

PUBLIC UTILITIES COMMISSION

SAN FRANCISCO, CA 94102-3298



October 19, 2011

Advice Letters 2374-E and 2374-E-A

Akbar Jazayeri
Vice President, Regulatory Operations
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P O Box 800
Rosemead, CA 91770

**Subject: Withdrawal of SCE Company's Request for Approval of the
Ridgecrest Contract**

Dear Mr. Jazayeri:

Consider this letter notification that the Ridgecrest Contract has been withdrawn from Advice Letters 2374-E and 2374-E-A dated August 31, 2009 and September 21, 2011 respectively.

Sincerely,

A handwritten signature in blue ink, appearing to read "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division

August 21, 2009

**ADVICE 2374-E
(U 338-E)**

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Submission of Contracts for Procurement of Renewable Energy from SCE's 2008 Renewables Portfolio Standard Solicitation

Southern California Edison Company ("SCE") submits this Advice Letter in compliance with California Public Utilities Code § 399.11 *et seq.* ("RPS Legislation") seeking approval of two renewables portfolio standard ("RPS") power purchase agreements between SCE and CA Solar 10, LLC ("CA Solar Contract") and SCE and Ridgecrest Solar I, LLC ("Ridgecrest Contract")(collectively, "Solar Contracts").

A table summarizing the Solar Contracts is as follows:

Seller	Generation Type	Initial Size	Potential Expansion Size	Estimated Annual Energy Based on Initial Size	Estimated Annual Energy Based On Potential Expansion Size	Forecasted Initial Operation Date	Term of Agreement (Years)
CA Solar 10, LLC	Solar Thermal	242 MW	484 MW	551 GWh	1,102 GWh	June 30, 2014	20
Ridgecrest Solar I, LLC	Solar Thermal	242 MW	N/A	551 GWh	N/A	June 30, 2014	20

SCE requests that the California Public Utilities Commission ("Commission" or "CPUC") issue a resolution containing findings in the form requested in this Advice Letter no later than February 22, 2010.

In accordance with General Order ("GO") 96-B, the confidentiality of information included in this Advice Letter is described below. This Advice Letter contains both confidential and public appendices as listed below:

Appendix A:	Designation of Confidential Information
Confidential Appendix B:	2008 Solicitation Overview and Workpapers
Confidential Appendix C:	Confidential Contract Summary
Confidential Appendix D:	Solar Contracts' Contribution to RPS Goals
Appendix E:	SCE's RPS Proposal Evaluation and Selection Process and Criteria
Confidential Appendix F:	AMF Calculators for the Solar Contracts
Confidential Appendix G:	Power Purchase Agreement between SCE and CA Solar 10, LLC
Confidential Appendix H:	Power Purchase Agreement between SCE and Ridgecrest Solar I LLC
Appendix I:	Proposed Protective Order
Confidential and Public Versions of Appendix J:	Independent Evaluation Report

I. INTRODUCTION

The RPS Legislation requires certain load-serving entities ("LSEs"), including SCE, to increase their procurement from renewable resources ("ERR") by at least one percent of their annual retail electricity sales per year so that 20 percent of their annual electricity sales are procured from eligible renewable energy resources by no later than December 31, 2010. In Decision ("D.") 03-06-071, the Commission provided its initial guidance for implementation of the RPS Legislation. The Commission subsequently issued several decisions on various aspects of the RPS program. In accordance with the RPS Legislation and the Commission's decisions regarding the RPS, SCE submitted its 2008 RPS procurement plan and bid solicitation materials for Commission approval. In D.08-02-008, the Commission approved SCE's procurement plan and bid solicitation materials for 2008.

On March 7, 2008, SCE released its Request for Proposals ("RFP") for its 2008 RPS solicitation. Applying the evaluation criteria required by the RPS Legislation, as implemented by the Commission in D.04-07-029, SCE established a short list for the 2008 solicitation and subsequently entered into discussions with parties on the short list. SCE communicated with its procurement review group ("PRG") throughout the evaluation, selection, and contracting process, which has led to the execution of 14

contracts from its 2008 solicitation to date.¹ SCE now seeks approval of the Solar Contracts.

A. Purpose of Advice Letter

The CA Solar 10, LLC (“CA Solar”) project is a proposed 242 MW solar facility, with an option to expand to 484 MW, that is expected to begin commercial operation June 30, 2014. The seller is CA Solar, a Delaware limited liability company wholly owned by Solar Millennium, AG (“Solar Millennium”).

The CA Solar project is located on approximately 6,250 acres of land leased from the Bureau of Land Management (“BLM”) near Desert Center, California. Solar Millennium also leased land from the BLM near Blythe, California, approximately 35 miles east of the Desert Center site. Under the contract, CA Solar has the option to construct the project at the Blythe site rather than the Desert Center site. The facility needs approximately 1,700 acres for each 242 MW of installed capacity, with 90 percent of that acreage devoted to housing approximately 1,300 solar collectors (mirrors). If the Desert Center location is used, the project will interconnect at the proposed Red Bluff substation. If the Blythe location is used, the proposed Chuckwalla substation would be the interconnection point. The project will have an expected output of 551 GWh per year without the 242 MW expansion and approximately 1,102 GWh per year with the expansion. The contract term is 20 years.

The Ridgecrest Solar I, LLC (“Ridgecrest”) project is a proposed 242 MW solar facility that is expected to begin commercial operation June 30, 2014. The seller is Ridgecrest, a Delaware limited liability company wholly owned by Solar Millennium.

The Ridgecrest project is located on approximately 4,000 acres of land leased from the BLM near Ridgecrest, California. The facility needs approximately 1,700 acres for the 242 MW of installed capacity, with 90 percent of that acreage devoted to housing approximately 1,300 solar collectors (mirrors). The project will interconnect at SCE’s Inyo Kern substation. The project will have an expected output of 551 GWh per year. The contract term is 20 years.

B. General Project Description

Owner/ Developer	CA Solar 10, LLC
Technology	Solar thermal (trough)
Capacity (MW)	242 MW (expandable to 484 MW)

¹ The 14 contracts executed from the 2008 solicitation are one with Mountain View Power Partners, LLC, seven with BrightSource Energy, Inc., one with Goshen Phase II, LLC, one with Echanis, LLC, one with CA Solar 10, LLC, one with Ridgecrest Solar I, LLC, one with Desert Stateline LLC, and one with Desert Sunlight LLC.

Capacity Factor	26%
Expected Generation (MWh/Year)	551,179 MWh/Year
Online Date	June 30, 2014
Contract Term (Years)	20 years
New or Existing Facility	New
Location (include in/out-of-state) and Control Area (e.g., CAISO, BPA)	Desert Center or Blythe, California California Independent System Operator ("CAISO")
Price relative to MPR (i.e., above/below)	As discussed in Appendix C, the contract price may be below or above the 2008 market price referent ("MPR"). The maximum contract price is above the MPR.

Owner/ Developer	Ridgecrest Solar I, LLC
Technology	Solar thermal (trough)
Capacity (MW)	242 MW
Capacity Factor	26%
Expected Generation (MWh/Year)	551,179 MWh/Year
Online Date	June 30, 2014
Contract Term (Years)	20 years
New or Existing Facility	New
Location (include in/out-of-state) and Control Area (e.g., CAISO, BPA)	Ridgecrest, California CAISO
Price relative to MPR (i.e., above/below)	As discussed in Appendix C, the contract price may be below or above the 2008 MPR. The maximum contract price is

	above the MPR.
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II. CONSISTENCY WITH COMMISSION DECISIONS

A. SCE's 2008 RPS Procurement Plan

1. SCE's 2008 RPS Procurement Plan Was Approved by the Commission and SCE Adhered to Commission Guidelines for Filing and Revisions

In D.08-02-008, the Commission conditionally approved SCE's 2008 RPS procurement plan, including the bid solicitation materials for SCE's 2008 RPS solicitation. The Commission also ordered SCE to make certain changes to its 2008 procurement plan and bid solicitation materials and to file those amended documents with the Director of the Energy Division, and serve such documents on the service list, by February 29, 2008. On February 29, 2008, SCE filed and served its amended 2008 RPS procurement plan, including its amended 2008 bid solicitation materials.

2. Summary of SCE's 2008 RPS Procurement Plan's Assessment of Portfolio Needs and Requested Proposal Characteristics

SCE's 2008 RPS procurement plan indicated that SCE intended to seek resources to augment those under contract as a result of prior solicitations and bilateral negotiations to the extent necessary to ensure that SCE meets the overall goal of 20 percent renewable energy as soon as possible with a reasonable margin of safety. SCE also indicated in its solicitation protocol that it has both a near-term and long-term need for renewable energy, and that SCE's evaluation criteria would favor proposals for renewable energy sales from generating facilities with near-term deliveries.

SCE's 2008 RFP solicited proposals to supply electric energy, green attributes, capacity attributes, and resource adequacy benefits from ERRs sufficient to permit SCE to execute power purchase agreements ("PPAs") in substantially the form of its *pro forma* agreement. SCE considered all timely proposals to sell product to SCE from either a new or existing generating facility that employed an ERR, or multiple ERRs, as the sole means of supplying electric energy. SCE also considered any new or repowered facilities that operate on co-fired fuels or a mix of fuels that include fossil fuel hybrid.

SCE's locational preferences included: (1) California, or (2) outside California if the seller complies with all requirements pertaining to "Out-of-State Facilities" as set forth in the California Energy Commission ("CEC") RPS Eligibility Guidebook. SCE requested proposals based upon standard term lengths of 10, 15, or 20 years, or a non-standard delivery term to be proposed by sellers that is not less than one month. SCE also requested proposals with a minimum capacity of 1.5 MW.

SCE indicated a preference to take delivery of the electric energy within the CAISO Control Area. However, SCE also considered proposals for facilities interconnected to the Western Electricity Coordinating Council (“WECC”) transmission system.

3. The Solar Contracts Conform to SCE’s Portfolio Needs

The Solar Contracts fall within the criteria identified in SCE’s 2008 RFP and are expected to contribute significantly toward the achievement of SCE’s RPS procurement goals. Specifically, the CA Solar project satisfies SCE’s long-term need for eligible renewable energy with a capacity of up to 484 MW over a 20-year term. Similarly, the Ridgecrest project satisfies SCE’s long-term need for renewable energy with a capacity of up to 242 MW over a 20-year term. Moreover, both the Solar Contracts satisfy SCE’s locational preferences and delivery requirements.

B. SCE’s 2008 RPS Solicitation

1. SCE’s 2008 RPS Solicitation Was Consistent with SCE’s Commission-Approved 2008 RPS Procurement Plan and RFP Protocol

The Solar Contracts were solicited, negotiated, and executed in a manner consistent with SCE’s 2008 RFP protocol, which was approved by the Commission in D.08-02-008 as part of SCE’s 2008 RPS procurement plan. SCE’s RFP package included a procurement protocol, which set forth the terms and conditions of the RFP, including the requirement that the proposed facility be an eligible renewable energy resource and other eligibility requirements for participants, requirements for proposals, selection procedures, approval procedures, the RFP schedule, and other terms and conditions of the RFP.

The RFP did not establish a limit on the amount of renewable energy sought by SCE. SCE was looking for resources that would provide maximum benefit to customers and count toward the RPS program. As provided by Commission decisions and statute, SCE solicited proposals for PPAs with standard delivery terms of 10, 15, and 20 years, or non-standard delivery terms to be proposed by sellers of not less than one month. The protocol requested that proposals provide complete, accurate, and timely information concerning the participating supplier, the generating facility from which the participant proposed to provide electric energy to SCE, and information pertaining to the commercial terms and the pricing details of the proposal.

The protocol encouraged existing, new, expanded, and repowered renewable resources to participate. SCE stated in the protocol that it would evaluate proposals based on criteria intended to achieve the lowest customer cost for those renewable resources that best fit SCE’s customers’ current portfolio and projected needs.

2. SCE's 2008 RPS Solicitation Was Robust

On the release date of the 2008 RPS solicitation, SCE placed its RFP package on its website and issued an email announcement to approximately 700 industry participants, independent power companies, trade associations, law firms, energy consultants, and regulatory agencies. In addition, SCE held a bidder's conference on March 20, 2008, at the San Gabriel Hilton Hotel in San Gabriel, California. Approximately 90 individuals attended the conference. SCE responded to written questions from individual parties by providing the question and response to all interested parties via email.

Specific information regarding SCE's 2008 RPS solicitation can be found in Appendices B and C.

3. Both Offers Conformed to SCE's RFP Protocol

The proposals for the Solar Contracts conformed to SCE's protocol; that is, they offered power from an ERR, submitted the standard forms, agreed to be bound by the protocol, and signed a non-disclosure agreement. The proposals were evaluated and scored in the manner prescribed in the protocol and were placed on SCE's short list. Eventually, negotiations with Solar Millennium led to the execution of the Solar Contracts.

