

DIGEST

Res E-4559: Southern California Edison Company requests approval of four amended and restated renewable power purchase agreements (A&R PPAs) with Central Antelope Dry Ranch C, LLC; North Lancaster Ranch, LLC; Sierra Solar Greenworks, LLC, and American Solar Greenworks, LLC (Silverado Power).

Pursuant to Public Utilities Code Section 311(e), this is the digest of the substantive differences between the proposed resolution of Energy Division (mailed on November 1, 2013), and the alternate proposed resolution of President Michael Peevey.

- The Original Resolution denies approval of the four amended and restated renewable power purchase agreements.**
- The Alternate Resolution of Michael R. Peevey approves the four amended and restated renewable power purchase agreements based on their cost and value competitiveness when compared to competing offers from SCE's RAM 2 auction, directs the developer, Silverado Power, LLC, to pay for all costs related to transmission or distribution upgrades for the A&R PPAs, moves the commercial online dates for the four A&R PPAs out into the future, and denies SCE's request to count the capacity of the A&R PPAs towards its RAM compliance obligation.**

(END OF DIGEST)

ALTERNATE REDACTED DRAFT RESOLUTION

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Alt. AGENDA ID #12565

Alternate to AGENDA I.D. #12369

ENERGY DIVISION

RESOLUTION E-4559

December 19, 2013

ALTERNATE RESOLUTION

Alternate Resolution E-4559. Southern California Edison Company requests approval of four amended and restated renewable power purchase agreements with Central Antelope Dry Ranch C, LLC; North Lancaster Ranch, LLC; Sierra Solar Greenworks, LLC, and American Solar Greenworks, LLC (Silverado Power).

PROPOSED OUTCOME: This Resolution approves cost recovery for four Southern California Edison Company amended and restated renewable power purchase agreements with Silverado Power, LLC.

SAFETY CONSIDERATIONS: The Amended and Restated Silverado PPAs are between SCE and Silverado Power, LLC. Based on the information before the Commission, the Amended and Restated Silverado PPAs do not appear to result in any adverse safety impacts on the facilities or operations of SCE.

ESTIMATED COST: Actual costs are confidential at this time.

By Advice Letters (AL) 2773-E, AL 2774-E, AL 2775-E, and AL 2776-E all filed on September 4, 2012.

SUMMARY

Southern California Edison Company's (SCE) four amended and restated renewable power purchase agreements (A&R Silverado PPAs) with Silverado Power, LLC (Silverado) are approved with the following modifications: 1) Silverado, and specifically not California's ratepayers, is responsible for all transmission costs associated with the A&R Silverado PPAs; and 2) the Commission modifies the commercial online dates (CODs) of the 4 A&R Silverado PPAs.

SCE filed advice letters (ALs) 2773-E, 2774-E, 2775-E and 2776-E on September 4, 2012 requesting California Public Utilities Commission (Commission) approval of four amended and restated renewable power

purchase agreements with Silverado. Three of the A&R Silverado PPAs are for projects with a capacity of 20 Megawatts (MW) and the fourth A&R Silverado PPA is for a project with a capacity of 15 MW. All four A&R Silverado PPAs are for solar photovoltaic (PV) projects located in Lancaster, CA.

The four A&R Silverado PPAs under review originated from four Silverado PPAs (Original Silverado PPAs) which SCE procured from its 2010 Renewable Standard Contracts (RSC) program.¹ After SCE executed these four Original Silverado PPAs from its 2010 RSC program, the Commission adopted D.10-12-048 creating the Renewable Auction Mechanism (RAM) program.² In that decision, the Commission gave SCE a one-time opportunity to count the MW capacity of any of its PPAs already executed through its 2010 RSC program towards its RAM capacity requirement.

In January 2011, SCE filed AL 2547-E seeking Commission approval of its 2010 RSC PPAs and authority to count the capacity of those PPAs towards its RAM capacity requirement. In November 2011, as AL 2547-E was being processed by the Commission, SCE informed the Commission that it terminated five of the 20 RSC PPAs under consideration in AL 2547-E. Four of those five terminated PPAs were the Original Silverado PPAs. The Commission then approved the remaining fifteen 2010 RSC PPAs in Resolution E-4445 in December 2011, only allowing the capacity of those approved 2010 RSC PPAs to count towards SCE's RAM capacity requirement.

Silverado contested the validity of the Original Silverado PPAs' terminations, and after mediation and further negotiations between Silverado and SCE, SCE executed four separate, bilaterally-negotiated A&R Silverado PPAs with Silverado for the same 2010 RSC projects that had previously been the subject of the Original Silverado PPAs, which were terminated by SCE. These four A&R Silverado PPAs, currently under consideration in this resolution, were submitted to the Commission for approval on September 4, 2012. Pursuant to the terms of the A&R Silverado PPAs, SCE would accept deliveries of 41.2 gigawatt-hours

¹ The RSC program was an SCE initiative developed to target the procurement of distributed generation renewable energy before the Commission implemented RAM. The CPUC approved the RSC program as part of SCE's 2009 Procurement Plan.

² Commission Decision (D.) 10-12-048 authorized the RAM program for the procurement of renewable wholesale distributed generation projects sized up to 20 MW.

(GWh) per year from each of the three 20 MW projects and deliveries of 30.92 GWh per year from the 15 MW project.

SCE requests that the Commission approve cost recovery for the four A&R Silverado PPAs. Additionally, SCE requests that the Commission authorize SCE to count the capacity of these four A&R Silverado PPAs, if approved, towards its capacity requirement for the RAM program. Pursuant to the terms of the A&R Silverado PPAs, both SCE and Silverado have the right to terminate the four A&R Silverado PPAs if the Commission denies SCE’s request to count the capacity of these projects towards its RAM capacity requirement. See Confidential Appendices B and C for information on the specific terms of these A&R Silverado PPAs.

