

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**RESOLUTION E-4509
June 21, 2012**

REDACTED

R E S O L U T I O N

Resolution E-4509. Southern California Edison Company requests approval of a power purchase agreement with SPS Corcoron West, LLC.

PROPOSED OUTCOME: This Resolution approves cost recovery for a power purchase agreement between Southern California Edison Company and SPS Corcoron West, LLC.

ESTIMATED COST: Actual costs are confidential at this time.

By Advice Letter 2582-E-A filed on April 30, 2012 and Advice Letter 2582-E filed on May 11, 2011.

SUMMARY

Southern California Edison Company's renewable energy power purchase agreement with SPS Corcoron West, LLC.

Southern California Edison Company (SCE) requests approval of a power purchase agreement (PPA) with SPS Corcoron West (SPS). SPS is being developed by Solar Project Solutions, LLC which is a partnership between Samsung Green Repower, LLC and Solar Managers, LLC. SPS is developing a new solar photovoltaic project in Kings County, California with a total capacity of 19.75 megawatts (MW) and total annual expected generation of 32.48 gigawatt-hours (GWh) with an annual degradation factor thereafter.

The SPS facility is forecast to achieve commercial operation no later than July 15, 2015. The SPS PPA is reasonably priced compared to other contracts offered to

SCE at the time the SPS PPA was signed. The SPS PPA is a new contract that originated from SCE's 2009 RPS solicitation.

This resolution approves SCE's PPA with SPS Corcoron West, LLC without modification. SCE's execution of the SPS PPA is consistent with SCE's 2009 RPS Procurement Plan, which the Commission approved in Decision (D.) 09-06-018. The procurement costs incurred by SCE associated with the SPS Corcoron West, LLC PPA are fully recoverable in rates over the life of the PPA, subject to Commission review of SCE's administration of the PPA.

The following table summarizes the project-specific features of the agreement:

Generating Facility	Type	Term Years	MW Capacity	Annual Deliveries	Online Date	Project Location
SPS Corcoron West	Solar PV	20	19.75	32.48 GWh	July 15, 2015	Kings Co., CA

BACKGROUND

Overview of the Renewables Portfolio Standard (RPS) Program

The California RPS program was established by Senate Bill (SB) 1078, and has been subsequently modified by SB 107, SB 1036, and SB 2 (1X).¹ The RPS program is codified in Public Utilities Code Sections 399.11-399.31.² Under SB 2 (1X), the RPS program administered by the Commission requires each retail seller to procure eligible renewable energy resources so that the amount of electricity generated from eligible renewable resources be an amount that equals an average of 20 percent of the total electricity sold to retail customers in

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

² All further references to sections refer to Public Utilities Code unless otherwise specified.

California for compliance period 2011-2013; 25 percent of retail sales by December 31, 2016; and 33 percent of retail sales by December 31, 2020.³

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

NOTICE

Notice of AL 2582-E-A was made by publication in the Commission's Daily Calendar. SCE states that a copy of the Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

PROTESTS

No protests were received to this advice letter.

DISCUSSION

SCE requests Commission approval of a renewable energy contract with SPS Corcoron West, LLC.

On May 11, 2011, Southern California Edison Company (SCE) filed Advice Letter (AL) 2582-E requesting Commission approval of a renewable power purchase agreement (PPA) with SPS Corcoron West, LLC (SPS). The PPA is the result of the 2009 RPS solicitation. Contract negotiations lasted over a year from the time the short list was finalized on October 2009. By the time negotiations neared completion, market prices for renewable projects decreased meaningfully. Further negotiations were necessary to refine the PPA price resulting in the advice letter for the contract being filed a year and seven months after the 2009 RPS shortlist was finalized.

After AL 2582-E was filed on May 11, 2011, the PPA price of the SPS Corcoron West project was still higher than other executed contracts resulting from the 2009 RPS solicitation. SPS and SCE re-negotiated the contract and on April 30,

³ D.11-12-020 established a methodology to calculate procurement requirement quantities for the three different compliance periods set forth in Section 399.15 (2011-2013, 2014-2016, and 2017-2020).