C. Least-Cost/Best-Fit ("LCBF") Methodology and Evaluation

1. SCE's LCBF Methodology for the 2008 RPS Solicitation

SCE evaluates and ranks proposals based on LCBF criteria that comply with criteria set forth by the Commission in D.03-06-071 and D.04-07-029 ("LCBF Decisions"). The LCBF analysis evaluates both quantitative and qualitative aspects of each proposal, as well as each proposal's absolute value to SCE's customers and relative value in comparison to other proposals. The LCBF analysis was used to evaluate the bids SCE received in its 2008 RPS solicitation. SCE applied these criteria to the proposals received in its 2008 solicitation, including CA Solar and Ridgecrest, in order to establish a short list of proposals from bidders with whom SCE would engage in contract discussions.

While assumptions and methodologies have evolved slightly over time, the basic components of SCE's evaluation and selection criteria and process for RPS contracts were established in the Commission's LCBF Decisions. Consistent with those 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.

Prior to receiving proposals, SCE finalizes major assumptions and methodologies that drive valuation, including power and gas prices forecasts, existing and forecast resource portfolio, and firm capacity value forecast. Other assumptions, such as the

Transmission Ranking Cost Report (“TRCR”), are filed with the Commission for approval prior to the release of the solicitation materials.

Once proposals are received, SCE begins an initial review for completeness and conformity with the solicitation protocol. The review includes a screen for reasonableness of proposal parameters, such as generation profiles and capacity factors. SCE works directly with sellers to resolve any issues and ensure data is ready for evaluation.

After this initial review, SCE performs a quantitative assessment of each proposal. The result of the quantitative analysis is a relative ranking of proposals that helps define the preliminary short list.

In parallel with the quantitative analysis, SCE conducts an assessment of each proposal’s qualitative attributes. This analysis assesses a project’s technical viability, its overall viability, and its developer’s experience. These qualitative attributes are then considered to either eliminate non-viable proposals or add projects with high viability to the final short list of proposals.

Following its analysis, SCE consults with its PRG regarding the final short list and specific evaluation criteria. Whether a proposal selected through this process results in an executed contract depends on the outcome of negotiations between SCE and counterparties. Periodically, SCE updates the PRG regarding the progress of negotiations. SCE and the PRG also review contracts prior to their execution. Subsequently, SCE executes contracts and submits them to the Commission for approval.

A complete discussion of SCE’s RPS Proposal Evaluation and Selection Process and Criteria is provided in Appendix E.

2. Comparison of the Solar Contracts with Other Proposals Received in SCE’s RPS Solicitation with Regard to Each LCBF Factor

SCE evaluates the quantifiable attributes of each proposal individually and subsequently ranks them based on their benefit-to-cost (“B/C”) ratios. Benefits are comprised of separate capacity and energy components, while costs include the contract payments, integration costs, transmission cost, and debt equivalence. SCE discounts the annual benefit and cost streams to a common base year prior to calculating the B/C ratio for each proposal. It is the B/C ratio that is used to rank and compare each project. Comparing the individual components of the B/C ratio of one bid to another is not a useful means of evaluating projects.

The B/C ratio of both projects here, in combination with SCE’s portfolio needs, justified their inclusion in SCE’s 2008 solicitation short list. Modifications to the pricing and other terms used for evaluation during negotiations also resulted in final LCBF results that

were acceptable to SCE and favorable as compared to the other bids SCE received in the 2008 solicitation. Therefore, the Solar Contracts provide significant value for SCE's customers relative to other proposals received and provide for the delivery of relatively attractive renewable power pursuant to terms and conditions that meet all requirements of the RPS Legislation as well as the Commission's decisions implementing the RPS Legislation.

More detailed information regarding the B/C ratios for the Solar Contracts and the other bids received in SCE's 2008 RPS solicitation can be found in Appendices B and C.

3. Portfolio Fit – Demonstrate Best Fit – Evaluation of the Contract's Costs and Benefits in the Context of SCE's Portfolio Needs

SCE's primary portfolio needs in the long-term are for resource adequacy-eligible capacity, low-cost energy, and RPS-eligible energy. Due to the peaky nature of SCE's demand profile, energy delivered during on-peak periods is more highly valued than energy delivered during off-peak periods.

CA Solar will provide nameplate capacity of at least 242 MW, and up to 484 MW, and Ridgecrest will provide 242 MW. At build-out, CA Solar will deliver a minimum of 551 GWh, and up to 1,102 GWh, and Ridgecrest will deliver 551 GWh of RPS-eligible energy annually. It is expected that 100 percent of the nameplate capacities of both projects will count toward resource adequacy requirements, depending on the projects' actual generation profiles.

Remarketing costs are captured in the production cost simulations required to analyze a project's energy benefits. While the production cost simulations cannot remove and evaluate marketing costs on an individual basis, the simulations do allow for some assumptions to be drawn about the projects' possible impact on potential remarketing costs.

There would not likely be any cost to remarket the energy from the CA Solar and Ridgecrest projects in peak periods. As opposed to other renewable technologies that supply a significant amount of off-peak energy, solar projects are not usually burdened with remarketing costs. Their predominantly on-peak generation profiles provide power when it is most needed to serve customer demand, and not during off-peak periods when it is more likely to be sold at a discount.

4. Transmission Adder – Consistency with Commission Decisions Addressing RPS Transmission Ranking Cost Methodology and Investor-Owned Utility TRCR

Transmission costs were estimated for those generating facilities that do not have an existing interconnection to the electric system or a completed transmission study,

consistent with the TRCR requirements specified in D.04-06-013 and D.05-07-040. The ranking was applied accordingly and in compliance with Commission decisions.

5. Consistent Application of TODs – Demonstrate That Time of Delivery Allocation Factors Were Consistently Used Throughout the Procurement Process

Prior to releasing the 2008 RPS solicitation, SCE ensured the time-of-delivery (“TOD”) allocation factors contained within its *pro forma* agreement were used in the LCBF analysis.

6. Qualitative factors

In addition to the identified benefits and costs quantified during SCE’s evaluation, SCE assesses non-quantifiable characteristics of each proposal by conducting a comprehensive viability analysis to assess a seller’s capacity to perform, technical viability, and project viability as discussed in further detail in Appendix E. These qualitative attributes are used to consider the inclusion of additional sellers on the short list due to the strength of a particular seller’s proposal. Pursuant to D.04-07-029, the presence of demonstrated qualitative attributes may justify moving a proposal onto SCE’s short list of proposals if: (1) the initial proposal rank is within reasonable valuation proximity to those selected for the short list, and (2) SCE receives support from its PRG to elevate the proposal based on qualitative factors. This assessment may also result in the exclusion of proposals from the short list due to the relative weakness of highly ranked proposals. In other instances, where there are weaknesses in some of these factors (although these may not be significant enough to exclude a proposal from the short list), SCE utilizes additional contract requirements to manage these issues during the development of the project.

Based on some non-quantifiable attributes as well as the quantifiable attributes discussed above, SCE included the CA Solar and Ridgecrest projects on its 2008 RPS short list. Solar Millennium is a viable company that has developed three solar power plants in Spain. The Solar Contracts will provide long-term eligible renewable energy. In addition, based on Solar Millennium’s past development experience, it is likely that its wholly-owned subsidiaries will be able to perform all of their financial and other obligations under the agreements.

Within the qualitative assessment, SCE also considers additional qualitative characteristics to determine tie-breakers, if any. The attributes considered include, but are not limited to:

- (1) whether (i) the generating facility’s first point of interconnection is within the Tehachapi area (namely, in the vicinity of the existing Antelope or Vincent substations, or in the vicinity of the future substations of Highwind, Windhub, Cottonwood, or Whirlwind), and (ii) such generating facility is dispatchable during on-peak periods;

- (2) the environmental impact of a seller's proposed project on California's water quality and use;
- (3) resource diversity;
- (4) benefits to minority and low income communities;
- (5) local reliability; and
- (6) environmental stewardship.

7. Impact of Debt Equivalence

Specific information regarding the impact of debt equivalence on the Solar Contracts can be found in Appendix C.

D. PRG Participation and Feedback

1. PRG Members

SCE's PRG was formed on or around September 10, 2002. Participants include representatives from 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.

2. Date Information Provided to PRG

SCE consulted with its PRG during each step of the renewable procurement process. Among other things, SCE informed the PRG of the initial results of its RFP, explained the evaluation process, and updated the PRG periodically concerning the status of contract formation.

On June 11, 2008, SCE advised the PRG of its proposed short list of bids for its 2008 RPS solicitation. On May 13, 2009, SCE briefed the PRG concerning the successful discussions with CA Solar and Ridgecrest.

3. PRG Feedback

SCE does not keep recorded minutes, notes, or comments from PRG meetings. The PRG has requested that SCE not broadly characterize PRG responses and comments.

E. RPS Goals

As stated above, the RPS Legislation and Commission decisions implementing the RPS Legislation require SCE to increase its procurement from renewable resources by at least one percent of its annual retail electricity sales per year so that 20 percent of its

annual electricity sales are procured from renewable resources by 2010. The one percent increase per year has been defined as the incremental procurement target (“IPT”), and the yearly required total has been defined as the annual procurement target (“APT”).² By definition, the obligation to increase renewable procurement by one percent per year (*i.e.*, the IPT) is eliminated in 2010. For 2010 and beyond, SCE is required to procure 20 percent of its energy from renewable resources. In other words, beyond 2009, SCE does not have an IPT obligation and its APT obligation remains at 20 percent.

The Solar Contracts are expected to begin deliveries by June 30, 2014. The renewable output from each agreement is expected to contribute approximately 551 GWh annually towards SCE’s APT obligations. Should CA Solar exercise its option to expand to 484 MW, the CA Solar Contract would be expected to contribute an additional 551 GWh annually.

A table summarizing the Solar Contracts’ contribution to SCE’s RPS goals can be found in Appendix D.

F. Standard Terms and Conditions

In D.04-06-014, the Commission established a number of “modifiable” and “non-modifiable” standard terms and conditions to be used by LSEs when contracting for RPS-eligible resources. In D.07-11-025, the Commission reduced the number of “non-modifiable” terms to the following four terms: (1) “CPUC Approval;” (2) “RECs and Green Attributes;” (3) “Eligibility;” and (4) “Applicable Law.” The remaining “non-modifiable” terms were converted to “modifiable.” In D.08-04-009, the Commission compiled the standard terms and conditions in one document and deleted the “modifiable” standard term and condition on supplemental energy payments from the standard terms and conditions. In D.08-08-028, the Commission revised the “non-modifiable” “RECs and Green Attributes” standard term and condition.

The Solar Contracts include the four “non-modifiable” terms identified above without change.

In addition, as permitted by D.04-06-014, D.07-11-025, and D.08-04-009, SCE modified most if not all of the “modifiable” terms. These 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 Solar Contracts are permissible.

G. Minimum Quantity

In D.07-05-028, the Commission held that, beginning in 2007, each LSE obligated under the RPS program must enter into long-term contracts³ or short-term contracts

² See D.06-10-050.

³ Long-term contracts are contracts of at least 10 years duration.

with new facilities⁴ for energy deliveries equivalent to 0.25 percent of that LSE's prior year's retail sales in order to be able to count for RPS compliance energy deliveries from short-term contracts with existing facilities. The Commission also ruled that RPS-obligated LSEs may carry forward contracted energy in long-term contracts and short-term contracts with new facilities that is in excess of the 0.25 percent requirement in the year that such contracts are signed, to be used for compliance for the minimum quantity requirement in future years.

The Solar Contracts are long-term contracts associated with new generation facilities. Therefore, the minimum quantity requirement does not apply.

H. Interim Emissions Performance Standard

The California Legislature passed Senate Bill ("SB") 1368 on August 31, 2006, and Governor Schwarzenegger signed the bill into law on September 29, 2006. Section 2 of SB 1368 adds California Public Utilities Code § 8341(a), which provides: "No load-serving entity or local publicly owned electric utility may enter into a long-term financial commitment unless any baseload generation supplied under the long-term financial commitment complies with the greenhouse gases emission performance standard established by the commission, pursuant to subdivision (d)."⁵

In order to institute the provisions of SB 1368, the Commission instituted Rulemaking 06-04-009. That proceeding resulted in the establishment of a greenhouse gas ("GHG") emissions performance standard ("EPS") for carbon dioxide ("CO₂"). The Commission noted, "SB 1368 establishes a minimum performance requirement for any long-term financial commitment for baseload generation that will be supplying power to California ratepayers. The new law establishes that the GHG emissions rates for these facilities must be no higher than the GHG emissions rate of a combined-cycle gas turbine (CCGT) powerplant."⁶

The decision further explains:

SB 1368 describes what types of generation and financial commitments will be subject to the EPS ("covered procurements"). Under SB 1368, the EPS applies to "baseload generation," but the requirement to comply with it is triggered only if there is a "long-term financial commitment" by an LSE. The statute defines baseload generation as "electricity generation from a powerplant that is designed and intended to provide electricity at an annualized plant capacity factor of at least 60%." . . . For baseload generation procured under contract, there is a

⁴ New facilities are facilities that commenced commercial operations on or after January 1, 2005.

