



**SUMMARY**

**Southern California Edison Company’s (SCE) renewable energy power purchase agreement (PPA) with Mesquite Solar 2, LLC (Mesquite) complies with the Renewables Portfolio Standard (RPS) procurement guidelines and is approved without modification.**

SCE filed Advice Letters 3255-E (Mesquite AL) on July 31, 2015 and 3255-E-A on September 17, 2015, requesting California Public Utilities Commission (Commission or CPUC) review and approval of a 20-year renewable energy PPA with Mesquite Solar, LLC (Mesquite PPA). The PPA resulted from SCE’s 2014 RPS solicitation (2014 RPS RFO) and was executed in June 2015. Pursuant to the PPA, RPS-eligible generation will be purchased from the proposed Mesquite facility. The Mesquite facility is located in Tonopah, Arizona and has a capacity of approximately 101 megawatts (MW). The Mesquite Project is developed by Sempra U.S. Gas & Power, LLC (Sempra U.S. Gas & Power) and will interconnect within the California Independent System Operator (CAISO)-controlled grid at Hassayampa Substation.

This Resolution approves the Mesquite PPA. SCE’s execution of this PPA is consistent with SCE’s 2014 RPS Procurement Plan (RPS Plan), which the Commission approved in Decision (D.) 14-11-042. In addition, RPS deliveries pursuant to the Mesquite PPA are reasonably priced and the related costs to SCE are fully recoverable in rates over the life of the Mesquite PPA, subject to Commission review of SCE’s administration of the PPA.

The following table provides a summary of the Mesquite PPA:

**Table 1: Summary of Mesquite PPA**

<b>Seller</b>	<b>Generation Type</b>	<b>Size (MW)</b>	<b>Estimated Average Energy (GWh/Yr)</b>	<b>Forecasted Commercial Operation Date</b>	<b>Term of Agreement (Years)</b>	<b>Location</b>
Mesquite Solar	Solar photovoltaic (“PV”)	101	283	January 1, 2017	20	Tonopah, AZ

## **BACKGROUND**

### **Overview of the Renewables Portfolio Standard (RPS) Program**

The California RPS program was established by Senate Bill (SB) 1078, and has been subsequently modified by SB 107, SB 1036, and SB 2 (1X).<sup>1</sup> The RPS program is codified in Public Utilities Code Sections 399.11-399.31.<sup>2</sup> Under SB 2 (1X), the RPS program administered by the Commission requires each retail seller to procure eligible renewable energy resources so that the amount of electricity generated from eligible renewable resources is an amount that equals an average of 20 percent of the total electricity sold to retail customers in California for compliance period 2011-2013; 25 percent of retail sales by December 31, 2016; and 33 percent of retail sales by December 31, 2020.<sup>3</sup>

Additional background information about the Commission's RPS Program, including links to relevant laws and Commission decisions, is available at <http://www.cpuc.ca.gov/PUC/energy/Renewables/overview.htm> and <http://www.cpuc.ca.gov/PUC/energy/Renewables/decisions.htm>.

## **NOTICE**

Notice of the Mesquite AL was made by publication in the Commission's Daily Calendar on August 5, 2015. SCE states that a copy of the Mesquite AL was mailed and distributed to the R.15-02-020 service list and GO 96-B service lists in accordance with Section 4 of General Order 96-B.

## **PROTEST**

SCE's Mesquite AL was timely protested by the Imperial Irrigation District (IID) on August 20, 2015, requesting that the Mesquite AL be rejected or suspended.

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<sup>1</sup> SB 1078 (Sher, Chapter 516, Statutes of 2002); SB 107 (Simitian, Chapter 464, Statutes of 2006); SB 1036 (Perata, Chapter 685, Statutes of 2007); SB 2 (1X) (Simitian, Chapter 1, Statutes of 2011, First Extraordinary Session).

<sup>2</sup> All further statutory references are to the Public Utilities Code unless otherwise specified.

<sup>3</sup> D.11-12-020 established a methodology to calculate procurement requirement quantities for the three different compliance periods covered in SB 2 (1X) (2011-2013, 2014-2016, and 2017-2020).

Specifically, IID argued that it is premature for SCE to receive Commission approval for any PPAs including the Mesquite PPA resulting from its 2014 RPS procurement shortlist (shortlist). SCE's 2014 RPS shortlist is still pending Draft Resolution E-4726 (Shortlist Resolution). The Shortlist Resolution directs SCE to re-evaluate the IID-interconnected offers. Therefore, IID asserted that projects on the shortlist may be added or removed as a consequence of SCE's re-evaluation.

