

Decision 08-05-017 May 15, 2008

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) for Approval of Renewables Portfolio Standard Power Purchase and Wind Project Development Agreement with Alta Windpower Development, LLC and for Authority to Recover the Costs of Such Power Purchase and Wind Project Development Agreement in Rates.

Application 07-07-002
(Filed July 6, 2007;
amended January 31, 2008)

**DECISION APPROVING POWER PURCHASE
AND WIND PROJECT DEVELOPMENT AGREEMENT**

1. Summary

This decision grants the request of Southern California Edison Company (SCE) for approval of the “Alta Contract” which consists of (1) the Master Power Purchase and Wind Project Development Agreement (Master Agreement) between SCE and Alta Windpower Development, LLC (Alta), and (2) the form Generating Facility Power Purchase and Sale Agreement (PPA). Amendment No.1 and Amendment No. 2 to the Alta Contract are also approved. The Alta Contract, negotiated through SCE’s 2005 Renewables Portfolio Standard (RPS) solicitation, is the largest wind energy contract in United States renewable energy history and secures 1,500 megawatts (MW) or more of power for SCE’s customers.¹

¹ SCE, Exhibit 6, p. 1.

2. The Alta Project

Generating Facility	Type	MW Capacity ²	GWh Energy ³	Initial Online Date	Location
Alta	Wind	1500 – 1550	4,730	2010	Tehachapi, CA

3. SCE's Request

SCE requests approval of the Alta Contract, which consists of the Master Agreement and the PPA, and two amendments. The Master Agreement provides for the development of a minimum of 1,500 MW and a maximum of 1,550 MW from multiple wind generating facilities to be built in the Tehachapi Wind Resource Area. Under the terms of the Master Agreement, for each wind generating facility proposed by Alta and accepted by SCE under the contract procedure, a separate power purchase agreement will be created in the form of the PPA. Alta will form a separate special purpose entity that will finance, construct, own, and operate each facility. SCE asserts that this two-piece Master Agreement-individual project PPA structure provides Alta development flexibility and contract certainty for financing, while providing a substantial amount of RPS-eligible energy, fair prices and reasonable contract terms and conditions to SCE.

SCE also seeks approval of Amendment No. 1 and Amendment No. 2 to the Master Agreement. Amendment No. 1, which is reflected in SCE's July 6,

² The Alta project will come online in phases, starting with 250 MW in 2010 and increasing by 250 MW annually until a minimum of 1,500 MW or maximum of 1,550 MW is developed.

³ The amount of energy, once the minimum of 1,500 MW is completed.

2007 application, includes additional detail regarding the real property supporting Alta's Development Obligation, clarifies Alta's obligations regarding its land rights to such real property, specifically identifies Alta's interconnection applications associated with the Alta Contract, imposes certain obligations on Alta with respect to interconnection obligations, and clarifies the energy pricing in the PPA in the event a generating facility comes online in a different year than was expected.

Amendment No. 2, which is reflected in SCE's January 31, 2008 amendment to the application, makes two changes to the Alta Contract. First, it amends the Alta Contract to include the four standard "non-modifiable" contract terms that are to be included in all RPS contracts pursuant to Decision (D.) 07-11-025. Second, it amends pricing terms in the Alta Contract, as a result of a renegotiation of such terms.

4. Procedural Background

According to D.03-06-071 and D.07-02-011, SCE is permitted to seek approval of RPS contracts and amendments to RPS contracts through advice letter filings. However, SCE sought approval of the Alta Contract through the application process because (1) the Alta Contract has a two-piece structure – the Master Agreement and the PPA – that SCE has not previously presented to the Commission for approval and (2) the Alta Contract contains both immaterial and commercially necessary modifications to certain standard contract terms that were identified in D.04-06-014.⁴

⁴ In addition, SCE states that during discussions with Energy Division regarding the execution of the Alta Contract, it was suggested by Energy Division that an application would be preferred relative to an advice letter for the reasons discussed above.

There was one response to SCE's application. The Division of Ratepayer Advocates (DRA), while not protesting the application, indicated that it was examining (1) the nature and consequences of the arrangement between SCE and the special purpose entities under the agreement, (2) the relationship of the pricing arrangement to current and future market prices referents, (3) the present understanding of the non-price terms of the anticipated PPAs with the special purpose entities, and (4) the effect of the nature of these lead projects in the development and pricing of renewable resources for the Tehachapi region.

