Southern California Edison Company ("SCE") appreciates the California Air Resource Board ("CARB") staff's efforts to address offsets in the cap-and-trade rulemaking. SCE welcomes this opportunity to comment on the workshop conducted on April 28, 2009, as well as the staff presentation with additional explanatory notes posted on CARB's website.[1] SCE is committed to working with CARB and other stakeholders in designing a cap-and-trade program that will achieve the greenhouse gas ("GHG") reduction goals of Assembly Bill ("AB") 32. SCE reiterates its position in its joint comments with PG&E, submitted April 30, 2009 and urges CARB to reconsider the initial proposal in its Climate Change Proposed Scoping Plan ("Scoping Plan")[2] and the direction CARB staff is taking so far on offsets. SCE believes these proposals unduly limit the use of offsets in the cap-and-trade program. Real, permanent, verifiable, quantifiable, enforceable, and additional[3] offsets are an indispensable tool in containing the cost of implementing AB 32 for California businesses and consumers while helping to keep the State on the long-term emission reduction path envisioned by the statute.

First, CARB should reconsider any quantitative limits on the use of otherwise qualified, high-qualify offsets. Second, SCE supports CARB's efforts to ensure that offsets meet the additionality criteria as required by AB 32. Defining and interpreting AB 32's offset criteria presents challenges to all parties. In particular, SCE supports the hybrid approach to additionality proposed by CARB staff, allowing both standardized assessments for approving offsets as well as project-specific tests. SCE also seeks clarification on CARB staff's suggestion that no government-funded offset projects would be considered additional, as this blanket

---

[1] CARB staff's slide presentation and explanatory notes are available at http://www.arb.ca.gov/cc/capandtrade/meetings/042809am/notespresentation.pdf.

[2] California Air Resources Board's Climate Change Proposed Scoping Plan ("Scoping Plan"), adopted December 12, 2008. A copy of the plan is available at http://www.arb.ca.gov/cc/scopingplan/document/adopted_scoping_plan.pdf.

[3] Cal. Health & Safety Code § 38562(d)(1) and (2).

prohibition would disallow several categories of otherwise valid offsets. Third, SCE agrees with CARB staff that CARB should not place geographic limitations on offsets. However, contrary to the CARB staff presentation, CARB should allow offset projects for reductions in developed countries even if the projects are from sources that, were they to be in California, would be covered by the cap-and-trade program. In addition, offsets from other, approved, jurisdictions should be accepted if they meet AB 32's already rigorous criteria without having to meet supplementary restrictions. Further, CARB should explore the possibility of allowing indirect offsets. Fourth, CARB should explore mechanisms for granting forward credit to certain long-term offsets where the emissions reductions might not be immediately realized. Fifth, SCE supports CARB staff's suggestion to use contractual agreements to establish offset ownership rights. Finally, CARB should not further constrain the use of offsets by establishing limitations beyond those already listed in AB 32. Offset projects will be subject to regulations relating to public health and the environment through other agencies and federal and state legislation. In addition, while co-benefits should be gained where possible, restricting offset projects to those that provide co-benefits will unnecessarily constrain efforts to reduce GHG emissions at the lowest cost.

II.

CARB SHOULD NOT IMPOSE QUANTITATIVE LIMITS ON OFFSETS

The Scoping Plan unnecessarily restricts the use of otherwise qualified, high-quality offsets to 49% of the emission reductions covered by the cap.[4] This strict restriction on offsets makes GHG reductions much more costly. It also creates unnecessary inflexibility. SCE asks CARB to reconsider this offset limit and either eliminate the limit entirely, or raise it substantially. Based on the Scoping Plan, the remarks of staff at the April 28 workshop, and

---

[4] 49% of emission reductions is approximately 10% (or 17 million metric tons CO_2e) of the 174 million metric tons that the Scoping Plan estimates is needed from the capped sectors to meet the AB 32 goal to return the State to 1990 levels of GHG emissions.

CARB staff's slides and expanded text notes, it appears that CARB staff is concerned that without a 49% limit on offsets, sources covered in the cap will not act to reduce their own emissions. Under this reasoning, if offsets are not restricted, cap-and-trade sources will not make the transition to low-carbon technology needed to meet the long-term goal expressed in Governor Schwarzenegger's June 2005 Executive Order to reduce California's emissions 80% below 1990 by 2050.[5] SCE strongly disagrees with this rationale.