SCE responded to IID's protest on August 27, 2015. SCE contended that IID's protest is without merit and the Mesquite AL should not be suspended. SCE argued that the Shortlist Resolution concludes that the shortlist is reasonable and consistent with its 2014 Procurement Plan approved in D.14-11-042. The Shortlist Resolution only requires SCE to re-evaluate the IID-interconnected projects. It directs SCE to file a Tier 1 AL describing any offers that it has added to the shortlist, but not to remove any offers from the shortlist.

In addition, SCE argues that the Commission should not suspend the Mesquite AL because it may result in an unnecessary and unreasonable delay in Commission approval of the Mesquite PPA. The Mesquite Project is expected to take advantage of the current 30% Federal Business Energy Investment Tax Credit, which is available for eligible energy systems placed in service on or before December 31, 2016.

## **DISCUSSION**

### **SCE requests approval of a renewable energy power purchase agreement with Mesquite**

SCE filed the Mesquite AL and AL 3255-E-A requesting Commission approval of a long-term RPS eligible PPA. The proposed solar photovoltaic (PV) project is located in Tonopah, Arizona. The Mesquite Project is wholly owned and developed by Sempra U.S. Gas and Power and will interconnect within the California Independent System Operator (CAISO)-controlled grid at Hassayampa Substation. Pursuant to the Mesquite PPA, SCE is to begin purchasing generation from Mesquite beginning January 1, 2017. The expected annual generation to be purchased from the project is 283 Gigawatt-hours (GWh). This generation could count towards SCE's RPS requirements in Compliance Period 2017-2020.

### **SCE requests that the Commission issue a resolution that:**

1. Approves the Mesquite PPA in its entirety;

2. Finds that the Mesquite PPA is consistent with SCE's 2014 RPS Procurement Plan;
3. Finds that the Mesquite PPA is compliant with the Emissions Performance Standard;
4. Finds that any procurement pursuant to the Mesquite PPA is procurement from an eligible renewable energy resource for purposes of determining SCE's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Sections 399.11 et seq.), Decision 03-06-071, or other applicable law; and,
5. Finds that the Mesquite PPA, and SCE's entry into it, is reasonable and prudent for all purposes, including, but not limited to, recovery in rates of payments made pursuant to the Mesquite PPA, subject only to further review with respect to the reasonableness of SCE's administration of the Mesquite PPA.

**Energy Division Evaluated the Mesquite PPA based on the following criteria:**

- Consistency with the RPS policies and requirements:
  - SCE's 2014 RPS Procurement Plan and RPS Procurement Need
  - SCE's least-cost and best-fit methodology (LCBF)
  - RPS Standard Terms and Conditions
  - Portfolio Content Categories Requirements
  - The Long-Term Contracting Requirement
  - Independent Evaluator review requirements
  - Procurement Review Group Requirements
- Net Market Value and Cost Reasonableness
- Compliance with the Interim Greenhouse Gas Emissions Performance Standard
- PPA Viability Assessment and Project Development Status

**Consistency with SCE's 2014 RPS Procurement Plan**

In its 2014 RPS Procurement Plan (2014 RPS Plan) SCE provided an assessment of supply and demand to determine the optimal mix of renewable generation resources, description of potential RPS compliance delays, status update of

projects within its RPS portfolio, and an assessment of project failure and delay risk within its RPS portfolio.<sup>4</sup> Specifically, SCE explained that its assessment for determining need is based on bundled retail sales, performance and variability of existing generation, likelihood of new generation achieving commercial operation, expected commercial on-line dates, technology mix, expected curtailment, and the impact of pre-approved procurement programs, among other factors. Based on that assessment, SCE stated that it had a RPS procurement need beginning in Compliance Period 2017-2020.

SCE stated its intention to procure additional RPS-eligible resources in order to satisfy its RPS requirements. Specifically, it called for the issuance of a competitive solicitation for the purchase of RPS-eligible energy with deliveries beginning on or after January 1, 2016. In addition, SCE sought offers that would qualify as Portfolio Content Category 1 or 3 and be for at least 10 years in length.

