

**2006 Request for Offers  
New Gen RFO**

**Transmittal Letter**

**August 14, 2006**

**V6.0 revised November 30, 2007**

Table Of Contents  
Transmittal Letter

A.	GENERAL INFORMATION.....	3
B.	ELIGIBILITY REQUIREMENTS.....	5
	B.1. New Generation.....	5
	B.2. Independent Generating Units.....	7
	B.3. Exclusive Output and Dispatch Rights.....	7
	B.4. Quick Start Capability.....	7
	B.5. Short Term Unit Commitment (“STUC”).....	8
	B.6. Black Start Capability.....	8
	B.7. Dispatchability.....	8
	B.8. Expected Initial Delivery Date.....	8
	B.9. Term .....	8
	B.10. Quantity .....	9
	B.11. Project Point of Interconnection and Interconnection Procedures.....	9
	B.12. Fuel Supply and Interconnection.....	10
	B.13. Scheduling Provisions .....	11
	B.14. Monthly Payment Price Profile.....	11
	B.15. Special Purpose Entity.....	11
C.	RFO SOLICITATION AND OFFER SUBMITTAL PROCESS.....	12
	C.1. RFO Schedule (Fast Track).....	12
	C.2. RFO Schedule (Standard Track).....	13
	C.3. Non-binding Notice of Intent to Offer.....	13
	C.4. Independent Evaluator .....	13
	C.5. Offer Deposit .....	13
	C.6. Offer Submission.....	14
	C.7. Contact Information.....	14
D.	EVALUATION OF OFFERS.....	15
E.	CREDIT REQUIREMENTS.....	16
	E.1. Seller Information.....	16
	E.2. Credit and Collateral.....	16
F.	CALIFORNIA CLIMATE ACTION REGISTRY.....	17
G.	COMPLIANCE WITH NEW ACCOUNTING STANDARDS.....	18
H.	CONDITIONS PRECEDENT .....	18
I.	RESERVATION OF RIGHTS.....	18
	EXHIBITS.....	18

## A. GENERAL INFORMATION

A.1. In accordance with CPUC Decision 06-07-029, Southern California Edison Company (“SCE”) seeks to acquire, with this Request for Offers (“RFO”)<sup>1</sup>, the exclusive right to schedule and dispatch, pursuant to a power purchase agreement (as executed by both parties, the “Definitive Agreement”), electrical Capacity, Energy, Ancillary Services and Resource Adequacy Benefits from new, clean, and efficient resources<sup>2</sup>. Except as noted in Section A.2, this RFO encompasses two separate schedules for Offer submittal (as defined below), selection of winning bids and negotiation of Definitive Agreements. The requirements herein are identical for both schedules except as otherwise noted. The “Fast Track” schedule has been designed and is intended for Projects that are well into or have completed the project development cycle and are ready to move forward to the construction phase. These Projects must have a proposed Expected Initial Delivery Date of August 1, 2010 or sooner. The “Standard Track” schedule has been designed to allow Projects to progress through the development cycle concurrently with the RFO evaluation process. These Projects must have a proposed Expected Initial Delivery Date of August 1, 2013 or sooner. **For both tracks, SCE prefers Projects with earlier proposed Expected Initial Delivery Dates.** More details on the proposed schedule for each track are provided in Section C of this Transmittal Letter. Offers for a particular Project may be submitted in either or both tracks. The purpose of this Transmittal Letter is to describe the process by which offers (“Offers”) are to be submitted and evaluated in response to this RFO as well as SCE’s reservation of rights as set forth in Section I.

A.2. In accordance with the Assigned Commissioner’s Ruling (“ACR”) issued on August 15, 2006 in rulemaking proceedings 05-12-013 and 06-02-013, SCE will consider, on an expedited basis, Offers for Projects that will be online by August 1, 2007 (“Summer 2007 Projects”). Summer 2007 Projects must have proposed Expected Initial Delivery Dates of August 1, 2007 or sooner, and their PPAs must contain specific and appropriate financial assurances to provide a strong incentive to achieve the established Expected Initial Delivery Date. The deadline for submitting a complete Offer Submittal Package as set forth in Section C.6 of this Transmittal Letter for a Summer 2007 Project, is 11 am PPT on September 19, 2006. SCE will accept and encourages complete Offer Submittal Packages submitted pursuant to this Section prior to September 19, 2006. Sellers (“Seller(s)”) submitting Offers under this Section must specify, in a cover letter submitted along with their completed Offer Submittal Package, that their Project is being submitted for consideration as a Summer 2007 Project.

SCE plans to expedite the review process for Summer 2007 Projects. SCE requests Seller cooperation so that SCE can conduct an expedited due diligence

---

<sup>1</sup> The RFO includes the terms and conditions of SCE’s 2006 Request For Offers for new generation resources as described in the pro forma Power Purchase Agreement (“PPA”), the Offer Sheet, this Transmittal Letter, the RFO Definitions, as defined in Section A.3, any exhibits, attachments or appendices to the foregoing documents, or any other communications promulgated by SCE regarding this solicitation, (collectively the “RFO Documents”).

