

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

ENERGY DIVISION

Agenda ID# 22768  
RESOLUTION E-5344  
August 22, 2024

**R E S O L U T I O N**

Resolution E-5344. Southern California Edison Company requests approval of Mid-Term Reliability Energy Storage Contracts and Amendment.

PROPOSED OUTCOME:

- Approves two Southern California Edison's Company's (SCE) Mid-Term Reliability energy storage contracts and related costs that include the following: Commerce Energy Storage, LLC (Commerce 1) for a total of 250 megawatts (MW) of nameplate capacity expected to come online June 1, 2026, and 26SB 8ME, LLC (Bellefield 2) for a total of 500 MW of nameplate capacity expected to come online June 1, 2027.
- Approves Amendment No. 5 to a mid-term reliability energy storage contract with Peregrine Energy Storage, LLC (Peregrine) totaling 100 MW of nameplate capacity expected to come online June 1, 2025, that was previously approved in Resolution E-5205, and a prior Amendment No. 3 was approved in Resolution E-5253.

SAFETY CONSIDERATIONS:

- The owners and sellers of the projects are responsible for the safe construction and operation of their facilities in compliance with all applicable laws, including safety regulations.
- SCE's Technology Neutral Pro Forma Contract requires the Seller to operate the energy storage facility in accordance with "Prudent Electrical Practices." See Section 6.01(a) of SCE's Technology Neutral Pro Forma Contract.
- SCE's Technology Neutral Pro Forma Contract also includes a provision providing that, prior to commencement of any construction activities on the project site, the seller must provide to SCE a report from an independent engineer certifying that the seller has a written plan for the safe construction and operation of the project in accordance with Prudent Electrical Practices.

ESTIMATED COST:

- Contract costs are confidential at this time.

By Advice Letter (AL) 5316-E, filed on June 10, 2024.

**SUMMARY**

This Resolution approves two SCE Phase 2 and Phase 3 Mid-Term Reliability (MTR) contracts for 750 MW of nameplate capacity, expected to provide 562 MW of incremental September net qualifying capacity (NQC). These contracts are procured to satisfy a portion of SCE’s 2026 and 2027 MTR requirements.

This Resolution also approves one amended and restated SCE MTR contract with Peregrine for 100 MW of nameplate capacity. The initial contract was originally approved in Resolution E-5205, and Amendment No. 3 was approved in Resolution E-5253. This amendment addresses the project’s viability issues by extending the expected initial delivery date and increasing the price.<sup>1</sup> The MTR contract will provide an incremental 91 MW of NQC to meet SCE’s 2024 MTR obligation.

The contracts for which SCE seeks approval in Advice Letter (“AL”) 5316-E are summarized in the table below:

<b>Seller/Project Name</b>	<b>Technology Type</b>	<b>Contract Type</b>	<b>Expected Delivery Period</b>	<b>Name Plate Capacity</b>	<b>Net Qualifying Capacity</b>
AES Clean Energy Development, LLC /Bellefield 2	Energy Storage	RA Only	6/1/2027-5/31/2042	500 MW	370 MW
REV Renewables, LLC /Commerce 1	Energy Storage	RA Only	6/1/2026-5/31/2041	250 MW	192 MW
Tenaska Energy, Inc./ Peregrine	Energy Storage	RA Only	6/1/2025-5/31/2040	100 MW	91 MW

The above contracts and amendments meet the procurement requirements of Ordering Paragraph (OP) 1 of Decision (D.) 21-06-035 and OP 2 of D.23-02-040 of Rulemaking (R.) 20-05-003 and will be referred to herein as the MTR Contracts, including the Peregrine Contract as amended by the Peregrine Amendment No. 5.

This resolution approves the requested relief in AL 5316-E.

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<sup>1</sup> SCE AL 5316 at A-6 and A-7.