Based on SCE's RPS portfolio needs described in its 2014 RPS Plan, the Mesquite PPA is consistent with SCE's 2014 RPS Plan. The Mesquite PPA is for generation from a proposed renewable energy resource<sup>5</sup> with deliveries to begin on January 1, 2017 and continuing for 20 years, such that deliveries would begin during Compliance Period 2017-2020. See Confidential Appendix A for details on SCE's forecasted RPS procurement needs and SCE claims the project is Category 1.

The Mesquite PPA is consistent with SCE's 2014 RPS Procurement Plan, approved by D.14-11-042.

### **Consistency with SCE's Least-Cost and Best-Fit (LCBF) Methodology**

In D.04-07-029 and D.12-11-016, the Commission directs the utilities to use certain criteria in their LCBF selection of renewable resources.<sup>6</sup> The decisions provide guidance regarding the process by which the utility ranks bids in order to select or "shortlist" the bids with which it will commence negotiations.

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<sup>4</sup> Section 399.13(a)(5).

<sup>5</sup> Assuming the Mesquite Project receives the California Energy Commission certification as an eligible renewable resource.

<sup>6</sup> Section 399.13(a)(4)(A).

As described in its 2014 RPS Plan,<sup>7</sup> SCE's LCBF bid evaluation includes a quantitative analysis and qualitative criteria. SCE's quantitative analysis is based on market valuation that calculates the net market value of a bid,<sup>8</sup> which is the net of a project's levelized benefits and costs.<sup>9</sup> Project costs include contract payments, transmission, congestion, integration, and debt equivalence costs. Project benefits include energy and capacity value and congestion benefits. SCE ranks all conforming bids and creates a preliminary shortlist based on the net market value results.

In addition to the quantitative ranking of bids, SCE evaluates the qualitative attributes of the top proposals with a competitive net market value. SCE assesses factors such as location, project viability, portfolio fit, resource diversity, counterparty concentration, and other attributes to eliminate or add projects to the final shortlist.

In the Mesquite AL SCE explains that the PPA is the result of SCE's 2014 RPS solicitation and that it evaluated and shortlisted the PPA bids consistent with its 2014 LCBF methodology.<sup>10</sup>

See the "Net Market Value and Cost Reasonableness" section of this resolution for a discussion of how the PPA compares to other offers from SCE's 2014 RPS solicitation and comparable RPS contracts executed by SCE in the 12 months prior to PPA executions.

The Mesquite PPA was evaluated consistent with the LCBF methodology described in SCE's 2014 RPS Procurement Plan.

### **Net Market Value and Cost Reasonableness**

The Commission's reasonableness review for RPS PPAs includes a comparison of the proposed PPA's net market value and price relative to other RPS offers

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<sup>7</sup> Public Appendix 1.1 at 2, 3, & 11.

<sup>8</sup> Unlike the other two utilities, SCE uses a different term, "Renewable Premium" for net market value.

<sup>9</sup> Present value expressed in terms of dollars per megawatt-hour (\$/MWh).

<sup>10</sup> SCE's 2014 RPS solicitation protocols, including its LCBF methodology, as described above, was approved by the Commission in D.14-11-042.

received in recent RPS solicitations. Additionally, the Commission compares the PPA's net market value to comparable contracts executed by the utility in the 12 months prior to the proposed PPA's execution date. Using this methodology and the confidential analysis provided by SCE in the Mesquite AL, the Commission finds that the net market value of the Mesquite PPA is competitive to other RPS offers received by SCE and that the costs of the Mesquite PPA are reasonable. See Confidential Appendix A for a detailed discussion of the analysis.

The Mesquite PPA compares reasonably from a net market value and cost basis relative to RPS offers received in SCE's 2014 RPS solicitation and comparable contracts executed by SCE in the 12 months prior to executing the Mesquite PPA.

Payments made by SCE under the Mesquite PPA are fully recoverable in rates over the life of the PPA, subject to Commission review of SCE's administration of the PPA and any other conditions contained herein or required by law.

### **Consistency with RPS Standard Terms and Conditions (STCs)**

The Commission adopted a set of standard terms and conditions (STCs) required in RPS contracts, five of which are considered "non-modifiable." The STCs were compiled in D.08-04-009 and subsequently amended in D.08-08-028. More recently, the Commission further refined some of the STCs in D.10-03-021, as modified by D.11-01-025, D.13-11-024, and D.14-11-042.