<sup>2</sup> QF Projects are not required to provide dispatchable services or Ancillary Services.

review of these Projects. If, after reviewing relevant Project information made available to SCE, SCE, in its sole discretion and at any time prior to execution of a Definitive Agreement, determines that a proposed Summer 2007 Project cannot or is unlikely to meet the requirements in this Section and the RFO for these Projects, SCE may terminate expedited negotiations with the Seller with respect to that Project. However, if SCE does terminate these expedited negotiations, SCE will continue to consider the Seller's Offer under either the Fast Track or Standard Track if Seller requests.

SCE is currently considering what changes might be necessary or desirable in order to meet the objectives of the ACR and "reach agreement with the bidders and file a request for contract approval with the Commission by November 15, 2006" (see ACR, page 6) for Summer 2007 Projects. At this time, for Summer 2007 Projects, SCE is requiring: (a) that the Parties reach final agreement on all commercial terms contained in the PPA, except final monthly capacity pricing and that a Summer 2007 Project's Interconnection Facilities Study be provided to SCE by November 1, 2006; (b) that Sellers provide final, binding monthly capacity pricing on November 6, 2006; and (c) that notification of successful Offers and execution of Definitive Agreements occur by November 9, 2006. Per the ACR, SCE anticipates filing a CPUC application to approve any Definitive Agreements by November 15, 2006. The ACR indicates that the CPUC will target taking action on these Definitive Agreements by January 2007.

At this time, all other RFO requirements will apply to the Summer 2007 Projects. Any changes to the schedule or requirements for Summer 2007 Projects will be promptly communicated to the RFO distribution list.

- A.3. Capitalized terms used in this Transmittal Letter that are not otherwise defined have the meanings set forth in Exhibit A.3 hereto (the "RFO Definitions").<sup>3</sup>
- A.4. SCE may, in its sole discretion, enter into Definitive Agreements with one or more sellers submitting Offers that will provide the best value to SCE's customers based upon the evaluation criteria discussed below.
- A.5. This RFO is not a binding offer by SCE to purchase electric Capacity, Energy, Ancillary Services, Resource Adequacy Benefits, Environmental Attributes, or any other product. SCE reserves the right to reject any or all Offers.
- A.6. In the event of any conflict between terms contained in this Transmittal Letter or any of the other RFO Documents, the conflict shall be resolved by the following priority of documents: the PPA (and its Appendices), the Offer Sheet, this Transmittal Letter (and the RFO Definitions which accompany the Offer Sheet and Transmittal Letter), and any other Exhibit or Attachment. Notwithstanding the foregoing, in the event a Definitive Agreement is executed by SCE and Seller, the Definitive Agreement shall control over any RFO Documents.
- A.7. Sellers are required to meet all the terms and conditions of the RFO to be eligible to compete in the solicitation process. Sellers are required to follow all instructions contained in this RFO, including but not limited to this Transmittal

---

<sup>3</sup> The RFO Definitions are provided to assist potential bidders in understanding the Transmittal Letter and Offer Sheet. The definitions contained in Appendix A of the PPA will supersede and replace the RFO Definitions to the extent the documents are inconsistent.

Letter, the RFO Documents, and their Appendices, Exhibits, Attachments and subsequent amendments. Sellers must respond to all questions contained in the RFO Documents, organize their Offers according to the structure specified in the Offer Submittal Package, and provide supporting documentation in the format requested in the Offer Submittal Package. Where documentation is not applicable, Seller should so indicate, and specify why the requested information is not applicable. Sellers should clearly organize and identify all information submitted in their Offers to facilitate review and evaluation.

A.8. Information provided by Seller to SCE pursuant to this RFO will be subject to the disclosure requirements of CPUC Decision 06-06-066.

## **B. ELIGIBILITY REQUIREMENTS**

### *B.1. New Generation*

B.1.1. In this RFO, SCE seeks Offers for the sale of electrical Capacity, Energy, Ancillary Services, and Resource Adequacy Benefits from New Resources, including Repowers, Transmission Projects, and QF Projects as described below, that meet all local, state, and federal rules, regulations, standards, permitting, and interconnection requirements and certifications as applicable.

B.1.1.1. Proper certification shall include but is not limited to compliance with current standards under the California Environmental Quality Act ("CEQA"), the National Environmental Policy Act ("NEPA"), the Federal New Source Review ("NSR"), applicable air pollution control district regulations, SCE, CAISO, or appropriate Participating Transmission Owner's electrical interconnection requirements, natural gas interconnection requirements promulgated by Southern California Gas Company or other applicable gas providers, and applicable water and wastewater discharge regulations.

B.1.1.2. SCE will evaluate the eligibility of any Project on a case-by-case basis.