⁵ Cal. Pub. Util. Code § 8341(a).

⁶ D.07-01-039 at pp. 2-3.

long-term commitment when the LSE enters into “a new or renewed contract with a term of five or more years.”⁷

In D.07-01-039, the Commission found that it would be redundant and costly to require LSEs to demonstrate EPS compliance for each new ownership investment, new contract, or renewed contract with baseload renewable resources if the record clearly demonstrated that these resources comply with the EPS on a net emissions basis.⁸ The Commission found that the net GHG emissions from the following renewable resources/technologies meet the interim EPS:

- Solar Thermal Electric (with up to 25 percent gas heat input);
- Wind;
- Geothermal, with or without reinjection; and
- Generating facilities (e.g., agricultural and wood waste, landfill gas) using biomass that would otherwise be disposed of utilizing open burning, forest accumulation, landfill (uncontrolled, gas collection with flare, gas collection with engine), spreading, or composting.⁹

By this Advice Letter filing, SCE requests that the Commission approve the long-term Solar Contracts. Although, in general, these “new contract[s] with a term of five or more years” would be subject to the EPS, the Solar Contracts are exempt from such regulations. The Solar Contracts utilize solar thermal technology, which has been deemed compliant with the EPS standard under D.07-01-039.

I. MPR and Above-Market Funds (“AMFs”)

As discussed in more detail in Appendix C, the minimum contract prices for the Solar Contracts are below the 2008 MPR. However, the maximum contract prices are above the MPR. Therefore, AMFs will be required for the Solar Contracts.

Pursuant to Resolution E-4199, the Solar Contracts comply with the eligibility criteria for AMFs set forth in California Public Utilities Code § 399.15(d)(2) as follows: (1) they cover a duration of no less than 10 years; (2) they are with new or repowered facilities commencing operations on or after January 1, 2005; (3) they are not a purchase of renewable energy credits; and (4) they do not include any indirect expenses as set forth in the statute.

As SCE’s AMFs are depleted, SCE proposes to voluntarily procure the Solar Contracts pursuant to California Public Utilities Code § 399.15(d)(4) and requests Commission approval of recovery of the total costs of the contracts pursuant to Section 399.15(d)(4).

⁷ *Id.* at p. 4.

⁸ *Id.* at pp. 245-246, Finding of Fact No. 117.

⁹ *Id.* at p. 246, Finding of Fact No. 118; pp. 269-70, Conclusion of Law No. 35.

The AMF Calculators for the Solar Contracts can be found in Appendix F.

III. PROJECT DEVELOPMENT STATUS

The viability of the CA Solar and Ridgecrest projects are high for several reasons. First, Solar Millennium has substantial experience with solar thermal power plant development and is involved in the development and construction of three 50 MW solar thermal generating facilities in Spain (Andasol 1, 2, and 3). Andasol 1 is currently in operation, Andasol 2 is in commissioning and expected to be on-line later this year, and Andasol 3 is under construction and expected to be in operation in 2011. As of July 2009, Solar Millennium no longer holds an ownership interest in Andasol 1 or 2; however, it maintains an ownership interest in Andasol 3 and serves as the operations and maintenance contractor.

Second, Solar Millennium has partnered with MAN Ferrostaal, one of Europe's largest project development and construction companies with over 4,000 employees. To date, it has developed projects in over 60 countries, including several solar power plants. Solar Millennium will utilize these resources in the development of the CA Solar and Ridgecrest projects.

Third, the two potential locations for the CA Solar project near Desert Center and Blythe, California, and the location of the Ridgecrest project near Ridgecrest, California, are all excellent solar resource areas.

Fourth, both projects will utilize proven and mature solar thermal technology that is well established and proven in the industry. This technology is used in the Andasol 1 project described above.

A project viability matrix for the CA Solar and Ridgecrest projects is included in Appendix B.

A. Site control

CA Solar and Ridgecrest are in the process of securing site control at the project locations. More information regarding site control can be found in Appendix C.

B. Resource and/or Availability of Fuel

CA Solar and Ridgecrest have completed solar resource studies and energy projections that confirmed both project locations are high solar resource areas. As the sun shines reliably 330 to 350 days a year in the high desert areas, both projects should meet the energy delivery obligations under the contracts.

More information regarding resource and/or availability of fuel can be found in Appendix C.

C. Transmission

The CA Solar and Ridgecrest projects are in the CAISO interconnection queue. Transmission upgrades are necessary for the interconnection of both projects to SCE's system. Given the CAISO interconnection reform process, SCE does not currently expect this to be an impediment to the viability of the facilities meeting the on-line dates of the Solar Contracts.

More information regarding transmission can be found in Appendix C.

D. Technology Type and Level of Technology Maturity

The CA Solar and Ridgecrest projects will utilize proven and mature solar trough technology that has been in operation for several years. In fact, Solar Millennium is currently using this technology in its 50 MW Andasol plant in Spain.

E. Permitting

The Solar Contracts require CA Solar and Ridgecrest to have all permits in place prior to the initial synchronization of the facilities to the CAISO grid. Neither SCE nor CA Solar/Ridgecrest anticipates any significant specific difficulties in obtaining the necessary permits.

More information regarding permitting can be found in Appendix C.

F. Developer Experience

Co-developers Solar Millennium and MAN Ferrostaal are highly experienced developers. Solar Millennium developed a 50 MW solar thermal generating facility in Spain that is currently in operation. Another 50 MW plant developed by Solar Millennium is expected to come on-line later this year, with an additional 50 MW plant also in development. MAN Ferrostaal is one of Europe's largest project development companies with over 4,000 employees. It has developed projects in over 60 countries, including several solar power plants.

G. Financing plan

Specific information regarding financing for the Solar Contracts can be found in Appendix C.

H. Production Tax Credit/Investment Tax Credit

Specific information regarding production tax credits ("PTCs") and investment tax credits ("ITCs") for the Solar Contracts can be found in Appendix C.

I. Equipment Procurement

Solar Millennium has extensive experience in designing, building, financing, and operating large-scale solar energy plans on time and on budget. Its operational track record demonstrates that it is well qualified to ensure the successful procurement of equipment needed to build the CA Solar and Ridgecrest projects.

More information regarding equipment procurement for the Solar Contracts can be found in Appendix C.

IV. CONTINGENCIES AND MILESTONES

A. Major Performance Criteria and Guaranteed Milestones

The Solar Contracts are expected to commence deliveries on June 30, 2014.

Specific information regarding the terms of the Solar Contracts can be found in Appendices C, G, and H.

B. Other Contingencies and Milestones

Specific information regarding the terms of the Solar Contracts can be found in Appendices C, G, and H.

V. REGULATORY PROCESS

A. RPS-eligibility Certification from the CEC

To date, CA Solar and Ridgecrest have not received RPS-eligibility certification from the CEC. However, neither SCE nor CA Solar/Ridgecrest foresee any issues with obtaining CEC certification.

B. Justification for Effective Date

In order to facilitate the timely processing of approvals for renewable power purchase agreements, SCE requests that this Advice Letter become effective February 22, 2010.

C. Contractual Obligations Impacting Commission Approval Schedule

Specific information regarding the terms of the Solar Contracts can be found in Appendices C, G, and H.

D. Earmarking

SCE reserves the right to earmark any generation from the Solar Contracts into RPS compliance filings as applicable.

E. Confidentiality

SCE is requesting confidential treatment of Appendices B through D and F through H, as well as the confidential version of Appendix J to this Advice Letter. The information for which SCE is seeking confidential treatment is identified in Appendix A hereto. The confidential version of this Advice Letter will be made available to appropriate parties (in accordance with SCE's Proposed Protective Order, as discussed below) upon execution of the required non-disclosure agreement. Parties wishing to obtain access to the confidential version of this Advice Letter may contact Tyler Johnson in SCE's Law Department at Tyler.Johnson@sce.com or (626) 302-3979 to obtain a non-disclosure agreement. In accordance with GO 96-B, a copy of SCE's Proposed Protective Order is attached hereto as Appendix I. It is appropriate to accord confidential treatment to the information for which SCE requests confidential treatment in the first instance in the advice letter process because such information is entitled to confidentiality protection pursuant to D.06-06-066 and is required to be filed by advice letter as part of the process for obtaining Commission approval of RPS PPAs.

The information in this Advice Letter for which SCE requests confidential treatment, the pages on which the information appears, and the length of time for which the information should remain confidential, are provided in Appendix A. This information is entitled to confidentiality protection pursuant to D.06-06-066 (as provided in the IOU Matrix). The specific provisions of the IOU Matrix that apply to the confidential information in this Advice Letter are identified in Appendix A.

The confidential information provided in this Advice Letter cannot be aggregated, redacted, summarized, masked, or otherwise protected in a manner that would allow partial disclosure of the data, while still protecting confidential information, because the RPS contract advice letter filing template calls for the data to be provided in its present form. SCE would object to any disclosure of the confidential information in aggregated form. Based on the format of the RPS contract advice letter filing template, SCE is not aware of any manner that the confidential information could be aggregated that would qualify the information for public status under the IOU Matrix of D.06-06-066.

To the best of my knowledge, SCE maintains as confidential the information contained in this Advice Letter for which confidentiality is sought. SCE is informed and believes that this information is maintained by SCE's Renewable and Alternative Power department and the Independent Evaluator and provided internally only to those employees who need to know the information to carry out their job duties. SCE is also informed and believes that this information has not been disclosed to any person(s) other than employees of SCE, the Independent Evaluator, or non-market participants (such as the PRG).

TIER DESIGNATION

Pursuant to D.07-01-024, Energy Industry Rule 5.3, SCE submits this Advice Letter with a Tier 3 designation (effective after Commission approval).

REQUEST FOR COMMISSION APPROVAL

The terms of the Solar Contracts are conditioned on the occurrence of "CPUC Approval," as it is defined in the Solar Contracts. In order to satisfy that condition with respect to the Solar Contracts, SCE requests that the Commission issue a resolution no later than February 22, 2010, containing:

1. Approval of the Solar Contracts in their entirety;
2. A finding that any electric energy sold or dedicated to SCE pursuant to the Solar Contracts constitutes procurement by SCE from an ERR for the purpose of determining SCE's compliance with the RPS Legislation or other applicable law concerning the procurement of electric energy from renewable energy resources;
3. A finding that all procurement under the Solar Contracts counts, in full and without condition, toward any annual procurement target established by the RPS Legislation or the Commission which is applicable to SCE;
4. A finding that all procurement under the Solar Contracts counts, in full and without condition, toward any incremental procurement target established by the RPS Legislation or the Commission which is applicable to SCE;
5. A finding that all procurement under the Solar Contracts counts, in full and without condition, toward the requirement in the RPS Legislation that SCE procure 20 percent (or such other percentage as may be established by law) of its retail sales from ERRs by 2010 (or such other date as may be established by law);
6. A finding that the Solar Contracts, and SCE's entry into the Solar Contracts, is reasonable and prudent for all purposes, including, but not limited to, recovery in rates of payments made pursuant to the Solar Contracts, subject only to further review with respect to the reasonableness of SCE's administration of the Solar Contracts; and
7. Any other and further relief as the Commission finds just and reasonable.

EFFECTIVE DATE

This Advice Letter will become effective February 22, 2010.

NOTICE

Anyone wishing to protest this Advice Letter may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received by the Energy Division and SCE no later than 20 days after the date of this Advice Letter. Protests should be mailed to:

Akbar Jazayeri
Vice President of Regulatory Operations
Southern California Edison Company
2244 Walnut Grove Avenue, Quad 3D
Rosemead, California 91770
Facsimile: (626) 302-4829
Email: AdviceTariffManager@sce.com

Bruce Foster
Senior Vice President, Regulatory Affairs
c/o Karyn Gansecki
601 Van Ness Avenue, Suite 2040
San Francisco, California 94102
Facsimile: (415) 673-1116
Email: Karyn.Gansecki@sce.com

Stuart Hemphill
Senior Vice President, Power Procurement
c/o Mike Marelli
Southern California Edison Company
2244 Walnut Grove Avenue, Quad 4D
Rosemead, CA 91770
Facsimile: (626) 302-1103
Email: Mike.Marelli@sce.com

With a copy to:

Tyler R. Johnson
Attorney
Southern California Edison Company
2244 Walnut Grove Avenue, 3rd Floor
Rosemead, CA 91770
Facsimile: (626) 302-1935
Email: Tyler.Johnson@sce.com

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

In accordance with Section 4 of GO 96-B, SCE is furnishing copies of this Advice Letter to the interested parties shown on the attached R.08-08-009, R.06-02-012, and GO 96-B service lists. Address change requests to the GO 96-B service list should be directed to AdviceTariffManager@sce.com or to (626) 302-2930. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or to ProcessOffice@cpuc.ca.gov.