The Mesquite PPA includes the Commission adopted RPS "non-modifiable" standard terms and conditions, as set forth in D.08-04-009, D.08-08-028, D.10-03-021, as modified by D.11-01-025, D.13-11-024, and D.14-11-042.

### **Consistency with Portfolio Content Categories**

In D.11-12-052, the Commission defined and implemented portfolio content categories for the RPS program and authorized the Director the Energy Division to require the investor-owned utilities to provide information regarding the proposed contract's portfolio content category classification in each advice letter seeking Commission-approval of an RPS contract. The purpose of the information is to allow the Commission to evaluate the claimed portfolio content category of the proposed RPS PPA and the risks and value to ratepayers if the proposed PPA ultimately results in renewable energy credits in another, less preferred, portfolio content category.

SCE claims in the Mesquite AL that the procurement pursuant to the PPA will be classified as Portfolio Content Category 1. To support its claim, SCE asserts that the Mesquite facility is located in Tonopah, Arizona, an RPS-eligible resource that expects to have its first point of interconnection within the CAISO, a California balancing area. Pursuant to the Mesquite PPA, the RECs associated with the electricity from Mesquite will be delivered to SCE and not unbundled or transferred to another owner.

Consistent with D.11-12-052, SCE provided information in the Mesquite AL regarding the expected portfolio content category classification of the renewable energy credits procured pursuant to the Mesquite PPA.

In this resolution, the Commission makes no determination regarding the Mesquite PPA's portfolio content category classification. The RPS contract evaluation process is separate from the RPS compliance and portfolio content category classification process, which require consideration of several factors based on various showings in a compliance filing. Thus, making a portfolio content category classification determination in this resolution regarding the procurement considered herein is not appropriate. SCE should incorporate the procurement resulting from the approved Mesquite PPA and all applicable supporting documentation to demonstrate portfolio content category classification in the appropriate compliance showing consistent with all applicable RPS program rules.

### **Consistency with Long-Term Contracting Requirement**

In D.12-06-038, the Commission established a long-term contracting requirement that must be met in order for retail sellers to count RPS procurement from contracts less than 10 years in duration for compliance with the RPS program.<sup>11</sup> In order for the procurement from any short-term contract(s) signed after June 1, 2010, to count for RPS compliance, the retail seller must execute long-term contract(s) in the same compliance period in which the short-term contract(s) is signed. The volume of expected generation in the long-term contract(s) must be sufficient to cover the volume of generation from the short-term contract(s).<sup>12</sup>

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<sup>11</sup> For the purposes of the long-term contracting requirement, contracts of less than 10 years duration are considered "short-term" contracts. (D.12-06-038.)

<sup>12</sup> Pursuant to D.12-06-038, the methodology setting the long-term contracting requirement is: 0.25% of Total Retail Sales in 2010 for the first compliance period;

The Mesquite PPA is for a 20-year term and was executed during Compliance Period 2014-2016.

Because the Mesquite PPA is greater than 10 years in length, the long-term contracting requirement does not apply to SCE's procurement via the Mesquite PPA, and the Mesquite PPA will contribute to SCE's long-term contacting requirement established in D.12-06-038 for Compliance Period 2014-2016.

### **Independent Evaluator Review**

SCE retained Merrimack Energy Group, Inc. as the independent evaluator ("IE") to oversee its 2014 RPS solicitation. In addition, Merrimack oversaw the negotiations with Mesquite and evaluated the overall merits of the Mesquite PPA. The Mesquite AL included a public and confidential version of the IE's report.

The IE states in its report that the Mesquite PPA was reasonably negotiated with contract terms that when taken as a whole appropriately protect the interests of SCE's ratepayers. The IE also concludes that the project is very mature in terms of project development. Overall, the IE states that he agrees with SCE that the Mesquite PPA merits Commission approval.

Consistent with D.06-05-039, an independent evaluator oversaw SCE's 2014 RPS solicitation and negotiations with Mesquite.

### **Procurement Review Group (PRG) Participation Requirement**

The PRG was initially established in D.02-08-071 to review and assess the details of the IOU's overall procurement strategy, solicitations, specific proposed procurement contracts and other procurement processes prior to submitting filings to the Commission as a mechanism for procurement review by non-market participants.

SCE consulted with its PRG during each milestone of the 2014 RPS solicitation, informing the participants of the initial bid results and the shortlist of bids. SCE

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0.25% of Total Retail Sales in 2011-2013 for the second compliance period; and 0.25% of Total Retail Sales in 2014-2016 for the third compliance period.

also briefed the PRG participants on the proposed execution of the Mesquite PPA at the June 17, 2015, PRG meeting.