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2012, SCE filed AL 2582-E-A which amends the original contract to decrease the price of the contract to more accurately reflect current market conditions. The PPA price was decreased by approximately 20 percent from the original PPA price submitted in AL 2582-E. The amended PPA price and renewable premium for SPS compare favorably to other recently CPUC-approved PPAs that were executed in the same time period.

SPS is being developed by Solar Project Solutions, LLC which is a partnership between Samsung Green Repower, LLC and Solar Managers, LLC. SPS is developing the new solar photovoltaic project in Kings County, California with a total capacity of 19.75 megawatts (MW) and total annual expected generation of 32.48 gigawatt-hours (GWh) with an annual degradation factor thereafter.

The SPS Solar facility will utilize commercially demonstrated photovoltaic technology to generate RPS-eligible electricity. SCE will begin taking deliveries of energy, capacity and resource adequacy attributes from the SPS Solar facility no later than July 15, 2015 and thereafter for a period of 20 years under the price and terms of the amended PPA.

The SPS Solar facility will interconnect and have its first point of delivery within the California Independent System Operator (CAISO) balancing authority area (BAA). Therefore, the renewable energy credits (RECs) SCE acquires from the SPS Solar PPA are expected to be "Category 1" RECs for the purpose of compliance with California's Renewables Portfolio Standard (RPS) program.⁴

SCE requests that the Commission issue a resolution containing:

1. Approval of the SPS Corcoran West Contract in its entirety;
2. A finding that any electric energy sold or dedicated to SCE pursuant to the SPS Corcoran West Contract constitutes procurement by SCE from ERRs for the purpose of determining SCE's compliance with any obligation that it may have to procure from ERRs pursuant to the RPS Legislation or other applicable law concerning the procurement of electric energy from renewable energy resources;

⁴ In Decision (D.) 11-12-052, the Commission implemented the RPS portfolio content categories established in Section 399.16.

3. A finding that all procurement under the SPS Corcoran West Contract counts, in full and without condition, towards any annual procurement target established by the RPS Legislation or the Commission which is applicable to SCE;
4. A finding that all procurement under the SPS Corcoran West Contract counts, in full and without condition, towards any incremental procurement target established by the RPS Legislation or the Commission which is applicable to SCE;
5. A finding that all procurement under the SPS Corcoran West Contract counts, in full and without condition, towards the requirement in the RPS Legislation (and any other law) that SCE procure 20 percent (or such other percentage as may be established by law) of its retail sales from ERRs by 2010 (or such other date as may be established by law);
6. A finding that the SPS Corcoran West Contract, and SCE's entry into the SPS Corcoran West Contract, is reasonable and prudent for all purposes, including, but not limited to, recovery in rates of payments made pursuant to the SPS Corcoran West Contract, subject only to further review with respect to the reasonableness of SCE's administration of the SPS Corcoran West Contract; and
7. Any other and further relief as the Commission finds just and reasonable.

Energy Division Evaluated the SPS Corcoran West, LLC PPA on these Grounds:

- Consistency with SCE's 2009 RPS Procurement Plan
- Consistency with Least-Cost Best-Fit Requirements
- Price Reasonableness and Value
- Portfolio Need
- Consistency with RPS Standard Terms and Conditions
- Project Viability
- Procurement Review Group Participation
- Independent Evaluator Requirements
- Compliance with the Interim Greenhouse Gas Emissions Performance Standard

Consistency with SCE's 2009 RPS Procurement Plan

California's RPS statute requires the Commission to direct each utility to prepare a Renewable Energy Procurement Plan (Plan) and then review and accept, modify, or reject the Plan prior to the commencement of a utility's annual RPS solicitation.⁵ The Commission must then accept or reject proposed PPAs based on their consistency with the utility's approved Plan.

SCE's stated preference for projects in its 2009 Plan is for projects interconnecting to the CAISO BAA and located in California. The SPS Corcoran West project is located in California in the Westlands Water District Competitive Renewable Energy Zone (CREZ) and will interconnect to the CAISO BAA.

At the time that the SPS PPA was originally executed, SCE's most recent effective Procurement Plan was its 2009 Plan.

The SPS PPA is consistent with SCE's 2009 RPS Procurement Plan, approved by D.09-06-018 and subsequently amended by SCE.