Further, in accordance with Public Utilities Code § 491, notice to the public is hereby given by filing and keeping this Advice Letter at SCE's corporate headquarters. To view other SCE advice letters filed with the Commission, log on to SCE's web site at <http://www.sce.com/AboutSCE/Regulatory/adviceletters/>.

All questions concerning this Advice Letter should be directed to Laura Genao at (626) 302-6842 (email: Laura.Genao@sce.com).

Southern California Edison Company

Akbar Jazayeri

AJ:tj:jm
Enclosures

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: Southern California Edison Company (U 338-E)

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: James Yee

Phone #: (626) 302-2509

E-mail: James.Yee@sce.com

E-mail Disposition Notice to: AdviceTariffManager@sce.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
 PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2374-E

Tier Designation: 3

Subject of AL: Submission of Contracts for Procurement of Renewable Energy from SCE's 2008 Renewables Portfolio Standard Solicitation

Keywords (choose from CPUC listing): Compliance, Contracts, Procurement

AL filing type: Monthly Quarterly Annual One-Time Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: _____

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Confidential treatment requested? Yes No

If yes, specification of confidential information: See Appendix A.

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement.

Name and contact information to request nondisclosure agreement/access to confidential information:

Tyler Johnson, Law Department, at (626) 302-3979 or Tyler.Johnson@sce.com.

Resolution Required? Yes No

Requested effective date: 2/22/10 No. of tariff sheets: -0-

Estimated system annual revenue effect: (%): _____

Estimated system average rate effect (%): _____

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: None

Service affected and changes proposed¹: _____

Pending advice letters that revise the same tariff sheets: _____

¹ Discuss in AL if more space is needed.

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
inj@cpuc.ca.gov and mas@cpuc.ca.gov

Akbar Jazayeri
Vice President of Regulatory Operations
Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770
Facsimile: (626) 302-4829
E-mail: AdviceTariffManager@sce.com

Bruce Foster
Senior Vice President, Regulatory Affairs
c/o Karyn Gansecki
Southern California Edison Company
601 Van Ness Avenue, Suite 2040
San Francisco, California 94102
Facsimile: (415) 929-5540
E-mail: Karyn.Gansecki@sce.com

Stuart Hemphill
Senior Vice President, Power Procurement
c/o Mike Marelli
Southern California Edison Company
2244 Walnut Grove Avenue, Quad 4D
Rosemead, California 91770
Facsimile: (626) 302-1103
E-mail: Mike.Marelli@sce.com

With a copy to:

Tyler Johnson
Attorney
Southern California Edison Company
2244 Walnut Grove Avenue, 3rd Floor
Rosemead, California 91770
Facsimile: (626) 302-1935
E-mail: Tyler.Johnson@sce.com

Appendix A

Designation of Confidential Information

DESIGNATION OF CONFIDENTIAL INFORMATION

Identified below are the data in SCE’s Advice Letter for which SCE is seeking confidential protection, and the categories of the Matrix of Allowed Confidential Treatment Investor Owned Utility (“IOU”) Data (“IOU Matrix”) to which the data correspond. Also set forth is the period of time for which confidential protection is authorized by the IOU Matrix.

Data	Page	Matrix Category	Period of Confidentiality
2008 Solicitation Overview and Workpapers	Appendix B	VII.F/VII.G RPS Contracts VII.H Score sheets, analyses, evaluations of proposed RPS projects VIII.A Bid Information VIII.B Specific quantitative analysis involved in the scoring and evaluation of participating bids	RPS contracts confidential for three years, or until one year following expiration, whichever comes first. Score sheets, analyses, evaluations of proposed RPS projects confidential for three years. For bid information, total number of projects and megawatts bid by resource type public after final contracts submitted to CPUC for approval. Specific quantitative analysis involved in the scoring and evaluation of participating bids confidential for three years after winning bidders selected.
Confidential Contract Summary	Appendix C	VII.F/VII.G RPS Contracts VII.H Score sheets, analyses, evaluations of proposed RPS projects VIII.A Bid Information VIII.B Specific quantitative analysis involved in the scoring and evaluation of participating bids	RPS contracts confidential for three years, or until one year following expiration, whichever comes first. Score sheets, analyses, evaluations of proposed RPS projects confidential for three years. For bid information, total number of projects and megawatts bid by resource type public after final contracts submitted to CPUC for approval.

			Specific quantitative analysis involved in the scoring and evaluation of participating bids confidential for three years after winning bidders selected.
Solar Contracts' Contribution to RPS Goals	Appendix D	VII.F/VII.G RPS Contracts V.C LSE Total Energy Forecast-Bundled Customer	RPS contracts confidential for three years, or until one year following expiration, whichever comes first. LSE total energy forecast-bundled customer front three years of forecast data confidential.
AMF Calculators for Solar Contracts	Appendix F	VII.F/VII.G RPS Contracts VII.H Score sheets, analyses, evaluations of proposed RPS projects VIII.B Specific quantitative analysis involved in the scoring and evaluation of participating bids	RPS contracts confidential for three years, or until one year following expiration, whichever comes first. Score sheets, analyses, evaluations of proposed RPS projects confidential for three years. Specific quantitative analysis involved in the scoring and evaluation of participating bids confidential for three years after winning bidders selected.
Power Purchase Agreement between SCE and CA Solar 10, LLC	Appendix G	VII.F/VII.G RPS Contracts	RPS contracts confidential for three years, or until one year following expiration, whichever comes first.
Power Purchase Agreement between SCE and Ridgecrest Solar I, LLC	Appendix H	VII.F/VII.G RPS Contracts	RPS contracts confidential for three years, or until one year following expiration, whichever comes first.
Confidential Appendix A to Independent Evaluation Report for Southern California Edison's 2008 Renewable	Portion of Appendix J	VII.F/VII.G RPS Contracts VII.H Score sheets, analyses, evaluations of proposed RPS projects VIII.A Bid Information	RPS contracts confidential for three years, or until one year following expiration, whichever comes first. Score sheets, analyses, evaluations of proposed RPS projects confidential for three years.

<p>Resource Solicitation</p>		<p>VIII.B Specific quantitative analysis involved in the scoring and evaluation of participating bids</p>	<p>For bid information, total number of projects and megawatts bid by resource type public after final contracts submitted to CPUC for approval.</p> <p>Specific quantitative analysis involved in the scoring and evaluation of participating bids confidential for three years after winning bidders selected.</p>
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Appendix B

2008 Solicitation Overview and Workpapers

Confidential Protected Materials – Public Disclosure Prohibited

Appendix C

Confidential Contract Summary

Confidential Protected Materials – Public Disclosure Prohibited

Appendix D

Solar Contracts' Contributions to RPS Goals

Confidential Protected Materials – Public Disclosure Prohibited

Appendix E

SCE's RPS Bid Evaluation and Selection Process and Criteria

SCE's Written Description of Renewables Portfolio Standard ("RPS") Proposal Evaluation and Selection Process and Criteria ("LCBF Written Report")

I. Introduction

A. Note relevant language in statute and CPUC decisions approving LCBF process and requiring LCBF Reports

Under the direction of the California Public Utilities Commission ("Commission" or "CPUC"), SCE conducts annual solicitations for the purpose of procuring power from eligible renewable energy resources to meet California's RPS. SCE evaluates and ranks proposals based on least-cost/best-fit ("LCBF") principles that comply with criteria set forth by the Commission in Decision ("D.") 03-06-071 and D.04-07-029 ("LCBF Decisions"). *See also* Pub. Util. Code § 399.14(a)(2)(B). The large investor-owned utilities ("IOUs") were directed to submit reports on their evaluation and selection process and criteria for their 2008 RPS solicitations in D.08-02-008.

B. Goals of proposal evaluation and selection criteria and processes

The LCBF analysis evaluates both quantitative and qualitative aspects of each proposal to estimate its value to SCE's customers and its relative value in comparison to other proposals.

II. Proposal Evaluation and Selection Criteria

While assumptions and methodologies have evolved slightly over time, the basic components of SCE's evaluation and selection criteria and process for RPS contracts were established by the Commission's LCBF Decisions. Consistent with those decisions, the three main steps undertaken by SCE are: (i) initial data gathering and verification; (ii) a quantitative assessment of proposals; and (iii) adjustments to selection based on proposals' qualitative attributes.

Prior to receiving proposals, SCE finalizes major assumptions and methodologies that drive valuation, including power and gas prices forecasts, existing and forecast resource portfolio, and firm capacity value forecast. Other assumptions, such as the Transmission Ranking Cost Report ("TRCR"), are filed with the Commission for approval prior to the release of solicitation materials.

Once proposals are received, SCE begins an initial review for completeness and conformity with the solicitation protocol. The review includes a screen for reasonableness of proposal parameters such as generation profiles and capacity factors. SCE works directly with sellers to resolve any issues and ensure data is ready for evaluation.

After the initial review, SCE performs a quantitative assessment of each proposal. The result of the quantitative analysis is a relative ranking of proposals that helps define the preliminary short list.

In parallel with the quantitative analysis, SCE conducts an assessment of each proposal’s qualitative attributes. This analysis assesses a project’s technical viability, its overall viability, and its developer’s experience. These qualitative attributes are then considered to either eliminate non-viable proposals or add projects with high viability to the final short list of proposals.

Following its analysis, SCE consults with its Procurement Review Group (“PRG”) regarding the final short list and specific evaluation criteria. Whether a proposal selected through this process results in an executed contract depends on the outcome of negotiations between SCE and counterparties. Periodically, SCE updates the PRG regarding the progress of negotiations. SCE and the PRG also review contracts prior to their execution. Subsequently, SCE executes contracts and submits them to the Commission for approval via advice letter filings.

A. Description of Criteria

- 1. List and discuss the quantitative and qualitative criteria used to evaluate and select proposals. This section should include a full discussion of the following:**

Quantitative Assessment

SCE evaluates the quantifiable attributes of each proposal individually and subsequently ranks them based on their benefit-to-cost ratios. Benefits are comprised of separate capacity and energy components, while costs include the contract price, integration costs, transmission cost, and debt equivalence. SCE discounts the annual benefit and cost streams to a common base year prior to calculating the benefit-to-cost ratio for each proposal.

$$\text{B - C Ratio} = \frac{\text{Capacity Benefit} + \text{Energy Benefit}}{\text{Payments} + \text{Integration Cost} + \text{Transmission Cost} + \text{Debt Equivalence}}$$

In developing its relative ranking of proposals, SCE’s evaluation methodology incorporates information provided by sellers and assumptions prescribed and set by the Commission and California Energy Commission (“CEC”) with its internal methodologies and forecasts of market conditions. The objective of the quantitative assessment and relative ranking is to develop a preliminary short list that is further refined based on the non-quantifiable attributes discussed below. Each of the elements for the RPS benefit-to-cost ratio is described briefly below.

Capacity Benefit

Each proposal is assigned capacity benefits based on SCE’s forecast of net capacity value and a technology-specific effective load carrying capability (“ELCC”). SCE’s gross capacity value forecast consists of a combustion turbine (“CT”) proxy. The CT proxy is based on the annual deferral value of a General Electric 7FA simple-cycle combustion turbine. The gross

capacity value is then reduced for potential profits that the assumed proxy plant would make from the energy markets to create the net capacity value.¹

For non-solar technologies, ELCC values are established by the CEC's Renewable Generation Integration Cost Analysis ("RGICA"). ELCC values for solar technologies are based on the average summer on-peak capacity factor of the hourly generating profile for each developer. Each developer's ELCC is averaged together to create the ELCC for each solar technology.²

Annual capacity benefits are the product of SCE's net capacity value forecast, the total proposed capacity of the project, and the ELCC. For partial years, the capacity value is distributed throughout the year according to SCE's relative loss-of-load probability factors.

Energy Benefit

SCE measures the energy benefits of a proposal by evaluating its effect on the total production cost of SCE's forecasted resource portfolio to serve its bundled customer load. The evaluation of energy benefits is performed with a portfolio and system that is consistent with SCE's most recent Long-Term Procurement Plan ("LTPP"), with some updates to account for the latest gas price and load forecasts and the results of recent procurement activities.

SCE uses Ventyx's ProSym model to compare the hourly production costs of SCE's base resource portfolio ("project out") with the hourly production costs when a baseload energy block is individually added to the base portfolio ("project in"). Each energy block is added to the resource portfolio as a no-cost, must-take flat generation profile. ProSym performs an hourly, least-cost dispatch with SCE's known resource portfolio and generic generation (because SCE's complete resource portfolio in the future is uncertain, generic generation is added to the portfolio to ensure that RPS and resource adequacy requirements are satisfied and customer load can be met) to meet customer demand. The difference in hourly production costs between the project in and project out cases is the hourly energy benefit for each energy block. The energy benefit for each proposal is then calculated by taking the seller provided generation profile and interpolating the hourly energy benefit from the energy blocks.