In its response, DRA agreed with SCE's proposed categorization of this proceeding as ratesetting, agreed with SCE that the application and testimony may contain sufficient information and constitute sufficient record for the Commission to rule on the application without the need for evidentiary hearings, did not request an evidentiary hearing, and accepted SCE's proposed schedule.⁵ During the pendency of this proceeding, DRA did not at any time identify specific issues that required resolution by the Commission or indicate that it disagreed in any way with SCE's application, as amended. Therefore, we consider SCE's request to be uncontested.

5. RPS Program Background

5.1. The RPS Program Requires Each Utility to Increase the Amount of Renewable Energy in Its Portfolio

The California RPS Program was established by Senate Bill (SB) 1078, effective January 1, 2003. It requires that a retail seller of electricity, such as SCE, purchase a certain percentage of electricity generated by Eligible Renewable

⁵ SCE's proposed schedule did not provide for testimony by interested parties.

Energy Resources (ERR). The RPS Program is set out at Pub. Util. Code §§ 399.11 et seq.⁶ Each utility is required to increase its total procurement of ERRs by at least 1 percent of annual retail sales per year so that 20 percent of its retail sales are supplied by ERRs by 2017.

The State's Energy Action Plan (EAP) called for acceleration of this RPS goal to reach 20 percent by 2010.⁷ This position was reiterated again in Order Instituting Rulemaking (R.) 04-04-026 issued on April 28, 2004, which encouraged the utilities to procure cost-effective renewable generation in excess of their RPS annual procurement targets⁸ (APTs), in order to make progress towards the goal expressed in the EAP.⁹ On September 26, 2007, Governor Schwarzenegger signed SB 107,¹⁰ which officially accelerated the State's RPS targets to 20 percent by 2010.

⁶ Subsequent statutory references are to the Public Utilities Code unless otherwise indicated.

⁷ The EAP was jointly adopted by the Commission, the California Energy Resources Conservation and Development Commission and the California Power Authority. The Commission adopted the EAP on May 8, 2003.

⁸ A Load Serving Entity's (LSE) APT for a given year is the amount of renewable generation an LSE must procure in order to meet the statutory requirement that it increase its total eligible renewable procurement by at least 1 percent of retail sales per year.

⁹ Most recently reaffirmed in D.06-05-039.

¹⁰ SB 107, Chapter 464, Statutes of 2006.

5.2. Commission Has Established Procurement Guidelines for the RPS Program

In response to SB 1078, the Commission has issued a series of decisions that establish the regulatory and transactional parameters of the utility renewable procurement program. On June 19, 2003, the Commission issued its “Order Initiating Implementation of the Senate Bill 1078 Renewables Portfolio Standard Program,” D.03-06-071. Instructions for utility evaluation (known as “least cost best fit”) of each offer to sell products requested in an RPS solicitation were provided in D.04-07-029. The Commission adopted standard terms and conditions for RPS power purchase agreements in D.04-06-014 as required by § 399.14(a)(2)(D). In addition, D.06-10-050, as modified by D.07-03-046, refined the RPS reporting and compliance methodologies.¹¹ In that decision, the Commission established methodologies to calculate an LSE’s initial baseline procurement amount, APT and incremental procurement amount (IPT).¹²

On June 9, 2004, the Commission adopted in D.04-06-025, its Market Price Referent (MPR) methodology for determining the utility’s share of the RPS seller’s bid price, as defined in §§ 399.14(a)(2)(A) and 399.15(c). On December 15, 2005, the Commission adopted D.05-12-042 which refined the MPR methodology

¹¹ D.06-10-050, Attachment A.

¹² The IPT represents the amount of RPS-eligible procurement that the LSE must purchase, in a given year, over and above the total amount the LSE was required to procure in the prior year. An LSE’s IPT equals at least 1 percent of the previous year’s total retail electrical sales, including power sold to a utility’s customers from its California Department of Water Resources (DWR) contracts.

for the 2005 RPS Solicitation. Subsequent resolutions adopted MPR values for the 2005, 2006, and 2007 RPS Solicitations.¹³

In addition, the Commission has implemented § 399.14(b)(2), which states that before the Commission can approve an RPS contract of less than ten years' duration, the Commission must establish "for each retail seller, minimum quantities of eligible renewable energy resources to be procured either through contracts of at least ten years' duration (long-term contracts) or from new facilities commencing commercial operations on or after January 1, 2005." On May 3, 2007, the Commission approved D.07-05-028, which established a minimum percentage of the prior year's retail sales (0.25 percent) that must be procured with long-term contracts or from new facilities in order for short-term contracts to be used towards RPS compliance.

