Date of Issuance – April 25, 2016

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION E-4759**
April 21, 2016

R E D A C T E D
R E S O L U T I O N

Resolution E-4759. Grants Southern California Edison Company's request for approval of two bilateral contracts for a purchase and a sale of renewables portfolio standard eligible energy.

PROPOSED OUTCOME

- Approves cost recovery for a bilateral long-term renewable energy power purchase agreement between Southern California Edison Company (SCE) and Voyager Wind I, LLC (Voyager PPA) and a bilateral contract for resale of bundled renewable energy and associated Renewable Energy Credits (RECs) from SCE's portfolio of renewable resources between SCE and TGP Energy Management, LLC (TGP Sale Agreement). The Voyager PPA and the TGP Sale Agreement are approved without modification.

SAFETY CONSIDERATIONS:

- Based on the information before us, the Voyager PPA does not appear to result in any adverse safety impacts on the facilities or operations of SCE. The TGP Sale Agreement will not alter existing agreements or any facility operations. Therefore, there are no incremental safety implications associated with approval of this agreement beyond the status quo.

ESTIMATED COST:

- Actual costs of the Voyager PPA and the TGP Sale Agreement are confidential at this time.

By Advice Letter 3330-E filed on December 21, 2015 and Advice Letter 3330-E-A filed on April 1, 2016.

SUMMARY

Southern California Edison Company's (SCE's) bilateral renewable energy power purchase agreement with Voyager Wind I, LLC (Voyager) and bilateral contract for resale of bundled renewable energy with TGP Energy Management, LLC (TGP) comply with the Renewables Portfolio Standard (RPS) procurement guidelines and are approved without modification

SCE filed Advice Letters 3330-E (Voyager and TGP AL) on December 21, 2015 and 3330-E-A on April 1, 2016, requesting California Public Utilities Commission (Commission) review and approval of a 15-year bilateral renewable energy PPA with Voyager (Voyager PPA). The Voyager PPA originated from, and was executed after the SCE's 2014 RPS solicitation closed. Pursuant to the Voyager PPA, RPS-eligible generation will be purchased from the proposed Voyager Wind facility. The Voyager Wind facility will be located in Kern County, California on two separate sites between Mojave and Tehachapi and has a capacity of approximately 132 megawatts (MW). It will interconnect to SCE's 220 kV Windhub Substation on the Tehachapi Renewable Transmission Project (TRTP) within the California Independent System Operator (CAISO) balancing authority area.

In the Voyager and TGP AL, SCE also requests approval of a bilateral contract for resale of bundled renewable energy and green attributes from SCE's portfolio of renewable resources with TGP (TGP Sale Agreement). Pursuant to the TGP Sale Agreement, SCE will sell 404 GWh of Portfolio Content Category (PCC) 1 energy and associated Renewable Energy Credits (RECs) to TGP in 2016. The energy and RECs will come from a portfolio of CEC-certified renewable projects that are already commercially operational.

This Resolution approves the Voyager PPA and TGP Sale Agreement. SCE's execution of both agreements is consistent with SCE's 2014 RPS Procurement Plan (RPS Plan), which the Commission approved in Decision (D.) 14-11-042. In addition, RPS deliveries pursuant to the Voyager PPA are reasonably priced and the related PPA costs to SCE are fully recoverable in rates over the life of the Voyager PPA, subject to Commission review of SCE's administration of the PPA. The sales from SCE to TGP are also reasonably priced and payments received by SCE pursuant to the TGP Sale Agreement shall be credited to SCE's ratepayers through SCE's Energy Resource Recovery Account (ERRA) over the term of the agreement.