The Commission approves cost recovery for the A&R Silverado PPAs between SCE and Silverado since the A&R Silverado PPAs are competitive based on their price and overall value when compared against competing RAM 2 offers, provided that Silverado pays for all transmission upgrade costs. However, the four A&R Silverado PPAs are inconsistent with D.10-12-048 and Resolution E-4445, and thus the Commission denies the capacity of the A&R Silverado PPAs to be counted towards SCE’s RAM procurement obligation. Table 1 summarizes the project-specific features of each agreement as provided in its respective ALs:

Table 1: Summary of the Four Amended and Restated Silverado PPAs

Generating Facility	Type	Term Years	MW Capacity	Annual Deliveries	Online Date	Project Location
Sierra Solar Greenworks	Solar PV	20	20	41 GWh	12/31/2014	Lancaster, CA
Central Antelope Dry Ranch C	Solar PV	20	20	41 GWh	12/31/2014	Lancaster, CA
North Lancaster Ranch	Solar PV	20	20	41 GWh	12/31/2014	Lancaster, CA
American Solar Greenworks	Solar PV	20	15	31 GWh	12/31/2014	Lancaster, CA

BACKGROUND

Overview of the Renewables Portfolio Standard Program

The California RPS Program was established by Senate Bill (SB) 1078, and has been subsequently modified by SB 107, SB 1036 and SB 2 (1X).³ The RPS program is codified in Public Utilities Code Sections 399.11-399.31.⁴ Under SB 2 (1X), the RPS program administered by the Commission requires each retail seller to increase its total procurement of eligible renewable energy resources so that 33 percent of retail sales are served by eligible renewable energy resources no later than December 31, 2020.

Additional background information about the Commission's RPS Program, including links to relevant laws and Commission decisions, is available at <http://www.cpuc.ca.gov/PUC/energy/Renewables/overview.htm> and <http://www.cpuc.ca.gov/PUC/energy/Renewables/decisions.htm>.

Overview of the Renewable Auction Mechanism Program

On December 16, 2010, the CPUC approved a new procurement mechanism called the Renewable Auction Mechanism in Decision 10-12-048, as modified.⁵ The Commission ordered the investor-owned utilities (IOUs) to procure 1,330 MW of system-side renewable distributed generation (for individual projects up to 20 MW in size) through a reverse auction using a standard contract. Of the 1,330 MW authorized, each utility has a separate RAM procurement obligation: 420.9 MW for PG&E, 754.4 MW for SCE, and 154.7 MW for SDG&E. To meet these RAM procurement obligations, the Commission initially ordered the IOUs to hold four auctions over two years and to seek approval of contracts executed from these auctions via Tier 2 advice letters filed with the Commission. Pursuant to Resolution E-4582, the Commission ordered the IOUs to hold a fifth RAM auction in 2014.

³ SB 1078 (Sher, Chapter 516, Statutes of 2002); SB 107 (Simitian, Chapter 464, Statutes of 2006); SB 1036 (Perata, Chapter 685, Statutes of 2007); SB 2 (1X) (Simitian, Chapter 1, Statutes of 2011, First Extraordinary Session).

⁴ All further references to sections refer to Public Utilities Code unless otherwise specified.

⁵ D.10-12-048 has been modified by D.12-02-035, D.12-02-002, Resolution E-4414 (August 14, 2011), Resolution E-4489 (April 19, 2012), Resolution E-4546 (November 8, 2012), and Resolution E-4582 (May 9, 2013).

Additional background information about RAM, including links to relevant Commission decisions and resolutions, is available at:

<http://www.cpuc.ca.gov/PUC/energy/Renewables/hot/Renewable+Auction+Mechanism.htm>.

NOTICE

Notice of Advice Letters 2773-E, 2774-E, 2775-E, and 2776-E was made by publication in the Commission's Daily Calendar. SCE states that a copy of each Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

DISCUSSION

SCE requests Commission approval of four A&R Silverado PPAs between SCE and Silverado Power, LLC. Additionally, SCE requests Commission approval to count the capacity of these A&R Silverado PPAs towards its Commission-mandated procurement requirement under the Renewable Auction Mechanism (RAM) Program.

On July 3, 2012, SCE executed four bilaterally-negotiated A&R RPS PPAs with Silverado. SCE submitted advice letters 2773-E, 2774-E, 2775-E, and 2776-E on September 4, 2012, requesting Commission approval of the four A&R Silverado PPAs with Silverado.⁶ SCE also requested the Commission to issue an order stating that the capacity of each of the four A&R Silverado PPAs count towards its RAM capacity requirement of 723.4 MW.

SCE requests that the Commission issue a resolution that finds:

1. Approval of the Amended & Restated PPAs in their entirety;
2. A finding that the Amended & Restated PPAs are consistent with SCE's 2011 RPS Procurement Plan;
3. A finding that the Amended & Restated PPAs are compliant with the Emissions Performance Standard;

⁶ SCE filed a separate AL requesting Commission approval of each A&R Silverado PPA. The name of each Silverado project (respective to AL number) is: Central Antelope Dry Ranch C, LLC; North Lancaster Ranch, LLC; Sierra Solar Greenworks, LLC; and American Solar Greenworks, LLC.

4. A finding that any procurement pursuant to the Amended & Restated PPAs is procurement from an eligible renewable energy resource for the purposes of determining SCE's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.), Decision 03-06-071, or other applicable law;
5. A finding that the Amended & Restated PPAs, and SCE's entry into them, is reasonable and prudent for all purposes, including, but not limited to, cost recovery in rates for payments made pursuant to the Amended & Restated PPAs and administrative costs associated with the Amended & Restated PPAs, subject only to further review with respect to the reasonableness of SCE's administration of the Amended & Restated PPAs;
6. A finding that all procurement under the Amended & Restated PPAs counts, in full and without condition, toward SCE's capacity cap under the RAM program pursuant to D.10-12-048; and
7. Any other and further relief as the Commission finds just and reasonable.