5.3. The Commission Requires Certain Terms and Conditions in all RPS Power Purchase Agreements

On June 9, 2004, the Commission adopted standard terms and conditions for RPS power purchase agreements as required by § 399.14(a)(2)(D). Of the fourteen standard terms and conditions adopted in D.04-06-014, the Commission specified five that could be modified by parties, and nine that may not be modified or only modified in part. Two parties jointly filed a petition for modification of this decision and subsequently an amended petition for modification. The Commission granted relief in substantial part in D.07-11-025, the "Opinion on Amended Petition for Modification of Decision 04-06-014 Regarding Standard Terms and Conditions."

¹³ Respectively, Resolution E-3980, Resolution E-4049, and Resolution E-4110.

As a result of D.07-11-025, ten standard terms and conditions are modifiable and four are non-modifiable.¹⁴ The non-modifiable terms and conditions that must be in every RPS power purchase agreement include: Commission Approval, RECs and Green Attributes, Eligibility and Applicable Law. The Commission also required that pending advice letters with contracts which have not yet been approved or rejected should be amended to comply with D.07-11-025.

5.4. Above-MPR Costs Can now Be Recovered in Rates

Pursuant to SB 1078 and SB 107, the California Energy Commission (CEC) was authorized to “allocate and award supplemental energy payments” to cover above-market costs¹⁵ of long-term RPS-eligible contracts executed through a competitive solicitation.¹⁶ The statute required that developers seeking above-market costs apply to the CEC for SEPs.

The above-market cost recovery mechanism was reformed on October 14, 2007 when Governor Schwarzenegger signed SB 1036,¹⁷ which authorizes the Commission to provide above-MPR cost recovery through electric retail rates for contracts that are deemed reasonable. Above-MPR cost recovery has a cost

¹⁴ In D.08-04-009, the Commission compiled the standard terms and conditions into one document. In doing so, modifiable term and condition 3 (Supplemental Energy Payment (SEP) Awards, Contingencies) was deleted. The four non-modifiable terms and conditions were unchanged.

¹⁵ “Above-market costs” refers to the portion of the contract price that is greater than the appropriate MPR.

¹⁶ Section 399.15(d).

¹⁷ Chapter 685, Statutes of 2007.

limitation equal to the amount of funds that were accrued in the CEC's New Renewable Resources Account, which had been established to collect SEP funds, plus the portion of funds that would have been collected through January 1, 2012. In addition, pursuant to SB 1036, § 399.15(d)(2) provides that:

"The above-market costs of a contract selected by an electrical corporation may be counted toward the cost limitation if all of the following conditions are satisfied:

- (A) The contract has been approved by the commission and was selected through a competitive solicitation pursuant to the requirements of subdivision (d) of Section 399.14.
- (B) The contract covers a duration of no less than 10 years.
- (C) The contracted project is a new or repowered facility commencing operation on or after January 1, 2005.
- (D) No purchases of renewable energy credits may be eligible for consideration as an above-market cost.
- (E) The above-market costs of a contract do not include any indirect expenses including imbalance energy charges, sale of excess energy, decreased generation from existing resources, or transmission upgrades."

The CEC and this Commission are currently working collaboratively to implement SB 1036, which has an effective date of January 1, 2008.

6. SCE's Procurement Review Group Participated in Review of the Contract

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

1. Overall transitional procurement strategy;

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

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

SCE met with the PRG on several occasions regarding SCE's 2005 RFP. On December 13, 2005, SCE met with the PRG to describe SCE's least-cost/best-fit (LCBF) methodology and assessment of need for the 2005 RPS solicitation. On December 22, 2005, SCE met with the PRG to review SCE's proposed short list of bids. On March 29, 2006, SCE updated the PRG as to the status of negotiations with bidders. SCE had two separate PRG meetings to discuss the Alta Contract. The first was held on October 25, 2006. The second was held on December 19, 2006, when SCE briefed the PRG concerning the successful conclusion of discussions with Alta. In addition, on December 20, 2007, SCE briefed the PRG on Amendment No. 2.

7. The Alta Contract Should Be Approved

As discussed below, we have considered SCE's request and have determined that the Alta Contract and the two amendments should be approved without modification.