### *B.1.2. New Resources*

B.1.2.1. A Project will qualify as a New Resource eligible for consideration by SCE in this RFO if the following criteria are met:

B.1.2.1.1. The Project has a remaining design life of at least 30 years after the Initial Delivery Date as attested by an engineering assessment performed by a Professional Mechanical Engineer (with experience acceptable to SCE in its sole discretion) licensed by the State of California; and

B.1.2.1.2. The Project will provide Incremental Capacity to the region of the CAISO's control area known as SP15.

B.1.2.2. The Project will not be considered a New Resource eligible for consideration in this RFO if by the date of this RFO it is currently in operation, under construction, or identified on either of the following reports:

- B.1.2.2.1. The CEC's California Power Plants Database of existing operating plants in California as of the date of this RFO and as shown in Exhibit B.1.2.2.1.
- B.1.2.2.2. The CEC's Energy Facility Status report under the categories of "Projects On Line" or "Approved/Under Construction" as of the date of this RFO and as shown in Exhibit B.1.2.2.2.
- B.1.2.3. Physically relocating a Project from outside of California to the SP15 area is permitted if all other conditions of this RFO are met (including those listed in this Transmittal Letter), the relocated Project meets all environmental requirements and standards, and the relocated Project has obtained a valid operating permit authorizing the relocation and subsequent operation of the relocated Project from the applicable Air Pollution Control District.
- B.1.2.4. Repowers
  - B.1.2.4.1. SCE will evaluate Offers to repower existing generating facilities and may, in its sole discretion, accept an Offer to repower an existing generating facility so long as the conditions below are met. A "Repower" is defined as an overhauled or repaired generating facility which was, prior to the overhaul or repair, operating with all applicable local, state and federal certifications and permits, reaching the end of its projected operating life and, requiring the replacement of one or more generation-related components (specifically turbine or other engine prime mover, electrical generator, heat recovery steam generator, and steam turbine) with new hardware in order to operate for more than another ten years, or another twenty years if the Repower is ultimately submitted with a proposed Term Length of up to twenty years as discussed in Section B.9 below. A Repower must meet all the criteria set forth for New Resources in Sections B.1.2.1 and B.1.2.2 as well as all of the criteria set forth below:
    - B.1.2.4.1.1. The Repower must result in increased capacity, higher efficiency, lower air emissions and greater reliability than the generating facility prior to the overhaul or repair.
    - B.1.2.4.1.2. An Offer for a Repower considered under this Section must contain information demonstrating that, absent a significant capital investment, the remaining life of the current generating facility is 10 years or fewer.
  - B.1.2.5. Projects Outside SP15 Requiring Transmission to SP15
    - B.1.2.5.1. SCE will evaluate Offers for Projects from existing Generating Units located outside of SP15 that become SP15 resources as the result of constructing new transmission facilities which will connect the existing Generating Units to SP15 ("Transmission Projects"). Seller must submit an interconnection application to the CAISO, execute study agreements, and take all other actions required to meet the deadlines to provide the interconnection

studies as identified in the applicable RFO Schedule in Section C. Transmission Projects must meet all the criteria set forth for New Resources in Sections B.1.2.1 and B.1.2.2 as well as all of the criteria set forth below with the exception of the Generating Unit supporting the Project, which is exempt from the requirements of B.1.2.2:

- B.1.2.5.1.1. The Project must not be considered a resource of any other control area operator.
- B.1.2.5.1.2. The Project must be interconnected directly to the CAISO Grid and not via transmission facilities controlled by another control area operator.
- B.1.2.5.1.3. SCE must be able to schedule the output of the Project directly with the CAISO as an SP15 resource, not as an import into SP15.
- B.1.2.5.1.4. The Project must become part of the CAISO control area and have a valid PGA with the CAISO during the term of any proposed Definitive Agreement with SCE.
- B.1.2.5.1.5. All new transmission lines that are constructed in order to connect to SP15 must be radial connections to SP15.

#### B.1.2.6. QF Projects

B.1.2.6.1. SCE will evaluate Offers for "QF Projects." A Project will qualify as a QF Project eligible for consideration by SCE in this RFO if it meets the definition of a QF Project set forth in the RFO Definitions. A QF Project must meet all the criteria set forth for New Resources in Sections B.1.2.1 and B.1.2.2 as well as all of the criteria set forth below:

- B.1.2.6.1.1. The QF Project must be available for baseload operation over the 7x16 peak period defined as any 16 continuous hours between hours ending 7-24.
- B.1.2.6.1.2. The Project must be capable of a net output of at least one MW.

#### *B.2. Independent Generating Units*

SCE will accept Offers for Generating Units on a particular Site where other generating units are situated; however, the Generating Unit(s) must operate independently with no shared generating components with the other generating units that may be on the Site.

#### *B.3. Exclusive Output and Dispatch Rights*

SCE requires exclusive output and dispatch rights of any Generating Unit(s) throughout the Term of the Definitive Agreement<sup>4</sup>.

