DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

ID #9030
RESOLUTION E-4293
December 17, 2009

REDACTED

R E S O L U T I O N

Resolution E-4293. Southern California Edison (SCE) Company

PROPOSED OUTCOME: This Resolution approves a new renewables portfolio standard power purchase agreement (PPA) between SCE and Echanis, LLC.

ESTIMATED COST: This Resolution approves cost recovery for a renewable energy PPA. Actual costs are confidential at this time.

By Advice Letter (AL) 2359-E filed on July 13, 2009 and AL 2359-E-A filed on October 22, 2009.

SUMMARY

The Southern California Edison/Echanis contract complies with the Renewable Portfolio Standard (RPS) procurement guidelines and is approved

Southern California Edison (SCE) filed advice letter (AL) 2359-E requesting Commission review and approval of a new power purchase agreement (PPA) executed with Echanis, LLC (Echanis). The PPA resulted from SCE's 2008 RPS solicitation. SCE's AL 2359-E-A amended certain PPA terms and conditions to bring the PPA into compliance with the Commission's RPS standard contract terms and conditions rules.

The following table summarizes the agreement:

Generating facility	Type	Term (Years)	Capacity (MW)	Energy (GWh)	Expected Online Date	Location
Echanis	Wind, new	20	40-104	123-321	11/15/10	Oregon

Pursuant to the PPA, SCE will take delivery of the energy and green attributes at the Harney substation located in Southeast Oregon. SCE will wheel the energy to Mid-Columbia trading hub (Mid-C) using Echanis firm transmission rights and then manage the intermittent energy by either selling it and replacing it at a later date with an equivalent amount of energy for import to California, or firming and shaping the energy for import into California upon receipt. If SCE pursues the first option, SCE expects to remarket the energy at Mid-C, but may wheel it elsewhere if the economics are favorable.

While the contract price is at or below the applicable 2008 market price referent (MPR), the total cost of the contract with firming and shaping is above the MPR. Because SCE's above-MPR funds are exhausted, SCE proposes to voluntarily procure these resources above the MPR. Deliveries from this PPA are reasonably priced and fully recoverable in rates over the life of the contract, subject to Commission review of SCE's administration of the contract.

ALs 2359-E and 2359-E-A are approved without modification.

NOTICE

Notice of AL 2359-E and AL 2359-E-A was made by publication in the Commission's Daily Calendar. SCE states that a copy of each of the Advice Letters was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

PROTESTS

The Utility Reform Network (TURN) and the Coalition of California Utility Employees (CCUE) filed a timely joint protest to SCE's Advice Letter 2359-E on August 3, 2009.

On August 10, 2009, SCE replied and Peter Blood responded on behalf of Echanis, LLC to the TURN/CCUE joint protest.

DISCUSSION

Overview Of RPS Program

The RPS Program administered by the Commission requires each utility to increase its total procurement of eligible renewable energy resources by at least 1% of retail sales per year so that 20% of the utility's retail sales are procured from eligible renewable energy resources no later than December 31, 2010.[1]

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.

SCE requests approval of a new renewable energy contract with Echanis

The proposed long-term contract for new wind generation was negotiated as part of SCE's 2008 renewable solicitation. The wind facility will be located in the southeast of Oregon and will deliver its energy to SCE at the Harney substation. SCE will use Echanis's firm transmission rights to wheel the energy from the Harney substation to Mid-C and then manage the energy (firm and shape) from that point.

SCE proposes to satisfy the California Energy Commission's (CEC) RPS delivery guidelines[2] in one of three ways:

- Sell the energy at Mid-C (to PacifiCorp or Idaho Power, for example) and "tag" the RECs to imports under a different contract; or
- Wheel the energy from Mid-C to outside BPA's region, sell the energy and tag the RECs to imports under a different contract; or
- Acquire transmission service and schedule the energy into California.

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[1] *See* Public Utilities (Pub. Utils.) Code § 399.15(b)(1).

[2] Public Resources Code §25741(b)(2)(B) requires that the energy from out-of-state facilities is delivered to California, and the CEC has adopted eligibility guidelines about the RPS delivery rules.