SCE's resource portfolio is dispatched against an SCE area power price forecast. For out-of-area resource proposals, additional congestion charges may be added to the cost of delivering the energy depending on the power price forecast for the originating area relative to SCE area power prices. SCE's power and gas price forecasts are both based on a near-term market view and a longer-term fundamental view of prices.

¹ Energy profits are the difference between market revenues and cost to run, as determined by performing a least-cost dispatch of the proxy station against SCE's power price forecast.

² Solar projects are grouped by technology (i.e., solar trough, photovoltaic, etc.) and a different ELCC value is developed based on the average shape of each technology. The growing number of solar technologies with varying generation profiles merits divergence from the single ELCC value developed in the CEC's RGICA.

The simulation model, and hence the energy benefit calculation, captures additional quantitative effects that SCE has been asked to consider by the Commission, including dispatchability and curtailability. The benefits of these characteristics are implied in the energy benefit and are not addressed separately.

Debt Equivalence

“Debt equivalence” is the term used by credit rating agencies to describe the fixed financial obligation resulting from long-term purchased power contracts. Pursuant to D.04-12-048, the Commission permitted the utilities to recognize costs associated with the effect debt equivalence has on the utilities’ credit quality and cost of borrowing in their evaluation process.

a. Market valuation (i.e., price)

The primary costs associated with each proposal are the payments that SCE pays to sellers for the expected renewable energy deliveries under the terms of the contracts. Proposals include an all-in price for delivered renewable energy, which is adjusted in each time-of-delivery period by energy payment allocation factors (“TOD factors”). SCE develops and submits its TOD factors for each solicitation to the Commission for approval prior to the issuance of the Request for Proposals (“RFP”). Total payments are then determined using the generation profile provided in the proposal and adjusted for electric energy loss factors (to calculate the delivered amount of electric energy).

- **Include treatment of integration costs**

Integration costs are the additional system costs required to provide load following and regulation as a result of integrating various resources. Pursuant to D.04-07-029, as clarified in D.07-02-011, the integration cost adder for all proposals is zero.

- **Include treatment of dispatchability/curtailability benefits**

Dispatchability and curtailability are both attributes that are incorporated into the production simulations used to evaluate the energy benefits. Any proposal received with such characteristics would be modeled as such and the energy benefits would capture the qualitative benefit.

b. Portfolio fit

SCE’s LCBF quantitative evaluation process inherently captures the impact of portfolio fit. For example, as different proposals are added to the overall portfolio, the resultant residual net short or net long is impacted. Projects that more often increase SCE’s net long positions are assigned less value than those projects that are more often filling net short positions. As such, a project that provides more energy when it is most needed and less energy in periods of low need will receive the greatest energy benefit.

c. Credit and collateral requirements

SCE requests that bidders provide pricing which assumes that the seller is required to post performance assurance during the operating period equal to the amount of six months worth of contract payments. SCE uses this common point to establish comparable pricing for use in ranking.

d. Project viability

In addition to the benefits and costs quantified during SCE's evaluation, SCE assesses non-quantifiable characteristics of each proposal by conducting a viability analysis to assess the following attributes:

- Seller's Capability to Perform
 - Total years of development experience
 - Project financing procurement experience
 - Facility ownership experience
 - Facility operations experience
- Technical Viability
 - Technology
 - Generating facility description
 - Delivery profile reasonableness
- Project Viability
 - Major equipment procurement
 - Transmission lead time
 - Facility construction time
 - Network upgrade or interconnection scope/cost
 - Site control
 - Permitting
 - Substantial alignment with power purchase agreement ("PPA") terms

These qualitative attributes are used to consider inclusion of additional sellers on the short list due to the strength of a particular seller's proposal. Pursuant to D.04-07-029, the presence of demonstrated qualitative attributes may justify moving a proposal onto SCE's short list of proposals if the initial proposal rank is within reasonable valuation proximity to those selected for the short list, and SCE receives support from its PRG to elevate the proposal based on qualitative factors.

This assessment may also result in the exclusion of proposals from the short list due to the relative weakness of highly-ranked proposals.

In other instances, where there are weaknesses in some of these factors (although these may not be significant enough to exclude a proposal from the short list), SCE utilizes additional contract requirements to manage these issues during the development of the project.

Within the qualitative assessment, SCE considers additional qualitative characteristics to determine tie-breakers, if any. The attributes that SCE considers include, but are not limited to:

(a) if (i) the generating facility's first point of interconnection is within the Tehachapi area (namely, in the vicinity of the existing Antelope or Vincent substations, or in the vicinity of the future substations of Highwind, Windhub, Cottonwood or Whirlwind), and (ii) such generating facility is dispatchable during on-peak periods; (b) environmental impacts of seller's proposed project on California's water quality and use; (c) resource diversity; (d) benefits to minority and low income communities; (e) local reliability; and (f) environmental stewardship.

e. Transmission cost adders

System transmission upgrade costs are estimated utilizing the TRCR corresponding to the service territory location for resources that do not have an existing interconnection to the electric system or a completed facilities study. TRCRs are published prior to the release of the solicitation and are based on responses to a request for prospective/potential proposals and include active generator interconnection requests. Transmission cost adders for new generation are assigned by cluster, or regions, and are based on standard off-the-shelf unit cost guides. Proposals received in the actual solicitation that do not fit into the clusters defined by the TRCR will have adders developed using the same methodology as was used in the original TRCR.

- **Discuss how much detailed transmission cost information the IOU requires for each project**

Other than the assumptions provided in a bidder's proposal, SCE does not require additional transmission information unless the bidder has completed a transmission study. If a transmission study has been completed then the bidder must provide the results.

- **Discuss whether cost adders are always imputed for projects in transmission-constrained areas, or whether and how costs for alternative commercial transactions (i.e., swapping, remarketing) are substituted.**

SCE uses the best available information it can find when determining the cost of potential upgrades for projects in transmission-constrained areas. For those projects whose transmission upgrade costs cannot be determined from SCE's TRCR, the TRCRs of Pacific Gas and Electric Company or San Diego Gas & Electric Company are used as appropriate. SCE applies the required upgrade costs to get the project delivered to the nearest defined market (e.g., NP15, SP26, etc.). For projects with an assumed delivery point outside the California Independent System Operator ("CAISO"), SCE applies a power swapping methodology, where the power is assumed to be sold into the local market.

f. Impact of quantitative and qualitative factors on the LCBF ranking process

SCE evaluates the quantifiable attributes of each proposal individually and subsequently ranks them based on their benefit-to-cost ratios. Benefits are comprised of separate capacity and energy components, while costs include the contract price, integration costs, transmission cost, and debt equivalence. SCE discounts the annual benefit and cost streams to a common base year prior to calculating the benefit-to-cost ratio for each proposal.

$$\text{B - C Ratio} = \frac{\text{Capacity Benefit} + \text{Energy Benefit}}{\text{Payments} + \text{Integration Cost} + \text{Transmission Cost} + \text{Debt Equivalence}}$$

SCE also assesses non-quantifiable characteristics of each proposal. Qualitative attributes of each proposal are considered to further screen the short list and determine tie-breakers to arrive at a final short list of proposals.

- g. Out-of-state projects**
 - **Discuss how evaluation process differs for out-of-state projects**

The overall evaluation methodology is applied consistently to projects regardless of location. As discussed above, energy benefits for those projects outside of the CAISO will be based on the pricing at the nearest liquid trading hub according to SCE's fundamental price forecast for hubs across the Western Electricity Coordinating Council ("WECC"). Capacity benefits will be based on SCE's forecast of the regional capacity value, the nameplate capacity of the project, and the ELCC of the project. For those projects within the CAISO, SCE applies the cost to ratepayers of new network upgrades required for deliverability of the new project. SCE ratepayers are not liable for any network upgrades outside of the CAISO so transmission cost adders are zero for out-of-state projects.

B. Criteria Weightings

- 1. If a weighting system is used, please describe how each LCBF component is assigned a quantitative or qualitative weighting compared to other components. Discuss the rationale for the weightings.**

SCE does not apply a weighting system in its LCBF evaluation.

- 2. If a weighting system is not used, please describe how the LCBF evaluation criteria are used to rank proposals.**

SCE's LCBF quantitative evaluation of the proposals incorporates energy and capacity benefits with energy payments, transmission and integration costs, and debt equivalence to create individual benefit-to-cost ratios. It is this benefit-to-cost ratio that is used to rank and compare each project. Qualitative attributes of each proposal are then considered to further screen the short list and determine tie-breakers to arrive at a final short list of proposals.

- 3. Discuss how the IOU LCBF methodology evaluates project commercial operation date relative to transmission upgrades required for the project.**

As part of the qualitative assessment, SCE considers sellers' proposed on-line dates for the project in conjunction with a variety of critical project milestones. Such milestones include network upgrade status and scope, status of major equipment procurement and lead times, and permitting status. For those projects which SCE has concerns over the viability of the

timeframe, a range of on-line dates (and transmission facilities availability) are evaluated to determine the sensitivity of the results to the timing. If the project ranking does not change in a manner that would change its original selection status over a range that SCE deems reasonable, then the original assessment is used. For projects whose selection is dependent on the timing of the project and the availability of upgraded transmission facilities, further analysis of the timing of the projects is required.

4. Discuss how the LCBF methodology takes into account proposals that may be more expensive, but have a high likelihood of resulting in viable projects.

SCE's LCBF methodology incorporates project viability in a qualitative assessment after the preliminary ranking of proposals has been completed and in determining the size of the short list. Proposals that are more expensive tend to be lower on the quantitative ranking of projects, and therefore, may fall beyond the initial short list cut-point. SCE may pull such projects onto the short list if, from its qualitative assessment, it determines the project maintains high viability. In this situation, the quantitative ranking is still considered as part of the overall decision, but the viability becomes the key driver.

C. Evaluation of utility-owned, turnkey, buyouts, and utility-affiliate projects

1. Describe how utility-owned projects are evaluated against PPAs

SCE views utility-owned cost-of-service generation as a necessary and good option for customers to have. SCE does not evaluate proposed utility-owned projects against PPAs, as utility-owned generation and contracted-for generation are fundamentally different products. As such, any attempt to do a numerical comparison of them is unworkable. This topic is discussed in detail in the Supplemental Testimony to SCE's 2006 LTPP (Section I.B, pp. 2-5). Moreover, approval of a utility-owned project would not be submitted through the solicitation process, but through a formal application.

2. Describe how turnkey projects are evaluated against PPAs

Turnkey projects are similar to utility-owned projects. Refer to the response above.

3. Describe how buyout projects are evaluated against PPAs

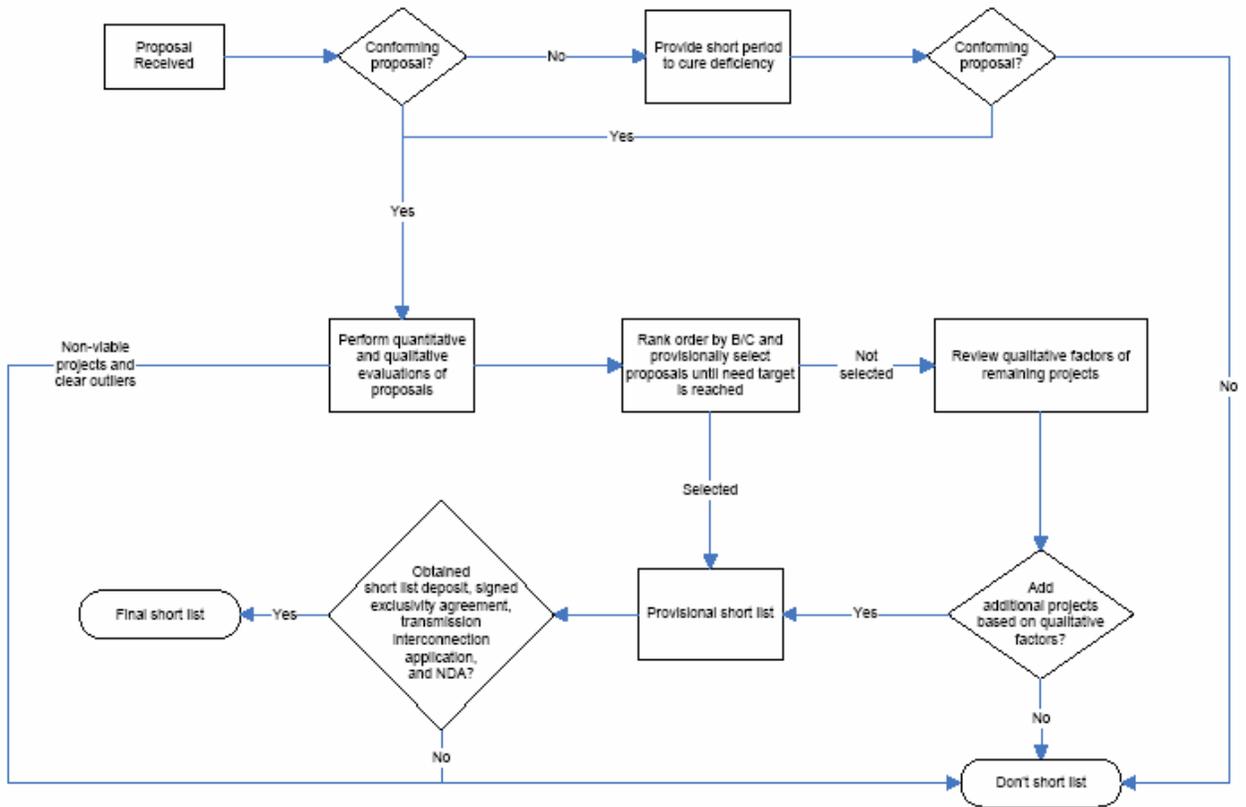
Project buyout options are essentially a hybrid of utility-owned projects and PPAs. Refer to response above.

4. Describe how utility-affiliate projects are evaluated against non-affiliate projects

Utility-affiliate projects are evaluated in the same manner as non-affiliate projects.

III. Proposal Evaluation and Selection Process

A. What is the process by which proposals are received and evaluated, selected or rejected for shortlist inclusion, and further evaluated once on the shortlist?



B. What is the typical amount of time required for each part of the process?

The typical amount of time required for the short listing process depends on the volume of proposals received by SCE during a solicitation. Historically, it has taken SCE no more than eight weeks to complete the LCBF evaluation process, which includes quality control of bidders' information, transmission assessment, quantitative assessment, qualitative assessment, management review, and PRG meetings. Many of the components in the overall process overlap and may require additional time if clarification from sellers is needed.

C. How is the size of the shortlist determined?

The size of SCE's short list is determined largely by an assessment of the attractiveness of RPS-eligible energy proposals and a desire for a robust, inclusive set of developer proposals. The short list is expanded well beyond the point that is needed for SCE to meet its RPS goals, as there is an expectation that some projects that are selected will not join the short list and that negotiations will not be successful with some short listed sellers.

D. Are rejected bidders told why they were rejected? If so, what is the process?

Bidders are informed by e-mail that their proposals were not short listed. The e-mail does not contain specific reasons for a bidder's rejection. However, bidders often contact SCE to obtain specificity regarding why their proposal was not short-listed. In such cases, SCE often refers the bidder to the RFP documentation in conjunction with a high-level discussion of the bidder's project.

E. Were any proposals rejected for non-conformance? If so, how many and what were the non-conforming characteristics?

Yes. A total of 41 proposals were submitted with a term delivery length of 25 years. Since SCE's 2008 Renewable RFP limited proposals to a maximum of a 20-year term length, these 41 proposals were not considered for SCE's short list.

F. Describe involvement of the Independent Evaluator

The independent evaluator monitors SCE's RPS solicitations, provides an independent evaluation of SCE's process and the proposals it receives, and helps the Commission and SCE's PRG participants by providing them with information and assessments to ensure that the solicitation was conducted fairly and that the best resources were acquired. The independent evaluator also provides an assessment of SCE's RPS solicitation from the initial phase of the solicitation (i.e., the publicizing of the issuance of the RFP) through the development of a short list of proposals/bidders with which SCE has commenced negotiations.

G. Describe involvement of the Procurement Review Group

SCE consults with its PRG during each step of the renewable procurement process. Among other things, SCE provides solicitation materials and pro forma contracts to the PRG for review and comment before commencing the RFP, informs the PRG of the initial results of the RFP, explains the evaluation process, and updates the PRG periodically concerning the status of contract formation.

H. Discuss whether and how feedback on the solicitation process is requested from bidders (both successful and unsuccessful) after the solicitation is complete

SCE regularly receives feedback during the normal course of its solicitation process. In addition, SCE anticipates it will formally solicit feedback either through a survey, workshop or

other similar method from participants in the 2008 solicitation once that solicitation process has been completed.

Appendix F

AMF Calculators for the Solar Contracts

Confidential Protected Materials – Public Disclosure Prohibited

Appendix G

Power Purchase Agreement between SCE and CA Solar 10, LLC

Confidential Protected Materials – Public Disclosure Prohibited

Appendix H

Power Purchase Agreement between SCE and Ridgecrest I, LLC

Confidential Protected Materials – Public Disclosure Prohibited

Appendix I

Proposed Protective Order

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Submission of Contract for Procurement of)
Renewable Energy From SCE's 2008)
Renewables Portfolio Standard Solicitation

Advice 2374-E

PROTECTIVE ORDER

1. Scope. This Protective Order shall govern access to and the use in this proceeding of Protected Materials produced by, or on behalf of, any Disclosing Party.

2. Modification. This Protective Order shall remain in effect until it is modified or terminated by the California Public Utilities Commission ("Commission") or Assigned Administrative Law Judge ("Assigned ALJ"). The parties acknowledge that the identity of the parties submitting Protected Materials may differ from time to time. In light of this situation, the parties agree that modifications to this Protective Order may become necessary, and they further agree to work cooperatively to devise and implement such modifications in as timely a manner as possible. Each party governed by this Protective Order has the right to seek changes in it as appropriate from the Assigned ALJ or the Commission.

3. Definitions.

A. The term "Protected Material(s)" means: (i) trade secret, market sensitive, or other confidential and/or proprietary information as determined by the Disclosing Party in accordance with the provisions of D.06-06-066 and subsequent decisions, General Order 66-C, and Public Utilities Code section 454.5(g), or any other right of confidentiality provided by law; or (ii) any other materials that are made subject to this Protective Order by the Assigned ALJ, Law and Motion Administrative Law Judge ("Law and Motion ALJ"), Assigned Commissioner, the Commission, or any court or other body having appropriate authority. Protected Materials also includes memoranda, handwritten notes, spreadsheets, computer files and reports, and any other

form of information (including information in electronic form) that copies, discloses, or compiles other Protected Materials or from which such materials may be derived (except that any derivative materials must be separately shown to be confidential). Protected Materials do not include: (i) any information or document contained in the public files of the Commission or any other state or federal agency, or in any state or federal court; or (ii) any information that is public knowledge, or which becomes public knowledge, other than through disclosure in violation of this Protective Order or any other protective order.

B. The term “redacted” refers to situations in which Protected Materials in a document, whether the document is in paper or electronic form, have been covered, blocked out, or removed. The term “unredacted” refers to situations in which the Protected Materials in a document, whether in paper or electronic form, have not been covered, blocked out, or removed.

C. The term “Disclosing Party” means a party who initially discloses any specified Protected Materials in this proceeding.

- D. The term “Market Participant” (“MP”) refers to a party that is:
- 1) A person or entity, or an employee of an entity, that engages in the wholesale purchase, sale, or marketing of energy or capacity, or the bidding on or purchasing of power plants, or bidding on utility procurement solicitations, or consulting on such matters, subject to the limitations in (3) below.
 - 2) A trade association or similar organization, or an employee of such organization,
 - a) whose primary focus in proceedings at the Commission is to advocate for persons/entities that purchase, sell, or market energy or capacity at wholesale; bid on, own, or purchase power plants; or bid on utility procurement solicitations; or
 - b) a majority of whose members purchase, sell, or market energy or capacity at wholesale; bid on, own, or purchase power plants; or bid on utility procurement solicitations; or
 - c) formed for the purpose of obtaining market sensitive information; or
 - d) controlled or primarily funded by a person or entity whose primary purpose is to purchase, sell, or market energy or

capacity at wholesale; bid on, own, or purchase power plants; or bid on utility procurement solicitations.

- 3) A person or entity that meets the criteria of (1) above is nonetheless not an MP for purposes of access to market sensitive data unless the person/entity seeking access to market sensitive information has the potential to materially affect the price paid or received for electricity if in possession of such information. An entity will be considered not to have such potential if:
 - a) the person or entity's participation in the California electricity market is *de minimis* in nature. In the resource adequacy proceeding (R.05-12-013), it was determined in D.06-06-064, § 3.3.2, that the resource adequacy requirement should be rounded to the nearest megawatt ("MW"), and load serving entities ("LSEs") with local resource adequacy requirements less than 1 MW are not required to make a showing. Therefore, a *de minimis* amount of energy would be less than 1 MW of capacity per year, and/or an equivalent of energy; and/or
 - b) the person or entity has no ability to dictate the price of electricity it purchases or sells because such price is set by a process over which the person or entity has no control, *i.e.*, where the prices for power put to the grid are completely overseen by the Commission, such as subject to a standard offer contract or tariff price. A person or entity that currently has no ability to dictate the price of electricity it purchases or sells under this section, but that will have such ability within one year because its contract is expiring or other circumstances are changing, does not meet this exception; and/or
 - c) the person or entity is a cogenerator that consumes all the power it generates in its own industrial and commercial processes, if it can establish a legitimate need for market sensitive information.

E. An MP's Reviewing Representatives are limited to persons designated by the MP who meet the following criteria:

1. are outside experts, consultants, or attorneys;
2. are not currently engaged, directly or indirectly, in: (a) the purchase, sale, or marketing of electrical energy or capacity or natural gas (or the direct supervision of any employee(s) whose duties include such activities); (b) the bidding on or purchasing of power plants (or the direct supervision of any employee(s) whose duties include such activities); (c) consulting with or advising others in connection with any activity set forth in subdivisions (a)

or (b) above (or the direct supervision of any employee(s) whose duties include such activities or consulting); and

3. are not an employee of an MP.

F. Persons or entities that do not meet the definition of MP are non-market participants (“NMPs”), and may have access to market sensitive information through their designated Reviewing Representatives. An attorney or consultant that simultaneously represents MPs and NMPs may not have access to market sensitive data. If, on the other hand, simultaneous representation is of MP and NMP clients involved in completely different types of matters, there should be no bar (although there may be ethical implications of such representation that we do not address here). For example, if an attorney represents an MP in matters unrelated to procurement, resource adequacy, RPS, or the wholesale purchase, sale, or marketing of energy or capacity, or the bidding on or purchasing of power plants, or bidding on utility procurement solicitations, in a forum other than this Commission, and simultaneously represents an NMP in cases related to these topics before the Commission, there should be no bar to the attorney's receipt of market sensitive data (pursuant to a non-disclosure agreement and protective order) in the latter matter. In close cases, the balance should militate to bar simultaneous representation because of the risks it poses.

H. All Reviewing Representatives are required to execute a non-disclosure agreement and are bound by the terms of this Protective Order.

4. Designation of Materials. When filing or providing in discovery any documents containing Protected Materials, a party shall physically mark such documents on each page (or in the case of non-documentary materials such as computer diskettes, on each item) as “PROTECTED MATERIALS SUBJECT TO PROTECTIVE ORDER,” or with words of similar import as long as one or more of the terms, “Protected Materials,” “Protective Order,” or “General Order No. 66-C” is included in the designation to indicate that the materials in question are protected.

All materials so designated shall be treated as Protected Materials unless and until the designation is withdrawn pursuant to Paragraph 17, below, or an ALJ, Commissioner, or other Commission representative makes a determination changing the designation.

All documents containing Protected Materials that are filed with the Commission or served shall be placed in sealed envelopes or otherwise appropriately protected and shall be endorsed to the effect that they are filed or served under seal pursuant to this Protective Order. Such documents shall be served upon Reviewing Representatives and persons employed by or working on behalf of the state governmental agencies referred to in Paragraph 12, below, who are eligible and have requested to review such materials. Service upon the persons specified in the foregoing sentence may either be by electronic mail in accordance with the procedures adopted in this proceeding, by facsimile, or by overnight mail or messenger service. Whenever service of a document containing Protected Materials is made by overnight mail or messenger service, the Assigned ALJ shall be served with such document by hand on the date that service is due.

5. Redaction of Documents. Whenever a party files, serves, or provides in discovery a document that includes Protected Materials (including but not limited to briefs, testimony, exhibits, and responses to data requests), such party shall also prepare a redacted version of such document. The redacted version shall enable persons familiar with this proceeding to determine with reasonable certainty the nature of the data that has been redacted and where the redactions occurred. The redacted version of a document to be filed shall be served on all persons on the service list and the redacted version of a discovery document shall be served on all persons entitled thereto.

6. Selection of Reviewing Representatives. Each MP and NMP selecting a Reviewing Representative shall first identify its proposed Reviewing Representative to the Disclosing Party. An attorney or consultant that simultaneously represents MPs and NMPs may not have access to market sensitive data, subject to the exception in Paragraph (3)F, above. Any designated

Reviewing Representative has a duty to disclose to the Disclosing Party any potential conflict that puts her/him in violation of D.06-12-030. A resume or curriculum vitae is reasonable disclosure of such potential conflicts and should be the default evidence provided in most cases.

7. Access to Protected Materials and Use of Protected Materials. Subject to the terms of this Protective Order, Reviewing Representatives shall be entitled access to Protected Materials. All other parties in this proceeding shall not be granted access to Protected Materials, but shall instead be limited to reviewing redacted versions of documents. Reviewing Representatives may make copies of Protected Materials, but such copies become Protected Materials. Reviewing Representatives may make notes of Protected Materials, which shall be treated as Notes of Protected Materials if they disclose the contents of Protected Materials. Protected Materials obtained by a party in this proceeding may also be requested by that party in a subsequent Commission proceeding, subject to the terms of any protective order governing that subsequent proceeding, without constituting a violation of this order.

8. Maintaining Confidentiality of Protected Materials. Each Reviewing Representative shall treat Protected Materials as confidential in accordance with this Protective Order and the Non-Disclosure Certificate executed pursuant to Paragraphs 7 and 8. Protected Materials shall not be used except as necessary for the conduct of this proceeding, and shall not be disclosed in any manner to any person except: (a) Reviewing Representatives who have executed Non-Disclosure Certificates; (b) Reviewing Representatives' paralegal employees and administrative personnel, such as clerks, secretaries, and word processors, to the extent necessary to assist the Reviewing Representatives, provided that they shall first ensure that such personnel are familiar with the terms of this Protective Order and have signed a Non-Disclosure Certificate; or (c) persons employed by or working on behalf of the California Energy Commission ("CEC") or other state governmental agencies covered in Paragraph 12, below. Reviewing Representatives shall adopt suitable measures to maintain the confidentiality of Protected Materials they have obtained pursuant to this Protective Order and shall treat such Protected Materials in the same

manner as they treat their own most highly confidential information. Reviewing Representatives shall be liable for any unauthorized disclosure or use by their paralegal employees or administrative staff. In the event any Reviewing Representative is requested or required by applicable laws or regulations, or in the course of administrative or judicial proceedings (in response to oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand, or similar process) to disclose any Protected Materials, they shall immediately inform the Disclosing Party of the request and the Disclosing Party may, at its sole discretion and cost, direct any challenge or defense against the disclosure requirement, and the Reviewing Representative shall cooperate in good faith with such party either to oppose the disclosure of the Protected Materials consistent with applicable law or to obtain confidential treatment of them by the person or entity who wishes to receive them prior to any such disclosure. If there are multiple requests for substantially similar Protected Materials in the same case or proceeding where a Reviewing Representative has been ordered to produce certain specific Protected Materials, the Reviewing Representative may, upon request for substantially similar materials by another person or entity, respond in a manner consistent with that order to those substantially similar requests.

9. Exception for California Independent System Operator (CAISO). Notwithstanding any other provision of this Protective Order, with respect to a CAISO Reviewing Representative only, participation in the CAISO's operation of the CAISO-controlled grid and in its administration of the CAISO-administered markets, including, but not limited to, markets for ancillary services, supplemental energy, congestion management, and local area reliability services, shall not be deemed to be a violation of this Protective Order.

10. Non-Disclosure Certificates. A Reviewing Representative shall not inspect, participate in discussions regarding, or otherwise be granted access to, Protected Materials unless and until she/he has first completed and executed a Non-Disclosure Certificate, attached hereto as Appendix A, and delivered the original, signed Non-Disclosure Certificate to the Disclosing

Party. The Disclosing Party shall retain the executed Non-Disclosure Certificates pertaining to the Protected Materials it has disclosed and shall promptly provide copies of the Non-Disclosure Certificates to Commission Staff upon request.

11. Return or Destruction of Protected Materials. Protected Materials shall remain available to Reviewing Representatives until the later of the date that an order terminating this proceeding becomes no longer subject to judicial review, or the date that any other Commission proceeding relating to the Protected Materials is concluded and no longer subject to judicial review. If requested to do so in writing after that date, the Reviewing Representatives shall, within fifteen (15) days of such request, return the Protected Materials (including Notes of Protected Materials) to the party that produced them, or shall destroy the materials, except that copies of filings, official transcripts, and exhibits in this proceeding that contain Protected Materials and Notes of Protected Materials may be retained if they are maintained in accordance with Paragraph 8, above. Within such time period each Reviewing Representative, if requested to do so, shall also submit to the Disclosing Party an affidavit stating that, to the best of its knowledge, all Protected Materials and all Notes of Protected Materials have been returned or have been destroyed or will be maintained in accordance with Paragraph 8, above. To the extent Protected Materials are not returned or destroyed, they shall remain subject to this Protective Order and General Order No. 66-C. In the event that a Reviewing Representative to whom Protected Materials are disclosed ceases to be engaged to provide services in this proceeding, access to such materials by that person shall be terminated. Even if no longer engaged in this proceeding, every such person shall continue to be bound by the provisions of this Protective Order and the Non-Disclosure Certificate.

12. Access and Use by Governmental Entities.

A. In the event the Commission receives a request from the CEC for a copy of or access to any party's Protected Materials, the procedure for handling such requests shall be as follows. Not less than five (5) days after delivering written notice to the Disclosing Party of the request,

the Commission shall release such Protected Materials to the CEC upon receipt from the CEC of an Interagency Information Request and Confidentiality Agreement (“Interagency Confidentiality Agreement”). Such Interagency Confidentiality Agreement shall: (i) provide that the CEC will treat the requested Protected Materials as confidential in accordance with this Protective Order; (ii) include an explanation of the purpose for the CEC’s request, as well as an explanation of how the request relates to furtherance of the CEC’s functions; (iii) be signed by a person authorized to bind the CEC contractually; and (iv) expressly state that furnishing of the requested Protected Materials to employees or representatives of the CEC does not, by itself, make such Protected Materials public. In addition, the Interagency Confidentiality Agreement shall include an express acknowledgment of the Commission’s sole authority (subject to judicial review) to make the determination whether the Protected Materials should remain confidential or be disclosed to the public, notwithstanding any provision to the contrary in the statutes or regulations applicable to the CEC.

B. In the event the Commission receives a request for a copy of or access to a party’s Protected Materials from a state governmental agency other than the CEC that is authorized to enter into a written agreement sufficient to satisfy the requirements for maintaining confidentiality set forth in Government Code section 6254.5(e), the Commission may, not less than five (5) days after giving written notice to the Disclosing Party of the request, release such protected materials to the requesting governmental agency, upon receiving from the requesting agency an executed Interagency Confidentiality Agreement that contains the same provisions described in section (a), above.

C. The CEC may use Protected Materials when needed to fulfill its statutory responsibilities or cooperative agreements with the Commission. Commission confidentiality designations will be maintained by the CEC in making such assessments and the CEC will not publish any assessment that directly reveals the data or allows the data submitted by an individual LSE to be “reverse engineered.”

13. Dispute Resolution. Any parties involved in disputes that arise under this Protective Order, including, but not limited to, alleged violations of this Protective Order and disputes concerning whether materials were properly designated as Protected Materials, shall first meet and confer in an attempt to resolve such disputes. If the meet and confer process is unsuccessful, the involved parties may present the dispute for resolution to the Assigned ALJ or the Law and Motion ALJ.

14. Other Objections to Use or Disclosure. Nothing in this Protective Order shall be construed as limiting the right of a party, the Commission Staff, or a state governmental agency covered in Paragraph 12, above, from objecting to the use or disclosure of Protected Materials on any legal ground, such as relevance or privilege.

15. Remedies. Any violation of this Protective Order shall constitute a violation of an order of the Commission. Notwithstanding the foregoing, the parties and Commission Staff reserve their rights to pursue any legal or equitable remedies that may be available in the event of an actual or anticipated disclosure of Protected Materials.

16. Withdrawal of Designation. A Disclosing Party may agree at any time to remove the “Protected Materials” designation from any materials of such party if, in its opinion, confidentiality protection is no longer required. In such a case, the Disclosing Party will notify all other parties that the Disclosing Party believes are in possession of such materials of the change of designation.

17. Interpretation. Titles are for convenience only and may not be used to restrict the scope of this Protective Order.

Entered: _____
Administrative Law Judge

Date: _____

APPENDIX A TO PROTECTIVE ORDER

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Submission of Contract for Procurement of)
Renewable Energy From SCE's 2008)
Renewables Portfolio Standard Solicitation)
_____)

Advice 2374-E

NON-DISCLOSURE CERTIFICATE

I hereby certify my understanding that access to Protected Materials is provided to me pursuant to the terms and restrictions of the Protective Order in this proceeding, that I have been given a copy of and have read the Protective Order, and that I agree to be bound by it. I understand that the contents of the Protected Materials, any notes or other memoranda, or any other form of information that copies or discloses Protected Materials shall not be disclosed to anyone other than in accordance with that Protective Order. I acknowledge that a violation of this certificate constitutes a violation of an order of the California Public Utilities Commission.

By: _____
Title: _____
Representing: _____
Date: _____

Appendix J

Independent Evaluation Report

Sedway Consulting, Inc.

INDEPENDENT EVALUATION REPORT
FOR SOUTHERN CALIFORNIA EDISON'S
2008 RENEWABLE RESOURCE
SOLICITATION

Fifth Advice Letter Report

Submitted by:

*Alan S. Taylor
Sedway Consulting, Inc.
Boulder, Colorado*

August 20, 2009

Introduction and Background

On March 7, 2008, Southern California Edison (SCE) issued its 2008 Request for Proposals (RFP) for renewable energy supplies that could help the utility meet its Renewables Portfolio Standard (RPS) goal of having 20% of its sales supplied by renewable resources by 2010.

Role of Independent Evaluator and Focus of Shortlisting Report

The California Public Utilities Commission (CPUC) has issued several decisions in the last several years that now require California's investor-owned utilities to retain an Independent Evaluator (IE) in RPS solicitations.¹ In early 2008, in compliance with these CPUC decisions, SCE retained Sedway Consulting, Inc. (Sedway Consulting) as an IE to monitor SCE's 2008 RPS solicitation, provide an independent evaluation of SCE's process and the proposals it may receive, and help the CPUC and SCE's Procurement Review Group (PRG) participants by providing them with information and assessments to ensure that the solicitation was conducted fairly and that the best resources were acquired. Specific examples of Sedway Consulting's role in the solicitation are provided throughout this report.

The remainder of this report summarizes the procedural history and the bid evaluation process in SCE's 2008 RPS solicitation, describing SCE's and the IE's activities surrounding the issuance of the RFP, SCE's outreach efforts to potential bidders, the process for evaluating and selecting bids, and SCE's contract negotiations. The report addresses each of the seven items listed in the CPUC Independent Evaluator Report Template (Short Form).²

Overview of Activities and Findings

Sedway Consulting issued its Independent Evaluation Shortlisting Report on July 29, 2008, providing an assessment of SCE's RPS solicitation from the initial phase of the solicitation (i.e., the publicizing of the issuance of the RFP) through the development of a short list of proposals/bidders with whom SCE had commenced negotiations. Specifically, that report addressed Sedway Consulting's activities and conclusions regarding the following four areas/questions:

¹ D.04-12-048 (Findings of Fact 94-95, Ordering Paragraph 28) and D.06-05-039 (Finding of Fact 20, Conclusion of Law 3, Ordering Paragraph 8).

² Administrative Law Judge's Ruling Issuing Templates for Independent Evaluator Reports and Contract Approval Requests, Attachment B, R.06-02-013, Carol Brown, ALJ filed May 8, 2008.

- **2008 RPS Solicitation Protocol issuance and outreach activities**
Did SCE do adequate outreach to potential bidders, and did its outreach activities result in an adequately robust solicitation to promote competition?
- **Evaluation process design**
Was SCE's methodology for RPS proposal evaluation and selection designed fairly?
- **Evaluation process administration**
Was SCE's RPS proposal evaluation and short list selection process fairly administered?
- **Selection and rejection decisions in shortlisting of proposals**
Did SCE make reasonable and consistent choices regarding which proposals were rejected and which were shortlisted?