The following tables provide a summary of the Voyager PPA and TGP Sale Agreement:

Table 1: Summary of Voyager PPA

Seller	Generation Type	Size (MW)	Estimated Average Energy (GWh/Yr)	Forecasted Commercial Operation Date	Term of Agreement (Years)	Location
Voyager Wind I, LLC	Wind	132	438	January 1, 2019	15	Kern County, CA

Table 2: Summary of TGP Sale Agreement

Seller	Buyer	Generation Type	Contract Quantity (GWh)	Delivery Period	Location
SCE	TGP Energy Management	Wind, Geothermal, & Biogas	404	10th business day after Commission Approval until the earlier of: i) delivery of Contract Quantity and ii) December 31, 2016	Various

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) and SB 350.[1] The RPS program is codified in Public Utilities Code Sections 399.11-399.31.[2] The RPS

---

[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); and SB 350 (De Leoñ, Chapter 547, Statutes of 2015).

[2] All further statutory references are to the Public Utilities Code unless otherwise specified.

program requires each retail seller to procure eligible renewable energy resources so that the amount of electricity generated from eligible renewable resources is an amount that equals an average of 20 percent of the total electricity sold to retail customers in California for compliance period 2011-2013; 25 percent of retail sales by
December 31, 2016; 33 percent of retail sales by December 31, 2020 and corresponding increases up to 50% by December 31, 2030.[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 the Voyager and TGP AL was made by publication in the Commission's Daily Calendar. SCE states that a copy of the Voyager and TGP AL was mailed and distributed to the R.15-02-020 service list and GO 96-B service lists in accordance with Section 4 of General Order 96-B.

PROTEST

The Voyager and TGP AL was not protested.

DISCUSSION

SCE requests approval of a bilateral renewable energy power purchase agreement (PPA) with Voyager and a bilateral contract for resale of bundled renewable energy and associated RECs with TGP

SCE filed the Voyager and TGP AL and AL 3330-E-A requesting Commission approval of the Voyager PPA and TGP Sale Agreement. The proposed Voyager Wind facility will be located in Kern County, California on two separate sites between Mojave and Tehachapi. Voyager Wind I, LLC and TGP Energy

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

Management, LLC are a wholly owned subsidiary of Terra-gen, LLC, which will develop the proposed facility. Pursuant to the Voyager PPA, the renewable energy from the facility will be delivered to SCE's 220 kV Windhub Substation, and SCE is to begin purchasing the generation from Voyager beginning January 1, 2019. The expected annual generation to be purchased from the facility is 438 Gigawatt-hours (GWh). This generation could count towards SCE's RPS requirements in Compliance Period 2017-2020 and subsequent Compliance Periods through the end of the PPA.

Pursuant to the TGP Sale Agreement, SCE will sell 404 GWh of PCC 1 energy and associated RECs to TGP in 2016. The energy and RECs will come from a portfolio of CEC-certified renewable projects[4] that are already commercially operational.

SCE requests that the Commission issue a resolution that:

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

[4] The portfolio of renewable projects consist of wind, geothermal, and biogas facilities. See the Voyager and TGP AL, Table B.1 at 7 and 8 for a list of the projects.

PPA, subject only to further review with respect to the reasonableness of SCE's administration of the Voyager PPA;

7. Finds that payments received by SCE pursuant to the TGP Sale Agreement shall be credited to SCE's customers through SCE's Energy Resource Recovery Account over the term of the TGP Sale Agreement, subject to Commission review of SCE's administration of the TGP Sale Agreement.
8. Any other and further relief as the Commission finds just and reasonable.

Energy Division Evaluated the Voyager PPA and the TGP Sale Agreement based on the following criteria, respectively:

- Consistency with the RPS policies and requirements:
    - Bilateral contracting guidelines
    - SCE's 2014 RPS Procurement Plan and RPS Procurement Need
    - SCE's Least-Cost, Best-Fit (LCBF) methodology
    - RPS Standard Terms and Conditions
    - Portfolio Content Categories Requirements
    - The Long-Term Contracting Requirement
    - Independent Evaluator (IE) review Requirements
    - Procurement Review Group (PRG) Requirements
- Net Market Value and Price Reasonableness
- Compliance with the Interim Greenhouse Gas Emissions Performance Standard
- Contract Viability Assessment and Project Development Status
- Safety considerations

Consistency with Bilateral Contracting Guidelines

The Voyager PPA and the TGP Sale Agreement are considered bilateral contracts because they were not the result of a solicitation. In the Voyager and TGP AL, SCE asserts that both agreements comply with the Commission's bilateral contracting requirements.[5] Specifically, SCE adhered to the bilateral contracting rules because the Voyager PPA and the TGP Sale Agreement are longer than one month in duration; both contracts were filed by advice letter and reviewed by SCE's PRG; negotiations were overseen by an IE; and both contracts are reasonably priced, as discussed in more detail below.