The four Silverado A&R Silverado PPAs are evaluated on the following criteria:

- Consistency with SCE's 2011 RPS Procurement Plan
- Consistency with SCE's Least-Cost Best-Fit Requirements
- RPS Portfolio Need
- Consistency with Commission Decision 10-12-048 and Resolution E-4445
- Price and Value Reasonableness
- Independent Evaluator (IE) Report
- Consistency with RPS Standard Terms and Conditions
- Consistency with Portfolio Content Categories Requirements
- Consistency with Long-Term Contracting Requirement
- Procurement Review Group Participation
- Compliance with the Interim Greenhouse Gas Emissions Performance Standard

Consistency with SCE's 2011 RPS Procurement Plan

California's RPS statute requires the Commission to direct each utility to prepare a Renewable Energy Procurement Plan (Plan) and then review and accept, modify, or reject the Plan prior to the commencement of a utility's annual RPS solicitation.⁷ The Commission must then accept or reject proposed PPAs based on their consistency with the utility's approved Plan. In its 2011 RPS Procurement Plan, SCE stated that its evaluation criteria would consider the benefit of 1) offers with facilities located near approved transmission infrastructure, and 2) offers with facilities that have a first point of interconnection to a California balancing authority area⁸ within the Western Electricity Coordinating Council. Also, SCE informed potential participants to SCE's 2011 RPS solicitation that SCE preferred offers that could initially deliver in the latter half of the decade (i.e., 2016-2020) when SCE is expected to have a need for incremental RPS generation.⁹

SCE's 2011 RPS Procurement Plan was the most recent Commission-approved RPS Plan at the time that the A&R Silverado PPAs were executed on July 3, 2012. Consequently, ED Staff evaluated the A&R Silverado PPAs for their consistency with SCE's 2011 RPS Procurement Plan. The A&R Silverado facilities will be located in California and interconnect into the California Independent System Operator (CAISO) balancing authority area. Also, because the modified CODs of the A&R Silverado PPAs are staggered in 6-month intervals between July, 2015 and December, 2016, the A&R Silverado PPAs can help SCE meet its long-term RPS compliance needs in the latter half of the decade.

The A&R Silverado PPAs are consistent with SCE's 2011 RPS Procurement Plan as approved by D.11-04-030.

⁷ § 399.13.

⁸ In D.11-12-052, the Commission determined that there are currently five California balancing authority areas that meet the criteria in Section 399.12(d). These California balancing authority areas are: California Independent System Operator (CAISO), Balancing Authority of Northern California (formerly Sacramento Municipal Utility District), Imperial Irrigation District, Los Angeles Department of Water and Power, and Turlock Irrigation District.

⁹ See SCE's "2011 RENEWABLE RFP BIDDERS CONFERENCE" presentation (May 26, 2011). Most recently accessed on April 26, 2012:
http://asset.sce.com/Documents/Shared/2011_SCEBiddersPresentation.pdf.

Consistency with SCE's Least-Cost Best-Fit (LCBF) Requirements

The basic components of SCE's LCBF evaluation and selection criteria and process for RPS PPAs were established in the Commission's LCBF Decisions D.03-06-071 and D.04-07-029. Consistent with these decisions, the three main steps undertaken by SCE are: (1) initial data gathering and verification; (2) a quantitative assessment of proposals; and (3) adjustments to selection based on proposals' qualitative attributes. D.04-07-029 directs the utilities to use certain criteria in their bid ranking. The decision offers guidance regarding the process by which the utility ranks bids in order to select or "shortlist" the bids with which it will commence negotiations. SCE's bid evaluation includes a quantitative and qualitative analysis, as well as each proposal's absolute value to SCE's customers and relative value in comparison to other proposals.

In ALs 2773-E, 2774-E, 2775-E, and 2776-E, SCE used LCBF to evaluate the reasonableness of the A&R Silverado PPAs against competing offers resulting from its first and second RAM auction and its 2011 RPS Solicitation. When compared against RAM 2 offers, the A&R Silverado PPAs compare favorably on price and value. See the Price and Value Reasonableness Section and Confidential Appendix A for more details.

SCE adequately examined the reasonableness of the A&R Silverado PPAs utilizing its LCBF methodology during the time the A&R Silverado PPA were being negotiated and executed.

RPS Portfolio Need

The California RPS Program was established by Senate Bill (SB) 1078 and has been recently modified by SB 2 (1X), which became effective on December 10, 2011. SB 2 (1X) made significant changes to the RPS Program.¹⁰ SB2 (1X) established new RPS procurement targets such that retail sellers must procure "...from January 1, 2011 to December 31, 2013...an average of 20 percent of retail sales...25 percent of retail sales by December 31, 2016, and 33 percent of retail sales by December 31, 2020."¹¹

¹⁰ The Commission opened Rulemaking (R.) 11-05-005 (May 5, 2011) to implement the new RPS law.

¹¹ See § 399.15(b)(2)(B), SB 2 (1X).