SCE has not committed itself to one of the options, but will choose what is appropriate and most cost-effective based on the relative prices of the options as it administers the contract. In the first two cases, it is possible that no new energy will be imported to California. In the third, the energy will be wheeled and scheduled into the state.
SCE asserts that the Echanis project meets its energy portfolio needs, has minimal development risk, and has a high level of viability because Echanis has site control, the majority of permits needed for construction, and an involved financier.

While the contract price is at or below the applicable 2008 MPR, the total cost of the contract with firming and shaping will require above-MPR funds. The contract is eligible for AMFs, but SCE has exhausted its AMFs. SCE has voluntarily elected to incur these above-MPR costs.

SCE requests the Commission to issue a resolution containing:

1. Approval of the Echanis Contract in its entirety
2. A finding that any electric energy sold or dedicated to SCE pursuant to the Echanis Contract constitutes procurement by SCE from an eligible renewable energy resource ("ERR") for the purpose of determining SCE's compliance with any obligation that it may have to procure from ERRs pursuant to the RPS Legislation[3] or other applicable law concerning the procurement of electric energy from renewable energy resources
3. A finding that all procurement under the Echanis 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 Echanis Contract counts, in full and without condition, towards any incremental procurement

[3] As defined by SCE, "'RPS Legislation' refers to the State of California Renewable Portfolio Standard Program, as codified at California Pub. Utils. Code Section 399.11 *et seq*."

target established by the RPS Legislation or the Commission which is applicable to SCE

5. A finding that all procurement under the Echanis Contract counts, in full and without condition, towards the requirement in the RPS Legislation 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 Echanis Contract, and SCE's entry into the Echanis Contract, is reasonable and prudent for all purposes, including, but not limited to, recovery in rates of payments made pursuant to the Echanis Contract, subject only to further review with respect to the reasonableness of SCE's administration of the Echanis Contract
7. Any other and further relief as the Commission finds just and reasonable.

Energy Division Review Of the Proposed PPA

Energy Division evaluated the PPA for the following criteria:

- Consistency with SCE's 2008 RPS Procurement Plan (Plan)
- Consistency with the resource needs identified in SCE's Plan
- Consistency with RPS standard terms and conditions (STC)
- Consistency with RPS delivery rules
- Project viability
- Compliance with the minimum quantity condition
- Consistency with the Interim Emissions Performance Standard
- Procurement Review Group (PRG) participation
- Comparison to the results of SCE's 2008 solicitation
- Cost reasonableness
- Independent evaluator review

Consistency with SCE's 2008 RPS Procurement Plan

California's RPS statute requires that the Commission review the results of a renewable energy resource solicitation submitted for approval by a utility.[4] The Commission reviews the results to verify that the utility conducted its solicitation according to its Commission-approved procurement plan. SCE's 2008 RPS Procurement Plan (Plan) was approved by D.08-02-008 on February 14, 2008. Pursuant to statute, SCE's Plan includes an assessment of supply and demand to determine the optimal mix of renewable generation resources, consideration of flexible compliance mechanisms established by the Commission, and a bid solicitation protocol setting forth the need for renewable generation of various operational characteristics.[5]

Specifically, SCE's Plan states that SCE intends to secure resources from its 2008 solicitation, as necessary, to ensure that it meets the 20% RPS goal as soon as possible, and with a reasonable margin of safety. SCE requested proposals based upon standard term lengths of 10, 15 or 20 years or a non-standard delivery term of no less than 1 month. SCE also requested proposals with a minimum capacity of 1.5 MW. SCE indicated a preference for projects:

- With near-term deliveries
- Located in California or outside of California if the seller complies with all requirements pertaining to "Out-of-State Facilities" as set forth in the California Energy Commission (CEC) Guidebook for RPS eligibility
- Delivered within the CAISO Control Area, but considered proposals for facilities interconnected to the Western Electricity Coordinating Council (WECC) transmission system

SCE asserts that "The Echanis Contract was solicited, negotiated, and executed in a manner consistent with SCE's 2008 RFP protocol."[6] SCE also states that the proposed Echanis project fits SCE's identified renewable resource needs. Echanis

[4] Pub. Utils. Code, Section §399.14.

[5] Pub. Utils. Code, Section §399.14(a)(3).