The Voyager PPA and TGP Sale Agreement are consistent with the Commission's bilateral contracting guidelines established in D.06-10-019 and D.09-06-050.

Consistency with SCE's 2014 RPS Procurement Plan

In its 2014 RPS Procurement Plan (2014 RPS Plan) SCE provided an assessment of supply and demand to determine the optimal mix of renewable generation resources, description of potential RPS compliance delays, status update of projects within its RPS portfolio, and an assessment of project failure and delay risk within its RPS portfolio.[6] Specifically, SCE explained that its assessment for determining need is based on a forecast of bundled retail sales, performance and variability of existing generation, the likelihood of new generation achieving commercial operation, expected commercial on-line dates of facilities under contract, technology mix, expected curtailment, and the impact of pre-approved procurement programs, among other factors. Based on that assessment, SCE stated that it does not have a short-term RPS procurement need, but it does have a long-term RPS procurement need for renewable energy in the 2017-2020 Compliance Period.

Specifically, SCE stated in its 2014 RPS Plan the intention to procure additional RPS-eligible resources in order to satisfy its RPS requirements. The plan called for the issuance of a competitive solicitation for the purchase of RPS-eligible energy with deliveries beginning on or after January 1, 2016. In addition, SCE sought offers that would qualify as Portfolio Content Category 1 or 3, be for at least 10 years in length, and have a contract capacity of 500 kW or greater.

[5] The Voyager and TGP AL at 18-19.

[6] Section 399.13(a)(5).

Additionally, SCE's 2014 RPS Plan provides that SCE may engage in bilateral negotiations for renewable energy as part of its overall procurement strategy.[7] It also provides that SCE may conduct a future solicitation or negotiate bilaterally to sell bundled renewable energy, unbundled RECs, or other renewable products to maximize value to its customers and optimize its portfolio.[8]
Since the filing of its final 2014 RPS Plan, SCE updated its forecasted Renewable Net Short (RNS) calculation with more current information (including contracts executed after the filing of the plan). Based on its analysis of the updated RNS, which includes the Contract Quantity under the TGP Sale Agreement, SCE projected a long RPS position during the 2014-2016 Compliance Period and a long-term renewable procurement need.

Based on SCE's RPS portfolio needs described in its 2014 RPS Plan and the updated RNS, the Voyager PPA and the TGP Sale Agreement are consistent with SCE's 2014 RPS Plan. The TGP Sale Agreement is for sale of excess bundled RPS-eligible energy and the green attributes in 2016, which is consistent with SCE's portfolio optimization objectives and provides value to SCE's ratepayers. The excess generation sold under the TGP Sale Agreement would only fulfil SCE's RPS procurement need for a single year if it was banked. The Voyager PPA is for generation from a proposed renewable energy resource[9] with deliveries to begin on January 1, 2019 and continuing for 15 years, which will fulfil SCE's long-term renewable procurement needs in multiple years. See Confidential Appendix A for details on SCE's updated forecasted RPS procurement needs.

<u>The Voyager PPA and TGP Sale Agreement are consistent with SCE's 2014 RPS Procurement Plan, approved by D.14-11-042.</u>

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

[7] SCE's Final 2014 RPS Procurement Plan at 11 and 59 (December 8, 2014).

[8] *Id*. at 11

[9] Assuming the Voyager facility receives the California Energy Commission certification as an eligible renewable resource.