## **BACKGROUND**

### **Mid-Term Reliability Decisions**

On June 24, 2021, the California Public Utilities Commission (the Commission) adopted D. 21-06-035. This decision required load-serving entities (LSEs) to procure at least their share of 11,500 MW of NQC by specified dates: 2,000 MW NQC online by August 1, 2023; an additional 6,000 MW online by June 1, 2024; an additional 1,500 MW online by June 1, 2025; and an additional 2,000 MW of long lead time (LLT) resources online by June 1, 2026, for MTR purposes. This procurement requirement includes a minimum of 2,500 MW of zero-emitting (ZE) capacity required to be online by 2025, replacing capacity retiring at Diablo Canyon Power Plant (Diablo Canyon). As documented in Table 6 of the decision, SCE is assigned 3,948 MW for its bundled service customer portion: 687 MW online by August 1, 2023; 2,070 MW online by June 1, 2024; 515 MW online by June 1, 2025; and 687 MW of LLT resources online by 2026.

On February 23, 2023, the Commission subsequently adopted D.23-02-040, requiring supplemental MTR procurement of 4,000 MW of NQC: an incremental 2,000 MW online by June 1, 2026, and another 2,000 MW online by June 1, 2027. SCE's share of this procurement is 684 MW for 2026 and 684 MW for 2027. The Commission also extended the online date for LLT resource procurement from June 1, 2026, to June 1, 2028, and introduced a bridging option for LSEs to comply with procurement through firm imports.<sup>2</sup>

On February 15, 2024, D.24-02-047 was adopted which granted a partial modification to D.23-02-040 and D.21-06-035. Due to the deregistration of two community choice aggregators (CCAs); Western Community Energy (WCE) and the City of Baldwin Park; SCE's total procurement requirement increased to a total of 4,052 MW: 705 MW online by August 1, 2023; 2,114 MW online by June 1, 2024; 529 MW online by June 1, 2025; and 705 MW LLT resources online by 2026. These revised totals include a minimum of 880 MW ZE capacity by 2025. The MTR Decision also requires that all contracts with resources (including imports) used to satisfy the MTR requirements have a minimum duration of 10 years. Additionally, Investor-Owned Utilities (IOUs) are authorized to seek cost recovery for MTR procurement capacity (excluding pumped storage or utility-owned resources) through Tier 3 ALs.<sup>3</sup>

### **Overview of SCE's Midterm Reliability Procurement Process**

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<sup>2</sup> OP 2 in [D.23-02-040](#) at 87 and OP 8 in D.23-02-040, "a load serving entity may contract for imported energy as a bridge until the online date of a new compliance resource, from any resource and with any counterparty, for a period of not more than three years."

<sup>3</sup> OP 13 in [D.21-06-035](#) at 97

SCE launched the MTR Request for Offers (RFO) in three phases to bring incremental resources online that meet Renewable Portfolio Standard (RPS) eligibility requirements and provide Resource Adequacy (RA) benefits, contributing to SCE's MTR obligation. This process considers both quantitative and qualitative attributes to arrive at a least-cost, best-fit (LCBF) solution for customers.

SCE utilized the net present value (NPV) method in performing the quantitative assessment of offers. The NPV methodology entails (1) forecasting the benefits by taking project quantities and forward market prices for RA capacity, electrical energy, and ancillary services over the life of the contract; (2) estimating contract costs and associated expenses for the life of the contract; (3) applying time value of money (4) calculating the present value by subtracting the net present value of the costs from the net present values of the benefits; and (5) normalizing the ranking of each offer by an NPV metric (NPV per MTR compliance expressed in kW-month).

SCE also assessed the nonquantifiable characteristics of each offer by performing an analysis of the qualitative attributes of each project during both the shortlist and final selection processes. Priority was given based on factors including location in disadvantaged communities (DACs), project size, renewable generation pairing, interconnection and contracting viability, and development progress.

SCE engaged Sedway Consulting Inc. (Sedway Consulting) as the Independent Evaluator (IE) to oversee this MTR RFO process. Sedway Consulting was involved in the review of MTR RFO documents and SCE's offer valuation process, conducted its own independent evaluation, participated in numerous conference calls and negotiation sessions, and monitored email exchanges and other documents exchanged by SCE and bidders. Sedway Consulting also participated in the Procurement Review Group (PRG) communications. Sedway Consulting provided a report (the IE Report) on the MTR RFO, which is included in the AL filing. SCE states that in conjunction with the IE it considered each offer's qualitative components along with quantitative results during both the shortlist and final selection processes.

SCE launched its Phase 1 MTR Request for Offers (RFO) on July 30, 2021, for incremental resources that can come online in the 2023 through 2024 timeframe. SCE's MTR RFO sought incremental ZE resources or resources that otherwise meet Renewable Portfolio Standard (RPS) eligibility requirements that provide RA benefits. SCE utilized two tracks to streamline the final selection: the Fast Track for projects coming online by August 1, 2023, and select projects with a June 1, 2024, online date, and the Standard Track for projects that fulfill the balance of the June 1, 2024, MTR requirements.

As a result of SCE's Phase 1 MTRRFO, SCE submitted several advice letters seeking approval of contracts to meet SCE's 2023 and 2024 MTR procurement requirements, which have already been approved by the Commission.<sup>4</sup>

On October 20, 2022, SCE launched Phase 2 of its MTR RFO for third-party incremental resource offers to come online in the 2025 through 2026 timeframe. The RFO also sought incremental ZE resources and/or resources that otherwise meet RPS eligibility requirements that also provide RA benefits. SCE also provided specific guidance for procurement of resources eligible to meet its Diablo Canyon Replacement, including RA only and RA with Financial Settlement contracts for energy storage projects and RPS contracts, including RPS contracts for firm ZE resources.<sup>5</sup>

SCE launched Phase 3 of its MTR RFO on February 23, 2023, for supplemental incremental resources to come online during years 2026 and/or 2027 and for LLT resources, in accordance with D.23-02-040. Due to the large overlap of requirements and online dates of procurement resource obligations between the Phase 2 and Phase 3 MTR RFOs, SCE decided to merge Phase 2 and Phase 3 RFOs and has submitted advice letters seeking approval of contracts to meet 2025 and 2026 Diablo Canyon and LLT MTR procurement requirements.<sup>6</sup>

### **Selected MTR Contracts**

SCE requests approval for Phase 2 and 3 MTR contracts for the following two energy storage projects:

1. Bellefield 2, located in Mojave, CA was developed by Avantus and sold to AES Clean Energy Development, LLC, a subsidiary of AES Corporation (AES). Bellefield 2 has a

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<sup>4</sup> SCE AL 4739-E (approved by Resolution E-5205); SCE AL 4800-E (approved by Resolution E-5225); SCE AL 4850-E (approved by Resolution E-5234); SCE AL 4885-E (approved by Resolution E-5251); SCE AL 4920-E (approved by Resolution E5253); SCE AL 4990-E (approved by Resolution E-5271); SCE AL 5127-E (approved by Resolution E-5307); SCE AL 5257-E.

<sup>5</sup> SCE AL 5155-E at 7, 11, and Appendix D at 21. SCE states that at the conclusion of Phase 1 RFO, it stopped using the "RA with Put" contract structure to "RA with Financial", as the former was deemed administratively burdensome to manage. The RA with Financial contract structure provides SCE with an energy settlement payment that approximates energy arbitrage revenue (i.e., energy settlement payment that would reduce the overall payments to the bidder), accounting for the project's round-trip efficiency factor (i.e., charging-discharging energy losses) and variable O&M cost (VOM). The energy market benefits are calculated from a formula that used actual day-ahead hourly market prices and operational/pricing parameters that were set by the Seller. The formula is designed to estimate the likely profits that the Seller might achieve in the daily energy markets.

<sup>6</sup> SCE AL 5155-E (approved by Resolution E-5309-E); SCE AL 5207-E (approved by Resolution E-5313); SCE AL 5248-E (approved by Resolution E-5333)

500 MW nameplate capacity with an Initial Delivery Date (IDD) of June 1, 2027, and will share a point of interconnection with SCE's Windhub 220 kV. SCE has contracted for RA Only.

2. Commerce 1, located in City of Commerce, CA was developed by REV Renewables, LLC, a subsidiary of LS Power Associates, LP. Commerce 1 has a 250 MW nameplate capacity with an IDD of June 1, 2026, and will have an interconnection point at SCE Laguna Bell substation 220 kV. SCE has contracted for RA Only.

Both projects are 4-hour transmission-connected lithium (Li)-ion energy storage batteries with 15-year RA Only terms and have Large Generator Interconnection Agreements (LGIA).

SCE requests approval for the following MTR energy storage contract amendment:

1. Peregrine, located in San Diego, CA was developed by Tenaska Energy, Inc., which is owned by Arevon. The amendment does not change the existing project's 4-hour energy storage characteristics but includes the following key changes:
  - a. The Expected IDD moved from June 1, 2024, to June 1, 2025, allowing additional time needed for site control and permitting issues.
  - b. A price increase to supplement confidential market and operational factors.<sup>7</sup>

### **SCE ADVICE LETTER REQUEST**

In AL 5316-E, SCE requests that the Commission adopt a resolution no later than September 26, 2024, containing the following:

1. Approval of the MTR Contracts, including the Peregrine Contract as amended by the Peregrine Amendment, in its entirety;
2. A finding that the MTR Contracts, including the Peregrine Contract as amended by the Peregrine Amendment, are consistent with the Decisions;
3. A finding that the MTR Contracts, including the Peregrine Contract as amended by the Peregrine Amendment, are for a total of 653 MW of expected incremental September NQC for purposes of MTR compliance;
4. A finding that the MTR Contracts, including the Peregrine Contract as amended by the Peregrine Amendment, and SCE's entry into them, are reasonable and prudent for all purposes, and that any payments to be made by SCE pursuant to the MTR Contracts, including the Peregrine Contract as amended by the Peregrine Amendment, are recoverable in full by SCE through the Portfolio Allocation

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<sup>7</sup> SCE AL 5316 Attachment D at A-38 and Attachment A at A-6 and A-7.

Balancing Account (PABA), subject only to SCE's prudent administration of the MTR Contracts, including the Peregrine Contract as amended by the Peregrine Amendment;

5. Authorization for SCE to allocate the benefits and costs of the MTR Contracts, including the Peregrine Contract as amended by the Peregrine Amendment, to all applicable customers as described herein via the PABA;
6. Authorization for SCE to shift the allocation of the benefits and costs of any contracts approved to meet MTR procurement requirements between the 2021 and 2023 PABA sub-accounts based on whether SCE is counting the contract toward the MTR procurement requirements in D.21-06-035 or D.23-02-040; and
7. Any other and further relief as the Commission finds just and reasonable.

### **NOTICE**

Notice of AL 5316-E was made by publication in the Commission's Daily Calendar. Southern California Edison Company states that a copy of AL 5316-E was mailed and distributed in accordance with Section 4 of General Order 96-B.

### **PROTESTS**

No protests were filed to AL 5316-E.

### **DISCUSSION**

The Commission has reviewed SCE AL 5316-E and finds that SCE's request for approval and cost recovery of the MTR contracts, including the Peregrine Contract as amended by the Peregrine Amendment, is reasonable, as discussed below.

#### **Consistency with Requirements in Decisions**

We find that SCE AL 5316-E is consistent with D.21-06-035 and D.23-02-040. The Peregrine contract amendment ensures the viability of the Peregrine project and provides 91 MW of expected incremental NQC to be online by June 1, 2025, using the methodology in the ELCC report. Additionally, the Peregrine Contract, as amended, is for a 15-year term, satisfying the requirement for a delivery term of 10 years or more.<sup>8</sup>

Bellefield 2 and Commerce 1, provide approximately 562 MW of incremental NQC toward SCE's 2026 and 2027 MTR procurement requirements. As addressed in Section II.G, SCE has demonstrated that the MTR contracts are fully incremental to the baseline generator list

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<sup>8</sup> D.21-06-035 at 70.

referenced in the Decisions.<sup>9</sup> The MTR Contracts also meet other requirements of the Decisions, including: (1) the projects are for new energy storage resources; and (2) the contracts have terms of 10 years or more.

### **Procurement Methodology, Evaluation, and Cost Reasonableness**

SCE retained Sedway Consulting as the IE for MTR solicitation efforts for Phase 1, 2, and 3. The IE Report provided in Attachment D of AL 5316-E concludes that “SCE administered its shortlisting and final offer evaluation and selection processes fairly and procured the best resources/contracts for addressing its MTR needs.”<sup>10</sup>

The commission has reviewed SCE’s initial bid evaluation analysis. We find that SCE’s process for soliciting offers and selecting contracts followed Commission guidelines, including the use of LCBF methodology, the involvement of an IE, and the presentation of projects and selection criteria to the PRG. We also find the price of the MTR contracts, including the Peregrine Contract as amended by the Peregrine Amendment, are reasonable based on current market conditions. Therefore, we find these contracts to be reasonable.

### **Climate Risk**

Per OP 14 of D.20-08-046, new energy contracts executed after 2021 with a term of at least 15 years are required to provide SCE with acknowledgement of long-term climate risks and a facility safety plan. The MTR Contracts, including the amended Peregrine Contract have terms of 15 years or more and include a representation and warranty that the seller has considered long-term climate risks to the project. SCE already provided a copy of the plan for Peregrine and Bellefield 2, and plan to provide one for Commerce 1.<sup>11</sup>

### **Cost Recovery**

As directed in the decision, SCE filed a Tier 3 AL seeking approval for cost recovery for the MTR contracts, including the Peregrine Contract as amended by the Peregrine Amendment.

Per the Commission’s acceptance of Advice Letter 4589-E, SCE proposes to allocate the costs associated with the Peregrine Contract amendment and incremental administrative costs (including, but not limited to, IE costs) to applicable customers.<sup>12</sup> The PABA will be used for

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<sup>9</sup> D.21-06-035 at 69. The baseline list of resources dated September 2, 2022, available on the Commission’s website in the IRP Procurement Track was used to determine incrementality.

<sup>10</sup> SCE AL 5316-E Attachment D at 21.

<sup>11</sup> For those sellers who have not provided their Plans to SCE by the date of this Advice Letter, SCE will provide Energy Division a copy of the sellers’ Plans when available.

<sup>12</sup> SCE AL 4589-E became effective on October 16, 2021.



bundled service customers and departing load customers with 2021 vintage cost responsibility.<sup>13</sup>

SCE also proposes to allocate the costs associated with Bellefield 2 and Commerce 1 to bundled service and departing load customers per the Commission's acceptance of Advice Letter 5019-E.<sup>14</sup> The new contract costs and benefits will be recovered through the 2023 vintage sub-account of the PABA, including administrative costs.<sup>15</sup>

If delays continue for SCE projects, SCE requests the Commission provide authority to shift cost recovery between 2021 and 2023 vintage sub-account of the PABA, depending on the tranche that a project is providing compliance for.

We find that SCE's proposed cost recovery of the MTR contracts, including the Peregrine Contract as amended by the Peregrine Amendment, to be consistent with OP 13 of D.21-06-035.

### **Safety**

The MTR contracts, including the Peregrine Contract as amended by the Peregrine Amendment, include provisions that require the seller to operate the energy storage facilities in accordance with "Prudent Electrical Practices," as a condition of SCE's Technology Neutral Pro Forma Contract.<sup>16</sup> The provision provides that, prior to commencement of any construction activities on the project site, the seller must provide to SCE a report from an independent engineer certifying that the seller has a written plan for the safe construction and operation of the project in accordance with Prudent Electrical Practices.<sup>17</sup>

### **COMMENTS**

Public Utilities Code section 311(g)(1) provides that this Resolution must be served to all parties and subject to at least 30 days' public review. Any comments are due within

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<sup>13</sup> Includes, but is not limited to, Independent Evaluator costs.

<sup>14</sup> SCE AL 5019-E became effective on February 23, 2023.

<sup>15</sup> Includes, but is not limited to, Independent Evaluator costs.

<sup>16</sup> SCE AL 5155-E at 18 (describing Prudent Electrical Practices as, "those practices, methods and acts that would be implemented and followed by prudent operators of electric energy storage facilities in the Western United States, similar to the Project, during the relevant time period, which practices, methods and acts, in the exercise of prudent and responsible professional judgment 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"); Section 6.01(a) of SCE's Technology Neutral Pro Forma Contract.

<sup>17</sup> *Id.* at 24-25, Section 4.01(d) of SCE's Technology Neutral Pro Forma Contract.

20 days of the date of its mailing and publication on the Commission's website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this resolution were neither waived nor reduced. Accordingly, comments on this draft resolution may be submitted no later than 20 days from the mailing date. This draft resolution will be placed on the Commission's agenda no earlier than 30 days from today. If adopted by the Commission, the final resolution will be posted and available on the Commission's website.

## **FINDINGS**

1. In June 2021, D.21-06-035 directed Load Serving Entities to procure their pro-rata share of 11,500 MW of incremental September net qualifying capacity under the Commission's integrated resource planning purview over the course of four years, with 2,000 MW to be online by August 1, 2023, an additional 6,000 MW online by June 1, 2024, an additional 1,500 MW online by June 1, 2025, and an additional 2,000 MW online by June 1, 2026.
2. In June 2021, D.21-06-035 ordered the three large IOUs to file Tier 3 ALs to request cost recovery for any procurement conducted as a result of that decision, except if the procurement is associated with a pumped storage resource or a utility-owned resource, for which full applications are required.
3. In February 2023, OP 2 of D.23-02-040 directed LSEs to procure an additional combined total of 2,000 MW of September NQC from non-emitting, storage, and/or renewable resources in 2026 and 2027, with resources required to be online by June 1 of each year.
4. By AL 5316-E, filed on June 10, 2024, SCE has submitted for approval two energy storage contracts intended to partially meet SCE's D.21-06-035 requirements.
5. The two MTR contracts, Commerce 1 and Bellefield 2, for 750 MW of nameplate capacity, are fully incremental to the MTR baseline.
6. By SCE AL 5316-E, filed on June 10, 2024, SCE has submitted for approval the Peregrine contract amendment that is intended to partially meet SCE's D.21-06-035 requirements and was previously approved by Resolution E-5205.
7. SCE's methodology to evaluate the bids in the competitive solicitation that resulted in contracts and amendments as presented in SCE AL 5316-E is consistent with the MTR Decisions D.21-06-035 and D.23-02-040.
8. The cost of the MTR contracts, including the Peregrine Contract as amended by the Peregrine Amendment, presented in SCE AL 5316-E are reasonable based on the robust competitive solicitation and bid evaluation methodology.

9. SCE's request in SCE AL 5316-E to allocate the benefits and costs of the MTR contracts, including the Peregrine Contract as amended by the Peregrine Amendment, to all applicable customers via the 2021 and/or 2023 vintage PABA subaccounts, including incremental administrative costs, is reasonable, subject to SCE's prudent administration of the contracts.
10. SCE's proposed cost recovery of the MTR contracts, including the Peregrine Contract as amended by the Peregrine Amendment in SCE AL 5316-E is reasonable and consistent with OP 6 of D.19-11-016, OP 14 of D.20-08-045, OP 1 of D.21-06-035, OP 2 of D.23-02-040, and Energy Division's approval of SCE AL 4589-E.

**THEREFORE, IT IS ORDERED THAT:**

1. Southern California Edison's request in SCE AL 5316-E for approval of the MTR Contracts, Bellefield 2 and Commerce 1, and related costs for a total of 750 MW nameplate capacity, expected to come online June 1, 2026, and June 1, 2027, is approved.
2. Southern California Edison's request in SCE AL 5316-E for approval of the Peregrine Contract as amended by the Peregrine Amendment and related costs for a total of 100 MW nameplate capacity, expected to come online June 1, 2025, is approved.
3. Southern California Edison's request in SCE AL 5316-E, to allocate the benefits and costs of the MTR Contracts, including the Peregrine Contract as amended by the Peregrine Amendment, to all applicable customers via the 2021 and/or 2023 vintage sub-account of SCE's PABA, including incremental administrative costs, is approved.

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 August 22, 2024; the following Commissioners voting favorably thereon:

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Rachel Peterson  
Executive Director