[6] AL 2359-E, page 6

is a 20-year contract for new renewable generation, expected to commence deliveries in the near-term (2010). Additionally, the facility has received pre-certification as an eligible renewable energy resource from the CEC, and the CEC has confirmed that the delivery structure proposed in the advice letter is consistent with the RPS delivery guidelines set forth in the CEC's RPS Eligibility Guidebook.

<u>The PPA is consistent with SCE's 2008 RPS Procurement Plan and resource needs.</u>

Consistency with RPS Standard Terms and Conditions (STCs)

SCE filed supplemental AL 2359-E-A to amend the terms and conditions in the Echanis PPA to comply with D.08-04-009, as modified by D.08-08-028.

<u>The PPA includes the Commission adopted RPS standard terms and conditions, including those deemed "non-modifiable".</u>

Consistency with RPS Delivery Rules

Where an advice letter requests Commission approval of a PPA with a facility that does not have its first point of connection with the California transmission network, the CEC provides a written determination to the Commission addressing whether the proposed delivery structure meets the RPS delivery requirements set forth in the CEC's RPS Eligibility Guidebook.[7]

<u>Appendix C to this resolution contains a letter from CEC Staff determining that the delivery structure contained in the proposed PPA meets the CEC's RPS delivery requirements as set forth in the CEC's RPS Eligibility Guidebook.</u>

Project Viability

For SCE's 2008 RFP, SCE quantitatively evaluated and scored each bid's viability, based on a number of factors such as development issues, site control,

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[7] Renewables Portfolio Standard Eligibility Guidebook, 3rd Edition, publication # CEC-300-2007-006-ED3-CMF (January 2008), *available at* http://www.energy.ca.gov/2007publications/CEC-300-2007-006/CEC-300-2007-006-ED3-CMF.PDF

technology maturity and seller experience. This evaluation is provided in confidential Appendix B to AL 2359-E. The following discussion summarizes the critical points of the viability analysis:

Project Milestones

The PPA identifies the project milestones, including interconnection agreement, construction start date, and commercial operation deadlines.

Site Control

Echanis has full site control.

Financability of Resource

While financing renewable energy projects is difficult in today's economic market, SCE asserts that the developer "has a strong business relationship with HSH Nordbank AG (HSNH), a leading financier of wind projects in the United States" and that HSHN's enthusiasm about the project indicates that there is low risk in financing the project.

Tax Credits

Given the recent extension of the production tax credits (PTC) for new wind facilities through 2011, the Echanis project should be eligible for the PTC. Additionally, the project should also be eligible for the option to apply for an Investment Tax Credit (ITC) in lieu of the PTC.

Sponsor's Creditworthiness and Experience

Columbia Energy Partners (CEP), Echanis's parent company, has developed a 200 MW wind project in Oregon and the company's principals have significant energy market and development experience.

Transmission Upgrades

Echanis does not expect any major transmission upgrades for the project. It has recently received the system impact study re-study and the full 104 MW has been reserved for this project.

Permitting

SCE asserts that the project is on track to obtain all permits by the expected operation date.

Equipment

Echanis is in the process of negotiating wind turbine supply contracts and is evaluating bids for other necessary equipment.

Based on the foregoing, SCE concludes that it "has assessed the Echanis project to have an extremely high level of viability with minimal development risk".[8]

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

California Pub. Utils. Code §§ 8340 and 8341 require that the Commission consider emissions costs 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 quota for obligated facilities to levels no greater than the greenhouse gas (GHG) emissions of a combined-cycle gas turbine powerplant. The EPS applies to all energy contracts for baseload generation that are at least five years in duration.[9] Renewable energy contracts are deemed compliant with the EPS except in cases where intermittent renewable energy is firmed and shaped with generation from non-renewable resources.

The Echanis contract is a long-term contract for intermittent renewable energy. The contract is compliant with D.07-01-039, the Commission's decision implementing the EPS because it is an eligible renewable energy contract.
As described above, SCE may sell the Echanis energy and tag the green attributes with imported energy to satisfy the CEC's delivery guidelines. The firming and shaping contracts must individually meet the EPS. However, SCE has not yet entered into any firming and shaping contracts, so the Commission can not evaluate whether SCE's firming and shaping of the Echanis contract is EPS

8 AL 2359-E at 15.

9 "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).

compliant. SCE must procure firming and shaping contracts consistent with Senate Bill 1368 and RPS rules.