In D.04-07-029 and D.12-11-016, the Commission directs the utilities to use certain criteria in their LCBF selection of renewable resources.[10] The decisions provide guidance regarding the process by which the utility ranks bids in order to select or "shortlist" the bids with which it will commence negotiations. As described in its 2014 RPS Plan,[11] SCE's LCBF bid evaluation includes a quantitative analysis and qualitative criteria. SCE's quantitative analysis is based on a market valuation that calculates the net market value of a bid, which is the net of a project's levelized benefits and costs. SCE's quantitative analysis or market valuation includes evaluation of price, transmission costs, integration cost, congestion costs, debt equivalence costs, as well as, energy, resource adequacy, and congestion benefits. SCE ranks all conforming bids and creates a preliminary shortlist based on the net market value results.

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

In the Voyager and TGP AL, SCE explains that although it was negotiated bilaterally, the Voyager PPA is evaluated consistent with its 2014 LCBF methodology.[12]

See the "Net Market Value and Cost Reasonableness" section of this resolution for a discussion of how the Voyager PPA compares to other offers from SCE's 2014 RPS solicitation and comparable RPS contracts executed by SCE in the 12 months prior to the PPA execution. The TGP Sale Agreement is consistent with SCE's portfolio optimization objectives and the sale value is favorable when compared to the market prices for PCC 1 product.

---

[10] Section 399.13(a)(4)(A).

[11] SCE's 2014 RPS Procurement Plan, Appendix I.1.

[12] SCE's 2014 RPS solicitation protocols, including its LCBF methodology, as described above, were approved by the Commission in D.14-11-042.

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

Consistency with RPS Standard Terms and Conditions (STCs)

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

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

Consistency with Portfolio Content Categories and Resale

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

SCE claims in the Voyager and TGP AL that the procurement pursuant to the PPAs will be classified as Portfolio Content Category 1.[13] To support its claim, SCE asserts that the Voyager facility will have its first point of interconnection within the California Independent System Operator (CAISO) balancing authority area, obtain and maintain certification as an eligible renewable energy resource,

[13] The Voyager and TGP AL at 26-27.

and perform all actions necessary to transfer the RECs to SCE. Additionally, pursuant to the Voyager PPA, the RECs associated with the electricity from Voyager will be delivered to SCE and not unbundled or transferred to another owner. SCE also claims that the TGP Sale Agreement satisfies the resale condition of D.11-12-052. Specifically, SCE procures PCC 1 product and resell the product to TGP as PCC 1 product pursuant to the TGP Sale Agreement. To support its claim, SCE states that the product being sold will be from RPS-certified facilities that have a first point of interconnection to the CAISO balancing authority area.

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

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

Consistency with Long-Term Contracting Requirement

In D.12-06-038, the Commission established a long-term contracting requirement that must be met in order for retail sellers to count RPS procurement from contracts less than 10 years in duration for compliance with the RPS program.[14] In order for the procurement from any short-term contract(s) signed after

[14] For the purposes of the long-term contracting requirement, contracts of less than 10 years duration are considered "short-term" contracts. (D.12-06-038.)

June 1, 2010, to count for RPS compliance, the retail seller must execute long-term contract(s) in the same compliance period in which the short-term contract(s) is signed. The volume of expected generation in the long-term contract(s) must be sufficient to cover the volume of generation from the short-term contract(s).[15]

The Voyager PPA is for a 15-year term and was executed during Compliance Period 2014-2016.

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

The long-term contract also does not apply to sales agreements, thus it is not applicable to the TGP Sale Agreement.

Independent Evaluator Review

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

The IE states in its report that overall the Voyager PPA and TGP Sale Agreement merit the Commission approval because both agreements were reasonably negotiated with contract terms that, when taken as a whole, appropriately protect the interests of SCE's ratepayers. Specifically, the Voyager Project is reasonably priced in terms of its NMV and mature in terms of its development status. It is developed by Terra-gen, which has significant experience in developing and operating renewable wind, geothermal, and solar projects. The

[15] Pursuant to D.12-06-038, the methodology setting the long-term contracting requirement is: 0.25% of Total Retail Sales in 2010 for the first compliance period; 0.25% of Total Retail Sales in 2011-2013 for the second compliance period; and 0.25% of Total Retail Sales in 2014-2016 for the third compliance period.

payment received from the TGP Sale Agreement to SCE provides additional benefits to SCE's customers.

