BEFORE THE PUBLIC UTILITIES COMMISSION OF THE

STATE OF CALIFORNIA

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Order Instituting Rulemaking to Continue Implementation and Administration of California Renewables Portfolio Standard Program.	))))	Rulemaking 08-08-009 (Filed August 21, 2008)

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) AMENDED 2011 RENEWABLES PORTFOLIO STANDARD PROCUREMENT PLAN

VOLUME 1

PUBLIC VERSION

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May 13, 2011

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Pursuant to the May 11, 2011 letter from Julie Fitch, Director of the California Public Utilities Commission's ("Commission's" or "CPUC's") Energy Division, Southern California Edison Company ("SCE") respectfully submits its Amended 2011 Renewables Portfolio Standard ("RPS") Procurement Plan.[1]

I.

BACKGROUND AND SUMMARY OF AMENDED 2011 RPS PROCUREMENT PLAN

SCE's Amended 2011 RPS Procurement Plan was originally filed as its 2010 RPS Procurement Plan.[2] In accordance with the November 2, 2009 Amended Scoping Memo and Ruling of Assigned Commissioner Regarding 2010 RPS Procurement Plans ("Scoping Memo"), SCE submitted its 2010 RPS Procurement Plan on December 18, 2009.

In D.10-03-021, the Commission authorized the procurement and use of unbundled and tradable renewable energy credits ("RECs" or "TRECs") for compliance with the California RPS

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[1] SCE is concurrently filing a Motion for Leave to File its Confidential Amended 2011 Renewables Portfolio Standard Procurement Plan Under Seal, which requests a Commission order granting leave to file the confidential version of Volume 1 of SCE's Amended 2011 RPS Procurement Plan under seal.

[2] In Decision ("D.") 11-04-030, the Commission refers to the Plans as the 2011 Plans since its decision was reached in 2011, and the next RPS solicitation will be in 2011. D.11-04-030 at 6 n.3. Accordingly, SCE refers to its current plan as its 2011 Plan.

program. The Commission also ordered the investor-owned utilities ("IOUs") to file and serve amendments to their 2010 RPS Procurement Plans, on a schedule set by the assigned Administrative Law Judge, to address their plans for the use of RECs to meet their RPS procurement obligations.[3] In a March 19, 2010 Administrative Law Judge's Ruling, Administrative Law Judge Mattson ruled that such amendments should be filed by April 9, 2010.

On April 9, 2010, SCE filed a Motion to Amend its 2010 RPS Procurement Plan, which included a courtesy copy of the public version of its Amended 2010 RPS Procurement Plan. In accordance with D.10-03-021, SCE amended its 2010 RPS Procurement Plan to address its plans for the use of RECs. SCE also made other amendments to its 2010 RPS Procurement Plan.[4]

On June 17, 2010, SCE filed a Motion to Further Amend its 2010 RPS Procurement Plan, which included a courtesy copy of the public version of its Second Amended 2010 RPS Procurement Plan. Based on input from the Commission and stakeholders at the Commission's May 6, 2010 All-Party Meeting on RPS Curtailment Provisions and subsequent discussions and meetings with market participants, SCE amended the curtailment provisions in its 2010 Pro Forma Renewable Power Purchase and Sale Agreement and made modifications to its other 2010 solicitation materials related to curtailment.[5]

In the February 9, 2011 Administrative Law Judge's Ruling Regarding Motions to Amend Plans and File Materials Under Seal, Administrative Law Judge Mattson granted both SCE's Motion to Amend its 2010 RPS Procurement Plan and SCE's Motion to Further Amend its 2010 RPS Procurement Plan.

In D.11-04-030, the Commission conditionally accepted SCE's Second Amended 2010 RPS Procurement Plan submitted on June 17, 2010, including SCE's solicitation materials.[6] Additionally, the Commission ordered SCE to make certain changes to its Second Amended

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[3] D.10-03-021 at 106-107 (OP 33).

[4] These amendments were described in SCE's Motion to Amend its 2010 RPS Procurement Plan.

[5] SCE also made other changes to its Amended 2010 RPS Procurement Plan as explained in SCE's Motion to Further Amend its 2010 RPS Procurement Plan.

[6] D.11-04-030 at 64-65 (OP 1). The decision refers to SCE's Plan being amended on June 12, 2010; however, it was last amended on June 17, 2010.

2010 RPS Procurement and to file and serve a final 2011 RPS Procurement Plan within 14 days of the mailing of the decision, or May 4, 2011.[7]

On May 4, 2011, SCE filed its 2011 RPS Procurement Plan. On May 11, 2011, Julie Fitch, Director of the Commission's Energy Division, sent SCE a letter suspending SCE's 2011 RPS Procurement Plan until it is re-filed to remove the time-of-delivery ("TOD") payment allocation factors for Energy-Only Deliverability Status projects from SCE's 2011 Pro Forma Renewable Power Purchase and Sale Agreement and any other documents.

Accordingly, SCE is filing this Amended 2011 RPS Procurement Plan, which removes such TOD payment allocation factors and makes certain other minor corrections and updates based on discussions with Energy Division. The only documents that have changed in SCE's Amended 2011 RPS Procurement Plan from SCE's 2011 RPS Procurement Plan filed on May 4, 2011 are: (1) SCE's 2011 Pro Forma Renewable Power Purchase and Sale Agreement and associated redline, (2) SCE's 2011 Written Description of Renewables Portfolio Standard Proposal Evaluation and Selection Process Criteria and associated redline, (3) SCE's 2011 Procurement Protocol and associated redline, and (4) SCE's 2011 Seller's Proposal Template and Calculator.

SCE's Amended 2011 RPS Procurement Plan, including its 2011 solicitation materials, is attached to this pleading. SCE's 2011 Amended RPS Procurement Plan consists of the same two parts as SCE's 2011 RPS Procurement Plan filing: (1) Attachment 1 - the 2011 Written Plan and Appendices, which is set forth in accordance with the "Complete 2010 Plan" outline provided in the Scoping Memo, and (2) Attachment 2 - SCE's 2011 solicitation materials. Attachment 1 is included in Volume 1 of SCE's Amended 2011 RPS Procurement Plan.[8] Attachment 2 is included in Volumes 2 through 4 of SCE's Amended 2011 RPS Procurement Plan.[9] For those documents changed from SCE's 2011 RPS Procurement Plan filed on May 4, 2011, SCE has

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[7] D.11-04-030 at 65 (OP 2).
[8] SCE is filing a confidential and a public version of Volume 1 of its Amended 2011 RPS Procurement Plan.
[9] Volumes 2 through 4 of SCE's Amended 2011 RPS Procurement Plan are all public.

included redlines against those documents included in SCE's 2011 RPS Procurement Plan, as appropriate. For those documents not changed from SCE's 2011 RPS Procurement Plan, SCE has included redlines against those documents included in SCE's Second Amended 2010 RPS Procurement Plan, as appropriate.

Attachment 1 includes:

- Attachment 1: 2011 Written Plan ("Written Plan");
- Attachment 1, Appendix A: SCE's 2011 Written Description of Renewables Portfolio Standard Proposal Evaluation and Selection Process Criteria ("LCBF Written Report");
- Attachment 1, Appendix B: SCE's RPS-Eligible Energy Forecast (Base Case);[10]
- Attachment 1, Appendix C: SCE's RPS-Eligible Energy Forecast (High Need Case);
- Attachment 1, Appendix D: Redline of 2011 Written Plan; and
- Attachment 1, Appendix E: Redline of SCE's 2011 Written Description of Renewables Portfolio Standard Proposal Evaluation and Selection Process Criteria.

Attachment 2 includes:

- Attachment 2-1: 2011 Procurement Protocol ("Protocol") and Redline Version;
- Attachment 2-2: 2011 Proposal Structure Letter and Redline Version;
- Attachment 2-3: 2011 Seller's Proposal Template and Calculator ("Seller's Proposal Template");[11]
- Attachment 2-4: 2011 Outline of Contract Terms and Conditions;[12]

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[10] SCE has not included a redline of SCE's RPS-Eligible Energy Forecast (Base Case) or SCE's RPS-Eligible Energy Forecast (High Need Case) against the version of these documents included in its Second Amended 2010 RPS Procurement Plan since the documents are power point files. SCE has included a description of the changes in these documents in Section II below.

[11] SCE has not included a redline of the Seller's Proposal Template against the version of this document included in its 2011 RPS Procurement Plan because the document is an excel spreadsheet. SCE has included a description of the changes in this document below.

[12] SCE has not included a redline of the 2011 Outline of Contract Terms and Conditions against the version of this document included in its Second Amended 2010 RPS Procurement Plan because the document is an excel spreadsheet. SCE only made minor clean-up changes to this document.

- Attachment 2-5: 2011 Pro Forma Renewable Power Purchase and Sale Agreement ("Pro Forma") and Redline Version;
- Attachment 2-6: 2011 Pro Forma EEI Confirmation for Firm Product ("EEI Confirm for Firm Product") and Redline Version;
- Attachment 2-7: 2011 Pro Forma EEI Confirmation for As-Available Product ("EEI Confirm for As-Available Product") and Redline Version;
- Attachment 2-8: 2011 Pro Forma WSPP Confirmation for Firm Product ("WSPP Confirm for Firm Product") and Redline Version;
- Attachment 2-9: 2011 Pro Forma WSPP Confirmation for As-Available Product ("WSPP Confirm for As-Available Product") and Redline Version;
- Attachment 2-10: 2011 Form of Seller's Proposal ("Form of Seller's Proposal") and Redline Version; and
- Attachment 2-11: 2011 Pro Forma WSPP Confirmation for REC Product ("WSPP Confirm for REC Product") and Redline Version.

As noted above, SCE made changes to four documents in its Amended 2011 RPS Procurement Plan. Those changes are summarized below and shown in the redlines of these documents included in SCE's Amended 2011 RPS Procurement Plan.[13]

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[13] As explained above, SCE has not included a redline of the Seller's Proposal Template since it is an excel spreadsheet.

Document	Amendment	Sections and/or Pages
Attachment 2-5 Pro Forma	Deleted separate TOD payment allocation factors for Energy-Only Deliverability Status projects	List of Exhibits and Exhibit J
Attachment 1, Appendix A LCBF Written Report (also shown in Attachment 1, Appendix E Redline of LCBF Written Report)	Deleted reference to separate set of TOD payment allocation factors for Energy-Only Deliverability Status projects	Section 2.A.1 Contract Payments (old pages 4-5)
Attachment 2-1 Protocol	Deleted reference to separate set of TOD payment allocation factors for Energy-Only Deliverability Status projects	Section 5.01(b)
	Deleted reference to Lugo Area Master Transmission Project as approved transmission infrastructure	Section 1.04
	Updated schedule to fill in additional dates	Section 3.01
	Added missing California woman, minority or disabled veteran business enterprise ("WMDVBE") web page address	Section 5.02
Attachment 2-3 Seller's Proposal Template	Deleted separate Energy-Only TOD payment allocation factors from calculation for Energy-Only projects in revenue calculator tabs	Project Revenues tabs
	Deleted Lugo Area Master Transmission Project as a preferred transmission area	Form tab, Section G

In Section II below, SCE has included a summary of the changes that were included in its 2011 RPS Procurement Plan from its Second Amended 2010 RPS Procurement Plan, excluding those changes that were subsequently modified in SCE's Amended 2011 RPS Procurement Plan.

II.

SUMMARY OF CHANGES THAT WERE MADE IN SCE'S 2011 RPS PROCUREMENT PLAN

A. Changes Required or Suggested By D.11-04-030 or Other Commission Decisions

In D.11-04-030, the Commission required or suggested that SCE include certain changes to its Second Amended 2010 RPS Procurement Plan in its 2011 RPS Procurement Plan.[14] Certain other changes to the standard terms and conditions in SCE's pro forma contracts were also required by D.10-03-021, as modified by D.11-01-025. The following table lists the significant amendments required or suggested by D.11-04-030 or other Commission decisions, what portions of the various documents were amended, and the rationale.

Amendments	Sections and/or Pages	Rationale
Incorporated congestion costs into least-cost/best-fit ("LCBF") evaluation and modified LCBF methodology to explain economic curtailment provisions and use of congestion costs.	Protocol, Sections 5.01(a) and (b), 5.02, Appendix B Section 3 LCBF Written Report, pages 2, 5, 7-8, 12-13	Required by D.11-04-030.
Deleted requirement that Seller apply for Full Capacity Deliverability Status in connection with their interconnection application, and made the condition precedent that Seller obtain Full Capacity Deliverability Status prior to Commercial Operation applicable only if the project was bid with Full Capacity Deliverability.	Written Plan, Section 6.6 Pro Forma, Section 2.03(b)(ii)(3), Exhibit A Definition 114 Protocol, Section 6.01(a) Seller's Proposal Template, Form tab Section F	Required by D.11-04-030.
Clarified treatment of Resource Adequacy ("RA") in LCBF methodology, including that Energy-Only	Protocol, Section 5.01(b) LCBF Written Report, page 3	Required by D.11-04-030.

[14] D.11-04-030 at 65 (OP 2).

projects will not receive any capacity benefit.		
Removed proposal for non-zero integration cost adder, and stated that SCE will use a zero integration adder unless another adder is authorized by the Commission.	Written Plan, Section 6.10 Protocol, Section 5.01(b) LCBF Written Report, page 5	Required by D.11-04-030.
Discussed SCE's intended use of RECs and updated discussion of Commission's authorization of RECs to include D.11-01-025.	Written Plan, Sections 2.1, 2.2, 6.7 Protocol, Sections 2.03, 2.06, 2.13, Appendix B Section 1	Required by D.11-04-030.
Removed proposal for pre-approval of a limited amount of short-term RPS-eligible transactions.	Written Plan, Deleted Old Section 6.3, Revised Sections 2.1, 2.2	Required by D.11-04-030.
Modified Non-Disclosure Agreement and confidentiality provisions as directed by the Commission.	Pro Forma, Section 10.10(a) EEI Confirms for Firm Product and As-Available Product, Article 11 WSPP Confirms for Firm Product and As-Available, Section 10.1 WSPP Confirm for REC Product, Section 8.7(d) Form of Seller's Proposal, Exhibit D	Required by D.11-04-030.
Removed proposed changes to Project Viability Calculator.	Written Plan, Deleted Old Section 6.7, Appendix D	Proposed changes were rejected by D.11-04-030.
Revised solicitation schedule pursuant to Commission's adopted schedule.	Protocol, Section 3.01	Required by D.11-04-030.
Updated plan to include Renewable Auction Mechanism program ("RAM"), independent power producer portion of SCE's Solar Photovoltaic Program ("SPVP") and results of 2010 SPVP Request for Offers ("RFO"), and Qualifying	Written Plan, Sections 1, 2, 2.2, 3, 6.2, 6.4, 6.5	Required by D.11-04-030.

Facility Settlement.		
Updated discussion of SCE's 2009 RPS solicitation, SCE's 2010 Renewables Standard Contract ("RSC") Program RFO and RAM replacing SCE's RSC Program, the utility-owned generation portion of SCE's SPVP and SCE's activities related to utility-owned generation, the California Renewable Energy Small Tariff program, and other procurement activities.	Written Plan, Sections 1, 2, 2.2, 3, 6.1, 6.3	D.11-04-030 stated that IOUs should include items in their 2011 RPS Procurement Plans to ensure the filed plans are complete, comprehensive and up-to-date.
Updated plan to address the enactment of Senate Bill 1X 2 ("SB 2").	Written Plan, Sections 1, 1.2, 2, 2.1, 6.7	D.11-04-030 stated that IOUs should include items in their 2011 RPS Procurement Plans to ensure the filed plans are complete, comprehensive and up-to-date.
Updated SCE's Base Case and High Need Case procurement scenarios and related RPS-eligible energy forecasts to reflect SB 2 goals, updated bundled sales forecast, additional contracts, and updated success rate for executed contracts not yet on-line in High Need Case.	Written Plan, Sections 1, 2, Appendices B, C	D.11-04-030 stated that IOUs should include items in their 2011 RPS Procurement Plans to ensure the filed plans are complete, comprehensive and up-to-date.
Removed recommendations not adopted in D.11-04-030.	Written Plan, Deleted Old Sections 5.C, 6.4	D.11-04-030 stated that IOUs should include items in their 2011 RPS Procurement Plans to ensure the filed plans are complete, comprehensive and up-to-date.
Other updates to ensure plan is up-to-date.	Throughout Written Plan	D.11-04-030 stated that IOUs should include items in their 2011 RPS Procurement Plans to ensure the filed plans are complete, comprehensive and up-to-date.
Included new standard terms	Pro Forma, Sections 10.02(c),	Required by D.10-03-021,

and conditions.	10.02(e), 10.07, Exhibit A Definition 56 EEI Confirms for Firm Product and As-Available Product, Article 2, Sections 6.1(b) and (c), 9.5 WSPP Confirms for Firm Product and As-Available Product, Article 2, Sections 6.1(b) and (c), 8.2 WSPP Confirm for REC Product, Article 2, Sections 3.4, 6.1(b), 8.6	as modified by D.11-01-025.

B. Additional Material Changes

SCE has also made certain amendments in its 2011 RPS Procurement Plan that were not specifically required by D.11-04-030 or other Commission decisions. Most of these changes affect SCE's solicitation materials. It has been approximately 16 months since the IOUs first filed their 2010 RPS Procurement Plans and 10 months since SCE filed its Second Amended 2010 RPS Procurement Plan. With the long delay in approval of the IOUs' RPS Procurement Plans, changes in SCE's solicitation materials are required to reflect lessons learned from negotiating contracts resulting from SCE's 2009 RPS solicitation and other procurement mechanisms, changes circumstances in the market, and updates in laws and regulations affecting electrical generating facilities and utilities, among other things. This is consistent with the Commission's statement in D.11-04-030 that the IOUs' final 2011 Plans should be "complete, comprehensive and up-to-date."[15] SCE also made certain changes to its solicitation materials that, while not directly required by D.11-04-030, reflect logical modifications needed to implement D.11-04-030's requirements. These changes should reduce future drafting and negotiation time. It does not benefit any party to require the IOUs to issue solicitations with stale

[15] D.11-04-030 at 35.

commercial documents that require substantial modifications before they can be executed. Accordingly, SCE's amendments to its solicitation materials are reasonable and should be accepted.

The table below includes a description of the additional material changes included in SCE's 2011 RPS Procurement Plan, what portions of the various documents were amended, and the rationale.

Amendments	Sections and/or Pages	Rationale
Removed provisions with respect to posting Performance Assurance in the form of a Guaranty.	Pro Forma, Deleted Old Sections 1.09, 3.10(b) and (c), 6.01(b), 8.02(c), Exhibit A Definitions 133, 134, Exhibit I, Revised Sections 8.01, 8.02(a), Exhibit A Definitions 191, 218 (Old 214)	Virtually all Sellers post collateral in the form of cash or Letter of Credit. Accordingly, SCE deleted all Guaranty and Guarantor-related provisions. SCE is willing to consider allowing a Guaranty on a case-by-case basis.
Added provision for solar technologies that the Annual Energy Yield Factor will be adjusted to equal the Independent Engineer Report's Annual Energy Yield Factor, but will be no less than an agreed upon Annual Energy Yield Factor.	Pro Forma, Section 1.01(j)	This change mirrors SCE's existing provisions for wind technology, where the Capacity Factor is adjusted upon receipt of the Final Wind Report.
Added provision for solar technologies that contract price will be reduced by an amount specified in Exhibit S of the agreement if the Independent Engineer's Report indicates a greater Annual Energy Yield Factor.	Pro Forma, Section 1.06(a), Exhibit S	This change mirrors SCE's existing provisions for wind technology, where the price is adjusted based upon modification of the Capacity Factor upon receipt of the Final Wind Report. Because a higher Annual Energy Yield Factor will result in greater revenues to Seller, without necessarily causing any additional cost to Seller, this amounts to a windfall to Seller. SCE believes

		SCE customers should share in the benefits of a better final Annual Energy Yield Factor by having a lower price.
Modified solar technology performance obligations to require delivery of 170% over two years of Seller's Expected Annual Net Energy Production amount.	Pro Forma, Section 3.07(a)(i)	Adopts concept used for wind technology delivery obligation provisions and gives solar technologies, also an intermittent resource, the benefit of measuring production over a two-year period, but sets the percentage higher (170% for solar, 140% for wind) because solar technologies are expected to have a higher production rate certainty than wind technology.
Included a REC component for payment during Start-up Period.	Pro Forma, Exhibit E Section 1.01(a)	Inclusion of a REC component for payment during start-up along with the California Independent System Operator ("CAISO") Costs and Revenues passed on to Seller.
Clarified that SCE is seeking the following Products in its 2011 Request for Proposals ("RFP"): (i) resources interconnected to a California Balancing Authority that deliver to the CAISO or CAISO intertie; (ii) out-of-state resources that are dynamically scheduled into the CAISO; (iii) out-of-state resources that are firmed and shaped and delivered to a CAISO intertie or acceptable Delivery Point; (iv) baseload out-of-state resources delivered to a CAISO intertie or acceptable Delivery Point;	Protocol, Sections 2.03, 2.05, 2.06, Appendix B Section 1	Provide more clarity to Sellers as to the Products SCE is soliciting, including SCE's preferences for Delivery Points and delivery methods.

and (v) REC-only Products.		
Clarification for Seller to include, as applicable, firming and shaping costs and firm transmission costs for out of CAISO and out-of-state projects, in the contract price.	Protocol, Sections 2.06, 2.10(d) and (e), Appendix B Section 2(i)(c)(2)	Clarification to Sellers that their contract price must include all costs to get energy to the Delivery Point.
Added Energy-only concentration as a qualitative metric in the LCBF evaluation process.	Protocol, Section 5.02 LCBF Written Report, page 7	Because Energy-Only projects do not fund the network upgrades needed to ensure deliverability, these projects contribute to localized congestion. SCE added this qualitative factor in order to avoid a large concentration of projects that would contribute to congestion.

C. Clarification or Clean-Up Changes

In addition to the material changes discussed in Section II.B above, SCE has also made clarification and clean-up changes throughout its 2011 RPS Procurement Plan. Most of these changes affect SCE's solicitation materials. The table below includes a description of the more significant clarification and clean-up changes included in SCE's 2011 RPS Procurement Plan, what portions of the various documents were amended, and the rationale. SCE has not included minor corrections, clarifications, or updates. Those amendments are shown in the redlines included as part of SCE's 2011 RPS Procurement Plan.

Amendments	Sections and/or Pages	Rationale
Added obligations surviving termination of agreement with respect to posting and maintaining Development Security, dispute resolution, and transfer of RECs.	Pro Forma, Sections 2.05(a)(x), (a)(xii), (a)(xiii), and (a)(xiv)	These reflect Seller obligations which might not be fully satisfied until sometime after termination of the agreement.
Added provision that the right of first refusal applies if SCE terminates agreement prior to Commercial Operation Deadline due to a Seller Event	Pro Forma, Section 2.05(b)	Limits Seller's incentive to economically breach the agreement, and ensures that SCE customers have the benefit of having a right of

of Default.		first refusal on the project for two years following termination due to a Seller breach of the agreement.
Added California woman, minority, or disabled veteran business enterprise ("WMDVBE") reporting requirement.	Pro Forma, Section 3.17(k)	Improves SCE's ability to more fully track and report on its level of achievement of SCE's and the Commission's diversity goals.
Clarified the Capacity Factor will equal the P-50 Value of the Final Wind Report, but be no less than an agreed upon capacity number.	Pro Forma, Section 1.01(i)	Clarification.
Deleted Firm Operation Date.	Pro Forma, Deleted Old Sections 1.05, 5.04, Exhibit A Definition 105, Revised Sections 3.06(b)(ii), (e), (f), and (g), Exhibit H	Firm Operation Date (30-180 days following commercial operation) is no longer necessary because the construction and commissioning considerations have all been incorporated into the Startup Period. Also, eliminates inconsistencies around Term commencement, Term Years, and other obligations.
Deleted Above Market Price Referent Cost Limit provision.	Pro Forma, Deleted Old Section 2.05, Exhibit A Definitions 1, 2	This provision is no longer applicable.
Added CAISO Tariff requirement of Appendix H to the Large Generator Interconnection Agreement ("LGIA").	Pro Forma, Section 3.05(e)	Appendix H of the LGIA has certain technological requirements (e.g., voltage ride-through) that are not currently contained in other interconnection agreements, but are beneficial to the transmission system. This provision requires Sellers to comply with the same technological requirements regardless of the type of interconnection agreement they have.

Changed Seller Event of Default for intermittent technologies with respect to sale of excess energy to installation of excess generating capacity.	Pro Forma, Section 6.01(b)(ix)	If Seller installed generation capacity in excess of the amount specified in the agreement, it would be very difficult or impossible for SCE to determine if Seller was making energy deliveries from such excess capacity. Therefore, this provision has been modified to simply prohibit the installation of excess capacity.
Clarified that conveyance of RA benefits, Green Attributes or Capacity Attributes is subject to the Compliance Expenditure Cap after a change in law has occurred.	Pro Forma, Section 6.01(b)(xv)	Clarification.
Defines period that the Non-Defaulting Party can terminate agreement from the date that the default is no longer continuing.	Pro Forma, Section 6.02	Responds to Sellers' concerns that the Non-Defaulting Party's right to terminate was indefinite.
Incorporated provisions from draw certificate into the contract referring to SCE's right to draw on the Letter of Credit.	Pro Forma, Section 8.02(b)(iv)	Provisions existed in draw certificate and are now incorporated into contract.
Changed requirements of purchasing entity to be based upon tangible net worth and experience operating generating plant.	Pro Forma, Section 10.05(g)	Clarification.
Clarified provision on abandonment of Generating Facility.	Pro Forma, Section 10.06	Clarification.
Added permitted disclosure of confidential information to upstream parent company.	Pro Forma, Section 10.10(a)(i)	Allows for necessary disclosures.
Reworded language referring to obtaining from the Federal Energy Regulatory Commission any changes to the rates or economic terms	Pro Forma, Section 10.13	Updated to match industry standard.

and conditions of the contract.		
Included Business Practice Manuals and Operating Procedures in definition of "CAISO Tariff."	Pro Forma, Exhibit A Definition 32	Captured more specifically all manuals and procedures included in the CAISO Tariff definition.
Added that delay in, or cancellation of, transmission service is not to be included under "Force Majeure."	Pro Forma, Exhibit A Definition 107(g)	Clarification of qualifier.
Removed contact information.	Pro Forma, Exhibit C	Information to be updated during negotiations.
Added requirement for forecasted MWh information to be provided.	Pro Forma, Exhibit D Section 2(h)(iv)	SCE needs the flexibility to have either or both Seller's forecasted available capacity or forecasted energy.
Removed provision that eliminated Seller's obligation to pay Product Replacement Damage Amount if calculation is negative.	Pro Forma, Exhibit F-1	Damages are kept within a specified range of not less than $.02/kWh and not more than $.05/kWh.
Removed old Variable F and modified statement regarding SCE's obligation to pay Product Replacement Damage Amount.	Pro Forma, Exhibit F-2	More appropriately calculates the damage amount owed over a two-year period.
Added requirements for installation and maintenance of meteorological equipment; added/replaced eligible sensors; added requirement for satellite communication.	Pro Forma, Exhibits P-1, P-2a, P-2b	Requirements have been updated based on current industry practices and SCE's requirements for managing its generation portfolio under market conditions.
Reverted to previous Compliance Expenditure Cap provision.	Pro Forma, Section 1.11	SCE concerns were addressed in D.10-06-004, and addresses market input requesting greater clarity.
Clarified that if SCE terminates the agreement based on Seller's failure to achieve Commercial Operation by the Commercial Operation Deadline, SCE has the right to receive all Development Security, and any amount of Development	Pro Forma, Section 3.06(d)	Clarification.

Security that has not yet been posted will be due immediately to SCE.		
Clarified that the failure to post and maintain Performance Assurance is an Event of Default under the terms of the agreement.	Pro Forma, Section 6.01(b)(ii)	Clarification.
Reinforced requirement for LORS.	EEI Confirms for Firm Product and As-Available Product, Article 1 WSPP Confirms for Firm Product and As-Available Product, Article 1	Clarifies the requirement that the project be certified by the California Energy Commission as an RPS-eligible resource and that Seller shall have obtained LORS certification, if applicable.
Added "operate" in addition to inspect, maintain, and repair to representations, warranties, and covenants.	EEI Confirms for Firm Product and As-Available Product, Section 6.2 WSPP Confirms for Firm Product, As-Available Product, and REC Product, Section 6.2(a)	Seller must operate the plant in accordance with applicable industry standards, the project's permit requirements, and Accepted Electrical Practices.
Added definition for "Resource Contingent."	WSPP Confirms for As-Available Product and REC Product, Article 2	Clarifies meaning of "Resource Contingent" designation for Product.
Added Contract Quantity Chart.	WSPP Confirm for REC Product, Article 1	Specifies the amount of RECs to be conveyed during each month for each vintage.
Deleted "provided that Seller shall not transfer any Green Attributes or WREGIS Certificates to Buyer before CPUC Approval is obtained or waived, and Buyer shall not be required to pay subsection (b) of the Monthly Cash Settlement Amount for any Green Attributes transferred before CPUC Approval is obtained or waived."	EEI Confirms for Firm Product and As-Available Product, Section 3.3(b) WSPP Confirms for Firm Product and As-Available Product, Section 3.3(b)	CPUC approval is a condition precedent to delivery of Product; SCE will not make payment for WREGIS certificates prior to receipt in SCE's WREGIS account; thus, provision is unnecessary.
Deleted obligation to deliver WREGIS certificates that Buyer has already paid for but not yet received.	EEI Confirms for Firm Product and As-Available Product, Deleted Old Section 9.6	SCE will not make payment for WREGIS certificates prior to receipt of such certificates in SCE's

	WSPP Confirms for Firm and As-Available Product, Deleted Old Section 7.6 WSPP Confirm for REC Product, Deleted Old Section 3.4	WREGIS account; thus, provision is unnecessary.
If SCE is not the Scheduling Coordinator ("SC"), added requirement that Seller cause their SC to take action to allow SCE to receive RA benefits.	EEI Confirms for Firm Product and As-Available Product, Section 3.4 WSPP Confirms for Firm Product and As-Available Product, Section 3.4	Requires Seller to cause its SC to identify SCE as the RA beneficiary on its supply plan.
Eliminated references to Unit Specific and Unit Contingent obligations.	WSPP Confirm for REC Product, Article 1	Duplicative of existing obligations already identified in contract.
Clarified that capacity value may be determined by a method other than a combustion turbine proxy.	Protocol, Section 5.01(b) LCBF Written Report, page 3	An alternative method may better reflect the value of capacity, particularly in the short-term.
Clarified that SCE will no longer use energy blocks to determine energy value, but will instead use forecast market prices.	Protocol, Section 5.01(b) LCBF Written Report, pages 3-4	SCE believes that on a sub-annual basis, energy values determined by market prices, as compared to avoided costs of thermal production, will more accurately reflect the value of proposed facilities to SCE.
Deleted discussion of potential use of Negative Pricing Risk Adder in LCBF evaluation process.	Protocol, Section 5.01(b) LCBF Written Report, Deleted Negative Pricing Risk Adder Section	Although SCE previously stated it may use a Negative Pricing Risk Adder in its evaluation process, SCE has now determined that it will not be using such an adder in its 2011 RPS RFP.
Added WMDVBE as a qualitative metric in the LCBF evaluation process.	Protocol, Section 5.02 LCBF Written Report, page 7	Improves SCE's ability to more fully track and report on its level of achievement of SCE's and the Commission's diversity goals.
Added portfolio fit in reference to D.10-03-021, as modified by D.11-01-025, authorizing RECs as a	Protocol, Section 5.02 LCBF Written Report, page 7	REC-only proposals may fill SCE's portfolio need.

qualitative metric in the LCBF evaluation process.		
Clarified that SCE will not manage any energy from out-of-state projects to the delivery point.	LCBF Written Report, page 8	SCE's preference is to begin managing out-of-state energy at the delivery point.
Expanded on preference for projects located near approved transmission infrastructure, including Sunrise Powerlink Transmission Project, Devers-Colorado River, and El Dorado-Ivanpah	Protocol, Sections 1.04 Seller's Proposal Template, Form tab, Section G	Identifies current and future transmission projects.
Combined the two separate submittal dates into one, the "Proposal Due Date Submittal."	Protocol, Sections 3.01, 3.04 Form of Seller's Proposal, Article 2, Exhibit A	In previous years, separate dates were needed to allow time for initial preparation, such as proposal numbering. SCE is using automated application to assign numbering in its 2011 RPS RFP; thus, the two separate dates are unnecessary.
Defined "California Balancing Authority."	Protocol, Section 1.04	Clarification.
Added summary of Products being solicited by SCE.	Protocol, Section 2.13	Clarification.
Added checklist to submit proposal.	Protocol, Section 3.02	Reference guide.
Added footnotes to include that the Product types reflect the most recent decisions by the Commission, and do not reflect any changes provided in SB 2.	Protocol, Footnotes 3, 11	Clarification.
Clarified the Delivery Points for dynamically scheduled resources.	Protocol, Section 2.05(b)	SCE preference for dynamically scheduled resources is to deliver from a CAISO intertie point to SCE.
Added requirement for Seller to have firm transmission	Protocol, Sections 2.05(b), 2.10	Clarification.

rights to the Delivery Point for the entire delivery period.		
Added requirement for intermittent resources to firm and shape the Product to the Delivery Point if outside of CAISO.	Protocol, Sections 2.06, 2.10	Clarification.
Added clarification that Seller may submit an indexed pricing proposal.	Protocol, Section 2.10, Appendix B Section 2(v)	Flexibility in pricing options
Added clarification from Form of Seller's Proposal on the e-Binder.	Protocol, Section 3.03	Clarification.
Clarified submittal of the Seller's Proposal Template and the Outline of Contract Terms and Conditions	Protocol, Section 3.03	Clarification.
Extended time to accurately identify, account for, and return the correct Letter of Credit to the proper issuing bank (if the Short-List Deposit is posted as a Letter of Credit) or refund the correct amount of cash to the proper account of the right party (if the Short-List Deposit is posted as cash) from 7 business days and 5 business days to 10 business days.	Protocol, Section 4.03(c)	Provides additional time to avoid errors.
Added clarification on the different contract price options that may be submitted as applicable.	Protocol, Appendix B Section 2(i)(c)	Clarification.
Added WMDVBE data field.	Seller's Proposal Template, Form tab, Section J	Improves SCE's ability to more fully track and report on its level of achievement of SCE's and the Commission's diversity goals.
Included request for additional technology-specific data.	Seller's Proposal Template, Form tab, Section D	Additional information requested.
Included Contract Capacity on the Form tab to populate through to the Project Revenues tabs.	Seller's Proposal Template, Form tab, Section D	Additional information requested.

Separated Delivery Point into three separate data fields, to address in CAISO, CAISO intertie points, and liquid power trading hubs.	Seller's Proposal Template, Form tab, Section E	SCE updated its Delivery Point preferences.
Included data field for resource types located outside of California, but delivering energy to one of the Delivery Points specified.	Seller's Proposal Template, Form tab, Section E	Clarification on type of resources being bid.
Added data fields requesting Competitive Renewable Energy Zones for both in-state and out-of-state, Node, and Capacity Deliverability Status.	Seller's Proposal Template, Form tab, Section F	Clarification.
Added data fields requesting dynamic scheduling and firming and shaping costs to the Delivery Point.	Seller's Proposal Template, Form tab, Section I	Clarification.
Added data fields requesting information on the amount of the Interconnection Capacity bid in as Contract Capacity	Seller's Proposal Template, Form tab, Section J	Clarification.
Added data field request for mutual exclusivity.	Seller's Proposal Template, Form tab, Section J	Flags for SCE which offers are mutually exclusive.
Added new Section O, requesting additional information on index pricing proposal structure, if one proposed.	Seller's Proposal Template, Form tab, Section O	Flexibility in pricing options.

Respectfully submitted,

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Dated: May 13, 2011

VERIFICATION

I am a Manager in the Renewable and Alternative Power Department of Southern California Edison Company and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in the foregoing pleading are true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this **12th day of May, 2011**, at Rosemead, California.

/s/ Laura Genao

By: Laura Genao

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ATTACHMENT 1

SOUTHERN CALIFORNIA
EDISON

An *EDISON INTERNATIONAL* Company

(U 338-E)

2011 Written Plan

May 4, 2011

PUBLIC VERSION

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Appendix A SCE's 2011 Written Description of Renewables Portfolio Standard Proposal Evaluation and Selection Process and Criteria

Appendix B SCE's RPS-Eligible Energy Forecast (Base Case)

Appendix C SCE's RPS-Eligible Energy Forecast (High Need Case)

Appendix D Redline of 2011 Written Plan

Appendix E Redline of SCE's 2011 Written Description of Renewables Portfolio Standard Proposal Evaluation and Selection Process and Criteria

2011 Written Plan

1. Overview: An assessment and discussion of:

1.1. Supplies and demand to determine the optimal mix of RPS resources

Southern California Edison Company ("SCE") has completed its 2008 Renewables Portfolio Standard ("RPS") solicitation, executing fifteen contracts resulting from that solicitation. SCE also received a robust response to its 2009 RPS solicitation, executing eight contracts with a maximum capacity of approximately 850 MW.

Additionally, in 2009, 2010, and 2011, SCE executed 35 contracts resulting from its Renewables Standard Contract ("RSC") Program, 36 contracts resulting from its Solar Photovoltaic Program ("SPVP"), and eight contracts resulting from bilateral negotiations.[1] Moreover, SCE executed two contracts pursuant to the California Renewable Energy Small Tariff ("CREST") program. For purposes of SCE's 2011 RPS Procurement Plan, SCE assumes that all of the contracts executed at this time will be approved by the California Public Utilities Commission ("Commission" or "CPUC").

On April 12, 2011, a bill significantly modifying California's existing RPS program, Senate Bill ("SB") 1X 2, was signed into statute.[2] Upon implementation of SB 2, SCE expects the RPS program to depart from the current structure of annual RPS goals and move toward a multi-year RPS program where goals are established for the end of a number of years.[3] As a percentage of retail sales, SB 2 establishes the following renewable procurement goals for retail sellers: 20% for 2011 through 2013, 25% by 2016, and 33% by 2020 and annually thereafter.[4] SB 2 also removes deficits associated with any previous RPS for retail sellers procuring at least 14% of retail sales from eligible renewable energy resources in 2010,[5] permits banking of excess

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1 Four of the RSC Program contracts, seven of the SPVP contracts, and one of the contracts resulting from bilateral negotiations have since been terminated.

2 For ease of reference, SCE refers to the bill as "SB 2" in this 2011 Written Plan.

3 *See* SB 2, Cal. Pub. Util. Code § 399.15(b)(1)-(3).

4 *See id.*

5 *See* SB 2, Cal. Pub. Util. Code § 399.15(a).

procurement,[6] grants a waiver of compliance under certain circumstances,[7] and establishes a prospective procurement structure and grandfathers contracts signed prior to June 1, 2010.[8] Additionally, SB 2 directs the Commission to establish a cost limitation for investor-owned utilities ("IOUs").[9] At the time of the filing of SCE's 2011 RPS Procurement Plan, these provisions are pending Commission implementation. Accordingly, SCE may need to modify its RPS Procurement Plan once the Commission has established the implementation details of SB 2.

Generally, SCE's planned procurement activities for 2011 will include seeking resources to augment those already under contract to the extent necessary to ensure that SCE continues to meets the State's overall renewable energy goals. As discussed in more detail below, SCE considers "Base Case" and "High Need Case" procurement scenarios. SCE's Base Case and High Need Case both assume a 33% renewable energy goal. SCE intends to procure renewable resources based on the High Need Case.

SCE's plan is intended to permit SCE to procure enough renewable energy to reach the State's renewable energy goals; however, there are significant barriers to achievement of these goals. Based on SCE's experience in RPS solicitations to date, transmission will continue to be a serious impediment to bringing new renewable resources on-line.[10] Increased procurement activity (i.e., execution of more contracts) will not accelerate the planning, permitting, and construction processes for new transmission and transmission upgrades. While SCE will continue to seek and contract with resources that can provide near-term deliveries, most proposals are expected to be limited by transmission. Additionally, the long and complicated process for siting and permitting of renewable generation projects, integrating intermittent renewable resources, the continued uncertainty surrounding the federal production and

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[6] *See* SB 2, Cal. Pub. Util. Code § 399.13(a)(4)(B).
[7] *See* SB 2, Cal. Pub. Util. Code § 399.15(b)(5).
[8] *See* SB 2, Cal. Pub. Util. Code § 399.16.
[9] *See* SB 2, Cal. Pub. Util. Code § 399.15(c)-(d).
[10] The Commission has repeatedly recognized this in its Quarterly Reports to the Legislature. *See, e.g.*, Renewables Portfolio Standard Quarterly Report at 7 (Q4 2009); Renewables Portfolio Standard Quarterly Report at 7 (July 2009); Renewables Portfolio Standard Quarterly Report at 7 (July 2008); Renewables Portfolio Standard Quarterly Report at 5 (April 2008).

investment tax credits, a heavily subscribed interconnection queue, developer performance issues, and lack of flexibility in established regulatory processes related to procurement are all major challenges to meeting California's renewable energy goals.

The magnitude of a 33% renewable energy goal increases the challenges to reaching the State's goals. The Commission has stated that a 33% renewable energy goal is "highly ambitious, given the magnitude of the infrastructure buildout required."[11] Indeed, the Commission found that reaching the 33% goal will require $115 billion in new infrastructure investment in an uncertain financial environment, including seven major new transmission lines (in addition to the four major new transmission lines needed to reach 20% renewables).[12] The "highly ambitious" 33% renewable energy goal will not be achieved without addressing significant challenges including, among other things, the challenges discussed above. SCE addresses the impediments to reaching the State's renewable energy goals in more detail in Section 2 below.

Finally, SCE enters into contract discussions with renewable developers based on evaluation of project proposals relative to other proposals received in the solicitation. Generally, this process results in a diverse portfolio of technologies. After evaluating proposals based on quantitative factors, SCE evaluates proposals based on qualitative factors. This process is described in SCE's 2011 Written Description of Renewables Portfolio Standard Proposal Evaluation and Selection Process and Criteria ("2011 LCBF Written Report"), which is attached as Appendix A. For example, SCE considers proposals' delivery start dates, term lengths, and resource types in conjunction with SCE's current portfolio of renewable contracts and renewable energy needs. With respect to resource type, if the quantitative evaluation results in a suboptimal mix (e.g., all wind projects ranked as the best proposals), SCE will apply its qualitative methodology to balance the mix of resources. By taking many quantitative and qualitative

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[11] 33% Renewables Portfolio Standard Implementation Analysis Preliminary Results at 1 (June 2009).
[12] *Id.* at 1-4.

factors into consideration, SCE ensures that it will select projects best suited for its portfolio in order to meet customer needs and attain the State's renewable energy goals.

1.2. The use of compliance flexibility mechanisms

Under the current RPS program structure, SCE has utilized its surplus procurement bank balance and earmarking of future deliveries from RPS contracts to satisfy part of its RPS goals.[13] Flexible compliance under SB 2 will be an implementation item to be addressed by the Commission. Although the outcome of SB 2's implementation is unclear at this time, SCE intends to utilize flexible compliance mechanisms as permitted under the Commission's implementation of SB 2.

1.3. A bid solicitation setting forth relevant need, online dates, and locational preferences, if any

SCE's 2011 solicitation materials are provided as Attachments 2-1 through 2-11 to SCE's 2011 RPS Procurement Plan. SCE's 2011 Procurement Protocol includes, among other things, information related to relevant need, on-line dates, and locational preferences.[14]

2. Workplan to Reach 20% By 2010 and 33% by 2020: A showing on each IOU's workplan to reach 20% by 2010, and 33% by 2020, including but not limited to:

In its 2011 RPS solicitation, SCE intends to contract for the balance of renewable energy necessary to achieve the State's renewable energy goals, taking into account the renewable energy procured through SCE's 2009 RPS solicitation and other procurement mechanisms and success rate assumptions for executed contracts that are not yet on-line. To this end, SCE has developed a Base Case and a High Need Case of its renewable procurement needs. Both the Base Case and the High Need Case assume a 33% renewable energy goal as set forth in SB 2. Under both scenarios, SCE assumes a 20% goal for 2011 through 2013, a straight-line to a 25%

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[13] *See* Southern California Edison Company's (U 338-E) March 2011 Compliance Report Pursuant to California Renewables Portfolio Standard (March 1, 2011).

[14] The 2011 Procurement Protocol is Attachment 2-1 to SCE's 2011 RPS Procurement Plan.

goal in 2016, and a straight-line to a 33% goal in 2020 and beyond.[15] The Base Case and High Need Case also assume that deficits from the past RPS program do not carry over and the use of banking. The Base Case uses the current expected on-line dates for all projects and assumes 100% delivered energy from contracts that are executed but not yet on-line. The High Need Case uses the current expected on-line dates for all projects and assumes 60% delivered energy from contracts that are executed and not yet on-line. This 60% success rate is modeled to represent project development success rates as well as any contingency that would make meeting the State's renewable energy goals less likely (e.g., delays due to transmission, material shortages, load growth beyond that which is forecasted, or less than expected output from resources). Appendix B shows SCE's current RPS-eligible energy forecast in the Base Case scenario and Appendix C shows SCE's current RPS-eligible energy forecast in the High Need Case scenario.[16]

Both the Base Case and High Need Case project a need for additional renewable energy deliveries in the future. In order to procure to meet the State's 33% renewable energy goal, SCE intends to use the High Need Case to inform its procurement activities for the 2011 solicitation. SCE believes it is prudent to do so given its experience in meeting the 20% renewable energy goal and the need to contract with projects early on in the process to support the development of needed transmission.

Along with its 2011 RPS solicitation, SCE plans to utilize other procurement options to help meet the State's renewable energy goals including SCE's SPVP, the Renewable Auction Mechanism ("RAM") program adopted by the Commission, which will replace SCE's RSC Program, the CREST program, qualifying facility ("QF") standard contracts, bilateral

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[15] As noted above, SB 2 sets renewable procurement goals of an average of 20% for 2011 through 2013, 25% by 2016, and 33% by 2020 and annually thereafter. *See* SB 2, Cal. Pub. Util. Code § 399.15(b)(1)-(3). A straight-line progression to 25% in 2016 and 33% in 2020 is not required by the statute.

[16] Although both forecasts show an annual procurement target, SB 2 changes the structure of the RPS program from annual goals to multi-year goals. *See* SB 2, Cal. Pub. Util. Code § 399.15(b)(1).

negotiations with competitive renewable energy projects, and any new processes approved by the Commission.

Since 2002, SCE has secured contracts for over 9,500 MW of renewable generation, as shown in the following table:[17]

Procurement Mechanism	Maximum Contract MW
Large RPS Solicitations	7,840
Bilateral Negotiations	1,212
RSC	405
SPVP	43
CREST	2
QF	34
Total	9,536

While SCE's intentions are to procure to a 33% renewable energy goal, there are significant barriers preventing SCE from achieving that goal.

2.1. Identification of any impediments that remain to reaching 20% by 2010, and 33% by 2020[18]

Six primary factors will challenge achievement of a 33% renewable energy goal: (1) permitting, siting, approval, and construction of transmission and renewable generation projects; (2) integrating intermittent renewable resources; (3) the uncertainty surrounding the federal production and investment tax credits; (4) a heavily subscribed interconnection queue; (5) developer performance; and (6) lack of flexibility in the regulatory process to pursue all procurement options.[19]

The lack of sufficient transmission infrastructure and the prolonged process for permitting and approval of new transmission lines continues to be the most significant

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[17] Data are current as of April 26, 2011. This table excludes terminated contracts.

[18] Given the enactment of SB 2, the discussion in this section focuses on impediments to reaching 33% by 2020.

[19] Notably, the Commission has identified several of these factors as impediments to reaching the State's renewable energy goals. *See* e.g., Renewables Portfolio Standard Quarterly Report at 7 (Q4 2009); Renewables Portfolio Standard Quarterly Report at 7 (July 2009); Renewables Portfolio Standard Quarterly Report at 7 (July 2008); Renewables Portfolio Standard Quarterly Report at 5 (April 2008).

impediment to reaching the State's renewable energy goals. SCE has received relatively few proposals from renewable generators that do not require significant transmission upgrades or new transmission development for the renewable energy to be deliverable. Based on the market responses in SCE's RPS solicitations, transmission and the lengthy process of siting, permitting, and building new transmission continues to be the single greatest issue to bringing new renewable resources on-line.

The challenges surrounding transmission are only compounded as the State's renewable energy goal increases from 20% to 33%, a 65% increase in renewable energy. The Commission has stated that "[s]erving 33% of California's energy needs with renewable sources will require an infrastructure build-out on a scale and timeline perhaps unparalleled anywhere in the world."[20] The Commission's 33% Renewables Portfolio Standard Implementation Analysis Preliminary Results report also called a 33% renewable energy goal "highly ambitious, given the magnitude of the infrastructure buildout required."[21] Indeed, the Commission noted that the "magnitude of the infrastructure that California will have to plan, permit, procure, develop, and integrate in the next ten years is immense and unprecedented," including approximately $115 billion in new infrastructure investment in an uncertain financial environment and seven major new transmission lines (in addition to the four major new transmission lines needed to reach 20% renewables).[22]

The long and complicated permitting process for renewable generation facilities is also a barrier to meeting the State's renewable energy goals. The Commission has observed that most RPS project delays "are due to lack of transmission or generation permitting at the county, state, or federal level."[23] Moreover, the Commission's 33% Renewables Portfolio Standard Implementation Analysis Preliminary Results report also noted that environmental concerns,

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[20] Renewables Portfolio Standard Quarterly Report at 3 (October 2008).
[21] 33% Renewables Portfolio Standard Implementation Analysis Preliminary Results at 1 (June 2009).
[22] *Id.* at 1-4.
[23] Renewables Portfolio Standard Quarterly Report at 7 (Q4 2009).

legal challenges, and public opposition can impact the timeline for bringing renewable generation projects on-line.[24]

Even with investment in new infrastructure, an increase in California's renewable energy goal will also increase the grid reliability and integration issues associated with intermittent renewable resources. The California Independent System Operator's ("CAISO's") recent 20% RPS study showed that the integration of variable energy resources will require increased operational flexibility, an effect expected to be exacerbated by a 33% RPS.[25] The California Air Resources Board has also recognized these barriers to reaching the State's goals, stating that "[a] key prerequisite to reaching a target of 33 percent renewables will be to provide sufficient electric transmission lines to renewable resource zones and system changes to allow integration of large quantities of intermittent wind and solar generation," and that California will need to quickly address transmission and integration issues and permitting difficulties to reach a 33% renewable energy goal.[26]

Another factor that has affected the abilities of SCE and other load-serving entities ("LSEs") to reach the State's renewable energy goals is the uncertainty surrounding the federal production and investment tax credits. Many renewable generation projects rely on these tax credits, prompting the Commission to call this factor "the number one source of risk to new RPS generation expected to come online by 2010" in July 2008.[27] RPS contracts often have no fault termination rights if the tax credits are not extended. Sending signals to the renewables market that these credits will be available over the long-term will stimulate sustained investment in renewable resources rather than the "boom and bust" cycle induced by the uncertainty regarding whether the federal tax credits will be available.

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[24] 33% Renewables Portfolio Standard Implementation Analysis Preliminary Results at 4 (June 2009).

[25] *See* Integration of Renewable Resources - Operational Requirements and Generation Fleet Capability at 20% RPS (August 31, 2010) (available at http://www.caiso.com/2804/2804d036401f0.pdf).

[26] Climate Change Scoping Plan at 45, Appendices, Volume I at C-127-C-128 (December 2008) (available at http://www.arb.ca.gov/cc/scopingplan/document/scopingplandocument.htm).

[27] Renewables Portfolio Standard Quarterly Report at 7 (July 2008).

The American Recovery and Reinvestment Act of 2009 ("ARRA 2009") extended the production tax credit for wind until the end of 2012, and for other technologies until the end of 2013.[28] The investment tax credit for solar was also extended until the end of 2016. In Section 1603 of the ARRA 2009, the U.S. Treasury Department launched a new program whereby eligible energy property can receive a cash grant in lieu of the production tax credit. This cash grant program has been well received by renewable generation developers. To qualify for the Section 1603 cash grant program, the "beginning of construction" for eligible property must have occurred by December 31, 2010, and the property must be placed "in service" based on a schedule dependent on the type of generation (by January 1, 2013 for large wind and January 1, 2017 for solar).[29] These aggressive construction and in-service requirements have led the generation community to place increasing political pressure on regulatory bodies such as the Commission, the California Energy Commission ("CEC"), the Bureau of Land Management, along with SCE, to expedite the regulatory process to enable generators to come on-line sooner to take advantage of this stimulus program.

While the ARRA 2009's extension of the tax credits relieved some uncertainty for near-term projects, the "on again, off again" nature of these tax credits continues to be a barrier to renewable development. In particular, the expiration of the production tax credit for wind at the end of 2012 currently impacts proposed wind generating facilities given the time needed for Commission approval of contracts, siting, permitting, construction, and development of needed transmission. Additionally, the uncertain future of the federal production and investment tax credits will likely continue to be a long-term barrier to meeting a 33% renewables goal.

Heavy subscription to the CAISO interconnection queue is also a major barrier to achieving the State's renewable energy goals. In its recent requested tariff amendment, CAISO estimated that it would take "as long as six to eight years from October 1, 2010 to complete the

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[28] *See* American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5 (2009).

[29] *See* Payments for Specified Energy Property in Lieu of Tax Credits under the American Recovery and Reinvestment Act of 2009, U.S. Treasury Department Guidance Document (July 2009) (available at http://www.treasury.gov/recovery/docs/guidance.pdf).

studies for all small generators currently in the ISO's queue under the ISO's current SGIP process."[30] As of February 3, 2011, SCE had over 500 interconnection requests, comprising more than 32,000 MW, inclusive of CAISO and WDAT requests. Although the CAISO's interconnection reform effort is currently being implemented, whether or not the reforms will meet the expectations and goals of all stakeholders remains to be seen.

Achieving the State's renewable energy goals is also dependent on the performance of renewable developers. SCE has executed contracts with a large number of developers. To qualify for California's RPS program, these developers must plan for, permit, construct, and operate their facilities according to milestones set in the contracts. Hurdles encountered during these activities require developers to alter their milestone schedules. To the extent delays occur, the amount of delivered energy on which SCE can rely to reach the State's goals may be affected.

Furthermore, in view of these major challenges to achieving the State's renewable energy goals, it is crucial that California expand the supply of renewable resources by allowing the broadest possible market of eligible renewable products. However, lack of flexibility in the regulatory process surrounding two procurement options – unbundled and tradable renewable energy credits ("RECs" or "TRECs") and short-term renewable energy transactions – has impeded progress toward California's goals.

SCE has supported the use of RECs to help protect electricity customers from limitations in supply. Additionally, RECs provide renewable project owners and LSEs much needed flexibility and options in contracting for renewable energy. Contracting flexibility leads to lower transaction costs in obtaining renewable attributes from renewable resources that have limited access to transmission or are located far from buyers. Ultimately, increased flexibility and lower transaction costs also promote more liquid and price-competitive renewable energy markets and a better and more efficient RPS program in general, which in turn will help lead to more

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[30] Tariff Amendment to Revise Generator Interconnection Procedures at 5 (October 19, 2010) (available at http://www.caiso.com/2834/2834c11a4c2f0.html).

investment in renewable development. Given the importance of the State's renewable energy goals and the challenges facing renewable developers (in developing projects) and LSEs (with regard to RPS compliance), broad markets, including the use of RECs, are important.

Despite the fact that the Commission has been authorized to allow the use of RECs for California's RPS program since SB 107 took effect in 2007,[31] the Commission did not authorize the use of RECs for compliance with the RPS until it adopted D.10-03-021 in March 2010. The Commission's authorization of RECs in D.10-03-021 was subsequently stayed on May 6, 2010 pending resolution of two petitions for modification of that decision.[32] On January 13, 2011, the Commission adopted D.11-01-025, which resolved the petitions for modification of D.10-03-021 and lifted the stay on the Commission's authorization of RECs.[33]

Although RECs may now be used to comply with the RPS, their use is limited. Under the definition of REC-only transactions set forth in D.10-03-021, as modified by D.11-01-025, most out-of-state bundled renewable contracts (including existing contracts) were reclassified as REC-only.[34] The Commission also limited the use of such REC-only contracts by IOUs and electric service providers to 25% of their annual procurement targets and imposed a $50/REC price cap for the IOUs.[35] The restrictions on the use of RECs and out-of-state renewable resources imposed by the Commission are significant limitations on the renewable energy market.

With the enactment of SB 2, which establishes a prospective procurement structure and grandfathers contracts signed prior to June 1, 2010,[36] SCE expects that there will be changes to the rules surrounding the use of RECs and out-of-state renewable resources. The effect of such rules on SCE's procurement will be dependent on the Commission's implementation of SB 2.

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[31] *See* Cal. Pub. Util. Code § 399.16.

[32] D.10-05-018 at 8 (OP 1). The Commission also placed a temporary moratorium on Commission approval of any contracts signed after the issuance of D.10-05-018 that would be defined under D.10-03-021 as REC-only transactions. *Id.* at 8 (OP 2).

[33] D.11-01-025 at 48 (OP 6-7).

[34] *Id.*, Appendix A at 11 (OP 6-7).

[35] *Id.*, Appendix A at 14 (OP 17), 16 (OP 20); D.11-01-026 at 28 (OP 3).

[36] *See* SB 2, Cal. Pub. Util. Code § 399.16.

Finally, although IOUs may enter into short-term renewable energy transactions, the current process for Commission approval of the IOUs' short-term renewable contracts limits the IOUs' ability to utilize short-term renewable transactions. In particular, the current process requiring each RPS contract to be submitted for approval via advice letter or application and reviewed and approved on a contract-by-contract basis does not allow sufficient time to obtain Commission approval of short-term transactions that may begin deliveries shortly after execution. As a result, IOUs are at a competitive disadvantage for short-term contracts with other LSEs whose contracts do not require Commission approval, and IOU customers are unfairly prejudiced, as they will likely end up paying higher prices for renewable energy as a result of this restriction. SCE's customers have already lost out on numerous short-term contracting opportunities due to the length of time needed to obtain Commission approval or because counterparties have withdrawn their offers in favor of contracts with other LSEs who do not have Commission approval requirements for their contracts.

2.2. <u>What the IOU is doing, or plans to do, to address each impediment, if anything</u>

Over the past few years, SCE has taken several actions to address the impediment of transmission to achieving California's renewable energy goals. For example, SCE has attempted to expedite the permitting and construction of renewable transmission facilities by: (1) proactively providing the upfront financing for needed transmission network upgrades, (2) seeking authorization to record costs associated with interconnection and environmental studies for renewable projects, (3) providing leadership to the CAISO's reform of the Large Generator Interconnection Procedures, and (4) requesting authority to study the feasibility of developing transmission capacity to deliver output from potential renewable resources. Despite these efforts, SCE still expects that transmission will continue to be a significant impediment to achieving the State's renewable energy goals.

While the uncertainty associated with production tax credits and investment tax credits was outside the control of California state agencies, SCE's policy advisors in Washington, D.C. worked with senators and legislators advocating for the extension of these tax credits.

Additionally, SCE supported California Assembly Joint Resolution 50 that urged the U.S. Senate and President to extend the credits. As explained above, the ARRA 2009 extended the production tax credit for wind until the end of 2012, and for other technologies until the end of 2013. The investment tax credit for solar was also extended until the end of 2016. SCE will continue to support extension of these tax credits in the future.

To address the interconnection queue impediment, SCE played a leadership role among California Participating Transmission Owners in the stakeholder process that lead to reforms of the CAISO Large Generator Interconnection Procedures, which were approved by the Federal Energy Regulatory Commission in 2008 and are currently being implemented.

Furthermore, to proactively address development performance issues, SCE continues to reach out and communicate with project developers on a regular basis, discuss options and the status of project development, and provide guidance and direction as often as needed. SCE has also made several modifications to its solicitation materials in response to lessons learned from developers in previous solicitations. To overcome some of the development barriers, SCE has created an option to have SCE act as schedule coordinator, allowed for delivery points at the point of interconnection with the transmission provider's electric grid, and tailored certain terms and conditions to address market changes in equipment availability and supply.

SCE has also worked with developers to overcome local opposition to renewable projects through active education with city governments regarding the State's goals and the importance of renewable energy in California. Furthermore, SCE continually educates the renewable development community on its procurement opportunities. In order to explain SCE's various renewable contracting opportunities, SCE speaks to developers at industry-wide symposiums (e.g., American Wind Energy Association, the U.S. military's Enhanced-Use-Lease, Geothermal Resources Council, Solar One), hosts Bidders' Conferences in connection with each RPS solicitation, fields countless inquiries, and participates in CEC developer forums.

Finally, in order to gain increased regulatory flexibility to pursue additional procurement options, SCE plans to use RECs as part of its procurement authority as discussed in Section 6.7.

To further facilitate the use of RECs in the future, SCE led a stakeholder process, consisting of a wide range of industry participants, to develop a standardized unbundled REC contract for use in the Western Electricity Coordinating Council ("WECC"). The contract is built to be adaptable to meet various state RPS requirements and will hopefully lead to increased liquidity and a robust REC market.

Additionally, to maximize contracting opportunities, SCE implemented its RSC Program, and in 2009 and 2010, executed 35 contracts resulting from that program for approximately 459 MW of renewable energy.[37] However, this program has been replaced by the Commission's implementation of the RAM program as discussed in Section 6.1. SCE also implemented a competitive solicitation offering 250 MW of long-term power contracts to independent solar photovoltaic ("PV") power providers in conjunction with 250 MW of utility-owned generation as part of SCE's SPVP, as discussed in more detail in Sections 3 and 6.4. This brings the total generating capacity of the SPVP to 500 MW, the largest solar PV program ever undertaken. In 2010, SCE executed 36 SPVP contracts with the independent power producers for a total of approximately 50 MW AC.[38]

Finally, in order to address problems with the approval process for short-term renewable contracts, SCE proposed pre-approval for a limited amount of short-term renewable transactions in both its 2009 and 2010 RPS Procurement Plans.[39] The Commission rejected both of SCE's proposals.[40]

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[37] Four of those contracts for about 65 MW were subsequently terminated.

[38] Seven of those contracts for about 8 MW AC were subsequently terminated.

[39] Southern California Edison Company's (U 338-E) 2009 RPS Procurement Plan, Attachment 1 at 29-30 (September 15, 2008); Southern California Edison Company's (U 338-E) Second Amended 2010 RPS Procurement Plan, Attachment 1 at 30-36 (June 17, 2010).

[40] D.09-06-050 at 43 (OP 9); D.11-04-030 at 28-33.

3. Build Own Resources: <u>A showing on the IOU's current consideration of whether or not to build its own renewable generation to reach 20% by 2010, and 33% by 2020</u>

While the RPS program permits renewable utility-owned generation ("UOG"), it does not require such UOG.[41] As explained below, SCE is pursuing renewable UOG through its SPVP. Consistent with the direction provided in the last two General Rate Case decisions (D.06-05-016 and D.09-03-025) described below, SCE's Generation Project Development Division ("PDD") also evaluates the possibility of building other renewable generation resources.

On March 27, 2008, SCE submitted Application ("A.") 08-03-015, seeking authority to spend up to $962.5 million (in 2008 dollars) in customer funds to install 250 MW of UOG solar PV projects on rooftops (and a small percentage of ground mounted projects) at the distribution level of SCE's service territory.[42] The primary purpose of this program is to transform the solar PV market to substantially lower costs through creating demand.

On June 18, 2009, the Commission adopted a 500 MW SPVP in D.09-06-049. The Commission doubled the size of the SPVP to 500 MW by adding 250 MW of solar PV projects owned by independent power producers ("IPPs").[43] Under its SPVP, SCE completed 21 MW of utility-owned solar PV generation by the end of 2010, with an additional 22 MW of projects under construction and nearing completion. In addition to these projects, SCE plans to complete an additional 25 MW of utility-owned solar PV generation in 2011.

On February 11, 2011, SCE filed a petition for modification of D.09-06-049 with the Commission. SCE witnessed evidence of a transformed solar PV market through a substantially increased volume of solar PV bids in renewable solicitations outside of the SPVP. In order to

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[41] In D.09-06-018, the Commission reiterated that utility-owned generation is not an RPS program requirement. D.09-06-018 at 49.

[42] On March 27, 2008, SCE also submitted Advice Letter 2226-E seeking authority to record in a memorandum account invoiced costs for outside services, insurance expenses, and any capital-related revenue requirement associated with the first $25 million of direct capital expenditures incurred in the SPVP. SCE expected that this capital expenditure would provide 5 MW of rooftop solar PV electric energy connected at the distribution level in Southern California. On September 18, 2008, the Commission issued Resolution E-4182 approving the establishment of a memorandum account to record the revenue requirement for this first 5 MW of rooftop solar PV facilities.

[43] *See* Section 6.4 for a discussion of the IPP portion of SCE's SPVP.

afford its customers the benefit of the lower renewable prices associated with these recent solar PV offers, SCE's petition requests that both the UOG and IPP portions of the SPVP be decreased to no more than 125 MW each, and that an IPP revised solicitation be created to solicit 250 MW of solar PV projects not subject to the constraints of the original SPVP. This proposed modification is expected to provide a ratepayer benefit of $300 million present value revenue requirement. SCE has requested a final decision on its petition for modification by June 9, 2011. Until such time as the Commission acts on its petition, SCE is operating the SPVP as required by D.09-06-049.

In addition to the SPVP, SCE continues to evaluate the possibility of building renewable and other UOG resources in its PDD. In SCE's Test Year 2006 and 2009 General Rate Case decisions, D.06-05-016 and D.09-03-025, the Commission approved SCE's request for cost recovery for certain so-called "support" functions associated with SCE's PDD.[44] These "support" functions include the following: "(1) analyze generation technologies and costs; (2) locate appropriate sites for potential generation development; (3) monitor and participate in generation-related regulatory and legislative activity; and (4) develop and maintain the best option outside negotiation (BOON) for relevant generation technologies."[45] SCE has requested a continuation of PDD funding in the Test Year 2012 General Rate Case application.

Thus, base-rate funding was authorized for studying future generation needs, including renewable generation needs. Since the authorization of funding in SCE's Test Year 2006 General Rate Case decision, PDD continues to study various technologies, including renewables, and identify potential generation sites. PDD studied the initial feasibility of solar PV panels to be installed on third party roofs in SCE's service territory. Those studies resulted in the application and Commission approval of the SPVP described above. PDD also evaluated clean fossil fueled distributed generation in the form of fuel cells. Fuel cell generating units have not progressed commercially in California energy markets. The California Governor's Office

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[44] D.09-03-025 at 40-42.
[45] *Id.* at 40.

encouraged PDD to identify several potential fuel cell installation sites on California University campuses, and other state-owned facilities. Once interested University partners were identified, PDD submitted its Fuel Cell Program Application,[46] which was approved by the Commission on April 8, 2010.[47]

The Commission, however, twice rejected SCE's request to include in rates efforts by PDD to engage in activities such as "develop[ing] and implement[ing] plans to advance projects from the development phase to the construction and operations phase" at specific sites.[48] Therefore, PDD is not currently authorized to use PDD funding to develop renewable generation resources. The costs for any specific proposed projects are only recoverable when those projects have been approved for recovery by the Commission through individual applications.

4. Imperial Valley Issues:

4.1. Bidders' Conference

In 2009, SCE was required by the Commission to host an Imperial Valley Bidders' Conference in addition to its annual Request for Proposals ("RFP") Bidders' Conference.[49] On July 9, 2009, SCE hosted its Imperial Valley Bidders' Conference in Los Angeles. Despite publicizing this event, attendance was not high. Prior to the Imperial Valley Bidders' Conference, SCE received numerous questions from confused sellers about the purpose and goal of a separate conference for the Imperial Valley, which provides evidence to justify earlier concern that "a special conference might give the impression that a preference will be given to Imperial Valley developers, and that projects in other areas need not apply."[50]

4.2. Remedial Measures for 2011

In its 2009 RFP, SCE noted that its evaluation criteria would consider the benefit of projects locating near approved transmission infrastructure, such as the Sunrise Powerlink

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[46] *See* A.09-04-018.
[47] *See* D.10-04-028.
[48] D.09-03-025 at 40-42.
[49] D.09-06-018 at 78 (COL 6).
[50] *Id.* at 11.

Transmission Project ("Sunrise") and the Tehachapi Renewable Transmission Project. SCE received numerous proposals indicating an interconnection point to Sunrise in its 2009 solicitation. [redacted] SCE's experience shows that Imperial Valley sellers are well aware of the solicitation process. SCE will continue to give a preference to projects located near approved transmission projects, including Sunrise, in its 2011 RPS solicitation.

In D.11-04-030, the Commission held that remedial measures related to Sunrise are not needed in the 2011 RPS Procurement Plans.[51]

5. Contract Amendments:

SCE appreciates the Commission's intent to streamline the renewable contract amendment review process.[52] However, the approach that SCE currently uses to determine whether a contract amendment should go into the Energy Resource Recovery Account ("ERRA") reasonableness filing as opposed to an advice letter or application is functional, streamlined, and efficient. In its 2009 RPS Procurement Plan, SCE explained the ERRA process and proposed guidelines for the treatment of renewable contract amendments should the Commission determine further guidelines are necessary.[53] The proposal in the Scoping Memo is similar in some ways to the guidelines SCE proposed in 2009. Unfortunately, some aspects of the Scoping Memo proposal are directly contrary to the goal of streamlining the contract amendment review process. In fact, the Scoping Memo proposal would likely make the review process for renewable contract amendments more complicated, burdensome, and time consuming. If read broadly, the Scoping Memo proposal could significantly increase the number of amendments that must be filed by advice letter, burdening the IOUs, their counterparties, and

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[51] D.11-04-030 at 25.

[52] Amended Scoping Memo and Ruling of Assigned Commissioner Regarding 2010 RPS Procurement Plans ("Scoping Memo"), Attachment A at 5 (November 2, 2009).

[53] Southern California Edison Company's (U 338-E) 2009 RPS Procurement Plan, Attachment 1 at 21-22 (September 15, 2008).

Commission staff, and delaying the approval of amendments that are required to allow renewable projects to come on-line.

SCE believes the current process for review of renewable contract amendments is working effectively. There is no evidence that a change in that process is required or desirable.

A. SCE's Current Contract Amendment Process

Since the early 1980s, all actions taken by the IOUs after contract execution have been within the scope of contract administration. All contract administration activities for RPS contracts, including contract amendments, are subject to review by the Commission. The Commission reviews these matters either through the annual ERRA Reasonableness of Operations review process, advice letters, and/or applications filed by the IOUs. The same general process is used for QF contracts and other contracts for non-renewable resources.

RPS contracts are complex and typically involve the development of new projects, often requiring hundreds of millions of dollars of capital investment and a lengthy development planning horizon. Any number and type of changes may occur over this horizon as well as the terms of the agreements. Many of the contract changes experienced with new generation projects involve revised on-line dates brought about by transmission interconnection issues, site permitting issues, or other unanticipated development hurdles. Contract changes have also been made to address changes in the market or regulatory environment. Most of these amendments are included in the annual ERRA reasonableness filing. SCE utilizes ERRA for contract amendments when it can provide clear evidence that in agreeing to an amendment requested by a seller, SCE has secured a commensurate ratepayer benefit.[54] The function of the ERRA reasonableness proceeding is to ensure that contract administration actions are reasonable, consistent with Commission directives, administered equally, and consistent with utility and/or industry practice. It is the IOU's burden to demonstrate that its actions are reasonable through clear and convincing evidence.[55]

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[54] *See* D.88-10-032.
[55] D.87-07-026 at 19-20; D.88-03-036 at 5.

For amendments that substantially alter the contract, SCE would likely deem it necessary to submit an advice letter for approval of the contract amendment. Such contract amendments could be something unique to the contract, an increase in the contract price, or other material changes to the terms and conditions of the contract. In some less frequent cases, SCE may determine that an application for approval of a contract amendment is necessary.

Ultimately, SCE believes that the decision on how to bring an amendment to the Commission for approval should be left to the IOU to evaluate on a case-by-case basis at the time that the amendment arises. This decision is guided by the perceived reasonableness and risk to customers of the contemplated amendment and varies depending upon the time and circumstances. The Commission has established that IOUs must administer their contracts in a prudent manner. In other words, IOUs are expected to engage in those practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition.[56] The prudence standard is intended to include a range of acceptable practices, methods, or acts.[57] To the extent Commission direction on the acceptability of the contemplated action is clear, the IOU will likely feel comfortable with the reasonableness risk and include such an amendment in the annual ERRA reasonableness filing. However, mandating that IOUs assume reasonableness risk absent upfront achievable standards places an unacceptable risk on the utility.[58]

Once SCE determines a specific contract amendment should go into ERRA, the information necessary to demonstrate the action is reasonable is assembled and included in the annual ERRA reasonableness filing. The filing is generally submitted on April 1 of each year. The Division of Ratepayer Advocates ("DRA") is an active party in the review process and SCE receives and responds to multiple data requests from DRA. SCE submits specific information

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[56] D.87-06-021 at 19.
[57] *See, e.g.,* D.90-09-088 at 14-16.
[58] *See* Cal. Pub. Util. Code §§ 454.5(b)(7), (c)(3).

related to each request and prepares responses to fully address all questions or concerns. Once all of their data requests are addressed, DRA then submits a recommendation to the Commission. The Commission subsequently issues a decision on SCE's ERRA reasonableness filing.

In this way, the entire filing is scrutinized for reasonable action and judgment on the part of the IOU. This process has been in place since Decision 85731, April 27, 1976, implementing the Energy Cost Adjustment Clause (which morphed into ERRA in 2003) and is sufficient for most contract amendments. Moreover, the ERRA reasonableness filing is transparent and includes a description of all contract amendments included in the filing. SCE is including a sample of RPS contract amendments from its April 2009 ERRA filing below:[59]

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[59] ERRA Reasonableness of Operations, 2008, Chapters IX-XIV Public Testimony, A.09-04-002, at 41 (April 1, 2009).

Table X-17
RPS Contract Amendments
January 1, 2008 through December 31, 2008

RAP ID	Project	Amendment Number and Description[33]	Date Executed
1209	Imperial Valley Resource Recovery, LLC	Letter agreement to purchase test energy and receive related RPS credits prior to initial operation for the period August 25, 2008 to August 31, 2008.	August 26, 2008
1209	Imperial Valley Resource Recovery, LLC	Letter agreement No. 2 to purchase test energy and receive related RPS credits prior to initial operation for the period September 1, 2008 to September 15, 2008.	September 11, 2008
1209	Imperial Valley Resource Recovery, LLC	Amendment No. 1 to extend the start-up deadline and continue to purchase test energy prior to initial operation to receive the RPS credits for the period September 16, 2008 through January 10, 2009. IVRR continues paying liquidated damages for delays in initial operation. See description in Section 9 "Other Contract Administration Activity."	September 12, 2008
1210	MM Tajiguas Energy, LLC	Consent and Waiver. Fortistar Acquisition, LLC acquired all membership interests of Tajiguas. In connection with the acquisition, Fortistar LLC or an affiliate thereof has provided a letter of credit satisfactory to SCE for the purpose of replacing the existing guaranty agreement from the previous owner of Tajiguas.	January 31, 2008
1210	MM Tajiguas Energy, LLC	First amended and restated Consent and Waiver. Assigns the rights, title, interest, and all assets of Tajiguas including the power purchase agreement and project to the security agent.	June 27, 2008
3107	Geysers Power	Letter agreement to allow Geysers Power an option to exchange a letter of credit provided by the project as security for the performance of its obligations under the power purchase agreement for performance assurance requirement for cash.	January 24, 2008

The current process for review of contract amendments is streamlined and flexible, and allows the IOUs to use their business judgment to apply Commission guidelines to specific amendments on a case-by-case basis. The current process also allows for robust public review of contract amendments. Accordingly, SCE does not believe there is any evidence that a change in the current process is required.

B. Concerns with Scoping Memo Proposal

SCE has three major concerns with the Scoping Memo proposal. First, the proposal to require contract amendments that result in "(a)ny increase in ratepayer cost that has not been pre-approved" to be submitted via Tier 3 advice letters could require a large percentage of renewable

contract amendments (many of which make only minor changes to the contracts) to be approved through the Tier 3 advice letter process.[60]

For example, SCE has entered into contract amendments with certain sellers in order to address issues related to the implementation of the CAISO's Market Redesign and Technology Upgrade ("MRTU"). In some cases, MRTU will require delivery point changes that may impact line losses and such changes may result in some increased costs to ratepayers. This is a normal cost of doing business and does not increase the energy price paid to the generator, although the generator may receive an overall benefit from lower line losses. Under the current process, this type of contract amendment can be reviewed through the ERRA reasonableness filing. The benefits of a specific contract amendment to ratepayers must be evaluated on an overall basis, and as discussed above, SCE includes a demonstration of the commensurate ratepayer benefit of amendments in its ERRA filing.

However, under the Scoping Memo proposal, an amendment that may include any increase in ratepayer costs would require a Tier 3 advice letter, even if the amendment provides overall benefits to ratepayers. Given that many more contract amendments are likely to be needed to address MRTU-related issues, the Scoping Memo proposal could lead to a substantial increase in the number of amendments that must be filed through Tier 3 advice letters.

Another example of a contract amendment that may result in some increased costs to ratepayers, but also commensurate ratepayer benefits, is SCE agreeing to become the scheduling coordinator for a renewable generation project. In its recent Pro Forma Renewable Power Purchase and Sale Agreements, SCE has agreed to take on the activities of scheduling coordinator. There are some additional costs to ratepayers when SCE is the scheduling coordinator. However, there are also commensurate ratepayer benefits such as SCE's ability to manage bidding/scheduling risk, the fact that confidential bidding data does not need to be shared with the seller, and eliminating gaps in the scheduling requirements for the CAISO

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[60] Scoping Memo at 6.

Participating Intermittent Resource Program. If SCE amends a contract and agrees to become scheduling coordinator it should be able to demonstrate the reasonableness of such amendment in its ERRA reasonableness filing. However, under the Scoping Memo proposal, such amendments would have to be reviewed through a Tier 3 advice letter.

These types of contract amendments are made in the normal course of contract administration and receive appropriate review in the ERRA process. The IOU has the burden to show reasonableness and commensurate ratepayer benefit through ERRA, and whether the IOU met such standards is subject to public and Commission review. Virtually all types of amendments including the specific ones mentioned here, certain changes in project on-line dates, or amendments to require seller participation in the Western Renewable Energy Generation Information System may broadly be interpreted to result in an "increase in ratepayer cost." While SCE agrees that any increases in contract energy prices should be reviewed through the Tier 3 advice letter process, SCE strongly disagrees that any amendment that could possibly increase ratepayer costs should be filed through a Tier 3 advice letter.[61] This interpretation of the Scoping Memo proposal could lead to virtually all of SCE's contract amendments being reviewed through the Tier 3 advice letter process. This is directly contrary to the goal of streamlining the review process for contract amendments. It also undermines the usefulness of the ERRA reasonableness review process – a process that has been working well for many years.

Second, SCE is concerned with the Scoping Memo proposal's distinction between "major modification to project milestones," which must be filed via Tier 3 advice letters, and "minor modification of project milestones," which can be submitted in the ERRA reasonableness filing.[62] There are no examples or direction for what would constitute major versus minor modification to project milestones. Without any direction on how to differentiate between these two types of amendments, it is likely that IOUs will submit most contract amendments that

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[61] For contracts that were allocated above-market funds ("AMFs"), SCE supports submitting any amendments that would increase the amount of AMFs allocated via a Tier 1 advice letter. This will allow Commission staff involved in AMF allocations to more quickly track AMF allocations.

[62] Scoping Memo at 6.

change contract milestones through the advice letter process in an attempt to comply with these guidelines. It would be more useful and practical for the Commission to provide a non-exhaustive list of what it views as routine contract administration to be included in the ERRA reasonableness filing versus what must be filed through the advice letter process. This will give more direction to the IOUs while leaving enough flexibility for IOUs to review specific contract amendments on a case-by-case basis.

Finally, the Scoping Memo proposal that amendments for additional procurement at a Commission-approved price be filed through Tier 1 advice letters is somewhat vague. Some Commission-approved contracts already include a range of possible capacities. If a contract amendment sets a specific capacity within that range, a Tier 1 advice letter should not be required since the Commission already approved the range of possible capacities. The amendment should be reviewed in the ERRA reasonableness filing.

SCE interprets additional procurement at a Commission-approved price to include increases in contract capacity beyond the range originally set forth in the contract at the same price already approved by the Commission. Additionally, in the case of contracts for a specific amount of renewable energy (e.g., 500 GWh per year from a specific facility rather than all of the energy from a facility of a specific capacity), additional procurement at a Commission-approved price would include a contract amendment for additional energy at the same price already approved by the Commission. SCE believes that it would be helpful to clarify this category.

6. Other: <u>Anything else necessary for a full and complete presentation to the Commission of the IOU's 2011 RPS Procurement Plan, as recommended by the IOU for Commission acceptance</u>

6.1. <u>SCE's RSC Program</u>

In order to help small renewable energy projects contribute to the State's renewable energy goals, SCE voluntarily initiated its RSC Program to offer standardized contracts to eligible renewable energy facilities with capacities of 20 MW or less. SCE recognized that smaller projects have had difficulties in participating in SCE's annual solicitations. By

eliminating the complex negotiation process that is needed for larger projects, these smaller projects are given the opportunity to execute contracts with SCE and contribute to the State's renewable energy goals.

In 2009, SCE offered two different contracts for facilities with capacities not greater than 5 MW and capacities not greater than 20 MW.[63] The contracts were offered to RPS-eligible resources for terms of 10, 15, and 20 years, and at an energy price set at the applicable Market Price Referent ("MPR"), multiplied by energy allocation factors for SCE's time-of-delivery periods. The contracts were based on a simplified version of the Pro Forma Renewable Power Purchase and Sale Agreement for SCE's RPS solicitation.[64]

SCE filed an advice letter on July 1, 2009 seeking approval of one RSC Program contract.[65] Late in 2009, SCE received a large number of applications to its RSC Program, representing nearly double the program's goal of 250 MW. SCE completed negotiations and executed contracts with 13 of these projects in late December 2009 and early January 2010.[66]

Given that applications had greatly exceeded the program cap, SCE initially suspended its RSC Program after executing those contracts and conducted an analysis to review options for restarting the program in 2010. Based on that analysis, and after consultation with its PRG, SCE initiated a revised RSC Program for 2010 with a new goal of 250 MW. The 2010 program did not offer an energy price at the applicable MPR, but instead awarded contracts based on a Request for Offers ("RFO").

SCE launched the 2010 RSC RFO on August 2, 2010 with a goal of procuring 250 MW of renewable resources, each project not greater than 20 MW. The RFO Instructions asked prospective offerors to submit offers for projects not greater than 5 MW ("RSC5"), or projects

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[63] As noted below, the CREST program is available for facilities with capacities up to 1.5 MW.

[64] SCE's 2009 Renewables Standard Contract materials were filed with the Commission on May 8, 2009. Southern California Edison Company's (U 338-E) Renewables Standard Contract Materials (May 8, 2009).

[65] The Commission approved the contract in Resolution E-4263. The Commission had previously approved four contracts from SCE's Biomass Standard Contract Program (the predecessor to the RSC Program).

[66] The Commission subsequently approved 12 of these contracts in Resolution E-4359. One of the contracts was terminated before approval. Two additional contracts have been terminated since approval.

not greater than 20 MW ("RSC20"). The RSC5 and RSC20 standard contracts contained similar terms and conditions, except that RSC5 had a lower development security deposit than RSC20, and there was no requirement to post performance assurance under RSC5. The RFO Instructions required generating facilities to be certified as eligible renewable energy resources, to be located within the electric power system of the CAISO, and to be scheduled to commence operation within three years from Commission approval of the contract. The standard contracts were not subject to negotiation, except for changes unique to an offeror's particular project. Offerors could propose contract durations for RSC5 and RSC20 for 10, 15 or 20 years.

SCE received an extremely robust and competitive response, and decided to create both a short list and a provisional short list. SCE notified each offeror as to its status with respect to the short list or the provisional short list on September 30, 2010, and executed final contracts with the short-listed offerors on November 15, 2010.

Between the time that the RSC RFO was launched and offers were submitted to SCE, the Commission issued a proposed decision on August 24, 2010 adopting the RAM. As discussed in Section 6.2 below, the RAM is a mandatory competitive procurement process for renewable resources up to 20 MW. The proposed RAM created a duplicative procurement program and directly competed with SCE's RSC Program for the less than 20 MW market segment, creating uncertainty around whether or not SCE should continue to procure renewable resources via its RSC Program. Ultimately, SCE short-listed the 2010 RSC offerors' bids and executed 21 contracts for 258 MW on November 15, 2010. One 20 MW wind contract was subsequently terminated; the remaining 20 contracts were solar PV.[67] Now that the RAM has been approved by the Commission,[68] it will replace SCE's RSC Program.

6.2. RAM Program

In D.10-12-048, issued on December 17, 2010, the Commission adopted a new procurement process called the RAM to procure renewable energy from projects 20 MW or less

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[67] The 20 contracts were submitted for Commission approval in Advice 2547-E.
[68] *See* D.10-12-048.

that are eligible under the California RPS. The decision ordered SCE, Pacific Gas and Electric Company, and San Diego Gas & Electric Company to implement the RAM, procuring a total of 1,000 MW, allocated across the utilities over a two year period through competitive auctions using standard non-negotiable contracts.[69] On February 25, 2011, SCE submitted Advice 2557-E, which provides RAM procedures and draft standard Power Purchase Agreements in compliance with D.10-12-048. SCE filed a supplement to Advice 2557-E on March 14, 2011 to include a Memorandum from Independent Evaluator Accion Group ("Accion") providing Accion's observations and suggestions regarding Advice 2557-E.

6.3. CREST Program

In D.07-07-027, the Commission directed the IOUs to offer a feed-in tariff to eligible renewable energy resources sized 1.5 MW and less. SCE offers this tariff under the CREST contract, which purchases all energy delivered for a 10, 15, or 20-year term at the applicable MPR. The statewide program limit is 500 MW with SCE's portion being 247 MW. SCE has executed two contracts under this tariff for approximately 2 MW.

On October 11, 2009, SB 32 expanded this tariff up to 3 MW, to be effective January 2010. SCE will continue to offer the existing CREST contract until the Commission has completed the implementation of the legislation.

6.4. IPP Portion of SPVP

SCE launched its first SPVP RFO for IPPs on March 18, 2010. In the RFO Participant Instructions, SCE listed the following requirements for competing in the procurement process:

- The generating facility must be a solar PV electric energy generating facility;
- The site on which the offeror's generating facility is located must be within SCE's service territory;
- The generating facility must be interconnected to SCE's electric system. The delivery point for a generating facility will be the PNode for the generating

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[69] D.10-12-048 at 29-30. The decision orders SCE to procure 498.4 MW and allows for contracts already executed under SCE's 2010 RSC Program to count towards this target.

facility. In no instance will SCE accept any offer that proposes a generating facility whose interconnection would require any network upgrades;

- A single offer may be comprised of the aggregation of multiple generating facilities delivering the products to the same PNode provided that each generating facility has a gross power rating of at least 500 kW DC;
- The generating facility may not participate in the California Solar Initiative program or the net energy metering tariff; and
- The levelized product price must not be greater than $192.50/MWh.

On April 19, 2010, SCE received a robust submittal of non-binding offers for both rooftop and ground mount options. SCE evaluated each offer against a set of screening criteria. In addition, to be eligible to submit a binding offer, offerors must either have completed interconnection studies signifying that no transmission level upgrades are necessary, or pass the first nine screens of the WDAT Fast Track process. SCE received binding offers on July 19, 2010 from eligible offerors, which resulted in the execution of 36 contracts for 50 MW AC of solar PV projects in SCE's service territory. Seven of these contracts were subsequently terminated, and the Commission ultimately approved 29 contracts for 43 MW AC.

SCE held a Program Forum on December 2, 2010 and received input from participants on the SPVP. Based on this input and lessons learned in the 2010 RFO, SCE submitted an advice letter to the Commission on April 5, 2011 requesting approval of the Participant Instructions and standard Power Purchase Agreements for use in the 2011 RFO.[70]

6.5. QF Settlement

On December 16, 2010, the Commission approved the Qualifying Facility and Combined Heat and Power Program Settlement Agreement ("Settlement") in D.10-12-035. The terms of the Settlement will become effective upon final, non-appealable approval of the Settlement by the Commission and final, non-appealable approval of the joint IOUs' 210(m) application filed

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[70] *See* Advice 2571-E.

March 18, 2011. Pursuant to the Settlement and the Public Utility Regulatory Policies Act of 1978, standard offer contracts will be offered to renewable QFs less than or equal to 20 MW. In addition, the Settlement makes a pricing amendment available to renewable QFs currently under contract. A renewable QF currently holding an SCE standard offer contract will have the opportunity to execute a pricing amendment effective for the remainder of its existing contract term.

6.6. Interconnection Process – Operating Priority for Fully Deliverable Resources Over Energy-Only Resources

As part of the interconnection process, sellers select between being "fully deliverable" and "energy-only." By selecting fully deliverable, sellers must pay their network upgrade costs and share in the cost of any deliverability upgrades. The utilities are also able to count fully deliverable sellers toward their resource adequacy requirements. Sellers who select energy-only are unable to provide resource adequacy. These resources pay for their network upgrade costs, but are not obligated to pay any portion of the deliverability upgrades.

Despite having to pay for deliverability upgrades, fully deliverable sellers receive no operating priority or transmission rights beyond what an energy-only seller would receive. For example, rather than curtail an energy only seller first when downstream congestion requires curtailment, the CAISO makes no distinction between an energy-only and fully deliverable seller. Additionally, the energy-only seller receives the benefit of the additional downstream transmission availability, paid for by the fully deliverable sellers, without sharing any of the downstream transmission upgrade costs.

Another LSE's energy-only resource located in the same area as an SCE fully deliverable resource should not be allowed to take advantage of the SCE resource having paid for deliverability upgrades when the other LSE's resource has not shared those costs. That would be unfair to the fully deliverable sellers, who should be given operating priority in the CAISO system since they paid the cost of deliverability upgrades.

In its 2010 RPS Procurement Plan, SCE requested to amend its 2010 Pro Forma Renewable Power Purchase and Sale Agreement to include the requirement that sellers' interconnection applications provide for full deliverability so that they receive resource adequacy benefits and are obligated to pay their portion of any deliverability upgrades.[71] However, the Commission denied SCE's request.[72] While SCE will not be including this requirement in its 2011 Pro Forma Renewable Power Purchase and Sale Agreement, SCE urges the Commission to address this issue either in this proceeding or in the SB 2 implementation proceeding, so that SCE and the other IOUs be required to include this requirement in their 2012 RPS Procurement Plans. This is an issue that needs to be addressed system-wide.

6.7. SCE's Planned Use of RECs

Pursuant to D.10-03-021, as modified by D.11-01-025, the Commission has authorized the use of RECs for compliance with the California RPS program. Along with allowing for the use of REC-only transactions where the LSE only purchases RECs, and not energy, the Commission reclassified most out-of-state bundled renewable transactions as REC-only. The Commission also limited the IOUs' use of such REC-only transactions to 25% of their annual procurement targets and imposed a price cap of $50/REC.

SCE intends to use RECs to help meet its RPS targets in accordance with the Commission's decisions on RECs.[73] SCE will solicit proposals for RECs through the 2011 solicitation and has amended its 2011 solicitation materials to allow for the procurement of RECs. SCE may also explore additional compelling REC opportunities through the broader market with requests for information, proposals, or offers. SCE's REC procurement efforts will help SCE meet the State's renewables goals.

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[71] Southern California Edison Company's (U 338-E) Second Amended 2010 RPS Procurement Plan, Attachment 2-5 at § 2.02(b) (June 17, 2010).

[72] D.11-04-030 at 20-22.

[73] SCE and several other parties have filed applications for rehearing of D.10-03-021 and D.11-01-025 that are still pending before the Commission. SCE's current intentions with regard to RECs may need to be revisited if those decisions are materially altered.

With the passage of SB 2, SCE expects that there will be some changes to the rules surrounding the use of RECs. SCE may need to modify its plan for the use of RECs once the Commission implements SB 2.

6.8. Process for Modifications to RPS Procurement Plans

The existing process for Commission approval of the IOUs' RPS Procurement Plans, including solicitation materials, makes it difficult for the solicitation materials to take into account market trends and the lessons learned from the IOUs' contracting experience because the solicitation materials must be filed with the Commission several months before the solicitation is to be issued. As a result of this time lag, the solicitation materials are inevitably out-of-date by the time they are approved by the Commission.

For example, SCE filed its 2010 RPS Procurement Plan just as it was beginning negotiations with the sellers short-listed in its 2009 RPS solicitation. Therefore, SCE's 2010 solicitation materials could not fully take into account the lessons SCE learned in its 2009 solicitation. Such lessons learned may show SCE that a provision in its solicitation materials requires modification or that a new provision is required. SCE may also learn that one of the changes introduced for a solicitation is not working and should not be included in the next solicitation.

Additionally, the renewable energy market moves quickly and the IOUs need the ability to make changes to their commercial documents to reflect current market and regulatory realities. The credit and financing markets can undergo significant changes in the time between the filing and approval of the RPS Procurement Plans that necessitate changes to the IOUs' solicitation materials. Changes can also be required because of new regulatory developments. It does not benefit any party to require the IOUs to issue solicitations with stale commercial documents that require substantial modifications before they can be executed.

Going forward, SCE suggests that the Commission create a forum for discussing changes to the schedule for the RPS Procurement Plans to make the process more effective.

6.9. Discussion of Improvements to the Transmission Ranking Cost Report Process

For the 2009 RPS solicitation, SCE sent a letter on August 6, 2008 to renewable energy developers requesting that they provide information regarding transmission to be used in SCE's 2009 Transmission Ranking Cost Report ("TRCR"). The deadline for interested parties to respond to this solicitation for information was August 20, 2008. Fifteen developers responded to SCE's information request. These developers identified up to 48 potential renewable resource projects, including 29 in SCE's service territory, for a total of 15,424 MW. There were five developers representing seven projects which provided incomplete or insufficient information. The majority of projects identified in the request for supplemental information were in fact already active projects in the CAISO interconnection queue.

Based on the revisions to previous conceptual transmission plans to accommodate new interconnection requests of renewable resources made since the last TRCR and additional information obtained in response to SCE's request for information, SCE developed its 2009 TRCR.

Of those parties which provided information to SCE for its TRCR, [redacted]. SCE believes that the current TRCR process provides an extremely rough approximation of transmission cost impacts for proposed generating facilities within SCE's service territory. However, it does not provide sufficient accuracy to make fine distinctions between projects in the proposal evaluation process. Furthermore, SCE has found that estimates in the TRCR are even more speculative for network upgrade costs for generating facilities that will be located at sites within or beyond the service territories of other CAISO transmission providers.

SCE proposes that the Commission undertake workshops to consider how to make the TRCR process more relevant and useful to the assessment of proposals actually received by the utilities.

6.10. Consideration of Integration Cost in the Evaluation Process

Integration costs are indirect costs that result from integrating and operating eligible renewable energy resources. They include the additional system costs required to provide sufficient ancillary service capability including load following and frequency regulation to integrate renewable resources. In D.04-07-029, the Commission required that integration cost adders be zero for the first year of RPS solicitations (i.e., 2004) due to the results from the CEC-commissioned "California Renewables Portfolio Standard Renewable Generation Integration Cost Analysis" ("RGICA") study, published in 2004.[74] The Commission stated that "at present levels of penetration, renewable generation causes no noticeable increase in the cost of these ancillary services, beyond those costs imposed by normal system variability."[75] However, the Commission specifically stated that this was its ruling for the first year of RPS solicitations and that "further addition of intermittent renewables to the system may, in future years, cause us to change this determination."[76] The Commission reiterated the direction to apply a zero adder for integration costs in D.07-02-011 without any analysis of developments since D.04-07-029.[77]

The CEC RGICA results do not support continuing to use a zero adder for integration costs in the least-cost, best-fit ("LCBF") evaluation process. The RGICA was a multi-year study that analyzed 2002 to 2004 to determine the impact of renewable resources on integration costs over that timeframe. The RGICA results do not take into account any renewable projects that have been completed since 2004, the renewable projects that currently have purchase power contracts but are not yet on-line, or any future procurement needed to comply with the State's renewable energy goals.

As California continues to procure additional intermittent renewable resources, SCE believes that current levels of intermittent renewables require an increase in the provision of the

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[74] D.04-07-029 at 12-14.
[75] *Id.* at 13.
[76] *Id.*
[77] D.07-02-011 at 56.

ancillary services mentioned above, and that an integration study that reflects updated regulatory and procurement expectations should be used as a basis for integration costs. However, in D.11-04-030, the Commission declined to allow the use of non-zero integration cost adders for the 2011 RPS solicitation.[78] The Commission stated that if an adder is developed in Rulemaking 10-05-006, each IOU may file an advice letter seeking to amend its 2011 RPS Procurement Plan for the purpose of using that adder in its LCBF evaluation.[79] In accordance with D.11-04-030, SCE will use a zero integration cost adder in its 2011 RPS solicitation unless the Commission authorizes the use of another adder.

7. Important Changes: A statement identifying and summarizing the important changes between the 2009 and 2010 Plans.

This Section addresses the important changes between SCE's 2009 RPS Procurement Plan and SCE's 2010 RPS Procurement Plan, as filed on December 18, 2009, and amended on April 9, 2010 and June 17, 2010. SCE has made additional changes in this 2011 RPS Procurement Plan from its Second Amended 2010 RPS Procurement Plan submitted on June 17, 2010. Those changes are discussed in the Summary of Changes Made in SCE's 2011 RPS Procurement Plan section included in the pleading at the beginning of Volume 1 of SCE's 2011 RPS Procurement Plan and are also shown in the redlines included in SCE's 2011 RPS Procurement Plan. They are not reflected in this Section and may supersede provisions discussed in this Section.

A. <u>Second Amended 2010 Written Plan and Second Amended LCBF Written Report</u>

As discussed and explained in Section 2, SCE is now procuring based on a High Need Case assuming a 33% renewable energy goal. As explained in Section 6.1, given the overwhelming response to SCE's RSC Program, SCE re-launched the program in 2010 using RFOs to procure renewable resources from generating facilities not greater than 20 MW.

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[78] D.11-04-030 at 23.
[79] *Id.*

Further, as explained in Section 6.6, all Commission-jurisdictional entities should be allowed to require their contracted resources be connected via fully deliverable arrangements. As discussed in Section 6.7, SCE intends to use RECs toward meeting its RPS targets. SCE also proposes more flexibility to update the RPS Procurement Plans and a workshop to discuss improvements to the TRCR process as discussed in Sections 6.8 and 6.9. Finally, Section 6.10 discusses consideration of integration costs in the evaluation process.

In addition to the changes discussed above, since SCE filed its LCBF Report as part of its Second Amended 2009 RPS Procurement Plan, SCE made some changes to its LCBF Written Report to clarify the description of its evaluation and selection process and criteria. Some of these changes were included in the LCBF Written Report for SCE's 2009 RPS solicitation submitted to the Commission on December 4, 2009. In particular, proposals' capacity benefits are calculated in accordance with the Commission's updated resource adequacy accounting rules and energy benefits are calculated based on the estimated market value of energy.[80] SCE also made some minor modifications in its Amended LCBF Written Report. For example, the modifications clarify that the same evaluation and selection process will be used for bundled and REC-only contracts, that proposals deemed clear outliers in the evaluation process will not be further reviewed, that the capacity benefits calculated assume a generating facility has full capacity deliverability status, and the treatment of transmission costs. Finally, SCE has made an addition in its Second Amended LCBF Written Report to include information on the evaluation process for negative pricing risk. SCE also made a minor modification to indicate that interconnection process progress will be considered as an additional qualitative attribute.

B. 2010 Solicitation Materials

1. General Changes

The changes below affect more than one of the solicitation documents.

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[80] These changes were also made in SCE's 2010 Procurement Protocol.

a) Credit and Collateral Provisions

SCE is making important changes to the credit and collateral provisions of its solicitation materials. First, SCE is increasing its development security requirements from $60.00 per kW to $90.00 per kW for baseload facilities, and from $30.00 per kW to $60.00 per kW for intermittent facilities. SCE believes this increased development period collateral requirement provides a reasonable (albeit not complete) security for SCE customers during the development phase of a generating facility. The proposed development security levels are consistent with the overall industry position on allocating project failure risks between project developers and utility customers.

Second, as a result of SCE's experience with the renewable energy and financial industries and SCE's previous negotiation experience, SCE is restructuring its performance assurance requirement. SCE has modified its solicitation materials to require that sellers' proposals be based upon a tiered performance assurance requirement. This structure begins with a lower performance assurance posting in the early term years (3% of total revenues seller expects to receive), and steps up (to 5% and 6%) for the mid-contract years. Then, the performance assurance level steps down (to 5% and 3%) for the remaining term years. Over the full term of the contract, the performance assurance amount averages 5% of the total revenues, the same as the performance assurance requirement in SCE's 2009 RPS Procurement Plan. However, the modified performance assurance structure reflects the risks related to different delivery terms and is responsive both to changes in SCE's estimated exposure during the contract term and to changes in the renewable energy and financing markets.

The proposed tiered mechanism for performance assurance is beneficial to both SCE's customers and sellers. SCE customers benefit in that the proposed structure of performance assurance better reflects SCE's estimated exposure during the contract term and brings down the maximum exposure that customers face. Sellers benefit from a lesser total capital requirement in the early years of the delivery term when their access to capital is constrained.

Third, based upon experience in prior solicitations and document negotiations, SCE is eliminating the seller's debt to equity ratio requirement and the associated definitions. This credit provision often required a significant amount of negotiation and modification of SCE's Pro Forma Renewable Power Purchase and Sale Agreement language without a commensurate benefit to SCE. Additionally, ensuring compliance with this provision required follow-up documentation and verification, which complicates contract administration and management. SCE believes that the financial markets impose discipline on this issue which, combined with SCE's provision prohibiting additional debt other than debt for the development, construction and operation of the facility, provides adequate protection for SCE and its customers.

b) Changes to Non-Disclosure Agreement Procedure

SCE is modifying the procedure for executing non-disclosure agreements ("NDAs") in the 2010 RPS solicitation. In prior years, all sellers were required to submit a redlined version of SCE's pro forma NDA with their initial proposal documents. Because SCE must have an executed NDA before a seller can be informed of its short list status, SCE was required to potentially negotiate NDAs with all sellers – even those which were not going to be placed on SCE's short list – before those who made the short list could be notified. This was a cumbersome and time-intensive process with little benefit to anyone involved in it.

For the 2010 solicitation, SCE is requiring all sellers to agree to a "Short-term NDA," by checking a box on the 2010 Seller's Proposal Template and Calculator.[81] The Short-term NDA lasts until the latest of three dates: (1) if the proposal is placed on SCE's short list, seller's submission to SCE of its short list deposit, exclusivity agreement, copy of interconnection application, and a long-term NDA; (2) if the proposal is placed on SCE's short list, seller's notification to SCE that seller declines to pursue further negotiations; and (3) SCE's notification to seller that the proposal has not been placed on SCE's short list and SCE does not wish to negotiate the proposal. However, the obligation to keep confidential information submitted

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[81] The Amended 2010 Seller's Proposal Template and Calculator is Attachment 2-3 to SCE's Second Amended 2010 RPS Procurement Plan.

under the Short-term NDA survives for five years, so sellers need not fear that SCE will immediately disclose confidential information in their proposals.

A seller which is chosen for the short list will then submit SCE's "Long-term NDA." The Long-term NDA covers the negotiations related to a seller's proposal and, if the negotiations are successful, is incorporated into the final contract. It is hoped that this procedure will streamline the NDA negotiation process.

c) Deletion of Alternate Wind Performance Standard

In the last several RPS solicitations, SCE made available an "alternate wind performance standard" that sellers can consider in making their proposals. SCE discovered, however, that sellers generally do not review, or even consider, the alternate wind performance standard when compiling their proposal packages. Because SCE still recognizes that the alternate wind performance standard may be an appropriate option for a seller pursuing a wind-based renewable power purchase and sale agreement with SCE, SCE decided to take a different approach: instead of posting the alternate wind performance standard language on its website at the time of RFP launch and framing this option in its Procurement Protocol (and other solicitation materials), SCE will thoroughly present and explain this option to the short-listed developers of wind projects during the negotiation phase of the solicitation process. At that point, if a developer decides to pursue this option, SCE will then work with it throughout the negotiations to revise the renewable power purchase and sale agreement appropriately.

d) RECs

SCE has amended its solicitation materials to allow for the procurement of RECs. In particular, SCE's 2010 Procurement Protocol enables sellers to offer RECs to SCE.

A complicating feature of D.10-03-021 is that it created two different types of RECs, which must be treated differently in the Amended 2010 Procurement Protocol: (1) RECs that provide only Green Attributes; and (2) RECs that consist of Green Attributes and bundled energy from an out-of-state facility that neither connects into a California balancing authority nor is dynamically scheduled to a California balancing authority. The former are called "REC

Products," while the latter are now referenced in the 2010 Procurement Protocol as "REC-Only Bundled Energy Products." In general, the REC-Only Bundled Energy Products must be treated more like bundled energy transactions than real REC Products. SCE has added various versions of these products (based on the contract terms) to the products already solicited in SCE's 2010 Procurement Protocol and has also made conforming changes in other solicitation materials.

Additionally, SCE has added the new non-modifiable standard terms and conditions adopted in D.10-03-021 for bundled and REC-only contracts to its 2010 Pro Forma Renewable Power Purchase and Sale Agreement and its 2010 Pro Forma WSPP Confirmations for Firm and As-Available Product and its 2010 Pro Forma EEI Confirmations for Firm and As-Available Product, as applicable. Finally, SCE has added a new 2010 Pro Forma WSPP Confirmation for REC Product.

e) Curtailment

On May 6, 2010, the Commission held an All-Party Meeting on RPS Curtailment Provisions. At that meeting, the Large-Scale Solar Association ("LSA"), the California Wind Energy Association ("CalWEA"), and other market participants stated that, in their view, a cap on the number of hours a generator could be curtailed without compensation was necessary in order for renewable projects to be financeable.[82] SCE took into consideration the comments made at that meeting, as well as comments made to SCE by generators after the meeting, and modified its previous curtailment proposal to provide sellers with financial certainty during the financing period, and to allow SCE to evaluate market participants' costs for various levels of uncompensated curtailment.

On May 20, 2010, SCE presented separately to The Utility Reform Network ("TURN"), the Independent Energy Producers Association ("IEP"), and CalWEA/LSA a modified

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[82] Curtailments discussed in this section refer only to those that may be directed by SCE as the buyer under the power purchase and sale agreement. A reduction or curtailment ordered by the CAISO or pursuant to the terms of an agreement with a Transmission Provider must be followed and is not covered within the curtailment quantity limits described in this section and/or compensated by SCE under its Pro Forma Renewable Power Purchase and Sale Agreement.

curtailment position whereby SCE capped the seller's uncompensated curtailment based on negative pricing in the CAISO market for each contract year. Specifically, the cap for uncompensated curtailment for each contract year (i.e., the curtailment cap) would be in MWh measured as contract capacity multiplied by a specific number of hours. If the total curtailment based on negative pricing in any contract year exceeded the annual curtailment cap, the seller would be paid for the energy it could have delivered but for the curtailments. At the end of the contract term (typically 20 years), if SCE provided prior notice, the seller would then "pay back" the energy SCE paid for, but was not delivered over the term of the contract. The feedback from those meetings was generally positive with three suggested changes: (1) placing a cap on the optional "extended" term where sellers are paying back the energy to SCE's customers; (2) curtailing only at a negative price in the CAISO market, instead of curtailing at zero or a negative price; and (3) compensation to sellers for lost production tax credit ("PTC") revenue.

SCE evaluated these suggestions and modified its proposal to implement each of these suggested changes. SCE presented its modified proposal to its PRG on May 26, 2010.

In this Second Amended 2010 RPS Procurement Plan, SCE has included a Second Amended 2010 Pro Forma Renewable Power and Sale Agreement with revised curtailment provisions. The revisions include changes based upon the suggestions discussed above. Additionally, SCE has added a right for SCE to curtail seller's production of energy to the quantity awarded in a day-ahead or real-time schedule, subject to various payment provisions to compensate the seller for the lost production.

Section 4.02 of the 2010 Pro Forma Renewable Power Purchase and Sale Agreement provides that if a schedule is awarded in the CAISO day-ahead market for energy from the seller's facility, the seller receives the contract price for energy delivered. If SCE curtails seller's production of energy in real-time to the quantity awarded in the day-ahead schedule, the seller still receives the contract price for the energy that could have been delivered but for that curtailment, and the undelivered energy is not included in the curtailment cap discussed below.

If SCE bids the resource into the CAISO markets and no day-ahead schedule is awarded for the seller's power then, if the day-ahead price is zero dollars or greater, the seller receives the contract price for the energy that could have been delivered. However, if the day-ahead price is less than zero, there is no payment to the seller up to the curtailment cap for the contract year.

SCE intends to allow sellers to offer three energy prices for their products, each of which is based on a different annual curtailment cap for uncompensated curtailment. The three curtailment cap choices will be the contract capacity multiplied by 50, 100, and 200 hours per year. SCE and the seller would then agree to an annual curtailment cap in the contract. If that cap is exceeded in any year, the seller would receive payment for the amount of energy above the cap that could have been delivered but for the curtailment. The amount of curtailment in excess of the curtailment cap for each year will be tracked over the contract term and, at the end of the contract term, SCE will have the option to require the seller to "repay" SCE's customers for that excess curtailed energy by delivering twice the amount of curtailed energy and receiving one-half the contract price for such energy until the earlier of when the total amount of energy is repaid or the seller has delivered energy for two years past the end of the original contract term.

If no schedule is awarded in the day-ahead market, a seller may request that SCE, as the scheduling coordinator, bid the resource into the real-time market, and may specify a price at which SCE is to bid the energy. If a schedule is awarded as a result, SCE will receive the energy and pay the seller the full contract price for the energy delivered. If the real-time market price is negative, the seller will pay the CAISO charges and costs. If the real-time market price is positive, SCE will receive the CAISO revenue.

If no award is made in the day-ahead market and the seller does not request that SCE submit a bid into the real-time market, SCE may elect to bid the energy into the real-time market based on the generator's availability schedule. SCE will pay the contract price for the energy delivered if a schedule is awarded. If the seller generates in excess of its awarded real-time schedule, and SCE exercises its right to curtail seller's energy production in excess of the

schedule, the excess quantity will be deemed curtailed product subject to the curtailment cap and banking.

If seller delivers energy after it receives a curtailment instruction from SCE, the CAISO, or another authority, SCE is not obligated to pay the seller for that amount of energy, and the seller will pay all CAISO costs and sanctions, and SCE will keep all CAISO revenues, associated with that delivered energy.

SCE also modified its 2010 Pro Forma Renewable Power Purchase and Sale Agreement to compensate sellers for lost federal PTCs for curtailment due to negative pricing in excess of the curtailment cap in any contract year, if the seller was entitled to receive PTCs and was not eligible for investment tax credits and the reimbursement for lost PTCs was selected in the procurement process.[83] Sellers have the ability to offer contract pricing with and without lost PTCs for curtailment due to negative pricing in excess of the curtailment cap for any contract year.

These changes from SCE's prior curtailment provisions not only restrict the opportunity for SCE-determined curtailments, but they also "bound" the financial risk to sellers as directed by the Commission at the May 6, 2010 All-Party Meeting.

In addition to Section 4.02 of the 2010 Pro Forma Renewable Power Purchase and Sale Agreement, SCE modified Sections 1.06, 1.07, 1.08, 1.10, 1.12, and 3.12(f), added definitions for "Actual Availability," "Additional Energy," "Banked Curtailed Energy," "Bid," "Curtailed Product," "Curtailed Return Term," "Curtailed Return Term Notice," "Curtailment Cap," "Dispatch Instruction," "Original Term," "Over-Schedule Generation Curtailment Order," "Over-Schedule Generation Curtailment Amount," "Price Taker," "Real-Time Available Energy," "Real-Time Over-Schedule Generation Curtailment Order," "Real-Time Over-Schedule Generation Curtailment Quantity," "Real-Time Price," and "Unawarded Energy," and

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[83] Second Amended 2010 Pro Forma Renewable Power Purchase and Sale Agreement § 4.02(b)(iii).

modified the definitions of "Lost Output," "Metered Amounts," and "Schedule" to correspond to the new curtailment language.

Furthermore, SCE has modified its 2010 Procurement Protocol, 2010 Seller's Proposal Template and Calculator, and 2010 Form of Seller's Proposal to explain SCE's modified curtailment provisions and request information from sellers related to curtailment and contract prices for annual curtailment caps of contract capacity multiplied by 50, 100, and 200 hours, as discussed above.

2. Additional Changes in 2010 Procurement Protocol[84]

a) Additional Condition for the Forfeiture of a Short List Deposit

SCE has added one additional condition under which a seller will forfeit its short list deposit: seller's breach of its exclusivity agreement.[85] This change was made to serve as a reasonable, serious, and adequate deterrence to simultaneously negotiating the same proposal with multiple utilities (and other buyers of power). Breaches of exclusivity agreements can be costly to SCE's customers, who pay for the negotiating resources.

b) Term of Agreement

SCE's 2010 Procurement Protocol complies with the Commission's requirement that SCE accept proposals for contracts with terms exceeding 20 years. While SCE does not discourage proposals with terms longer than 20 years, SCE does require a seller who submits a proposal with a term longer than 20 years to also submit a proposal (for the same generating facility) with a 20-year term.[86] This change was made so that SCE may compare proposals (e.g., expected costs, qualitative factors such as expectation of technology innovation, and portfolio risk tolerances) for contracts of longer than 20 years with the standard term length of 20 years.

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[84] The Second Amended 2010 Procurement Protocol is Attachment 2-1 to SCE's Second Amended 2010 RPS Procurement Plan.

[85] Second Amended 2010 Procurement Protocol § 3.04(c)(a).

[86] *Id.* § 2.06(a).

c) Integration Costs

SCE has modified the quantitative assessment subsection of the Evaluation of Proposals section of the 2010 Procurement Protocol to include a detailed discussion of integration costs.[87]

d) Locational Preference

Although SCE will consider and evaluate proposals with out-of-state generating facilities, SCE prefers proposals from facilities whose first point of interconnection within WECC is with a California balancing authority.

3. Additional Changes in 2010 Form of Seller's Proposal[88]

a) E-Binder

SCE will now require sellers to send their proposals electronically, in an e-binder, rather than sending printed copies.[89] This should reduce the enormous amount of paper associated with the RFP process.

b) Delivery Point and Manner of Delivery

SCE is requiring each seller to set forth the delivery point of its proposal with greater specificity.[90] SCE is also requiring a seller to detail its plan for transmitting energy to the delivery point and explain whether the costs of such delivery are included in the energy price. Obtaining this information from prospective sellers will better enable SCE to assess and compare different proposals.

c) Generating Facility Description

The Form of Seller's Proposal has been revised to require sellers to disclose any possible or anticipated manufacturing supply chain constraints or issues associated with producing any

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[87] *Id.* § 5.01(b).

[88] The Second Amended 2010 Form of Seller's Proposal is Attachment 2-10 to SCE's Second Amended 2010 RPS Procurement Plan.

[89] Second Amended 2010 Form of Seller's Proposal § 3.01.

[90] *Id.* § 4.05.

major and auxiliary equipment.[91] This change was recommended by SCE's IE to enable better assessment of the PVC component that addresses manufacturing supply chain.

4. Changes in 2010 Seller's Acknowledgments

SCE made the changes discussed below in the 2010 Seller's Acknowledgments, a document that each seller must submit as part of its proposal package.[92]

a) Obtaining Necessary Approvals of a Renewable Power Purchase and Sale Agreement

The prior language in Seller's Acknowledgments could have been read to require a seller to have obtained all necessary approvals of a renewable power purchase and sale agreement with SCE by the time that seller first submitted its proposal, which always occurs before the commencement of negotiations. SCE modified the language to clarify that seller will obtain all necessary approvals at the conclusion of negotiations.[93]

b) Requirement that Seller be Bound by its Proposal

The prior language in Seller's Acknowledgements required that a seller agree to be bound by the redlined Pro Forma Renewable Power Purchase and Sale Agreement submitted as part of its proposal. This requirement served to discourage frivolous proposals. The redlined Pro Forma Renewable Power Purchase and Sale Agreements, however, did not meaningfully advance negotiations because the redlines were generally incomplete. SCE now requires a seller to submit an Outline of Contract Terms and Conditions[94] setting forth the key changes that seller seeks to the Pro Forma Renewable Power Purchase and Sale Agreement. Accordingly, SCE's modified language discourages frivolous proposals by requiring seller to make a commitment to negotiate with SCE in good faith.[95]

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[91] *Id.* § 4.03(a)(ii)(4).
[92] The 2010 Seller's Acknowledgments is Exhibit C to the Second Amended 2010 Form of Seller's Proposal.
[93] 2010 Seller's Acknowledgements ¶ 3.
[94] The 2010 Outline of Contract Terms and Conditions is Attachment 2-4 to SCE's Second Amended 2010 RPS Procurement Plan.
[95] 2010 Seller's Acknowledgements ¶ 7.

c) Elimination of Requirement that Seller Submit CEC Audits

SCE eliminated a requirement that seller submit CEC audits to establish that seller's proposed project is an eligible renewable energy resource.[96] In SCE's experience, these audits occur only once agreement is reached so the audits are better addressed in the renewable power purchase and sale agreement itself.

5. Additional Changes in 2010 Seller's Proposal Template and Calculator[97]

SCE has integrated the revenue calculator that sellers provide as part of their proposals into the 2010 Seller's Proposal Template and Calculator.[98] Additionally, SCE has modified the 2010 Seller's Proposal Template and Calculator to require each proposal to provide contract prices based on the curtailment caps discussed in Section 7.B.1.e. SCE has also requested that information solicited elsewhere in SCE's 2010 solicitation materials (generally in the 2010 Form of Seller's Proposal) be inputted into the 2010 Seller's Proposal Template and Calculator spreadsheets, and has eliminated some information that is no longer needed. Including additional information in the Seller's Proposal Template and Calculator will reduce manual errors, require validation of information from sellers, and increase efficiency in the review of proposals.

6. Additional Changes in 2010 Pro Forma Renewable Power Purchase and Sale Agreement[99]

a) Seller Responsibility for Invoicing

Beginning with the 2010 Pro Forma Renewable Power Purchase and Sale Agreement,

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[96] *Id.* ¶ 8.

[97] The Amended 2010 Seller's Proposal Template and Calculator is Attachment 2-3 to SCE's Second Amended 2010 RPS Procurement Plan.

[98] SCE has also created a standard 2010 Seller's Proposal Template and Calculator and a non-standard 2010 Seller's Proposal Template and Calculator for projects that are firmed and shaped.

[99] The Second Amended 2010 Pro Forma Renewable Power Purchase and Sale Agreement is Attachment 2-5 to SCE's Second Amended 2010 RPS Procurement Plan.

SCE will require sellers to produce a monthly payment invoice in order to receive payment.[100] There are several reasons for this change. First, requiring sellers to invoice SCE creates a check and balance between SCE's payment calculations and the seller's calculations for the desired payment. When sellers invoice SCE, SCE can compare sellers' computations with SCE's, validate the invoices, and pay or dispute accordingly. This modified procedure creates an independent validation for the calculation of payments.

Second, paying based on an invoice generated by an independent party (seller) conforms to SCE's standard process for generating, validating, and approving payments. To support appropriate internal controls and the segregation of duties, no payment is made without an invoice and no payments are made for greater than the invoiced amount. Modifying the Pro Forma Renewable Power Purchase and Sale Agreement brings the practice for renewable contracts in line with that used for conventional generation and other SCE payments.

Third, the procedure is also consistent with industry standards for financial internal control frameworks, COSO (Committee of Sponsoring Organizations also referred to as the Treadway Commission), and GAAP (Generally Accepted Accounting Practices).

Finally, invoices act as third party documentation that SCE provides to its auditors (internal, external, regulatory, etc.) to support charges recorded on financial statements and financial and operations records.

b) Compliance Expenditure Cap

The 2009 Pro Forma Renewable Power Purchase and Sale Agreement contained a "Compliance Expenditure Cap," which was a dollar limit on the costs a seller would be required to expend to ensure that the facility maintained its green attributes, capacity attributes, and resource adequacy benefits. The 2009 Compliance Expenditure Cap applied regardless of whether, over the term of the renewable power purchase and sale agreement, there was a change in law governing those requirements.

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[100] Second Amended 2010 Pro Forma Renewable Power Purchase and Sale Agreement, Exhibit E.

The 2010 Pro Forma Renewable Power Purchase and Sale Agreement substantially narrows the circumstances in which the cap applies. It will now apply only to situations where there is both (1) a change in law after the execution of the renewable power purchase agreement that causes the project to be disqualified as an eligible renewable energy resource (or causes its output to fail to meet RPS requirements), and (2) seller has expended "commercially reasonable efforts" to comply with such change in law. The change ensures that the Compliance Expenditure Cap is in line with the Commission's non-modifiable standard term and condition on "Eligibility,"[101] as it defines, by a dollar amount, the term "commercially reasonable costs" used in that term.[102]

c) Calculation of Energy Replacement Damage Amount

The Energy Replacement Damage Amount is a penalty paid by seller when it fails to meet its annual (or two-year) energy delivery obligation.[103] In the 2009 Pro Forma Renewable Power Purchase and Sale Agreement (as well as prior Pro Forma Renewable Power Purchase and Sale Agreements), the formula for calculating the Energy Replacement Damage Amount required the parties to compare the contract energy price with the "Market Price" – a price that is skewed by the predominance of conventional, rather than renewable, generation. The formula in the 2010 Pro Forma Renewable Power Purchase and Sale Agreement will require parties to compare the contract energy price with the "Green Market Price," or the price for renewable energy projects. SCE believes that the prices for renewable energy – not the market price – more accurately represent SCE's damages when a seller fails to deliver renewable energy.

d) NERC Requirements

In the 2010 Pro Forma Renewable Power Purchase and Sale Agreement section relating to NERC Electric System Reliability Requirements,[104] SCE has added language designed to specify the proper allocation of the roles and responsibilities of SCE as scheduling coordinator

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[101] *Id.* § 10.02(b).
[102] *Id.* § 10.02(c).
[103] *Id.*, Exhibit F.
[104] *Id.* § 3.29.

for purposes of NERC compliance, and, on the other hand, seller as the generator operator. The language arises from SCE's and the market's experience with the NERC requirements gained in the approximately two and a half years since the requirements went into effect.

e) Termination for Failure to Meet Commercial Operation Deadline

The Pro Forma Renewable Power Purchase and Sale Agreement has been revised to provide that SCE may terminate the renewable power purchase and sale agreement and retain the development security under any one of six specific circumstances, the occurrence of any of which makes it unlikely that seller will be able to meet its commercial operation deadline.[105] The revisions eliminate a termination right which the market indicated was strongly disfavored by lenders, while ensuring that SCE can terminate projects in circumstances which indicate they will never be timely built.

f) Election of Federal Tax Credit

In the 2010 Pro Forma Renewable Power Purchase and Sale Agreement, SCE is requiring seller to inform SCE, before execution of the agreement, whether seller will seek an investment tax credit or a production tax credit (or no tax credit at all).[106] There are three reasons for this change, which will affect only those sellers who are able to use either type of tax credit.

First, commitment to a particular tax credit prevents a seller from using its termination right improperly. The 2010 Pro Forma Renewable Power Purchase and Sale Agreement allows a seller to terminate the agreement if the federal tax credit legislation applicable to seller is not enacted.[107] Requiring a seller to specify which federal tax credit it plans to use prevents seller from terminating its agreement when the other tax credit (the one seller is not using) is not enacted.

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[105] *Id.* § 3.06(d).
[106] *Id.* § 1.12.
[107] *Id.* § 2.04(a)(ii).

Second, commitment to a particular tax credit prevents a seller from claiming excess direct damages, should there be a dispute between seller and SCE. Under Article 7 of the 2010 Pro Forma Renewable Power Purchase and Sale Agreement, direct damages include the value of any federal tax credits that are lost by seller as a result of SCE's default.[108] Requiring a seller to specify which tax credit it plans to use prevents a seller from claiming, after the fact, that it would have used the tax credit that enabled seller to show the greater loss (and concomitantly, the greater amount of direct damages).

Third, under certain conditions, SCE is accommodating the request from market participants to be compensated for lost federal production tax credits in the event of curtailments due to negative pricing, as discussed in more detail above. SCE will solicit proposals both with and without reimbursement of lost production tax credits due to negative pricing in excess of the curtailment cap for any contract year.

g) Termination Rights of Both Parties

In its 2010 Pro Forma Renewable Power Purchase and Sale Agreement, SCE has divided into two sections the right of either party to terminate where seller failed to obtain permits. Each section addresses a different type of permit(s): (1) the CEC pre-certification, and (2) the construction permits.[109] The notice of termination by either party due to a seller's failure to obtain CEC pre-certification is to be provided on or before 13 months after the effective date of the agreement. The right to terminate by either party if seller does not obtain its construction permit has been modified to be open-ended, and agreed to by and between SCE and seller during negotiations, depending on a seller's individual needs. SCE has found through its experience in prior solicitations and document negotiations that the market requires more individually-tailored time periods for terminating contracts where there is a failure to obtain construction permits.

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[108] *Id.*, Article 7.
[109] *Id.* §§ 2.04(a)(i)(2) and (3).

h) Allocation of Standard Capacity Product Payments and Charges

SCE has added this new section to address the responsibility of the Standard Capacity Product incentive payments and charges as defined in the CAISO tariff, if applicable.[110]

i) Delivery Loss Factor

SCE has further modified the energy payment calculation formula to take into account delivery losses up to and at the delivery point as calculated by CAISO.[111] SCE's deletion of the delivery loss factor calculation beyond the delivery point and the associated definitions mirrors the current CAISO MRTU market.

j) Wind and Solar Performance Requirements

Based upon experience in prior solicitations and document negotiations, SCE is changing its Pro Forma Renewable Power Purchase and Sale Agreement to accommodate the wind industry and provide for an equitable performance obligation. The performance obligation will be measured over a two-year period (instead of a one-year period) and requires a seller to equal or exceed 140% of the P-50 value in the final wind report.[112] Wind developers had expressed that the 2009 Pro Forma Renewable Power Purchase and Sale Agreement, which had a standard of P-95, was not equitable because the use of a P-95 value disadvantaged those projects that had been collecting data for a longer time, and because studies have shown that California has high wind variability from year-to-year.

By contrast, SCE's additional experience with solar projects has led SCE to determine that solar variability from year-to-year is minimal. SCE has changed the performance requirement accordingly, to reflect an obligation of 90% of the expected annual energy production.[113]

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[110] *Id.* § 3.04.
[111] *Id.*, Exhibit A § 150, Exhibit E § 2.02.
[112] *Id.* § 3.07(a)(i).
[113] *Id.*

k) Indemnification

SCE modified Section 10.03 of the 2010 Pro Forma Renewable Power Purchase and Sale Agreement, which addresses indemnification obligations, to more clearly reflect the very different duties, responsibilities, and risks of SCE and sellers under the agreement. Instead of discussing both parties' indemnification obligations in the same paragraph, such obligations are now discussed in separate paragraphs within the same section. Moreover, the respective indemnification obligations between seller and SCE are not identical: there are more circumstances under which the seller indemnifies SCE than under which SCE indemnifies the seller, reflecting the fact that the seller has more duties under the agreement and the nature of those duties in comparison to the duties of SCE. SCE also added sections addressing the procedure by which indemnification is claimed and provided.

l) Elimination of Requirement for Seller to Provide Financial Information for Consolidation

In June 2009, the Financial Accounting Standards Board ("FASB") issued SFAS 167 Amendments to FASB Interpretation No. 46(R). The pronouncement is effective starting in 2010. The amendment changes the conditions associated with consolidation, and SCE has determined that the contractual arrangement associated with renewable facilities will not result in consolidation. Therefore, SCE has removed the requirement in Section 3.25, Section 6.01(c)(xviii), and Exhibit P of its 2010 Pro Forma Renewable Power Purchase and Sale Agreement that seller provide its financial information for purposes of consolidating seller's financial information into SCE's financial statements.

m) Seller's Estimate of Lost Output

SCE modified Exhibit M of the 2010 Pro Forma Renewable Power Purchase and Sale Agreement, which addresses the collection of measurement data and performance of engineering calculations, to set out in separate Exhibits the requirements for different solar technologies. SCE also added the right for SCE to verify all data by inspecting the measurement instruments and reviewing the generating facility operating records.

8. Redlined Copies: A version of the 2011 Plan that is "redlined" to identify the changes from the 2010 Plan, with a copy for Energy Division, the Administrative Law Judge and any party who requests a copy

SCE has included redlines of its 2011 Written Plan and 2011 LCBF Written Report against the versions of those documents included in SCE's Second Amended 2010 RPS Procurement Plan as Appendices D and E.[114]

Additionally, as part of Attachment 2, SCE has included a redline of all of its solicitation materials with the exception of the 2011 Seller's Proposal Template and Calculator and 2011 Outline of Contract Terms and Conditions, which cannot be redlined since they are excel files.

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[114] SCE updated Appendices B and C to this 2011 Written Plan to include an updated bundled sales forecast, updated contract and project-specific information, and different assumptions for the Base Case and High Need Case as discussed in Section 2 above. SCE has not redlined these documents since they are power point files.

APPENDIX A

SCE's 2011 Written Description of Renewables Portfolio Standard Proposal Evaluation and Selection Process Criteria

Southern California Edison Company's ("SCE's") 2011 Written Description of Renewables Portfolio Standard Proposal Evaluation and Selection Process and Criteria ("2011 LCBF Written Report")

I. Introduction

A. Note relevant language in statute and CPUC decisions approving LCBF process and requiring LCBF Reports

Under the direction of the California Public Utilities Commission (the "Commission" or "CPUC"), SCE conducts annual solicitations for the purpose of procuring power from eligible renewable energy resources to meet California's Renewables Portfolio Standard ("RPS"). SCE evaluates and ranks proposals based on least-cost/best-fit ("LCBF") principles that comply with criteria set forth by the Commission in Decision ("D.") 03-06-071 and D.04-07-029 ("LCBF Decisions"). *See also* Cal. Pub. Util. Code Section 399.14(a)(2)(B).

B. Goals of proposal evaluation and selection criteria and processes

The LCBF analysis evaluates both quantitative and qualitative aspects of each proposal to estimate its value to SCE's customers and its relative value in comparison to other proposals.

II. Proposal Evaluation and Selection Criteria

While assumptions and methodologies have evolved slightly over time, the basic components of SCE's evaluation and selection criteria and process for RPS contracts were established by the Commission's LCBF Decisions. Consistent with those LCBF Decisions, the three main steps undertaken by SCE are: (i) initial data gathering and validation, (ii) a quantitative assessment of proposals, and (iii) adjustments to selection based on proposals' qualitative attributes. The same evaluation and selection process will be used for both bundled and renewable energy credit contracts.

Prior to receiving proposals, SCE finalizes criteria with the Independent Evaluator ("IE") to determine which attributes could make proposals clear outliers. SCE then finalizes major assumptions and methodologies that drive valuation, including power and gas prices forecasts, existing and forecast resource portfolio, and firm capacity value forecast. Other assumptions, such as the Transmission Ranking Cost Report ("TRCR"), are filed with the Commission for approval prior to the release of solicitation materials.

Once proposals are received, SCE begins an initial review for completeness and conformity with the solicitation protocol. The review includes an initial screen for required submission criteria such as a conforming delivery point, minimum project size, and the submission of particular proposal package elements. Sellers lacking any of these items are allowed a reasonable cure period to remedy any deficiencies. Following this check for conformity, SCE will determine which proposals are clear outliers. For proposals deemed clear outliers, SCE will conclude any further review. For the remaining proposals, SCE conducts an additional review to determine the reasonableness of proposal parameters such as generation profiles and capacity factors. SCE works directly with sellers to resolve any issues and ensure data is ready for evaluation.

After these reviews, SCE performs a quantitative assessment of each proposal individually and subsequently ranks them based on the proposal's benefit and cost relationship. Specifically, the total benefits and total costs are used to calculate the net levelized cost or "Renewable Premium" per each complete and conforming proposal. Benefits are comprised of separate capacity and energy components, while costs include the contract payments, debt equivalence, congestion cost, and transmission cost. SCE discounts the annual benefit and cost streams to a common base year. The result of the quantitative analysis is a merit-order ranking of all complete and conforming proposals' Renewable Premiums that helps define the preliminary short list.

In parallel with the quantitative analysis, SCE conducts an in-depth assessment of each proposal's qualitative attributes. This analysis utilizes the Project Viability Calculator to assess certain factors including the company/development team, technology, and development milestones. Additional attributes such as transmission area/cluster, generating facility location, seller concentration, portfolio fit of commercial on-line date, project size, and dispatchability are also considered in the qualitative analysis. These qualitative attributes are then considered to either eliminate non-viable proposals or add projects with high viability to the final short list of proposals, or to determine tie-breakers, if any.

Following its analysis, SCE consults with its Procurement Review Group ("PRG") regarding the final short list and specific evaluation criteria. Whether a proposal selected through this process results in an executed contract depends on the outcome of negotiations between SCE and sellers. Periodically, SCE updates the PRG regarding the progress of negotiations. SCE also consults with its PRG prior to the execution of any successfully negotiated contracts. Subsequently, SCE executes contracts and submits them to the Commission for approval via advice letter filings.

A. Description of Criteria[1]

1. List and discuss the quantitative and qualitative criteria used to evaluate and select proposals. This section should include a full discussion of the following:

QUANTITATIVE ASSESSMENT

SCE evaluates the quantifiable attributes of each proposal individually and subsequently ranks them based on the proposal's benefit and cost relationship, specifically the net levelized cost of the project or Renewable Premium. These individual quantitative components include capacity benefits, energy benefits, contract payments, debt equivalence mitigation cost, transmission cost, and congestion cost. In developing its relative merit order ranking of proposals, SCE's evaluation methodology incorporates information provided by sellers and assumptions prescribed and set by the Commission with its internal methodologies and forecasts of market conditions. The objective of the quantitative assessment and relative Renewable Premium ranking is to develop a preliminary short list that is further refined based on the non-

[1] This 2011 LCBF Written Report discusses SCE's proposal evaluation and selection criteria in a different order than in the Energy Division's LCBF Template in order to more accurately explain SCE's evaluation and selection process; however, all elements in the LCBF Template are addressed.

quantifiable attributes discussed below. Each of the elements for the RPS quantitative analysis is described briefly below.

Benefits

- Capacity Benefit

Each proposal is assigned capacity benefits, if applicable, based on SCE's forecast of net capacity value and a peak capacity contribution factor.

Peak capacity contribution factors are calculated in a manner consistent with the Commission's Resource Adequacy accounting rules (D.09-06-028) utilizing a 70% exceedance factor methodology. Peak capacity contribution factors will be both technology and location-specific. Technological differentiation does not refer to the fuel source, but rather the method of converting other energy sources into electricity (e.g., solar trough, solar photovoltaic). For proposals with dispatchable capabilities at SCE's control, the peak capacity contribution factor will be based on the availability of the proposed project.

Monthly capacity benefits are the product of SCE's net capacity value forecast, the total monthly proposed alternating current nameplate capacity of the project, SCE's relative loss-of-load probability factors, and the peak capacity contribution factor. The monthly capacity benefits are aggregated to annual capacity benefits. In order for a generating facility to receive capacity benefits, Seller's interconnection agreement must reflect that the generating facility has selected Full Capacity Deliverability Status, as such term is defined in the California Independent System Operator ("CAISO") Tariff. Capacity benefits will be included as of the date the project obtains Full Capacity Deliverability Status, if achieved after commercial operation. Those generating facilities that interconnect to the CAISO as Energy-Only projects will not receive any capacity benefit. SCE may consider assigning generating facilities that have a delivery point at a CAISO intertie with a capacity benefit. That capacity benefit, however, will be discounted by SCE's ability to obtain import allocation rights from the CAISO, and dependent upon the type and generation profile of the generating facility.

- Energy Benefit

SCE measures the energy benefits, if applicable, of a proposal by evaluating the estimated market value of energy. The evaluation of energy benefits is performed with a base portfolio and system that is consistent with SCE's most recent Long-Term Procurement Plan ("LTPP"), with some updates to account for the latest gas price and load forecasts and the results of recent procurement activities.

For proposals with must-take energy, SCE calculates the energy benefits of a proposal based on the estimated market value of energy assessed through the use of Ventyx's ProSym model. The ProSym runs consist of an hourly, least-cost dispatch of the base resource portfolio against SCE's current demand and price forecasts. The hourly energy benefit for the proposal is the resulting market price multiplied by the hourly seller-provided generation profile.

For proposals with dispatchable capabilities at SCE's control, SCE calculates the net energy benefits based on the market value of the energy when the proposed resource dispatches.

ProSym determines the dispatch economics for the proposed resource according to the unit characteristics provided by the seller.

SCE's resource portfolio is dispatched against an SCE area power price forecast. SCE's gas price and power price forecasts are based on a blend of a near-term market view and a longer-term fundamental view of prices.

The simulation model, and hence the energy benefit calculation, captures additional quantitative effects that SCE has been asked to consider by the Commission, including dispatchability. The dispatchability benefits of these characteristics are implied in the energy benefit and are not addressed separately.

SCE's LCBF quantitative evaluation process inherently captures the impact of portfolio fit. For example, as different proposals are added to the overall portfolio, the resultant residual net short or net long position is impacted. Projects that more often increase SCE's net long positions are assigned less energy benefits than those projects that are more often filling net short positions. As such, a project that provides more energy when it is most needed and less energy in periods of low need will receive the greatest energy benefit.

Costs

- Debt Equivalence

"Debt equivalence" is the term used by credit rating agencies to describe the fixed financial obligation resulting from long-term power purchase contracts. Pursuant to D.04-12-048, the Commission permitted the investor-owned utilities ("IOUs") to recognize costs associated with the effect debt equivalence has on the IOUs' credit quality and cost of borrowing in their evaluation process. In D.07-12-052, the Commission reversed this position. SCE, however, filed a petition for modification of D.07-12-052. In November 2008, the Commission issued D.08-11-008, which authorized the IOUs to recognize the effects of debt equivalence when comparing power purchase agreements in their bid evaluations, but not when the IOUs are considering a utility-owned generation project. As such, SCE considers debt equivalence in the evaluation process.

- Contract Payments

The primary costs associated with each proposal are the contract payments that SCE makes to sellers for the expected renewable energy deliveries.

Proposals typically include an all-in price for delivered renewable energy, which is adjusted in each time-of-delivery period by energy payment allocation factors ("TOD factors"). SCE develops and submits its TOD factors for each solicitation to the Commission for approval prior to the issuance of the Request for Proposals ("RFP"). Total payments are then determined by multiplying the generation by the contract price, adjusted for each TOD period. For projects that include a capacity-related payment in addition to an energy price, the total payments are determined by using the TOD-adjusted generation based on the generation profile provided in the proposal, the energy price, and the capacity payment.

- Integration Cost

Integration costs, where applicable, are the additional system costs required to provide sufficient ancillary service capability including load following and frequency regulation to integrate renewable resources. As California continues to procure additional intermittent renewable resources, SCE believes that current levels of intermittent renewable resources require an increase in the provision of the ancillary services mentioned above, and that an integration study that reflects updated regulatory and procurement expectations should be used as a basis for integration costs. However, in D.11-04-030, the Commission declined to allow the use of non-zero integration cost adders for the 2011 RPS solicitation. The Commission stated that if an adder is developed in Rulemaking 10-05-006, each IOU may file an advice letter seeking to amend its 2011 RPS Procurement Plan for the purpose of using that adder in its LCBF evaluation. In accordance with D.11-04-030, SCE will use a zero integration cost adder in its 2011 RPS solicitation unless the Commission authorizes the use of another adder.

- Congestion Cost

Localized congestion may cause a reduction in (or negative) prices at a particular locational marginal price ("LMP") in the CAISO's MRTU market. D.11-04-030 provides that the IOUs must incorporate an assessment of these congestion costs in their 2011 LCBF evaluation.

Those projects that select an Energy-Only interconnection do not fund the deliverability upgrades a project needs to ensure its energy can serve load and avoid localized congestion. As such, these projects increase the risk of congestion in these locations to a degree greater than those projects that do fund these upgrades. In order to capture this difference, SCE will apply a congestion cost adder to all CAISO projects that have selected an Energy-Only interconnection. The adder will be based on historical LMPs in the MRTU market in the location that the seller plans to interconnect. Once available, SCE will make these adders publicly available to sellers before proposals are due.

- Transmission Costs

For resources that do not have an existing interconnection to the electric system, system transmission upgrade costs are based on the completed Facilities Study for Small Generator Interconnection Procedures ("SGIP") applications, or a Phase 1 or equivalent study, or a better study, for Large Generator Interconnection Procedures ("LGIP") applications, unless the TRCR is judged to be more indicative of the expected transmission cost. For resources that do not have an existing interconnection to the electric system or a completed Facilities Study for SGIP applications, or a Phase 1 or equivalent study, or better study, for LGIP applications, system transmission upgrade costs are estimated utilizing the TRCR methodology and specific proposal details provided by sellers in the RFP process. Network upgrade costs and scope from interconnection studies are used to the extent they are available and applicable. To the extent studies are not available, transmission cost adders for new generation are based on unit cost guides used in interconnection cluster studies.

- **Discuss how much detailed transmission cost information the IOU requires for each project**

Other than the assumptions provided in a seller's proposal, SCE does not require additional transmission information, unless the seller has completed a transmission provider study. If one or more transmission provider studies have been completed with respect to the proposed project, then the seller must provide the results.

- **Discuss whether cost adders are always imputed for projects in transmission-constrained areas, or whether and how costs for alternative commercial transactions (i.e., swapping, remarketing) are substituted**

SCE uses the best available information it can find when determining the cost of potential upgrades for projects in transmission-constrained areas. For those projects outside SCE's service area, the TRCRs of Pacific Gas and Electric Company or San Diego Gas & Electric Company are used as appropriate. SCE applies the required upgrade costs to get the project delivered to the nearest defined market (e.g., NP15, SP15, ZP 26 Generation Trading Hubs). For projects with an assumed delivery point outside the CAISO, SCE applies a power swapping methodology, where the power is assumed to be sold into the local market.

QUALITATIVE ASSESSMENT

In addition to the benefits and costs quantified during SCE's evaluation, SCE assesses non-quantifiable characteristics of each proposal by conducting a comprehensive analysis of each project's qualitative attributes. SCE uses these qualitative attributes to consider inclusion of additional sellers on the short list due to the strength of a particular seller's proposal. Pursuant to D.04-07-029, the presence of demonstrated qualitative attributes may justify moving a proposal onto SCE's short list of proposals if (a) the initial proposal rank is within reasonable valuation proximity to those selected for the short list and (b) SCE consults with, and receives general support from, its PRG prior to elevating the proposal based on qualitative factors.

This assessment may also result in the exclusion of proposals from the short list due to the relative weakness of highly-ranked proposals or other identified issues such as potential seller and/or supply chain concentration concerns.

In other instances, where there are weaknesses in some of these factors (although these may not be significant enough to exclude a proposal from the short list), SCE utilizes additional contract requirements to manage these issues during the development of the project.

Each of the elements for the qualitative analysis is described briefly below.

Project Viability

SCE assesses the following attributes using the Project Viability Calculator:

- Company/Development Team
  - Project Development Experience

    - Ownership/O&M Experience
  - Technology
    - Technical Feasibility
    - Resource Quality
    - Manufacturing Supply Chain
  - Development Milestones
    - Site Control
    - Permitting Status
    - Project Financing Status
    - Interconnection Progress
    - Transmission Requirements
    - Reasonableness of Commercial Operation Date ("COD")

Additional Qualitative Attributes

Following the Project Viability Calculator qualitative assessment, SCE considers additional qualitative characteristics to determine advancement onto the short list or tie-breakers, if any. These additional characteristics may include:

- Certified as California woman, minority or disabled veteran business enterprise ("WMDVBE") as set forth in CPUC General Order 156
- Transmission area (e.g., Tehachapi, Sunrise, within SCE's load pocket)
- Congestion, negative price, and curtailment considerations not captured in the quantitative valuation
- Energy-Only concentration
- Facility interconnection process progress
- Portfolio fit in reference to D.10-03-021, as modified by D.11-01-025, authorizing use of renewable energy credits for compliance with the California RPS
- Portfolio fit of COD
- Seller concentration
- Expected generation (GWh/year)
- Dispatchability
- Contract price
- Alternative Renewable Premium (i.e., Renewable Premium including integration costs)
- Environmental impacts of seller's proposed project on California's water quality and use
- Resource diversity
- Benefits to minority and low income communities
- Local reliability
- Environmental stewardship

OTHER CONSIDERATIONS

Credit and Collateral Requirements

In order to ensure comparable pricing for ranking, SCE requires sellers to commit to posting SCE's pro forma performance assurance amount as specified in Section 7.03 of the RFP Procurement Protocol. Performance assurance is the collateral posted by the seller during the operating period.

Out-of-State Projects

- **Discuss how evaluation process differs for out-of-state projects**

The overall evaluation methodology is applied consistently to projects regardless of location. Energy benefits for those projects outside of the CAISO will be based on the pricing at the seller-elected liquid power trading hub or CAISO intertie (subject to SCE's approval in its sole discretion) according to SCE's fundamental price forecast for hubs across the Western Electricity Coordinating Council ("WECC"). Capacity benefits will be based on the value of the project's capacity within CAISO, the nameplate capacity of the project, and the peak capacity contribution factor of the project.

For those projects within or connected directly to the CAISO, SCE applies the cost to customers of new CAISO network upgrades required for deliverability of the new project. SCE customers are not liable for any network upgrades outside of the CAISO (outside of any costs that may be imbedded within the contract pricing) so transmission cost adders are zero for out-of-state projects.

B. Criteria Weightings

1. If a weighting system is used, please describe how each LCBF component is assigned a quantitative or qualitative weighting compared to other components. Discuss the rationale for the weightings.

SCE does not apply a weighting system in its LCBF evaluation.

2. If a weighting system is not used, please describe how the LCBF evaluation criteria are used to rank proposals

SCE's LCBF quantitative evaluation of the proposals incorporates energy and capacity benefits with contract payments, transmission cost, debt equivalence, and congestion cost to create individual benefit and cost relationships, namely, the Renewable Premium. It is the Renewable Premium that is used to rank and compare each project. Qualitative attributes of each proposal are then considered to further screen the short list and determine tie-breakers to arrive at a final short list of proposals.

3. Discuss how the IOU LCBF methodology evaluates project commercial operation date relative to transmission upgrades required for the project

As part of the qualitative assessment, SCE considers sellers' proposed on-line dates for the project in conjunction with a variety of critical project milestones. Such milestones include network upgrade status and scope, status of major equipment procurement and lead times, and permitting status. For those projects which SCE has concerns over the viability of the timeframe, a range of on-line dates (and transmission facilities availability) are evaluated to determine the sensitivity of the results to the timing. If the project ranking does not change in a manner that would change its original selection status over a range that SCE deems reasonable, then the original assessment is used. For projects whose selection is dependent on the timing of the project and the availability of upgraded transmission facilities, further analysis of the timing of the projects is required.

4. Discuss how the LCBF methodology takes into account proposals that may be more expensive, but have a high likelihood of resulting in viable projects

SCE's LCBF methodology incorporates project viability in a qualitative assessment after the preliminary ranking of proposals has been completed and in determining the size of the short list. Proposals that are more expensive tend to be lower on the quantitative ranking of projects, and, therefore, may fall beyond the initial short list cut-point. SCE may pull such projects onto the short list if, from its qualitative assessment, it determines the project maintains high viability and the initial proposal rank is within reasonable valuation proximity to those selected for the short list. In this situation, the quantitative ranking is still considered as part of the overall decision, but the viability becomes the key driver.

C. Evaluation of utility-owned, turnkey, buyouts, and utility-affiliate projects

1. Describe how utility-owned projects are evaluated against power purchase agreements ("PPAs")

SCE views utility-owned cost-of-service generation as a necessary and good option for customers to have. SCE does not evaluate proposed utility-owned projects against PPAs, as utility-owned generation and contracted-for generation are fundamentally different products. As such, any attempt to do a numerical comparison of them is unworkable. This topic is discussed in detail in the Supplemental Testimony to SCE's 2006 LTPP (Section I.B, pgs 2-5). Moreover, approval of a utility-owned project would not be submitted through the solicitation process, but through a formal application.

2. Describe how turnkey projects are evaluated against PPAs

Turnkey projects are similar to utility-owned projects. Refer to the response above.

3. Describe how buyout projects are evaluated against PPAs

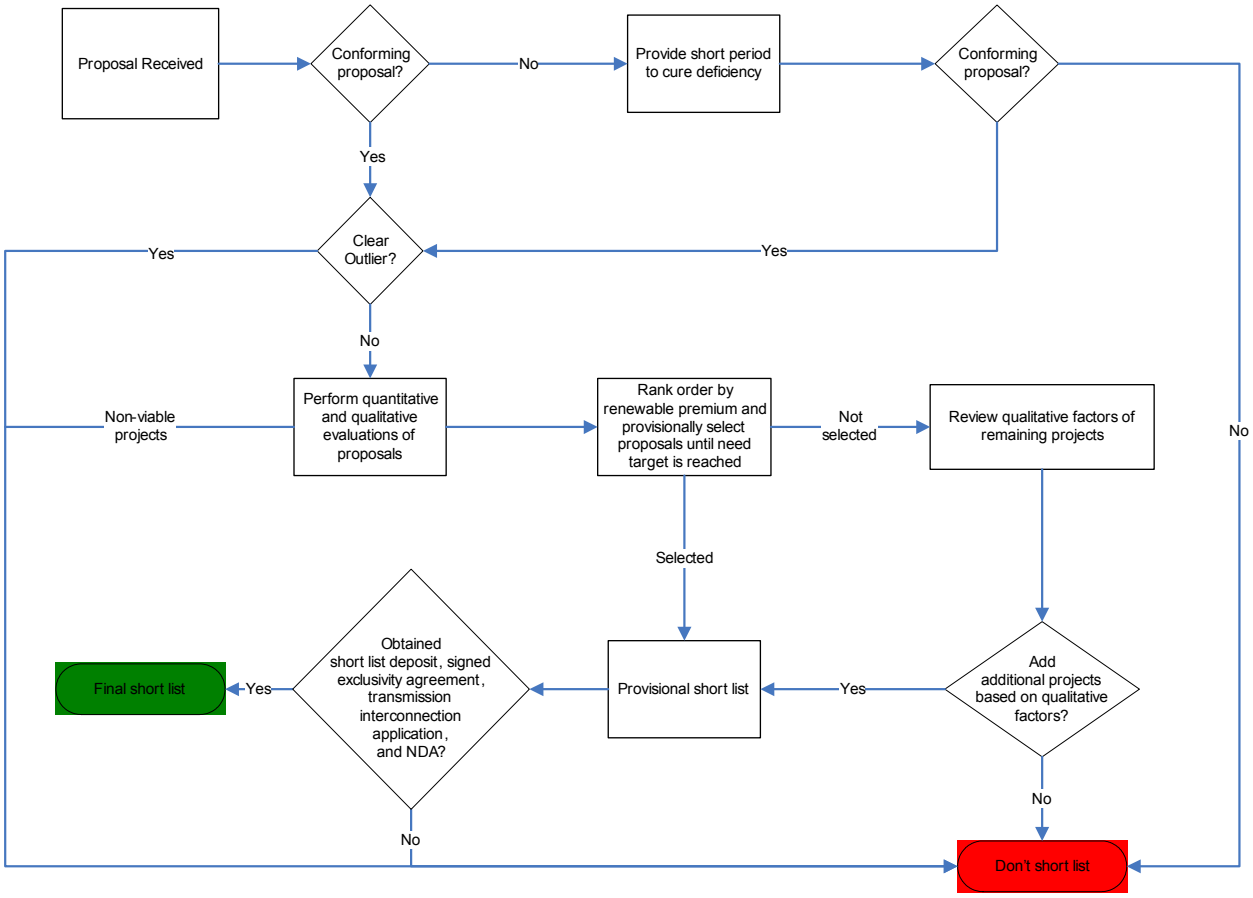
Project buyout options are essentially a hybrid of utility-owned projects and PPAs. Refer to the response above.

4. Describe how utility-affiliate projects are evaluated against non-affiliate projects

Utility-affiliate projects are evaluated in the same manner as non-affiliate projects. In addition, evaluation of utility affiliate projects would be subject to review by the Independent Evaluator, the PRG, and the Commission through the approval process.

II. Proposal Evaluation and Selection Process

A. What is the process by which proposals are received and evaluated, selected or not selected for short list inclusion, and further evaluated once on the short list?



B. What is the typical amount of time required for each part of the process?

The typical amount of time required for the short-listing process depends on the volume of proposals received by SCE during a solicitation. Historically, it has taken SCE no more than eight weeks to complete the LCBF evaluation process, which includes quality control of sellers' information, transmission assessment, quantitative assessment, qualitative assessment, management review, and PRG meetings. Many of the components in the overall process overlap and may require additional time if clarification from sellers is needed.

C. How is the size of the short list determined?

The size of SCE's short list is determined largely by an assessment of the attractiveness of RPS-eligible energy proposals and a desire for a robust, inclusive set of developer proposals. The short list is expanded well beyond the point that is needed for SCE to meet its RPS goals, as there is an expectation that some projects that are selected will not join the short list and that negotiations will not be successful with some short-listed sellers.

D. Are sellers that are not selected to be short-listed told why they were not short-listed? If so, what is the process?

Sellers are informed by e-mail that their proposals were not short-listed. The e-mail does not contain specific reasons for a seller's proposal not being selected for short-listing. However, sellers often contact SCE to obtain specificity regarding their projects and what can be improved for future solicitations. In such cases, SCE refers the seller to the RFP documentation in conjunction with a discussion of the seller's project quantitative and qualitative scoring.

E. Were any proposals rejected for non-conformance? If so, how many and what were the non-conforming characteristics?

It is unknown how many proposals will be rejected for non-conformance since the 2011 solicitation has not yet been issued. However, SCE has generally established its conformance criteria as follows:

1. Acceptable offer submittal package
2. Delivery point within WECC
3. Seller's Proposal Template and Calculator
4. Proposed facility is, or SCE reasonably expects facility to qualify as, an eligible renewable energy resource
5. Minimum size is 1.5 MW
6. Non-disclosure Agreement
7. Seller's Acknowledgements
8. Proposal Structure Letter

Proposals conforming to these criteria will be included in SCE's LCBF methodology used to determine its short list. Sellers lacking in any of these items are allowed a cure period to remedy any deficiencies. If any deficiencies are not cured, proposals lacking in one or more of these criteria will be considered ineligible for short list consideration.

F. Describe involvement of the Independent Evaluator

The Independent Evaluator monitors SCE's RPS solicitations, provides an independent review of SCE's process, models, assumptions, and the proposals it may receive, and helps the Commission and SCE's PRG participants by providing them with information and assessments to ensure that the solicitation was conducted fairly and that the most appropriate resources were short-listed. The Independent Evaluator also provides an assessment of SCE's RPS solicitation from the initial phase of the solicitation (i.e., the publicizing of the issuance of the RFP) through the development of a short list of proposals with whom SCE has commenced negotiations. Further, the Independent Evaluator monitors the negotiation process to ensure that all shortlisted bidders are treated consistently and files reports on each final executed contract.

G. Describe involvement of the Procurement Review Group

SCE consults with its PRG during each step of the renewable procurement process. Among other things, SCE provides access to the solicitation materials and pro forma contracts to the PRG for review and comment before commencing the RFP; informs the PRG of the initial results of the RFP; explains the evaluation process; and updates the PRG periodically concerning the status of contract formation.

H. Discuss whether and how feedback on the solicitation process is requested from sellers (both successful and unsuccessful) after the solicitation is complete

SCE regularly receives feedback during the normal course of its solicitation process. Shortly after the 2009 RPS RFP Bidders' Conference, SCE solicited feedback from participants via a web based survey. The results of this feedback were shared with SCE's PRG. In addition, SCE anticipates it will formally solicit feedback either through a survey, workshop or other similar method from participants in the 2009 solicitation. SCE plans to follow this same approach for 2011.

III. SCE's Economic Curtailment Provisions[2]

SCE will consider proposals for bundled energy products that are based on the assumption that electric energy deliveries will be subject to curtailment by either the CAISO or the Transmission Provider in order to address reliability issues (such as congestion or over-generation) on the distribution or transmission networks, without compensation to seller. Seller must clearly describe its assumptions and provide all relevant information that it may have obtained from either the CAISO or Transmission Provider in its proposal.

Section 4.02 of SCE's Pro Forma Renewable Power Purchase and Sale Agreement provides that if a schedule is not awarded in the CAISO day-ahead or real-time markets, when the day-ahead LMP is zero or greater than zero, the seller receives the contract price for the energy that could have been delivered but for the fact that seller did not receive a schedule. However, when the LMP is less than zero and no schedule is awarded for the seller's power,

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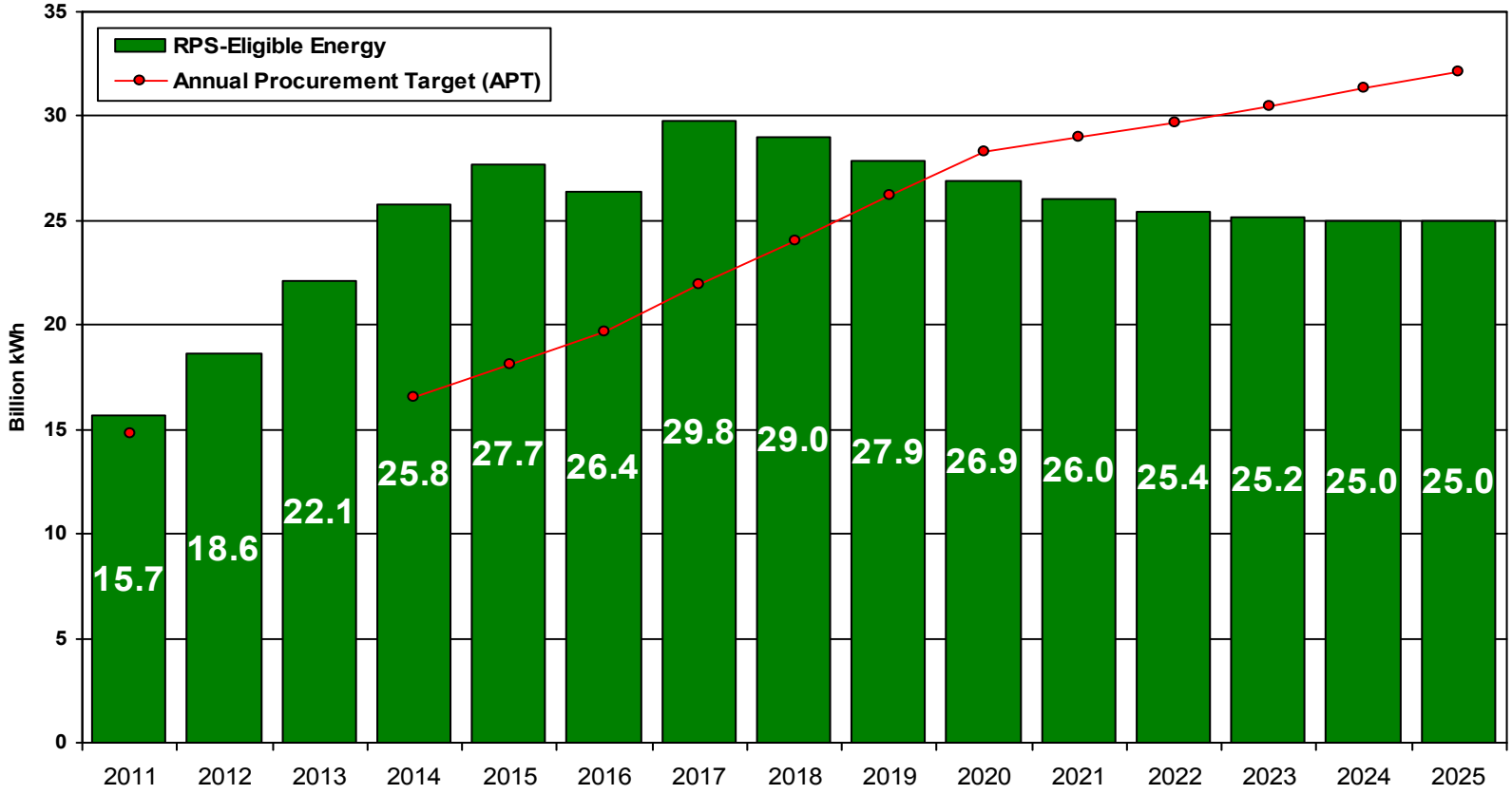
[2] SCE is providing an explanation of its economic curtailment provisions in accordance with D.11-04-030.

there is no payment to the seller up to a maximum number of GWh per year. As provided in SCE's Procurement Protocol, sellers are required to offer pricing based on being subject to potential curtailment without pay up to a cap equal to the contract capacity multiplied by 50, 100 and 200 hours. If that maximum number of GWh is reached in any year, then the seller would receive payment for the amount above the cap that could have been delivered but for the fact that seller did not receive a schedule. The amount of GWh in excess of the maximum number of hours per year is tracked and, at the end of the original contract term, at SCE's option, seller will "repay" SCE's customers for that energy by delivering twice the amount undelivered but paid-for energy, and receiving one-half the contract price until the earlier of (i) the total amount of energy is repaid or (ii) seller has delivered energy for two years past the original contract term.

APPENDIX B

SCE's RPS-Eligible Energy Forecast (Base Case)

SCE's RPS-Eligible Energy Forecast (Base Case)



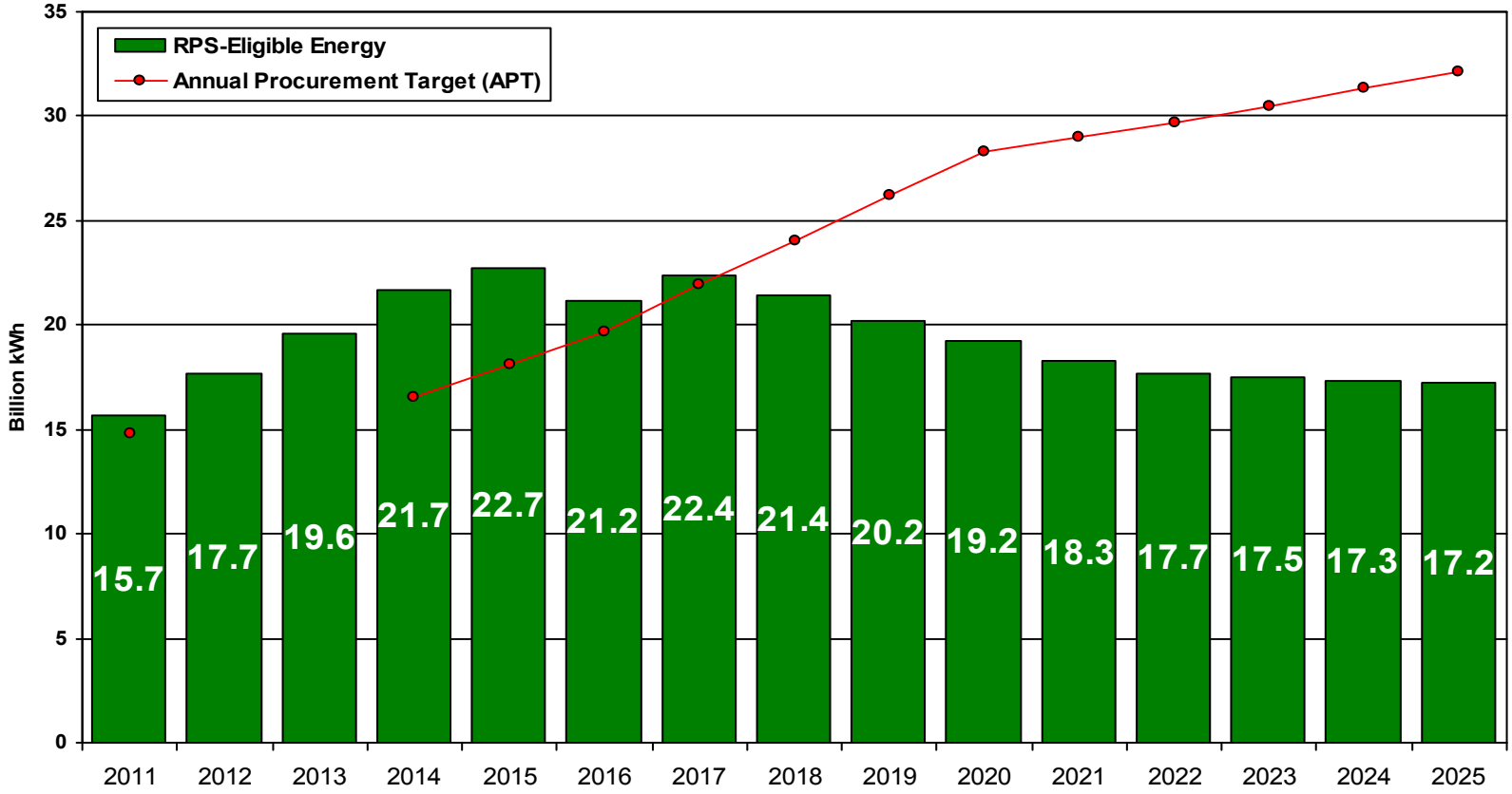
Long/Short Position (Billion kWh)	0.8			9.2	9.6	6.7	7.9	5.0	1.7	-1.4	-3.0	-4.3	-5.3	-6.3	-7.2

- APT based on October 2010 bundled sales forecast
- APT assumes 20% goal through 2013, straight-line to 25% in 2016, and straight-line to 33% in 2020 and beyond
- Includes all contracts executed through 2/14/11; Assumes 100% deliveries from executed contracts not yet on-line

APPENDIX C

SCE's RPS-Eligible Energy Forecast (High Need Case)

SCE's RPS-Eligible Energy Forecast (High Need Case)



Long/Short Position (Billion kWh)	0.8			5.1	4.5	1.5	0.5	-2.7	-6.0	-9.2	-10.7	-12.1	-13.0	-14.0	-14.9

- APT based on October 2010 bundled sales forecast
- APT assumes 20% goal through 2013, straight-line to 25% in 2016, and straight-line to 33% in 2020 and beyond
- Includes all contracts executed through 2/14/11; Assumes 60% deliveries from executed contracts not yet on-line

APPENDIX D

Redline of 2011 Written Plan

SOUTHERN CALIFORNIA
EDISON

An *EDISON INTERNATIONAL* Company

(U 338-E)

~~Second Amended 2010~~2011 Written Plan

~~June 17, 2010~~
May 4, 2011

PUBLIC VERSION

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Appendix A ~~Southern California Edison Company's Second Amended~~SCE's 2011 Written Description of Renewables Portfolio Standard Proposal Evaluation and Selection Process and Criteria

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Redline of ~~Second Amended 2010~~2011 Written Plan

Appendix ~~F~~E Redline of ~~Southern California Edison Company's Second Amended~~SCE's 2011 Written Description of Renewables Portfolio Standard Proposal Evaluation and Selection Process and Criteria

~~Second Amended 2010~~2011 Written Plan

1. Overview: An assessment and discussion of:

1.1. Supplies and demand to determine the optimal mix of RPS resources

Southern California Edison Company ("SCE") has completed its 2008 Renewables Portfolio Standard ("RPS") solicitation, ~~submitting~~executing fifteen contracts resulting from that solicitation~~ to the California Public Utilities Commission ("Commission") for approval.[1] In 2009 and 2010, SCE also submitted for approval fourteen~~. SCE also received a robust response to its 2009 RPS solicitation, executing eight contracts with a maximum capacity of approximately 850 MW.

Additionally, in 2009, 2010, and 2011, SCE executed 35 contracts resulting from its Renewables Standard Contract ~~Program~~("RSC") Program, 36 contracts resulting from its Solar Photovoltaic Program ("SPVP"), and eight contracts resulting from bilateral negotiations.[2]1 ~~In addition~~Moreover, SCE executed ~~one contract~~two contracts pursuant to ~~its~~the California Renewable Energy Small Tariff ("CREST") program.[3] For purposes of ~~the 2010~~SCE's 2011 RPS Procurement Plan, SCE assumes that all of the contracts executed at this time will be approved by the ~~Commission~~California Public Utilities Commission ("Commission" or "CPUC").

~~SCE received a robust response to its 2009 RPS solicitation. SCE has completed the proposal evaluation process for its 2009 solicitation and submitted its short list of projects from that solicitation to the Commission and SCE's Procurement Review Group ("PRG"). SCE is commencing negotiations with the short-listed projects. Since the negotiation process is just~~

~~[1] Three of SCE's 2008 solicitation contracts have been approved by the Commission. The other 2008 solicitation contracts are pending Commission approval.~~

[2]1 ~~Six~~Four of the ~~bilateral contracts and one of the Renewables Standard Contracts have been approved by the Commission. The other contracts are pending Commission approval. One of the bilateral contracts was terminated because the Commission retroactively made it ineligible for fast-track approval in Decision ("D.") 10-03-021. SCE and the seller subsequently executed a revised contract to replace the terminated contract~~RSC Program contracts, seven of the SPVP contracts, and one of the contracts resulting from bilateral negotiations have since been terminated.

~~[3] Purchases pursuant to, and consistent with, the terms and conditions of the tariff need not be submitted to the Commission by advice letter; such purchases are *per se* reasonable. D.07-07-027 at 7.~~

~~beginning, however, SCE is not in a position to fully assess the volume or resource type of the contracts that will result from the 2009 solicitation. Moreover, because of the lead time required to complete transmission studies, SCE still cannot fully assess how the transmission needs of some projects will affect viability, on-line dates, and potentially other commercial variables. The Commission's D.10-03-021, which authorized the procurement and use of unbundled and tradable renewable energy credits ("TRECs" or "RECs") for compliance with the California RPS program, but also reclassified most out-of-state bundled renewable transactions as REC-only and then limited the investor-owned utilities' ("IOUs") use of such REC-only transactions, may also significantly impact the number and volume of contracts that will result from the 2009 solicitation.~~

On April 12, 2011, a bill significantly modifying California's existing RPS program, Senate Bill ("SB") 1X 2, was signed into statute.[2] Upon implementation of SB 2, SCE expects the RPS program to depart from the current structure of annual RPS goals and move toward a multi-year RPS program where goals are established for the end of a number of years.[3] As a percentage of retail sales, SB 2 establishes the following renewable procurement goals for retail sellers: 20% for 2011 through 2013, 25% by 2016, and 33% by 2020 and annually thereafter.[4] SB 2 also removes deficits associated with any previous RPS for retail sellers procuring at least 14% of retail sales from eligible renewable energy resources in 2010,[5] permits banking of excess procurement,[6] grants a waiver of compliance under certain circumstances,[7] and establishes a prospective procurement structure and grandfathers contracts signed prior to June 1, 2010.[8] Additionally, SB 2 directs the Commission to establish a cost limitation for investor-owned utilities ("IOUs").[9] At the time of the filing of SCE's 2011 RPS Procurement Plan, these

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[2] For ease of reference, SCE refers to the bill as "SB 2" in this 2011 Written Plan.
[3] *See* SB 2, Cal. Pub. Util. Code § 399.15(b)(1)-(3).
[4] *See id.*
[5] *See* SB 2, Cal. Pub. Util. Code § 399.15(a).
[6] *See* SB 2, Cal. Pub. Util. Code § 399.13(a)(4)(B).
[7] *See* SB 2, Cal. Pub. Util. Code § 399.15(b)(5).
[8] *See* SB 2, Cal. Pub. Util. Code § 399.16.
[9] *See* SB 2, Cal. Pub. Util. Code § 399.15(c)-(d).

provisions are pending Commission implementation. Accordingly, SCE may need to modify its RPS Procurement Plan once the Commission has established the implementation details of SB 2.

~~As a result of these ongoing processes and contingencies, it is difficult to fully determine SCE's renewable procurement needs for 2010. Generally, however~~Generally, SCE's planned procurement activities for ~~2010~~2011 will include seeking resources to augment those already under contract to the extent necessary to ensure that SCE continues to meets the State's overall ~~goal of 20% renewables as soon as possible~~renewable energy goals. As discussed in more detail below, SCE considers "Base Case" and "High Need Case" procurement scenarios. SCE's Base Case ~~assumes a 20% renewable energy goal. SCE's~~and High Need Case ~~assumes~~both assume a 33% renewable energy goal. ~~In addition to procuring resources to meet the 20% goal as soon as possible,~~ SCE intends to procure renewable resources based on the High Need Case.

~~However, while SCE intends~~SCE's plan is intended to permit SCE to procure enough renewable energy to reach ~~20% renewables as soon as possible and to meet a 33%~~the State's renewable energy ~~goal~~goals; however, there are significant barriers to achievement of these goals. Based on SCE's experience in RPS solicitations to date, transmission will continue to be a serious impediment to bringing new renewable resources on-line.[~~4~~10] Increased procurement activity (i.e., execution of more contracts) will not accelerate the planning, permitting, and construction processes for new transmission and transmission upgrades. While SCE will continue to seek and contract with resources that can provide near-term deliveries, most proposals are expected to be limited by transmission. Additionally, the long and complicated process for siting and permitting of renewable generation projects, ~~the~~integrating intermittent renewable resources, the continued uncertainty surrounding the federal production and investment tax credits, a heavily subscribed interconnection queue, developer performance issues, and lack of flexibility in ~~the~~established regulatory ~~process~~processes related to ~~pursue all~~

[~~4~~10] The Commission has repeatedly recognized this in its Quarterly Reports to the Legislature. *See*, *e.g.*, Renewables Portfolio Standard Quarterly Report at 7 (Q4 2009); Renewables Portfolio Standard Quarterly Report at 7 (July 2009); Renewables Portfolio Standard Quarterly Report at 7 (July 2008); Renewables Portfolio Standard Quarterly Report at 5 (April 2008).

procurement~~ options~~ are all major challenges to meeting California's renewable energy goals. ~~SCE's overall goal is to achieve 20% renewables as soon as possible, regardless of whether or not that goal can be accomplished by 2010.~~

The magnitude of a 33% renewable energy goal increases the challenges to reaching the State's ~~goal~~goals. The Commission has stated that a 33% renewable energy goal is "highly ambitious, given the magnitude of the infrastructure buildout required."~~5~~[11] Indeed, the Commission found that reaching the 33% goal will require $115 billion in new infrastructure investment in an uncertain financial environment, including seven major new transmission lines (in addition to the four major new transmission lines needed to reach 20% renewables).~~6~~[12] The "highly ambitious" 33% renewable energy goal will not be achieved without addressing significant challenges including, among other things, the challenges discussed above. SCE addresses the impediments to reaching ~~20% and 33% renewables~~the State's renewable energy goals in more detail in Section 2 below.

Finally, SCE enters into contract discussions with renewable developers based on evaluation of project proposals relative to other proposals received in the solicitation. Generally, this process results in a diverse portfolio of technologies. After evaluating proposals based on quantitative factors, SCE evaluates proposals based on qualitative factors. This process is described in SCE's ~~Second Amended~~2011 Written Description of ~~RPS~~Renewables Portfolio Standard Proposal Evaluation and Selection Process and Criteria ("~~Second Amended~~2011 LCBF Written Report"), which is attached as Appendix A. For example, SCE considers proposals' delivery start dates, term lengths, and resource types in conjunction with SCE's current portfolio of renewable contracts and renewable energy needs. With respect to resource type, if the quantitative evaluation results in a suboptimal mix (e.g., all wind projects ranked as the best proposals), SCE will apply its qualitative methodology to balance the mix of resources. By taking many quantitative and qualitative factors into consideration, SCE ensures that it will select

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~~5~~[11] 33% Renewables Portfolio Standard Implementation Analysis Preliminary Results at 1 (June 2009).
~~6~~[12] *Id.* at 1-4.

projects best suited for its portfolio in order to meet customer needs and attain the State's renewable energy goals.

1.2. The use of compliance flexibility mechanisms

~~SCE projects that it will continue to satisfy part of its future annual procurement targets ("APTs") by using its surplus procurement bank balance. As the Commission held, "[i]f eligible procurement is not used to meet the APT in the year in which it was procured, it may be reported as surplus procurement and may be banked and used to meet procurement targets in past or future years."[7]~~ Under the current RPS program structure, SCE has utilized its surplus procurement bank balance and earmarking of future deliveries from RPS contracts to satisfy part of its RPS goals.[13] Flexible compliance under SB 2 will be an implementation item to be addressed by the Commission. Although the outcome of SB 2's implementation is unclear at this time, SCE intends to utilize flexible compliance mechanisms as permitted under the Commission's implementation of SB 2.

~~SCE further projects that it will earmark future deliveries from RPS contracts to meet APTs. The Commission's flexible compliance rules allow load-serving entities ("LSEs") to earmark future deliveries from executed contracts as a temporary allowable reason for an RPS procurement deficit in excess of 0.25% of the LSE's prior year's retail sales, so long as the earmarked deliveries fill the deficit no more than three years after the year in which the deficit occurred.[8] Moreover, in D.08-02-008, the Commission held that LSEs are permitted to earmark from a pool of contracts that are eligible for earmarking and apply banked surplus generation if an earmarked contract does not deliver or delivers less than forecasted.[9]~~

~~In D.10-03-021, the Commission held that, while REC-only contracts between an LSE and one RPS-eligible generator that is providing all the RECs are eligible earmarking, other~~

~~[7] D.06-10-050, Attachment A at 8.~~

[13] *See* Southern California Edison Company's (U 338-E) March 2011 Compliance Report Pursuant to California Renewables Portfolio Standard (March 1, 2011).

~~[8] *Id.*, Attachment A at 9-10; D.08-02-008 at 12.~~

~~[9] D.08-02-008 at 16-17.~~

~~REC-only contracts (including existing contracts reclassified as REC-only) are not.[10] The decision also created some uncertainty as to whether REC-only contracts could be earmarked towards compliance years prior to 2010. SCE intends to earmark REC-only contracts towards its APTs for years prior to 2010. Accordingly, the Commission's restrictions on earmarking REC-only contracts with more than one RPS-eligible generator and any limitation on earmarking REC-only contracts towards APTs prior to 2010 could affect SCE's overall compliance flexibility.~~

~~Flexible compliance continues to be a successful mechanism in encouraging and providing integrity to the renewable energy market, while ultimately benefiting electricity customers statewide. With flexible compliance, SCE forecasted compliance with the 20% RPS goal through the planning horizon in its last RPS compliance report.[11] On November 20, 2009, the Commission adopted D.09-11-014, which changed the calculation of the APT for 2010 and any future years in which the APT is 20% from 20% of prior year retail sales to 20% of current year retail sales.[12] Using this new methodology and with flexible compliance, SCE continues to forecast compliance with the 20% RPS goal through the planning horizon.~~

1.3. A bid solicitation setting forth relevant need, online dates, and locational preferences, if any

SCE's ~~2010~~2011 solicitation materials are provided as Attachments 2-1 through 2-11 to SCE's ~~Second Amended 2010~~2011 RPS Procurement Plan. SCE's ~~2010~~2011 Procurement Protocol includes, among other things, information related to relevant need, on-line dates, and locational preferences.~~[13]~~[14]

2. Workplan to Reach 20% By 2010 and 33% by 2020: A showing on each IOU's workplan to reach 20% by 2010, and 33% by 2020, including but not limited to:

~~[10] D.10-03-021 at 100 (OP 15).~~

~~[11] *See* Southern California Edison Company's (U 338-E) March 2010 Compliance Report Pursuant to California Renewables Portfolio Standard (March 1, 2010).~~

~~[12] D.09-11-014 at 13-14 (OP 2-4).~~

~~[13]~~[14] The ~~Second Amended 2010~~2011 Procurement Protocol is Attachment 2-1 to SCE's ~~Second Amended 2010~~2011 RPS Procurement Plan.

In its ~~2010~~2011 RPS solicitation, SCE intends to contract for the balance of renewable energy necessary to achieve the State's renewable energy goals, taking into account the renewable energy procured through SCE's 2009 RPS solicitation and other procurement mechanisms and success rate assumptions for executed contracts that are not yet on-line. To this end, SCE has developed a Base Case and a High Need Case of its renewable procurement needs. ~~The~~Both the Base Case ~~assumes~~and the ~~20% renewable energy goal set forth in the current RPS legislation.[14] The Base Case also~~High Need Case assume a 33% renewable energy goal as set forth in SB 2. Under both scenarios, SCE assumes a 20% goal for 2011 through 2013, a straight-line to a 25% goal in 2016, and a straight-line to a 33% goal in 2020 and beyond.[15] The Base Case and High Need Case also assume that deficits from the past RPS program do not carry over and the use of banking. The Base Case uses the current expected on-line dates for all projects~~, excludes flexible compliance,~~ and assumes 100% delivered energy from contracts that are executed but not yet on-line. ~~Appendix B shows SCE's current RPS-eligible energy forecast in the Base Case scenario.[15] SCE's High Need Case assumes a 33% renewable energy goal. The Governor has approved Executive Orders S-14-08 and S-21-09 setting forth a 33% target. Pursuant to Executive Order S-21-09, the California Air Resources Board ("CARB") is working to adopt a 33% Renewable Electricity Standard ("RES") regulation by July 31, 2010. While CARB has held several workshops and issued a proposed regulation, no final rules have been adopted. It is therefore unclear how the proposed RES program will be structured. Accordingly, SCE's High Need Case generally assumes the current RPS structure and rules as implemented by the Commission. Moreover, the~~ The High Need Case uses the current expected on-line dates for all projects~~, excludes flexible compliance,~~ and assumes ~~only 70~~60% delivered energy from contracts that are executed ~~but not yet on-line. This 70~~and not yet on-line. This 60% success

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~~[14] *See* Cal. Pub. Util. Code § 399.11 *et seq*.~~

[15] As noted above, SB 2 sets renewable procurement goals of an average of 20% for 2011 through 2013, 25% by 2016, and 33% by 2020 and annually thereafter. *See* SB 2, Cal. Pub. Util. Code § 399.15(b)(1)-(3). A straight-line progression to 25% in 2016 and 33% in 2020 is not required by the statute.

~~[15] SCE updated Appendix B in this Second Amended 2010 RPS Procurement Plan to include an updated bundled sales forecast and updated contract and project specific information.~~

rate is modeled to represent project development success rates as well as any contingency that would make meeting the State's renewable energy goals less likely (e.g., delays due to transmission, material shortages, load growth beyond that which is forecasted, or less than expected output from resources). Appendix B shows SCE's current RPS-eligible energy forecast in the Base Case scenario and Appendix C shows SCE's current RPS-eligible energy forecast in the High Need Case scenario.[16]

~~While~~Both the Base Case ~~scenario indicates that procurement may not be needed from the 2010 RPS solicitation, the~~and High Need Case ~~does~~ project a need for additional renewable energy deliveries in the future. In order to procure to meet the State's ~~proposed~~ 33% renewable energy goal, SCE intends to ~~base~~use the High Need Case to inform its procurement activities for the ~~2010~~2011 solicitation ~~on the High Need Case~~. SCE believes it is prudent to do so ~~based on~~given its experience in meeting the 20% renewable energy goal and the need to contract with projects early on in the process to support the development of needed transmission.

Along with its ~~2010~~2011 RPS solicitation, SCE plans to utilize other procurement options to help meet the State's renewable energy goals including SCE's ~~Solar Photovoltaic ("PV") Program, SCE's Renewables Standard Contract Program, and~~SPVP, the Renewable Auction Mechanism ("RAM") program adopted by the Commission, which will replace SCE's RSC Program, the CREST program, qualifying facility ("QF") standard contracts, bilateral negotiations with competitive renewable energy projects, and any new processes approved by the Commission.

Since 2002, SCE has secured contracts for over 9,500 MW of renewable generation, as shown in the following table:[17]

~~However, SCE must reiterate that while its~~

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[16] ~~SCE updated Appendix C in this Second Amended 2010 RPS Procurement Plan to include an updated bundled sales forecast and updated contract and project specific information~~Although both forecasts show an annual procurement target, SB 2 changes the structure of the RPS program from annual goals to multi-year goals. *See* SB 2, Cal. Pub. Util. Code § 399.15(b)(1).

[17] Data are current as of April 26, 2011. This table excludes terminated contracts.

Procurement Mechanism	Maximum Contract MW
Large RPS Solicitations	7,840
Bilateral Negotiations	1,212
RSC	405
SPVP	43
CREST	2
QF	34
Total	9,536

While SCE's intentions are to procure to a 33% renewable energy goal, there are significant barriers preventing SCE from achieving ~~both the 20% goal in the near-term and a 33% goal in the long-term. As detailed in Section 6, SCE requests approval for a streamlined pre-approval process for short-term renewable energy transactions to help meet these goals.~~that goal.

2.1. Identification of any impediments that remain to reaching 20% by 2010, and 33% by 2020[18]

~~Five~~Six primary factors ~~have affected SCE's ability to reach the overall RPS goal of 20% renewables and will continue to be issues in meeting~~will challenge achievement of a 33% renewable energy goal: (1) permitting, siting, approval, and construction of transmission and renewable generation projects; (2) integrating intermittent renewable resources; (3) the uncertainty surrounding the federal production and investment tax credits; (4) a heavily subscribed interconnection queue; (5) developer performance; and (6) lack of flexibility in the regulatory process to pursue all procurement options.~~[17]~~[19]

The lack of sufficient transmission infrastructure and the prolonged process for permitting and approval of new transmission lines continues to be the most significant

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[18] Given the enactment of SB 2, the discussion in this section focuses on impediments to reaching 33% by 2020.

~~[17]~~[19] Notably, the Commission has identified several of these factors as impediments to reaching the State's renewable energy goals. *See* e.g., Renewables Portfolio Standard Quarterly Report at 7 (Q4 2009); Renewables Portfolio Standard Quarterly Report at 7 (July 2009); Renewables Portfolio Standard Quarterly Report at 7 (July 2008); Renewables Portfolio Standard Quarterly Report at 5 (April 2008).

impediment to reaching the State's renewable energy goals. ~~As discussed in previous filings, contract evaluation and negotiation often occur in the early stage of project development where little or no transmission information is known.~~ SCE has received relatively few proposals from renewable generators that do not require significant transmission upgrades or new transmission development for the renewable energy to be deliverable. Based on the market responses in SCE's RPS solicitations, transmission and the lengthy process of siting, permitting, and building new transmission continues to be the single greatest issue to bringing new renewable resources on-line.

The challenges surrounding transmission are only compounded as the State's renewable energy goal increases from 20% to 33%, a 65% increase in renewable energy. The Commission has stated that "[s]erving 33% of California's energy needs with renewable sources will require an infrastructure build-out on a scale and timeline perhaps unparalleled anywhere in the world."[~~18~~20] The Commission's 33% Renewables Portfolio Standard Implementation Analysis Preliminary Results report also called a 33% renewable energy goal "highly ambitious, given the magnitude of the infrastructure buildout required."[~~19~~21] Indeed, the Commission noted that the "magnitude of the infrastructure that California will have to plan, permit, procure, develop, and integrate in the next ten years is immense and unprecedented," including approximately $115 billion in new infrastructure investment in an uncertain financial environment and seven major new transmission lines (in addition to the four major new transmission lines needed to reach 20% renewables).[~~20~~22]

The long and complicated permitting process for renewable generation facilities is also a barrier to meeting the State's renewable energy goals. The Commission has observed that most RPS project delays "are due to lack of transmission or generation permitting at the county, state, or federal level."[23] Moreover, the Commission's 33% Renewables Portfolio Standard

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[~~18~~20] Renewables Portfolio Standard Quarterly Report at 3 (October 2008).
[~~19~~21] 33% Renewables Portfolio Standard Implementation Analysis Preliminary Results at 1 (June 2009).
[~~20~~22] *Id.* at 1-4.
[23] Renewables Portfolio Standard Quarterly Report at 7 (Q4 2009).

Implementation Analysis Preliminary Results report also noted that environmental concerns, legal challenges, and public opposition can impact the timeline for bringing renewable generation projects on-line.[24]

~~An~~Even with investment in new infrastructure, an increase in California's renewable energy goal will also increase the grid reliability and integration issues associated with intermittent renewable resources. ~~In addition to the Commission, CARB~~The California Independent System Operator's ("CAISO's") recent 20% RPS study showed that the integration of variable energy resources will require increased operational flexibility, an effect expected to be exacerbated by a 33% RPS.[25] The California Air Resources Board has also recognized these barriers to reaching the State's goals, stating that "[a] key prerequisite to reaching a target of 33 percent renewables will be to provide sufficient electric transmission lines to renewable resource zones and system changes to allow integration of large quantities of intermittent wind and solar generation," and that California will need to quickly address transmission and integration issues and permitting difficulties to reach a 33% renewable energy goal.~~[21]The long and complicated permitting process for renewable generation facilities is also a barrier to meeting the State's renewable energy goals. The Commission recently observed that most RPS project delays "are due to lack of transmission or generation permitting at the county, state, or federal level."[22] The Commission's 33% Renewables Portfolio Standard Implementation Analysis Preliminary Results report also noted that environmental concerns, legal challenges, and public opposition can impact the timeline for bringing renewable generation projects on-line.[23]~~[26]

Another factor that has affected the abilities of SCE and other load-serving entities ("LSEs") to reach the State's renewable energy goals is the uncertainty surrounding the federal

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[24] 33% Renewables Portfolio Standard Implementation Analysis Preliminary Results at 4 (June 2009).

[25] *See* Integration of Renewable Resources - Operational Requirements and Generation Fleet Capability at 20% RPS (August 31, 2010) (available at http://www.caiso.com/2804/2804d036401f0.pdf).

~~[21] Climate Change Scoping Plan at 45, Appendices, Volume I at C-127-C-128 (December 2008).~~

~~[22] Renewables Portfolio Standard Quarterly Report at 7 (Q4 2009).~~

~~[23] 33% Renewables Portfolio Standard Implementation Analysis Preliminary Results at 4 (June 2009~~[26] Climate Change Scoping Plan at 45, Appendices, Volume I at C-127-C-128 (December 2008) (available at http://www.arb.ca.gov/cc/scopingplan/document/scopingplandocument.htm).

production and investment tax credits. Many renewable generation projects rely on these tax credits, prompting the Commission to call this factor "the number one source of risk to new RPS generation expected to come online by 2010" in July 2008.[24][27] RPS contracts often have no fault termination rights if the tax credits are not extended. Sending signals to the renewables market that these credits will be available over the long-term will stimulate sustained investment in renewable resources rather than the "boom and bust" cycle induced by the uncertainty regarding whether the federal tax credits will be available.

The American Recovery and Reinvestment Act of 2009 ("ARRA 2009") extended the production tax credit for wind until the end of 2012, and for other technologies until the end of 2013.[25][28] The investment tax credit for solar was also extended until the end of 2016. In Section 1603 of the ARRA 2009, the U.S. Treasury Department launched a new program whereby eligible energy property can receive a cash grant in lieu of the production tax credit. This cash grant program has been well received by renewable generation developers. To qualify for the Section 1603 cash grant program, the "beginning of construction" for eligible property must "start construction"have occurred by December 31, 2010, and the property must be placed "in service" based on a schedule dependent on the type of generation (by January 1, 2013 for large wind and January 1, 2017 for solar).[26][29] These aggressive construction and in-service requirements have led the generation community to place increasing political pressure on regulatory bodies such as the Commission, the California Energy Commission ("CEC"), the Bureau of Land Management ("BLM"), along with SCE, to expedite the regulatory process to enable generators to come on-line sooner to take advantage of this stimulus program.

While the ARRA 2009's extension of the tax credits relieved some uncertainty for near-term projects, the "on again, off again" nature of these tax credits continues to be a barrier to

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[24][27] Renewables Portfolio Standard Quarterly Report at 7 (July 2008).

[25][28] *See* American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5 (2009).

[26][29] *See* Payments for Specified Energy Property in Lieu of Tax Credits under the American Recovery and Reinvestment Act of 2009, U.S. Treasury Department Guidance Document (July 2009) (available at http://www.treasury.gov/recovery/docs/guidance.pdf).

renewable development. In particular, the expiration of the production tax credit for wind at the end of 2012 currently impacts proposed wind generating facilities given the time needed for Commission approval of contracts, siting, permitting, construction, and development of needed transmission. Additionally, the uncertain future of the federal production and investment tax credits will likely continue to be a long-term barrier to meeting a 33% renewables goal.

Heavy subscription to the ~~California Independent System Operator (“~~CAISO~~”)~~ interconnection queue is also a major barrier to achieving the State’s renewable energy goals. ~~The number and aggregate capacity of projects in the CAISO interconnection queue are increasing at rates never before experienced in California~~In its recent requested tariff amendment, CAISO estimated that it would take “as long as six to eight years from October 1, 2010 to complete the studies for all small generators currently in the ISO’s queue under the ISO’s current SGIP process.”[30] As of February 3, 2011, SCE had over 500 interconnection requests, comprising more than 32,000 MW, inclusive of CAISO and WDAT requests. Although the CAISO’s interconnection reform effort is currently being implemented, whether or not the reforms will meet the expectations and goals of all stakeholders remains to be seen. ~~The CAISO saw a significant amount of generation interconnection requests withdrawn in December 2008 and December 2009 resulting from implementation of the reformed Large Generator Interconnection Procedures. However, SCE has seen a substantial increase in the number of requests under 20 MW in its service territory under the Small Generator Interconnection Procedures. As of June 1, 2010, SCE had over 380 interconnection requests, comprising more than 32,000 MW in its interconnection process, inclusive of CAISO and WDAT requests.~~

Achieving the State’s renewable energy goals is also dependent on the performance of renewable developers. SCE has executed contracts with a large number of developers. To qualify for California’s RPS program, these developers must plan for, permit, construct, and operate their facilities according to milestones set in the contracts. ~~Developers have significant~~

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[30] Tariff Amendment to Revise Generator Interconnection Procedures at 5 (October 19, 2010) (available at http://www.caiso.com/2834/2834c11a4c2f0.html).

~~hurdles~~Hurdles encountered during these activities ~~and it is always possible that~~require developers to alter their milestone schedules ~~will be altered~~. To the extent delays occur, ~~these delays will impact~~ the amount of delivered energy on which SCE can rely to reach the State's goals may be affected.

~~Finally~~Furthermore, in view of these major challenges to achieving the State's renewable energy goals, it is crucial that California expand the supply of renewable resources by allowing the broadest possible market of eligible renewable products. However, lack of flexibility in the regulatory process surrounding two procurement options – ~~RECs~~unbundled and tradable renewable energy credits ("RECs" or "TRECs") and short-term renewable energy transactions – ~~impedes~~has impeded progress toward California's goals.

SCE has supported the use of RECs to help protect electricity customers from limitations in supply. Additionally, RECs provide renewable project owners and LSEs much needed flexibility and options in contracting for renewable energy. Contracting flexibility leads to lower transaction costs in obtaining renewable attributes from renewable resources that have limited access to transmission or are located far from buyers. Ultimately, increased flexibility and lower transaction costs also promote more liquid and price-competitive renewable energy markets and a better and more efficient RPS program in general, which in turn will help lead to more investment in renewable development. Given the importance of the State's renewable energy goals and the challenges facing renewable developers (in developing projects) and LSEs (with regard to RPS compliance), broad markets, including the use of RECs, are important.

Despite the fact that the Commission has been authorized to allow the use of RECs for California's RPS program since ~~Senate Bill ("~~SB~~")~~ 107 took effect in 2007,~~27~~31 ~~only in~~ the ~~past month did the~~ Commission did not authorize ~~their use, albeit in a limited fashion. After issuing a proposed decision allowing the use of RECs in October 2008, a revised proposed decision allowing the use of RECs in March 2009, and another revised proposed decision allowing the use~~

~~27~~31 *See* Cal. Pub. Util. Code § 399.16.

of RECs in December 2009,[28] the Commission issued a final decision authorizing the procurement and use of RECs in March 2010.[29] That decision authorized limited use of TRECs if they are accompanied by delivery of associated energy into California. Further, underthe use of RECs for compliance with the RPS until it adopted D.10-03-021 in March 2010. The Commission's authorization of RECs in D.10-03-021 was subsequently stayed on May 6, 2010 pending resolution of two petitions for modification of that decision.[32] On January 13, 2011, the Commission adopted D.11-01-025, which resolved the petitions for modification of D.10-03-021 and lifted the stay on the Commission's authorization of RECs.[33]

Although RECs may now be used to comply with the RPS, their use is limited. Under the definition of REC-only transactions set forth in D.10-03-021, as modified by D.11-01-025, most out-of-state bundled renewable contracts (including existing contracts) were reclassified as REC-only.[34] The Commission also limited the IOUs' use of such REC-only contracts by IOUs and electric service providers to 25% of their APTsannual procurement targets and imposed a $50/REC price cap for the IOUs. SCE intends to use TRECs toward its RPS compliance targets. However, given the[35] The restrictions on the use of TRECsRECs and out-of-state renewable resources imposed in D.10-03-021, thereby the Commission are still significant limitations on the renewable energy market. Indeed, under D.10-03-021, the IOUs have less procurement options and flexibility than they had before the decision was adopted.

Most states that have RPS programs allow the use of unbundled RECs for compliance with their programs. In fact, as shown in the map below, in 2008, 21 out of 25 states with an

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[28] *See* Proposed Decision Authorizing Use of Renewable Energy Credits for Compliance With the California Renewables Portfolio Standard, Rulemaking ("R.") 06-02-012 (October 29, 2008); Proposed Decision Authorizing Use of Renewable Energy Credits for Compliance With the California Renewables Portfolio Standard, R.06-02-012 (March 26, 2009); Proposed Decision Authorizing Use of Renewable Energy Credits for Compliance With the California Renewables Portfolio Standard, R.06-02-012 (December 23, 2009).

[29] *See* D.10-03-021.

[32] D.10-05-018 at 8 (OP 1). The Commission also placed a temporary moratorium on Commission approval of any contracts signed after the issuance of D.10-05-018 that would be defined under D.10-03-021 as REC-only transactions. *Id.* at 8 (OP 2).

[33] D.11-01-025 at 48 (OP 6-7).

[34] *Id.*, Appendix A at 11 (OP 6-7).

[35] *Id.*, Appendix A at 14 (OP 17), 16 (OP 20); D.11-01-026 at 28 (OP 3).

RPS allowed unbundled RECs for compliance.[30] With the enactment of SB 2, which establishes a prospective procurement structure and grandfathers contracts signed prior to June 1, 2010,[36] SCE expects that there will be changes to the rules surrounding the use of RECs and out-of-state renewable resources. The effect of such rules on SCE's procurement will be dependent on the Commission's implementation of SB 2.

The use of unbundled RECs helps protect electricity customers from limitations in supply. Additionally, unbundled RECs provide renewable project owners and LSEs much needed flexibility and options in contracting for renewable energy. Additional contracting flexibility leads to lower transaction costs in obtaining renewable attributes from renewable resources that have limited access to transmission or are located a far distance from their buyers. Ultimately, increased flexibility and lower transaction costs promote more liquid and price-competitive renewable energy markets and a better and more efficient RPS program in general, which in turn will help lead to more investment in renewable development. Given the importance of the State's renewable energy goals and the challenges facing renewable developers (in developing projects) and LSEs (with regard to RPS compliance), the additional flexibility provided by unbundled RECs warrants their use in the State's RPS program. Unbundled RECs are in everyone's best interest: electricity customers, LSEs, and renewable developers and generators. Although SCE appreciates the Commission authorization of TRECs in D.10-03-021, the Commission's expansive definition of a REC-only transaction to include most out-of-state bundled transactions combined with the usage limit on REC-only transactions limits the benefits of allowing TRECs to meet the State's renewable energy goals. SCE's planned use of TRECs is discussed further in Section 6.6.

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[30] Lawrence Berkeley National Laboratory, Research News, Berkeley Lab Examines State-level Renewables Portfolio Standard Policies, April 10, 2008 (available at http://www.lbl.gov/Science-Articles/Archive/assets/images/2008/Apr/10-Thu/hires/Page7updatedRPSgraphics[36] *See* SB 2, Cal. Pub. Util.pdf). Code § 399.16.

~~Although~~Finally, although IOUs may enter into short-term renewable energy transactions, the current process for Commission approval of the IOUs' short-term renewable contracts limits the IOUs' ability to utilize short-term renewable transactions~~, since the process is commercially unworkable in the marketplace~~. In particular, the current process requiring each RPS contract to be submitted for approval via advice letter or application and reviewed and approved on a contract-by-contract basis does not allow sufficient time to obtain Commission approval of short-term transactions that may begin deliveries shortly after execution. As ~~with non-renewable generation under the Assembly Bill ("AB") 57 Procurement Plan process, Commission pre-approval of a certain amount of short-term renewable transactions is needed, especially since renewable resources are higher in the loading order. Otherwise, IOUs will not be able to compete~~a result, IOUs are at a competitive disadvantage for short-term contracts with other LSEs whose contracts do not require Commission approval, and IOU customers ~~will be~~are unfairly prejudiced, as they will likely end up paying higher prices for renewable energy as a result of this restriction. ~~Indeed, as SCE stated in its briefing to its PRG on June 8, 2009,~~ SCE's customers have already lost out on numerous short-term contracting opportunities due to the length of time needed to obtain Commission approval or because counterparties have withdrawn their offers in favor of contracts with other LSEs who do not have Commission approval requirements for their contracts.

~~SCE previously sought pre-approval for a limited amount of short-term renewable transactions in its 2009 RPS Procurement Plan.[31] The Commission denied SCE's request and instead adopted a fast-track approval process for short-term renewable contracts that satisfy certain specific conditions.[32] This process does not adequately address SCE's concerns. The fast-track approval process severely limits the amount of renewable energy transactions eligible~~

~~[31] Southern California Edison Company's (U-338-E) 2009 RPS Procurement Plan, Attachment 1 at 29-30 (September 15, 2008). *See also* Comments of Southern California Edison Company (U-338-E) on the Proposed Decision Establishing Price Benchmarks and Contract Review Processes for Short-Term and Bilateral Procurement Contracts for Compliance with the California Renewables Portfolio Standard at 5-8 (May 26, 2009).~~

~~[32] *See* D.09-06-050.~~

~~for approval under such a process and does not provide IOUs sufficient flexibility to execute short-term renewable transactions. Additionally, in D.10-03-021, the Commission further limited the transactions eligible for the fast-track approval process by holding that REC-only contracts (including bundled contracts reclassified as REC-only) are not eligible for the fast-track approval process.[33]~~

~~As explained in more detail in Section 6.3, there is a continued need for a pre-approval process for a limited amount of short-term renewable transactions (whether bundled or REC-only). Such a process is needed to provide IOUs the same flexibility with respect to renewable resource procurement they already have for non-preferred resources in the AB 57 procurement process.~~

2.2. <u>What the IOU is doing, or plans to do, to address each impediment, if anything</u>

Over the past few years, SCE has taken several actions to address the impediment of transmission to achieving California's renewable energy goals. For example, SCE has attempted to expedite the permitting and construction of renewable transmission facilities by: (1) proactively providing the upfront financing for needed transmission network upgrades, (2) seeking authorization to record costs associated with interconnection and environmental studies for renewable projects, (3) providing leadership to the CAISO's reform of the Large Generator Interconnection Procedures, and (4) requesting authority to study the feasibility of developing transmission capacity to deliver output from potential renewable resources.

~~In June 2007, the Commission adopted Resolution E-4052, which directed SCE to coordinate its efforts and schedules to the greatest extent possible with the priorities, process, and schedules of the California Renewable Energy Transmission Initiative, now referred to as the Renewable Energy Transmission Initiative ("RETI"). SCE has been an active participant in all aspects of RETI since its formation, and is now an active participant in the CAISO's RETI follow on efforts titled "Getting to 33% RPS by 2020 through a Comprehensive Renewable~~

~~[33] D.10-03-021 at 52.~~

~~Transmission Planning Process."~~ Despite these efforts, SCE still expects that transmission will continue to be a significant impediment to achieving the State's renewable energy goals.

While the uncertainty associated with production tax credits and investment tax credits was outside the control of California state agencies, SCE's policy advisors in Washington, D.C. worked with senators and legislators advocating for the extension of these tax credits. Additionally, SCE supported California Assembly Joint Resolution 50 that urged the U.S. Senate and President to extend the credits. As explained above, the ARRA 2009 extended the production tax credit for wind until the end of 2012, and for other technologies until the end of 2013. The investment tax credit for solar was also extended until the end of 2016. SCE will continue to support extension of these tax credits in the future.

To address the interconnection queue impediment, SCE played a leadership role among California Participating Transmission Owners in the stakeholder process that lead to reforms of the CAISO Large Generator Interconnection Procedures, which were approved by the Federal Energy Regulatory Commission in 2008 and are currently being implemented.

Furthermore, to proactively address development performance issues, SCE continues to reach out and communicate with project developers on a regular basis, discuss options and the status of project development, and provide guidance and direction as often as needed. SCE has also made several modifications to its ~~solicitations~~solicitation materials in response to lessons learned from developers in previous solicitations. To overcome some of the development barriers, SCE has created an option to have SCE act as schedule coordinator, allowed for delivery points at the point of interconnection with the transmission provider's electric grid, and tailored certain terms and conditions to address market changes in equipment availability and supply.

SCE has also worked with developers to overcome local opposition to renewable projects through active education with city governments regarding the State's goals and the importance of renewable energy in California. Furthermore, SCE continually educates the renewable development community on its procurement opportunities. In order to explain SCE's various

renewable contracting opportunities, SCE speaks to developers at industry-wide symposiums (e.g., American Wind Energy Association, the U.S. military's Enhanced-Use-Lease, Geothermal Resources Council, Solar One), hosts~~ its own annual~~ Bidders' ~~Conference~~Conferences in connection with each RPS solicitation, fields countless~~ phone~~ inquiries, and participates in CEC developer forums.

Finally, in order to gain increased regulatory flexibility to pursue additional procurement options, SCE ~~is seeking approval to enter into transactions for TRECs~~plans to use RECs as part of its procurement authority~~. SCE is also seeking Commission pre-approval to enter into a limited quantity of short-term renewable transactions. Both of these proposals are outlined in more detail in Sections 6.3 and 6.6.~~ as discussed in Section 6.7. To further facilitate the use of ~~unbundled~~ RECs in the future, SCE ~~has also organized and leads~~led a stakeholder process, consisting of a wide range of industry participants, to develop a standardized unbundled REC contract for use in the Western Electricity Coordinating Council ("WECC"). The contract is built to be adaptable to meet various state RPS requirements and will hopefully lead to increased liquidity and a robust ~~unbundled~~ REC market.

Additionally, to maximize contracting opportunities, SCE ~~has pursued its Renewables Standard Contract Program~~implemented its RSC Program, and in 2009 and 2010, executed 35 contracts resulting from that program for approximately 459 MW of renewable energy.[37] However, this program has been replaced by the Commission's implementation of the RAM program as discussed in Section 6.1. SCE ~~is~~ also ~~implementing~~implemented a competitive solicitation offering 250 MW of long-term power contracts to independent solar photovoltaic ("PV") power providers in conjunction with 250 MW of utility-owned generation as part of SCE's ~~Solar PV Program~~SPVP, as discussed in more detail in ~~Section 3.~~Sections 3 and 6.4. This brings the total generating capacity of the ~~Solar PV Program~~SPVP to 500 MW, the largest solar

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[37] Four of those contracts for about 65 MW were subsequently terminated.

PV program ever undertaken. In 2010, SCE executed 36 SPVP contracts with the independent power producers for a total of approximately 50 MW AC.[38]

Finally, in order to address problems with the approval process for short-term renewable contracts, SCE proposed pre-approval for a limited amount of short-term renewable transactions in both its 2009 and 2010 RPS Procurement Plans.[39] The Commission rejected both of SCE's proposals.[40]

3. Build Own Resources: A showing on the IOU's current consideration of whether or not to build its own renewable generation to reach 20% by 2010, and 33% by 2020

While the RPS ~~law~~program permits renewable utility-owned generation ("UOG"), it does not require such ~~utility-owned generation.[34]~~UOG.[41] As explained below, SCE is pursuing renewable ~~utility-owned generation~~UOG through its ~~Solar PV Program.[35]~~SPVP. Consistent with the direction provided in the last two General Rate Case decisions (D.06-05-016 and D.09-03-025) described below, SCE's Generation Project Development Division ("PDD") also evaluates the possibility of building other renewable generation resources.

On March 27, 2008, SCE submitted Application ("A.") 08-03-015, seeking authority to spend up to $962.5 million (in 2008 dollars) in customer funds to ~~develop the Solar PV Program to~~ install 250 MW of ~~capacity from~~UOG solar PV ~~panels~~projects on rooftops (and a small percentage of ground mounted projects) at the distribution level ~~in urban areas of Southern~~

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[38] Seven of those contracts for about 8 MW AC were subsequently terminated.

[39] Southern California Edison Company's (U 338-E) 2009 RPS Procurement Plan, Attachment 1 at 29-30 (September 15, 2008); Southern California Edison Company's (U 338-E) Second Amended 2010 RPS Procurement Plan, Attachment 1 at 30-36 (June 17, 2010).

[40] D.09-06-050 at 43 (OP 9); D.11-04-030 at 28-33.

~~[34]~~[41] In D.09-06-018, the Commission reiterated that utility-owned generation is not an RPS program requirement. D.09-06-018 at 49.

~~[35] *See* D.09-06-049.~~

~~California.~~of SCE's service territory.[42] The primary purpose of this program is to transform the solar PV market ~~by reducing costs. SCE sees numerous customer benefits from its new solar program, among them the hope of progressing the rooftop solar PV market~~ to substantially lower costs~~, which will allow greater installation of solar PV by electricity customers in Southern California.[36]~~ through creating demand.

On June 18, 2009, the Commission adopted a ~~decision on A.08-03-015.[37] The Commission increased the size of SCE's Solar PV Program to 500 MW. Although SCE had proposed that the Solar PV Program include only utility-owned generation, the Commission added 250 MW owned by independent power producers to the program. The decision adopted cost-of-service treatment for the utility-owned generation portion of the Solar PV Program, including the amounts recorded in the memorandum account pursuant to Resolution E-4182. To date, installation on two major roof structures have been completed. One was completed in 2008 and a second in 2009. Each roof supports over 1 MW in installed renewable capacity. Negotiations and analyses are in final stages for a third roof. Additionally, SCE plans to put approximately 42 MW in service in 2010.~~500 MW SPVP in D.09-06-049. The Commission doubled the size of the SPVP to 500 MW by adding 250 MW of solar PV projects owned by independent power producers ("IPPs").[43] Under its SPVP, SCE completed 21 MW of utility-owned solar PV generation by the end of 2010, with an additional 22 MW of projects under

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[42] On March 27, 2008, SCE also submitted Advice Letter 2226-E seeking authority to record in a memorandum account invoiced costs for outside services, insurance expenses, and any capital-related revenue requirement associated with the first $25 million of direct capital expenditures incurred in the SPVP. SCE expected that this capital expenditure would provide 5 MW of rooftop solar PV electric energy connected at the distribution level in Southern California. On September 18, 2008, the Commission issued Resolution E-4182 approving the establishment of a memorandum account to record the revenue requirement for this first 5 MW of rooftop solar PV facilities.

~~[36] On March 27, 2008, SCE also submitted Advice Letter 2226-E seeking authority to record in a memorandum account invoiced costs for outside services, insurance expenses, and any capital-related revenue requirement associated with the first $25 million of direct capital expenditures incurred in the Solar PV Program. SCE expected that this capital expenditure would provide 5 MW of rooftop solar PV electric energy connected at the distribution level in Southern California. On September 18, 2008, the Commission issued Resolution E-4182 approving the establishment of a memorandum account to record the revenue requirement for this first 5 MW of rooftop solar PV facilities.~~

~~[37] *See* D.09-06-049.~~

[43] *See* Section 6.4 for a discussion of the IPP portion of SCE's SPVP.

construction and nearing completion. In addition to these projects, SCE plans to complete an additional 25 MW of utility-owned solar PV generation in 2011.

On February 11, 2011, SCE filed a petition for modification of D.09-06-049 with the Commission. SCE witnessed evidence of a transformed solar PV market through a substantially increased volume of solar PV bids in renewable solicitations outside of the SPVP. In order to afford its customers the benefit of the lower renewable prices associated with these recent solar PV offers, SCE's petition requests that both the UOG and IPP portions of the SPVP be decreased to no more than 125 MW each, and that an IPP revised solicitation be created to solicit 250 MW of solar PV projects not subject to the constraints of the original SPVP. This proposed modification is expected to provide a ratepayer benefit of $300 million present value revenue requirement. SCE has requested a final decision on its petition for modification by June 9, 2011. Until such time as the Commission acts on its petition, SCE is operating the SPVP as required by D.09-06-049.

In addition to the ~~Solar PV Program~~SPVP, SCE continues to evaluate the possibility of building renewable and other ~~utility-owned generation~~UOG resources in its PDD. In SCE's Test Year 2006 and 2009 General Rate Case decisions, D.06-05-016 and D.09-03-025, the Commission approved SCE's request for cost recovery for certain so-called "support" functions associated with SCE's ~~Generation Project Development Division.[38]~~PDD.[44] These "support" functions~~"~~ include the following: "(1) analyze generation technologies and costs; (2) locate ~~appropriates~~appropriate sites for potential generation development; (3) monitor and participate in generation-related regulatory and legislative activity; and (4) develop and maintain the best option outside negotiation (BOON) for relevant generation technologies."~~[39]~~[45] SCE has requested a continuation of PDD funding in the Test Year 2012 General Rate Case application.

Thus, base-rate funding was authorized for studying future generation needs, including renewable generation needs. Since the authorization of funding in SCE's Test Year 2006

~~38~~44 D.09-03-025 at 40-42.

~~39~~45 *Id.* at 40.

General Rate Case decision, ~~SCE has begun the generation studies contemplated in the decision. Among other things, the characteristics and costs for emerging generation technologies, potential sites, and transmission network upgrades are presently being studied.~~PDD continues to study various technologies, including renewables, and identify potential generation sites. PDD studied the initial feasibility of solar PV panels to be installed on third party roofs in SCE's service territory. Those studies resulted in the application and Commission approval of the SPVP described above. PDD also evaluated clean fossil fueled distributed generation in the form of fuel cells. Fuel cell generating units have not progressed commercially in California energy markets. The California Governor's Office encouraged PDD to identify several potential fuel cell installation sites on California University campuses, and other state-owned facilities. Once interested University partners were identified, PDD submitted its Fuel Cell Program Application,[46] which was approved by the Commission on April 8, 2010.[47]

The Commission, however, twice rejected SCE's request to include in rates~~,~~ efforts by ~~the Generation Project Development Division~~ PDD to engage in activities such as "develop[ing] and implement[ing] plans to advance projects from the development phase to the construction and operations phase~~."[40] These development activities include preparation of environmental assessments and applications for Certificates of Public Convenience and Necessity, which may take 30 to 36 months to prepare and process. Therefore, SCE~~" at specific sites.[48] Therefore, PDD is not currently authorized to ~~recover funds~~use PDD funding to develop renewable generation resources. The costs for any specific proposed projects are only recoverable when those projects ~~are selected through a solicitation~~have been approved for recovery by the Commission through individual applications.

4. Imperial Valley Issues:

4.1. Bidders' Conference

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[46] *See* A.09-04-018.
[47] *See* D.10-04-028.
~~[40] *Id.* at 40-42.~~
[48] D.09-03-025 at 40-42.

In 2009, SCE was required by the Commission to host an Imperial Valley Bidders' Conference in addition to its annual Request for Proposals ("RFP") Bidders' Conference.[41][49] On July 9, 2009, SCE hosted its Imperial Valley Bidders' Conference in Los Angeles. Despite publicizing this event, attendance was not high. Prior to the Imperial Valley Bidders' Conference, SCE received numerous questions from confused sellers about the purpose and goal of a separate conference for the Imperial Valley, which provides evidence to justify earlier concern that "a special conference might give the impression that a preference will be given to Imperial Valley developers, and that projects in other areas need not apply."[42][50] ~~Accordingly, SCE recommends against requiring each IOU to conduct a special Imperial Valley Bidders' Conference in 2010.~~

4.2. Remedial Measures for ~~2010~~2011

In its 2009 RFP, SCE noted that its evaluation criteria would consider the benefit of projects locating near approved transmission infrastructure, such as the Sunrise Powerlink Transmission Project ("Sunrise") and the Tehachapi Renewable Transmission Project. SCE received numerous proposals indicating an interconnection point to Sunrise in its 2009 solicitation. [redacted] SCE's experience shows that Imperial Valley sellers are well aware of the solicitation process. SCE will continue to give a preference to projects located near approved transmission projects, including Sunrise, in its ~~2010~~2011 RPS solicitation.

~~At this time, SCE does not suggest any remedial measures relative to the Imperial Valley for 2010 as they are unnecessary to solicit interest from Imperial Valley projects, which are already participating in IOU RPS solicitations.~~

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[41][49] D.09-06-018 at 78 (COL 6).
[42][50] *Id.* at 11.

In D.11-04-030, the Commission held that remedial measures related to Sunrise are not needed in the 2011 RPS Procurement Plans.[51]

5. Contract Amendments:

SCE appreciates the Commission's intent to streamline the renewable contract amendment review process.[43][52] However, the approach that SCE currently uses to determine whether a contract amendment should go into the Energy Resource Recovery Account ("ERRA") reasonableness filing as opposed to an advice letter or application is functional, streamlined, and efficient. In its 2009 RPS Procurement Plan, SCE explained the ERRA process and proposed guidelines for the treatment of renewable contract amendments should the Commission determine further guidelines are necessary.[44][53] The proposal in the Scoping Memo is similar in some ways to the guidelines SCE proposed in 2009. Unfortunately, some aspects of the Scoping Memo proposal are directly contrary to the goal of streamlining the contract amendment review process. In fact, the Scoping Memo proposal would likely make the review process for renewable contract amendments more complicated, burdensome, and time consuming. If read broadly, the Scoping Memo proposal could significantly increase the number of amendments that must be filed by advice letter, burdening the IOUs, their counterparties, and Commission staff, and delaying the approval of amendments that are required to allow renewable projects to come on-line.

SCE believes the current process for review of renewable contract amendments is working effectively. There is no evidence that a change in that process is required or desirable. ~~However, if the Commission determines that additional guidelines are needed, the Scoping Memo proposal should be modified so that it can effectively streamline the process rather than adding additional complications and delay.~~

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[51] D.11-04-030 at 25.

[43][52] Amended Scoping Memo and Ruling of Assigned Commissioner Regarding 2010 RPS Procurement Plans ("Scoping Memo"), Attachment A at 5 (November 2, 2009).

[44][53] Southern California Edison Company's (U 338-E) 2009 RPS Procurement Plan, Attachment 1 at 21-22 (September 15, 2008).

A. SCE's Current Contract Amendment Process

Since the early 1980s, all actions taken by the IOUs after contract execution have been within the scope of contract administration. All contract administration activities for RPS contracts, including contract amendments, are subject to review by the Commission. The Commission reviews these matters either through the annual ERRA Reasonableness of Operations review process, advice letters, and/or applications filed by the IOUs. The same general process is used for ~~qualifying facility~~QF contracts and other contracts for non-renewable resources.

RPS contracts are complex and typically involve the development of new projects, often requiring hundreds of millions of dollars of capital investment and a lengthy development planning horizon. Any number and type of changes may occur over this horizon as well as the terms of the agreements. Many of the contract changes experienced with new generation projects involve revised on-line dates brought about by transmission interconnection issues, site permitting issues, or other unanticipated development hurdles. Contract changes have also been made to address changes in the market or regulatory environment. Most of these amendments are included in the annual ERRA reasonableness filing. SCE utilizes ERRA for contract amendments when it can provide clear evidence that in agreeing to an amendment requested by a seller, SCE has secured a commensurate ratepayer benefit.[~~45~~54] The function of the ERRA reasonableness proceeding is to ensure that contract administration actions are reasonable, consistent with Commission directives, administered equally, and consistent with utility and/or industry practice. It is the IOU's burden to demonstrate that its actions are reasonable through clear and convincing evidence.[~~46~~55]

For amendments that substantially alter the contract, SCE would likely deem it necessary to submit an advice letter for approval of the contract amendment. Such contract amendments could be something unique to the contract, an increase in the contract price, or other material

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[~~45~~54] *See* D.88-10-032.
[~~46~~55] D.87-07-026 at 19-20; D.88-03-036 at 5.

changes to the terms and conditions of the contract. In some less frequent cases, SCE may determine that an application for approval of a contract amendment is necessary.

Ultimately, SCE believes that the decision on how to bring an amendment to the Commission for approval should be left to the IOU to evaluate on a case-by-case basis at the time that the amendment arises. This decision is guided by the perceived reasonableness and risk to customers of the contemplated amendment and varies depending upon the time and circumstances. The Commission has established that IOUs must administer their contracts in a prudent manner. In other words, IOUs are expected to engage in those practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition.[~~47~~56] The prudence standard is intended to include a range of acceptable practices, methods, or acts.[~~48~~57] To the extent Commission direction on the acceptability of the contemplated action is clear, the IOU will likely feel comfortable with the reasonableness risk and include such an amendment in the annual ERRA reasonableness filing. However, mandating that IOUs assume reasonableness risk absent upfront achievable standards places an unacceptable risk on the utility.[~~49~~58]

Once SCE determines a specific contract amendment should go into ERRA, the information necessary to demonstrate the action is reasonable is assembled and included in the annual ERRA reasonableness filing. The filing is generally submitted on April 1 of each year. The Division of Ratepayer Advocates ("DRA") is an active party in the review process and SCE receives and responds to multiple data requests from DRA. SCE submits specific information related to each request and prepares responses to fully address all questions or concerns. Once all of their data requests are addressed, DRA then submits a recommendation to the Commission. The Commission subsequently issues a decision on SCE's ERRA reasonableness filing.

[~~47~~56] D.87-06-021 at 19.
[~~48~~57] *See, e.g.,* D.90-09-088 at 14-16.
[~~49~~58] *See* Cal. Pub. Util. Code §§ 454.5(b)(7), (c)(3).

In this way, the entire filing is scrutinized for reasonable action and judgment on the part of the IOU. This process has been in place since Decision 85731, April 27, 1976, implementing the Energy Cost Adjustment Clause (which morphed into ERRA in 2003) and is sufficient for most contract amendments. Moreover, the ERRA reasonableness filing is transparent and includes a description of all contract amendments included in the filing. SCE is including a sample of RPS contract amendments from its April 2009 ERRA filing below:[~~50~~59]

Table X-17
RPS Contract Amendments
January 1, 2008 through December 31, 2008

RAP ID	Project	Amendment Number and Description[33]	Date Executed
1209	Imperial Valley Resource Recovery, LLC	Letter agreement to purchase test energy and receive related RPS credits prior to initial operation for the period August 25, 2008 to August 31, 2008.	August 26, 2008
1209	Imperial Valley Resource Recovery, LLC	Letter agreement No. 2 to purchase test energy and receive related RPS credits prior to initial operation for the period September 1, 2008 to September 15, 2008.	September 11, 2008
1209	Imperial Valley Resource Recovery, LLC	Amendment No. 1 to extend the start-up deadline and continue to purchase test energy prior to initial operation to receive the RPS credits for the period September 16, 2008 through January 10, 2009. IVRR continues paying liquidated damages for delays in initial operation. See description in Section 9 "Other Contract Administration Activity."	September 12, 2008
1210	MM Tajiguas Energy, LLC	Consent and Waiver. Fortistar Acquisition, LLC acquired all membership interests of Tajiguas. In connection with the acquisition, Fortistar LLC or an affiliate thereof has provided a letter of credit satisfactory to SCE for the purpose of replacing the existing guaranty agreement from the previous owner of Tajiguas.	January 31, 2008
1210	MM Tajiguas Energy, LLC	First amended and restated Consent and Waiver. Assigns the rights, title, interest, and all assets of Tajiguas including the power purchase agreement and project to the security agent.	June 27, 2008
3107	Geysers Power	Letter agreement to allow Geysers Power an option to exchange a letter of credit provided by the project as security for the performance of its obligations under the power purchase agreement for performance assurance requirement for cash.	January 24, 2008

[~~50~~59] ERRA Reasonableness of Operations, 2008, Chapters IX-XIV Public Testimony, A.09-04-002, at 41 (April 1, 2009).

The current process for review of contract amendments is streamlined and flexible, and allows the IOUs to use their business judgment to apply Commission guidelines to specific amendments on a case-by-case basis. The current process also allows for robust public review of contract amendments. Accordingly, SCE does not believe there is any evidence that a change in the current process is required.

B. Concerns with Scoping Memo Proposal

SCE has three major concerns with the Scoping Memo proposal. First, the proposal to require contract amendments that result in "(a)ny increase in ratepayer cost that has not been pre-approved" to be submitted via Tier 3 advice letters could require a large percentage of renewable contract amendments (many of which make only minor changes to the contracts) to be approved through the Tier 3 advice letter process.[~~51~~60]

For example, SCE has entered into contract amendments with certain sellers in order to address issues related to the implementation of the CAISO's Market Redesign and Technology Upgrade ("MRTU"). In some cases, MRTU will require delivery point changes that may impact line losses and such changes may result in some increased costs to ratepayers. This is a normal cost of doing business and does not increase the energy price paid to the generator, although the generator may receive an overall benefit from lower line losses. Under the current process, this type of contract amendment can be reviewed through the ERRA reasonableness filing. The benefits of a specific contract amendment to ratepayers must be evaluated on an overall basis, and as discussed above, SCE includes a demonstration of the commensurate ratepayer benefit of amendments in its ERRA filing.

However, under the Scoping Memo proposal, an amendment that may include any increase in ratepayer costs would require a Tier 3 advice letter, even if the amendment provides overall benefits to ratepayers. Given that many more contract amendments are likely to be

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[~~51~~60] Scoping Memo at 6.

needed to address MRTU-related issues, the Scoping Memo proposal could lead to a substantial increase in the number of amendments that must be filed through Tier 3 advice letters.

Another example of a contract amendment that may result in some increased costs to ratepayers, but also commensurate ratepayer benefits, is SCE agreeing to become the scheduling coordinator for a renewable generation project. In its recent Pro Forma Renewable Power Purchase and Sale Agreements, SCE has agreed to take on the activities of scheduling coordinator. There are some additional costs to ratepayers when SCE is the scheduling coordinator. However, there are also commensurate ratepayer benefits such as SCE's ability to manage bidding/scheduling risk, the fact that confidential bidding data does not need to be shared with the seller, and eliminating gaps in the scheduling requirements for the CAISO Participating Intermittent Resource Program. If SCE amends a contract and agrees to become scheduling coordinator it should be able to demonstrate the reasonableness of such amendment in its ERRA reasonableness filing. However, under the Scoping Memo proposal, such amendments would have to be reviewed through a Tier 3 advice letter.

These types of contract amendments are made in the normal course of contract administration and receive appropriate review in the ERRA process. The IOU has the burden to show reasonableness and commensurate ratepayer benefit through ERRA, and whether the IOU met such standards is subject to public and Commission review. Virtually all types of amendments including the specific ones mentioned here, certain changes in project on-line dates, or amendments to require seller participation in ~~WREGIS~~the Western Renewable Energy Generation Information System may broadly be interpreted to result in an "increase in ratepayer cost." While SCE agrees that any increases in contract energy prices should be reviewed through the Tier 3 advice letter process, SCE strongly disagrees that any amendment that could possibly increase ratepayer costs should be filed through a Tier 3 advice letter.[~~52~~61] This interpretation of

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[~~52~~61] For contracts that were allocated above-market funds ("AMFs"), SCE supports submitting any amendments that would increase the amount of AMFs allocated via a Tier 1 advice letter. This will allow Commission staff involved in AMF allocations to more quickly track AMF allocations.

the Scoping Memo proposal could lead to virtually all of SCE's contract amendments being reviewed through the Tier 3 advice letter process. This is directly contrary to the goal of streamlining the review process for contract amendments. It also undermines the usefulness of the ERRA reasonableness review process – a process that has been working well for many years.

Second, SCE is concerned with the Scoping Memo proposal's distinction between "major modification to project milestones," which must be filed via Tier 3 advice letters, and "minor modification of project milestones," which can be submitted in the ERRA reasonableness filing.[~~53~~62] There are no examples or direction for what would constitute major versus minor modification to project milestones. Without any direction on how to differentiate between these two types of amendments, it is likely that IOUs will submit most contract amendments that change contract milestones through the advice letter process in an attempt to comply with these guidelines. It would be more useful and practical for the Commission to provide a non-exhaustive list of what it views as routine contract administration to be included in the ERRA reasonableness filing versus what must be filed through the advice letter process. This will give more direction to the IOUs while leaving enough flexibility for IOUs to review specific contract amendments on a case-by-case basis.~~ SCE has provided specific examples for consideration in the next section.~~

Finally, the Scoping Memo proposal that amendments for additional procurement at a Commission-approved price be filed through Tier 1 advice letters is somewhat vague. Some Commission-approved contracts already include a range of possible capacities. If a contract amendment sets a specific capacity within that range, a Tier 1 advice letter should not be required since the Commission already approved the range of possible capacities. The amendment should be reviewed in the ERRA reasonableness filing.

SCE interprets additional procurement at a Commission-approved price to include increases in contract capacity beyond the range originally set forth in the contract at the same

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[~~53~~62] Scoping Memo at 6.

price already approved by the Commission. Additionally, in the case of contracts for a specific amount of renewable energy (e.g., 500 GWh per year from a specific facility rather than all of the energy from a facility of a specific capacity), additional procurement at a Commission-approved price would include a contract amendment for additional energy at the same price already approved by the Commission. SCE believes that it would be helpful to clarify this category.

~~C. **Suggested Changes to Scoping Memo Proposal**~~

~~As discussed above, SCE has specific concerns with the Scoping Memo proposal and suggests the Commission should continue with the current guidelines for review of renewable contract amendments. Should the Commission determine that additional guidelines are necessary, however, SCE suggests the following modified proposal for the reasons discussed above.~~

~~LEVEL OF REVIEW~~	~~EXAMPLES OF ELIGIBLE AMENDMENT~~
~~Annual ERRA reasonableness filing~~	~~Routine contract administration or remedies, including issues that may arise between the parties regarding contract interpretation (e.g., extension of on-line dates, amended consent and waivers, compliance with standard terms and conditions changes, changes related to transmission or site permitting issues, extension of termination rights, modifications to account for the purchase test energy, changes to interconnection or metering, and increases in capacity up to a Commission-approved amount).~~
~~Tier 1 Advice Letter~~	~~Additional contracting at a Commission-approved price, including increases in capacity beyond the range approved in the original contract or, for contracts for the purchase of a specific amount of energy, increases in energy beyond the range approved in the original contract.~~ ~~Changes to contracts that were allocated AMFs that would increase the contract's AMF allocation.~~
~~Tier 3 Advice Letter~~	~~All others, including:~~ ~~a. Substantial changes to the contract (e.g., increases in contract capacity at a price not previously approved by the~~

	~~Commission).~~ ~~b. Further consideration relative to explicit term of power purchase agreement approval.[54]~~ ~~c. Any increase in the energy price not at a Commission-approved price.~~

6. Other: Anything else necessary for a full and complete presentation to the Commission of the IOU's ~~2010~~2011 RPS Procurement Plan, as recommended by the IOU for Commission acceptance

6.1. SCE's ~~Renewables Standard Contract~~RSC Program

In order to help small renewable energy projects contribute to the State's renewable energy goals, SCE voluntarily initiated ~~a program~~its RSC Program to offer standardized contracts to eligible renewable energy facilities with capacities of 20 MW or less. SCE recognized that smaller projects have had difficulties in participating in SCE's annual solicitations. By eliminating the complex negotiation process that is needed for larger projects, these smaller projects are given the opportunity to execute contracts with SCE and contribute to the State's renewable energy goals.

In 2009, SCE offered two different contracts ~~which vary depending on the size of the generating facility. These contracts applied to~~for facilities with capacities not greater than 5 MW and capacities not greater than 20 MW.~~[55]~~[63] The ~~Renewables Standard Contracts~~contracts were offered to RPS-eligible resources for terms of 10, 15, and 20 years, and at an energy price set at the applicable Market Price Referent ("MPR"), multiplied by energy allocation factors for SCE's time-of-delivery periods. The contracts were based on a simplified version of the Pro Forma Renewable Power Purchase and Sale Agreement for SCE's RPS solicitation.~~[56]~~[64]

SCE filed an advice letter on July 1, 2009 seeking approval of one ~~Renewables Standard Contract.[57] Moreover, the Commission previously approved four contracts from SCE's Biomass~~

~~[54] For example, if the Commission resolution explicitly approves only the first phase of a multi-phase project, applicant must file a Tier 3 advice letter for approval of a subsequent phase.~~

~~[55]~~[63] As noted below, the CREST program is available for facilities with capacities up to 1.5 MW.

~~[56]~~[64] SCE's 2009 Renewables Standard Contract materials were filed with the Commission on May 8, 2009. Southern California Edison Company's (U 338-E) Renewables Standard Contract Materials (May 8, 2009).

~~[57] The Commission has approved this contract.~~

~~Standard Contract Program (the predecessor to the Renewables Standard Contract Program).~~RSC Program contract.[65] Late in 2009, SCE received a large number of applications to its ~~Renewables Standard Contract~~RSC Program, representing nearly double the program's goal of 250 MW. SCE completed negotiations and executed contracts with 13 of these projects in late December 2009 and early January 2010.~~ On March 29, 2010, SCE filed an advice letter seeking approval of the 13 contracts.[58]~~[66]

Given that applications had greatly exceeded the program cap, SCE initially suspended ~~the Renewables Standard Contract~~its RSC Program after executing those contracts and conducted an analysis to review options for restarting the program in 2010. Based on that analysis, and after consultation with its PRG, SCE initiated a revised ~~Renewables Standard Contracts program~~RSC Program for 2010 with a new goal of 250 MW. The 2010 program ~~will~~did not offer an energy price at the applicable MPR, but instead ~~will award~~awarded contracts based on ~~Requests~~a Request for Offers ("~~RFOs") to be conducted twice a year~~RFO").

SCE launched the 2010 RSC RFO on August 2, 2010 with a goal of procuring 250 MW of renewable resources, each project not greater than 20 MW. The RFO Instructions asked prospective offerors to submit offers for projects not greater than 5 MW ("RSC5"), or projects not greater than 20 MW ("RSC20"). The RSC5 and RSC20 standard contracts contained similar terms and conditions, except that RSC5 had a lower development security deposit than RSC20, and there was no requirement to post performance assurance under RSC5. The RFO Instructions required generating facilities to be certified as eligible renewable energy resources, to be located within the electric power system of the CAISO, and to be scheduled to commence operation within three years from Commission approval of the contract. The standard contracts were not

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[65] The Commission approved the contract in Resolution E-4263. The Commission had previously approved four contracts from SCE's Biomass Standard Contract Program (the predecessor to the RSC Program).

~~[58] *See* Advice 2457-E~~[66] The Commission subsequently approved 12 of these contracts in Resolution E-4359. One of the contracts was terminated before approval. Two additional contracts have been terminated since approval.

subject to negotiation, except for changes unique to an offeror's particular project. Offerors could propose contract durations for RSC5 and RSC20 for 10, 15 or 20 years.

SCE received an extremely robust and competitive response, and decided to create both a short list and a provisional short list. SCE notified each offeror as to its status with respect to the short list or the provisional short list on September 30, 2010, and executed final contracts with the short-listed offerors on November 15, 2010.

Between the time that the RSC RFO was launched and offers were submitted to SCE, the Commission issued a proposed decision on August 24, 2010 adopting the RAM. As discussed in Section 6.2 below, the RAM is a mandatory competitive procurement process for renewable resources up to 20 MW. The proposed RAM created a duplicative procurement program and directly competed with SCE's RSC Program for the less than 20 MW market segment, creating uncertainty around whether or not SCE should continue to procure renewable resources via its RSC Program. Ultimately, SCE short-listed the 2010 RSC offerors' bids and executed 21 contracts for 258 MW on November 15, 2010. One 20 MW wind contract was subsequently terminated; the remaining 20 contracts were solar PV.[67] Now that the RAM has been approved by the Commission,[68] it will replace SCE's RSC Program.

6.2. RAM Program

In D.10-12-048, issued on December 17, 2010, the Commission adopted a new procurement process called the RAM to procure renewable energy from projects 20 MW or less that are eligible under the California RPS. The decision ordered SCE, Pacific Gas and Electric Company, and San Diego Gas & Electric Company to implement the RAM, procuring a total of 1,000 MW, allocated across the utilities over a two year period through competitive auctions using standard non-negotiable contracts.[69] On February 25, 2011, SCE submitted Advice 2557-E, which provides RAM procedures and draft standard Power Purchase Agreements in

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[67] The 20 contracts were submitted for Commission approval in Advice 2547-E.
[68] *See* D.10-12-048.
[69] D.10-12-048 at 29-30. The decision orders SCE to procure 498.4 MW and allows for contracts already executed under SCE's 2010 RSC Program to count towards this target.

compliance with D.10-12-048. SCE filed a supplement to Advice 2557-E on March 14, 2011 to include a Memorandum from Independent Evaluator Accion Group ("Accion") providing Accion's observations and suggestions regarding Advice 2557-E.

6.3. CREST Program

In D.07-07-027, the Commission directed the IOUs to offer a feed-in tariff to eligible renewable energy resources sized 1.5 MW and less. SCE offers this tariff under the CREST contract, which purchases all energy delivered for a 10, 15, or 20-year term at the applicable MPR. The statewide program limit is 500 MW with SCE's portion being 247 MW. SCE has executed ~~one contract~~two contracts under this tariff for ~~1.1~~approximately 2 MW.

On October 11, 2009, SB 32 expanded this tariff up to 3 MW, to be effective January 2010. SCE will continue to offer the existing CREST contract until the Commission ~~issues a proceeding to implement the 3 MW expansion~~has completed the implementation of the legislation.

~~6.3. Pre-Approval of a Limited Amount of Short-Term RPS-Eligible Transactions~~

~~As outlined in Section 2, SCE has a need for near-term renewable energy. SCE is seeking Commission approval to enter into a limited quantity of short-term renewable energy transactions (for either bundled or REC-only products) through a pre-approval process. These transactions would be governed by the then-current AB 57 Procurement Plan approved by the Commission. SCE will file an advice letter to amend its AB 57 Procurement Plan to include these upfront and achievable standards.~~

~~A pre-approval process is necessary to give IOUs the flexibility to capture market opportunities and compete with other LSEs for short-term transactions that will help California reach its renewable energy goals cost-effectively. The current Commission process for the review and approval of RPS contracts, including the fast-track approval process for short-term contracts adopted by the Commission in D.09-06-050, is not effective in capturing short-term opportunities. The requirements to be fast-track-eligible are too restrictive and impractical to work in the marketplace, as evidenced by the limited fast-track proposals submitted into SCE's~~

~~2009 RPS solicitation.[59] Indeed, to date, only one contract has been submitted under the fast-track approval process.[60] SCE subsequently had to terminate this contract for bundled near-term energy and TRECs from a new wind facility in Alberta, Canada because, after the contract was executed, the Commission reclassified it as REC-only and made it ineligible for the fast-track process in D.10-03-021.~~

~~The fast-track approval process does not work for several reasons. First, the requirement that an eligible fast-track contract conform to the applicable pro forma contract with only minor modifications[61] has not been well received in the market. Almost all sellers request some changes to the pro forma contract. Changes to the pro forma contracts are usually necessary due to evolving market issues, project or technology-specific issues, or specific risk tolerance limits. Accordingly, very few, if any, sellers are willing to execute SCE's pro forma contracts with only minor modifications.~~

~~Second, the benchmark that is used to assess price reasonableness[62] for very short-term contracts is fundamentally flawed since it varies daily and is based on unrelated energy prices. Due to the uncertainty of the price reasonableness benchmark, sellers repeatedly alter pricing in negotiations in an attempt to game the highest pricing outcome. Ultimately, the market views the benchmark as a cap, not as *per se* reasonable. Moreover, for solicitation proposals, it is not clear if the proposed price will be above or below the benchmarks for very short-term or moderately short-term contracts since the MPRs are not issued until after the solicitation is closed.~~

~~Third, these opportunities are short-term in nature and ultimately fleeting. Accordingly, the requirement of Independent Evaluator ("IE") involvement and the minimum of 30 days to receive Commission approval through the Tier 2 advice letter process is an unacceptable delay~~

~~59~~ [redacted]

~~60~~ ~~*See* Advice 2443-E.~~

~~61~~ ~~D.09-06-050 at 38 (OP 1.f), 39 (OP 2.e).~~

~~62~~ ~~*Id.* at 37 (OP 1.d).~~

~~for the market to hold the price. Counterparties will not hold an offer open for 30 days when electric service providers and other LSEs do not have this requirement.~~

~~Fourth, a Tier 2 advice letter is only deemed approved if it not protested or otherwise suspended in 30 days.[63] Therefore, one protest may delay the process, even if that protest is wholly without merit. Although the Commission has not rejected any of SCE's RPS contracts, several of SCE's advice letters have been protested, particularly those that involve short-term contracts or out-of-state generating facilities.~~

~~Finally, in D.10-03-021, the Commission further limited the usefulness of the fast-track approval process by determining that REC-only contracts (including most out-of-state bundled renewable contracts reclassified as REC-only) are not eligible for fast-track approval.[64] As discussed above, this decision made the one contract any IOU was able to submit via the fast-track process retroactively ineligible.~~

~~In summary, the fast-track approval process is not an adequate solution to the problem SCE's proposed pre-approval process is attempting to address. Just as with non-renewable generation, Commission pre-approval of short-term renewable transactions is needed. Otherwise, IOUs will not be able to capture market opportunities to assist in meeting near-term renewable energy goals or compete with electric service providers, municipal utilities, and other LSEs for short-term renewable contracts. IOU customers will be unfairly prejudiced and will likely end up paying higher prices for renewables. Given the impediments to reaching California's renewable energy goals, the IOUs need more flexibility in the processes set out to meet the State's goals, not less. As the Director of the Commission's Energy Division has stated, the current RPS program includes "unnecessarily complex and outdated RPS requirements."[65] Accordingly, the best way to achieve a simple, flexible, and functional process~~

~~[63] *Id.* at 8 n.2.~~
~~[64] D.10-03-021 at 52.~~
~~[65] Memorandum from Julie Fitch, Director of the Commission's Energy Division to Senate Energy, Utilities & Communication Committee, Assembly Utilities & Commerce Committee, and Assembly Select Committee on Renewables re: Renewables Portfolio Standard (RPS) 33% Legislation at 1-2 (January 28, 2009).~~

~~for pre-approval of short-term contracts is to adopt a process similar to the one SCE proposed in its 2009 RPS Procurement Plan.[66]~~

~~SCE's proposal for pre-approval of a limited number of short-term transactions mirrors the procurement authority the Commission grants the three IOUs, pursuant to their AB 57 Procurement Plans, to enter into contracts less than five years in length without requiring Commission approval on a contract-by-contract basis. SCE's proposed pre-approval process would allow for limited authorization to enter into short-term contracts to purchase up to a predetermined amount of generation.~~

~~Because renewable energy is a preferred resource in California, the rules allowing pre-approval of short-term transactions for renewable energy should be simpler, not more restrictive, than the rules applicable to procurement of resources lower in the loading order. SCE's request for a limited amount of pre-approval authority to enter into renewable transactions is more restrictive than current rules governing non-renewable procurement. SCE is willing to agree to a more restrictive program this year in order to initiate renewable transactions under a pre-approval framework. SCE hopes that in future years the rules for renewable procurement will be as flexible, or more so, than the rules governing non-renewable procurement activities.~~

~~SCE's proposed pre-approval process would give SCE flexibility comparable to that granted to the IOUs for procurement of non-renewable resources, and would improve upon the Commission's current process that makes procuring renewable resources more difficult, burdensome, and time consuming than procuring non-renewable resources. Given the State's policy preference for renewables, the Commission should grant SCE's request for pre-approval of a limited number of short-term transactions.~~

~~Based on input from the Energy Division, SCE enumerates the following upfront standards and guidelines for the limited authority that would be acceptable to SCE for pre-approval of contracts for short-term, RPS-eligible products:~~

~~[66] Southern California Edison Company's (U 338-E) 2009 RPS Procurement Plan, Attachment 1 at 29-30 (September 15, 2008).~~

- ~~A confidential Pre-Approval Cost Limit would be set annually that would create a limit on expenditures the IOU could use toward the renewable premiums for contracts under the pre-approval authority for that procurement year.[67] The Pre-Approval Cost Limit would be calculated for SCE using the following methodology:~~
    - ~~(A) = The weighted average of the renewable premiums of the SCE's previous five Commission-approved RPS contracts immediately preceding the date the RPS Procurement Plan is approved,[68]~~
    - ~~(B) = 1% of the prior year's electric retail sales (MWh), and~~
    - ~~(C) = Maximum contract term (five years).~~
    - ~~(A)*(B)*(C) will yield the available pool under the pre-approval authority to be applied toward renewable premiums in contracts.~~
- ~~A contract delivery term consistent with the current Long-Term Procurement Plan authorization (i.e., D.07-12-052 or successor decision). Currently, such limits would require that delivery terminate no later than five years after contract execution (except contracts with delivery start dates within one year of execution), which may include delivery terms under five years.~~
- ~~Any delivery point and any product approved by the Commission to be used for RPS compliance and meeting CEC guidelines.~~

~~[67] This Pre-Approval Cost Limit would be used as a maximum cap of renewable premium expenditures for transactions to be executed between approval of this RPS Procurement Plan and either the maximum quantity limits under this proposal or the approval of the next annual RPS Procurement Plan. The underlying market value energy cost would also be added to the pre-approval cost limit for bundled energy transactions.~~

~~[68] SCE proposes to use the same calculation methodology from the approved contracts for any determination of the renewable premium to be used in the Pre-Approval Cost Limit. If this methodology is different between the approved contracts, then the methodology in the most recently submitted approved contract will be used. If the approved contracts to be used for this calculation have more than one operating scenario for determining the renewable premium, then the costs associated with the expected/reference case shall be used.~~

~~If the Commission approved more than one contract on a day that represented the fifth previously approved contract, then all contracts approved on that day would be included in the weighted average calculation (i.e., if the Commission approved three contracts in January, two in February, and two in March before SCE's RPS Procurement Plan was approved in April, then all seven contracts would be used in the calculating the Pre-Approval Cost Limit).~~

6.4. IPP Portion of SPVP

SCE launched its first SPVP RFO for IPPs on March 18, 2010. In the RFO Participant Instructions, SCE listed the following requirements for competing in the procurement process:

- ~~Overseen by an IE and consultation with the PRG.~~The generating facility must be a solar PV electric energy generating facility;
- The ~~IOU would set a renewable premium-based, maximum valuation metric prior to initiating any procurement under this program. The IOU will share this maximum valuation metric and methodology for setting the maximum valuation metric with its PRG and the Energy Division. Under no circumstance would the maximum valuation metric exceed the renewable premium of the last marginal proposal received from the most recent RPS solicitation short list.~~site on which the offeror's generating facility is located must be within SCE's service territory;
- ~~Contracts would be required to contain the non-modifiable terms and conditions except:~~The generating facility must be interconnected to SCE's electric system. The delivery point for a generating facility will be the PNode for the generating facility. In no instance will SCE accept any offer that proposes a generating facility whose interconnection would require any network upgrades;
    - ~~The standard term and condition for "CPUC Approval" would not be included because these transactions would be subject to pre-approval.~~
- ~~Transactions executed under pre-approval authority would result from a competitive process that includes at least three received bids.~~A single offer may be comprised of the aggregation of multiple generating facilities delivering the products to the same PNode provided that each generating facility has a gross power rating of at least 500 kW DC;
    - ~~Bilateral opportunities may be pursued if the proposed transaction is of equivalent or better value as compared to (a) transactions executed as a result of a competitive process in the three months prior to the contract~~

execution date, or (b) the annual RFP short list if it is compiled, pursuant to this plan, in the three months prior to the contract execution date.

- All costs associated with these contracts would be recoverable in rates for the term of each contract.The generating facility may not participate in the California Solar Initiative program or the net energy metering tariff; and
- To address viability concerns, procurement would only come from existing generating units or from generating units under construction with an expected commercial operation date within one year of contract executionThe levelized product price must not be greater than $192.50/MWh.

Contracts executed in accordance with these guidelines, including payments to be made by SCE, would be deemed per se reasonable and pre-approved by the Commission, subject to Commission review of SCE's administration of the contracts. The transactions would be reviewed for compliance with the upfront standards as part of the existing procurement plan compliance report quarterly advice letter filing.[69] If the Commission approves SCE's proposal, SCE will file a detailed AB 57 Procurement Plan amendment advice letter that will include additional details regarding these upfront and achievable standards.

6.4. Flexibility in RPS Compliance

As set forth in detail below, SCE's position in its 2010 Pro Forma Renewable Power Purchase and Sale Agreement requires SCE, in certain circumstances, to pay sellers for energy that could have been delivered but was not because the CAISO market does not issue an award for that energy. SCE adopted this position because it gives sellers certainty that the marketplace, and not SCE, is determining when SCE is or is not obligated to take and/or pay for energy. While SCE recognizes that such purchases are critical to sellers' ability to build and operate a

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[69] The Commission is currently reviewing the format of the Procurement Plan Compliance Report Quarterly Advice Letter Filing for all utilities and is considering revisions, including the addition of renewable transactions.

~~sustainable project, at the same time SCE's customers would be harmed if SCE is forced to pay full contract price and receive no energy or TRECs in return.~~

~~To balance these competing interests, in situations where the market dictates that SCE make payments to sellers without receiving anything in return, SCE requests flexibility in its RPS compliance. The Commission should allow some flexibility for SCE's RPS targets in such instances. Accordingly, to ensure sustainable conditions for sellers and to prevent harm to customers, the Commission should grant the IOUs relief toward their RPS goals by considering additional ways of providing flexibility around the targets for those situations when the IOUs are forced to purchase energy that is not needed.~~

On April 19, 2010, SCE received a robust submittal of non-binding offers for both rooftop and ground mount options. SCE evaluated each offer against a set of screening criteria. In addition, to be eligible to submit a binding offer, offerors must either have completed interconnection studies signifying that no transmission level upgrades are necessary, or pass the first nine screens of the WDAT Fast Track process. SCE received binding offers on July 19, 2010 from eligible offerors, which resulted in the execution of 36 contracts for 50 MW AC of solar PV projects in SCE's service territory. Seven of these contracts were subsequently terminated, and the Commission ultimately approved 29 contracts for 43 MW AC.

SCE held a Program Forum on December 2, 2010 and received input from participants on the SPVP. Based on this input and lessons learned in the 2010 RFO, SCE submitted an advice letter to the Commission on April 5, 2011 requesting approval of the Participant Instructions and standard Power Purchase Agreements for use in the 2011 RFO.[70]

6.5. QF Settlement

On December 16, 2010, the Commission approved the Qualifying Facility and Combined Heat and Power Program Settlement Agreement ("Settlement") in D.10-12-035. The terms of the Settlement will become effective upon final, non-appealable approval of the Settlement by

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[70] *See* Advice 2571-E.

the Commission and final, non-appealable approval of the joint IOUs' 210(m) application filed March 18, 2011. Pursuant to the Settlement and the Public Utility Regulatory Policies Act of 1978, standard offer contracts will be offered to renewable QFs less than or equal to 20 MW. In addition, the Settlement makes a pricing amendment available to renewable QFs currently under contract. A renewable QF currently holding an SCE standard offer contract will have the opportunity to execute a pricing amendment effective for the remainder of its existing contract term.

6.6. Interconnection Process – Operating Priority for Fully Deliverable Resources Over Energy -Only Resources

As part of the ~~Large Generator Interconnection Agreement~~interconnection process, sellers select between being "fully deliverable" and "energy -only." By selecting ~~"~~fully deliverable,~~"~~ sellers must pay their network upgrade costs and share in the cost of any deliverability upgrades. The utilities are also able to count ~~"~~fully deliverable~~"~~ sellers toward their resource adequacy requirements. Sellers who select ~~"~~energy -only~~" receive no~~ are unable to provide resource adequacy~~ benefit and must~~. These resources pay for their network upgrade costs, but are not obligated to pay any portion of the deliverability upgrades.

Despite having to pay for deliverability upgrades, ~~"~~fully deliverable~~"~~ sellers receive no operating priority or transmission rights beyond what an ~~"~~energy -only~~"~~ seller would receive. For example, rather than curtail an ~~"~~energy only~~"~~ seller first when downstream congestion requires curtailment, the CAISO makes no distinction between an ~~"~~energy -only~~"~~ and ~~"~~fully deliverable~~"~~ seller. Additionally, the ~~"~~energy -only~~"~~ seller receives the benefit of the additional downstream transmission availability, paid for by the ~~"~~fully deliverable~~"~~ sellers, without sharing any of the downstream transmission upgrade costs.

~~SCE amended its 2010 Pro Forma Renewable Power Purchase and Sale Agreement to include the requirement that seller's interconnection applications provide for full deliverability so that they receive resource adequacy benefits and are obligated to pay their portion of any~~

~~deliverability upgrades.[70] However, this is an issue that needs to be addressed system-wide. Another LSE's "~~Another LSE's energy -only~~"~~ resource located in the same area as an SCE ~~"~~fully deliverable~~"~~ resource should not be allowed to take advantage of the SCE resource having paid for deliverability upgrades when the other LSE's resource has not shared those costs. That would be unfair to the ~~"~~fully deliverable~~"~~ sellers, who should be given operating priority in the CAISO system since they paid the cost of deliverability upgrades.

~~Going forward, all Commission-jurisdictional entities should require that their resources be connected via fully deliverable arrangements.~~

In its 2010 RPS Procurement Plan, SCE requested to amend its 2010 Pro Forma Renewable Power Purchase and Sale Agreement to include the requirement that sellers' interconnection applications provide for full deliverability so that they receive resource adequacy benefits and are obligated to pay their portion of any deliverability upgrades.[71] However, the Commission denied SCE's request.[72] While SCE will not be including this requirement in its 2011 Pro Forma Renewable Power Purchase and Sale Agreement, SCE urges the Commission to address this issue either in this proceeding or in the SB 2 implementation proceeding, so that SCE and the other IOUs be required to include this requirement in their 2012 RPS Procurement Plans. This is an issue that needs to be addressed system-wide.

~~6.6.~~6.7. SCE's Planned Use of ~~TRECs~~RECs

~~In~~Pursuant to D.10-03-021, as modified by D.11-01-025, the Commission has authorized the use of ~~TRECs~~RECs for compliance with the California RPS program. Along with allowing for the use of REC-only transactions where the LSE only purchases ~~TRECs~~RECs, and not energy, the ~~decision~~Commission reclassified most out-of-state bundled renewable transactions as REC-only. The Commission also limited the IOUs' use of such REC-only transactions to 25% of their ~~APTs~~annual procurement targets and imposed a price cap of $50/REC.

~~70 Second Amended 2010 Pro Forma Renewable Power Purchase and Sale Agreement § 2.02(b).~~

71 Southern California Edison Company's (U 338-E) Second Amended 2010 RPS Procurement Plan, Attachment 2-5 at § 2.02(b) (June 17, 2010).

72 D.11-04-030 at 20-22.

SCE intends to use ~~TRECs~~RECs to help meet its RPS targets~~.~~

[redacted]~~SCE is currently evaluating its procurement needs with respect to the 25% TREC limit and TREC earmarking provisions to determine if it can accommodate any of the out-of-state transactions currently short-listed. Of these opportunities, SCE will pursue REC-only contracts that provide the greatest benefits to its customers.SCE expects to procure TRECs through the 2010 RFP~~ in accordance with the Commission's decisions on RECs.[73] SCE will solicit proposals for RECs through the 2011 solicitation and has amended its ~~2010~~2011 solicitation materials to allow for the procurement of ~~TRECs. In the near-term, SCE intends to target procuring TRECs with 2008 through 2010 vintages. The nature of these TRECs will likely mean that they will come from existing or newly constructed generation. However, SCE also intends to~~RECs. SCE may also explore additional compelling ~~TREC~~REC opportunities through the broader market with requests for information~~ or~~, proposals, or offers. ~~Additionally, the pre-approval process proposed by SCE, discussed above, will allow procurement of TRECs through contracts with a maximum length of five years if the resources are operating or under construction. As the pre-approval process is limited by volume and cost metrics, SCE's~~

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[73] SCE and several other parties have filed applications for rehearing of D.10-03-021 and D.11-01-025 that are still pending before the Commission. SCE's current intentions with regard to RECs may need to be revisited if those decisions are materially altered.

~~procurement of TRECs from contracts not longer than five years will be driven by those limits.~~SCE's REC procurement efforts will help SCE meet the State's renewables goals.

~~TRECs generally allow for an alternative revenue stream for renewable facilities which often triggers additional renewable energy investment. Further, TRECs assist LSEs that are attempting to reach the State's ambitious renewable energy goals by offering another procurement option. SCE's TREC procurement efforts will help SCE meet near-term renewables goals and fill gaps created by the RPS program's cumulative deficits construct, while supporting the maintenance and continued development of renewable resources in California and throughout the WECC. However, it should be noted that SCE is considering its legal options with regard to D.10-03-021. SCE's current intentions with regard to TRECs may need to be revisited if the decision is materially altered.~~

~~6.7. Feedback and Proposed Changes to Project Viability Calculator~~

~~Consistent with D.09-06-018, SCE used the Commission's adopted project viability calculator ("PVC") in its 2009 RPS solicitation process.[71] During the course of the solicitation and evaluation of proposals, SCE, project developers, and SCE's IE gained useful experience with the PVC. As such, SCE and its IE have specific changes that SCE requests the Commission adopt for the 2010 RPS solicitation. Adoption of these changes will lead to a more useful tool, and will help to more accurately evaluate the viability of renewable projects relative to one another. SCE's proposed modifications to the PVC are attached as Appendix D.~~

~~A. SCE's General Comments Regarding the PVC~~

~~The major issues identified with the PVC used in the 2009 RPS solicitation were that the criteria scoring guidelines were too prescriptive to allow meaningful scoring, some essential criteria were not considered in the scoring, and there was no definition of particular terms. Additionally, the PVC instructions, pursuant to D.09-06-018, seemingly prohibit interpolating~~

~~[71] D.09-06-018 at 24.~~

~~between the provided scores. For such 2009 PVC criteria as Site Control, discussed further below, this resulted in an all-or-nothing score.~~

~~Furthermore, the inclusion of an IE scoring column was interpreted to mean that the IE was also required to score all proposals submitted into the 2009 RPS solicitation. The IE role should be to monitor the solicitation process and ensure the all proposals are treated fairly. With hundreds of proposals to evaluate, requiring the IE to independently score all the proposals did not appear to significantly improve the results. It would be more effective to have the IE review SCE's approach to the PVC assessment and to independently review SCE's PVC scores to ensure equal and fair treatment between the proposals.~~

~~Many of the scoring guidelines did not provide a complete list of possible scenarios. This created great inflexibility in using the PVC to accurately reflect a project's viability. This was particularly evident in the Development Milestones category as described in detail below. To remedy this situation, SCE suggests the Commission specify that the scoring guidelines are merely examples, and that the IOU (in cooperation with the IE) can apply other scenarios to the scoring system to reflect varying proposals, changes in the market, and different proposal structures and product types. This would make the PVC more useful and allow the tool to be adjusted based on the proposals received in the solicitation instead of waiting for the next solicitation cycle to make changes.~~

~~As mentioned above, SCE found many deficiencies in the Development Milestones category, specifically in the areas of Permitting Status, Interconnection Progress, and Site Control. SCE provides specific changes to the scoring guidelines in Appendix D, as well as examples of some of the challenges with using the PVC, particularly in the Development Milestones category, to highlight the concerns.~~

~~1. **Permitting Status**~~

~~The current scoring guidelines do not consider the permitting jurisdiction given the project's location. For instance, New Mexico's permitting process is far less rigorous than California's. As such, 0% completion of permitting in California is far different than 0%~~

~~completion of permitting in New Mexico. It would be appropriate to clarify that, in states where no conditional use or other material permits or statewide approval is required, the developer should receive all or most of the points in this category. Notably, SCE's IE took this into consideration while SCE followed the strict PVC criteria, which was one reason for a divergence in PVC scores for some proposals.~~

~~2. **Interconnection Progress**~~

~~The PVC focuses solely on interconnection and not transmission service. This is a potential issue impacting not only out-of-state projects, but those in California that are outside the CAISO. For example, there were some proposals in the Imperial Irrigation District that had interconnection agreements but no transmission service agreement necessary to transmit the energy through the respective control area to the proposed delivery point. An additional issue with this criterion is the fact it is focused primarily on the interconnection requirements in California. Since many proposals were for projects located outside of California it was difficult to relate those projects to the specific categories associated with the CAISO process. SCE has proposed similar criteria for out-of-state projects that are consistent with the CAISO requirements. SCE's proposed changes remedy these issues and should be incorporated for 2010.~~

~~3. **Site Control**~~

~~There are three primary issues with the current PVC dealing with site control. First, the current PVC limits projects on BLM land so they can never score more than an eight. If a project on BLM land has a Record of Decision granting them the right to build, it should be eligible to receive the highest score of ten. There should not be a distinction between projects on BLM versus private land.~~

~~Second, it is not clear what constitutes "site." SCE interpreted site to mean all the land necessary for the project to generate and transmit the energy to the local transmission grid, including both the facility site and the land that houses the gen-tie connecting the facility to the grid. SCE's IE interpreted site to mean only the facility site. In the end, there are merits to both~~

~~approaches, but either a better definition of "site control" or the flexibility to allow the evaluator to revise or add to the existing criteria during the PVC evaluation process is required.~~

~~Third, if a developer has site control for a majority of the relevant land (e.g., 95%), current scoring guidelines would require the evaluator to score it with a zero because scoring is based on all or nothing extremes. The Commission should allow interpolation between the provided scores or the flexibility to more accurately evaluate a proposed project's viability.~~

~~4. **Technical Feasibility**~~

~~Another major issue with the current PVC deals with the interpretation of technical feasibility, particularly the meaning of "commercially proven" technology. For this criterion, SCE considered a technology to be proven if the precise make, model, and version number had demonstrated successful operation. SCE's IE only considered the make and model, and not the version number. SCE's sees merit in only considering the first two factors, as the IE did, given that a more advanced version may have only a slight modification to the underlying technology as compared to the preceding version. But SCE chose to evaluate projects by strictly following the PVC criteria. Similar to the issue with various interpretation of site control, there merits for both modes of reasoning, but the PVC needs either a better definition of "technical feasibility" or the flexibility to allow the evaluator to revise or add to the existing criteria during the PVC evaluation process is required.~~

~~B. **IE's General Comments Regarding the PVC**~~

~~SCE's IE offered the following comments on the PVC:[72]~~

> ~~This 2009 Renewable RFP was the first solicitation in which the Energy Division's Project Viability Calculator ("PVC") was used by SCE for the qualitative evaluation.[73] In the IE's opinion, the Project Viability Calculator is an important step in assessing the viability of project proposals. We found several issues in applying the criteria included in the Project Viability Calculator. We have several suggestions with respect to the use of the PVC, the criteria used in~~

~~[72] Independent Evaluator Bid Evaluation and Short List Selection Process 2009 RPS Short List Report at 32-33, 35-36 (December 4, 2009). *See also id.* at 13-14.~~

~~[73] In previous RFPs, SCE has used a similar process for assessing the qualitative characteristics of each proposal. However, SCE applied the Project Viability Calculator proposed by the Energy Division for this RFP.~~

~~the PVC, and in how evaluators should score projects based on the PVC. We will address some of the issues in this section but will further articulate our views and suggestions in the recommendations section of this IE Short List Report.~~

~~First, the process for evaluating proposals based on the PVC proved to be extremely time consuming given the large number of proposals received. Compounding this problem was the fact that a number of proposals were not within any reasonable range of competitive pricing and therefore had little if any chance of being shortlisted.~~

~~Second, several of the criteria (i.e. site control and resource quality) did not offer much resolution in the scoring of the bids. For example, in the case of site control, the criteria was generally an "all or nothing" option for awarding points, depending on whether the Seller had 100% site control or not. We feel that several criteria should be expanded to offer more options in the evaluation spectrum and/or the utility and IE should be allowed to interpolate between the PVC scores.~~

~~Third, in our view there are several important factors pertaining to project viability that are not encompassed in the PVC. For example, commercial access to major generating equipment is not a criterion. However, having the contract rights to wind turbines or other generating equipment (or being a manufacturer of such equipment with adequate production capacity), is an important factor in terms of a Seller's ability to perform, especially with nearer term commercial operation dates. In renewable energy solicitations in other states, we often see commercial access to generating equipment as a non-price evaluation criterion. Even where a Seller does not have contractual rights, having a firm price quote or commitment letter from a manufacturer gives a level of credibility to a bid compared to a Seller that does not have firm access to equipment or price quotes.~~

~~Another factor pertains to "transaction execution risk" – the project might be viable, but the proposed transaction presents difficulties in being brought to fruition. For example, in order to contract with an out-of-state wind project for a long-term agreement that would allow the project to be financed might present significant difficulties in terms of product definition, obtaining the necessary transmission and structuring delivery requirements such that the risk allocation would satisfy both buyer and seller. This risk is not currently captured in the PVC.~~

~~As a general matter, the PVC is oriented toward in-state projects. The PVC should be reviewed and revised so that it would apply equally well to out-of-state projects. . . .~~

~~The PVC should be reviewed and revised so that it should apply more effectively and comparably to out-of-state projects, including recognition of the difference in interconnection requirements, permitting requirements and some of the matters~~

~~discussed above pertaining to transaction execution risk. Finally, we have several suggestions regarding how the PVC could or should be applied in the evaluation of bids. First, there should be more specificity in the criteria (e.g. siting), granularity in different scoring levels, and the ability to interpolate (if necessary) between different point score levels based on the facts presented by a particular bid. Second, bids that have very low scores for multiple categories should be evaluated for low viability, as well as bids that have a fatal flaw (e.g. a required permit has been denied).~~

With the passage of SB 2, SCE expects that there will be some changes to the rules surrounding the use of RECs. SCE may need to modify its plan for the use of RECs once the Commission implements SB 2.

6.8. Process for Modifications to RPS Procurement Plans

The existing process for Commission approval of the IOUs' RPS Procurement Plans, including solicitation materials, makes it difficult for the solicitation materials to take into account market trends and the lessons learned from the IOUs' contracting experience because the solicitation materials must be filed with the Commission several months before the solicitation is to be issued. As a result of this time lag, the solicitation materials are inevitably out-of-date by the time they are approved by the Commission.

For example, SCE ~~is filing this~~filed its 2010 RPS Procurement Plan just as it ~~is~~was beginning negotiations with the sellers short-listed in its 2009 RPS solicitation. Therefore, SCE's 2010 solicitation materials ~~cannot~~could not fully take into account the lessons SCE ~~will learn~~learned in its 2009 solicitation. ~~That experience~~Such lessons learned may show SCE that a provision in its solicitation materials requires modification or that a new provision is required. SCE may also learn that one of the changes introduced for ~~the 2009 RPS~~a solicitation is not working and should not be included in the next solicitation.

Additionally, the renewable energy market moves quickly and the IOUs need the ability to make changes to their commercial documents to reflect current market and regulatory realities. The credit and financing markets can undergo significant changes in the time between the filing and approval of the RPS Procurement Plans that necessitate changes to the IOUs' solicitation materials. Changes can also be required because of new regulatory developments. It does not

benefit any party to require the IOUs to issue solicitations with stale commercial documents that require substantial modifications before they can be executed.

~~Going forward, SCE suggests that the Commission change the schedule for the IOUs' RPS Procurement Plans so that the solicitation materials are filed no more than three months before a final Commission decision on the plans. The IOUs should also be able to move for leave to file an update to their plans after they are filed if such an update is needed. The Scoping Memo for 2010 allows for such motions, but they must be filed by February 17, 2010, which may be four months before the Commission issues a proposed decision on the 2010 RPS Procurement Plans assuming such a proposed decision is issued in the second quarter of 2010 pursuant to the Scoping Memo schedule.[74] This could mean a five or six month (or possibly longer) time lag between any updates to the solicitation materials and the issuance of the solicitation. Such a schedule does not give the IOUs sufficient flexibility to incorporate lessons learned and changes in market and regulatory realities into their solicitation materials. The IOUs should be allowed to move for leave to update their solicitation materials at any time after they are filed.~~

Going forward, SCE suggests that the Commission create a forum for discussing changes to the schedule for the RPS Procurement Plans to make the process more effective.

6.9. Discussion of Improvements to the Transmission Ranking Cost Report Process

For the 2009 RPS solicitation, SCE sent a letter on August 6, 2008 to renewable energy developers requesting that they provide information regarding transmission to be used in SCE's 2009 Transmission Ranking Cost Report ("TRCR"). The deadline for interested parties to respond to this solicitation for information was August 20, 2008. Fifteen developers responded to SCE's information request. These developers identified up to 48 potential renewable resource projects, including 29 in SCE's service territory, for a total of 15,424 MW. There were five

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~~[74] Scoping Memo, Attachment C.~~

developers representing seven projects which provided incomplete or insufficient information. The majority of projects identified in the request for supplemental information were in fact already active projects in the CAISO interconnection queue.

Based on the revisions to previous conceptual transmission plans to accommodate new interconnection requests of renewable resources made since the last TRCR and additional information obtained in response to SCE's request for information, SCE developed its 2009 TRCR.

Of those parties which provided information to SCE for its TRCR, [redacted]. SCE believes that the current TRCR process provides an extremely rough approximation of transmission cost impacts for proposed generating facilities within SCE's service territory. However, it does not provide sufficient accuracy to make fine distinctions between projects in the proposal evaluation process. Furthermore, SCE has found that estimates in the TRCR are even more speculative for network upgrade costs for generating facilities that will be located at sites within or beyond the service territories of other CAISO transmission providers.

SCE proposes that the Commission undertake workshops to consider how to make the TRCR process more relevant and useful to the assessment of proposals actually received by the utilities.

6.10. Consideration of Integration Cost in the Evaluation Process

Integration costs are indirect costs that result from integrating and operating eligible renewable energy resources. They include the additional system costs required to provide sufficient ancillary service capability including load following and frequency regulation to integrate renewable resources. In D.04-07-029, the Commission required that integration cost adders be zero for the first year of RPS solicitations (i.e., 2004) due to the results from the CEC-commissioned "California Renewables Portfolio Standard Renewable Generation Integration

Cost Analysis" ("RGICA") study, published in 2004.[75][74] The Commission stated that "at present levels of penetration, renewable generation causes no noticeable increase in the cost of these ancillary services, beyond those costs imposed by normal system variability."[76][75] However, the Commission specifically stated that this was its ruling for the first year of RPS solicitations and that "further addition of intermittent renewables to the system may, in future years, cause us to change this determination."[77][76] The Commission reiterated the direction to apply a zero adder for integration costs in D.07-02-011 without any analysis of developments since D.04-07-029.[78][77]

The CEC RGICA results do not support continuing to use a zero adder for integration costs in the least-cost, best-fit ("LCBF") evaluation process. The RGICA was a multi-year study that analyzed 2002 to 2004 to determine the impact of renewable resources on integration costs over that timeframe. The RGICA results do not take into account any renewable projects that have been completed since 2004, the renewable projects that currently have purchase power contracts but are not yet on-line, or any future procurement needed to comply with the State's renewable energy goals.

As California continues to procure additional intermittent renewable resources, SCE believes that current levels of intermittent renewables require an increase in the provision of the ancillary services mentioned above. An, and that an integration study that reflects updated regulatory and procurement expectations should be used as a basis for integration costs in the 2010 RPS solicitation, implemented as a cost adder in the LCBF analysis. SCE proposes to assess multiple integration cost studies, including the "CAISO Analysis of Operations and Integration Requirements Associated with 33% RPS,"[79] and whether they are representative of California's market, and then use more updated results as the basis for evaluating integration

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[75][74] D.04-07-029 at 12-14.
[76][75] *Id.* at 13.
[77][76] *Id.*
[78][77] D.07-02-011 at 56.
[79] The results of this study are expected in the third quarter of 2010.

~~costs in the evaluation process.The Commission should grant SCE authority to consider~~. However, in D.11-04-030, the Commission declined to allow the use of non-zero integration cost adders for the 2011 RPS solicitation.[78] The Commission stated that if an adder is developed in Rulemaking 10-05-006, each IOU may file an advice letter seeking to amend its 2011 RPS Procurement Plan for the purpose of using that adder in its LCBF evaluation.[79] In accordance with D.11-04-030, SCE will use a zero integration ~~costs~~cost adder in ~~the 2010~~its 2011 RPS solicitation ~~evaluation process and use a non-zero adder for integration costs.~~ unless the Commission authorizes the use of another adder.

7. Important Changes: A statement identifying and summarizing the important changes between the 2009 and 2010 Plans.

This Section addresses the important changes between SCE's 2009 RPS Procurement Plan and SCE's 2010 RPS Procurement Plan, as filed on December 18, 2009, and amended on April 9, 2010 and June 17, 2010. SCE has made additional changes in this 2011 RPS Procurement Plan from its Second Amended 2010 RPS Procurement Plan submitted on June 17, 2010. Those changes are discussed in the Summary of Changes Made in SCE's 2011 RPS Procurement Plan section included in the pleading at the beginning of Volume 1 of SCE's 2011 RPS Procurement Plan and are also shown in the redlines included in SCE's 2011 RPS Procurement Plan. They are not reflected in this Section and may supersede provisions discussed in this Section.

A. Second Amended 2010 Written Plan and Second Amended LCBF Written Report

As discussed and explained in Section 2, SCE is now procuring based on a High Need Case assuming a 33% renewable energy goal. ~~Additionally, most of the important changes in SCE's Second Amended 2010 Written Plan and Second Amended LCBF Written Report are described and explained in Section 6.~~ As explained in Section 6.1, given the overwhelming

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[78] D.11-04-030 at 23.
[79] *Id.*

response to SCE's ~~Renewables Standard Contract~~RSC Program, SCE ~~plans to~~ re-~~launch~~launched the program in 2010 using RFOs to procure renewable resources from generating facilities not greater than 20 MW. ~~As discussed in Section 6.3, SCE is requesting Commission pre-approval for a limited amount of short-term renewable transactions. As discussed in Section 6.4, SCE requests that the Commission grant the IOUs compliance flexibility when the market dictates that they pay for renewable energy and RECs they do receive.~~ Further, as explained in Section ~~6.5,~~6.6, all Commission-jurisdictional entities should be allowed to require their contracted resources be connected via fully deliverable arrangements. As discussed in Section ~~6.6,~~6.7, SCE intends to use ~~TRECs~~RECs toward meeting its RPS targets. ~~As explained in Section 6.7, SCE is proposing changes to the PVC for 2010.~~ SCE also proposes more flexibility to update the RPS Procurement Plans and a workshop to discuss improvements to the TRCR process as discussed in Sections 6.8 and 6.9. Finally, ~~as detailed in Section 6.10, SCE requests approval to consider~~Section 6.10 discusses consideration of integration costs in the ~~2010 RPS solicitation proposal~~ evaluation process.

In addition to the changes discussed above, since SCE filed its LCBF Report as part of its Second Amended 2009 RPS Procurement Plan, SCE made some changes to its LCBF Written Report to clarify the description of its evaluation and selection process and criteria. Some of these changes were included in the LCBF Written Report for SCE's 2009 RPS solicitation submitted to the Commission on December 4, 2009. In particular, proposals' capacity benefits are calculated in accordance with the Commission's updated resource adequacy accounting rules and energy benefits are calculated based on the estimated market value of energy.[80] SCE also made some minor modifications in its Amended LCBF Written Report. For example, the modifications clarify that the same evaluation and selection process will be used for bundled and REC-only contracts, that proposals deemed clear outliers in the evaluation process will not be further reviewed, that the capacity benefits calculated assume a generating facility has full

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[80] These changes were also made in SCE's 2010 Procurement Protocol.

capacity deliverability status, and the treatment of transmission costs. Finally, SCE has made an addition in its Second Amended LCBF Written Report to include information on the evaluation process for negative pricing risk. SCE also made a minor modification to indicate that interconnection process progress will be considered as an additional qualitative attribute.

B. 2010 Solicitation Materials

1. General Changes

The changes below affect more than one of the solicitation documents.

a) Credit and Collateral Provisions

SCE is making important changes to the credit and collateral provisions of its solicitation materials. First, SCE is increasing its development security requirements from $60.00 per kW to $90.00 per kW for baseload facilities, and from $30.00 per kW to $60.00 per kW for intermittent facilities. SCE believes this increased development period collateral requirement provides a reasonable (albeit not complete) security for SCE customers during the development phase of a generating facility. The proposed development security levels are consistent with the overall industry position on allocating project failure risks between project developers and utility customers.

Second, as a result of SCE's experience with the renewable energy and financial industries and SCE's previous negotiation experience, SCE is restructuring its performance assurance requirement. SCE has modified its solicitation materials to require that sellers' proposals be based upon a tiered performance assurance requirement. This structure begins with a lower performance assurance posting in the early term years (3% of total revenues seller expects to receive), and steps up (to 5% and 6%) for the mid-contract years. Then, the performance assurance level steps down (to 5% and 3%) for the remaining term years. Over the full term of the contract, the performance assurance amount averages 5% of the total revenues, the same as the performance assurance requirement in SCE's 2009 RPS Procurement Plan. However, the modified performance assurance structure reflects the risks related to different

delivery terms and is responsive both to changes in SCE's estimated exposure during the contract term and to changes in the renewable energy and financing markets.

The proposed tiered mechanism for performance assurance is beneficial to both SCE's customers and sellers. SCE customers benefit in that the proposed structure of performance assurance better reflects SCE's estimated exposure during the contract term and brings down the maximum exposure that customers face. Sellers benefit from a lesser total capital requirement in the early years of the delivery term when their access to capital is constrained.

Third, based upon experience in prior solicitations and document negotiations, SCE is eliminating the seller's debt to equity ratio requirement and the associated definitions. This credit provision often required a significant amount of negotiation and modification of SCE's Pro Forma Renewable Power Purchase and Sale Agreement language without a commensurate benefit to SCE. Additionally, ensuring compliance with this provision required follow-up documentation and verification, which complicates contract administration and management. SCE believes that the financial markets impose discipline on this issue which, combined with SCE's provision prohibiting additional debt other than debt for the development, construction and operation of the facility, provides adequate protection for SCE and its customers.

b) <u>Changes to Non-Disclosure Agreement Procedure</u>

SCE is modifying the procedure for executing non-disclosure agreements ("NDAs") in the 2010 RPS solicitation. In prior years, all sellers were required to submit a redlined version of SCE's pro forma NDA with their initial proposal documents. Because SCE must have an executed NDA before a seller can be informed of its short list status, SCE was required to potentially negotiate NDAs with all sellers – even those which were not going to be placed on SCE's short list – before those who made the short list could be notified. This was a cumbersome and time-intensive process with little benefit to anyone involved in it.

For the 2010 solicitation, SCE is requiring all sellers to agree to a "Short-term NDA," by checking a box on the 2010 Seller's Proposal Template and Calculator.[81] The Short-term NDA lasts until the latest of three dates: (1) if the proposal is placed on SCE's short list, seller's submission to SCE of its short list deposit, exclusivity agreement, copy of interconnection application, and a long-term NDA; (2) if the proposal is placed on SCE's short list, seller's notification to SCE that seller declines to pursue further negotiations; and (3) SCE's notification to seller that the proposal has not been placed on SCE's short list and SCE does not wish to negotiate the proposal. However, the obligation to keep confidential information submitted under the Short-term NDA survives for five years, so sellers need not fear that SCE will immediately disclose confidential information in their proposals.

A seller which is chosen for the short list will then submit SCE's "Long-term NDA." The Long-term NDA covers the negotiations related to a seller's proposal and, if the negotiations are successful, is incorporated into the final contract. It is hoped that this procedure will streamline the NDA negotiation process.

c) Deletion of Alternate Wind Performance Standard

In the last several RPS solicitations, SCE made available an "alternate wind performance standard" that sellers can consider in making their proposals. SCE discovered, however, that sellers generally do not review, or even consider, the alternate wind performance standard when compiling their proposal packages. Because SCE still recognizes that the alternate wind performance standard may be an appropriate option for a seller pursuing a wind-based renewable power purchase and sale agreement with SCE, SCE decided to take a different approach: instead of posting the alternate wind performance standard language on its website at the time of RFP launch and framing this option in its Procurement Protocol (and other solicitation materials), SCE will thoroughly present and explain this option to the short-listed developers of wind projects during the negotiation phase of the solicitation process. At that point, if a developer

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[81] The Amended 2010 Seller's Proposal Template and Calculator is Attachment 2-3 to SCE's Second Amended 2010 RPS Procurement Plan.

decides to pursue this option, SCE will then work with it throughout the negotiations to revise the renewable power purchase and sale agreement appropriately.

d) ~~TRECs~~RECs

SCE has amended its solicitation materials to allow for the procurement of ~~TRECs~~RECs. In particular, SCE's 2010 Procurement Protocol enables sellers to offer ~~TRECs~~RECs to SCE.

A complicating feature of D.10-03-021 is that it created two different types of ~~TRECs~~RECs, which must be treated differently in the Amended 2010 Procurement Protocol: (1) ~~TRECs~~RECs that provide only Green Attributes; and (2) ~~TRECs~~RECs that consist of Green Attributes and bundled energy from an out-of-state facility that neither connects into a California balancing authority nor is dynamically scheduled to a California balancing authority. The former are called "REC Products," while the latter are now referenced in the 2010 Procurement Protocol as "REC-Only Bundled Energy Products." In general, the REC-Only Bundled Energy Products must be treated more like bundled energy transactions than real REC Products. SCE has added various versions of these products (based on the contract terms) to the products already solicited in SCE's 2010 Procurement Protocol and has also made conforming changes in other solicitation materials.

Additionally, SCE has added the new non-modifiable standard terms and conditions adopted in D.10-03-021 for bundled and REC-only contracts to its 2010 Pro Forma Renewable Power Purchase and Sale Agreement and its 2010 Pro Forma WSPP Confirmations for Firm and As-Available Product and its 2010 Pro Forma EEI Confirmations for Firm and As-Available Product, as applicable. Finally, SCE has added a new 2010 Pro Forma WSPP Confirmation for REC Product.

e) Curtailment

On May 6, 2010, the Commission held an All-Party Meeting on RPS Curtailment Provisions. At that meeting, the Large-Scale Solar Association ("LSA"), the California Wind Energy Association ("CalWEA"), and other market participants stated that, in their view, a cap on the number of hours a generator could be curtailed without compensation was necessary in

order for renewable projects to be financeable.[82] SCE took into consideration the comments made at that meeting, as well as comments made to SCE by generators after the meeting, and modified its previous curtailment proposal to provide sellers with financial certainty during the financing period, and to allow SCE to evaluate market participants' costs for various levels of uncompensated curtailment.

On May 20, 2010, SCE presented separately to The Utility Reform Network ("TURN"), the Independent Energy Producers Association ("IEP"), and CalWEA/LSA a modified curtailment position whereby SCE capped the seller's uncompensated curtailment based on negative pricing in the CAISO market for each contract year. Specifically, the cap for uncompensated curtailment for each contract year (i.e., the curtailment cap) would be in MWh measured as contract capacity multiplied by a specific number of hours. If the total curtailment based on negative pricing in any contract year exceeded the annual curtailment cap, the seller would be paid for the energy it could have delivered but for the curtailments. At the end of the contract term (typically 20 years), if SCE provided prior notice, the seller would then "pay back" the energy SCE paid for, but was not delivered over the term of the contract. The feedback from those meetings was generally positive with three suggested changes: (1) placing a cap on the optional "extended" term where sellers are paying back the energy to SCE's customers; (2) curtailing only at a negative price in the CAISO market, instead of curtailing at zero or a negative price; and (3) compensation to sellers for lost production tax credit ("PTC") revenue.

SCE evaluated these suggestions and modified its proposal to implement each of these suggested changes. SCE presented its modified proposal to its PRG on May 26, 2010.

In this Second Amended 2010 RPS Procurement Plan, SCE has included a Second Amended 2010 Pro Forma Renewable Power and Sale Agreement with revised curtailment

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[82] Curtailments discussed in this section refer only to those that may be directed by SCE as the buyer under the power purchase and sale agreement. A reduction or curtailment ordered by the CAISO or pursuant to the terms of an agreement with a Transmission Provider must be followed and is not covered within the curtailment quantity limits described in this section and/or compensated by SCE under its Pro Forma Renewable Power Purchase and Sale Agreement.

provisions. The revisions include changes based upon the suggestions discussed above. Additionally, SCE has added a right for SCE to curtail seller's production of energy to the quantity awarded in a day-ahead or real-time schedule, subject to various payment provisions to compensate the seller for the lost production.

Section 4.02 of the 2010 Pro Forma Renewable Power Purchase and Sale Agreement provides that if a schedule is awarded in the CAISO day-ahead market for energy from the seller's facility, the seller receives the contract price for energy delivered. If SCE curtails seller's production of energy in real-time to the quantity awarded in the day-ahead schedule, the seller still receives the contract price for the energy that could have been delivered but for that curtailment, and the undelivered energy is not included in the curtailment cap discussed below.

If SCE bids the resource into the CAISO markets and no day-ahead schedule is awarded for the seller's power then, if the day-ahead price is zero dollars or greater, the seller receives the contract price for the energy that could have been delivered. However, if the day-ahead price is less than zero, there is no payment to the seller up to the curtailment cap for the contract year.

SCE intends to allow sellers to offer three energy prices for their products, each of which is based on a different annual curtailment cap for uncompensated curtailment. The three curtailment cap choices will be the contract capacity multiplied by 50, 100, and 200 hours per year. SCE and the seller would then agree to an annual curtailment cap in the contract. If that cap is exceeded in any year, the seller would receive payment for the amount of energy above the cap that could have been delivered but for the curtailment. The amount of curtailment in excess of the curtailment cap for each year will be tracked over the contract term and, at the end of the contract term, SCE will have the option to require the seller to "repay" SCE's customers for that excess curtailed energy by delivering twice the amount of curtailed energy and receiving one-half the contract price for such energy until the earlier of when the total amount of energy is repaid or the seller has delivered energy for two years past the end of the original contract term.

If no schedule is awarded in the day-ahead market, a seller may request that SCE, as the scheduling coordinator, bid the resource into the real-time market, and may specify a price at

which SCE is to bid the energy. If a schedule is awarded as a result, SCE will receive the energy and pay the seller the full contract price for the energy delivered. If the real-time market price is negative, the seller will pay the CAISO charges and costs. If the real-time market price is positive, SCE will receive the CAISO revenue.

If no award is made in the day-ahead market and the seller does not request that SCE submit a bid into the real-time market, SCE may elect to bid the energy into the real-time market based on the generator's availability schedule. SCE will pay the contract price for the energy delivered if a schedule is awarded. If the seller generates in excess of its awarded real-time schedule, and SCE exercises its right to curtail seller's energy production in excess of the schedule, the excess quantity will be deemed curtailed product subject to the curtailment cap and banking.

If seller delivers energy after it receives a curtailment instruction from SCE, the CAISO, or another authority, SCE is not obligated to pay the seller for that amount of energy, and the seller will pay all CAISO costs and sanctions, and SCE will keep all CAISO revenues, associated with that delivered energy.

SCE also modified its 2010 Pro Forma Renewable Power Purchase and Sale Agreement to compensate sellers for lost federal PTCs for curtailment due to negative pricing in excess of the curtailment cap in any contract year, if the seller was entitled to receive PTCs and was not eligible for investment tax credits and the reimbursement for lost PTCs was selected in the procurement process.[83] Sellers have the ability to offer contract pricing with and without lost PTCs for curtailment due to negative pricing in excess of the curtailment cap for any contract year.

These changes from SCE's prior curtailment provisions not only restrict the opportunity for SCE-determined curtailments, but they also "bound" the financial risk to sellers as directed by the Commission at the May 6, 2010 All-Party Meeting.

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[83] Second Amended 2010 Pro Forma Renewable Power Purchase and Sale Agreement § 4.02(b)(iii).

In addition to Section 4.02 of the 2010 Pro Forma Renewable Power Purchase and Sale Agreement, SCE modified Sections 1.06, 1.07, 1.08, 1.10, 1.12, and 3.12(f), added definitions for "Actual Availability," "Additional Energy," "Banked Curtailed Energy," "Bid," "Curtailed Product," "Curtailed Return Term," "Curtailed Return Term Notice," "Curtailment Cap," "Dispatch Instruction," "Original Term," "Over-Schedule Generation Curtailment Order," "Over-Schedule Generation Curtailment Amount," "Price Taker," "Real-Time Available Energy," "Real-Time Over-Schedule Generation Curtailment Order," "Real-Time Over-Schedule Generation Curtailment Quantity," "Real-Time Price," and "Unawarded Energy," and modified the definitions of "Lost Output," "Metered Amounts," and "Schedule" to correspond to the new curtailment language.

Furthermore, SCE has modified its 2010 Procurement Protocol, 2010 Seller's Proposal Template and Calculator, and 2010 Form of Seller's Proposal to explain SCE's modified curtailment provisions and request information from sellers related to curtailment and contract prices for annual curtailment caps of contract capacity multiplied by 50, 100, and 200 hours, as discussed above.

2. Additional Changes in 2010 Procurement Protocol[84]

a) Additional Condition for the Forfeiture of a Short List Deposit

SCE has added one additional condition under which a seller will forfeit its short list deposit: seller's breach of its exclusivity agreement.[85] This change was made to serve as a reasonable, serious, and adequate deterrence to simultaneously negotiating the same proposal with multiple utilities (and other buyers of power). Breaches of exclusivity agreements can be costly to SCE's customers, who pay for the negotiating resources.

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[84] The Second Amended 2010 Procurement Protocol is Attachment 2-1 to SCE's Second Amended 2010 RPS Procurement Plan.

[85] Second Amended 2010 Procurement Protocol § 3.04(c)(a).

b) Term of Agreement

SCE's 2010 Procurement Protocol complies with the Commission's requirement that SCE accept proposals for contracts with terms exceeding 20 years. While SCE does not discourage proposals with terms longer than 20 years, SCE does require a seller who submits a proposal with a term longer than 20 years to also submit a proposal (for the same generating facility) with a 20-year term.[86] This change was made so that SCE may compare proposals (e.g., expected costs, qualitative factors such as expectation of technology innovation, and portfolio risk tolerances) for contracts of longer than 20 years with the standard term length of 20 years.

c) Integration Costs

~~For the reasons set forth in Section 6.10 above,~~ SCE has modified the quantitative assessment subsection of the Evaluation of Proposals section of the 2010 Procurement Protocol to include a detailed discussion of integration costs.[87]

d) Locational Preference

Although SCE will consider and evaluate proposals with out-of-state generating facilities, SCE prefers proposals from facilities whose first point of interconnection within WECC is with a California balancing authority.

3. Additional Changes in 2010 Form of Seller's Proposal[88]

a) E-Binder

SCE will now require sellers to send their proposals electronically, in an e-binder, rather than sending printed copies.[89] This should reduce the enormous amount of paper associated with the RFP process.

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[86] *Id.* § 2.06(a).
[87] *Id.* § 5.01(b).
[88] The Second Amended 2010 Form of Seller's Proposal is Attachment 2-10 to SCE's Second Amended 2010 RPS Procurement Plan.
[89] Second Amended 2010 Form of Seller's Proposal § 3.01.

b) Delivery Point and Manner of Delivery

SCE is requiring each seller to set forth the delivery point of its proposal with greater specificity.[90] SCE is also requiring a seller to detail its plan for transmitting energy to the delivery point and explain whether the costs of such delivery are included in the energy price. Obtaining this information from prospective sellers will better enable SCE to assess and compare different proposals.

c) Generating Facility Description

The Form of Seller's Proposal has been revised to require sellers to disclose any possible or anticipated manufacturing supply chain constraints or issues associated with producing any major and auxiliary equipment.[91] This change was recommended by SCE's IE to enable better assessment of the PVC component that addresses manufacturing supply chain.

4. Changes in 2010 Seller's Acknowledgments

SCE made the changes discussed below in the 2010 Seller's Acknowledgments, a document that each seller must submit as part of its proposal package.[92]

a) Obtaining Necessary Approvals of a Renewable Power Purchase and Sale Agreement

The prior language in Seller's Acknowledgments could have been read to require a seller to have obtained all necessary approvals of a renewable power purchase and sale agreement with SCE by the time that seller first submitted its proposal, which always occurs before the commencement of negotiations. SCE modified the language to clarify that seller will obtain all necessary approvals at the conclusion of negotiations.[93]

b) Requirement that Seller be Bound by its Proposal

The prior language in Seller's Acknowledgements required that a seller agree to be bound by the redlined Pro Forma Renewable Power Purchase and Sale Agreement submitted as part of

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[90] *Id.* § 4.05.
[91] *Id.* § 4.03(a)(ii)(4).
[92] The 2010 Seller's Acknowledgments is Exhibit C to the Second Amended 2010 Form of Seller's Proposal.
[93] 2010 Seller's Acknowledgements ¶ 3.

its proposal. This requirement served to ~~discouraged~~discourage frivolous proposals. The redlined Pro Forma Renewable Power Purchase and Sale Agreements, however, did not meaningfully advance negotiations because the redlines were generally incomplete. SCE now requires a seller to submit ~~a~~an Outline of Contract Terms and Conditions[94] setting forth the key changes that seller seeks to the Pro Forma Renewable Power Purchase and Sale Agreement. Accordingly, SCE's modified language discourages frivolous proposals by requiring seller to make a commitment to negotiate with SCE in good faith.[95]

c) Elimination of Requirement that Seller Submit CEC Audits

SCE eliminated a requirement that seller submit CEC audits to establish that seller's proposed project is an eligible renewable energy resource.[96] In SCE's experience, these audits occur only once agreement is reached so the audits are better addressed in the renewable power purchase and sale agreement itself.

5. Additional Changes in 2010 Seller's Proposal Template and Calculator[97]

SCE has integrated the revenue calculator that sellers provide as part of their proposals into the 2010 Seller's Proposal Template and Calculator.[98] Additionally, SCE has modified the 2010 Seller's Proposal Template and Calculator to require each proposal to provide contract prices based on the curtailment caps discussed in Section 7.B.1.e. SCE has also requested that information solicited elsewhere in SCE's 2010 solicitation materials (generally in the 2010 Form of Seller's Proposal) be inputted into the 2010 Seller's Proposal Template and Calculator spreadsheets, and has eliminated some information that is no longer needed. Including additional information in the Seller's Proposal Template and Calculator will reduce manual

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[94] The 2010 Outline of Contract Terms and Conditions is Attachment 2-4 to SCE's Second Amended 2010 RPS Procurement Plan.

[95] 2010 Seller's Acknowledgements ¶ 7.

[96] *Id.* ¶ 8.

[97] The Amended 2010 Seller's Proposal Template and Calculator is Attachment 2-3 to SCE's Second Amended 2010 RPS Procurement Plan.

[98] SCE has also created a standard 2010 Seller's Proposal Template and Calculator and a non-standard 2010 Seller's Proposal Template and Calculator for projects that are firmed and shaped.

errors, require validation of information from sellers, and increase efficiency in the review of proposals.