The PPA is compliant with the interim Emissions Performance Standard requirements (EPS). If SCE uses any new imports or firming and shaping contracts, it will have to separately comply with the EPS requirements and will be subject to CPUC rules to verify the compliance.

Procurement Review Group (PRG) Participation

SCE's PRG consists of representatives from: the Division of Ratepayer Advocates (DRA), The Utility Reform Network (TURN), California Utility Employees, the Union of Concerned Scientists, Aglet Consumer Alliance, the California Department of Water Resources, and the Commission's Energy and Legal Divisions.

SCE asserts that its PRG was consulted during each step of the 2008 renewable procurement process. On June 11, 2008, SCE advised the PRG of its proposed short list of bids for its 2008 RPS solicitation. On May 13, 2009, SCE briefed the PRG concerning the successful conclusion of discussions with Echanis. Although Energy Division is a member of the PRG, it reserved judgment on the contract and associated hedging strategy until the AL was filed. Energy Division reviewed the transaction independently of the PRG, and allowed for a full protest period before concluding its analysis.

With regard to this PPA, SCE has complied with the Commission's rules for involving the PRG.

Comparison to the Results of SCE's 2008 Solicitation

The Commission's Least Cost Best Fit (LCBF) decisions direct the utilities to use certain criteria in their bid ranking and provide guidance regarding the process by which the utility ranks bids in order to "shortlist" the bids eligible for contract negotiations.[10]

[10] D.04-07-029

SCE states in AL 2359-E that the benefit-to-cost ratio for the Echanis PPA, "in combination with SCE's portfolio need for near-term viable RPS projects, justified its inclusion on SCE's 2008 solicitation short list."[11] SCE says that the final LCBF results for the project after contract negotiations are favorable compared to the other 2008 RPS bids.

Confidential Appendix A to this resolution provides a more detailed comparison to SCE's short list bids.

<u>The PPA compares favorably to the results of SCE's 2008 solicitation.</u>

Cost Reasonableness

Confidential Appendix A to this resolution includes a detailed discussion of the contractual pricing terms, including SCE estimates of the total contract costs under the PPA, including firming and shaping costs. The Echanis contract price is at or below the applicable 2008 MPR of $113.90. However, because SCE must deliver the energy to California, SCE will incur firming and shaping costs that increase the total cost of the transaction and put it above the MPR. While this project is eligible for AMFs, SCE has exhausted its AMFs. SCE says that it will voluntarily incur the above-MPR costs even though there are insufficient AMFs to cover the costs of the Echanis project.

<u>The total expected costs of the PPA, as estimated by SCE, are reasonable based on their relation to bids received in response to SCE's 2008 solicitation.</u>

<u>Provided the generation is from an eligible renewable energy resource, payments made by SCE under the PPA are fully recoverable in rates over the life of the PPAs, subject to Commission review of SCE's administration of the PPAs.</u>

Independent evaluator (IE) Review

SCE retained an IE, Sedway Consulting, to report to SCE's procurement review group about the 2008 RPS solicitation and to ensure that the solicitation was conducted fairly and that the best resources were acquired. According to the IE

[11] Page 9

Report submitted in AL 2342-E-A, Sedway Consulting performed its duties overseeing the 2008 solicitation and has provided assessment reports to the PRG and the Commission.

In its Independent Evaluator Report, Sedway Consulting concluded that SCE "…conducted a fair and effective evaluation of the proposals that it received in response to its 2008 RPS RFP and made the correct selection decisions in its short list." In addition, the IE monitored SCE's short-listing discussions, contract negotiations and meetings with management where SCE made decisions regarding bid prioritizations and negotiation positions. Sedway Consulting says that the Echanis PPA was negotiated fairly and appropriately, and the IE does not believe that there is any material issue or deficiency that would warrant the CPUC's rejection of any of these PPAs.

The IE's contract-specific evaluation of the Echanis project is attached as confidential Appendix B to this resolution.

<u>Consistent with D.06-05-039, an independent evaluator (IE) oversaw SCE's RPS procurement process.</u>

TURN and CCUE protest the contract

TURN and CCUE urge the Commission to withhold review of the Echanis contract on three counts.