<u>Consistent with D.06-05-039, an independent evaluator oversaw SCE's 2014 RPS solicitation and negotiations with Voyager and TGP.</u>

Procurement Review Group (PRG) Participation Requirement

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

Participants in SCE's PRG include representatives from the Office of Ratepayer Advocates, California Department of Water Resources, Union of Concerned Scientists, Sierra Club, The Utility Reform Network, and the California Utility Employees. In the Voyager and TGP AL, SCE asserts that the proposed execution of the Voyager PPA and TGP Sale Agreement were presented to its PRG at the November 4, 2015 meeting.[16]

<u>Consistent with D.02-08-071, SCE's Procurement Review Group participated in the review of the Voyager PPA.</u>

Net Market Value and Price Reasonableness

The Commission's reasonableness review for RPS PPAs includes a comparison of the proposed PPA's net market value and price relative to other RPS offers received in recent RPS solicitations. Additionally, the Commission compares the PPA's net market value to comparable contracts executed by the IOU in the 12 months prior to the proposed PPA's execution date. Using this methodology and the confidential analysis provided by SCE in the Voyager and TGP AL, the Commission finds that the net market value of the Voyager PPA is competitive to other RPS offers received by SCE and that the costs of the Voyager PPA are reasonable. However, SCE has not recently executed any other RPS sale agreements. Thus, the Commission compared the TGP Sale Agreement's price to

[16] The Voyager and TGP AL at 31.

California REC market data and considered ratepayer value of the contract. Based on this analysis and the confidential analysis provided in the Voyager and TGP AL, we find that the TGP Sale Agreement's price is reasonable. We note, however, that this analysis differs from the Commission's established rules for price reasonableness and that the analysis of the TGP Sale Agreement's Price reasonableness here is not precedential. The Commission has found that competitive processes maximize customer value. See Confidential Appendix A for a detailed discussion of the analysis.

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

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

Payments received from TGP to SCE under the TGP Sale Agreement shall be credited to SCE's ratepayers through SCE's ERRA over the term of the TGP Sale Agreement, subject to Commission review of SCE's administration of the TGP Sale Agreement.

SCE is required to demonstrate in its ERRA review proceedings that its least-cost dispatch processes, operations, and related spot market transactions comply with all applicable Standards of Conduct (SOC) (including SOC No. 4 concerning least-cost dispatch obligations). SCE shall record the transaction authorized in this Resolution in its ERRA Balancing Accounts, and this transaction shall be subject to the Commission's ERRA review processes.

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

Sections 8340 and 8341 require that the Commission consider emissions costs associated with new long-term (five years or greater) baseload power contracts procured on behalf of California ratepayers.[17]

D.07-01-039 adopted an interim EPS that establishes an emission rate for obligated facilities at levels no greater than the greenhouse gas emissions of a combined-cycle gas turbine power plant. Generating facilities using certain renewable resources are deemed compliant with the EPS.[18]

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

<u>The EPS is not applicable to the TGP Sale Agreement because it has a delivery term of less than five years.</u>

PPA Viability and Project Development Status

SCE stated in the Voyager and TGP AL that part of its evaluation of bids included the use of the Commission-approved project viability calculator, which uses standardized criteria to quantify a project's strengths and weaknesses in key areas of renewable project development to assess certain project development factors. See Confidential Appendix A for SCE's and the IE's project viability scores.

In addition, the Voyager and TGP AL describes the proposed Voyager Project and its developmental progress to illustrate the project and PPA viability:

---

17 "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%." Section 8340 (a).

18 D.07-01-039, Attachment 7, p. 4.

- Developer Experience: The Voyager facility is being developed by Terra-gen, which has significant experience in developing and operating renewable energy projects. Terra-gen owns and operates approximately 973 MW of wind, solar, and geothermal generating facilities and provides operations and maintenance services for about 2,099 MW of renewable generating assets.
- Technology and Quality of Resource: The Voyager facility will use wind turbines that have been technically proven on utility-scale generation projects.
- Site Control and Permitting Status: The Voyager facility will be located in Kern County, CA on two separate sites between Mojave and Tehachapi. Terra-gen will secure full site control via leases and sub-leases with private parties. The required permits will be filed with the appropriate authorities.[19]
- Interconnection Status: The Voyager facility will interconnect to SCE's 220 kV Windhub Substation via the existing Tehachapi Renewable Transmission Project (TRTP). Therefore, the Voyager project does not require transmission network upgrades.