There is no evidence that quantitative limits on the use of offsets will drive the State toward a less carbon-intensive economy. Indeed, the proposed quantity limit is a solution in search of a problem that may never materialize. On the other hand, evidence abounds that covered sources are already transforming their technology and reduce their emissions. Under the guidance of the State Legislature and the California Public Utilities Commission ("CPUC"), the investor-owned utilities ("IOUs") have been part of a massive technology-transforming process that has substantially lowered both the amount of electricity consumed by IOU customers per capita and the carbon intensity of the IOUs' electricity supply portfolios.

Efforts to increase the efficiency of the end use of electricity by IOU customers over the last two decades have resulted in substantial reductions in electricity use per customer. From 1992 to 2007, SCE energy efficiency programs have saved 9,613,063 MWh of annual energy savings[6] -- more than any other utility in the nation. SCE recently filed its 2009-2011 Energy Efficiency Application seeking program approval for an additional 5,553 GWh of energy savings.[7] The Scoping Plan emphasizes CARB's commitment to "[e]xpanding and strengthening existing energy efficiency programs."[8] The Scoping Plan relies on energy efficiency gains, combined heat and power, and solar water heating to reduce GHG emissions by some 26.3 million metric tons out of the 174 million metric tons needed to achieve the AB 32 goal.[9] Thus,

---

[5] Executive Order S-3-05, issued June 1, 2005, available on the State of California's website at: http://gov.ca.gov/executive-order/1861.

[6] U.S. Dept. of Energy, Energy Information Administration, Form EIA-861.

[7] Application 08-07-021 at 4, filed March 2, 2009.

[8] Scoping Plan at ES-3.

[9] Scoping Plan at 17, Table 2: Recommended Greenhouse Gas Reduction Measures.

the IOUs and the electric sector as a whole have been and will be required to continue to aggressively pursue energy efficiency.

Likewise, the IOUs have committed substantial resources and continue to make aggressive efforts to increase the role that renewable energy plays in their overall supply portfolios. The State's goal is to have 20% of customers' energy needs met with renewable resources – a goal the CPUC has called "one of the most ambitious renewable energy standards in the country."[10] California's Renewables Portfolio Standard ("RPS") establishes a State goal to have 20% of customers' energy needs met with renewable resources.[11] The CPUC has called this goal "one of the most ambitious renewable energy standards in the country."[12] Additionally, Governor Arnold Schwarzenegger has issued an Executive Order establishing a further goal that 33% of retail sales come from renewable energy.[13] The Scoping Plan also relies on GHG reductions from a "33% by 2020" RPS as a key component of achieving the return to 1990 emissions by 2020. In fact, the Scoping Plan relies on obtaining 21.3 million metric tons of GHG reduction that would result from the 33% by 2020 RPS.[14]

SCE, Pacific Gas and Electric Company, and San Diego Gas & Electric Company are deeply engaged in meeting these aggressive targets. In 2008, California's renewable energy policies led to more than 500 MW of new RPS-eligible generating capacity completing construction.[15] This was more than four times the amount added in any previous California RPS program year between 2003 and 2007.[16] In addition to this new completed construction, 2,800 MW of RPS contracts were approved by the CPUC in 2008.[17] In addition to the actions of the

---

[10] CPUC Renewables Portfolio Standard Quarterly Report at 1 (Q1 2009).

[11] Cal. Pub. Util. Code §399.11(a).

[12] CPUC's Renewables Portfolio Standard Quarterly Report, first quarter 2009 ("RPS Q1 2009 Report") at 2. A copy of this report is available at http://www.cpuc.ca.gov/NR/rdonlyres/3AB3B7C0-DBA1-426C-AA26-88EF69470DC9/0/CPUC01367802v1RPS_Rpt_to_Legislature__Q1_2009.pdf.

[13] Executive Order S-14-08, issued November 17, 2008, available on the State of California's website at http://gov.ca.gov/executive-order/11072/.

[14] Scoping Plan at 17, Table 2: Recommended Greenhouse Gas Reduction Measures.

[15] RPS Q1 2009 Report at 2.

[16] *Id.*

[17] *Id.* at 2-3. The contracts approved by the CPUC in 2008 included bilateral contracts, short-term contracts, and long-term contracts selected through competitive solicitations.

IOUs, the CPUC confirms on its RPS web page that renewables accounted for 4.7% of electric service providers' ("ESPs") retail electricity sales and 6% of small and multi-jurisdictional utilities' sales in 2007. Renewable energy procured by the three IOUs, ESPs, and small and multi-jurisdictional utilities in California, by resource, was 47.93% geothermal, 19.04% wind, 14.32% biomass, 11.12% small hydro, 4.73% biogas, and 2.86% solar. A quantitative limit on use of offsets is clearly not necessary to motivate the utilities to continue to aggressively reduce their carbon intensity.

Similar to the electric sector, the transportation sector is already subject to requirements for transforming its technology to lower carbon intensity. AB 1493, authored by now Senator Pavley, is a key component of this transformation, as is the Low Carbon Fuel Standard recently adopted by CARB.

Electricity and transportation are the two key sectors subject to the cap-and-trade program. Restrictions on offsets are not needed to transform either of these industries to a lower carbon future. SCE therefore urges CARB staff to reconsider whether a quantity limit on the use of offsets is required to drive the cap-and-trade participants to reduce their emissions.

CARB's endorsement of the use of high-quality offsets as a tool to reduce GHG emissions cost effectively underscores the importance of defining the criteria by which offsets will be validated.[18] SCE appreciates CARB staff's efforts to share its current thinking on such definitions. SCE assumes that CARB staff will continue to define the criteria in a careful and reasonable manner, which will create a natural limit on the quantity of offsets available. The stringency of the AB 32 offset criteria will protect against a massive avalanche of cheap offsets that might undercut the hard work of switching California to a low-carbon future. Accordingly, additional quantity limits on offsets are unnecessary.

CARB should eliminate the quantity limit on offsets, or at least, defer imposing any limit for a period of five years. Deferring the issue will allow CARB time to gain experience to judge

---

[18] Scoping Plan at 37.

whether a quantitative limit on offsets is necessary to drive technology transformation. Given that CARB will control the process by which offsets are validated there is little risk in deferring consideration of an offset limit. Moreover, allowing such flexibility will encourage offset providers to undertake what promises to be an arduous offset approval process. Such a flexible approach will enhance offset benefits such as cost reductions and increased compliance options. Additionally, relying on offsets will allow covered entities time to develop alternate technology and behavior-driven carbon reduction strategies to reduce GHG emissions in later years. In the alternative, if CARB staff maintains there is a demonstrable need for a quantitative limit on offset use, CARB should expand the limit to allow at least 30% of the total 174 million metric reduction requirement to be fulfilled though the use of high-quality, validated offsets on a level commensurate with the Waxman-Markey federal climate change discussion draft.

III.

SCE SUPPORTS REASONABLE REGULATIONS TO ENSURE THAT OFFSETS ARE "ADDITIONAL"

AB 32 does not specify what is meant by "real, permanent, verifiable, quantifiable, enforceable, and additional,"[19] but leaves that interpretation to CARB.

AB 32 provides that offsets must be "additional," and that the reduction must be "in addition to any greenhouse gas emission reduction otherwise required by law or regulation, and any greenhouse gas emission reduction that would otherwise occur."[20] While it is difficult to define "additional," SCE agrees with CARB staff that a proposed offset project that would be otherwise required by regulation cannot be validated. SCE agrees with staff preliminary thinking that an offset project that uses the estimated monetized value of the GHG it reduces to achieve viability should be considered additional.

---

[19] Cal. Health & Safety Code § 38562(d)(1) and (2).
[20] *Id.* at § 38562(d)(2).

A. CARB Should Clarify That Not All Offset Projects Financed by Government Funding Are Automatically Disallowed.

CARB staff suggest that projects financed through government funds provided for the purpose of reducing emissions may not be considered additional and should possibly be disallowed.[21] Additional clarification on this point is needed. SCE agrees that government funds provided for the purpose of reducing emissions should disqualify a project as additional for purposes of defining a valid GHG offset. However, several caveats to this definition should be considered. Most government sponsored projects, such as CARB's Carl Moyer Program providing incentive grants for cleaner-than-required engines, equipment and other sources of pollution that yield early or extra emission reductions compared to regulatory mandates, have limited funds. If an offset provider proposed to undertake GHG reductions from a source category that received Moyer funds, this alone should not disqualify the entire project from being defined as additional if the proponent provided funds that were applied only after Moyer funding was exhausted. In that instance, private funding provides additional GHG reductions that would otherwise not have taken place **but for** the private funding. SCE urges staff to consider such an instance in defining financial additionality.

Additionally, government funding for projects not specifically designed to achieve emission reductions, typically through application of known technology up to some defined financial limit, should not *per se* exclude a project from being considered additional. For example, government funds are being provided to advance technology that may lead to commercial applications to reduce GHG. This includes current efforts in advanced material science to develop and apply new container vessels that can be used in gasifiers to separate and sequester carbon dioxide in burning coal for electricity generation. While such projects may lead to reduction in GHG, the mere provision of government funds to research, develop and deploy

---

[21] Note to Slide 32.

such technology should not automatically disqualify the project from being considered additional.[22]

Finally, funds received from customers of CPUC-regulated IOUs for the purpose of developing offset projects should not be considered "government funding" that might disqualify an otherwise high-quality offset project. The IOUs have a unique relationship with utility customers and suppliers of such products as energy efficiency technology that can be leveraged to create powerful offset projects. Assuming the CPUC approves such expenditures, and CARB otherwise approves offset projects funded through such a mechanism, such funding should not by itself disqualify an offset project under a financial additionality test.

B. SCE Supports the Hybrid Approach to Additionality Proposed by CARB Staff.

CARB staff suggest that CARB should develop offset methodologies that focus on standardized assessments for approving offsets as additional, but also allow for project-specific tests – in other words, a hybrid approach to defining offsets.[23] SCE agrees with CARB staff's preliminary thinking. Standardized assessments could streamline the process by which qualified offsets are made available. At the same time, it is essential to provide a process for specific projects to be considered and approved. CARB cannot anticipate the market response to developing offsets that offer the lowest cost, highest probability of success. Offset developers should be afforded the opportunity to make that determination, subject to CARB review and approval of the project in question.

---

[22] Government RD&D funding in coal gasification is cited here only as an example, not to suggest that such projects would likely be offered as a viable offset project.

[23] Note to Slide 35.

C. Offset Projects Should Be Credited For a Defined Term and Remain Additional For That Term.

In Slide 34, CARB staff consider whether previously-approved offset projects should be denied offset credit if later regulations mandate these projects.[24] SCE believes offset projects should be provided credit for a defined term at that the time they are approved by CARB.[25] Financing and developing offset projects entails significant effort and risk. Adding a requirement that credits be suspended when a government mandates the project (in California and potentially other jurisdictions with which it may link) would discourage offset developers from moving forward with otherwise valuable projects. Approved projects should continue to be considered additional for their credited periods. Proposed offset projects should be denied only if a regulation had previously been adopted covering the proposed project.

IV.

CARB SHOULD NOT PLACE GEOGRAPHIC LIMITS ON OFFSETS

A. Disallowing "Covered" Offsets from Sources within Developed Countries Unrealistically Limits the Use of High-Quality Offsets within California

At Slide 14, CARB staff discusse geographic eligibility of offsets. SCE concurs with CARB staff that that no geographic restrictions should be applied to define the eligibility of offsets. Given that carbon dioxide (and other GHGs) are persistent and mix rapidly in the global atmosphere, a reduction in GHG anywhere in the world will serve to reduce the overall impact of global warming. However, SCE disagrees with CARB staff that proposed offset projects for reductions in developed countries should be denied eligibility if the projects are from sources that are covered by the cap-and-trade program within California.[26] A developed country, which

---

[24] Slide 34.

[25] For example, CARB staff discussed crediting terms of from five to ten years for non-biological sequestration projects and potentially much longer terms for biological sequestration projects.

[26] Slide 14.

