DRA

Division of Ratepayer Advocates
California Public Utilities Commission

Joseph Como, Acting Director

505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2544
Fax: (415) 703-2057

http://dra.ca.gov

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Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
EDTariffUnit@cpuc.ca.gov

Subject: Comments of the Division of Ratepayer Advocates on Alternate Draft Resolution E-4522

The Division of Ratepayer Advocates (DRA) submits these comments on the September 11th Alternate Draft Resolution E-4522.

SUMMARY OF DRA'S RECOMMENDATIONS

The Commission should reject both the Draft Resolution and Alternate Draft Resolution E-4522 by denying Southern California Edison Company cost recovery for all five of the Solar Partners PPAs: XVI, XVII, XVIII, XIX, and XX. SCE has more renewable offers and renewable procurement options than at any other time in RPS program history. The Commission should not approve the Solar Partners XVII and XX PPAs (Rio Mesa 2 and Sonoran West, respectively) because they are uncompetitive and SCE has no near-term need for these projects. Since the two most cost-effective of the five Solar Partners PPAs are no longer considered viable for reasons stated below, DRA recommends that the Commission deny all five of the Solar Partners PPAs.

BACKGROUND

On July 20, 2012, the California Public Utilities Commission (Commission) issued Draft Resolution E-4522 (Draft Resolution) approving three of five power purchase agreements (PPAs) Southern California Edison Company (SCE) executed with Solar Partners LLC (Solar Partners); Solar Partners XVIII, XIX, and XX (Siberia 1, 2, and Sonoran West, respectively). The Draft Resolution, if approved, would deny SCE cost recovery for Solar Partners XVI and XVII (Rio Mesa 1 and 2, respectively). DRA filed comments supporting the Draft Resolution's findings to deny SCE cost recovery for Rio Mesa 1 and 2, but urged the Commission to adopt the Independe nt Evaluator's (IE) recommendation to reject the Sonoran West PPA as well. On September 11, 2012, the Commission issued an Alternate Draft Resolution (Alternate) for E-4522, which reverses the Draft Resolution's findings by denying SCE cost recovery for Siberia 1 and 2 and Rio Mesa 1. The Alternate however approves cost recovery for Rio Mesa 2 and Sonoran West.

POSITION & RECOMMENDATION

Due to issues related to price, overall project valuation, and project viability, DRA's primary recommendation is that the Commission reject all five Solar Partners PPAs.[1] The Alternate Resolution now makes DRA's primary position even more compelling as the viability concerns with the Siberia 1 and 2 PPAs will likely prevent both projects from coming online.[2] Specifically, the Siberia 1 and 2 projects are proposing to interconnect at the Pisgah substation. However, another project is ahead of the Siberia projects in the CAISO queue that will most likely utilize all of the existing capacity.[3] This will [redacted] SCE has the right to terminate the Siberia 1 and 2 contracts if network upgrade costs for Siberia 1 and 2 exceed the transmission cost caps established in the PPAs.[5] The Rio Mesa 1 and 2 and Sonoran West PPAs are also problematic with regard to price, transmission adder costs, and overall valuation. The problems with Rio Mesa 1, Rio Mesa 2 and the Sonoran West PPA are described in the July 20th Draft Resolution, the IE's report in the advice letter and DRA's protest to the advice letter. The IE's report demonstrated that the Sonoran West PPA's transmission cost cap is extremely high compared to other projects and that Sonoran West has a relative low overall value as compared to both SCE's overall 2011 RPS shortlist and against other solar thermal bids SCE received.[6] DRA noted in its advice letter protest that the Rio Mesa 1 and 2 contracts are not competitive with the renewable market in general, and the solar thermal market, in particular.[7] Despite the concerns raised by both the IE and DRA, the September 11th Alternate approves the highest priced contract of the five Solar Partners PPAs (Rio Mesa 2) and one of the lower valued contracts of the five (Sonoran West). The Alternate justifies approval of these projects by stating that Rio Mesa 2 provides "a necessary step in the evolution of BrightSource's technology" and the molten salt storage capability of Sonoran West will provide great value to California ratepayers.[8] However, the problem with this package deal is that it is not cost effective for ratepayers on any level. The more expensive PPA, Rio Mesa 2, has a commercial online date of 2015 whereas the Sonoran West PPA has an online date of 2017. Solar Partners claims that several aspects of the Rio Mesa projects are "critical to securing the financing and engineering, procurement and construction

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[1] DRA Advice Letter Protest, December 19, 2011, page 1.
[2] July 20th Draft Resolution E-4522, pages 7, 8, 16, 17 [redacted]. September 11th 2012 Alternate Draft Resolution E-4522, page 2.
[3] September 11th 2012 Alternate Draft Resolution E-4522, page 18.
[4] July 20th Draft Resolution E-4522, [redacted]
[5] July 20th Draft Resolution E-4522, [redacted]
[6] DRA Protest page 3.
[7] DRA Protest page 3.
[8] September 11th 2012 Alternate Draft Resolution E-4522, page 3.

(EPC) agreements for the third generation [molten salt storage] technology."[9] Yet this project development structure provides no incentive or skin in the game for Solar Partners to develop Sonoran West.

Since all five PPAs are now shown to be problematic regarding price, viability or valuation, it does not make sense from a policy or cost-benefit perspective to justify approval of two low valued offers to compensate for the rejection of the higher-valued contracts, especially when SCE's renewable need at this juncture is not imminent. Instead, the Commission should reject all five Solar Partners PPAs in favor of other offers SCE can procure through its annual request for proposal (RFP) solicitation or Renewable Auction Mechanism (RAM) program. At this point in time, SCE has more renewable offers and renewable procurement tools to choose from than at any other time in RPS program history. Accordingly, SCE should pursue projects that can provide better value to its ratepayers than the Solar Partners PPAs. The Commission should not approve the Rio Mesa 2 and Sonoran West contracts because they are uncompetitive and SCE has no near-term need for these projects. Since the two most cost-effective of the five Solar Partners PPAs are no longer considered viable, DRA recommends that the Commission deny all five of the Solar Partners PPAs: Rio Mesa 1 and 2, Siberia 1 and 2, and Sonoran West.

In the case that the Commission approves the Alternate, DRA strongly recommends that the Commission order SCE to amend the PPAs to include language that would make the development of Sonoran West contingent upon Rio Mesa 2 coming online and not allow Solar Partners to abandon its plan to construct Sonoran West after it has completed Rio Mesa 2. Due to the reverse pricing structure that allows for the more expensive Rio Mesa 2 project to be online before Sonoran West, this is the only logical way for the Commission to ensure that ratepayers actually benefit from the molten salt storage capabilities of the Sonoran West PPA.

CONCLUSION

For the above stated reasons, DRA recommends the Commission reject both the July 20th Draft Resolution and September 11th Alternate Draft Resolution E-4522. Please contact Nika Rogers at nlr@cpuc.ca.gov or 415 703 1529 with any questions about these comments.

/s/ Cynthia Walker

Program Manager
Electricity Planning & Policy Branch
Division of Ratepayer Advocates
California Public Utilities Commission

cc: President Michael Peevey, CPUC
Commissioner Timothy Alan Simon, CPUC
Commissioner Michel Florio, CPUC

[9] September 11th 2012 Alternate Draft Resolution E-4522, page 15.

Commissioner Catherine Sandoval, CPUC
Commissioner Mark Ferron, CPUC
Karen Clopton, Chief Administrative Law Judge, CPUC
Frank Lindh, General Counsel, CPUC
Edward Randolph, Director, CPUC Energy Division
Paul Douglas, CPUC Energy Division
Adam Schultz, CPUC Energy Division
Jason Simon, CPUC Energy Division
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