Based on the terms and conditions of the Voyager PPA and the level of project development detailed in the Voyager and TGP AL, it is reasonable to expect that Voyager will meet the terms and conditions of its PPA.

The generation to be delivered pursuant to the TGP Sale Agreement is from a large portfolio of renewable generation facilities, all of which have already been certified by the CEC as a RPS-eligible and are generating RPS-eligible energy. Thus, it is reasonable that SCE will be able to meet the terms and conditions of the TGP Sale Agreement.

Safety Considerations

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

[19] See the Voyager and TGP AL at 34 and 35 for the permitting and certification status.

SCE's 2014 *pro forma* PPA includes safety provisions, which require the seller to operate the generating facility in accordance with "Prudent Electrical Practices," as defined in the *pro forma* PPA.[20] Specifically, these provisions require that all

---

[20] SCE's Final 2014 RPS Procurement Plan, Appendix G.1 (2014 *Pro Forma* Renewable Power Purchase and Agreement) (p. 23) defines "Prudent Electrical Practices" as:

"Prudent Electrical Practices" means those practices, methods and acts that would be implemented and followed by prudent operators of electric energy generating facilities in the Western United States, similar to the Generating Facility, during the relevant time period, which practices, methods and acts, in the exercise of prudent and responsible professional judgement in the light of the facts known or that should reasonably have been known at the time the decision was made, could reasonably have been expected to accomplish the desired result consistent with good business practices, reliability and safety.

Prudent Electrical Practices shall include, at a minimum, those professionally responsible practices, methods and acts described in the preceding sentence that comply with manufacturers' warranties, restrictions in this Agreement, and the requirements of Governmental Authorities, WECC standards, the CAISO and Applicable Laws.

Prudent Electrical Practices also includes taking reasonable steps to ensure that:

a. Equipment, materials, resources, and supplies, including spare parts inventories, are available to meet the Generating Facility's needs;
b. Sufficient Operating personnel are available at all times and are adequately experienced and trained and licensed as necessary to Operate the Generating Facility properly and efficiently, and are capable of responding to reasonably foreseeable emergency conditions at the Generating Facility and Emergencies whether caused by events on or off the Site;
c. Preventive, routine, and non-routine maintenance and repairs are performed on a basis that ensures reliable, long term and safe Operation of the Generating Facility, and are performed by knowledgeable, trained, and experienced personnel utilizing proper equipment and tools;
d. Appropriate monitoring and testing are performed to ensure equipment is functioning as designed;
e. Equipment is not Operated in a reckless manner, in violation of manufacturer's guidelines or in a manner unsafe to workers, the general public, or the Transmission Provider's electric system or contrary to environmental laws,

Footnote continued on next page

sellers comply with all applicable requirements of law to ensure the safety, health, and comfort of the public and take all reasonable steps to ensure that the generation facility is planned, constructed, owned, operated, maintained, and decommissioned in a safe manner. It also includes a provision that requires a report from an independent engineer certifying that the seller has a written plan for the safe construction and operation of the generating facility in accordance with Prudent Electrical Practices. The seller must also provide the report to SCE prior to the commencement of any construction activities on the project site. The Voyager PPA includes all of these provisions as written in SCE's approved 2014 *pro forma* PPA. Thus, based on the information before us, the Voyager project does not appear to result in any adverse safety impacts on facilities or operations of SCE.

The TGP Sale Agreement is for the sale of renewable generation and associated RECs from RPS-eligible facilities. The proposed sales agreement does not alter existing power purchase agreements or any facility operations. As this agreement does not require a change in facility operations, there are no incremental safety implications associated with approval of this agreement beyond the status quo. Based on the information before us, this agreement does not appear to result in any adverse safety impacts on the facilities or operations of SCE.

RPS ELIGIBILITY AND CPUC APPROVAL

Pursuant to Section 399.13, the CEC certifies eligible renewable energy resources. Generation from a resource that is not CEC-certified cannot be used to meet RPS requirements. To ensure that only CEC-certified energy is procured under a Commission-approved RPS contract, the Commission has required standard and

---

permits or regulations or without regard to defined limitations such as, flood conditions, safety inspection requirements, operating voltage, current, volt ampere reactive (VAR) loading, frequency, rotational speed, polarity, synchronization, and control system limits; and

f. Equipment and components are designed and manufactured to meet or exceed the standard of durability that is generally used for electric energy generating facilities operating in the Western United States and will function properly over the full range of ambient temperature and weather conditions reasonably expected to occur at the Site and under both normal and emergency conditions.

non-modifiable "eligibility" language in all RPS contracts. That language requires a seller to warrant that the project qualifies and is certified by the CEC as an "Eligible Renewable Energy Resource," that the project's output delivered to the buyer qualifies under the requirements of the RPS, and that the seller uses commercially reasonable efforts to maintain eligibility should there be a change in law affecting eligibility.[21]

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 "<u>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.</u>"[22]

Notwithstanding this language, given that the Commission has no jurisdiction to determine whether a project is an "Eligible Renewable Energy Resource" for RPS purposes, this finding and the effectiveness of the non-modifiable "eligibility" language is contingent on CEC's certification of the Voyager project as an "Eligible Renewable Energy Resource." The contract language that procurement pursuant to the Voyager PPA "is procurement from an eligible renewable energy resource" must be a true statement at the time of the first delivery of energy, not at the signing of the PPA or at the issuance of this resolution.
While we include the required finding here, <u>this finding has never been intended, and shall not be read now, to allow the generation from a non-RPS-eligible resource to count towards an RPS compliance obligation absent CEC certification. Nor shall such finding absolve the seller of its obligation to obtain CEC certification, or the utility of its obligation to pursue remedies for breach of contract</u>. Such contract enforcement activities shall be reviewed pursuant to the Commission's authority to review the utilities' administration of such contracts.

---

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

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

CONFIDENTIAL INFORMATION

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

The confidential appendices, marked "[REDACTED]" in the public copy of this resolution, as well as the confidential portions of the Voyager and TGP AL and AL 3330-E-A, remain confidential at this time.

COMMENTS

The Voyager and TGP AL is an uncontested matter in which this Resolution grants the relief requested. Accordingly, pursuant to Pub. Util. Code Section 311(g)(2), the otherwise applicable 30-day period for public review and comment was waived. This Resolution was placed on the Commission's Meeting Agenda directly for prompt action.

FINDINGS

1. The Voyager Wind I, LLC and the TGP Energy Management LLC agreements are consistent with the bilateral contracting guidelines established in D.06-10-019 and D.09-06-050.
2. The Voyager Wind I, LLC power purchase agreement and the TGP Energy Management agreement are consistent with SCE's 2014 Renewables Portfolio Standard Procurement Plan, as approved by D.14-11-042.
3. The Voyager Wind I, LLC power purchase agreement was evaluated consistent with the least-cost and best-fit methodology described in SCE's 2014 RPS Procurement Plan.
4. The Voyager Wind I, LLC power purchase agreement includes the Commission-adopted Renewables Portfolio Standard "non-modifiable"

standard terms and conditions, as set forth in D.08-04-009, D.08-08-028, D.10-03-021, as modified by D.11-01-025, D.13-11-024, and D.14-11-042.

5. Consistent with D.11-12-052, SCE provided information in Advice Letter 3330-E regarding the expected portfolio content category classification of the renewable energy credits to be procured pursuant to the Voyager Wind I, LLC power purchase agreement.

6. Because the Voyager Wind I, LLC power purchase agreement is longer than 10 years, the long-term contracting requirement does not apply to SCE's procurement via the Voyager Wind I, LLC power purchase agreement, and the Voyager Wind I, LLC power purchase agreement will contribute to SCE's long-term contacting requirement established in D.12-06-038 for Compliance Period 2014-2016.