7.1. The Alta Project is Consistent with SCE's Approved 2005 RPS Plan

California's RPS statute requires the Commission to review the results of a renewable energy resource solicitation submitted for approval by a utility. The Commission will then accept or reject proposed PPAs based on their consistency with the utility's approved renewable procurement plan.¹⁸ In accordance with the RPS legislation and D.03-06-071, SCE submitted its 2005 RPS procurement plan and bid solicitation materials for Commission approval. The Commission approved SCE's 2005 procurement plan and bid solicitation materials in D.05-07-039. As required by statute, the plan includes an assessment of supply and demand to determine the optimal mix of renewable generation resources, consideration of compliance flexibility mechanisms established by the Commission, and a bid solicitation setting forth the need for renewable generation of various operational characteristics.¹⁹

7.2. Selection of the Alta Project Is Consistent With RPS Solicitation Protocol

On September 2, 2005, SCE released its 2005 RPS solicitation consistent with its approved 2005 RFP protocol. Applying the evaluation criteria required by the RPS Legislation, as implemented by the Commission in D.04-07-029, SCE

¹⁸ Section 399.14(c).

¹⁹ Section 399.14(a)(3).

established a short list for the 2005 solicitation and subsequently entered into discussions with parties on the short list. SCE communicated with its PRG throughout the evaluation, selection and contracting process that ultimately led to the execution of ten contracts from its 2005 solicitation.

7.3. The Alta Project Fits With Identified Renewable Resource Needs

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

Alta fits SCE's renewable resource needs. The project represents the largest wind energy contract in the history of renewable energy development in the United States.

7.4. The Bid Evaluation Process Is Consistent With the LCBF Decision

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

SCE's LCBF bid review process is detailed in its prepared testimony.²⁰ The described process is in compliance with the applicable Commission decisions. SCE's LCBF analysis evaluates both quantitative and qualitative aspects of each proposal to estimate its value to SCE's customers and relative value in comparison to other proposals. The benefit/cost ratio for Alta was favorable when compared with other bids that SCE received in its 2005 solicitation.²¹

7.5. Standard Terms and Conditions Are Consistent With D.04-06-014 as Modified by D.07-11-025

On November 19, 2007, after the filing of Application 07-07-002, the Commission granted, in part, an amended petition for modification of D.04-06-014. In D.07-11-025, the Commission stated that all renewable power purchase agreements must contain four specific non-modifiable standard terms and conditions. SCE filed an amended application on January 31, 2008 to modify the terms and conditions in the Alta Contract to comply with D.07-11-025.

7.6. The Contract Pricing Structure Is Reasonable

Review of the Alta Contract reveals the following:

- The Master Agreement, as modified by Amendment No. 2, sets forth pricing structures for generating facilities that execute PPAs under this agreement and that come online between 2007 and 2020.
- Because the Alta wind projects will be developed in different years, certain factors affecting development costs will change, so the contract prices for future generating facilities will depend on

²⁰ Exhibit 1 (Confidential) and Exhibit 6 (Public), pp. 5-18.

²¹ Exhibit 1 (Confidential), Appendix E.

a number of factors and will not be finalized until the PPAs are executed.

- The contracting structure has target prices bounded by price maximums and minimums. The target prices and price maximums are at or below the MPR, thus all potential prices are per se reasonable.²²
- For each project, the contract price will only deviate from the target price if developer costs (as validated by an independent engineer) have changed since the original bid. The price is then bound between a price minimum and maximum.
- SCE has the right to reject a proposed project if the independent engineer determines the proposed price to be unreasonable.

The contract pricing structure set forth in the Master Agreement, as amended, is reasonable. The use of the independent engineer to validate changes to certain specified developer costs and corresponding revisions to contract prices will facilitate SCE's ability to reasonably evaluate the ultimate price for each proposed contract.

7.7. The Alta Project Is Viable

As discussed below, we agree with SCE's assertion that the Alta Project is viable.

²² Where the net present value of the sum of payments to be made under the power purchase agreement is less than the net present value of payments that would be made at the MPR for the anticipated delivery, the contract price is considered to be per se reasonable, pursuant to D.04-06-015, D.04-07-029, and D.05-12-042. In this application, SCE only seeks Commission approval to enter into power purchase agreements at prices at or below the energy price maximum for the applicable calendar year. Therefore, for all power agreements executed pursuant to the Master Agreement, both the original energy price and any amended energy price will be at or below the energy price maximum, and subsequently at or below the relevant MPR.

Project Milestones

The Alta Master Agreement contains agreed-upon milestones governing the entire project, such as startup deadlines, and individual project milestones, such as construction start and commercial operation deadlines.

Financeability of Resource

The Alta project is currently backed by Allco Finance Group (Allco). This business has been negatively affected by the current sub-prime credit crisis. Allco will be selling its wind business, including the Alta Contract, thus the project is looking for a new buyer. The PPA between SCE and Alta has a “Consent to Assignment” clause that requires SCE’s approval of any new entity fulfilling the obligations under the contract. On balance, the value of the project outweighs the potential financing risk.

Production Tax Credit (PTC)

All projects developed under the Alta Master Agreement will be dependent on the extension of the federal PTC, as provided in Section 45 of the Internal Revenue Code of 1986, as amended. The PTC is set to expire on December 31, 2008, which is before any of the Alta projects will come online. The PTC has been extended several times in recent history, and it is reasonable to assume that it may be extended again. However, this poses a moderate viability concern for the Alta projects since it is uncertain whether the tax credits will be extended.

Sponsor’s Creditworthiness and Experience

Oak Creek Energy Systems (Oak Creek), a partner in Alta, is an experienced wind developer and operator.

Transmission Upgrades

The Alta projects will be dependent on the Antelope Transmission Project (ATP) and the Tehachapi Renewable Transmission Project (TRTP), large-scale

transmission projects developed by SCE. The ATP was awarded a Certificate of Public Convenience and Necessity (CPCN) by the Commission in March 2007, and construction has begun. SCE submitted a CPCN application for the TRTP in June 2007, and a final Commission decision is expected in 2009. It is uncertain whether all Alta projects will require the full build-out of the TRTP upgrades, or if some Alta project generation may be deliverable before all TRTP segments are complete. Oak Creek has taken a very active role in the TRTP planning process and is one of the more informed developers as to the timeline for completing the TRTP upgrades.

The Commission has not yet issued a decision in the TRTP CPCN application and we do not pre-judge that application here. Because the ATP and TRTP are large and complex transmission projects, it is reasonable to conclude that there is some transmission risk associated with the Alta projects.

Fuel/Technology

The Tehachapi Wind Resource Area is a wind rich area, which will support multiple projects at favorable capacity factors.

Site Control

Alta has sufficient California Independent System Operator queue positions and land rights to build out the project. While all permits have not yet been obtained, the developer is on schedule to secure appropriate permits on a reasonable schedule.

8. Testimony and Exhibits

On April 11, 2008, pursuant to Rule 13.8(d) of the Commission's Rules of Practice and Procedure (Rules), SCE filed a motion to offer its testimony into evidence. The motion will be granted. SCE's testimony is identified as follows and will be received into evidence:

- Exhibit 1 - Prepared Testimony in Support of Application for Approval of Power Purchase and Wind Project Development Agreement between SCE and Alta Windpower Development, LLC - Volume 1 (Confidential)
- Exhibit 2 - Prepared Testimony in Support of Application for Approval of Power Purchase and Wind Project Development Agreement between SCE and Alta Windpower Development, LLC - Volume 2 (Confidential)
- Exhibit 3 - Prepared Testimony in Support of Application for Approval of Power Purchase and Wind Project Development Agreement between SCE and Alta Windpower Development, LLC - Volume 3 (Confidential)
- Exhibit 4 - Prepared Testimony in Support of Application for Approval of Power Purchase and Wind Project Development Agreement between SCE and Alta Windpower Development, LLC - Volume 4 (Confidential)
- Exhibit 5 - Prepared Testimony in Support of Application for Approval of Power Purchase and Wind Project Development Agreement between SCE and Alta Windpower Development, LLC - Volume 5 (Confidential)
- Exhibit 6 - Prepared Testimony in Support of Application for Approval of Power Purchase and Wind Project Development Agreement between SCE and Alta Windpower Development, LLC (Public Version)
- Exhibit 7 - Supplemental Testimony in Support of Application for Approval of Power Purchase and Wind Project Development Agreement between SCE and Alta Windpower Development, LLC (Confidential)
- Exhibit 8 - Supplemental Testimony in Support of Application for Approval of Power Purchase and Wind Project Development Agreement between SCE and Alta Windpower Development, LLC (Public Version)

9. Confidential Information

On April 11, 2008, concurrent with its motion to offer testimony into evidence, SCE filed a motion to seal the evidentiary record. SCE has provided declarations regarding the confidentiality of data provided in prepared testimony in support of its application request. The declarations identify information subject to requested confidential treatment, the appropriate reference to the Matrix Category in Appendix A of D.06-06-066²³ regarding confidential treatment of investor-owned utility data, and the assertion that the detailed information is required for the application and cannot be aggregated, summarized, redacted, masked or otherwise protected in a way that allows partial disclosure.