6. Additional Changes in 2010 Pro Forma Renewable Power Purchase and Sale Agreement[99]

a) Seller Responsibility for Invoicing

Beginning with the 2010 Pro Forma Renewable Power Purchase and Sale Agreement, SCE will require sellers to produce a monthly payment invoice in order to receive payment.[100] There are several reasons for this change. First, requiring sellers to invoice SCE creates a check and balance between SCE's payment calculations and the seller's calculations for the desired payment. When sellers invoice SCE, SCE can compare sellers' computations with SCE's, validate the invoices, and pay or dispute accordingly. This modified procedure creates an independent validation for the calculation of payments.

Second, paying based on an invoice generated by an independent party (seller) conforms to SCE's standard process for generating, validating, and approving payments. To support appropriate internal controls and the segregation of duties, no payment is made without an invoice and no payments are made for greater than the invoiced amount. Modifying the Pro Forma Renewable Power Purchase and Sale Agreement brings the practice for renewable contracts in line with that used for conventional generation and other SCE payments.

Third, the procedure is also consistent with industry standards for financial internal control frameworks, COSO (Committee of Sponsoring Organizations also referred to as the Treadway Commission), and GAAP (Generally Accepted Accounting Practices).

Finally, invoices act as third party documentation that SCE provides to its auditors (internal, external, regulatory, etc.) to support charges recorded on financial statements and financial and operations records.

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[99] The Second Amended 2010 Pro Forma Renewable Power Purchase and Sale Agreement is Attachment 2-5 to SCE's Second Amended 2010 RPS Procurement Plan.

[100] Second Amended 2010 Pro Forma Renewable Power Purchase and Sale Agreement, Exhibit E.

b) Compliance Expenditure Cap

The 2009 Pro Forma Renewable Power Purchase and Sale Agreement contained a "Compliance Expenditure Cap," which was a dollar limit on the costs a seller would be required to expend to ensure that the facility maintained its green attributes, capacity attributes, and resource adequacy benefits. The 2009 Compliance Expenditure Cap applied regardless of whether, over the term of the renewable power purchase and sale agreement, there was a change in law governing those requirements.

The 2010 Pro Forma Renewable Power Purchase and Sale Agreement substantially narrows the circumstances in which the cap applies. It will now apply only to situations where there is both (1) a change in law after the execution of the renewable power purchase agreement that causes the project to be disqualified as an eligible renewable energy resource (or causes its output to fail to meet RPS requirements), and (2) seller has expended "commercially reasonable efforts" to comply with such change in law. The change ensures that the Compliance Expenditure Cap is in line with the Commission's non-modifiable standard term and condition on "Eligibility,"[101] as it defines, by a dollar amount, the term "commercially reasonable costs" used in that term.[102]

c) Calculation of Energy Replacement Damage Amount

The Energy Replacement Damage Amount is a penalty paid by seller when it fails to meet its annual (or two-year) energy delivery obligation.[103] In the 2009 Pro Forma Renewable Power Purchase and Sale Agreement (as well as prior Pro Forma Renewable Power Purchase and Sale Agreements), the formula for calculating the Energy Replacement Damage Amount required the parties to compare the contract energy price with the "Market Price" – a price that is skewed by the predominance of conventional, rather than renewable, generation. The formula in the 2010 Pro Forma Renewable Power Purchase and Sale Agreement will require parties to

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[101] *Id.* § 10.02(b).
[102] *Id.* § 10.02(c).
[103] *Id.*, Exhibit F.

compare the contract energy price with the "Green Market Price," or the price for renewable energy projects. SCE believes that the prices for renewable energy – not the market price – more accurately represent SCE's damages when a seller fails to deliver renewable energy.

d) NERC Requirements

In the 2010 Pro Forma Renewable Power Purchase and Sale Agreement section relating to NERC Electric System Reliability Requirements,[104] SCE has added language designed to specify the proper allocation of the roles and responsibilities of SCE as scheduling coordinator for purposes of NERC compliance, and, on the other hand, seller as the generator operator. The language arises from SCE's and the market's experience with the NERC requirements gained in the approximately two and a half years since the requirements went into effect.

e) Termination for Failure to Meet Commercial Operation Deadline

The Pro Forma Renewable Power Purchase and Sale Agreement has been revised to provide that SCE may terminate the renewable power purchase and sale agreement and retain the development security under any one of six specific circumstances, the occurrence of any of which makes it unlikely that seller will be able to meet its commercial operation deadline.[105] The revisions eliminate a termination right which the market indicated was strongly disfavored by lenders, while ensuring that SCE can terminate projects in circumstances which indicate they will never be timely built.

f) Election of Federal Tax Credit

In the 2010 Pro Forma Renewable Power Purchase and Sale Agreement, SCE is requiring seller to inform SCE, before execution of the agreement, whether seller will seek an investment tax credit or a production tax credit (or no tax credit at all).[106] There are three

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[104] *Id.* § 3.29.
[105] *Id.* § 3.06(d).
[106] *Id.* § 1.12.

reasons for this change, which will affect only those sellers who are able to use either type of tax credit.

First, commitment to a particular tax credit prevents a seller from using its termination right improperly. The 2010 Pro Forma Renewable Power Purchase and Sale Agreement allows a seller to terminate the agreement if the federal tax credit legislation applicable to seller is not enacted.[107] Requiring a seller to specify which federal tax credit it plans to use prevents seller from terminating its agreement when the other tax credit (the one seller is not using) is not enacted.

Second, commitment to a particular tax credit prevents a seller from claiming excess direct damages, should there be a dispute between seller and SCE. Under Article 7 of the 2010 Pro Forma Renewable Power Purchase and Sale Agreement, direct damages include the value of any federal tax credits that are lost by seller as a result of SCE's default.[108] Requiring a seller to specify which tax credit it plans to use prevents a seller from claiming, after the fact, that it would have used the tax credit that enabled seller to show the greater loss (and concomitantly, the greater amount of direct damages).

Third, under certain conditions, SCE is accommodating the request from market participants to be compensated for lost federal production tax credits in the event of curtailments due to negative pricing, as discussed in more detail above. SCE will solicit proposals both with and without reimbursement of lost production tax credits due to negative pricing in excess of the curtailment cap for any contract year.

g) Termination Rights of Both Parties

In its 2010 Pro Forma Renewable Power Purchase and Sale Agreement, SCE has divided into two sections the right of either party to terminate where seller failed to obtain permits. Each section addresses a different type of permit(s): (1) the CEC pre-certification, and (2) the

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[107] *Id.* § 2.04(a)(ii).
[108] *Id.*, Article 7.

construction permits.[109] The notice of termination by either party due to a seller's failure to obtain CEC pre-certification is to be provided on or before 13 months after the effective date of the agreement. The right to terminate by either party if seller does not obtain its construction permit has been modified to be open-ended, and agreed to by and between SCE and seller during negotiations, depending on a seller's individual needs. SCE has found through its experience in prior solicitations and document negotiations that the market requires more individually-tailored time periods for terminating contracts where there is a failure to obtain construction permits.

h) Allocation of Standard Capacity Product Payments and Charges

SCE has added this new section to address the responsibility of the Standard Capacity Product incentive payments and charges as defined in the CAISO tariff, if applicable.[110]

i) Delivery Loss Factor

SCE has further modified the energy payment calculation formula to take into account delivery losses up to and at the delivery point as calculated by CAISO.[111] SCE's deletion of the delivery loss factor calculation beyond the delivery point and the associated definitions mirrors the current CAISO MRTU market.

j) Wind and Solar Performance Requirements

Based upon experience in prior solicitations and document negotiations, SCE is changing its Pro Forma Renewable Power Purchase and Sale Agreement to accommodate the wind industry and provide for an equitable performance obligation. The performance obligation will be measured over a two-year period (instead of a one-year period) and requires a seller to equal or exceed 140% of the P-50 value in the final wind report.[112] Wind developers had expressed that the 2009 Pro Forma Renewable Power Purchase and Sale Agreement, which had a standard of P-95, was not equitable because the use of a P-95 value disadvantaged those projects that had

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[109] *Id.* §§ 2.04(a)(i)(2) and (3).
[110] *Id.* § 3.04.
[111] *Id.*, Exhibit A § 150, Exhibit E § 2.02.
[112] *Id.* § 3.07(a)(i).

been collecting data for a longer time, and because studies have shown that California has high wind variability from year-to-year.

By contrast, SCE's additional experience with solar projects has led SCE to determine that solar variability from year-to-year is minimal. SCE has changed the performance requirement accordingly, to reflect an obligation of 90% of the expected annual energy production.[113]

k) Indemnification

SCE modified Section 10.03 of the 2010 Pro Forma Renewable Power Purchase and Sale Agreement, which addresses indemnification obligations, to more clearly reflect the very different duties, responsibilities, and risks of SCE and sellers under the agreement. Instead of discussing both parties' indemnification obligations in the same paragraph, such obligations are now discussed in separate paragraphs within the same section. Moreover, the respective indemnification obligations between seller and SCE are not identical: there are more circumstances under which the seller indemnifies SCE than under which SCE indemnifies the seller, reflecting the fact that the seller has more duties under the agreement and the nature of those duties in comparison to the duties of SCE. SCE also added sections addressing the procedure by which indemnification is claimed and provided.

l) Elimination of Requirement for Seller to Provide Financial Information for Consolidation

In June 2009, the Financial Accounting Standards Board ("FASB") issued SFAS 167 Amendments to FASB Interpretation No. 46(R). The pronouncement is effective starting in 2010. The amendment changes the conditions associated with consolidation, and SCE has determined that the contractual arrangement associated with renewable facilities will not result in consolidation. Therefore, SCE has removed the requirement in Section 3.25, Section 6.01(c)(xviii), and Exhibit P of its 2010 Pro Forma Renewable Power Purchase and Sale

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[113] *Id.*

Agreement that seller provide its financial information for purposes of consolidating seller's financial information into SCE's financial statements.

m) Seller's Estimate of Lost Output

SCE modified Exhibit M of the 2010 Pro Forma Renewable Power Purchase and Sale Agreement, which addresses the collection of measurement data and performance of engineering calculations, to set out in separate Exhibits the requirements for different solar technologies. SCE also added the right for SCE to verify all data by inspecting the measurement instruments and reviewing the generating facility operating records.

8. Redlined Copies: A version of the ~~2010~~2011 Plan that is "redlined" to identify the changes from the ~~2009~~2010 Plan, with a copy for Energy Division, the Administrative Law Judge and any party who requests a copy

SCE has included redlines of its ~~Second Amended 2010~~2011 Written Plan and ~~Second Amended~~2011 LCBF Written Report against the versions of those documents included in SCE's Second Amended 2010 RPS Procurement Plan as Appendices ~~E~~D and ~~F.[114] SCE's proposed modifications to the PVC are shown in Appendix D; however, SCE has not provided a redline version of the PVC since it is an excel file.~~E.[114]

Additionally, as part of Attachment 2, SCE has included a redline of all of its solicitation materials with the exception of the ~~Amended 2010~~2011 Seller's Proposal Template and Calculator and ~~2010~~2011 Outline of Contract Terms and Conditions, which cannot be redlined since they are excel files.

~~[114] In this Second Amended 2010 RPS Procurement Plan, SCE updated Appendices B and C to this Second Amended 2010 Written Plan to include an updated bundled sales forecast and updated contract and project-specific information. SCE has not redlined these documents since they are power point files.~~

[114] SCE updated Appendices B and C to this 2011 Written Plan to include an updated bundled sales forecast, updated contract and project-specific information, and different assumptions for the Base Case and High Need Case as discussed in Section 2 above. SCE has not redlined these documents since they are power point files.

Document comparison by Workshare Professional on Sunday, May 01, 2011 6:05:33 PM

Input:	
Document 1 ID	PowerDocs://LAW/1732983/1
Description	LAW-#1732983-v1-R.08-08-009_Second_Amended_2010_RPS_Procurement_Plan_-_Attachment_1_Second_Amended_2010_Written_Plan_(Public_Version)
Document 2 ID	PowerDocs://LAW/1811599/1
Description	LAW-#1811599-v1-R.08-08-009_2011_RPS_Procurement_Plan_-_Attachment_1_2011_Written_Plan_(Public_Version)
Rendering set	Standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	437
Deletions	505
Moved from	16
Moved to	16
Style change	0
Format changed	0
Total changes	974

APPENDIX E

Redline of SCE's 2011 Written Description of Renewables Portfolio Standard Proposal Evaluation and Selection Process and Criteria

Southern California Edison Company's ("SCE's") 2011 Written Description of Renewables Portfolio Standard Proposal Evaluation and Selection Process and Criteria ("2011 LCBF Written Report")

I. Introduction

A. Note relevant language in statute and CPUC decisions approving LCBF process and requiring LCBF Reports

Under the direction of the California Public Utilities Commission (the "Commission" or "CPUC"), SCE conducts annual solicitations for the purpose of procuring power from eligible renewable energy resources to meet California's Renewables Portfolio Standard ("RPS"). SCE evaluates and ranks proposals based on least-cost/best-fit ("LCBF") principles that comply with criteria set forth by the Commission in Decision ("D.") 03-06-071 and D.04-07-029 ("LCBF Decisions"). *See also* Cal. Pub. Util. Code Section 399.14(a)(2)(B).

B. Goals of proposal evaluation and selection criteria and processes

The LCBF analysis evaluates both quantitative and qualitative aspects of each proposal to estimate its value to SCE's customers and its relative value in comparison to other proposals.

II. Proposal Evaluation and Selection Criteria

While assumptions and methodologies have evolved slightly over time, the basic components of SCE's evaluation and selection criteria and process for RPS contracts were established by the Commission's LCBF Decisions. Consistent with those LCBF Decisions, the three main steps undertaken by SCE are: (i) initial data gathering and validation, (ii) a quantitative assessment of proposals, and (iii) adjustments to selection based on proposals' qualitative attributes. The same evaluation and selection process will be used for both bundled and renewable energy credit contracts.

Prior to receiving proposals, SCE finalizes criteria with the Independent Evaluator ("IE") to determine which attributes could make proposals clear outliers. SCE then finalizes major assumptions and methodologies that drive valuation, including power and gas prices forecasts, existing and forecast resource portfolio, and firm capacity value forecast. Other assumptions, such as the Transmission Ranking Cost Report ("TRCR"), are filed with the Commission for approval prior to the release of solicitation materials.

Once proposals are received, SCE begins an initial review for completeness and conformity with the solicitation protocol. The review includes an initial screen for required submission criteria such as a conforming delivery point, minimum project size, and the submission of particular proposal package elements. Sellers lacking any of these items are allowed a reasonable cure period to remedy any deficiencies. Following this check for conformity, SCE will determine which proposals are clear outliers. For proposals deemed clear outliers, SCE will conclude any further review. For the remaining proposals, SCE conducts an additional review to determine the reasonableness of proposal parameters such as generation profiles and capacity factors. SCE works directly with sellers to resolve any issues and ensure data is ready for evaluation.

After these reviews, SCE performs a quantitative assessment of each proposal individually and subsequently ranks them based on the proposal's benefit and cost relationship. Specifically, the total benefits and total costs are used to calculate the net levelized cost or "Renewable Premium" per each complete and conforming proposal. Benefits are comprised of separate capacity and energy components, while costs include the contract payments, debt equivalence, congestion cost, and transmission cost. SCE discounts the annual benefit and cost streams to a common base year. The result of the quantitative analysis is a merit-order ranking of all complete and conforming proposals' Renewable Premiums that helps define the preliminary short list.

In parallel with the quantitative analysis, SCE conducts an in-depth assessment of each proposal's qualitative attributes. This analysis utilizes the Project Viability Calculator to assess certain factors including the company/development team, technology, and development milestones. Additional attributes such as transmission area/cluster, generating facility location, seller concentration, portfolio fit of commercial on-line date, project size, and dispatchability are also considered in the qualitative analysis. These qualitative attributes are then considered to either eliminate non-viable proposals or add projects with high viability to the final short list of proposals, or to determine tie-breakers, if any.

Following its analysis, SCE consults with its Procurement Review Group ("PRG") regarding the final short list and specific evaluation criteria. Whether a proposal selected through this process results in an executed contract depends on the outcome of negotiations between SCE and sellers. Periodically, SCE updates the PRG regarding the progress of negotiations. SCE also consults with its PRG prior to the execution of any successfully negotiated contracts. Subsequently, SCE executes contracts and submits them to the Commission for approval via advice letter filings.

A. Description of Criteria[1]

1. List and discuss the quantitative and qualitative criteria used to evaluate and select proposals. This section should include a full discussion of the following:

QUANTITATIVE ASSESSMENT

SCE evaluates the quantifiable attributes of each proposal individually and subsequently ranks them based on the proposal's benefit and cost relationship, specifically the net levelized cost of the project or Renewable Premium. These individual quantitative components include capacity benefits, energy benefits, contract payments, debt equivalence mitigation cost, transmission cost, and congestion cost. In developing its relative merit order ranking of proposals, SCE's evaluation methodology incorporates information provided by sellers and assumptions prescribed and set by the Commission with its internal methodologies and forecasts of market conditions. The objective of the quantitative assessment and relative Renewable Premium ranking is to develop a preliminary short list that is further refined based on the non-

[1] This 2011 LCBF Written Report discusses SCE's proposal evaluation and selection criteria in a different order than in the Energy Division's LCBF Template in order to more accurately explain SCE's evaluation and selection process; however, all elements in the LCBF Template are addressed.

quantifiable attributes discussed below. Each of the elements for the RPS quantitative analysis is described briefly below.

Benefits

- Capacity Benefit

Each proposal is assigned capacity benefits, if applicable, based on SCE's forecast of net capacity value and a peak capacity contribution factor.

Peak capacity contribution factors are calculated in a manner consistent with the Commission's Resource Adequacy accounting rules (D.09-06-028) utilizing a 70% exceedance factor methodology. Peak capacity contribution factors will be both technology and location-specific. Technological differentiation does not refer to the fuel source, but rather the method of converting other energy sources into electricity (e.g., solar trough, solar photovoltaic). For proposals with dispatchable capabilities at SCE's control, the peak capacity contribution factor will be based on the availability of the proposed project.

Monthly capacity benefits are the product of SCE's net capacity value forecast, the total monthly proposed alternating current nameplate capacity of the project, SCE's relative loss-of-load probability factors, and the peak capacity contribution factor. The monthly capacity benefits are aggregated to annual capacity benefits. In order for a generating facility to receive capacity benefits, Seller's interconnection agreement must reflect that the generating facility has selected Full Capacity Deliverability Status, as such term is defined in the California Independent System Operator ("CAISO") Tariff. Capacity benefits will be included as of the date the project obtains Full Capacity Deliverability Status, if achieved after commercial operation. Those generating facilities that interconnect to the CAISO as Energy-Only projects will not receive any capacity benefit. SCE may consider assigning generating facilities that have a delivery point at a CAISO intertie with a capacity benefit. That capacity benefit, however, will be discounted by SCE's ability to obtain import allocation rights from the CAISO, and dependent upon the type and generation profile of the generating facility.

- Energy Benefit

SCE measures the energy benefits, if applicable, of a proposal by evaluating the estimated market value of energy. The evaluation of energy benefits is performed with a base portfolio and system that is consistent with SCE's most recent Long-Term Procurement Plan ("LTPP"), with some updates to account for the latest gas price and load forecasts and the results of recent procurement activities.

For proposals with must-take energy, SCE calculates the energy benefits of a proposal based on the estimated market value of energy assessed through the use of Ventyx's ProSym model. The ProSym runs consist of an hourly, least-cost dispatch of the base resource portfolio against SCE's current demand and price forecasts. The hourly energy benefit for the proposal is the resulting market price multiplied by the hourly seller-provided generation profile.

For proposals with dispatchable capabilities at SCE's control, SCE calculates the net energy benefits based on the market value of the energy when the proposed resource dispatches.

ProSym determines the dispatch economics for the proposed resource according to the unit characteristics provided by the seller.

SCE's resource portfolio is dispatched against an SCE area power price forecast. SCE's gas price and power price forecasts are based on a blend of a near-term market view and a longer-term fundamental view of prices.

The simulation model, and hence the energy benefit calculation, captures additional quantitative effects that SCE has been asked to consider by the Commission, including dispatchability. The dispatchability benefits of these characteristics are implied in the energy benefit and are not addressed separately.

SCE's LCBF quantitative evaluation process inherently captures the impact of portfolio fit. For example, as different proposals are added to the overall portfolio, the resultant residual net short or net long position is impacted. Projects that more often increase SCE's net long positions are assigned less energy benefits than those projects that are more often filling net short positions. As such, a project that provides more energy when it is most needed and less energy in periods of low need will receive the greatest energy benefit.

Costs

- Debt Equivalence

"Debt equivalence" is the term used by credit rating agencies to describe the fixed financial obligation resulting from long-term power purchase contracts. Pursuant to D.04-12-048, the Commission permitted the investor-owned utilities ("IOUs") to recognize costs associated with the effect debt equivalence has on the IOUs' credit quality and cost of borrowing in their evaluation process. In D.07-12-052, the Commission reversed this position. SCE, however, filed a petition for modification of D.07-12-052. In November 2008, the Commission issued D.08-11-008, which authorized the IOUs to recognize the effects of debt equivalence when comparing power purchase agreements in their bid evaluations, but not when the IOUs are considering a utility-owned generation project. As such, SCE considers debt equivalence in the evaluation process.

- Contract Payments

The primary costs associated with each proposal are the contract payments that SCE makes to sellers for the expected renewable energy deliveries.

Proposals typically include an all-in price for delivered renewable energy, which is adjusted in each time-of-delivery period by energy payment allocation factors ("TOD factors"). SCE develops and submits its TOD factors for each solicitation to the Commission for approval prior to the issuance of the Request for Proposals ("RFP"). Total payments are then determined by multiplying the generation by the contract price, adjusted for each TOD period. For projects that include a capacity-related payment in addition to an energy price, the total payments are determined by using the TOD-adjusted generation based on the generation profile provided in the proposal, the energy price, and the capacity payment. ~~Payments for Energy-Only projects~~

~~will be adjusted by a separate, pre-determined set of TOD factors based solely on energy value, not capacity value.~~

- Integration Cost

Integration costs, where applicable, are the additional system costs required to provide sufficient ancillary service capability including load following and frequency regulation to integrate renewable resources. As California continues to procure additional intermittent renewable resources, SCE believes that current levels of intermittent renewable resources require an increase in the provision of the ancillary services mentioned above, and that an integration study that reflects updated regulatory and procurement expectations should be used as a basis for integration costs. However, in D.11-04-030, the Commission declined to allow the use of non-zero integration cost adders for the 2011 RPS solicitation. The Commission stated that if an adder is developed in Rulemaking 10-05-006, each IOU may file an advice letter seeking to amend its 2011 RPS Procurement Plan for the purpose of using that adder in its LCBF evaluation. In accordance with D.11-04-030, SCE will use a zero integration cost adder in its 2011 RPS solicitation unless the Commission authorizes the use of another adder.

- Congestion Cost

Localized congestion may cause a reduction in (or negative) prices at a particular locational marginal price ("LMP") in the CAISO's MRTU market. D.11-04-030 provides that the IOUs must incorporate an assessment of these congestion costs in their 2011 LCBF evaluation.

Those projects that select an Energy-Only interconnection do not fund the deliverability upgrades a project needs to ensure its energy can serve load and avoid localized congestion. As such, these projects increase the risk of congestion in these locations to a degree greater than those projects that do fund these upgrades. In order to capture this difference, SCE will apply a congestion cost adder to all CAISO projects that have selected an Energy-Only interconnection. The adder will be based on historical LMPs in the MRTU market in the location that the seller plans to interconnect. Once available, SCE will make these adders publicly available to sellers before proposals are due.

- Transmission Costs

For resources that do not have an existing interconnection to the electric system, system transmission upgrade costs are based on the completed Facilities Study for Small Generator Interconnection Procedures ("SGIP") applications, or a Phase 1 or equivalent study, or a better study, for Large Generator Interconnection Procedures ("LGIP") applications, unless the TRCR is judged to be more indicative of the expected transmission cost. For resources that do not have an existing interconnection to the electric system or a completed Facilities Study for SGIP applications, or a Phase 1 or equivalent study, or better study, for LGIP applications, system transmission upgrade costs are estimated utilizing the TRCR methodology and specific proposal details provided by sellers in the RFP process. Network upgrade costs and scope from interconnection studies are used to the extent they are available and applicable. To the extent

studies are not available, transmission cost adders for new generation are based on unit cost guides used in interconnection cluster studies.

- **Discuss how much detailed transmission cost information the IOU requires for each project**

Other than the assumptions provided in a seller's proposal, SCE does not require additional transmission information, unless the seller has completed a transmission provider study. If one or more transmission provider studies have been completed with respect to the proposed project, then the seller must provide the results.

- **Discuss whether cost adders are always imputed for projects in transmission-constrained areas, or whether and how costs for alternative commercial transactions (i.e., swapping, remarketing) are substituted**

SCE uses the best available information it can find when determining the cost of potential upgrades for projects in transmission-constrained areas. For those projects outside SCE's service area, the TRCRs of Pacific Gas and Electric Company or San Diego Gas & Electric Company are used as appropriate. SCE applies the required upgrade costs to get the project delivered to the nearest defined market (e.g., NP15, SP15, ZP 26 Generation Trading Hubs). For projects with an assumed delivery point outside the CAISO, SCE applies a power swapping methodology, where the power is assumed to be sold into the local market.

QUALITATIVE ASSESSMENT

In addition to the benefits and costs quantified during SCE's evaluation, SCE assesses non-quantifiable characteristics of each proposal by conducting a comprehensive analysis of each project's qualitative attributes. SCE uses these qualitative attributes to consider inclusion of additional sellers on the short list due to the strength of a particular seller's proposal. Pursuant to D.04-07-029, the presence of demonstrated qualitative attributes may justify moving a proposal onto SCE's short list of proposals if (a) the initial proposal rank is within reasonable valuation proximity to those selected for the short list and (b) SCE consults with, and receives general support from, its PRG prior to elevating the proposal based on qualitative factors.

This assessment may also result in the exclusion of proposals from the short list due to the relative weakness of highly-ranked proposals or other identified issues such as potential seller and/or supply chain concentration concerns.

In other instances, where there are weaknesses in some of these factors (although these may not be significant enough to exclude a proposal from the short list), SCE utilizes additional contract requirements to manage these issues during the development of the project.

Each of the elements for the qualitative analysis is described briefly below.

Project Viability

SCE assesses the following attributes using the Project Viability Calculator:

- Company/Development Team
  - Project Development Experience
  - Ownership/O&M Experience
- Technology
  - Technical Feasibility
  - Resource Quality
  - Manufacturing Supply Chain
- Development Milestones
  - Site Control
  - Permitting Status
  - Project Financing Status
  - Interconnection Progress
  - Transmission Requirements
  - Reasonableness of Commercial Operation Date ("COD")

Additional Qualitative Attributes

Following the Project Viability Calculator qualitative assessment, SCE considers additional qualitative characteristics to determine advancement onto the short list or tie-breakers, if any. These additional characteristics may include:

- Certified as California woman, minority or disabled veteran business enterprise ("WMDVBE") as set forth in CPUC General Order 156
- Transmission area (e.g., Tehachapi, Sunrise, within SCE's load pocket)
- Congestion, negative price, and curtailment considerations not captured in the quantitative valuation
- Energy-Only concentration
- Facility interconnection process progress
- Portfolio fit in reference to D.10-03-021, as modified by D.11-01-025, authorizing use of renewable energy credits for compliance with the California RPS
- Portfolio fit of COD
- Seller concentration
- Expected generation (GWh/year)
- Dispatchability
- Contract price
- Alternative Renewable Premium (i.e., Renewable Premium including integration costs)
- Environmental impacts of seller's proposed project on California's water quality and use
- Resource diversity
- Benefits to minority and low income communities
- Local reliability
- Environmental stewardship

OTHER CONSIDERATIONS

Credit and Collateral Requirements

In order to ensure comparable pricing for ranking, SCE requires sellers to commit to posting SCE's pro forma performance assurance amount as specified in Section 7.03 of the RFP Procurement Protocol. Performance assurance is the collateral posted by the seller during the operating period.

Out-of-State Projects

- **Discuss how evaluation process differs for out-of-state projects**

The overall evaluation methodology is applied consistently to projects regardless of location. Energy benefits for those projects outside of the CAISO will be based on the pricing at the seller-elected liquid power trading hub or CAISO intertie (subject to SCE's approval in its sole discretion) according to SCE's fundamental price forecast for hubs across the Western Electricity Coordinating Council ("WECC"). Capacity benefits will be based on the value of the project's capacity within CAISO, the nameplate capacity of the project, and the peak capacity contribution factor of the project.

For those projects within or connected directly to the CAISO, SCE applies the cost to customers of new CAISO network upgrades required for deliverability of the new project. SCE customers are not liable for any network upgrades outside of the CAISO (outside of any costs that may be imbedded within the contract pricing) so transmission cost adders are zero for out-of-state projects.

B. Criteria Weightings

1. If a weighting system is used, please describe how each LCBF component is assigned a quantitative or qualitative weighting compared to other components. Discuss the rationale for the weightings.

SCE does not apply a weighting system in its LCBF evaluation.

2. If a weighting system is not used, please describe how the LCBF evaluation criteria are used to rank proposals

SCE's LCBF quantitative evaluation of the proposals incorporates energy and capacity benefits with contract payments, transmission cost, debt equivalence, and congestion cost to create individual benefit and cost relationships, namely, the Renewable Premium. It is the Renewable Premium that is used to rank and compare each project. Qualitative attributes of each proposal are then considered to further screen the short list and determine tie-breakers to arrive at a final short list of proposals.

3. Discuss how the IOU LCBF methodology evaluates project commercial operation date relative to transmission upgrades required for the project

As part of the qualitative assessment, SCE considers sellers' proposed on-line dates for the project in conjunction with a variety of critical project milestones. Such milestones include network upgrade status and scope, status of major equipment procurement and lead times, and permitting status. For those projects which SCE has concerns over the viability of the timeframe, a range of on-line dates (and transmission facilities availability) are evaluated to determine the sensitivity of the results to the timing. If the project ranking does not change in a manner that would change its original selection status over a range that SCE deems reasonable, then the original assessment is used. For projects whose selection is dependent on the timing of the project and the availability of upgraded transmission facilities, further analysis of the timing of the projects is required.

4. Discuss how the LCBF methodology takes into account proposals that may be more expensive, but have a high likelihood of resulting in viable projects

SCE's LCBF methodology incorporates project viability in a qualitative assessment after the preliminary ranking of proposals has been completed and in determining the size of the short list. Proposals that are more expensive tend to be lower on the quantitative ranking of projects, and, therefore, may fall beyond the initial short list cut-point. SCE may pull such projects onto the short list if, from its qualitative assessment, it determines the project maintains high viability and the initial proposal rank is within reasonable valuation proximity to those selected for the short list. In this situation, the quantitative ranking is still considered as part of the overall decision, but the viability becomes the key driver.

C. Evaluation of utility-owned, turnkey, buyouts, and utility-affiliate projects

1. Describe how utility-owned projects are evaluated against power purchase agreements ("PPAs")

SCE views utility-owned cost-of-service generation as a necessary and good option for customers to have. SCE does not evaluate proposed utility-owned projects against PPAs, as utility-owned generation and contracted-for generation are fundamentally different products. As such, any attempt to do a numerical comparison of them is unworkable. This topic is discussed in detail in the Supplemental Testimony to SCE's 2006 LTPP (Section I.B, pgs 2-5). Moreover, approval of a utility-owned project would not be submitted through the solicitation process, but through a formal application.

2. Describe how turnkey projects are evaluated against PPAs

Turnkey projects are similar to utility-owned projects. Refer to the response above.

3. Describe how buyout projects are evaluated against PPAs

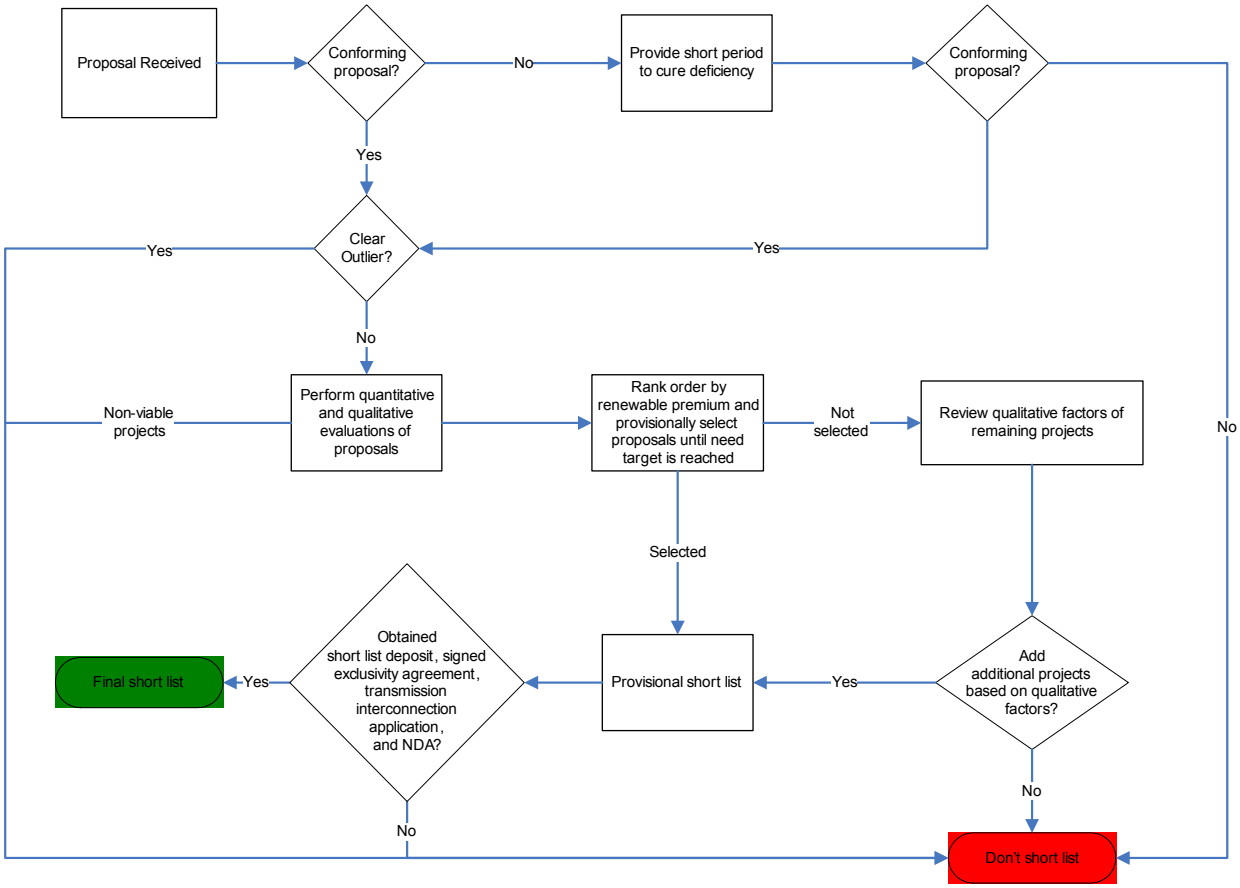
Project buyout options are essentially a hybrid of utility-owned projects and PPAs. Refer to the response above.

4. Describe how utility-affiliate projects are evaluated against non-affiliate projects

Utility-affiliate projects are evaluated in the same manner as non-affiliate projects. In addition, evaluation of utility affiliate projects would be subject to review by the Independent Evaluator, the PRG, and the Commission through the approval process.

II. Proposal Evaluation and Selection Process

A. What is the process by which proposals are received and evaluated, selected or not selected for short list inclusion, and further evaluated once on the short list?



B. What is the typical amount of time required for each part of the process?

The typical amount of time required for the short-listing process depends on the volume of proposals received by SCE during a solicitation. Historically, it has taken SCE no more than eight weeks to complete the LCBF evaluation process, which includes quality control of sellers' information, transmission assessment, quantitative assessment, qualitative assessment, management review, and PRG meetings. Many of the components in the overall process overlap and may require additional time if clarification from sellers is needed.

C. How is the size of the short list determined?

The size of SCE's short list is determined largely by an assessment of the attractiveness of RPS-eligible energy proposals and a desire for a robust, inclusive set of developer proposals. The short list is expanded well beyond the point that is needed for SCE to meet its RPS goals, as there is an expectation that some projects that are selected will not join the short list and that negotiations will not be successful with some short-listed sellers.

D. Are sellers that are not selected to be short-listed told why they were not short-listed? If so, what is the process?

Sellers are informed by e-mail that their proposals were not short-listed. The e-mail does not contain specific reasons for a seller's proposal not being selected for short-listing. However, sellers often contact SCE to obtain specificity regarding their projects and what can be improved for future solicitations. In such cases, SCE refers the seller to the RFP documentation in conjunction with a discussion of the seller's project quantitative and qualitative scoring.

E. Were any proposals rejected for non-conformance? If so, how many and what were the non-conforming characteristics?

It is unknown how many proposals will be rejected for non-conformance since the 2011 solicitation has not yet been issued. However, SCE has generally established its conformance criteria as follows:

1. Acceptable offer submittal package
2. Delivery point within WECC
3. Seller's Proposal Template and Calculator
4. Proposed facility is, or SCE reasonably expects facility to qualify as, an eligible renewable energy resource
5. Minimum size is 1.5 MW
6. Non-disclosure Agreement
7. Seller's Acknowledgements
8. Proposal Structure Letter

Proposals conforming to these criteria will be included in SCE's LCBF methodology used to determine its short list. Sellers lacking in any of these items are allowed a cure period to remedy any deficiencies. If any deficiencies are not cured, proposals lacking in one or more of these criteria will be considered ineligible for short list consideration.

F. Describe involvement of the Independent Evaluator

The Independent Evaluator monitors SCE's RPS solicitations, provides an independent review of SCE's process, models, assumptions, and the proposals it may receive, and helps the Commission and SCE's PRG participants by providing them with information and assessments to ensure that the solicitation was conducted fairly and that the most appropriate resources were short-listed. The Independent Evaluator also provides an assessment of SCE's RPS solicitation from the initial phase of the solicitation (i.e., the publicizing of the issuance of the RFP) through the development of a short list of proposals with whom SCE has commenced negotiations. Further, the Independent Evaluator monitors the negotiation process to ensure that all shortlisted bidders are treated consistently and files reports on each final executed contract.

G. Describe involvement of the Procurement Review Group

SCE consults with its PRG during each step of the renewable procurement process. Among other things, SCE provides access to the solicitation materials and pro forma contracts to the PRG for review and comment before commencing the RFP; informs the PRG of the initial results of the RFP; explains the evaluation process; and updates the PRG periodically concerning the status of contract formation.

H. Discuss whether and how feedback on the solicitation process is requested from sellers (both successful and unsuccessful) after the solicitation is complete

SCE regularly receives feedback during the normal course of its solicitation process. Shortly after the 2009 RPS RFP Bidders' Conference, SCE solicited feedback from participants via a web based survey. The results of this feedback were shared with SCE's PRG. In addition, SCE anticipates it will formally solicit feedback either through a survey, workshop or other similar method from participants in the 2009 solicitation. SCE plans to follow this same approach for 2011.

III. SCE's Economic Curtailment Provisions[2]

SCE will consider proposals for bundled energy products that are based on the assumption that electric energy deliveries will be subject to curtailment by either the CAISO or the Transmission Provider in order to address reliability issues (such as congestion or over-generation) on the distribution or transmission networks, without compensation to seller. Seller must clearly describe its assumptions and provide all relevant information that it may have obtained from either the CAISO or Transmission Provider in its proposal.

Section 4.02 of SCE's Pro Forma Renewable Power Purchase and Sale Agreement provides that if a schedule is not awarded in the CAISO day-ahead or real-time markets, when the day-ahead LMP is zero or greater than zero, the seller receives the contract price for the energy that could have been delivered but for the fact that seller did not receive a schedule. However, when the LMP is less than zero and no schedule is awarded for the seller's power,

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[2] SCE is providing an explanation of its economic curtailment provisions in accordance with D.11-04-030.

there is no payment to the seller up to a maximum number of GWh per year. As provided in SCE's Procurement Protocol, sellers are required to offer pricing based on being subject to potential curtailment without pay up to a cap equal to the contract capacity multiplied by 50, 100 and 200 hours. If that maximum number of GWh is reached in any year, then the seller would receive payment for the amount above the cap that could have been delivered but for the fact that seller did not receive a schedule. The amount of GWh in excess of the maximum number of hours per year is tracked and, at the end of the original contract term, at SCE's option, seller will "repay" SCE's customers for that energy by delivering twice the amount undelivered but paid-for energy, and receiving one-half the contract price until the earlier of (i) the total amount of energy is repaid or (ii) seller has delivered energy for two years past the original contract term.

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE

STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Implementation and Administration of California Renewables Portfolio Standard Program.	))))	Rulemaking 08-08-009 (Filed August 21, 2008)

NOTICE OF AVAILABILITY OF SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) AMENDED 2011 RENEWABLES PORTFOLIO STANDARD PROCUREMENT PLAN

Pursuant to Rule 1.9(c) of the Rules of Practice and Procedure of the California Public Utilities Commission, Southern California Edison Company ("SCE") hereby provides this notice of availability of the public version of SCE's Amended 2011 Renewables Portfolio Standard Procurement Plan. The public version of SCE's Amended 2011 Renewables Portfolio Standard Procurement Plan exceeds 50 pages.

This document may be accessed through SCE's website electronically within one hour of this e-mail service. To access this document from SCE's website, follow the steps below:

(1) Go to www.sce.com;

(2) Click on "Regulatory Information" on the bottom right panel of your screen;

(3) On the Regulatory home page, click on "CPUC Open Proceedings";

(4) In the search box and type in "R.08-08-009"; select "Go."

(5) The documents can be viewed on-line, printed, or saved to your hard drive.

As an alternative to accessing the document on SCE's website, SCE will provide a print copy of the document to any party upon request. To request a print copy of the document, please direct your request to SCE as follows:

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Dated: May 13, 2011

CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the California Public Utilities Commission's Rules of Practice and Procedure, I have this day served a true copy of the **NOTICE OF AVAILABILITY OF SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) AMENDED 2011 RENEWABLES PORTFOLIO STANDARD PROCUREMENT PLAN** on all parties identified on the attached service list(s). Service was effected by one or more means indicated below:

> Transmitting the copies via e-mail to all parties who have provided an e-mail address. First class mail will be used if electronic service cannot be effectuated.

Executed this **13th day of May, 2011**, at Rosemead, California.

/s/ Cynthia Childs
By: Cynthia Childs

Project Analyst
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