First, TURN and CCUE argue that pending RPS legislation (Senate Bill 14 and Assembly Bill 64) would modify the definition of "delivery" and which could render all or part of the output from Echanis ineligible for the RPS program. Since this protest was filed, the Governor vetoed both bills. TURN and CCUE's protest on this basis is denied.

Second, TURN and CCUE assert that the Echanis contract conflicts with a pending Commission decision that would authorize the use of tradable renewable energy credits (RECs) and would put a cap on their use. As a result, TURN and CCUE "urge the Commission to ensure that concerns over the excessive use of 'REC-only' deals are given appropriate consideration". As SCE notes in its reply, the Echanis contract complies with "all of the standards for CPUC approval under the RPS legislation and the implementation of the RPS program by the CPUC and the California Energy Commission." Accordingly, TURN's and CCUE's protest on this basis is denied.

Third, TURN and CCUE claim that the Echanis project "does not benefit California's environment or economy." SCE's replies note that the CPUC has previously rejected TURN's argument that out-of-state RPS contracts do not benefit ratepayers. SCE further argues that the Legislature disagrees with the TURN and CCUE assertion since certain out-of-state facilities, such as Echanis, are considered RPS-eligible resources. Because the Echanis contract meets the RPS eligibility requirements, is reasonably priced, and meets SCE's portfolio need as stated in its procurement plan, the protest on this basis is denied.

RPS ELIGIBILITY AND CPUC APPROVAL

Pursuant to Pub. Utils. Code § 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 use commercially reasonable efforts to maintain eligibility should there be a change in law affecting eligibility.[12]

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*.), Decision 03-06-071, or other applicable law."[13]

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[12] *See, e.g.* D. 80-04-009 at Appendix A, STC 6, Eligibility.

[13] *See, e.g.* D. 80-04-009 at Appendix A, STC 1, CPUC Approval.

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 a finding absolve any contracting party of its obligation to obtain CEC certification and/or to pursue remedies for breach of contract to ensure that only RPS-eligible generation is delivered and paid for under a Commission-approved contract. Such contract enforcement activities shall be reviewed pursuant to the Commission's authority to review the administration of such contracts.

CONFIDENTIAL INFORMATION

The Commission, in implementing Pub. Utils. Code § 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, such as 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.

COMMENTS ON THIS RESOLUTION

Pub. Utils. Code § 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS AND CONCLUSIONS

1. The PPA is consistent with SCE’s 2008 RPS Procurement Plan, approved by D.08-02-008.
2. The PPA is consistent with the resource needs identified in SCE’s 2008 Procurement Plan.
3. The PPA includes the Commission-adopted RPS standard terms and conditions including those deemed “non-modifiable”.
4. Appendix C to this resolution contains a letter from CEC Staff determining that the delivery structure contained in the proposed PPAs meets the CEC’s RPS delivery requirements as set forth in the CEC’s RPS Eligibility Guidebook.
5. SCE asserts that there is minimal development risk and a high level of viability risk associated with the Echanis PPA.
6. The PPA is compliant with the interim Emissions Performance Standard requirements (EPS). If SCE uses any new imports or firming and shaping contracts, it will have to separately comply with the EPS requirements and will be subject to CPUC rules to verify the compliance.
7. With regard to this PPA, SCE has complied with the Commission’s rules for involving the PRG.
8. The PPA compares favorably to the results of SCE’s 2008 solicitation
9. The total expected costs of the PPA, as estimated by SCE, are reasonable based on their relation to bids received in response to SCE’s 2008 solicitation.
10. Provided the generation is from an eligible renewable energy resource, payments made by SCE under the PPA are fully recoverable in rates over the life of the PPAs, subject to Commission review of SCE’s administration of the PPAs.
11. Consistent with D.06-05-039, an independent evaluator (IE) oversaw SCE’s RPS procurement process.
12. SCE has voluntarily agreed to incur the above-MPR costs of the Echanis project that exceed SCE’s cost limitation.

13. The TURN and CCUE joint protest is rejected because the project satisfies current RPS rules and eligibility guidelines, is reasonably priced and is consistent with SCE's procurement plan and resource need.
14. Procurement pursuant to the PPA is procurement from eligible renewable energy resources for purposes of determining SCE's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.), D.03-06-071 and D.06-10-050, or other applicable law.
15. The immediately preceding finding shall not be read to allow generation from a non-RPS eligible renewable energy resource under this PPA to count towards an RPS compliance obligation. Nor shall that finding absolve SCE of its obligation to enforce compliance with Standard Term and Condition 6, set forth in Appendix A of D.08-04-009, and included in this PPA.
16. 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.
17. AL 2359-E and 2359-E-A should be approved effective today.