SCE requests Exhibits 1 through 5, and 7 be received into evidence under seal. An examination of the information contained in those exhibits confirms the need for confidential treatment as indicated by SCE. The request will be granted.

10. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to § 311(g)(2) and Rule 14.6(c)(2), the otherwise applicable 30-day period for public review and comment is waived.

11. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and David K. Fukutome is the assigned Administrative Law Judge in this proceeding.

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

Findings of Fact

1. This application is uncontested.
2. The Alta project is consistent with SCE's approved 2005 renewable procurement plan.
3. Selection of the Alta project is consistent with RPS solicitation protocol.
4. The Alta project fits with identified renewable resource needs.
5. SCE's bid evaluation process is consistent with the LCBF decision.
6. The Alta Contract standard terms and conditions, as amended, are consistent with D.04-06-014, as modified by D.07-11-025.
7. The pricing structure of the Alta Contract, as amended, is reasonable.
8. The Alta project is viable.

Conclusions of Law

1. The Alta Contract should be approved without modification.
2. Amendment No. 1 and Amendment No. 2 to the Alta Contract should be approved without modification.
3. SCE should be allowed, without further action by the Commission, to enter into power purchase agreements in the form of the PPA, as amended, in accordance with the requirements of the Master Agreement, as amended, and at prices at or below the energy price maximum for the applicable calendar year.
4. SCE should be allowed to fully recover in rates payments made pursuant to any power purchase agreement in the form of the PPA, as amended, subject only to further review with respect to the reasonableness of SCE's administration of the Master Agreement, any power purchase agreement in the form of the PPA, as amended, and Amendment No. 1 and Amendment No. 2.
5. Procurement pursuant to the Alta Contract constitutes procurement from ERR for purposes of determining SCE's compliance with any obligation that it

may have to procure ERR pursuant to the California RPS (§§ 399.11 et seq.), D.03-06-071, or other applicable law.

6. SCE's April 11, 2008 motion to offer its testimony into evidence is consistent with the provisions of Rule 13.8(d) and should be granted.

7. SCE's April 11, 2008 motion to seal the evidentiary record is consistent with the provisions of D.06-06-066 and should be granted.

O R D E R

IT IS ORDERED that:

1. The "Alta Contract" which consists of (1) the Master Power Purchase and Wind Project Development Agreement (Master Agreement) between Southern California Edison Company (SCE) and Alta Windpower Development, LLC (Alta), and (2) the form Generating Facility Power Purchase and Sale Agreement (PPA) is approved.

2. Amendment No. 1 to the Alta Contract is approved.

3. Amendment No. 2 to the Alta Contract is approved.

4. SCE is granted the authority, without further action by the Commission, to enter into power purchase agreements in the form of the PPA, as amended by Amendment No. 1 and Amendment No. 2, in accordance with the requirements of the Master Agreement, as amended by Amendment No. 1 and Amendment No. 2, and at prices at or below the energy price maximum for the applicable calendar year.

5. SCE shall send a letter to the Director of the Energy Division when a contract is executed in the form of the PPA. The letter shall include the capacity, energy, price, term, project development milestone schedule and commercial operation date of the generating facility.

6. SCE is authorized to fully recover in rates payments made pursuant to any power purchase agreement in the form of the PPA, as amended by Amendment No. 1 and Amendment No. 2, subject only to further review with respect to the reasonableness of SCE's administration of the Master Agreement, any power purchase agreement in the form of the PPA, as amended by Amendment No. 1 and Amendment No. 2, and Amendment No. 1 and Amendment No. 2.

7. SCE's April 11, 2008 motion to offer testimony into evidence is granted. As described in the body of this decision, the pieces of SCE's testimony are identified as Exhibits 1 through 8 and are received into evidence.

8. SCE's April 11, 2008 motion to seal portions of the evidentiary record is granted. Exhibits 1 through 5, and 7 shall be placed under seal and shall remain sealed for a period of three years from the effective date of this decision.

9. Application 07-07-002 is closed.

This order is effective today.

Dated May 15, 2008, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners