November 14, 2012

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
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Re: Commercial Solar Solutions Protest of Southern California Edison Company's Advice Letter 2802-E

Commercial Solar Solutions, LLC ("CSS") would like to "Protest" Southern California Edison's ("SCE") decision to select only seven rooftop projects, totaling 10.7 MW in the 2012 Solar Photovoltaic Program ("SPVP") Bid Solicitation. As with all of CSS's comments to the CPUC, CSS appreciates all the hard work from all market participants, including the staff administrators at SCE and the CPUC. Both organizational staffs have been extremely supportive and helpful in the administration of the SPVP Program. CSS's issue is with SCE's policies and decisions towards the Independent Power Producers Group ("IPP") vs. SCE's policies and decisions towards the SCE's Utility Owned Group ("UOG"). While SCE allowed the UOG to take full advantage of the SPVP, installing 22 projects, totaling 65 MWs through December 2011 and making commitments for 110 MWs, SCE's decisions have stifled the development of the SPVP IPP portion of the program; it was instrumental in eliminating the 2011 bid solicitations, reducing the level of opportunity for the IPP and creating an extremely high level of frustration for building owners, investors and rooftop solar developers.

Per SCE, the IPP completed 6.6 MWs of rooftop projects and 12.4 MWs of ground-mounted projects, a total of 19 MWs from the 2010 bid solicitation through October 31, 2012. In comparison, UOG has 85 MWs of rooftop and 25 MWs of ground-mounted solar projects, a total of 110 MWS. If you add the 10.7 MWs selected in the 2012 IPP Bid Solicitation, the level of opportunity for the IPP Group is 29.7 MWs vs. 110 MWs for UOG. How can SCE honestly claim it provided the same level of opportunity to both groups? With economy struggling to create jobs, the IPP can create new employment opportunities today. A one MW project creates approximately 80 jobs. The new jobs benefit everyone. With the money multiplier effect, the newly created projects benefit everyone, even SCE. Ratepayers will have incomes to pay their electrical bills. New jobs create new revenues for the state and for companies other than solar related. It is everyone's responsibility to help create new jobs and construction projects are one of the highest money multipliers available to California's economy. A growing economy benefits everyone in the community. The voters of California have voted for the development of renewable energy. SCE should not create barriers to rooftop solar energy projects.

"...SCE currently plans to build out 110 MW of UOG, comprised of 85 MW of rooftop and 25 MW of ground-mounted solar projects."[1]

[1] SCE's Advice Letter 2724-E Request Regarding UOG Procurement of SCE's Solar Photovoltaic Program, page 2, paragraph 2.

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Is SCE providing the same level of opportunity to IPP compare to the level of opportunity provided to UOG? If reducing the number of projects selected in the 2012 Bid Solicitation saved ratepayers, why did SCE procure 110 MWs under the UOG side of the SPVP prior to the end of 2011? What did the UOG projects cost ratepayers vs. the turned down projects in the 2012 SPVP IPP Bid Solicitation? CSS sees extreme discrimination in SCE's handling of the UOG's procurement and SCE's administration of IPP portion, allowing SCE to capture a premium for UOG projects and preventing IPP projects from developing. The IPP portion of the SPVP is a competitive market approach. UOG portion of the SPVP is a ratepayer give away. SCE has stated in previous communications with the CPUC that SCE has completed their SPVP procurement of projects in less than two years, while the IPP procurement has 6.6 MWs projects completed out of 100 possible rooftop MWs. If the CPUC does the math, it is 6.6% completed by IPP portion vs. 100% completed by UOG portion. It is evident UOG has leveraged its opportunity, while SCE has restricted the opportunity to the IPP, by eliminating the 2011 IPP Bid Solicitation and by selecting only seven projects in the 2012 IPP Bid Solicitation, totally 10.7 MWs.

CSS will comment on the following:

1. Eliminating the 2011 Bid Solicitation.
2. UOG's costs to the ratepayers vs. IPP's costs to ratepayers.
3. SCE's Policies to reduce level of opportunity for IPPs, building owners and investors in the SPVP.
4. Conclusion.

1. Eliminating the 2011 Bid Solicitation for the Benefit of SCE

SCE was successful in eliminating the 2011 Bid Solicitation by submitting its Motion for Modification of Decision 09-06-049 and using the submittal of the motion to curtail the required annual IPP solicitation in 2011. The motion required actions by the CPUC, and based on the workload, the CPUC was unable to respond to all the issues raised by the motion and the process of approving or denying the motion required due process for the benefit of both sides. SCE is aware the CPUC is sensitive to protecting ratepayers; therefore, the motion emphasized the potential savings to ratepayers without any public understanding as to how SCE determined said savings, since the calculations were restricted from public view. Since the publication of SCE's Third Annual Compliance Report on the SPVP, released to the public on July 2, 2012, ratepayers and the public now understand the cost UOG projects. The entire market knew module prices were declining, but the UOG projects were not delayed or restricted. The reimbursements for UOG projects is extremely profitable based on SCE's risk compared to the IPP projects. SCE disclosure of all its actual capital costs are confusing and are not clearly stated. Based on SCE's rate of return ("ROR") of 8.75%, How much profit did SCE make on the 22 completed rooftop projects over two years? How do the ratepayers and the public really understand the UOG's Levelized Cost of Electricity (LCOE) for its projects? Is SCE's profit included in UOG's Levelized Cost of Electricity ("LCOE")? Where does SCE share the profits on the 22 completed rooftop projects? CSS offers SCE a simple method to report UOG's costs to ratepayers. See Exhibit A

The benefit to SCE for delaying the 2011 IPP Bid Solicitation was to reduce the workload on SCE's Interconnection Division, allowing all the UOG projects to be completed without the congestion of all

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the additional IPP projects, if a 2011 Bid Solicitation took place. SCE's Interconnection Division did not have the manpower to process all the applications in the 2010 IPP Bid Solicitation in a timely manner and it took time away from processing and constructing the UOG projects. Just look at the facts, 18 of the 22 UOG rooftop projects were completed in 2011. The 2010 IPP Bid Solicitation had over 248 MWs turned down because SCE's Interconnection Division was overwhelmed with the number of bid offers. They had just enough time to determine what projects qualified for Fast Track. All projects requiring system impact studies were denied due to SCE's inability to conduct a simple study.

"Seventy-nine projects (23 offerors, 248.82 MW) failed one of the following screens...."[2]

In addition, the current FAST TRACK process is based on open circuits on a specific distribution line. SCE allows only 15% of the line's capacity to transmit renewable energy. Therefore, once a project is placed on a specific distribution line, it prevents another project from being able to successfully process the project under FAST TRACK. The second project submitted will require a system impact study, a facilities study with a price tag currently over $75,000 prior to even reaching the bid solicitation. This applies to UOG projects as well as IPP projects. Therefore, cancelling the 2011 IPP Bid Solicitation, SCE gave the UOG the benefit of additional potential open circuits for their projects and reduced the workload on the Interconnection Group, allowing all their interconnections to be completed prior to the end of 2011. Plus, with the additional cost of required studies, SCE has created a financial barrier to entry. Any project requiring a study will not be considered due to the cost of the studies without any certainty of obtaining a power purchase agreement through the solicitation process.

The Independent Evaluator ("IE") for the 2010 Bid Solicitation commented in its report on the difficulties SCE's Interconnection group had processing all the required interconnection applications for the 2010 IPP Bid Solicitation. What was at stake? The Federal Treasury Department's "CASH GRANT" required projects to be started by the end of 2011. The Cash Grant Program is a cash payment from the Department of Treasury for 30% of the project cost within 60 days of commissioning the project vs. tax credits. The program has ended and new projects, such as those under the 2012 Bid Solicitation, must effectively use the tax credits, whereas before, all offerors could use the "CASH GRANT."

Let's be realistic, when does a publicly-traded, investor owned company, especially one with a monopoly, propose something for the exclusive benefit of the ratepayers/customers? If I am not mistaken, currently, SCE is asking the CPUC to approve a return on equity of 11.1%, generating almost one billion dollars in profits for SCE's shareholders. If SCE genuinely wants to save ratepayers money, SCE should follow the Division of Rate Payers Advocates direction and agree to reduce their return on equity to 8.75%, while the unemployment rates are so high and the economy is in a state of recession. SCE should look to reduce operating costs, similar to other publicly-traded companies over the last four years. Other publicly-traded companies maintain their earnings by reducing operating costs. Perhaps SCE should look internally and see how it can cut its operating costs.

"In its current application to the California Public Utilities Commission, Edison is asking for an 11.1 percent return on equity beginning in 2013... If Edison's proposal is adopted at 11.1 percent, it would mean roughly $975 million in profit returned to its shareholders in 2013, Edison confirmed...Edison says

[2] SCE's (U 338-E) Amendment to its Annual Compliance Report on Solar Photovoltaic Program , dated April 4, 2011, page 5, line 12.

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regulations make it risky for the company to stay competitive...SCE's request is slightly higher because we face slightly greater challenges, said Paul Hunt, director of regulatory finance and economics at Edison... Were the PUC to adopt the consumer-advocate's proposal, Hunt said, it would reduce Edison's ability to attract investors with cost-effective prices and attractive terms. Edison also needs to prove to credit-rating agencies that the state regulators care about the utility's survival, Hunt added."[3]

Mr. Hunt knows what he is talking about regarding taking risk and reasonable returns on equity for those risks and he believe the CPUC does not understand SCE's need for more regulatory support. He is making the exact same argument as CSS. CSS want the state regulators to care about the survival of the rooftop solar market. CSS and the IPP need to have competitive prices to attract capital. With SCE rejecting 61 of the 68 buildings, the market believes SCE is not supporting the rooftop solar market. In CSS's offers in the 2012 bid solicitation, our investors offered a price less than any UOG project and CSS's proposed rates produced a return on equity less than 8.75% and CSS's investors are taking more operational risk than the UOG. SCE turned down our offers because SCE said our pricing was too high based on what SCE believes the rates will be next year. It is solid evidence of discrimination towards the IPP. SCE acknowledges the concept of risk and returns and the IPP projects have far more operational risk than the UOG projects; therefore, IPP project pricing should be acceptable to SCE and to ratepayers at rate generating higher returns than 8.75%, UOG's ROR.

2. UOG costs to ratepayers vs. IPP costs to ratepayers

While SCE does not want to compare UOG's LCOE to IPP's LCOE, the comparison is the only way to assess the value offered by UOG vs. IPP to ratepayers. With all the high priced analysis, SCE and the CPUC should be able to determine a clear comparison of the LCOE of both UOG and IPP portions of the SPVP and both LCOEs should include all costs to ratepayers, including SCE's profit.

"LCOE is the average cost of the program per kilowatt-hour to SCE's ratepayers over 20-year depreciable life of the equipment. LCOE is found by dividing the present value of the revenue requirement by the present value of the electricity produced by the system over the life of the program."[4]

The UOG LCOE should not factor in a Time of Use ("TOU"), as a way to discount the UOG LCOE, because a LCOE being discounted by TOU is less than what ratepayers are paying SCE in reimbursements. The IPP LCOE should be the present value of the proposed (rejected 2012 IPP Bids) or accepted kWh rate times the TOU divided by the present value of the electricity produced by the system over the life of the program. TOU should be factored into IPP LCOE because it is what SCE pays the IPP, the cost of electricity to SCE. Once again, CSS offers another simple way for the CPUC and SCE to compare the value of both programs to determine if the rejected 2012 offers were reasonable and acceptable to ratepayers, just compare the CSS's project costs to UOG projects costs, see Exhibit A. CSS is willing to share this information with the ratepayers to demonstrate the cost competitive pricing offered in the 2012 IPP Bid Solicitation. SCE and CPUC know how competitive the 2012 bids were compared to UOG's pricing.

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[3] The Orange County Register, the "Local" Section dated October 25, 2012, page 2.
[4] Alternative Proposed Decision of Commission Bohn, mailed 5/19/2009, Section "Order", Sentence #44.

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What is SCE trying to hide from the public? Is it the true cost of the UOG projects to ratepayers or the tremendous amount of profit SCE has made on UOG projects? Under the IPP portion of the SPVP, the seller pays for all maintenance and operating costs, pays for all pre-development costs, all construction costs, all operating staffing costs, including pensions and benefits for its employees, and all IPPs profits are included in the bid price. The IPP pricing does not have any separate ratepayer reimbursements for maintenance and operations, staffing, including pensions and benefits, miscellaneous expenses and profits. Ratepayers reimburse SCE for all maintenance and operating costs, all staffing costs including benefits and pensions, an 8.75% profit on its expenditures, all roof rents, all miscellaneous expenses and all construction management fees paid to building owners. Based on SCE's published Third Annual Report, were SCE's profits included in the LCOE or stated in the report? Let's look at CSS's comparison of UOG and IPP project costs.

Summary of Utility Owned Projects - SPVP 2012 Annual Report (The numbers below do not include the project under construction Project #44 – 22 completed rooftop and 1 ground- mounted).

SPVP Number	Direct Capital[5]	Generating Capacity	Cost per Watt	Building Owner	LCOE Average $/kWh[6]
001	$12,100,743	2,440,000	$4.96	Prologis	**$0.41**
002	$6,195,212	1,220,000	$5.08	Kennedy	**$0.41**
003	$7,096,560	1,220,000	$5.82	Prologis	**$0.44**
005	$13,138,267	3,400,000	$3.86	Prologis	**$0.31**
006	$9,479,292	2,550,000	$3.72	Prologis	**$0.29**
007	$12,628,417	3,200,000	$3.95	Prologis	**$0.32**
008	$10,945,230	2,850,000	$3.84	Prologis	**$0.30**
009	$5,480,902	1,410,000	$3.89	Prologis	**$0.30**
012	$3,083,269	770,000	$4.00	Prologis	**$0.31**
022	$11,202,878	3,090,000	$3.63	Prologis	**$0.29**
010	$8,570,488	2,250,000	$3.81	Prologis	**$0.31**
016	$7,817,700	1,750,000	$4.47	Prologis	**$0.34**
018	$7,943,790	1,940,000	$4.09	Prologis	**$0.33**
023	$14,376,060	3,860,000	$3.72	Prologis	**$0.31**
026	$32,689,761	8,600,000	$3.80	Prologis	**$0.30**
013	$18,286,536	4,930,000	$3.71	Prologis	**$0.29**
011	$19,381,218	5,020,000	$3.86	Prologis	**$0.30**
033	$5,549,300	1,270,000	$4.37	Kennedy	**$0.34**
017	$17,452,378	4,500,000	$3.88	Prologis	**$0.30**
028	$18,590,053	4,860,000	$3.83	Prologis	**$0.30**

[5] SCE's Third Annual Compliance Report on the Solar Photovoltaic Program, Attachment A.
[6] SCE's Third Annual Compliance Report on the Solar Photovoltaic Program, Attachment B.

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015	$9,247,611	2,250,000	$4.11	Prologis	**$0.32**
032	$5,951,539	1,710,000	$3.48	Kennedy	**$0.28**
	$257,207,204	**65,090,000**	**$3.95**		

Since CSS does not have access to SCE's other capitalized expenses, operating costs, staffing costs or profits from the 22 solar projects installed, CSS is relying on information provided by SCE in various documents submitted to the CPUC, such as SCE's Solar Photovoltaic Program Testimony, dated March 27, 2008, Decision Addressing a Solar Photovoltaic Program for Southern California Edison by ALJ EBKE, March 13, 2009, Alternative Proposed Decision of Commissioner Bohn, dated June 18, 2009, a Press Release by the CPUC, dated June 18, 2009 and SCE's Third Annual Compliance Report, dated July 2, 2012.

"...Southern California Edison Company (SCE) proposes the Solar Photovoltaic (PV) Program, an aggressive program to develop up to 250 Megawatts (MW) of utility-owned Solar PV generating facilities ranging in size from 1 to 2 MW each. (No mention of ground-mounted systems.) This program is targeted at the vast untapped resource of commercial and industrial rooftop space in SCE's service territory. (No mention of ground-mounted systems.) It will aggressively bridge the gap between small and large scale solar installations.... If the program is successful, SCE may seek additional authority to expand the program to 500 MW."[7]

"...SCE is uniquely qualified to develop this market sector...SCE's strong balance sheet, institutional expertise, and SCE's long history of Solar 'Firsts' makes it a logical candidate to pioneer innovations in the untapped industrial and commercial rooftop market through this program."[8]

"...an estimate of annual O&M costs, including the rooftop lease for a 1 MW Solar PV project of $28,000 (2008 $). The Solar PV Program would add up to 50 such projects each year, increasing O&M by $700,000 per year."[9]

Based on this information, SCE has 65 MW installed at $28,000 per year. The O&M for 65 MW is approximately $1,820,000 per year times 20 years (with no inflationary factor) = $36,400,000 to be paid by ratepayers not included in SCE Direct Capital Cost above. In the SCE's Third Annual Compliance Report, the O&M costs seem to be higher than originally estimated in SCE's May 2008 Testimony.

2012 SPVP Annual Report, Attachment B

Site	O&M
01	$3,679,000
02	$1,868,000
03	$1,868,000
05	$5,263,000
06	$3,947,000
07	$4,954,000
08	$4,412,000

[7] SCE's Solar Photovoltaic (PV) Program Testimony, dated March 27, 2008, page 1, paragraph 1.
[8] SCE's Solar Photovoltaic (PV) Program Testimony, dated March 27, 2008, page 2, paragraph 2.
[9] SCE's Solar Photovoltaic (PV) Program Testimony, dated March 27, 2008, page 45, paragraph 2

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09	$2,183,000
10	$3,483,000
11	$7,470,000
12	$1,192,000
13	$7,336,000
15	$3,345,000
16	$2,709,000
17	$6,692,000
18	$3,003,000
22	$4,783,000
23	$5,975,000
26	$13,313,00
28	$7,232,000
32	$2,545,000
33	$1,893,000
Total	$99,145,000

The estimated O&M cost for 22 completed projects by SCE is $99,145,000. These costs are included in the IPP Bid Pricing. Does SCE receive its 8.75% profit on this $100 million of O&M expenses?

"The annual staffing costs are estimated at about $1.4 million per year."[10]

This might be hard to figure out since SCE is effectively trying to eliminate the program from further development, but Program Labor is estimated by SCE to be $10,114,600[11] through the first seven years, just on the UOG side of the SPVP. How much staff labor is required from years 8 through 20, including benefits and pensions, say $500,000 per year times 13 years = $6.5 million. CSS is not an expert on SCE's staffing cost for years 8 – 20, but CSS needs to at least put a number out for discussion. Miscellaneous Expenses are estimated by SCE at $1,521,900[12] for the first seven years. What are miscellaneous expenses for years 8 through 20? When you add $10.114 million to $6.5 million, the estimated staffing cost for twenty years is $16.614 million. Is the annual staffing cost for twenty years and profits included in SCE's stated LCOE in SCE's Third Annual Compliance Report - attachment B?

"SCE argued that the SPVP is less expensive both from the ratepayer perspective and the societal perspective. From the societal perspective, SCE compares the $3.50/W cost target of the SPVP with the $6.78/W historic CSI average installed cost for projects of comparable size and arrives at the conclusion that the SPVP provides a 48% savings over CSI projects. For comparing costs from a ratepayer perspective, SCE uses TURN's calculations of the CSI direct subsidy payment and Net Energy Metering (NEM) subsidy, and arrives at CSI subsidy payment of $2.38/W and a NEM subsidy of $2.45/W. Subtracting the CSI and NEM subsidies from the total installed cost of $6.78/W for a typical large CSI project, SCE arrives at a total customer

[10] Alternative Proposed Decision of Commissioner Bohn, dated June 18, 2009, section 3.1, paragraph 3.
[11] SCE's Third Annual Compliance Report, Dated July 2, 2012, attachment B, Expense Table.
[12] SCE's Third Annual Compliance Report, Dated July 2, 2012, attachment B, Expense Table.

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cost of $1.95/W. Subtracting this customer cost from the societal savings of $3.28/W, SCE stated that SPVP saved ratepayers $1.33/W compared with the CSI program."[13]

Interesting how SCE can justify virtually anything. It reminds me of the saying, "Figures never lie, just Figurers." When you compare apples to oranges, you will always create large differences, and in SCE's situation, large savings. What happened to the societal savings concept? It is based on your motivations and what you are trying to prove. When SCE wanted the SPVP program in its May 2008 Testimony, SCE compared the SPVP to the CSI Program and the projects sizes were comparable. When SCE wanted to justify reducing the size of the SPVP program, SCE did a private comparison of the SPVP with larger projects, bid pricing associated with five 20 MW projects. Plus, the world solar module prices were down when the larger projects made their bids. Of course, doing 100 MWs is going to be more cost effective than a 1 to 2 MW project, especially when one does not include right-of-way costs, transmission and substation upgrades, market prices of equipment purchased at different points in time and the smaller projects include all their interconnection costs.

"The benefits of the SPVP as a large, wholesale power option include the fact that generation can be located near load, without the need to build new transmission facilities while also potentially servicing to reduce local congestion and line losses. Transmission costs and line losses associated with RPS projects can be considerable. As an example, the Commission recently approved the Sunrise transmission line, with an expected cost of $1.883 billion (D.08-12-058, pg. 293), which is anticipated to allow for development of up to 1900 MW of renewable resources... or roughly $1/W just for the transmission to access the renewable resources. The SPVP program will also result in the immediate construction of new renewable resources, rather than waiting years for the completion of transmission upgrades, which is too often the case with RPS resources."[14]

In SCE's Third Annual Compliance Report the cost of the distribution upgrade was $8,938,000 for SPVP Project Number 045. This project under the IPP portion would never be accepted. The network distribution cost is summarized in attachment D, SPVP Project Number 045. Once again, this is an example of SCE's decision on a UOG project vs. their policies and decisions on IPP projects.

UOG installations have taken less than two years to complete, but CSS submitted projects in January 2010 and are now waiting until July 2013 to compete on another bid solicitation. If CSS is fortune to wind a portion of the 2013 Bid Solicitation, with 18 months to complete, CSS is looking at completing the development December 2014, five years after initial interconnection application. Under the IPP, projects are taking three to four years and longer for the installations, especially when SCE limits the annual procurement to 10.7 MWs. This is a passively aggressive method of eliminating the program. We are going to find in the future, SCE will request to extend the program past five years or request to eliminate the SPVP because IPP were unable to complete their projects within the five years.

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[13] Alternative Proposed Decision of Commissioner Bohn, dated June 18, 2009, section 4.3.1, paragraph 1
[14] Alternative Proposed Decision of Commissioner Bohn, dated June 18, 2009, section 4.3.3, paragraph3.

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"SCE alleges that cutting the program in half would almost double the cost from \$3.50/W to \$6.49/W."[15]

Therefore, why did SCE propose a Petition to Modify the program, cutting the program in half? Once again, the issue is that CPUC cannot believe everything SCE states in its advice letters because SCE constantly changes its views based on its motivations. SCE's advice letters have many inconsistencies. SCE statements sound factual, but are merely the writer's opinion and not supported by field experts' testimonies. It reminds me of the political process. The facts are always changing, depending on the motivations and who benefits from the policy or decision.

SCE's Application states that "SCE envisions the individual Solar PV Program installations to be in the 1 to 2 MW range. As the program proceeds, however, some installations may be larger or smaller than this range due to the roof size or circuit loading."[16]

The purpose of providing quotes from earlier SCE Testimony is to ask: Was SCE wrong in 2008 and 2009? SCE had a long history of being the expert in solar. Why are those statements made by SCE in 2008 and in 2009 wrong, today? If SCE was wrong, in 2008 and in 2009, CSS is certain they are wrong in 2012, when SCE states:

"... the LCOE does not provide a meaningful guide by which to compare UOG projects with IPP projects."[17]

It is best and probably the only way to compare projects. Let's look into calculating UOG's actual LCOE on its projects based on ratepayers' reimbursements to UOG. CSS believes calculating UOG's LCOE will provide insight into the value of those projects paid by ratepayers vs. value of the proposed projects rejected by SCE in the 2012 IPP Bid Solicitation.

Direct Capital Cost (stated above) plus Operations & Maintenance, plus Staffing, plus profit of 8.75%: (22 completed Projects per SCE's Third Annual Compliance Report – 65 MWs)

Direct Capital Cost	**\$257,207,204**	
O&M	**\$ 99,145,000**	**(assumes staffing and expenses for 20 years)**
Profit – 8.75%	**\$ 22,505,603**	**(assumes profit is not paid on O&M expenses)**

Total – Cost/watt \$378,857,807 based on total watts (DC) installed = \$5.82/watt (\$378,857,807 divided by 65,090,000 watts = \$5.82/watts. CSS's total all in price was \$3.22 per watt including; O&M, Staffing and Profit, see exhibit A.)

If the CPUC includes all SCE's costs to ratepayers, what is the real UOG LCOE? CSS estimates UOG's LCOE is over \$.40 per kWh. CSS does represent this quick summary is 100% correct. This snapshot summary is to stimulate an honest discussion of UOG's true LCOE and to compare it to the rejected offers in the 2012 IPP bid solicitation. CSS would like SCE to provide more accurate and an

[15] Alternative Proposed Decision of Commissioner Bohn, dated June 18, 2009, section 4.5, paragraph 5.
[16] Alternative Proposed Decision of Commissioner Bohn, dated June 18, 2009, Section Order, paragraph 5.
[17] SCE's Third Annual Compliance Report on the Solar Photovoltaic Program, dated July 2, 2012, section B, paragraph 2.

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easier summary of UOG's LCOE. With this information the CPUC can compare the UOG portion and the IPP portion to determine, if the rejected bids from the 2012 IPP solicitation were justified by SCE or has SCE applied two set of policies and standards, favoring UOG over IPP at the expense of the ratepayers.

Commercial Solar Solutions, LLC submitted six rooftop projects with PPA pricing between $.14 to $.145 per kWh with the TOU factors, the rate is $.14 times 1.35 = $.189/kWh and $1.45 times 1.35 = $.196. All six rooftop projects, three under the name of Commercial Solar Solutions, LLC and three as a joint development partner with Samsung C&T America, Inc, saved ratepayers compared to the average UOG LCOE, but CSS's offers and other similar IPP offers were rejected by SCE. This should not be acceptable to the CPUC or ratepayers.

"The adopted SPVP will allow the Commission to compare and contrast the UOG portion of the program with the PPA portion of the program."[18]

If SCE had procured 60 MWs in the 2012 IPP Bid Solicitation, potentially 4800 jobs (80 jobs for a one MW project) and CSS was not selected due its non-competitive pricing, CSS would have no issues with SCE's administration of the SPVP, but by purchasing only 7 of 68 projects, totaling 10.7 MWs when the UOG has 110 MWs, it looks and feels like discrimination towards the IPP group, especially when you look at UOG aggressive procurement of rooftop solar projects. In addition, the competitive IPP market offers pricing 50% below the UOG pricing, based on LCOE. The Commission is urged to take action on behalf of the ratepayers. The Commission should be working with SCE to provide the same level of opportunity extended to UOG, producing 22 rooftop projects, totaling 85 MWs in two years vs. 10 total rooftop projects totaling 17.3 MWs (6.6MWs + 10.7MWs) over four years, if you factor in project completion. Therefore, if the math is correct, SCE has 85 rooftop MWs completed on the UOG portion and the IPP portion will have only 17.3 rooftop MWs completed in four years. In addition, the UOG is communicating to the CPUC, they have completed all the projects and want to stop procuring projects at 110 MWs. In other words, UOG is 100% completed on all their SPVP projects in two years under the and the IPP portion is not even close to using up its allocation.

Clean Coalition's Comments on Southern California Edison's Petition for Modification of Decision 12-02-035, dated August 24, 2012, is completely correct and provides the CPUC with similar views of SCE's actions, as SPVP administrator.

SCE should allow the IPP to catch up with the UOG based on the issues raised and the guidelines provided by Commissioner Bohn's Decision. In the Decision by Commissioner Bohn, the Commissioner stated:

"SCE shall issue competitive RFOs at least once per year. The RFOs shall seek to procure approximately 20% of the 250 MW each year. The 20% is a guideline only, and is meant to merely ensure that **annually** the same level of opportunity is provided for IPP project solicitation as the UOG portion."[19]

[18] Alternative Proposed Decision of Commissioner Bohn, dated June 18, 2009, section 9, paragraph 11.
[19] Alternative Proposed Decision of Commissioner Bohn, dated June 18, 2009, section 4.5, paragraph 16.

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"The programs which encourage development of solar energy facilities have left a gap in the one to two MW solar energy market."[20]

SCE seems not to understand the word annual. It is very clear. SCE be conducting annual bid solicitation and providing equal opportunity on an annual basis.

3. SCE's Policies to reduce level of opportunity for IPPs, building owners and investors in the SPVP

SCE, as the administrator of the program, is required to follow the guidelines of the CPUC, to have annual RFOs and to provide the same level of opportunity afforded to UOG. As discussed earlier, SCE did not conduct a 2011 Bid Solicitation and went from April 2010 to March 2012 without offering an RFO. By not having a 2011 Bid Solicitation, SCE, as Administrator, is not in compliance with Commissioner Bohn's Decision to provide equal opportunity. SCE should be procuring at least 60 MWs in order to make up for the lost opportunity. Plus, based on lessons learned from the 2010 Bid Solicitation, SCE should understand the need to procure more versus less due to the potential of projects dropping out prior to completion. SCE contracted for 50.8 MWs in 2010 and only has 19 MWs completed or active with a large percentage of the total being ground-mounted projects (12.4 MW of the 19 MWs), which were never a focal point in the program's creation. Of the 34.1 MWs of projects, only three rooftop projects were completed, totaling 6.6 MWs. Commercial Solar Solution's Project, SS San Antonio West, LLC, a 1.87 MW project, was one of the three completed rooftop projects selected in the 2010 Bid Solicitation.

Since the UOG has 85 MWs of rooftop projects through 2012 and the IPP portion has completed 6.6 MWs through 2012, SCE adds only 10.7 MWs of rooftop projects in the 2012 IPP Bid Solicitation. This is a genuine problem and mismanagement of the SPVP. SCE should be procuring additional rooftop solar projects in an honest effort to comply with the program's guidelines of ensuring the same level of opportunity to the IPP portion. Let's be fair. Do the facts show equal opportunity towards the IPP group vs. what has been allowed for the UOG? CSS sees the UOG completing as many projects as they want, as fast as they can at ratepayers expense and SCE doing everything possible to restrict the development of IPP projects at ratepayer's expense. If CSS was getting paid for every rooftop solar project it developed, getting paid for all pre-development costs, getting paid for all O&M expenses, getting paid for all staffing costs including benefits and pensions and getting a rate of return of 8.75%, CSS would be developing as many projects as physically possible, rooftop or ground-mounted, exactly what UOG did. Why didn't SCE hold back UOG's procurement of projects based on the belief rooftop solar project costs will be declining in the future, allowing SCE to pass on those savings to ratepayers? Who are we kidding? Who is actually buying this story?

Let's take a moment to summarize the frustration and inefficiency of the IPP program. In the 2010 IPP Bid Solicitation 79 individual projects failed the FAST TRACK process, totaling 248 MWs. CSS had three projects, totaling 5.5 MWs, fail. CSS's initial applications were filed on January 29, 2010, two months before the kickoff of the 2010 IPP Bid Solicitation and five months before our projects had to complete the Interconnection process. As previously stated, due to the tremendous number of offers, only the FAST TRACK projects were able to satisfy the bid requirement of having their interconnection

[20] Alternative Proposed Decision of Commissioner Bohn, dated June 18, 2009, section 9, paragraph 3.

reviewed and accepted for grid connection. CSS and Samsung C&T America went forward with the required System Impact Studies, completed in December 2010. Our projects continued the interconnection process and completed the Facilities Studies in early 2011. Our studies were completed in time to submit bids in April 2011, if the 2011 Annual IPP Bid Solicitation took place, but SCE did not want to hold a 2011 Bid Solicitation until it had its modification accepted. SCE was not forced to hold off the 2011 Bid Solicitation, they used the modification as an excuse not to hold the 2011 bid solicitation. Meanwhile, as mentioned before, SCE completed the interconnection of 19 rooftop solar projects under the UOG. CSS's investors now have over $150,000 invested in the interconnection process and two years of time spend waiting for SCE to hold its next Bid Solicitation in mid 2013. The building owner, a large life insurance company, is wondering why it is taking so long to install the rooftop solar projects. This building owner, like the other building owners participating in the SPVP, owns over a billion dollars of real estate in the SCE service territory and is a probably one of SCE's largest customers. This major building owner is, understandably, frustrated with the lack of support for the IPP from SCE. Our investors are concerned SCE is motivated to drag out the entire program by constantly delaying the process by chipping away at the program's size and constantly changing the playing rules and policies. They want their $150,000 investment back because of the delays and the lack of support from SCE.

Even SCE argues that the delay they created by submitting their petition for modification damaged their ability to find new rooftop projects and to retain the projects they had lined up.

"This change in SCE's commitments is largely due to the passage of time since SCE filed its February 2011 petition for modification, during which time sites were lost due to site specific technical considerations rendering them unsuitable for the program, the use of lower cost panels with lower output (resulting in fewer MW on existing roofs) and the delay in the CPUC's decision on SCE's petition for modification, which impacted the procurement of new replacement sites."[21]

This story is the same for all the IPP projects rejected by SCE in the 2012 Bid Solicitation. The building owners feel SCE is playing regulatory games to frustrate and delay the program for the IPP. What is the next step? SCE had 68 rooftop projects submitted and selected seven from three bidders. The rejected projects must start all over again, withdrawing their interconnection agreements because how can you justify to your investor to pay over $200,000 in interconnection fees prior to obtaining a Power Purchase Agreement? By the way, SCE's interconnection group processed 68 interconnection applications and only seven agreements will be signed and submitted to FERC for approval. SCE's interconnection group will have the task of reprocessing all the rejected applications, a complete waste of valuable resources in SCE's Interconnection Group. With processes like this, it's no wonder SCE needs to ask the Commission for a rate increase to its ratepayers. This might be one example of how SCE might be able to cut its operating cost, by simply accepting a reasonable and justifiable number of low cost rooftop projects vs. rejecting all but seven projects. What is the cost to process over 60 interconnection applications again and again?

I know SCE understands, but the Commission should understand that we have approximately 30 building owners with buildings large enough to cost-effectively develop rooftop solar systems. As discussed in SCE's May 2008 Testimony, it takes approximately 300,000 sf to develop a one MW rooftop

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[21] SCE's Advice Letter 2724-E, dated May 1, 2012, page 2, paragraph 2.

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power generating facility. At $75 per square foot, the market value of this type of building is $22.5 million. A 600,000 sf building has a market value of $45 million. As these values indicate, potential rooftop sites are controlled by large life insurance companies, large private building owners and large REITs. The number of potential building owners willing to participate is small, especially when half the owners refuse to place solar modules on their roofs, based on receiving $20,000 per year. The risk is far greater than the benefits to the building owner. Since 2008, UOG secured only three building owners, Prologis, Kennedy & Associates and Dexus, and Prologis is now participating in the IPP portion. This is why SCE is not aggressively pursuing its 125 MW allocation. SCE is unable to find efficient rooftop sites. Most building owners do not want to enter into an agreement with so much uncertainty. Why would they agree to get tied up in a rooftop agreement for three to four years with no assurance of anything happening with a revenue potential of only $20,000 per MW per year? Honestly, $20,000 per year is less than their annual water bill. Therefore, every rejected offer creates a frustrated building owner. SPVP will lose 3 to 20 potential rooftop sites with every rejected offer. Why is SCE putting these buildings owners and solar developers into such an aggravating scenario?

As a footnote, UOG pays building owners a construction management fee as an additional incentive to their rooftop rents, since the rooftop rents are capped by the CPUC. It might be prudent for the CPUC to look into how much money SCE paid to building owners for construction management fees. The question is, does this additional incentive constitute an "in lieu of rent" fee? If SCE paid building owners a 3% construction management fee, the total construction management fees paid by SCE to building owners would be approximately $8,368,116 for its 20 rooftop projects, one still under-construction ($278,937,204 times 3%), plus SCE charged ratepayers approximately $1.4 million a year for staffing. CSS believes if SCE did not pay building owners a construction management fee on each project, SCE would not have been able to secure these projects. Once again, ratepayers are paying people at SCE to watch over building owners who are watching over EPCs to build out SCE's rooftop projects. It reminds me of watching a road construction crew: three guys watching, two guys working. This is perhaps another example of how SCE might be able to reduce its operating costs vs. asking ratepayers for more money.

Last, but not least, if SCE was granted the right to collect an 8.75% ROR on its Direct Capital Cost (assuming they are not getting 8.75% ROR on O&M, staffing, employee benefits, and pensions), SCE received $24,407,005 ($278,937,204 x 8.75%) in profits on the 22 completed projects and 1 in the final stages of completion from ratepayers. This does not even include the profit on the ground mounted projects. Once again, SCE would be developing more UOG projects, if they could find more suitable rooftops, but building owners have made their decisions and would prefer to do business with the IPP. To verify, look at the number of offers submitted in the 2010 and 2012 IPP Bid Solicitations. It is almost like SCE wants to get out of the SPVP before the ratepayers figure out the premium they paid SCE based on full reimbursement of UOG vs. IPP, a price based on market competition.

4. Conclusion:

CSS believe SCE has restricted and stifled the IPP portion of the SPVP by not conducting an annual solicitation in 2011 and by selecting only 7 projects, totally 10.7 MWs in the 2012 bid solicitation, while SCE has leveraged the opportunity for the UOG portion of the SPVP. As a stakeholder, the discrimination and unreasonable administration of the SPVP IPP portion is

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passively aggressive behavior and simply unfair. SCE actions are not in compliance with the CPUC's SPVP stated guidelines. SCE's policies and decisions towards the IPP Group should be corrected by the CPUC, ordering SCE to procure additional projects from this year's solicitation. It is the CPUC's responsibility to regulate SCE's actions and to assure all parties are treated fairly. The CPUC should insist SCE provide complete and detailed cost summaries to the public of all its reimbursed costs and expenses associated with its projects. The belief that future project pricing will be lower in the solar market did not slow down the UOG's procurement of projects.

What are UOG's Direct Capital Costs? These costs should be detailed through a line by line summary, similar to how IPPs budget their costs. (See Exhibit A.) How much did they pay building owners to secure their rooftops with construction management fees? Is the CPUC comfortable with ratepayers paying SCE to pay building owners construction management fees to manage SCE's rooftop installation when SCE is asking for $1.4 million in annual staffing costs? The ratepayers should at least know how much was paid to UOG projects. Transparency is the only way to equitably judge the administration of a billion dollar program paid by ratepayers. It is the only way to maintain the integrity of the program and to make sure ratepayers understand the costs they are reimbursing.

CSS believes the CPUC should accept the current projects and go back to the other bidders and increase the total MWs selected from 10.7 MWs to 60 MWs, based on not conducting a 2011 Bid Solicitation and based on providing the same level of opportunity provided to UOG. CSS does not see any restrictions on the number of projects UOG completed. Who knows for sure what is going to impact solar project costs in the future? If tax incentives are rescinded, prices would go up. If the import duties on Chinese modules are increased, prices would increase. If China consolidates its manufacturing, prices might go up. If many module companies go out of business, prices might rise. If an over-supply of modules decline, prices will rise. If additional demand in other countries increases, prices will rise. If investors' Internal Rate of Returns increases, due to inflationary factors, pricing will go up. CSS has shown inconsistencies with previous SCE's statements. Their views change based on their internal motivations. SCE does not want anymore rooftop solar projects, but just look at the costs of San Onofre nuclear power plant and the public should understand the true value of solar. What has been the additional cost of purchasing power to offset the loss of power generated from San Onofre?

The Orange County Register reported in the November 2, 2012 edition:

"Costs from problems at the shuttered San Onofre nuclear plant have topped $317 million -$221 million for energy replacement through September 2012".

While prices are low, the SCE should be aggressively procuring rooftop solar projects. The fact is every possible project UOG could find was completed. The questions ratepayers should be asking is; what is the marginal cost of power, especially during peak hours, during the peak season? This is how the ratepayers will save money with rooftop solar projects.

The last point CSS would like to make to the CPUC regarding SCE's leveraging of the SPVP is the operational risk of UOG vs. IPP Group. UOG takes no operational risk for how their

projects perform. Under the IPP portion of the SPVP, the IPP group receives monthly revenues based on the MWhs their projects produce, while SCE receives all its reimbursements upfront from ratepayers. This is a major area of risk over 20 years for the IPP Group and SCE has no risk. The IPPs should be receiving a higher rate of return than the 8.75% SCE is receiving, since the IPP's risk is significantly higher. Once again, the treatment of the IPP Group is completely different than the treatment of UOG. CSS's investors would enjoy a guaranteed rate of return of 8.75% upfront based on our costs vs. counting on the performance of the solar project over 20 years. The commercial rooftop solar power generating market is fighting for survival. SCE selected only 7 rooftop projects over the last 30 months. This is unreasonable and unfair to ratepayers, investors, building owners, solar developers, module manufacturers, racking manufacturers, electrical subcontractors, roofing subcontractors, engineering procurement contractors, concrete workers, racking installers, architects, civil engineers, landscapers and all the other parties participating in the rooftop solar industry. All these groups has worked extremely hard preparing for the SPVP Bid Solicitation and SCE is denying all these groups employment opportunities. These businesses face many challenges as the solar market continues to change. Many groups were counting on SCE's SPVP to help their business make it through these tough times. It is a shame, how SCE has treated these groups by rejecting cost competitive bids based on the belief, prices will be lower next year. This belief did not stop SCE's UOG from procuring rooftop solar projects. CSS is taking the risk of challenging SCE's decision to procure only seven rooftop solar projects for the benefit of all the groups mentioned and all the other groups not mentioned, but is negatively impacted by SCE's lack of community leadership in this time of recession when these groups need employment opportunities. CSS is hopeful; the CPUC will encourage SCE's to immediate take actions to correct its policies and decisions towards the IPP.

Sincerely,

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949-326-3724
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cc: Akbar Jazayeri
Karyn Gansecki
Claire Torchia
Service List: A. 08-03-015
Service List: R. 11-05-005

Attachments:

Exhibit A – Summary of Project Cost CSS vs. UOG
Exhibit B – Orange County Register Article – San Onofre Power Facility
Exhibit C - Orange County Register Article – Edison's Rate Increase Request

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	Exhibit A				
Project Name	IPP			UOG	
Rooftop Solar Generating Power Facility					
Total Cost Summary					
Total DC Capacity (Watts)	**1,353,600**			**65,090,000 watts**	
Total Annual Production (kWh)	**2,179**				
		Cost	**% of**		
	Total Cost	**per Watt**	**Total Cost**	**UOG**	**per Watt**
Module, Inverter & Racking Pricing	$2,146,520	$1.59	49.3%		
Including Sales Tax, Delivery Cost & Import Tariff					
Electrical and Racking Installation	$843,109	$0.62	19.4%		
Including Subcontractors Interconnection Work					
EPC Costs	$709,788	$0.52	16.3%		
Includes General Conditions, Safety and Profits					
SCE's Charges for Interconnection Costs	$310,000	$0.23	7.1%		
SCE's Costs to Project including ITCC					
Telemetry	$100,000	$0.07	2.3%		
Includes CAISO and SCE Requirements					
Sub-Total	**$4,109,417**	**$3.04**	94.3%		
Development or Construction Mgt Cost - 3%	$123,283	$0.09	2.8%		
Contingency Account - 3%	$123,283	$0.09	2.8%		
Total IPP Costs	**$4,355,982**	**$3.22**		**$257,207,204**	**$3.95**
Operations & Maintenance Costs	**Included in IPP's Bid Price**			**$99,145,000**	**$1.52**
Including Washing, Inverter Maintenance, Rooftop Lease,					
Insurance and Roof Maintenance.					
Staffing Costs	**Included in IPP's Bid Price**			**Included in O&M**	
Including Benefits and Pensions					
Profits - 8.75%	**Included in IPP's Bid Price**			**$22,505,603**	**$0.35**
Total Cost of UOG Rooftop Solar Facilities				**$378,857,807**	**$5.82**
(What Does UOG's Direct Capital Costs include???)					
***Note Combining the equipment and installation pricing, it allows the publication of the					
pricing without violating any confidentially agreements. It is impossible to					
determine the exact price of each item when you combine the pricing.					

Exhibit B

THE ORANGE COUNTY
REGISTER
PRICE: 75 CENTS • FRIDAY, NOV. 2, 2012 • OCREGISTER.COM

Plant costs top $317 million

Costs from problems at the shuttered San Onofre nuclear plant have topped $317 million – $221 million for energy replacement through September and $96 million for repair and inspection costs, according to a quarterly Edison International report released Thursday. **News 10**

San Onofre outage costs: $317 million

Costs connected with problems at the shuttered San Onofre nuclear plant so far have topped $317 million, mostly for the purchase of replacement power, according to a quarterly report from Edison International released Thursday.

PAT BRENNAN
REGISTER WRITER

The company, parent of plant operator Southern California Edison, said replacement power costs through September were $221 million, and repair and inspection costs $96 million. The replacement power cost takes into account what would have been spent on nuclear fuel.

Both of San Onofre's nuclear reactors have been shut down since January. The Unit 2 reactor was taken offline for routine maintenance, and on Jan. 31, a small leak of radioactive gas prompted the shutdown of Unit 3.

Inspections revealed unexpected wear in steam generator tubes in both reactor units, although the problems were more extensive in Unit 3.

The troubles were traced to design flaws in the four steam generators, two for each reactor, replaced in a $670 million operation between 2009 and early 2011.

Last month, Edison proposed starting the Unit 2 reactor at 70 percent power to eliminate the vibrations believed to have caused the troublesome tube wear.

The Nuclear Regulatory Commission said it could take months to review the plan before deciding whether to approve it.

No plans have been put forward for Unit 3.

Edison Chairman Ted Craver told investors in a conference call Thursday that it was unclear whether the plant could be restored to full power and that "complete replacement of the steam generators would take some years."

The Edison report also said that in June, the company submitted an invoice to Mitsubishi Heavy Industries, the manufacturer of the steam generators, for $45 million in steam generator-repair costs.

On Oct. 25, the California Public Utilities Commission voted to investigate the problems at San Onofre and whether customer rates should be adjusted to reflect the long-term outage. The panel will also consider whether Edison customers should receive a rate reduction or rebate for costs related to installation of the steam generators.

CONTACT THE WRITER:
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Exhibit C

O.C. WATCHDOG

Panel calls Edison's rate request for 2013 'out of line'

Utility says 'slightly greater challenges' make it harder for company to stay competitive in California.

By LAURA BARRON-LOPEZ
THE ORANGE COUNTY REGISTER

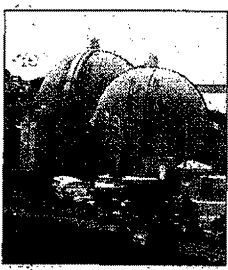
How much profit should Southern California Edison be allowed to earn on its investment?

In its current application to the California Public Utilities Commission, Edison is asking for an 11.1 percent return on equity beginning in 2013, a decrease from the current rate of 11.5 percent, according to documents filed with the commission.

Mark Pocta, a program manager with the Division of Ratepayer Advocates, an independent branch of the PUC, said his group believes that rate is still too high and among U.S. utilities is one of the highest rate of returns in the nation.

If Edison's proposal is adopted at 11.1 percent, it would mean roughly $975 million in profit returned to its shareholders in 2013, Edison confirmed.

In its report to the PUC, the consumer-advocate group included a survey charting other utilities' rates of return. In the nearby states of Arizona, Oregon and Washington, the returns on investment for Portland General Electric, Pinnacle West Capital Corp. and Avista Corp. all were 9 percent.



THE REGISTER
San Onofre nuclear power plant.

"They are out of line with today's market and extremely excessive," Pocta said. "We recommended a rate of 8.75

Meeting today

• The California Public Utilities Commission is scheduled to meet today in Irvine to decide whether to conduct an investigation of the monthslong power outage at Southern California Edison's San Onofre Nuclear Generating Station and whether the outage should result in a rebate to consumers.

• A proposed decision on Edison's cost-of-capital case is expected before the end of November.

More on San Onofre

It's one of seven sites that will take part in a nationwide study of cancer risk for people living near nuclear facilities.
Story on Local 12

Edison says regulations in California make it risky for the company to stay competitive.

"SCE's request is slightly higher because we face slightly greater challenges," said Paul Hunt, director of regulatory finance and economics at Edison. "SCE's request is very similar to the requests made by the other investor-owned utilities in California (11 percent for Pacific Gas and Electric and 10.9 percent for San Diego Gas and Electric)."

Edison says that, unlike PG&E and SDG&E, it is only an electric utility, has the largest infrastructure investment program and the highest capital needs, and generates less of its own power, putting it more at the risk of fluctuating market prices.

"SCE is in the middle of a multiyear project to expand and strengthen its power grid to continue serving its customers reliably," Hunt said. "These projects require SCE to raise much more money than other utilities."

Were the PUC to adopt the consumer-advocate's proposal, Hunt said, it would reduce Edison's ability to attract investors with cost-effective prices and attractive terms. Edison also needs to prove to credit-rating agencies that state regulators care about the utility's survival, Hunt added.

But Pocta said Edison has protections that utilities in other states don't, including a guarantee that it can recover 100 percent of the cost of any power it has to purchase.

The consumer advocate's proposal of 8.75 percent, Pocta said, would save customers $200 million annually. Even a reduction to 10 percent would save customers $100 million annually, he said.

Read more about Southern California Edison and the California Public Utilities Commission at **ocregister.com/watchdogblog.**

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