#### *B.4. Quick Start Capability*

SCE prefers Quick-Start Generating Unit(s). A Quick-Start Generating Unit is defined as a Generating Unit that can be started (locally or remotely),

---

<sup>4</sup> QF Projects are not required to provide dispatchable services.

synchronized to the transmission grid and attain a specified load within ten minutes of notice.

*B.5. Short Term Unit Commitment (“STUC”)*

SCE requires that the Generating Unit(s) be able to participate in the CAISO STUC market as defined by the CAISO’s Market Redesign Technology Upgrade. Generating Unit(s) should be able to start (locally or remotely), synchronized to the system and be available for loading within five hours of notice.

*B.6. Black Start Capability*

For each Generating Unit in its Offer, Seller must describe any ability to operate as, or become at a later date, a Generating Unit with Black Start capability. Seller must also describe any added costs and/or the impact on the construction schedule, if applicable, associated with such Black Start capability.

*B.7. Dispatchability*

B.7.1. SCE prefers highly flexible (multiple daily starts, quick ramp rates etc.), lower capacity factor peaking resources. However, less flexible, higher capacity factor resources will also be considered.

B.7.2. With the exception of QF Projects, SCE requires that (i) the Project be dispatchable, (ii) SCE have the right to provide dispatch instructions to the generator for the CAISO Day-Ahead, Hour-Ahead, and Real Time Markets, and (iii) that Generating Units be able to start up and to ramp up within the Project’s specifications upon notice by SCE.

*B.8. Expected Initial Delivery Date*

Any Offer selected must have a proposed Expected Initial Delivery Date as set forth in the applicable RFO Schedule in Section C.

*B.9. Term*

The maximum Term Length of each Offer is ten years, except as set forth below.

On October 4, 2006, SCE filed a Petition for Modification of CPUC Decision 06-07-029 (the “Petition”). In its Petition, SCE seeks authorization to procure, in the Standard Track, 500MW of additional capacity pursuant to power purchase agreements with terms of up to 20 years and to allocate the benefits and costs of these resources to all benefiting customers. If SCE’s Petition is approved by the CPUC in a form acceptable to SCE, in its sole discretion, then SCE will consider Offers in the Standard Track with maximum Term Lengths of up to 20 years.

Assuming approval of SCE’s Petition, in a form acceptable to SCE in its sole discretion, SCE will also consider permitting Sellers who have executed Definitive Agreements with SCE in either the Summer 2007 or Fast Tracks to propose, in the Standard Track, an additional term length for their Projects such that maximum Term Length for these Projects will be up to 20 years (an “extension proposal”). SCE anticipates permitting the extension proposals to be submitted with either (1) separate pricing for the extended period only or (2) reduced pricing for the entire Term Length. Sellers must coordinate their extension proposals with SCE in order to be considered concurrently with other Standard Track Offers and shall meet, as a minimum, the deadlines for completing all negotiations (including all operational parameters and variable cost components), submission of Final Offers, and execution of Definitive



Agreements as outlined in the schedule for the Standard Track found in Section C.2. Should SCE permit the submission of such extension proposals, it reserves the right, in its sole discretion, to revise any of these deadlines, to add additional interim deadlines, to select any and all extension proposals, any combination of extension proposals or reject any and all extension proposals. Because the outcome of SCE's Petition is unknown, bidders in the Standard Track must submit Indicative Offers with a maximum Term Length of up to ten years unless and until SCE provides further notice.

*B.10. Quantity*

- B.10.1. The Generating Units which are associated with each Offer must be rated at least 25 MW, with the exception of QF Projects which must be rated at least one MW.
- B.10.2. SCE has been authorized to award Offers up to a total aggregate volume of 1,500 MWs pursuant to contracts with Term Lengths of up to 10 years, although SCE reserves the right to determine the final volume in its sole discretion. As discussed in Section B.9, in its Petition SCE seeks authorization to procure an additional 500 MWs pursuant to power purchase agreements with Term Lengths of up to 20 years in the Standard Track of this RFO. If the Petition is approved by the CPUC in a form acceptable to SCE, in its sole discretion, then SCE will consider an additional 500 MWs for a total procurement of up to 2,000 MWs for all Definitive Agreements (Summer 2007, Fast, and Standard Tracks combined) executed under this RFO. Final actions will be consistent with any CPUC Decision or other directives issued.

*B.11. Project Point of Interconnection and Interconnection Procedures*

- B.11.1. Acceptable Point(s) of Interconnection include the following:
  - B.11.1.1. An existing substation bus that is electrically connected within SP15 as defined by the CAISO.
  - B.11.1.2. A transmission or distribution line that only interconnects substation buses that are electrically connected within SP15 boundaries as defined by the CAISO.
  - B.11.1.3. A new substation bus that will be part of the CAISO Grid, designated as a facility within SP15 and electrically connected to a transmission line that is part of the CAISO Grid. In this case, the transmission line must also connect to at least one existing substation bus that is electrically connected within SP15 as defined by the CAISO. The Interconnection System Impact Study for such offers must clearly indicate that the new substation bus will be designated as a facility that is within SP15 and will not be subject to inter-zonal congestion.
  - B.11.1.4. A SCE distribution facility that is electrically connected within SP15 boundaries as defined by the CAISO
- B.11.2. A substation bus that is electrically connected outside of the boundary of SP15 will not be considered an acceptable Point of Interconnection.