Consistency with SCE's Least-Cost Best-Fit Requirements

The Least-Cost Best-Fit (LCBF) decision directs the utilities to use certain criteria in their bid ranking.⁶ The decision offers guidance regarding the process by which the utility ranks bids in order to select or "shortlist" the bids with which it will commence negotiations. SCE's bid evaluation process includes a quantitative and qualitative analysis as well as an assessment of each proposal's absolute value to SCE's customers and relative value in comparison to other proposals. The basic components of SCE's LCBF evaluation and selection criteria and process for RPS contracts were established in the Commission's LCBF Decisions D.03-06-071 and D.04-07-029. Consistent with these decisions, the three main steps undertaken by SCE are: (1) initial data gathering and verification; (2) a quantitative assessment of proposals, and; (3) adjustments to selection based on proposals' qualitative attributes. SCE applied these criteria to the proposals received in the 2009 Solicitation in order to establish a short-list of proposals from bidders with whom SCE would engage in contract discussions.

⁵ Section 399.13

⁶ See D.04-07-029

The Commission finds that SCE appropriately examined the reasonableness of the SPS Corcoron West, LLC PPA by utilizing the LCBF methodology used to evaluate offers from the 2009 RPS solicitation.

Price Reasonableness and Value

SCE and SPS Corcoron West, LLC executed the PPA in February, 2011 and SCE filed the initial advice letter in May, 2011. Therefore, the proper cohorts to evaluate the SPS PPA against for price reasonableness and value are executed contracts resulting from SCE's 2009 RPS solicitation and bilateral contracts that were executed within the same timeframe. The price and value of the SPS PPA are reasonable based on a comparison of the SPS PPA against comparable cohorts. See Confidential Appendix A for a discussion on the price reasonableness and value of the SPS PPA.

The Commission finds that the price and value of the SPS Corcoron West, LLC PPA are reasonable and competitive with contracts offered to SCE in its 2009 RPS solicitation and bilateral contracts executed in the same timeframe. Payments made by SCE under the SPS Corcoron West, LLC PPA are fully recoverable in rates over the life of the PPA, subject to Commission review of SCE's administration of the PPA.

Portfolio Need

The mid-2015 forecasted online date for the SPS facility does not coincide with SCE's current RPS portfolio need requirement which begins in the third compliance period (2017-2020). However, the Commission is currently in the process of implementing standards that will allow retail sellers to accumulate excess procurement in one compliance period to be applied to any subsequent compliance period, which would allow SCE to allocate generation from the SPS facility to the latter half of the decade to meet its compliance requirements. See Confidential Appendix B for additional information on SCE's RPS compliance position.

The forecasted online date for SPS Corcoron West does not coincide with SCE's portfolio need beginning in the third compliance period.

Consistency with RPS Standard Terms and Conditions

The Commission adopted a set of standard terms and conditions (STCs) required in RPS contracts, four of which are considered "non-modifiable." The STCs were compiled in D.08-04-009 and subsequently amended in D.08-08-028. More

recently in D.10-03-021, as modified by D.11-01-025, the Commission further refined these STCs.

The SPS Corcoron West, LLC PPA includes the Commission-adopted RPS “non-modifiable” standard terms and conditions, as set forth in D.08-04-009, D.08-08-028, and D.10-03-021, as modified by D.11-01-025.

Project Viability

SPS is being developed by Solar Project Solutions, LLC which is a partnership between Samsung Green Repower, LLC and Solar Managers, LLC. Samsung is a well-established participant in the renewable energy industry and presently has over 500 MW of solar photovoltaic projects under development. Solar Project Solutions, LLC is an independent power producer that develops, finances, owns and operates solar energy systems in the United States. SPS principals have held development management positions at AES Corporation, Fotowatio Renewable Ventures, and Enco Utility Services Corporation. Team principals have participated in the development and construction of a 3 MW solar PV project now in operation in Korea, a 600 kW solar PV project in operation in New Jersey, and a 14 MW solar PV project operating in Nevada at Nellis Air Force Base.

Development of the SPS Corcoron West project began in 2008. SCE believes the project has already achieved significant project milestones making it likely to achieve commercial operation on time for the project to start generating energy under the PPA. SPS will also utilize a mature photovoltaic technology that is proven in the market. See Confidential Appendix A for a broader discussion on the project viability of the SPS Corcoron West project.

SCE believes the SPS Corcoron West project is viable because it will utilize commercialized technology and has already achieved key project development milestones.

Procurement Review Group Participation

The Procurement Review Group (PRG) process was initially established in D.02-08-071 as an advisory group of non-market participants to review and assess the details of the investor-owned utilities' overall procurement strategy, solicitations, specific proposed procurement contracts and other procurement processes prior to submitting filings to the Commission as an interim mechanism for procurement review.

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According to SCE, participants in its PRG include representatives from the Commission's Energy and Legal Divisions, the Division of Ratepayer Advocates, The Utility Reform Network, the Natural Resources Defense Council, California Utility Employees, the Union of Concerned Scientists, and the California Department of Water Resources.

SCE advised the PRG of the SPS Corcoron West, LLC PPA on December 8, 2010.

Pursuant to D.02-08-071, SCE complied with the Commission's rules for involving the Procurement Review Group.

Independent Evaluator Requirements

The Commission requires the use of independent evaluator (IE) in significant procurement processes and decisions undertaken by the investor-owned utilities. SCE retained Merrimack Energy Group, Inc to serve as its IE and oversee the evaluation and negotiation of the SPS Corcoron West, LLC PPA. The IE participated in many conference calls and negotiation sessions as well as reviewed email traffic and several versions of the proposed contract.

Consistent with D.06-05-039, an independent evaluator oversaw SCE's RPS procurement process. Additionally, an independent evaluator oversaw SCE's negotiations with SPS Corcoron West, LLC.

Contribution to Minimum Quantity Requirement for Long-Term/New Facility Contracts

Section 399.13(b) requires that the commission establish "minimum quantities of eligible renewable energy resources to be procured through contracts of at least 10 years' duration." Because the SPS Corcoron West LLC, PPA is greater than 10 years in length, the PPA may be construed as counting toward the minimum quantity requirements that the Commission will establish in Rulemaking (R.) 11-05-005.

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

California Public Utilities Code Sections 8340 and 8341 require the Commission to consider emissions associated with new long-term (five years or greater) power contracts procured on behalf of California ratepayers.

D.07-01-039 adopted an interim EPS that establishes an emission rate for obligated facilities at levels no greater than the greenhouse gas (GHG) emissions of a combined-cycle gas turbine power plant. The EPS applies to all energy contracts for baseload generation that are at least five years in duration.⁷ Generating facilities using certain renewable resources are deemed compliant with the EPS.⁸

The SPS Corcoron West LLC, PPA meets the conditions for EPS compliance because the contract is for intermittent generation from a facility with a capacity factor less than 60 percent.⁹

The SPS Corcoron West LLC, PPA meets the conditions for EPS compliance established in D.07-01-039 because the facility will produce electricity at a capacity factor of less than 60 percent and is therefore not a baseload power plant as defined in Public Utilities Code Section 8340(a).

CONFIDENTIAL INFORMATION

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

The confidential appendices, marked “[REDACTED]” in the public copy of this resolution, as well as the confidential portions of the advice letter, should remain confidential at this time.

⁷ “Baseload generation” is electricity generation at a power plant “designed and intended to provide electricity at an annualized plant capacity factor of at least 60%.” Pub. Utils. Code § 8340 (a).

⁸ D.07-01-039, Attachment 7, p. 4

⁹ D.07-01-039, Attachment 7, p. 7

RPS ELIGIBILITY AND CPUC APPROVAL

Pursuant to Public Utilities Code Section 399.13, the CEC certifies eligible renewable energy resources. Generation from a resource that is not CEC-certified cannot be used to meet RPS requirements. To ensure that only CEC-certified energy is procured under a Commission-approved RPS contract, the Commission has required standard and non-modifiable “eligibility” language in all RPS contracts. That language requires a seller to warrant that the project qualifies and is certified by the CEC as an “Eligible Renewable Energy Resource,” that the project’s output delivered to the buyer qualifies under the requirements of the California RPS, and that the seller uses commercially reasonable efforts to maintain eligibility should there be a change in law affecting eligibility.¹⁰

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

Notwithstanding this language, the Commission has no jurisdiction to determine whether a project is an eligible renewable energy resource, nor can the Commission determine prior to final CEC certification of a project, that “any procurement” pursuant to a specific contract will be “procurement from an eligible renewable energy resource.”

