

SGR REGULATORY RESPONSE

SCE ACTION:

SCE does not declare an operating impairment before filing for SGR approval.

SDG&E RESPONSE:

If SCE files for SGR approval without declaring an operating impairment we should take the position that we are opposed to SGR (particularly on Unit 3) and intervene in their case on that basis. In making that argument we may or may not choose to argue that an operating impairment exists. If we argue that an operating impairment exists, which would reduce our ownership share by some amount, we may trigger the need to make a separate Section 851 application.

SCE ACTION:

SCE declares an operating impairment before filing for SGR approval but applies the ownership reduction formula unfairly (as currently proposed).

SDG&E RESPONSE:

If SCE files for SGR approval based on operating impairment without modifying their application of the ownership reduction formula, we should take the position that we are opposed to SGR (particularly on Unit 3) and intervene in their case on that basis. If SCE modifies their application of the ownership reduction formula, we may or may not be opposed to SGR depending on how much our ownership is reduced *.

* Our economic analysis determined that the "Replace-Limit Participation" option is superior to the "Replace" option if our ownership share reduction is small. If our ownership share reduction is large, the "Replace" option will be superior to the "Replace-Limit Participation" option. If our ownership share reduction is sufficiently large, the "Non-Replace" option may be superior to the "Replace-Limit Participation" option. We need to determine where these thresholds are in terms of ownership share reduction.