- B.11.3. SCE prefers that Projects be located in the Los Angeles Basin area as defined by the CAISO and as shown in Exhibit B.11.3 hereto.
- B.11.4. SCE will consider other locations outside the preferred area, provided that the Project has an acceptable Point of Interconnection as specified in Section B.11.1 above.
- B.11.5. For each proposed Project, the Seller is required to provide current, up-to-date reports for the Interconnection System Impact Study and Interconnection Facilities Study that meet the Interconnection Study Requirements required by SCE. If an Interconnection System Impact Study clearly indicates that the Project (i) does not trigger any Network Upgrades and (ii) has no possibility of being assigned, in the future, the cost of Network Upgrades due to the withdrawal of other higher queued projects from the CAISO interconnection process, then an Interconnection Facilities Study will not be required by the date specified in the applicable RFO schedule. However, the CAISO Long-Term Standard Large Generator Interconnection Procedures will require an Interconnection Facilities Study to be completed regardless of what the Interconnection System Impact Study indicates regarding system impacts, so the schedule for such Project must still provide for completion of the Interconnection Facilities Study. The schedule for providing these reports is included in Section C. The Seller must also provide any Interconnection Feasibility Studies that have been performed for the proposed Project. Additionally, within five Business Days of a request from SCE, Seller must request the electronic power-flow file of the base case study from the Participating Transmission Owner, CAISO, or third party consultant for Seller responsible for the Interconnection Studies and provide this data in electronic form to SCE within five Business Days of Seller's receipt of the data.
- B.11.6. In addition to the interconnection request that will allow Seller to deliver power to the existing system, Seller is also responsible for obtaining retail back-up service. If the proposed generator is outside of the SCE service territory, it may be necessary for the local utility to provide the retail service.
- B.11.7. Questions related to CAISO Tariff applications can be directed to:

Judy Nickel  
CAISO  
(916) 608-7062  
[jnickel@caiso.com](mailto:jnickel@caiso.com)

- B.11.8. Questions related to WDAT applications can be directed to:

Robert Lugo  
Manager of Grid Interconnection and Contract Development  
Southern California Edison  
(626) 302-8501  
[robert.lugo@sce.com](mailto:robert.lugo@sce.com)

*B.12. Fuel Supply and Interconnection*

- B.12.1. Seller must be responsible for the cost of all incremental gas-related and gas transportation infrastructure necessary for Seller or SCE to deliver firm

fuel to the Project. If the Project is powered by natural gas, then SCE prefers firm gas transportation service to the Project.

B.12.2. Seller must provide a Fuel Supply Plan as set forth in Attachment C.6 in the Offer Sheet (Exhibit C.5).

B.12.3. Seller must provide a site evaluation for gas availability prepared by the gas transportation provider with the Indicative Offer consistent with the applicable RFO Schedule in Section C.

*B.13. Scheduling Provisions*

B.13.1. Throughout the term of any Definitive Agreement, energy will be scheduled pursuant to the Tariff.

B.13.2. SCE prefers to act as the SC for each Project. For Projects fueled by natural gas, if SCE acts as the SC for the Project, then SCE prefers to be Seller's authorized Fuel Manager. If SCE is not the SC, then SCE will not act as the Fuel Manager.

*B.14. Monthly Payment Price Profile*

SCE will profile the Capacity payments based on the following Monthly Payment Price Shape Table determined by the heat rate of the Project at maximum loading.

**Monthly Payment Price Shape Table**

	Heat Rate at P-max (MMBtu/MWh)				
	6 to 7	>7 to 9	>9 to 11	>11 to 14	>14 to 18
Jan	95%	75%	50%	20%	10%
Feb	65%	55%	30%	10%	5%
Mar	60%	55%	30%	10%	5%
Apr	60%	55%	30%	10%	5%
May	80%	80%	60%	30%	15%
Jun	105%	105%	75%	45%	40%
Jul	155%	170%	240%	330%	365%
Aug	160%	185%	270%	405%	490%
Sep	135%	155%	200%	240%	205%
Oct	90%	90%	70%	35%	25%
Nov	75%	75%	55%	25%	15%
Dec	120%	100%	90%	40%	20%

*B.15. Special Purpose Entity*

SCE prefers Sellers that are special purpose entities organized for the sole purpose of owning and operating the Project and which remain special purpose entities for the Term of the Definitive Agreement. Notwithstanding the foregoing, SCE will consider the ownership structure of each Seller on an individual basis, whether the Seller is organized as a special purpose entity or otherwise, and reserves the right in its sole discretion to (i) require any Seller to become a special purpose entity as a condition of executing a Definitive Agreement; and (ii) accept an Offer from any Seller who is not organized as a special purpose entity.

## C. RFO SOLICITATION AND OFFER SUBMITTAL PROCESS

### C.1. RFO Schedule (Fast Track)

Timeline	Event
August 14, 2006	RFO documents issued
August 28, 2006	Deadline to submit Non-binding Notice of Intent to Offer
September 19, 2006	Deadline to submit Indicative Offer and completed Offer Submittal Package including Interconnection System Impact Study <sup>5</sup> and gas interconnection studies
October 3, 2006	Shortlist notification
January 19, 2007	Deadline to submit Interconnection Facilities Study <sup>6</sup>
January 31, 2007	Deadline to complete negotiations of Definitive Agreement including all operational parameters and variable cost components
February 12, 2007	Deadline to submit Final Offer – limited to monthly Capacity prices
February 15, 2007	Last date for notification of successful Offers and to sign Definitive Agreements
February 2007	Definitive Agreements submitted to CPUC for approval
September 2007	Expected CPUC approval of PPA
August 1, 2010	Latest accepted Expected Initial Delivery Date

<sup>5</sup> Specific Interconnection Study Requirements are contained in the RFO Definitions.

<sup>6</sup> See footnote 5.

*C.2. RFO Schedule (Standard Track)*

<b>Timeline</b>	<b>Event</b>
August 14, 2006	RFO documents issued
October 10, 2006	Deadline to submit Non-binding Notice of Intent to Offer
January 25, 2007	Deadline to submit Indicative Offer and completed Offer Submittal Package
May 30, 2007	Deadline to submit Interconnection System Impact Study <sup>7</sup> and gas interconnection studies
June 19, 2007	Shortlist notification
February 7, 2007	Deadline to submit Interconnection Facilities Study <sup>8</sup>
February 20, 2008	Deadline to complete negotiations of Definitive Agreement including all operational parameters and variable cost components
February 27, 2008	Deadline to submit Final Offer – limited to monthly Capacity prices
March 5, 2008	Last date for notification of successful Offers and to sign Definitive Agreements
March/April 2008	Definitive Agreements submitted to CPUC for approval
September 2008	Expected CPUC approval of PPA
August 1, 2013	Latest accepted Expected Initial Delivery Date

*C.3. Non-binding Notice of Intent to Offer*

Seller should provide the form “Non-binding Notice of Intent to Offer” as shown in Exhibit C.3 by the date identified in the applicable RFO Schedule in Section C.

*C.4. Independent Evaluator*

In accordance with applicable CPUC decisions, SCE may utilize an Independent Evaluator.

*C.5. Offer Deposit*

Pursuant to Section F of the Offer Sheet (Exhibit C.5), each Seller must submit an Offer Deposit with its Indicative Offer. The Offer Deposit is due when the Offer Sheet is submitted and will be held until the time specified in Section F of the Offer Sheet.

---

<sup>7</sup> See footnote 5.

<sup>8</sup> See footnote 5.

### C.6. Offer Submission

C.6.1. SCE will only consider Offers that, as of the Indicative Offer deadline, contain each of the items specified in the Offer Submittal Package set forth in the following table.

<b>Offer Submittal Package To be Provided by All Sellers:</b>		
Document:	Filename:	Notes/Instructions:
1. Offer Sheet	Exhibit C.5 - Offer Sheet.doc	Seller must provide all information required in the Offer Sheet and execute the Offer Sheet and appended Confidentiality Agreement. All required Attachments must be included for the Offer to be deemed complete. Seller must provide redlined MS Word versions of all executed documents by the date specified in Section C.
2. Power Purchase Agreement	Exhibit C.6.1 - Power Purchase Agreement.doc	Seller must provide all proposed revisions as a red-lined MS Word document.

C.6.2. SCE must receive each completed Offer Submittal Package prior to 11:00 a.m. Pacific Prevailing Time on the date specified the applicable RFO Schedule in Section C. SCE must receive four hard copies and one electronic copy of the completed Offer Submittal Package. Each hard copy shall be submitted in a three-ring binder, and the electronic copy shall be stored on a CD. Offers shall be submitted via overnight courier, U.S. mail, or hand delivered as specified in Section C.7. In the case of any conflict between the written documents and electronic versions, the written documents shall be binding. SCE will not be responsible for Offers received after the submittal deadline due to unsuccessful transmission of the Offer Submittal Package.

### C.7. Contact Information

The website address for this RFO is:

<http://www.sce.com/EnergyProcurement/>

Any questions relating to this RFO should be addressed to SCE via email at: [NewGenRFO@sce.com](mailto:NewGenRFO@sce.com) or the following:

Benny Wu (626) 302-3230

or

Jesse Bryson (626) 302-3297

Overnight courier, U.S. mail, or hand delivered Offer Submittal Packages shall be sent to:

Benny Wu, RFO for New Generation  
Southern California Edison Company  
G.O. 1, Quad 1-C  
2244 Walnut Grove Avenue  
Rosemead, California 91770

#### **D. EVALUATION OF OFFERS**

- SCE will consider a number of factors in the evaluation of Offers including but not limited to the following: market assessment, transmission impact, Debt Equivalence, environmental characteristics, capacity requirements, portfolio fit, credit, project viability, and concentration risk.
- D.1. Market assessment refers to SCE's assessment of the market value of the benefits contained in each Offer versus the costs. Typical elements of costs reflected in Offers include Capacity payments, start up charges, variable operating and maintenance costs, and fuel costs resulting from offer heat rates. Additional costs include transmission and a greenhouse gas adder (these issues are addressed below). The benefits of the Offer include potential realization of energy value (i.e. availability, heat rate and dispatch flexibility) and value of generalized ancillary services (i.e. regulation up, regulation down, spin, and non-spin).
- D.2. Transmission impact refers to the cost of Network Upgrades that will be ultimately borne by customers. Such costs will be considered along with the costs of the Offer as described above in Section D.1 to obtain the total cost of the Project to be borne by customers.
- D.3. Debt Equivalence is the term used by credit agencies to take into account the fixed financial obligations and their corresponding effect on a utility's balance sheet and credit quality that result from the utility's execution of long term purchase power agreements. SCE may consider the debt equivalent impacts of Offers as an additional cost in accordance with CPUC Decision 04-12-048. SCE may also consider any additional customer costs that may be incurred if the Definitive Agreement is treated as a capital lease.
- D.4. Environmental characteristics refer to air emissions including carbon dioxide, nitrogen oxide, sulfur dioxide, particulates and other potential environmental impacts. Run time restrictions due to environmental permit restrictions may be considered when calculating energy value. An explicit Greenhouse Gas ("GHG") emissions adder will be considered in the comparison of resource bids. In CPUC Decision 04-12-048, the CPUC adopted a range of values to explicitly account for the financial risk associated with GHG emissions from \$8 to \$25 per ton of CO<sub>2</sub>. Subsequently, in CPUC Decision 05-04-024, the Commission adopted a fixed value for GHG emissions of \$8 per ton of CO<sub>2</sub>. Pursuant to these decisions, SCE will use a value of \$8 per ton of CO<sub>2</sub> adjusted at an escalation rate of 5% starting in 2004 and consult with its PRG. SCE uses a market simulation model to determine the impact on GHG emissions of adding a generation facility.

- D.5. Capacity requirement refers to SCE's need for new Capacity to meet the demand for electricity in Southern California. SCE may select Offers based upon their ability to meet SCE's Capacity needs.
- D.6. Portfolio fit refers to the impact of the Offer on (i) the demand and supply balance of electric generation for CAISO's SP15 congestion zone, based on SCE's view of the need and/or CPUC direction, and (ii) the ability of SCE's portfolio to meet SCE's RAR and local RAR. Factors influencing the portfolio fit also include but are not restricted to, the range of Offers that are available for selection, variable costs of production, volume in MW offered, unit flexibility (e.g. ramp rates, start times, ancillary service capabilities), the proposed Expected Initial Delivery Date(s), and the Term of the Definitive Agreement.
- D.7. Credit means Seller's capability to perform all of its financial and other obligations under the Definitive Agreement, including but not limited to Seller's ability to provide collateral as described in the PPA. SCE will include a cost adder to Offers requiring SCE to post collateral.
- D.8. Project viability refers to the results of any SCE assessment as to the viability of the Project being constructed consistent with the terms of the Offer in order to ensure that the objectives of the RFO are achieved. This may include information included with the Offer, including environmental and permitting information that may affect the project in meeting its Expected Initial Delivery Date, as well as independent and/or proprietary data about a particular Project or Project elements.
- D.9. Portfolio Concentration Risk refers to both Physical Concentration Risk and Financial Concentration Risk. Physical Concentration Risk is the risk that electric system reliability and continuity of service to SCE customers will be negatively impacted due to over reliance by SCE on purchases from a particular technology. CPUC Decision 02-10-062 requires SCE to devise a strategy for procuring generation from a variety of fuel sources. Financial Concentration Risk results when SCE has a significant monetary exposure to a single counterparty. CPUC Decision 02-10-062 also requires SCE to mitigate financial concentration by contracting with a variety of counterparties. SCE may consider Physical Concentration Risk and/or Financial Concentration Risk or other similar parameters in the evaluation of any Offer.

## **E. CREDIT REQUIREMENTS**

### *E.1. Seller Information*

- E.1.1. Seller must provide the information requested in Section B of the Offer Sheet (Exhibit C.5)

### *E.2. Credit and Collateral*

- E.2.1. The credit and collateral terms will be negotiated by SCE and Seller and agreed upon terms will be incorporated into the Definitive Agreement. SCE seeks the credit and collateral terms summarized below.
- E.2.2. Seller shall post Delivery Date Security as Performance Assurance to secure its obligations from the period of time from the Effective Date to the Initial Delivery Date for each Generating Unit. The Delivery Date Security for each Generating Unit in the Fast Track shall be the product of



\$109,600.00/MW multiplied by the amount of Expected Contract Capacity for each Generating Unit. The Delivery Date Security for each Generating Unit in the Standard Track shall be the product of \$54,800.00/MW multiplied by the amount of Expected Contract Capacity for each Generating Unit. The Delivery Date Security shall be held by SCE as security for Seller's obligation to meet the Expected Initial Delivery Date for each Generating Unit. The Delivery Date Security for each Generating Unit shall be posted within two Business Days following the Effective Date.

E.2.3. Seller shall post collateral for exposure above an unsecured credit line, if any, to secure Seller's obligations during the Delivery Period. SCE shall calculate exposure based on the mark-to-market value over a 24 or 48 month time frame. The time frame for calculating the mark-to-market value depends on the length of time it is expected to require to replace the generating technology underlying the Agreement. Sellers with investment grade Credit Ratings, or those with an investment grade rated guarantor, are eligible for an unsecured credit line. Sellers that do not have investment grade Credit Ratings or an investment grade rated guarantor shall also post collateral for an Independent Amount of \$30,000/MW or \$60,000/MW depending on the underlying technology.

In addition to the above, Seller shall grant to SCE liens in a form acceptable to SCE. SCE will agree to subsequently subordinate its liens to any senior lender, on terms and conditions that are acceptable to SCE. Seller shall agree to certain restrictive covenants in order to preserve the value of SCE's security.

E.2.4. SCE is a California load-serving utility with an investment grade Credit Rating and substantial tangible net worth. Unlike most other energy market participants, SCE operates under a state legislative structure designed to minimize the negative impact that energy market uncertainty may have on a utility's creditworthiness. SCE does not intend to provide collateral under the Definitive Agreement and encourages potential Sellers to submit Offers that do not require SCE to post collateral.

In SCE's evaluation of Offers submitted pursuant to this RFO, SCE will include a cost adder to Offers requiring SCE to post collateral in order to reflect the potential negative impact on SCE's liquidity and to recognize the relative value of bids from Sellers who do not require collateral from SCE.

## **F. CALIFORNIA CLIMATE ACTION REGISTRY**

Seller is on notice that, in OIR 06-04-009 (April 13, 2006), the CPUC determined that it will establish a date by which all power purchase agreements with terms in excess of 3 years executed by SCE shall include a provision requiring any Seller to register with the California Climate Action Registry (CCAR), provided that CCAR's protocols have been modified to allow generation facility-specific registration. Regardless of the date established by the CPUC, Seller shall comply with a generation-facility specific registration requirement once enacted.

**G. COMPLIANCE WITH NEW ACCOUNTING STANDARDS**

The Parties shall determine, through consultation with their respective independent registered public accounting firms, whether SCE is required to consolidate the Seller's financial statements with SCE's financial statements for financial accounting purposes under (i) Financial Accounting Standard Boards Interpretation No. 46(R), "Consolidation of Variable Interest Entities" or (ii) future guidance issued by accounting profession governance bodies or the United States Securities and Exchange Commission, which affect SCE's accounting treatment for the Agreement.

**H. CONDITIONS PRECEDENT**

SCE's obligations under any Definitive Agreement shall only become effective upon satisfaction of all conditions precedent set forth the Definitive Agreement including, but not limited to, attainment of Final CPUC Approval of the Definitive Agreement, FERC Approval of the Definitive Agreement, if applicable, and delivery to SCE of all documentation required under the Definitive Agreement.

**I. RESERVATION OF RIGHTS**

SCE reserves the right at any time, in its sole discretion, to abandon this RFO, to change any dates specified in this RFO, to change the basis for the evaluation of Offers, to terminate further participation in this process by any party, to accept any Offer or to enter into any Definitive Agreement, to evaluate the qualifications of any Seller and/or the terms and conditions of any Offer, to reject any or all proposals or Offers, to prohibit or limit mutually exclusive Offers, to consider additional products, to change any form, document, term or condition used in this RFO at any time during the RFO process, or waive any irregularities, all without notice and without assigning any reasons and without incurring liability of Edison International, SCE or any of their respective subsidiaries, affiliates or representatives to any Seller or any other party. SCE shall have no obligation to consider any Offer submitted. SCE will not reimburse any Seller for its expenses related to this RFO under any circumstances, regardless of whether the bidding process proceeds to a successful conclusion or is abandoned. SCE shall not be deemed to have accepted any Offer, and shall not be bound by any term thereof, unless and until an authorized representative of SCE executes a Definitive Agreement with the Seller.

**EXHIBITS**

Exhibit A.3:	RFO Definitions
Exhibit B.1.2.2.1:	CEC's California Power Plants Database
Exhibit B.1.2.2.2:	CEC's Energy Facility Status Report
Exhibit B.11.3:	Preferred Area Definition
Exhibit C.3:	Non-binding Notice of Intent to Offer
Exhibit C.5:	Offer Sheet
Exhibit C.6.1:	Power Purchase Agreement