Therefore, while we include the required finding here, this finding has never been intended, and shall not be read now, to allow the generation from a non-RPS-eligible resource to count towards an RPS compliance obligation. Nor shall such finding absolve the seller of its obligation to obtain CEC certification, or the utility of its obligation to pursue remedies for breach of contract. Such contract

¹⁰ See, e.g. D. 08-04-009 at Appendix A, STC 6, Eligibility.

¹¹ See, e.g. D. 08-04-009 at Appendix A, STC 1, CPUC Approval.

enforcement activities shall be reviewed pursuant to the Commission's authority to review the utilities' administration of such contracts.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to Public Utilities Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS AND CONCLUSIONS

1. The SPS PPA is consistent with SCE's 2009 RPS Procurement Plan, approved by D.09-06-018 and subsequently amended by SCE.
2. The Commission finds that SCE appropriately examined the reasonableness of the SPS Corcoron West, LLC PPA by utilizing the LCBF methodology used to evaluate offers from the 2009 RPS solicitation.
3. The Commission finds that the price and value of the SPS Corcoron West, LLC PPA are reasonable and competitive with contracts offered to SCE in its 2009 RPS solicitation and bilateral contracts executed in the same timeframe.
4. Payments made by SCE under the SPS Corcoron West, LLC PPA are fully recoverable in rates over the life of the PPA, subject to Commission review of SCE's administration of the PPA.
5. The forecasted online date for SPS Corcoron West does not coincide with SCE's portfolio need beginning in the third compliance period.
6. The SPS Corcoron West, LLC PPA includes the Commission-adopted RPS "non-modifiable" standard terms and conditions, as set forth in D.08-04-009, D.08-08-028, and D.10-03-021, as modified by D.11-01-025.
7. SCE believes the SPS Corcoron West project is viable because it will utilize commercialized technology and has already achieved key project development milestones.
8. Pursuant to D.02-08-071, SCE complied with the Commission's rules for involving the Procurement Review Group.
9. Consistent with D.06-05-039, an independent evaluator oversaw SCE's RPS procurement process. Additionally, an independent evaluator oversaw SCE's negotiations with SPS Corcoron West, LLC.
10. The SPS Corcoron West LLC, PPA meets the conditions for EPS compliance established in D.07-01-039 because the facility will produce

electricity at a capacity factor of less than 60 percent and is therefore not a baseload power plant as defined in Public Utilities Code Section 8340(a).

11. The confidential appendices, marked “[REDACTED]” in the public copy of this resolution, as well as the confidential portions of the advice letter, should remain confidential at this time.
12. Any procurement pursuant to this agreement is procurement from an eligible renewable energy resource for purposes of determining SCE’s compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.), D.11-12-020 and D.11-12-052, or other applicable law.
13. The immediately preceding finding shall not be read to allow generation from a non-RPS eligible renewable energy resource under the SPS Corcoron West, LLC, PPA to count towards an RPS compliance obligation. Nor shall that finding absolve SCE of its obligation to enforce compliance with the SPS Corcoron West, LLC, PPA.
14. The SPS Corcoron West, LLC, PPA should be approved in its entirety.
15. Advice Letters 2582-E and 2582-E-A should be approved effective today without modification.

THEREFORE IT IS ORDERED THAT:

1. The power purchase agreement between Southern California Edison Company and SPS Corcoron West, LLC as proposed in Advice Letters 2582-E and 2582-E-A is approved without modification.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on June 21, 2012; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON
PAUL CLANON
Executive Director

MICHAEL R. PEEVEY
President
TIMOTHY ALAN SIMON
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
MARK J. FERRON
Commissioners

Confidential Appendix A

[REDACTED]

Confidential Appendix B

[REDACTED]

Confidential Appendix C

[REDACTED]