SCE's PRG participants included representatives from Energy Division (ED), the Office of Ratepayer Advocates (ORA), Department of Water Resources, The Utility Reform Network (TURN), Sierra Club, and the California Utility Employees (CUE). Representatives from ED, ORA, TURN, Sierra Club, and IE attended the June 17, 2015, PRG meeting.

Consistent with D.02-08-071, SCE's Procurement Review Group participated in the review of the Mesquite PPA.

### **Compliance with the Interim Greenhouse Gas Emissions Performance Standard (EPS)**

Public Utilities Code Sections 8340 and 8341 require that the Commission consider emissions costs associated with new long-term (five years or greater) baseload power contracts procured on behalf of California ratepayers.<sup>13</sup>

D.07-01-039 adopted an interim EPS that establishes an emission rate for obligated facilities at levels no greater than the greenhouse gas emissions of a combined-cycle gas turbine power plant. Generating facilities using certain renewable resources are deemed compliant with the EPS.<sup>14</sup>

The Mesquite PPA is not covered procurement subject to the EPS because the generating facility has a forecast annualized capacity factor of less than 60 percent and therefore is not baseload generation under paragraphs 1(a)(ii) and 3(2)(a) of the Adopted Interim EPS Rules.

### **PPA Viability and Project Development Status**

#### Developer Experience:

The Mesquite solar PV facility is developed by Sempra U.S. Gas & Power, which has successfully developed a number of power plants throughout the United States. SCE states that its operations and maintenance team has successfully

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<sup>13</sup> "Baseload generation" is electricity generation at a power plant "designed and intended to provide electricity at an annualized plant capacity factor of at least 60%." Pub. Util. Code Section 8340 (a).

<sup>14</sup> D.07-01-039, Attachment 7, p. 4.

operated and maintained multiple power plants with one of the best operational records in the industry.<sup>15</sup>

Technology and Quality of Resource:<sup>16</sup>

The Mesquite project will use solar PV panels that have been technically proven on utility-scale generation projects. Additionally, given the project's location and associated resource quality, SCE believes that Mesquite will be able to meet the terms of the PPA.

Site Control and Permitting Status:

The Mesquite Project is located in Tonopah, Arizona. The site is fully permitted and is privately held by an affiliate of Sempra U.S. Gas & Power. Additional information regarding site control and permitting status is included in Confidential Appendix A.

Interconnection Status:

The Mesquite facility will share existing interconnection facilities with its affiliates, including Mesquite Solar 1, which has a 165 MW CAISO Large Generation Interconnection Agreement (LGIA) for deliveries to Pacific Gas and Electric Company, also at the common bus.

Based on the terms and conditions of the PPA and the level of project development, it is reasonable to expect that Mesquite will meet the terms and conditions of its PPA.

**Safety Considerations**

California Public Utilities Code Section 451 requires that every public utility maintain adequate, efficient, just, and reasonable service, instrumentalities, equipment and facilities to ensure the safety, health, and comfort of the public.

SCE's 2014 *Pro Forma* PPA includes safety provisions, which require the seller to operate the generating facility in accordance with the Prudent Electrical Practices as defined in the *Pro Forma* PPA. Further, these provisions specifically require

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<sup>15</sup> Mesquite AL at 16.

<sup>16</sup> Mesquite AL at 16-17.

that all sellers take a list of reasonable steps to ensure that the generation facility is operated and maintained in a safe manner. It also includes a provision that requires a report from an independent engineer certifying that the seller has a written plan for the safe construction and operation of the generating facility in accordance with the Prudent Electrical Practices. The seller must also provide the report to SCE prior to the commencement of any construction activities on the project site. The Mesquite PPA includes all of these provisions. Based on the information before us, the Mesquite Project does not appear to result in any adverse safety impacts on facilities or operations of SCE.

### **IID's Protest to the Mesquite AL Is Denied**

#### IID recommends that the Mesquite AL be rejected or suspended

As described above, IID requests the Mesquite AL be rejected or suspended because it was on SCE's 2014 RPS solicitation shortlist, which was approved in Resolution E-4726 (Shortlist Resolution). The Shortlist Resolution directed SCE to re-evaluate the IID-interconnected offers. Therefore, IID asserted that projects on the shortlist may be added or removed as a consequence of SCE's re-evaluation of that shortlist.

SCE contended that IID's protest is without merit and the Mesquite AL should not be suspended. SCE asserted that the Shortlist Resolution concludes that the shortlist is reasonable and consistent with its 2014 Procurement Plan approved in D.14-11-042.<sup>17</sup> SCE argued that the Shortlist Resolution only requires SCE to re-evaluate the IID-interconnected projects. It directs SCE to file a Tier 1 AL describing any offers that it has added to the existing shortlist. It does not state that SCE should remove any offers from the shortlist. In addition, SCE pointed out that the Commission approval of the Mesquite AL is time sensitive because the Mesquite Project is expected to take advantage of the 30% Federal Business Energy Investment Tax Credit (ITC), for systems placed in service on or before December 31, 2016.

The IID's protest is without merit. SCE has filed the requisite Tier 1 AL<sup>18</sup> on September 28, 2015. SCE's re-evaluation of the shortlist as directed by the Shortlist Resolution resulted in changes to its 2014 RPS shortlist. However,

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<sup>17</sup> Resolution E-4726, Findings 2 and 4.

<sup>18</sup> AL 3278-E.

SCE's proposed shortlist modifications did not result in removal of the Mesquite Project from the shortlist.

Therefore, for the reasons described above, IID's protest is denied.

### **RPS Eligibility and CPUC Approval**

Pursuant to Section 399.13, the CEC certifies eligible renewable energy resources. Generation from a resource that is not CEC-certified cannot be used to meet RPS requirements. To ensure that only CEC-certified energy is procured under a Commission-approved RPS contract, the Commission has required standard and non-modifiable "eligibility" language in all RPS contracts. That language requires a seller to warrant that the project qualifies and is certified by the CEC as an "Eligible Renewable Energy Resource," that the project's output delivered to the buyer qualifies under the requirements of the RPS, and that the seller uses commercially reasonable efforts to maintain eligibility should there be a change in law affecting eligibility.<sup>19</sup>

The Commission requires a standard and non-modifiable clause in all RPS contracts that requires "CPUC Approval" of a PPA to include an explicit finding that "any procurement pursuant to this Agreement is procurement from an eligible renewable energy resource for purposes of determining Buyer's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.), D.11-12-020 and D.11-12-052, or other applicable law."<sup>20</sup>

Notwithstanding this language, given that the Commission has no jurisdiction to determine whether a project is an "Eligible Renewable Energy Resource" for RPS purposes, this finding and the effectiveness of the non-modifiable "eligibility" language is contingent on CEC's certification of the Mesquite project as an "Eligible Renewable Energy Resource." The contract language that procurement pursuant to the Mesquite PPA "is procurement from an eligible renewable energy resource" must be a true statement at the time of the first delivery of energy, not at the signing of the PPA or at the issuance of this Resolution.

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<sup>19</sup> See, e.g. D. 08-04-009 at Appendix A, STC 6, Eligibility.

<sup>20</sup> See, e.g. D. 08-04-009 at Appendix A, STC 1, CPUC Approval.

While we include the required finding here, this finding has never been intended, and shall not be read now, to allow the generation from a non-RPS-eligible resource to count towards an RPS compliance obligation absent CEC certification. Nor shall such finding absolve the seller of its obligation to obtain CEC certification, or the utility of its obligation to pursue remedies for breach of contract. Such contract enforcement activities shall be reviewed pursuant to the Commission's authority to review the utilities' administration of such contracts.

### **Confidential Information**

The Commission, in implementing Section 454.5(g), has determined in D.06-06-066, as modified by D.07-05-032, that certain material submitted to the Commission as confidential should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations. D.06-06-066 adopted a time limit on the confidentiality of specific terms in RPS contracts. Such information, including price, is confidential for three years from the date the contract states that energy deliveries begin, or until one year following contract expiration, except contracts between IOUs and their affiliates, which are public.

The confidential appendices, marked "[REDACTED]" in the public copy of this Resolution, as well as the confidential portions of the Mesquite AL and AL 3255-E-A, remain confidential at this time.

### **COMMENTS**

Section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this Resolution was neither waived nor reduced. Accordingly, the Draft Resolution was mailed to parties for comments on October 6, 2015.

No comments were received within the comment period.

