

Docket Optical System - Further thoughts on yesterday's session

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Lana,

I was thinking about Shell's assertion that the utilities' argument for confidentiality is nullified by the fact that the big banks already have seen their hedging patterns and can game them at will.

I disagree. Banks, like any financial advisor, operate on trust--not because they're good guys, but because they want an ongoing relationship with their customer. If they betray the customer's interests, the relationship ends. They kill the golden goose.

What the utilities fear--and rightly so--is the use of proprietary information by the uninformed. Trading shops that don't have a client relationship with the utilities would certainly front-run the hedging effort if they knew what was going to be executed when. They would run prices against the utilities, and cash in the gains when the utilities finally stepped into the market, to the detriment of ratepayers.

Shell held up SCE's and SWGas's RFP process as a model of disclosure. That's not quite accurate. While it's true that the utilities disclose the date of transaction, they zealously guard the details of which bids they accept and what volume of each type, if any. Winning bidders must also keep the information confidential.

Feel free to include this in the public record.

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