

Decision 07-05-046 May 24, 2007

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SOUTHERN CALIFORNIA EDISON
COMPANY (U 338-E) for Approval of
Renewables Portfolio Standard Power
Purchase Agreements with Affiliates of
the Caithness Corporation and for
Authority to Recover the Costs for Such
Power Purchase Agreements in Rates.

Application 07-01-002
(Filed January 2, 2007)

**OPINION APPROVING RENEWABLES PORTFOLIO STANDARD
POWER PURCHASE AGREEMENTS BETWEEN
SOUTHERN CALIFORNIA EDISON COMPANY
AND AFFILIATES OF THE CAITHNESS CORPORATION**

This decision approves five renewable resource power procurement agreements (PPAs) between Southern California Edison Company (SCE) and three affiliates of the Caithness Corporation (collectively, Caithness herein). These PPAs (Caithness PPAs) include two PPAs with Caithness 251 Wind, LLC (Caithness Power Purchase and Sale Agreement (PPSA) I and II), two PPAs with Ridgetop Energy, LLC (Caithness Ridgetop PPSA I and II) and one PPA with Coso Clean Power, LLC (Coso Clean Power PPSA). This decision authorizes the Caithness PPAs to be considered as meeting certain of SCE's Renewable Portfolio Standard (RPS) requirements pursuant to Decision (D.) 05-07-039. Furthermore, to the extent that the contract prices for Caithness 251 PPSA I and II and Caithness Ridgetop PPSA I and II are below the 2005 (MPR), prices for those PPAs will be fully recoverable in rates over the life of the contracts, subject to Commission review of SCE's administration of the contracts. The contract prices

for Coso Clean Power PPSA are reasonable and will be fully recoverable in rates over the life of the contract. This proceeding is closed.

1. Introduction

The California RPS Program was established by Senate Bill (SB) 1078 (Chapter 516, statutes of 2002, effective January 1, 2003) and codified at California Pub. Util. Code § 399.11, *et seq.* The statute requires that a retail seller of electricity such as SCE purchase a certain percentage of electricity generated by Eligible Renewable Energy Resources (ERR). Originally, each utility was required to increase its total procurement of ERRs by at least one percent of annual retail sales per year so that 20% of its retail sales are supplied by ERRs by 2017.

The Energy Action Plan (EAP) called for acceleration of this RPS goal to reach 20% by 2010.¹ This position was reiterated again in the Rulemaking (R.) 04-04-026 issued on April 28, 2004, which encouraged the utilities to procure cost-effective renewable generation in excess of their Renewable Portfolio Standard (RPS) annual procurement targets² (APTs), in order to make progress towards the goal expressed in the EAP.³ This acceleration was codified in 2006 by the enactment of SB 107.⁴

¹ The EAP was jointly adopted by the Commission, the California Energy Resources Conservation and Development Commission and the California Power Authority. The Commission adopted the EAP on May 8, 2003.

² A Load Serving Entity's (LSE's) APT for a given year is the amount of renewable generation an LSE must procure in order to meet the statutory requirement that it increase its total eligible renewable procurement by at least 1% of retail sales per year.

³ Most recently reaffirmed in D.06-05-039.

⁴ SB 107, Chapter 464, Statutes of 2006.

The Commission has issued a series of decisions that establish the regulatory and transactional parameters of the utility renewables procurement program. On June 19, 2003, the Commission issued its “Order Initiating Implementation of the SB 1078 Renewable Portfolio Standard Program,” D.03-06-071. On June 9, 2004, the Commission adopted in D.04-06-025, its MPR methodology for determining the utility’s share of the RPS seller’s bid price, as defined in Pub. Util. Code §§ 399.14(a)(2)(A) and 399.15(c). On the same day, the Commission adopted standard terms and conditions for RPS PPAs in D.04-06-014 as required by Pub. Util. Code § 399.14(a)(2)(D). Instructions for evaluating the value of each offer to sell products requested in a RPS solicitation were provided in D.04-07-029.

2. Procedural Background

SCE filed the present application on January 2, 2007, seeking approval of the five Caithness PPAs. These contracts in summary are:

- **Caithness 251 PPSA I** will provide SCE with eligible renewable energy from a wind facility located in Tehachapi, California for a term of 20 years. The project is a wind repowering with a capacity of 15 megawatts (MW) to 18.2 MW.⁵ This contract replaces an existing Interim Standard Offer 4 (ISO4) contract between SCE and Caithness 251 LLC.
- **Caithness 251 PPSA II** will provide SCE with eligible renewable energy from a wind facility located in Tehachapi, California for a term of 20 years. The project is a wind repowering and expansion with a capacity of

⁵ The total capacity of the facilities after repowering is dependent upon the capacity of available wind turbines.

5.8 MW to 15.8 MW.⁶ This contract represents both expanded generation beyond the existing ISO4 contract between SCE and Caithness 251 LLC, as well as the total output of the facility after what would have been the termination of the existing ISO4 contract.

- **Caithness Ridgetop PPSA I** will provide SCE with eligible renewable energy from a wind facility located in Mojave, California for a term of 20 years. The project is a wind repowering with a capacity of 6 MW to 17.6 MW.⁷ This contract replaces an existing ISO4 contract between SCE and Caithness Ridgetop LLC.
- **Caithness Ridgetop PPSA II** will provide SCE with eligible renewable energy from a wind facility located in Mojave, California for a term of 20 years. The project is a wind repowering with a capacity of 5 MW to 17 MW.⁸ This contract represents both expanded generation beyond the existing ISO4 contract between SCE and Caithness Ridgetop LLC, as well as the total output of the facility after what would have been the termination of the existing ISO4 contract.
- **Coso Clean Power PPSA** will provide SCE with eligible renewable energy from an existing geothermal facility located in Inyo County, California for a term of 20 years. The facility is presently committed under three ISO4 contracts to SCE with differing termination dates.

⁶ The total capacity of the facilities after repowering is partially dependent upon the capacity of available wind turbines, and partially upon the availability of increased transmission capacity.

⁷ The total capacity of the facilities after repowering is partially dependent upon the capacity of available wind turbines, and partially upon the availability of increased transmission capacity.

⁸ The total capacity of the facilities after repowering is partially dependent upon the capacity of available wind turbines, and partially upon the availability of increased transmission capacity.

Upon the termination of each of the existing contracts, the corresponding output will be incorporated into this PPSA. Hence, this PPSA will come online in three equal phases of 68 MW respectively, to a total of 204 MW.

SCE served both confidential and public (redacted) testimony along with the application, which are identified herein as Exhibits C-1 and 1, respectively.

SCE filed an amendment to the application on January 19, 2007, along with a motion to shorten time in order to retain the original deadline for filing of protests to the application. Given that the changes were made prior to that deadline with sufficient time to consider those changes, the motion was granted.

SCE served both confidential and public (redacted) supplemental testimony on April 5, 2007, which are identified herein as Exhibits C-2 and 2, respectively.

SCE served on April 5, 2007 both confidential and public (redacted) responses which it initially served to the Commission's Energy Division (ED) in response to two data requests. The responses to the first data request are identified herein as Exhibits C-3 (confidential) and 3 (public), while the responses to the second data request are identified herein as Exhibits C-4 (confidential) and 4 (public).⁹

SCE moved Exhibits 1 through 4 and C-1 through C-4 into evidence on April 5, 2007, and withdrew that motion and offered an amended motion on April 11, 2007. SCE also moved on April 5, 2007 to seal the evidentiary record to maintain Exhibits C-1 through C-4 as sealed and confidential. Both of these motions are granted herein and discussed in more detail below.

⁹ The submission to the Administrative Law Judge (ALJ) on April 5, 2007 inadvertently omitted Exhibit 3, which was forwarded to the ALJ on April 9, 2007.

No protests have been filed to the application.

3. The Caithness PPAs Should Be Approved

As discussed below, we have considered SCE's request and determine that the Caithness PPAs should be approved.

3.1. SCE's Procurement Review Group Participated in Review of the Contracts

In D.02-08-071, the Commission required each utility to establish a "Procurement Review Group" (PRG) whose members, subject to an appropriate non-disclosure agreement, would have the right to consult with the utilities and review the details of:

1. Overall transitional procurement strategy;
2. Proposed procurement processes including, but not limited to, request for proposal (RFP); and
3. Proposed procurement contracts before any of the contracts are submitted to the Commission for expedited review.

SCE's PRG was formed on or around September 10, 2002. Recent participants include representatives from the Commission's Energy Division, the Division of Ratepayer Advocates, The Utility Reform Network, Natural Resources Defense Council, Consumers' Union, California Utility Employees, and the California Department of Water Resources. SCE consulted with its PRG during each step of the renewable procurement process. Among other things, SCE provided solicitation materials and pro forma contracts to the PRG for review and comment before commencing the RFP; informed the PRG of the initial results of the RFP; explained the evaluation process; and updated the PRG periodically concerning the status of contract formation.

On December 13, 2005, SCE met with the PRG to describe SCE's Least-Cost Best Fit (LCBF) methodology and assessment of need. On

December 22, 2005, SCE met with the PRG to review SCE's proposed short list of bids. On March 29, 2006, SCE updated the PRG as to the status of negotiations with bidders into SCE's 2005 RPS solicitation. On November 15, 2006, SCE briefed the PRG concerning the successful conclusion of discussions with Caithness.

3.2. The Caithness PPAs are Consistent with SCE's Adopted 2005 RPS Plan

California's RPS statute requires the Commission to review the results of a renewable energy resource solicitation submitted for approval by a utility. The Commission will then accept or reject proposed PPAs based on their consistency with the utility's approved renewable procurement plan.¹⁰ In accordance with the RPS legislation and D.03-06-071, SCE submitted its 2005 RPS procurement plan and bid solicitation materials for Commission approval. The Commission approved SCE's 2005 procurement plan and bid solicitation material in D.05-07-039. As required by statute, it includes an assessment of supply and demand to determine the optimal mix of renewable generation resources, consideration of compliance flexibility mechanisms established by the Commission, and a bid solicitation setting forth the need for renewable generation of various operational characteristics.¹¹

3.3. The Caithness PPAs Selection is Consistent with RPS Solicitation Protocol

On September 2, 2005, SCE released its 2005 RPS solicitation consistent with its approved 2005 RFP protocol. Applying the evaluation criteria required

¹⁰ Section 399.14(c).

¹¹ Section (a)(3).

by the RPS Legislation, as implemented by the Commission in D.04-07-029, SCE established a short list for the 2005 solicitation and subsequently entered into discussions with parties on the short list. SCE communicated with its PRG throughout the evaluation, selection and contracting process that ultimately led to the execution of nine contracts from its 2005 solicitation.

3.4. The Caithness PPAs Fit With Identified Renewable Resource Needs

In its 2005 RPS RFP, SCE sought resources that would provide maximum benefit to SCE's customers and count towards the RPS program. As provided by Commission decisions and statute, SCE solicited proposals for PPAs with terms of 10-15, and 20-year terms. The RFP Protocol encouraged existing, new, expanded, and repowered renewable resources to participate in the RFP. Because of SCE's demand profile, SCE prefers dispatchable products and/or on-peak products. Additionally, SCE values capacity that is resource adequacy-eligible, low-cost, and RPS-eligible.

Caithness fits SCE's renewable resource needs in addition to providing RPS-eligible energy because it will count towards SCE's resource adequacy purposes, and the project will be online soon.

3.5. The Bid Evaluation Process is Consistent with the LCBF Decision

The LCBF decision¹² directs the utilities to use certain criteria in their bid ranking. It offers guidance regarding the process by which the utility ranks bids in order to select or "shortlist" the bids with which it will commence serious negotiations.

¹² D.04-07-029.

SCE's LCBF bid review process is detailed in its prepared testimony.¹³ The described process is in compliance with the applicable Commission decisions. SCE's LCBF analysis evaluates both quantitative and qualitative aspects of each proposal to estimate its value to SCE's customers and relative value in comparison to other proposals. The benefit/cost ratio for Caithness was favorable when compared with other bids that SCE received in its 2005 solicitation.¹⁴

3.6. Contract Prices in Relation to the 2005 MPR

Any levelized contract price for a PPA which does not exceed the 2005 MPR,¹⁵ is *per se* reasonable as measured according to the net present value calculations explained in D.04-06-015, D.04-07-029, and D.05-12-042. Levelized contract prices above the MPR are not *per se* unreasonable; however, these prices might not be recoverable in rates and may be eligible for supplemental energy payments (SEPs).

In each of these five PPSAs between SCE and the affiliates of the Caithness Corporation, the parties negotiated for multiple price options with differing amounts of financial assurance provided to SCE, with greater assurance resulting in higher contract prices paid to the developer by SCE. The contracts permit SCE to select one of the available assurance-price options. Some of these

¹³ Exhibits 1 and C-1, pp. 4-5.

¹⁴ Exhibits 1 and C-1, p. 9.

¹⁵ The 2005 MPR was adopted by Resolution E-3980. For levelized contract prices to not exceed the MPR, the net present value of the sum of payments to be made under the PPA must be less than or equal to the net present value of payments that would be made at the market price referent for the anticipated delivery.

levelized prices exceed the MPR, while other levelized prices are lower than the MPR.

Because all prices up to the 2005 MPR are *per se* reasonable, we approve recovery from rates for contract prices up to and including the 2005 MPR for Caithness 251 PPSA I and II and for Caithness Ridgetop PPSA I and II. The evidence does not demonstrate that the contract price options that exceed the MPR are necessary or reasonable, and therefore payments above the MPR will not be recoverable from rates.

With regard to the Coso Clean Energy PPSA, the Commission's Energy Division requested specific information in its second data request regarding the prices under the Coso Clean Energy PPSA in Questions 2 and 3.¹⁶ SCE's responses to those questions demonstrate that the prices in the Coso Clean Energy PPSA, although above the 2005 MPR, are reasonable for this particular facility. In reaching this conclusion we have considered the favorable benefit-to-cost ratio relative to other projects in SCE's 2005 solicitation; the strong project viability of the Coso project, including the unique operational factors regarding this facility and the collateral options proposed; and its history of reliable renewable energy generation.

Therefore all of the contract prices under the Coso Clean Energy PPSA will be fully recoverable in rates. However, to the extent that any of the approved costs above the 2005 MPR may become eligible in the future for recovery or offset from SEPs or other funding sources in the future, SCE shall be

¹⁶ SCE's responses to the ED staff are entered into the record as Exhibits 4 and C-4.

responsible for seeking such offsetting funds in lieu of recovery in rates, to reduce the burden on SCE's ratepayers.

3.7. Viability of Projects

The five PPSAs covered by this application fall into two categories: wind and geothermal. Each type of project has distinct viability issues, and each has been shown by SCE to be a viable project.

3.7.1. Caithness 251 PPSA I and II, Caithness Ridgetop PPSA and II

The four wind contracts, Caithness 251 PPSA I and II and Caithness Ridgetop PPSA I and II, cover two wind projects with Affiliates of Caithness Corporation which have the same characteristics, contractual structure, terms and condition, and hence similar viability issues.¹⁷

Both projects are based upon a repowering of existing wind parks currently under ISO4 contracts with SCE. Caithness proposes to dismantle some of the turbines and replace the capacity with new, higher powered turbines and reallocate capacity from the remaining turbines to the new contracts, as well as expand the capacity of the projects. New capacity will be provided under the respective PPSA II for the project. SCE states that these projects are structured in this manner in order to protect the "Regulatory Must Take" status of the capacity provided by Caithness under the existing ISO4 contracts.¹⁸

SCE contends that these projects are viable because they are existing operating projects owned by a successful independent power producer with a demonstrated history of reliable performance over many years. SCE also states

¹⁷ Exhibit 1, p. 46.

¹⁸ *Id.*

that there is limited development risk due to low permitting requirements and construction needs.

Ultimately, construction of the projects is dependent upon several factors beyond SCE and Caithness' control, including the amount of transmission available.¹⁹ SCE notes that this is actually more of a capacity issue for the PPSA II contracts than a viability issue. SCE also notes that the PPSA I contracts are for the amount of capacity of the existing projects, and therefore should be subject to the same transmission constraints as the existing projects.

Viewed as a whole, these factors support SCE's assertion that the projects are viable.

3.7.2. Coso Clean Energy PPSA

SCE states that the Coso Clean Power facility is an existing facility that is currently delivering renewable energy to SCE under three ISO4 contracts, with the assets and capacity to be transferred to the new PPSA as those contracts expire. Caithness, the project sponsor, is a successful independent power producer with a demonstrated history of reliable performance over many years. The facility has no development risk and there are no interconnection issues. Accordingly, there are no viability issues with the existing Coso Clean Power Project.²⁰ These factors support SCE's assertion that the project is viable.

¹⁹ Exhibits 1 and C-1, pp. 46-8. Exhibit C-1 identifies confidential factors which potentially could affect the projects' viability, but demonstrates that those factors should not significantly impact the overall viability of the projects.

²⁰ Exhibit 1, p. 48.

3.8. Consistency with Adopted Standard Terms and Conditions

In D.04-06-014, the Commission set forth standard terms and conditions to be incorporated into RPS agreements. Appendix A of that decision identified Standard Terms and Conditions, some of which are categorized as “may not be modified.” The Caithness PPAs contains modifications to certain terms and conditions,²¹ some of which were identified as non-modifiable by D.04-06-016. It was principally for this reason that SCE was prompted by the Energy Division to seek approval of the Caithness PPAs through the filing of an application rather than an advice letter.

SCE states that these modifications to the standard terms were commercially necessary or substantively immaterial to the terms contained in D.04-06-014.

Modifications that SCE considered to be immaterial affected the definition of “CPUC Approval” and “Environmental Attributes” and in Sections 1.02 Start Up Deadline, 1.04 Term, 3.01 Conveyance of Entire Output, Conveyance of Environmental Attributes and Capacity Attributes, 3.16 Obtaining and Maintaining CEC Certification and Verification, 10.02 Additional Warranties and 10.07 Governing Law. SCE states the modifications were very minor, were mutually agreed to by both parties and were made to provide more clarity to the PPAs as a whole.

According to SCE, it was commercially necessary to modify two terms which, by D.04-06-016, “may not be modified:” (1) the eligibility term; and (2) the

²¹ A comparison of the standard terms from D.04-06-014 to SCE’s 2005 pro forma and the Caithness PPAs can be found in Appendix B of Exhibits 1 and C-1.

assignment term. The eligibility term was modified to take into account potential changes in law regarding RPS eligibility.

The principal differences in the assignment term between the proposed Caithness PPAs provisions and the Commission standard term relate to the conditions under which the PPAs may be assigned to a lender. The standard term provides that the lender must agree to be bound by the PPAs, which according to SCE, is almost universally unacceptable to sellers, including Caithness.

Caithness requested the following modifications to this term: (i) notice of potential seller defaults, an opportunity to cure seller defaults and an extension of cure periods so that the lender can cure the default if it elects to do so; (ii) rights to approve material contract amendments; and (iii) no lender liability for monetary obligations under the PPAs which are due and owing to SCE as of the date of any lender assumption of the PPAs. SCE agreed those terms were reasonable and acceptable. In return, SCE requested that the lender agree to keep the PPAs in force, or enter into new PPAs with substantially identical terms in the event that a lender or an agent or representative of lender takes control of the project in a foreclosure, workout, or bankruptcy scenario. Caithness agreed to this modification. SCE states that this additional assurance that the PPAs will remain in force notwithstanding seller financial difficulties provides substantial value, both to SCE and to sellers and lenders. It is SCE's position that without this modification SCE would not have been able to execute the Caithness PPA.

Since the filing of this application, (1) Pacific Gas and Electric Company (PG&E) and SCE jointly filed a petition for modification of D.04-06-014 and

(2) D.07-02-011 was issued. Both actions impact our resolution of the Caithness PPAs standard term issues.

On February 1, 2007, PG&E and SCE filed a petition for modification of D.04-06-014 regarding standard terms and conditions required for RPS contracts. PG&E and SCE recommend that the Commission provide several clarifications and modifications to D.04-06-014, including lifting all current restrictions on negotiation of designated standard terms and conditions.

The petition for modification directly relates to SCE's request in this proceeding to modify contract terms deemed non-modifiable by D.04-06-014. It is more appropriate for this issue to be resolved generically through the petition for modification than specifically for SCE in this proceeding. We will adopt that course of action. However, until the issue is ultimately resolved, we must consider what to do now with SCE's request for approval of the Caithness PPAs.

To address that question, we turn to D.07-02-011, which conditionally accepted the procurement plans for 2007 RPS solicitations and considered the issue of modifying contract terms and conditions. In that decision, we permitted the 2007 RPS plans to be filed without requiring that they conform to the precise standard terms and conditions adopted in D.04-06-014, reserving review of the issue of modification of terms and conditions for later consideration due to the importance of proceeding with implementation of the RPS program without delay.²²

In the present proceeding we also feel it is important to expeditiously proceed with approval of this contract while reserving judgment on treatment of

²² D.07-02-011, *mimeo.*, pp. 50-51.

modifications to standard terms and conditions generally to the petition for modification of D.04-06-014. Therefore, consistent with our actions in D.07-02-011 regarding the 2007 solicitation and with the understanding that SCE has the responsibility to reasonably administer and implement the RPS program and to meet RPS targets, we will approve the Caithness PPAs at this time without requiring that they precisely conform to the standard terms and conditions adopted in D.04-06-014. This approval is not contingent upon, nor does it prejudice in any way, our resolution of the petition for modification of D.04-06-014.

4. Testimony and Exhibits

As discussed above, on April 11, 2007, pursuant to Rule 13.8(d) of the Rules of Practice and Procedure, SCE filed an amended motion to offer its testimony into evidence. The motion is granted. SCE's testimony is identified as follows and is received into evidence:

Exhibit 1 - Prepared Testimony in Support of Application for Approval of Power Purchase Agreements between SCE and Affiliates of the Caithness Corporation (Public Version)

Exhibit 2 - Supplemental Testimony in Support of Application for Approval of Power Purchase Agreements between SCE and Affiliates of the Caithness Corporation (Public Version)

Exhibit 3 - Response to Data Request ED-SCE-01 (Public Version)

Exhibit 4 - Response to Data Request ED-SCE-02 (Public Version)

Exhibit C-1 - Prepared Testimony in Support of Application for Approval of Power Purchase Agreements between SCE and Affiliates of the Caithness Corporation, including copies of Caithness 251 PPSA I and II, Caithness Ridgetop

PPSA I and II and Coso Clean Power PPSA as Appendices D1-D5 (Confidential Version)

Exhibit C-2 - Supplemental Testimony in Support of Application for Approval of Power Purchase Agreements between SCE and Affiliates of the Caithness Corporation, including Appendix E - Amendment 1 to Caithness Ridgeway PPSA I (Confidential Version)

Exhibit C-3 - Response to Data Request ED-SCE-01 (Confidential Version)

Exhibit C-4 - Response to Data Request ED-SCE-02 (Confidential Version)

5. Confidential Information

On April 5, 2007, concurrent with its motion to offer testimony into evidence, SCE filed a motion to seal the evidentiary record. SCE has provided declarations regarding the confidentiality of data provided in prepared testimony in support of its application request. The declarations identify information subject to requested confidential treatment, the appropriate reference to the Matrix Category in Appendix A of D.06-06-066²³ regarding confidential treatment of investor owned utility data, and the assertion that the detailed information is required for the application and cannot be aggregated, summarized, redacted, masked or otherwise protected in a way that allows partial disclosure.

SCE requests Exhibits C-1, C-2, C-3 and C-4 be received into evidence under seal. An examination of the information contained in these Exhibits

²³ D.06-06-066, Appendix A, Part VII (G) provides that RPS contract summaries, including counterparty, resource type, location, capacity, expected deliveries, delivery point, length of contract and online date are public. Other terms are to remain confidential for three years, or until one year following expiration, whichever comes first.

confirms the need for confidential treatment as indicated by SCE. The request is granted and the Exhibits are received into evidence under seal.

6. Categorization and Need for Hearings

In Resolution ALJ 176-3185, dated January 11, 2007, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were not necessary. No protests have been received. We confirm the preliminary determinations made in Resolution ALJ 176-3185.

7. Comments on Proposed Decision

Although this is an uncontested proceeding, this decision does not grant all of the relief requested in the application. Therefore, the proceeding is subject to the applicable 30-day period for public review and comment, pursuant to Pub. Util. Code § 311.

Accordingly, the proposed decision of ALJ Kolakowski was mailed to the parties in accordance with Pub. Util. Code § 311 and Rule 14.2(a) of the Commission's Rules of Practice and Procedure. No comments were filed.

8. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Victoria S. Kolakowski is the assigned ALJ.

Findings of Fact

1. There were no protests to this application.
2. The Caithness PPAs are consistent with SCE's approved 2005 renewable procurement plan.
3. SCE did not demonstrate that prices under the Caithness 251 PPSAs I and II and Caithness Ridgetop PPSAs I and II above the 2005 MPR released in Resolution E-3980, are reasonable or necessary.

4. SCE demonstrated that prices under the Coso Clean Power PPSA above the 2005 MPR are reasonable, in light of the testimony regarding this particular project. This finding is not precedential.

5. To the extent that any of the approved costs under the Coso Clean Power PPSA that are above the 2005 MPR become eligible in the future for recovery or offset from SEPs or other funding sources, SCE should be responsible for seeking such offsetting funds in lieu of recovery in rates.

6. On February 1, 2007, PG&E and SCE filed a petition for modification of D.04-06-014 seeking clarification and modification of the RPS contract requirements related to standard contract terms and conditions.

7. To the extent that the Caithness PPAs are otherwise acceptable, it is important to proceed with approval expeditiously, while reserving judgment on treatment of modifications to standard terms and conditions generally to the February 1, 2007 petition for modification of D.04-06-014.

Conclusions of Law

1. The Caithness PPAs should be approved.
2. SCE should be allowed to fully recover payments under Caithness 251 PPSAs I and II, and under Caithness Ridgetop PPSAs I and II, in rates over the life of the contracts up to the 2005 MPR price, subject to Commission review of SCE's administration of the PPAs.
3. SCE should be allowed to fully recover the Coso Clean Power PPSA payments over the life of the project, subject to Commission review of SCE's administration of the PPA.
4. Procurement pursuant to the Caithness PPAs constitutes procurement from eligible renewable energy resources for purposes of determining SCE's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (§ 399.11 et seq.), D.03-06-071, or other applicable law.
5. Procurement pursuant to the Caithness PPAs constitutes incremental procurement or procurement for baseline replenishment by SCE from eligible renewable energy resources for purposes of determining SCE's compliance with any obligation to increase its total procurement of eligible renewable energy resources that it may have pursuant to the California Renewables Portfolio Standard, D.03-06-071, or other applicable law.
6. SCE should be allowed to recover in rates any indirect costs of renewables procurement identified in § 399.15(a)(2).
7. To the extent that any of the approved costs under the Coso Clean Power PPSA that are above the 2005 MPR become eligible in the future for recovery or offset from SEPs or other funding sources, SCE should be responsible for seeking such offsetting funds in lieu of recovery in rates.

8. SCE's April 5, 2007 motion to offer portions of its testimony into evidence is consistent with the provisions of Rule 13.8(d) of the Rules of Practice and Procedure and should be granted.

9. SCE's April 5, 2007 motion to seal the evidentiary record is consistent with the provisions of D.06-06-066 and should be granted as set forth below.

10. This decision should be made effective immediately so that Caithness may begin providing renewable energy to SCE as soon as possible.

O R D E R

IT IS ORDERED that:

1. The Southern California Edison Company (SCE) renewables portfolio standard power procurement agreements (PPAs) with Caithness 251 Wind LLC, Caithness Ridgetop Energy, LLC and Coso Clean Power, LLC, are approved.

2. SCE is authorized to recover in rates payments made pursuant to the Caithness 251 PPSA I and II and Caithness Ridgetop PPSA I and II up to the 2005 MPR, subject to further review with respect to reasonableness of SCE's administration of the PPAs.

3. SCE is authorized to fully recover in rates payments made pursuant to the Coso Clean Power PPSA, subject to further review with respect to the reasonableness of SCE's administration of the PPAs.

4. SCE shall seek offsetting funds for payments above the 2005 MPR for these PPAs in lieu of recovery in rates.

5. SCE's April 5, 2007 motion to offer testimony into evidence is granted. As described in the body of this decision, the pieces of SCE's testimony are identified as Exhibits 1, 2, 3, 4, C-1, C-2, C-3 and C-4 are received into evidence.

6. SCE's April 5, 2007 motion to seal portions of the evidentiary record is granted. Exhibits C-1, C-2, C-3 and C-4 shall be placed under seal and shall remain sealed for a period of three years from the effective date of this decision.

7. Application 07-01-002 is closed.

This order is effective today.

Dated May 24, 2007, at San Francisco, California.

MICHAEL R. PEEVEY

President

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

TIMOTHY ALAN SIMON

Commissioners