SCE takes to be a United Nations Framework Convention on Climate Change Annex I country, may never accept every GHG reduction measure that California may adopt. Requiring the proposed compatibility standard would doom the global effort to reduce the threat of global warming. Arbitrarily eliminating what would otherwise be a high-quality offset unrealistically and unnecessarily restricts California compliance entities in reducing emissions at the lowest cost.

SCE recommends that in lieu of such geographical restrictions, CARB should test offsets against specific quality criteria, particularly CARB's proposed additionality criteria. If a provider can demonstrate that a high-quality offset would not have otherwise occurred but for the action of the offset provider, CARB should validate an offset. CARB should examine both standardized offset proposals and specific projects to determine whether the jurisdiction in which the offset is proposed would otherwise have occurred rather than categorically ruling out such reduction opportunities.

B. CARB Should Allow Offsets from Other GHG Systems If They Meet AB 32's Stated Criteria

At Slide 15, CARB staff indicate that CARB would accept approved offset credits from other jurisdictions. However, CARB proposes imposing not only the listed AB 32 criteria, but possibly further criteria established by CARB "to ensure similar rigor to California approved or issued compliance offsets."[27] SCE supports CARB's proposal of testing outside offsets against AB 32's quality criteria that offsets must be real, permanent, quantifiable, verifiable, enforceable, and additional. However, offsets from an approved jurisdiction should not be subject to additional restrictions beyond those required by AB 32 for offsets within California. Once AB 32's offset criteria are defined by CARB, they should be applied uniformly without respect to the geographic location of the offset. Otherwise, there is a risk of arbitrary

---

[27] Slide 15.

implementation, which would discourage the state-to-state and nation-to-nation cooperation necessary for progress in reducing global warming.

C. CARB Should Explore the Possibility of Allowing Indirect Offsets

CARB staff suggest that CARB should prohibit indirect offsets, or reductions that lead to lower CO_2 output on the generation system outside of the specific project location, such as energy efficiency.[28] SCE believes this restriction would be unwise. For example, if an energy efficiency project that could reduce the need for fossil fuel generation on the interconnected western grid is practical from a cost standpoint and would otherwise meet offset quality criteria, it should not be discounted. Although CARB staff is concerned that allowing indirect offsets would present difficult measurement challenges, SCE disagrees. A California-only cap-and-trade system necessarily creates measurement problems, particularly in determining the level of GHG emissions presented by imported power and trading between entities. Rather than dismissing the possibility of allowing indirect offsets, CARB staff should seek to develop reasonable accounting methodologies for indirect offsets. Given that the Scoping Plan relies heavily on energy efficiency programs for GHG reductions, these programs (and their attendant GHG reductions) should be considered as potential sources of offsets.

V.

CARB SHOULD ALLOW FORWARD CREDITING OF SOME OFFSETS THROUGH DISCOUNTING AND OTHER MECHANISMS

At Slide 16, CARB staff propose several options for establishing the dates from which projects are eligible to generate and be issued compliance offsets. CARB staff define two important dates: the project eligibility date and the eligible vintage date. The project eligibility date is "the earliest date at which either the implementation, construction or real action of a

---

[28] Note to Slide 13.

project activity begins."[29] The eligible vintage date is defined as "the year in which the verified carbon reductions actually take place."[30] SCE believes a vintage date unnecessarily encumbers the development of offsets. Although SCE agrees that CARB should not grant credit for unrealized offsets, granting credit for offsets only when verified would unnecessarily constrain their use. For example, forestry projects are by definition long term. If credit is granted only upon completion of the project or only as storage of carbon is verified on an annual basis, the cost for the project is likely to exceed the value that can be realized from the project.

There are a number of mechanisms by which CARB can ensure against failure to perform. Providers can be required to discount their offset estimates and place the discounted amount in trust. When the offset is verified, the amount of the discount in trust is credited. Alternatively, providers can be required to make up any shortfalls in estimated compared to actual reductions, either by being required to do new projects or by paying a penalty to be used by CARB for valid offsets. Further, CARB could consider an insurance policy which would fund an alternative offset purchase if future expected reductions did not yield the forecasted reductions. SCE urges staff to reconsider its position on this issue.

VI.