7. The long-term contracting requirement also does not apply to sales agreements, thus it is not applicable to the TGP Energy Management, LLC agreement.

8. Consistent with D.06-05-039, an independent evaluator oversaw SCE's 2014 Renewables Portfolio Standard procurement solicitation and SCE's negotiations with Voyager Wind I, LLC and TGP Energy Management, LLC.

9. Consistent with D.02-08-071, SCE's Procurement Review Group participated in the review of the Voyager Wind I, LLC power purchase agreement and the TGP Energy Management, LLC agreement.

10. The Voyager Wind I, LLC power purchase agreement compares reasonably from a net market value and cost basis relative to RPS offers received in SCE's 2014 RPS solicitation and contracts executed by SCE in the last 12 months.

11. The total expected revenues of the TGP Energy Management, LLC agreement are reasonable based on the sale contract's price relative to California REC market data; however, use of this method is not precedential. The Commission has found that competitive processes maximize customer value.

12. Payment received by SCE pursuant to the TGP Energy Management, LLC agreement shall be credited to SCE ratepayers through SCE's Energy Resource Recovery Account (ERRA) over the life of the agreement, subject to Commission review of SCE's administration of the TGP Energy Management, LLC agreement.

13. SCE shall record the transaction authorized in this Resolution in its ERRA Balancing Accounts, and this transaction shall be subject to the Commission's ERRA review processes.
14. The Voyager Wind I, LLC power purchase agreement is not covered procurement subject to the Emissions Performance Standard (EPS) because the generating facility has a forecast annualized capacity factor of less than 60 percent and therefore is not baseload generation under paragraphs 1(a)(ii) and 3(2)(a) of the Adopted Interim Emissions Performance Standard Rules.
15. The EPS is not applicable to the TGP Sale Agreement because it has a delivery term of less than five years.
16. It is reasonable to expect that Voyager Wind I, LLC and TGP Energy Management will be able to meet the terms and conditions in the Voyager Wind, LLC power purchase agreement and the TGP Energy Management agreement.
17. Procurement pursuant to the Voyager Wind I, LLC power purchase agreement must be procurement from an eligible renewable energy resource certified by the California Energy Commission for purposes of determining SCE's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Sections 399.11, *et seq*.), D.03-06-071 and D.06-10-050, or other applicable law on or before the first delivery of energy.
18. Payments made by SCE pursuant to the Voyager Wind I, LLC power purchase agreement are fully recoverable in rates over the life of the power purchase agreement, subject to Commission review of SCE's administration of the power purchase agreement and any other applicable Commission review.
19. The confidential appendices, marked "[REDACTED]" in the public copy of this resolution, as well as the confidential portions of the Advice Letters 3330-E and 3330-E-A, remain confidential at this time.
20. Advice Letters 3330-E and 3330-E-A should be approved and effective today.

THEREFORE IT IS ORDERED THAT:

1. The request of the Southern California Edison Company for review and approval of a power purchase agreement with Voyager Wind I, LLC and the

Sale Agreement with TGP Energy Management, LLC, as requested in Advice Letters 3330-E and 3330-E-A, are 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 April 21, 2016; the following Commissioners voting favorably thereon:

/s/TIMOTHY J. SULLIVAN
TIMOTHY J. SULLIVAN
Executive Director

MICHAEL PICKER
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
CARLA J. PETERMAN
LIANE M. RANDOLPH
Commissioners

Confidential Appendix A

Evaluation Summary of the Voyager Wind, LLC Power Purchase Agreement and TGP Energy Management, LLC Sale Agreement

[Redacted]

Confidential Appendix B

Excerpt from the Independent Evaluator Report on the Voyager PPA and TGP Sale Agreement[23]

[Redacted]

[23] The Voyager and TGP AL, Confidential Appendix C, Report of the Independent Evaluator Review of the Power Purchase Agreement with Voyager Wind I, LLC and Sale Agreement with TGP Energy Management, LLC, Merrimack Energy Group, Inc. and New Energy Opportunities in December 2015 at 27-49.