



## **DRA**

*Division of Ratepayer Advocates  
California Public Utilities Commission*

505 Van Ness Avenue  
San Francisco, California 94102  
Tel: 415-703-2381  
Fax: 415-703-2057

**JOSEPH P. COMO**  
Acting Director

<http://dra.ca.gov>

### **PUBLIC**

September 24, 2012

CPUC, Energy Division  
Attention: Tariff Files, Room 4005  
505 Van Ness, Avenue  
San Francisco, CA 94102  
[mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov)  
[inj@cpuc.ca.gov](mailto:inj@cpuc.ca.gov)

**Subject: Confidential Protest of the Division of Ratepayer Advocates (DRA) of Southern California Edison (SCE) Advice Letters 2773-E, 2774-E, 2775-E, and 2776-E (Amended and Restated Power Purchase and Sale Agreements for Procurement of an Eligible Renewable Energy Resource between SCE and Central Antelope Dry Ranch C, LLC; North Lancaster Ranch, LLC; Sierra Solar Greenworks, LLC; and American Solar Greenworks, LLC, respectively.)**

### **I. INTRODUCTION**

The Division of Ratepayer Advocates (DRA) hereby submits this joint protest of Southern California Edison Company's (SCE) Advice Letters (ALs) 2773-E, 2774-E, 2775-E and 2776-E (Silverado PPSAs). In the four ALs, SCE seeks California Public Utilities Commission (CPUC or Commission) approval of four amended and restated power purchase and sales agreements (PPSAs or contracts) it executed with Silverado Power (Silverado). DRA protests and recommends that the Commission reject the Silverado PPSAs for the following reasons:

1. SCE does not need the Silverado PPSAs to meet its Renewables Portfolio Standard (RPS) goals.
2. The Silverado PPSAs are uncompetitive compared to offers on SCE's 2011 RPS Request for Offer (RFO) solicitation shortlist. Additionally, [REDACTED] the Silverado PPSAs are uncompetitive with shortlisted projects from SCE's first (2011) and second (2012) Renewable Auction Mechanism (RAM) solicitations.

## II. BACKGROUND

SCE originally executed the Silverado PPSAs in November 2010 as part of its 2010 Renewable Standard Contract (RSC) Program solicitation. All four are solar photovoltaic (PV) projects located in Lancaster, California, and have a forecasted Commercial Operation Date (COD) of December 31, 2014.<sup>1</sup> The Amended & Restated PPSAs are for a 20-year term.<sup>2</sup>

On January 31, 2011, SCE submitted Advice Letter 2547-E to the Commission seeking approval of 20 RSC contracts resulting from the 2010 RSC Program solicitation which included the four Silverado PPSAs. On December 15, 2011, the Commission approved 15 of the 20 RSC Contracts through Resolution E-4445. The Silverado PPSAs were not included in Resolution E-4445 because SCE terminated the contracts with Silverado in November 2011. These terminations occurred because the interconnection study results indicated that network upgrade costs exceeded cost caps in the PPSAs. The Original Agreements were terminated before the Commission approved Advice Letter 2547-E.<sup>3</sup>

Subsequent to the termination of the Original Agreements, SCE and Silverado disagreed about the validity of the termination [REDACTED] and on July 3, 2012, SCE and Silverado decided to resolve the issue by executing the Silverado PPSAs. The Silverado PPSAs are reinstatements of the original agreements, with amendments.<sup>5</sup> [REDACTED]

The following table summarizes the amended Silverado PPSAs:<sup>7</sup>

Project Name	Advice Letter	Contract Capacity (MW AC)	Estimated Annual Energy (GWh)	Levelized, TOD-adjusted Contract Price
Central Antelope Dry Ranch C, LLC (Central Antelope)	2773-E	20.0	41.2	[REDACTED]
North Lancaster Ranch, LLC (North Lancaster)	2774-E	20.0	41.2	[REDACTED]

<sup>1</sup> SCE AL 2773-E at 5; SCE AL 2774-E at 5; SCE AL 2775-E at 5; SCE AL 2776-E at 5.

<sup>2</sup> *Id.*

<sup>3</sup> SCE AL 2773-E at 4; SCE AL 2774-E at 4; SCE AL 2775-E at 4; SCE AL 2776-E at 4.

<sup>4</sup> SCE Peer Review Group (PRG) Presentation, "Silverado/Martifer Termination Dispute Settlement." June 20, 2012.

<sup>5</sup> SCE AL 2773-E at 4; SCE AL 2774-E at 4; SCE AL 2775-E at 4; SCE AL 2776-E at 4.

<sup>6</sup> SCE Peer Review Group (PRG) Presentation, "Silverado/Martifer Termination Dispute Settlement." June 20, 2012.

<sup>7</sup> SCE AL 2773-E, at 2; Appendix D, page D-11. SCE AL 2774-E, at 5; Appendix D, at D-11. SCE AL 2775-E, at 2; Appendix D, at D-10. SCE AL 2776-E, at 2; Appendix D, at D-11.

Project Name	Advice Letter	Contract Capacity (MW AC)	Estimated Annual Energy (GWh)	Levelized, TOD-adjusted Contract Price
Sierra Solar Greenworks, LLC (Sierra Solar)	2775-E	20.0	41.2	██████████
American Solar Greenworks, LLC (American Solar)	2776-E	15.0	30.92	██████████

### III. DISCUSSION & RECOMMENDATION

DRA protests and recommends the Commission reject the Silverado PPSAs because the deliveries under the PPSAs are not necessary to meet SCE’s RPS goals and are not competitive when compared with current alternative renewable offers available to SCE. Specifically, ██████████ and ██████████ are higher than current market alternatives. DRA’s findings are based on both SCE’s and the Independent Evaluator’s (IE) calculations.<sup>8</sup>

#### A. The Four Silverado PPSAs are Not Needed for SCE’s RPS Goals

As noted above, the COD for the projects covered under these Advice Letters is December 31, 2014, near the beginning of RPS Compliance Period 2 (CP2).<sup>9</sup> This COD would result in an annual production of approximately 154.5 GWh, or a total of 309 GWh in CP2. However, according to both SCE’s calculations and the Commission’s calculations, SCE has a ██████████ ██████████ for CP2. More specifically, SCE calculates ██████████ ██████████<sup>10</sup> for CP2, while the Commission calculates ██████████ ██████████<sup>11</sup> for the same time period. Therefore, there is no need for additional renewable generation in CP2.

Moreover, given the current pricing trends for renewable generation, it is uneconomical to bank the generation from these projects for future compliance periods. An example of this trend is the falling average levelized price of shortlisted RAM projects. In SCE’s first RAM auction, the average levelized price was ██████████<sup>12</sup>, while the average price in its second RAM auction was ██████████<sup>13</sup> ██████████. SCE has more than enough time to execute less expensive and more timely PPSAs for any future unmet RPS compliance needs, without incurring unneeded CP2 generation and the associated cost to ratepayers. In fact, SCE has

<sup>8</sup> SCE AL 2773-E, Confidential Appendix C; SCE AL 2774-E, Confidential Appendix C; SCE AL 2775-E, Confidential Appendix C; SCE AL 2776-E, Confidential Appendix C.

<sup>9</sup> CP2 is from January 1, 2014 to December 31, 2016.

<sup>10</sup> First Amended 2012 RPS Procurement Plan - Confidential Appendix C.1 - Quantitative SCE. August 15, 2012.

<sup>11</sup> First Amended 2012 RPS Procurement Plan - Confidential Appendix C.2 Quantitative CPUC. August 15, 2012.

<sup>12</sup> Calculated from data provided during the January 18, 2012 SCE Peer Review Group (PRG).

<sup>13</sup> Calculated from data provided during the August 1, 2012 SCE PRG.

stated that it believes its customers “will benefit from lower costs if SCE procures to meet its long-term net short position closer in time to when that need occurs.”<sup>14</sup>

**B. The PPSAs Are Uncompetitive with Other Renewable Offers Available to SCE**

By several measures, the Silverado PPSAs are not competitive with recent market alternatives. In the ALs, SCE explains that the 2010 RSC RFO offers were ranked by [REDACTED].<sup>15</sup> In the original PPSAs, [REDACTED] of the 2010 RSC shortlisted projects.<sup>16</sup>

However, in the first RAM auction held in the fourth quarter of 2011, the primary criterion used for ranking offers was [REDACTED] for shortlisted projects from the first RAM auction [REDACTED]. In comparison, SCE calculated the 2011 [REDACTED] for the Silverado PPSAs [REDACTED] of submitted RAM bids and consequently, would not have been shortlisted in the first RAM auction.<sup>17</sup> Similarly, in the 2011 RPS RFO, the primary criterion used for ranking offers was [REDACTED] which [REDACTED] for shortlisted projects. [REDACTED] Because all of these projects’ [REDACTED] were significantly higher than what was offered by other bidders, the Silverado PPSAs would have been excluded from the shortlist in the 2011 RPS auction.<sup>18</sup>

In the second RAM auction, projects were scored on [REDACTED] score<sup>19</sup> [REDACTED] for shortlisted projects while [REDACTED] for the second RAM auction shortlist was [REDACTED]. On both counts, [REDACTED] the Silverado PPSAs [REDACTED] would not have made it onto the shortlist as SCE calculated their respective [REDACTED] scores to be [REDACTED] respectively and

<sup>14</sup> SCE Response to Administrative Law Judge’s Ruling Requesting Additional Information Regarding Proposal Not to Hold a 2012 RPS Solicitation, at 5. Filed September 5, 2012.

<sup>15</sup> AL 2773-E, Confidential Appendix A

<sup>16</sup> SCE AL 2773-E, Confidential Appendix A, at A-1. SCE AL 2774-E, Confidential Appendix A at A-1. SCE AL 2775-E, Confidential Appendix A at A-1. SCE AL 2776-E, Confidential Appendix A, at A-1.

<sup>17</sup> [REDACTED]

<sup>18</sup> SCE AL 2773-E, Confidential Appendix A, at A-5. SCE AL 2774-E, Confidential Appendix A, at A-5. SCE AL 2775-E, Confidential Appendix A at A-4-5. SCE AL 2776-E, Confidential Appendix A at A-5.

<sup>19</sup> [REDACTED]

<sup>20</sup> AL 2773-E, Confidential Appendix A at A-6.

their [REDACTED] to be [REDACTED]. Based on these valuations, the Silverado PPSAs would have fallen into the [REDACTED]

In summary, while the Silverado PPSAs were competitive in the 2010 RSC RFO based on [REDACTED], they were not competitive enough to be shortlisted in the first RAM auction, the 2011 RPS RFO or the second RAM auction. [REDACTED]

The IE Report came to the same conclusions [REDACTED]

The following table summarizes the competitiveness of the amended Silverado PPSAs:

Seller	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<i>Shortlist</i>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Central Antelope	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
North Lancaster	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sierra Solar	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
American Solar	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

DRA would like to emphasize that while [REDACTED], SCE's [REDACTED] for CP2. Also, the [REDACTED] further reduces the value proposition [REDACTED] to SCE ratepayers. As SCE has stated, its customers will realize lower costs if SCE procures to meet its need closer to when that need occurs.

**IV. CONCLUSION**

For the above reasons, DRA recommends that the Commission reject the four Silverado PPSAs. Silverado can bid these projects into future RAM solicitations.

21 [REDACTED]  
 22 [REDACTED]

CPUC Energy Division  
September 24, 2012  
Page 6

/s/ Cynthia Walker

---

Cynthia Walker, Program Manager  
Energy Planning and Policy Branch  
Division of Ratepayer Advocates