OFFSET OWNERSHIP RIGHTS SHOULD BE ESTABLISHED USING CONTRACTUAL AGREEMENTS

In its notes to Slide 17, CARB staff discuss offset ownership rights and whether explicit contracts are necessary.[31] SCE believes that requiring contractual agreements between the provider of the offset and CARB is the most logical course. An offset provider would legally contract with vendors or other project-specific entities, giving the provider legal recourse for compelling performance. The offset provider would contract with CARB at the time of offset

---

[29] Note to Slide 16.
[30] Note to Slide 16.
[31] Note to Slide 17.

validation to meet the terms of validation. Such an approach would serve to increase the use of offsets in the system, which is in the interest of all parties. Allowing contractual agreements would also permit multiple-party ownership, the sale of offset property rights, and legal enforcement of party obligations.

VII.

ADDITIONAL REQUIREMENTS ON OFFSETS ARE UNNECESSARY

A. Federal and State Laws Provide Sufficient Protection for Public Health and the Environment

CARB staff request that stakeholders consider whether CARB should implement offsets requirements that minimize negative effects on public health or the environment.[32] Such requirements are unnecessary. Federal and state laws already require that public health and the environment be protected in consideration of such projects. For example, the National Environmental Policy Act and the California Environmental Quality Act require broad consideration of the effects of a project on the environment as well as mitigation of such impacts. Similarly, the Federal Clean Air Act, the Clean Water Act, and companion California laws require that the public health be protected within a margin of safety. Thus, if an offset developer proposed siting a project in a non-attainment area, it would be required to demonstrate to air agencies that no unacceptable health effects would result. No permit could be granted unless the existing tests were met. No additional requirements are necessary to ensure that GHG offset projects avoid additional public health or environmental effects. Establishing such requirements would have a chilling effect on the development of offsets.

---

[32] Note to Slide 36.

B. Co-Benefits Should Be Gained Where Possible But Should Not Be An Additional Obstacle for Approving Offsets

CARB staff also request stakeholder input on whether CARB should require that offset projects provide health and environmental co-benefits to the extent possible.[33] Such supplemental requirements are unnecessary. SCE is developing some potential offsets that will provide co-benefits, such as reduced diesel emissions within California that are comparatively low cost. However, restricting the offsets program to projects that provide such co-benefits is contrary to what should be the fundamental aim of such programs – achieving GHG reductions that materially improve the chances of avoiding the significant adverse effects of global warming at the lowest cost. Developing economies are increasing their GHG emission rates and their absolute amount of emissions to fuel their economic growth, and are rejecting binding caps on emissions.[34] If we place constraints on finding low cost offsets in the name of obtaining local "co-benefits" or creating local "green jobs," it will delay, frustrate, and perhaps damage fatally, attempts to convince the developing nations of the world that they can afford to grow their economies while reducing GHG emissions.

SCE therefore strongly encourages CARB to opt for offset policy criteria that assure that offsets are real, permanent, verifiable and enforceable, but to resist the temptation to add additional conditions to the process that work against the fundamental goal of reducing GHG emissions at the lowest cost possible.

---

[33] *Id.*

[34] Barbara Lewis, *China about to become biggest carbon emitter – IEA*, Reuters, Apr. 18, 2007 ("China will overtake the United States as the world's biggest emitter of heat-trapping carbon dioxide (CO2) either this year or next, the International Energy Agency said on Wednesday. . . . A copy of a so-far unpublished Chinese government global warming report, seen by Reuters, rejects binding caps on carbon emissions until the country's modernisation, by the middle of this century. . . . Latest data shows China is building a coal-fired power plant every four days, British foreign ministry official John Ashton said on Monday. Growth in the emerging Asian giant's emissions puts in perspective Western efforts to fight climate change, [IEA Chief Economist Faith] Birol said.").

VIII.

CONCLUSION

SCE appreciates the opportunity to comment on the evolving staff offset proposal. SCE looks forward to continuing to work with staff and all parties in arriving at an offset policy that meets the best interest of the State.

Respectfully submitted,

MICHAEL D. MONTOYA
CATHY KARLSTAD
NANCY CHUNG ALLRED

/s/Nancy Chung Allred
By: Nancy Chung Allred

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: 626 302-3102
Facsimile: 626 302-1935
E-mail: nancy.allred@sce.com

May 21, 2009