SCE’s RPS portfolio need falls within the third compliance period which is between 2017 and 2020. The proposed CODs in the A&R Silverado PPAs is December 31, 2014, which poorly aligns deliveries from the facilities with SCE’s RPS compliance need. To better align RPS deliveries from the A&R Silverado PPAs to meet SCE’s projected RPS compliance need, the Commission will modify the CODs so that they are pushed out into the future and each project will come online in 6-month intervals. The modified CODs may lead to surplus RPS deliveries during Compliance Period 2; however, Renewable Energy Credits (RECs) from the four A&R Silverado PPAs may be banked for SCE to use in future compliance periods. See Table 2 for the following modifications to the initial commercial operation dates:

Table 2: Summary of the Modified CODs for the A&R Silverado PPAs

Seller	Capacity (MW)	Approved COD
American Solar Greenworks, LLC	15.0	12/31/2014
Sierra Solar Greenworks, LLC	20.0	06/30/2015
Central Antelope Dry Ranch C, LLC	20.0	12/31/2015
North Lancaster Ranch, LLC	20.0	06/30/2016

The Commission modifies the CODs for the A&R Silverado PPAs. The COD timeline for the A&R Silverado PPAs in Table 2 is adopted to better align deliveries from the A&R Silverado PPAs with SCE’s projected RPS procurement need.

Consistency with Decision 10-12-048 and Resolution E-4445

As noted earlier in this resolution, SCE requests that the Commission authorize SCE to count the capacity of the four A&R Silverado PPAs towards its RAM capacity requirement. To evaluate the four A&R Silverado PPAs’ eligibility for the RAM program, the Commission considered SCE’s request and its consistency with D.10-12-048 and Resolution E-4445.

Evaluation of the Consistency of SCE’s Request with D.10-12-048

The four A&R Silverado PPAs under review contain bilaterally-negotiated amendments to the standard form agreements from SCE’s 2010 RSC program. The Commission acknowledged the creation of the RSC program as part of SCE’s

2009 Renewables Portfolio Standard (RPS) Procurement Plan.¹² During its administration, SCE's RSC program was designed to procure eligible renewable projects up to 20 MW in size.

In D.10-12-048 (the RAM decision), the Commission adopted the RAM program, ordering the three large investor-owned utilities (IOUs) to establish a standardized auction mechanism for the procurement of renewable projects up to 20 MW in size. In the RAM Decision, the Commission noted its interest in "promoting competition and streamlining of the administrative process" in ordering the IOUs to pursue procurement of projects up to 20 MW in size through RAM.¹³

In an effort to recognize SCE's pre-existing RPS procurement through its RSC program, the Commission made a one-time exception for the MW capacity of the PPAs already procured by SCE through its 2010 RSC program to be eligible to count towards SCE's RAM capacity requirement.¹⁴ This one-time exception applied to 21 such eligible PPAs that SCE had already executed through its 2010 RSC program prior to the Commission adopting the RAM decision on December 16, 2010. For the eligible PPAs, the Commission authorized SCE to use its discretion in applying the MW capacity of those contracts towards its mandated RAM capacity requirement, provided that the PPAs were submitted to the Commission via a Tier 3 AL for approval by the Commission.¹⁵ On January 31, 2011 SCE proceeded to file AL 2547-E with the Commission requesting approval of 20 RSC PPAs to be counted towards its RAM capacity requirement. In Resolution E-4445, the Commission approved 15 of those 20 PPAs, authorizing the capacity of the approved PPAs to count towards SCE's RAM capacity requirement.

The Commission finds that the exception created in D.10-12-048 for contracts executed by SCE from its 2010 RSC program prior to December 16, 2010 should

¹² D.09-06-018, Conclusion of Law #27, p. 80.

¹³ D.10-12-048, p. 4.

¹⁴ *Id.* at p. 4.

¹⁵ *Id.* at Conclusion of Law #8, p. 87.

be interpreted as narrowly construed language that only applies to the 20 original RSC contracts reviewed in Commission Resolution E-4445.

The Original Silverado PPAs were terminated by SCE, and the Amended and Restated Silverado PPAs under review in this resolution are different PPAs that do not fit the narrow exception allotted by D.10-12-0148.

The RAM decision explicitly finds that, “SCE should be given the discretion to submit additional contracts to the Commission for approval resulting from its 2010 RSC solicitation via a Tier 3 advice letter; however, the capacity associated with these contracts should not reduce SCE’s procurement obligations under RAM.D. 10-12-0418.”¹⁶ The Commission clearly limited the ability of SCE’s 2010 RSC program contracts to count towards SCE’s RAM capacity requirement. Thus, it is inconsistent with D.10-12-048 to count these four Amended & Restated Silverado PPAs towards SCE’s RAM capacity requirement.

However, as stated in D. 10-12-048, the four A&R Silverado PPAs resulted from SCE’s 2010 RSC Program, and are subject to a Tier 3 review process in which the CPUC must evaluate these contracts for cost recovery and approve or reject them based on their merits even though their MW capacity is not eligible to count towards SCE’s RAM capacity requirement.¹⁷

Consistency with Resolution E-4445

On January 31, 2011, SCE filed AL 2547-E with the Commission seeking approval to apply the MW capacity of 20 PPAs that were originally procured through its 2010 RSC program towards SCE’s RAM capacity requirement. On November 7 and 8, 2011, before the Commission had disposed of any of the 2010 RSC PPAs under consideration in AL 2547-E, SCE terminated five of the RSC PPAs under review.¹⁸ Four of the five PPAs that were terminated by SCE were the Original Silverado PPAs.

¹⁶ *Id.* at Conclusion of Law #9, p. 87.

¹⁷ *Id.* at Footnote 42, p.23.

¹⁸ Commission Resolution E-4445, p. 2.

On December 15, 2011, the Commission adopted Resolution E-4445, approving the remaining 15 PPAs that originated from SCE’s 2010 RSC program. In that Resolution, the Commission found that SCE could, pursuant to D.10-12-048, count the MW capacity of the 15 approved PPAs towards its authorized RAM procurement requirement. The Commission also concluded, however, that SCE “may not count the five terminated contracts towards the RAM capacity cap.”¹⁹ Table 3 below summarizes the five terminated SCE 2010 RSC PPAs from AL 2457-E:

Table 3: Summary of the Five Terminated SCE RSC PPAs filed in AL 2457-E

Seller	Parent Company	Capacity (MW)
Sierra Solar Greenworks, LLC	Silverado Power	20.0
Central Antelope Dry Ranch C, LLC	Silverado Power	20.0
North Lancaster Ranch, LLC	Silverado Power	20.0
American Solar Greenworks, LLC	Silverado Power	15.0
RE Columbia Two, LLC	Recurrent	20.0

According to SCE, Silverado disagreed about the validity of the termination of the four Original Silverado PPAs. Negotiations ensued between the two parties, and as a result of mediation, SCE and Silverado bilaterally-executed four A&R Silverado PPAs for the same projects that had previously been terminated. See Confidential Appendix C for more details on these negotiations.

SCE filed the A&R Silverado PPAs for Commission approval via AL 2773-E, AL 2774-E, AL 2775-E, and AL 2776-E. In these advice letters, now under consideration by the Commission in this resolution, SCE requests that the Commission approve these PPAs and allow SCE to count the capacity of these contracts towards its RAM capacity requirement.

The Commission explicitly found in Resolution E-4445, and so it reaffirms here, that the Original Silverado Power Purchase Agreements submitted by SCE in

¹⁹ *Id.* at Findings and Conclusions #6, p. 25.

advice letter 2547-E that were subsequently terminated prior to the issuance of Resolution E-4445, may not count towards the RAM capacity cap.

Price and Value Reasonableness

Since the Original Silverado PPAs were eligible for the RAM program pursuant to D. 10-12-048 and there was a disagreement about the validity of the termination of the Original Silverado PPAs between Silverado and SCE, the Commission allows a narrow, one-time exception to compare the A&R Silverado PPAs for price and value reasonableness against SCE's most recent Commission-approved RAM auction. The RAM 2 auction was SCE's most recent Commission-approved auction at the time of the A&R Silverado PPA's execution on July 3, 2012.

Resolution E-4559 grants a narrow, one-time exception for the 4 A&R Silverado PPAs to be compared against SCE's RAM 2 offers even though the A&R Silverado PPAs were not bid into SCE's RAM 2 Solicitation.

After receiving a large number of bids from its RAM 2 auction on May 31, 2012, SCE evaluated the quantifiable attributes of each RAM bid individually and subsequently ranked each bid based on its overall value, which SCE refers to as the PTAR score. The PTAR score was calculated by SCE using the following formula:

$$\text{PTAR Score} = \text{bid price} + \text{transmission upgrade costs} - \text{RA benefits}$$

The PTAR score for each A&R Silverado PPAs is competitive when compared against competing RAM 2 offers, provided that Silverado pays for all transmission upgrade costs. Since the A&R Silverado PPAs are only competitive when transmission upgrade costs are set at 0\$, Silverado, and specifically not California's ratepayers, is responsible for paying for all transmission upgrade costs relating to the A&R Silverado PPAs. For informational purposes, ED staff has included a price and value comparison of the four A&R Silverado PPAs against SCE's RAM 2 offers, SCE's 2011 Finalized RPS Shortlist, and SCE's recently executed contracts. See confidential appendix A for this comparison.

The Commission approves cost recovery for the A&R Silverado PPAs between SCE and Silverado with the following modifications: 1) Silverado is responsible for all transmission costs associated with the A&R Silverado PPAs; and 2) the Commission modifies the commercial online dates (CODs) of the 4 A&R Silverado PPAs.**Independent Evaluator (IE) Report**

The Independent Evaluator, Merrimack Energy Group, Inc. (Merrimack), evaluated the four A&R Silverado PPAs. Merrimack compared the value of the A&R Silverado PPAs against the values for all offers received in SCE's RAM 1 auction and SCE's 2011 RPS Shortlist. Based on those comparisons, Merrimack opines that 3 of the 4 A&R Silverado PPAs²⁰ rank moderately favorably and 1 of the 4 A&R Silverado PPAs²¹ ranks favorably when compared against RAM 1 offers for their renewable premium. See Confidential Appendix D for a detailed explanation of the IE's findings.

Consistent with D.06-05-039, an independent evaluator oversaw SCE's RPS procurement process. Additionally, an independent evaluator oversaw SCE's negotiations with Silverado and compared the costs, value and viability of the A&R Silverado PPAs to peer groups consisting of alternative competing proposals currently or recently available to SCE.

The independent evaluator recommends that the Commission approve the A&R Silverado PPAs.

Consistency with RPS Standard Terms and Conditions

The Commission adopted a set of standard terms and conditions (STCs) required in RPS contracts, four of which are considered "non-modifiable." The STCs were compiled in D.08-04-009 and subsequently amended in D.08-08-028. More recently in D.10-03-021, as modified by D.11-01-025, the Commission further refined these STCs.

The A&R Silverado PPAs include all the non-modifiable standard terms and conditions for bundled contracts. In addition, as permitted by D.04-06-014, SCE and Silverado modified the modifiable terms. SCE asserts that these

²⁰ Central Antelope Dry Ranch C, North Lancaster Ranch, and American Solar Greenworks.

²¹ Sierra Solar Greenworks.

modifications, however, include the same principles and serve the same purpose as the standard terms and are consistent with the law and government regulations. Thus, the modifications contained in the A&R Silverado PPAs are permissible. A comparison of the key modifications between the A&R Silverado PPAs against the Original Silverado PPAs is included in Appendix B.

The A&R Silverado PPAs include the Commission-adopted RPS “non-modifiable” standard terms and conditions, as set forth in D.08-04-009, D.08-08-028, and D.10-03-021, as modified by D.11-01-025.

Consistency with Portfolio Content Category Requirements

In D.11-12-052, the Commission defined and implemented portfolio content categories for the RPS program and authorized the Director of Energy Division to require the investor-owned utilities to provide information regarding the proposed contract’s portfolio content category classification in each advice letter seeking Commission approval of an RPS contract. The purpose of the information is to allow the Commission to evaluate the claimed portfolio content category of the proposed RPS PPA and the risks and value to ratepayers if the proposed PPA ultimately results in renewable energy credits in another portfolio content category.

In ALs 2773-E, 2774-E, 2775-E, and 2776-E, SCE claims that the product procured pursuant to the A&R Silverado PPAs will be classified as Portfolio Content Category 1. To support its claim, SCE asserts that the A&R Silverado PPAs require Silverado to provide both the energy and renewable energy certificates associated with generation from the four PPAs. SCE also states in the AL that the facilities will interconnect within the CAISO District transmission system, a California balancing authority area.

Consistent with D.11-12-052, SCE provided information in ALs 2773-E, 2774-E, 2775-E, and 2776-E regarding the expected portfolio content category classification of the renewable energy credits to be procured pursuant to the A&R Silverado PPAs.

In this resolution, the Commission makes no determination regarding the A&R Silverado PPAs’ portfolio content category classification. The RPS contract evaluation process is separate from the RPS compliance and portfolio content category classification process, which requires consideration of several factors based on various showings in a compliance filing. Thus, making a portfolio

content category classification determination in this resolution regarding the procurement considered herein is not appropriate. SCE should incorporate the procurement resulting from the A&R Silverado PPAs and all applicable supporting documentation to demonstrate portfolio content category classification in the appropriate compliance showing(s) consistent with all applicable RPS program rules.

Consistency with Long-Term Contracting Requirement

In D.12-06-038, the Commission established a long-term contracting requirement that must be met in order for retail sellers to count RPS procurement from contracts less than 10 years in duration for compliance with the RPS program.²² In order for the procurement from any short-term contract(s) signed after June 1, 2010 to count for RPS compliance, the retail seller must execute long-term contract(s) in the same compliance period in which the short-term contract(s) is signed. The volume of expected generation in the long-term contract(s) must be sufficient to cover the volume of generation from the short-term contract(s).²³

Because the A&R Silverado PPAs are considered greater than 10 years in length, the PPA may be construed as counting toward the minimum quantity requirements that the Commission established in D.12-06-038.

Procurement Review Group Participation

The Procurement Review Group (PRG) process was initially established in D.02-08-071 to review and assess the details of the investor-owned utilities' overall procurement strategy, solicitations, specific proposed procurement contracts and other procurement processes prior to submitting filings to the Commission as a mechanism for procurement review by non-market participants.

²² For the purposes of the long-term contracting requirement, contracts of less than 10 years duration are considered "short-term" contracts. (D.12-06-038).

²³ Pursuant to D.12-06-038, the methodology setting the long-term contracting requirement is: 0.25% of Total Retail Sales in 2010 for the first compliance period; 0.25% of Total Retail Sales in 2011-2013 for the second compliance period; and 0.25% of Total Retail Sales in 2014-2016 for the third compliance period.

According to SCE, participants in its PRG included representatives from the the Commission's Energy and Legal Divisions, the Division of Ratepayer Advocates, The Utility Reform Network, the Natural Resources Defense Council, California Utility Employees, the Union of Concerned Scientists and the California Department of Water Resources. The A&R Silverado PPAs were presented to the PRG as a potential contract for execution on June 20, 2012.

Pursuant to D.02-08-071, SCE complied with the Commission's rules for involving the Procurement Review Group.

Compliance with the Interim Greenhouse Gas Emissions Performance Standard (EPS)

California Public Utilities Code Sections 8340 and 8341 require the Commission to consider emissions associated with new long-term (five years or greater) PPAs procured on behalf of California ratepayers.

D.07-01-039 adopted an interim EPS that establishes an emission rate for obligated facilities at levels no greater than the greenhouse gas (GHG) emissions of a combined-cycle gas turbine power plant. The EPS applies to all energy PPAs for baseload generation that are at least five years in duration.²⁴ Generating facilities using certain renewable resources, including geothermal energy, are deemed compliant with the EPS.²⁵

The A&R Silverado PPAs do not provide baseload generation and therefore the Emissions Performance Standard does not apply to these PPAs.

RPS ELIGIBILITY AND CPUC APPROVAL

Pursuant to Public Utilities Code Section 399.13, the CEC certifies eligible renewable energy resources. Generation from a resource that is not CEC-certified cannot be used to meet RPS requirements. To ensure that only CEC-certified energy is procured under a Commission-approved RPS PPA, the Commission has required standard and non-modifiable "eligibility" language in

²⁴ "Baseload generation" is electricity generation at a power plant "designed and intended to provide electricity at an annualized plant capacity factor of at least 60%." Pub. Util. Code § 8340(a).

²⁵ D.07-01-039, Attachment 7, p. 4.

all RPS PPAs. That language requires a seller to warrant that the project qualifies and is certified by the CEC as an “Eligible Renewable Energy Resource,” that the project’s output delivered to the buyer qualifies under the requirements of the California RPS, and that the seller uses commercially reasonable efforts to maintain eligibility should there be a change in law affecting eligibility.²⁶

The Commission requires a standard and non-modifiable clause in all RPS PPAs that requires “CPUC Approval” of a PPA to include an explicit finding that “any procurement pursuant to this Agreement is procurement from an eligible renewable energy resource for purposes of determining Buyer's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.), D.11-12-020 and D.11-12-052, or other applicable law.”²⁷

Notwithstanding this language, the Commission has no jurisdiction to determine whether a project is not an eligible renewable energy resource, nor can the Commission determine prior to final CEC certification of a project, that “any procurement” pursuant to a specific contract will be “procurement from an eligible renewable energy resource.”

THEREFORE, WHILE WE INCLUDE THE REQUIRED FINDING HERE, THIS FINDING HAS NEVER BEEN INTENDED, AND SHALL NOT BE READ NOW, TO ALLOW THE GENERATION FROM A NON-RPS-ELIGIBLE RESOURCE TO COUNT TOWARDS AN RPS COMPLIANCE OBLIGATION. NOR SHALL SUCH FINDING ABSOLVE THE SELLER OF ITS OBLIGATION TO OBTAIN CEC CERTIFICATION, OR THE UTILITY OF ITS OBLIGATION TO PURSUE REMEDIES FOR BREACH OF CONTRACT. SUCH CONTRACT ENFORCEMENT ACTIVITIES SHALL BE REVIEWED PURSUANT TO THE COMMISSION’S AUTHORITY TO REVIEW THE UTILITIES’ ADMINISTRATION OF SUCH CONTRACTS.PROTESTS

SCE’s ALs 2773-E, 2774-E, 2775-E, and 2776-E were timely protested by the Division of Ratepayer Advocates (DRA) and by Recurrent Energy (Recurrent) on September 24, 2012. SCE responded to both DRA’s and Recurrent’s protests on October 1, 2012.

²⁶ See, e.g. D.08-04-009 at Appendix A, STC 6, Eligibility.

²⁷ See, e.g. D.08-04-009 at Appendix A, STC 1, CPUC Approval.

DRA recommends the Commission reject ALs 2773-E, 2774-E, 2775-E, and 2776-E.

First, DRA asserts that SCE does not need the Silverado A&R Silverado PPAs to meet its RPS goals because the online dates for the A&R Silverado PPAs would result in significant excess generation during the middle of this decade when SCE already expects to have a surplus of renewable generation for compliance purposes.

Second, DRA also contends that the A&R Silverado PPAs do not have competitive price or value when compared against bids shortlisted by SCE from its 2011 large-scale RPS RFO, or when compared against projects executed by SCE from its RAM 1 and RAM 2 solicitations.

In its reply to DRA's protest, SCE argued that these smaller-scale projects should be approved because they provide a hedge against possible project failures and SCE's potential inability to meet its RPS compliance need. Additionally, on the issue of price and value competitiveness, SCE contends that DRA's protest should be rejected because the Silverado PPAs compare favorably to projects shortlisted by SCE from its 2009 RPS RFO and from its 2010 RSC program, which SCE asserts are the appropriate cohorts against which these A&R Silverado PPAs should be compared.

In this resolution, The Commission modifies the CODs of the A&R Silverado PPAs to better align with SCE's RPS compliance need. Furthermore, any RECs generated from the four A&R Silverado PPAs may be banked for SCE to use in future compliance periods. As such, The Commission rejects DRA's protest regarding SCE's RPS procurement need, given the modifications to the commercial online dates in the A&R PPAs. Additionally, the Commission evaluated whether these A&R Silverado PPAs are competitive based on their price and value when compared against offers from SCE's RAM 2 auction, the most recent RAM auction at the time that the A&R Silverado PPAs were executed. When compared against competing offers from SCE's RAM 2 auction, the A&R Silverado PPAs are competitive based on their price and value.²⁸ As

²⁸ With transmission costs set at \$0 when calculating each PPA's PTAR score.

such, the Commission rejects DRA's protest that the four A&R Silverado PPAs are not competitive when compared against offers from SCE's RAM 2 solicitation. See Confidential Appendix A for further analysis of the four A&R Silverado PPA's price and value reasonableness.

Recurrent Energy also recommends the Commission reject ALs 2773-E, 2774-E, 2775-E, and 2776-E.

Recurrent notes that the four Original Silverado PPAs had already been terminated, and that the four A&R Silverado PPAs under Commission review are separate PPAs based on new information. As such, Recurrent asserts that SCE's request for the Commission to count the capacity associated with the A&R Silverado PPAs towards SCE's RAM capacity requirement is inconsistent with D.10-12-048 because these are new A&R Silverado PPAs that fall outside of the narrow exception allowed for 2010 RSC Contracts in D.10-12-048. Recurrent also contests the appropriateness of these advice letters given the Commission's disallowance of bilateral contracts in the RAM program.

SCE replied to Recurrent's protest by noting that the confidential version of ALs 2773-E, 2774-E, 2775-E and 2776-E²⁹ shows that transmission costs for the A&R Silverado PPAs at issue are within the PPAs' allowable cost cap and that bilateral contracts are allowed by D. 10-12-048 as modified by D. 11-04-008.

The Commission accepts in part, and denies in part, Recurrent Energy's protest. The Commission accepts Recurrent's protest that approval of these Amended and Restated PPAs would be inconsistent with D.10-12-048, but the Commission finds that the issue of whether it was appropriate for SCE to file these bilateral Amended and Restated PPAs is not relevant to the disposition of these advice letters.

CONFIDENTIAL INFORMATION

The Commission, in implementing Public Utilities Code Section 454.5(g), has determined in D.06-06-066, as modified by D.07-05-032, that certain material submitted to the Commission as confidential should be kept confidential to

²⁹ Advice Letters 2773-E, 2774-E, 2775-E and 2776-E, at Confidential Appendix D.

ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations. D.06-06-066 adopted a time limit on the confidentiality of specific terms in RPS PPAs. Such information, including price, is confidential for three years from the date the contract states that energy deliveries begin, except contracts between IOUs and their affiliates, which are public. In this case, the original Arlington Wind PPA is already public information due to its January 5, 2009 COD; however, confidential information from the third amendment to the Arlington Wind PPA will not become public until 3 years after the effective date of this resolution.

The confidential appendices, marked “[REDACTED]” in the public copy of this resolution, as well as the confidential portions of the advice letter, should remain confidential at this time.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

FINDINGS AND CONCLUSIONS

1. The A&R Silverado PPAs are consistent with SCE’s 2011 RPS Procurement Plan as approved by D.11-04-030.
2. SCE adequately examined the reasonableness of the A&R Silverado PPAs utilizing its LCBF methodology during the time the A&R Silverado PPAs were being negotiated and executed.
3. The Commission modifies the CODs for the A&R Silverado PPAs. The COD timeline for the A&R Silverado PPAs in Table 2 is adopted to better align deliveries from the A&R Silverado PPAs with SCE’s projected RPS procurement need.
4. The Commission finds that the exception created in D.10-12-048 for contracts executed by SCE from its 2010 RSC program prior to December 16, 2010 should be interpreted as narrowly construed language that only applies to the 20 original RSC contracts reviewed in Commission Resolution E-4445.

5. The Original Silverado PPAs were terminated by SCE, and the Amended and Restated Silverado PPAs under review in this resolution are different PPAs that do not fit the narrow exception allotted by D.10-12-0148.
6. It is inconsistent with D.10-12-048 to count these four Amended & Restated Silverado PPAs towards SCE's RAM capacity requirement.
7. Since the four A&R Silverado PPAs resulted from SCE's 2010 RSC Program, the CPUC must evaluate these contracts for cost recovery based on their merits even though their MW capacity is not eligible to count towards SCE's RAM capacity requirement.
8. The Original Silverado PPAs submitted by SCE in advice letter 2547-E that were subsequently terminated prior to the issuance of Resolution E-4445, may not count towards the RAM capacity cap.
9. Resolution E-4559 grants a narrow, one-time exception for the 4 A&R Silverado PPAs to be compared against SCE's RAM 2 offers even though the A&R Silverado PPAs were not bid into SCE's RAM 2 Solicitation.
10. The PTAR score for each A&R Silverado PPAs is competitive when compared against the RAM 2 offers, provided that Silverado pays for all transmission upgrade costs.
11. Silverado, and specifically not California's ratepayers, is responsible for paying for all transmission upgrade costs relating to the A&R Silverado PPAs.
12. The Commission approves cost recovery for the A&R Silverado PPAs between SCE and Silverado with the following modifications: 1) Silverado is responsible for all transmission costs associated with the A&R Silverado PPAs; and 2) the Commission modifies the commercial online dates (CODs) of the 4 A&R Silverado PPAs.
13. Consistent with D.06-05-039, an independent evaluator oversaw SCE's RPS procurement process. Additionally, an independent evaluator oversaw SCE's negotiations with Silverado and compared the costs, value and viability of the A&R Silverado PPAs to peer groups

consisting of alternative competing proposals currently or recently available to SCE.

14. The independent evaluator recommends that the Commission approve the A&R Silverado PPAs.

The A&R Silverado PPAs include the Commission-adopted RPS “non-modifiable” standard terms and conditions, as set forth in D.08-04-009, D.08-08-028, and D.10-03-021, as modified by D.11-01-025.

15. Consistent with D.11-12-052, SCE provided information in ALs 2773-E, 2774-E, 2775-E, and 2776-E regarding the expected portfolio content category classification of the renewable energy credits to be procured pursuant to the A&R Silverado PPAs.
16. Because the A&R Silverado PPAs are greater than 10 years in length, the PPAs may be construed as counting toward the minimum quantity requirements that the Commission established in D.12-06-038.
17. Pursuant to D.02-08-071, SCE complied with the Commission’s rules for involving the Procurement Review Group.
18. Procurement pursuant to these PPAs is procurement from an eligible renewable energy resource for purposes of determining SCE’s compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.), D.11-12-020 and D.11-12-052, or other applicable law.
19. The immediately preceding finding shall not be read to allow generation from a non-RPS eligible renewable energy resource under the PPA to count towards an RPS compliance obligation. Nor shall that finding absolve SCE of its obligation to enforce compliance with the A&R Silverado PPAs.
20. The Commission rejects DRA’s protest regarding SCE’s RPS procurement need, given the modifications to the commercial online dates in the A&R PPAs.
21. The Commission rejects DRA’s protest that the four A&R Silverado PPAs are not competitive when compared against offers from SCE’s RAM 2 solicitation.

The Commission accepts in part, and denies in part, Recurrent Energy's protest. The Commission agrees with Recurrent that approval of these Amended and Restated PPAs would be inconsistent with D.10-12-048, but the Commission finds that the issue of whether it was appropriate for SCE to file these bilaterally-executed Amended and Restated PPAs is not relevant to the disposition of these advice letters.

22. The confidential appendices, marked "[REDACTED]" in the public copy of this resolution, as well as the confidential portions of the advice letter, should remain confidential at this time.
23. The A&R Silverado PPAs should be approved in their entirety, with the modifications described in Findings and Conclusions 3, 10, and 11.
24. Advice Letter 2740-E should be approved effective today with modifications.
25. Payments made by SCE under the A&R Silverado PPAs are fully recoverable in rates over the life of the PPA, subject to Commission review of SCE's administration of the PPA.

THEREFORE IT IS ORDERED THAT:

1. Advice letter 2773-E is approved with a COD of 12/31/2015.
2. Advice letter 2774-E is approved with a COD of 06/30/2016.
3. Advice letter 2775-E is approved with a COD of 06/30/2015.
4. Advice letter 2776-E is approved with a COD of 12/31/2014.
5. Silverado, and specifically not California's ratepayers, is responsible for paying for all costs of transmission and distribution upgrades relating to these projects.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 19, 2013; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director