THEREFORE IT IS ORDERED THAT:

1. Southern California Edison Company's Advice Letters 2359-E and 2359-E-A, requesting Commission review and approval of a power purchase agreement with Echanis, LLC., are approved without modification.
2. 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 December 17, 2009; the following Commissioners voting favorably thereon:

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Paul Clanon
Executive Director

Confidential Appendix A
Contract evaluation
[REDACTED]

Confidential Appendix B
Independent Evaluator Report
[REDACTED]

Appendix C
CEC Letter

STATE OF CALIFORNIA – NATURAL RESOURCES AGENCY ARNOLD SCHWARZENEGGER, Governo

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August 11, 2009

The California Energy Commission, through its staff, has reviewed the proposed contracting structure between Echanis and Southern California Edison, as described in the excerpt from page 4 of Advice Letter #2359-E in "Attachment A," and as shown in the schematic design from page 5 of the Advice Letter titled, "Attachment B — Echanis/Southern California Edison Delivery Structure."

Assuming that all eligibility requirements for the Renewables Portfolio Standard (RPS) are met regarding the facility shown in Attachment B, including participation in the Energy Commission's Renewables Portfolio Standard Tracking and Verification System for parties involving transactions for the renewable energy credits, the Energy Commission staff has determined that the proposed contracting structures would meet the RPS delivery requirements according to the *Renewables Portfolio Standard Eligibility Guidebook* (CEC-300-2007-006-ED3-CMF, January 2008).

Tony Gonçalves
Manager, Renewable Energy Office
California Energy Commission

Attachments

ATTACHMENT A

SCE will take delivery of the electric energy and green attributes at the existing BPA Harney Substation located in central Oregon (the "Harney Substation"). SCE will then import the energy into California in a manner that is compliant with the California Energy Commission's ("CEC") out-of-state RPS delivery requirements. Echanis has applied for firm transmission service from BPA's Harney Substation to the Mid-C hub ("Mid-C"). Echanis will assign the firm transmission service it receives from BPA to SCE, which will use its own in-house resources to manage the intermittent energy from Mid-C. SCE may manage the energy within the BPA control area (to which the Echanis facility is physically interconnected), or SCE may purchase transmission service from other control areas to wheel the energy from Mid-C to a variety of points outside BPA's region. In any event, SCE will ultimately import the energy into California in a manner that is compliant with the California Energy Commission's ("CEC") out-of-state RPS delivery requirements.

In managing the electric energy, SCE will employ the same fundamental economic principles as it does with its current (non-ERR)[3] power purchase agreements ("PPAs") for out-of-state resources by any combination of the following:

- Transacting at Mid-C with various LSEs (e.g., PacifiCorp, Idaho Power); and/or
- Scheduling the facility's energy output directly into California.

The green attributes will be an additional variable to manage. Analogous to the scenarios described immediately above, SCE will self-manage the green attributes as follows by:

- Scheduling Echanis's energy with green attributes directly into California as an import, and/or
- Selling the Echanis energy without green attributes into the local market, and later (within the same calendar year that Echanis produced the energy) tagging import schedules with the green attribute identifier consistent with the CEC delivery requirements.[4]

In all scenarios, SCE will demonstrate delivery of the Echanis generation to an in-state market hub or in-state location as specified in the CEC's "Delivery Requirements" as required in the CEC RPS Eligibility Guidebook, including by:

- Importing energy into California within the same calendar year the Echanis project produces the respective energy, and
- Participating in the CEC's approved RPS tracking and verification system.

[3] *See* Renewables Portfolio Standard Eligibility Guidebook (Third Edition), publication # CEC-300 2007-006-ED3-CMF, adopted December 19, 2007.

[4] "ERR" is defined by the CEC as an eligible renewable energy resource. [4] *See* Renewables Portfolio Standard Eligibility Guidebook (Third Edition), publication # CEC-300

Attachment B
Echanis/Southern California Edison Delivery Structure

The following diagram illustrates the deal structure and energy management scenarios described in this section: