

**Olson, Michael R.**

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**From:** Walsh, James F.  
**Sent:** Tuesday, August 24, 2004 11:37 AM  
**To:** Carol Schmid-Frazee (Carol.schmidfrazee@sce.com)  
**Cc:** Avery, James; Bartolomucci, Vincent D.; Olson, Michael R.; Garcia, Sue E.; Lucina Moses (lmoses@anaheim.net); Eileen Tichert (eteicher@ci.riverside.ca.us)  
**Subject:** 2003 O&M Expenses Associated with SGRP

Carol, by way of further clarification of our telephone conversation this morning, our principled position on this matter of SCE billing SDG&E for costs associated with SCE's SGRP application is as follows: Harold and others have repeatedly said in response to Jim's questions that there were no O&M costs related to the SGRP application preparation work that had been invoiced to SDG&E. Only at the last BOR meeting has SCE acknowledged that there were included in the 2004 O&M budget costs associated with SCE's regulatory activities on this project and likely as well similar costs incurred during 2003. Further, SCE has intentionally not brought the SGRP to the owners for approval. SCE in its application has as well as in discussions with us acknowledged that it would not invoice SGRP costs, presumably including costs associated with SCE's regulatory activities for this project, to the minority owners until such time as these owners agreed to participate in this project. Thus, it is entirely reasonable in light of these circumstances for Jim Avery to ask that SCE identify these O&M costs that have in the past been invoiced to the minority owners and to insist that any such costs paid in 2003 and 2004 be refunded. Jim believed that Harold had agreed in principle with what I have described in our conversation and in this note despite the provisions found in Section 16.9.1 of the Operating Agreement.