## **FINDINGS**

1. The Mesquite Solar 2, LLC power purchase agreement is consistent with SCE's 2014 Renewables Portfolio Standard Procurement Plan, as approved by D.14-11-042.
2. The Mesquite Solar 2, LLC power purchase agreement was evaluated consistent with the least-cost and best-fit methodology described in SCE's 2014 RPS Procurement Plan.
3. The Mesquite Solar 2, LLC power purchase agreement compares reasonably from a net market value and cost basis relative to RPS offers received in SCE's 2014 RPS solicitation and contracts executed in the last 12 months.
4. The Mesquite Solar 2, LLC power purchase agreement includes the Commission-adopted Renewables Portfolio Standard "non-modifiable" standard terms and conditions, as set forth in D.08-04-009, D.08-08-028, D.10-03-021, as modified by D.11-01-025, D.13-11-024, and D.14-11-042.
5. Consistent with D.11-12-052, SCE provided information in Advice Letters 3255-E and 3255-E-A regarding the expected portfolio content category classification of the renewable energy credits to be procured pursuant to the Mesquite Solar 2, LLC power purchase agreement.
6. Because the Mesquite Solar 2, LLC power purchase agreement is longer than 10 years, the long-term contracting requirement does not apply to SCE's procurement via the Mesquite Solar 2, LLC power purchase agreement, and the Mesquite Solar 2, LLC power purchase agreement will contribute to SCE's long-term contracting requirement established in D.12-06-038 for the 2nd Compliance Period 2014-2016.
7. Consistent with D.06-05-039, an independent evaluator oversaw SCE's 2014 Renewables Portfolio Standard procurement solicitation and SCE's negotiations for the Mesquite Solar 2, LLC power purchase agreement.
8. Consistent with D.02-08-071, SCE's Procurement Review Group participated in the review of the Mesquite Solar 2, LLC power purchase agreement.
9. The Mesquite Solar 2, LLC power purchase agreement is not covered procurement subject to the Emissions Performance Standard because the generating facility has a forecast annualized capacity factor of less than 60 percent and therefore is not baseload generation under paragraphs 1(a)(ii) and 3(2)(a) of the Adopted Interim Emissions Performance Standard Rules.

10. The Mesquite Solar 2, LLC Project is developed by Sempra U.S. Gas & Power, LLC. The Mesquite 2, LLC Project will interconnect with the California Independent System Operator-controlled grid in Tonopah, Arizona.
11. It is reasonable to expect that the Mesquite 2, LLC Project will be able to meet the terms and conditions in the Mesquite Solar 2, LLC power purchase agreement.
12. Imperial Irrigation District's protest recommending SCE Advice Letter 3255-E be rejected or suspended is denied.
13. Procurement pursuant to the Mesquite Solar 2, LLC power purchase agreement must be procurement from an eligible renewable energy resource certified by the CEC for purposes of determining SCE's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Sections 399.11, et seq.), D.03-06-071 and D.06-10-050, or other applicable law on or before the first delivery of energy.
14. Payments made by SCE pursuant to the Mesquite Solar 2, LLC power purchase agreement are fully recoverable in rates over the life of the power purchase agreement, subject to Commission review of SCE's administration of the power purchase agreement and any other applicable Commission review.
15. The confidential appendices, marked "[REDACTED]" in the public copy of this Resolution, as well as the confidential portions of the Advice Letters 3255-E and 3255-E-A, remain confidential at this time.
16. Advice Letters 3255-E and 3255-E-A should be approved and effective today.

**THEREFORE IT IS ORDERED THAT:**

1. The request of the Southern California Edison Company for review and approval of a power purchase agreement with Mesquite Solar 2, LLC as requested in Advice Letters 3255-E and 3255-E-A is approved without modification.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on November 5, 2015; the following Commissioners voting favorably thereon:

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TIMOTHY J. SULLIVAN  
Executive Director

## **Confidential Appendix A**

Evaluation Summary of the Mesquite Solar 2, LLC  
(Mesquite) Power Purchase Agreement (PPA)

**[REDACTED]**

## **Confidential Appendix B**

Excerpt from the Independent Evaluator Report on the  
Mesquite PPA<sup>21</sup>

**[REDACTED]**

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<sup>21</sup>AL 3255-E-A, Confidential Appendix C, Amended Report of the Independent Evaluator Review of the Power Purchase Agreement with Mesquite Solar 2, LLC, Merrimack Energy Group, Inc. and New Energy Opportunities in September 2015.