Sedway Consulting's IE shortlisting report was amended and reissued as the First Advice Letter IE Report to describe all solicitation, evaluation, and negotiation activities from the start of the 2008 RPS solicitation through SCE's December 31, 2008 filing of one executed power purchase agreement (PPA) for CPUC approval. That report was amended and reissued as the Second Advice Letter IE Report to include details on the solicitation's progress up through the execution of an additional seven PPAs that SCE submitted for CPUC approval on April 7, 2009. That report was amended and reissued as the Third Advice Letter IE Report on June 11, 2009, providing updated information on the solicitation through the execution of a ninth PPA. With the filing of a tenth PPA, that report was amended and reissued as the Fourth Advice Letter IE Report on July 10, 2009. This current report, labeled the Fifth Advice Letter IE Report, represents a further amendment of the Fourth Advice Letter IE Report and discusses further activities and conclusions associated with two additional executed PPAs that SCE is submitting for CPUC approval. Note that Sedway Consulting has decided to reissue a complete report with each Advice Letter. Thus, the discussions and conclusions contained in both the initial shortlisting report and the first four advice letter IE reports have been retained in this Fifth Advice Letter IE Report. Additionally, this report has been supplemented with appropriate discussions surrounding post-shortlisting activities and the additional PPAs that have been filed with SCE's fifth advice letter. The additional information in this report will address the following two areas/questions:

- **Negotiation process administration**
Were project-specific negotiations fair?
- **Submitted contract review**
Is there any reason that the submitted contracts should not receive CPUC approval?

Overview of Independent Evaluator Activities

Sedway Consulting was provided access to all necessary materials and meetings and was able to parallel SCE's process with its own evaluation of the proposals, as documented in this Second Advice Letter IE Report. Sedway Consulting reviewed SCE's RFP, outreach efforts, evaluation processes, modeling methodologies, communications with bidders, and evaluation results. Members of the IE team attended SCE's proposal conference, participated in the opening of proposals (and retained Sedway Consulting's own copies of each proposal for its own evaluation), joined in all of SCE's Renewable and Alternative Power (RAP) meetings and executive-level Risk Management Committee (RMC) meetings in which proposal disqualification and shortlisting decisions were made, and participated in all PRG meetings in which the RPS proposals and evaluation results were discussed. Subsequent to the shortlisting of offers, Sedway Consulting monitored SCE's communications with bidders – receiving copies of the back-and-forth email traffic, reviewing redlines of draft contracts, and listening in on many of the negotiation meetings and calls. Sedway Consulting continued to participate in SCE's RAP periodic update and RMC meetings where negotiation summaries were provided to management and decisions were made regarding proposal prioritization, negotiation positions, and procedural treatment of counterparties.

Overview of Conclusions

Sedway Consulting concluded that SCE conducted a fair and effective evaluation of the proposals that it received in response to its 2008 RPS RFP and made the correct selection decisions in its short list. That said, Sedway Consulting has several minor recommendations for procedural improvements to SCE's RFP process that are addressed later in the report. Nonetheless, Sedway Consulting concluded that all qualified proposals were evaluated consistently, appropriately, and without bias.

Sedway Consulting believes that SCE has conducted negotiations fairly with all shortlisted bidders, treating all counterparties in a reasonably consistent fashion while recognizing and responding to understandable differences in individual bidders' circumstances. SCE imposed appropriate controls and deadlines to ensure that those bidders who were motivated to execute contracts associated with strong well-developed proposals received the most attention. Those bidders who failed to meet deadlines, exhibit motivation, or provide necessary information to shore up less well-developed proposals were relegated to a lower priority negotiation status or dropped from the short list. Sedway Consulting concludes that SCE made the appropriate selection and rejection decisions in developing its 2008 RPS short list, has negotiated fairly and in good faith with the shortlisted bidders, and has appropriately executed 12 2008 RPS contracts (associated with the utility's five Advice Letters). In reviewing those 12 finalized contracts, Sedway Consulting does not believe that there is any material issue or deficiency that would warrant the CPUC's rejection of these PPAs.

This advice letter IE Report has a confidential appendix that includes a description of each proposal, an overview of the evaluation results, and confidential assessments of specific areas of the evaluation and negotiation processes. This material is being afforded confidential treatment for several reasons. First, it is important to protect participants from having their project pricing and operational information provided to their competitors. Second, SCE's customers could be harmed if too much information was made publicly available, allowing some participants to focus on manipulating the negotiation process and/or gaming future solicitations rather than delivering the best renewable projects at the lowest possible prices. Third, negotiations are still underway with some 2008 RPS bidders. It is SCE's hope that those negotiations can be concluded soon so that additional executed 2008 RPS PPAs can be submitted with subsequent Advice Letter filings in the near future. Fourth, pursuant to Public Utilities (Pub. Util.) Code Section 583, General Order (G.O.) 66-C, and D.06-06-066, Sedway Consulting believes that certain market-sensitive data should be kept confidential to ensure that such data does not influence the behavior of bidders in future RPS solicitations.

SCE's Outreach Activities

Sedway Consulting believes that SCE pursued reasonable and adequate procedures for notifying potential interested parties. Specifically, SCE dedicated a section of its company website to the solicitation, providing a means for interested parties to download the RFP and related materials, ask questions, and read posted responses. On March 7, 2008, SCE issued a press release to publicize the issuance of its RFP. Also, it notified approximately 700 contacts (compiled from previous power supply solicitations, new and updated industry contacts, regulatory service lists, etc.) that the RFP had been released and invited the industry's developers to participate.

Several weeks later, on March 20, 2008, SCE held a proposal conference in Los Angeles. The conference provided interested parties an opportunity to learn more about the solicitation, hear presentations, and ask questions. Sedway Consulting attended the proposal conference.

In addition to SCE's efforts, it is likely that California's RPS program is already well known in the renewable project development community. California's investor-owned utilities are in a well-publicized annual cycle of soliciting renewable projects; this serves to keep renewable resource developers continually interested and focused on opportunities for providing projects to meet California's needs. SCE's RPS website (www.sce.com/renewrpf) is a year-round site where interested parties may register at any time to receive notifications about SCE's RPS solicitations.

Sedway Consulting concluded that SCE did an adequate job of publicizing the 2008 RPS solicitation, as ultimately evidenced by the robust response that it received from the renewable development community.³

Design of SCE’s Evaluation and Selection Process

Prior to the opening of proposals, Sedway Consulting reviewed SCE’s evaluation materials/presentations and conducted interviews and email exchanges with SCE’s evaluation personnel to learn how SCE’s evaluation process would be performed. Sedway Consulting requested SCE to provide as much information as possible prior to the receipt of proposals. This, in essence, allowed Sedway Consulting to lock down and archive the basic evaluation parameters for the process. Such information included capacity valuation assumptions, cost of capital components, discount rate, transmission revenue requirement assumptions, and regional market forecast assumptions. These assumptions were incorporated into Sedway Consulting’s own evaluation model and formed the basis for independently assessing the benefits and costs of proposed resources that were bid into SCE’s solicitation.

Description of Evaluation Process

SCE’s evaluation process conforms with the Commission’s “Least Cost Best Fit” (LCBF) criteria. The company’s LCBF analysis evaluates both quantitative and qualitative aspects of each proposal to estimate its absolute value to SCE’s customers and its relative value in comparison to other proposals. The LCBF criteria were applied to all proposals received in its 2008 solicitation in order to establish a “short list” of proposals from bidders with whom SCE would commence negotiations. The remainder of this subsection discusses the evaluation process, and a more thorough assessment of solicitation results is presented in Confidential Appendix A.

The initial stage of SCE’s process would entail screening all proposals for compliance with the RFP and general responsiveness to the RPS requirements. All proposals that passed the screening stage would be evaluated using a number of spreadsheet-based models. SCE’s evaluation process entailed a determination of each resource’s benefit-cost (B/C) ratio. The B/C ratio was calculated by dividing a proposal’s expected gross production cost savings and capacity benefits by its proposed energy payments and transmission-related costs. A “Renewable Premium” was also calculated, as a \$/MWh measure of the premium associated with a proposal (relative to non-renewable energy).

³ The number of proposals submitted and RPS capacity proposed by technology may be made publicly available once the negotiations are concluded and final contracts have been submitted for CPUC approval, per section VIII(A) of the CPUC’s Confidentiality Matrix for Investor-Owned Utility Data in D.06-06-066.

Prior to the opening of proposals, Sedway Consulting incorporated SCE's latest market assumptions into Sedway Consulting's proprietary evaluation model. This model was used to determine each proposal's expected gross energy benefits without any further input from SCE. Procedures for calculating capacity benefits and energy payments were anchored prior to bid opening so that both SCE's and Sedway Consulting's evaluation teams were following consistent methodologies and Sedway Consulting's independent results could be used to cross-check SCE's results.

Transmission costs were to be determined by an SCE transmission group who would assess the likely costs of system-level transmission upgrades that might be required to maintain a reliable transmission system with the incorporation of the new renewable project. The costs of these upgrades would be developed from SCE's publicly-filed Transmission Ranking Cost Report (TRCR) and supplemented with additional information, when applicable. If projects were proposed whose potential impacts had not been included originally in the TRCR, their upgrade costs (if any) would be calculated using the same methodology as was employed in developing the TRCR. For projects outside of SCE's control area but within the California Independent System Operator (CAISO) grid, other utilities' TRCRs would be reviewed for the determination of potential transmission costs. All project located outside of the CAISO grid were required to include all appropriate transmission costs in their energy price; therefore, no additional transmission costs were assessed for such projects.

With Sedway Consulting's review and concurrence, SCE developed a scoring system for evaluating the qualitative aspects of proposals (e.g., bidder experience, site control, likelihood of permitting and financing, transmission complications, etc.). This system would yield two scores for each proposal – one for project viability and one for transmission issues – where higher scores indicated greater viability.

Sedway Consulting believes that SCE's evaluation process complied with the CPUC's "Least Cost Best Fit" (LCBF) criteria. As described above, SCE's LCBF analysis evaluates both quantitative and qualitative aspects of each proposal to estimate a project's complete value to SCE's customers and its relative value in comparison to other proposals.

Description of Selection Process

SCE designed its selection process around a B/C ratio ranking, with additional quantitative and qualitative metrics that would be used to further inform the decision-makers in the selection process. It was recognized that consideration of each proposal's general qualitative aspects or risk factors might warrant not shortlisting one or more low-qualitative-score proposals with otherwise high B/C ratios while shortlisting lower-economically-ranked proposals if those lower-ranked proposals' superior viability justified their selection. Employing such a process, SCE intended to select a sufficient number of proposals for shortlisting that would allow it to meet its RPS targets while

recognizing a number of factors that might cause projects to drop off the short list. Such factors could include:

- the shortlisting of a project in another utility's RPS solicitation and the respective bidder's decision to commence negotiations with the other utility,
- the subsequent determination by SCE (after additional due diligence) that a project would not be viable or would face insurmountable complications (e.g., transmission),
- an inability to reach mutually-agreeable terms and conditions with SCE for a power purchase agreement (PPA), and/or
- a failure of a bidder to provide the required short list deposit.

Thus, the selection of proposals would need to be sufficiently deep to allow for unforeseen project risks, future due diligence, and adequate counterparty diversity.

Assessment of Fairness of Evaluation Process Design

Sedway Consulting concluded that SCE's evaluation design was rigorous and fair. It was consistent with evaluation approaches that Sedway Consulting has seen applied in other utilities' solicitations, both in California, and nationally. In evaluating the fairness of SCE's process, Sedway Consulting employed the following principles:

1. Did the design inappropriately favor one technology over another?
2. Was the design inappropriately biased in favor of one type of bidder versus another?
3. Were the selection criteria flexible enough or structured in a way to facilitate SCE acquiring sufficient renewable energy to meet its 20% RPS goal?
4. Were all components of a project's quantified metric calculated consistently so as to avoid introducing discontinuities that might distort the results and lead to incorrect project selection?

Sedway Consulting concluded that SCE's evaluation process was designed to treat all technologies and types of bidders fairly, employing a consistent methodology that did not favor or disadvantage any renewable technology or bidder – while obviously recognizing justifiable proposal-specific differences (e.g., project location). In thinking about the strengths and weaknesses of SCE's methodology, Sedway Consulting concluded that the process was sufficiently rigorous for the purpose of project shortlisting. Many issues (such as further assessment of each project's viability and continuing refinements to each project's estimated transmission costs) will need to be further examined as part of the continuing due diligence process associated with the shortlisted bidders.

Receipt and Evaluation of Proposals

On May 5, 2008, SCE received a significant number of proposals in its RPS solicitation. A member of Sedway Consulting's IE team was in attendance and retrieved electronic and hard-copy versions for the IE team's analysis. Both SCE and Sedway Consulting performed their analyses of the submitted proposals during May and June 2008, periodically discussing proposal deficiencies and requests to specific bidders for supplemental information.

The results of SCE's evaluation were reviewed by Sedway Consulting and discussed in several internal meetings leading up to presentations regarding recommended selection and rejection decisions before SCE's RMC on May 13, 2008, June 10, 2008, and June 24, 2008. The same presentations were provided to SCE's PRG participants on May 14, 2008, June 11, 2008, and June 24, 2008. Sedway Consulting's ranking was similar to SCE's and generally supported the same shortlisting decisions. Where differences of opinion occurred, SCE frequently agreed to conduct further analysis, defer final decisions, and in some instances modify its final recommendations. The PRG participants provided valuable advice and recommendations during the process as well. The short list was finalized and all bidders were notified of their status (shortlisted or not selected) before or on June 26, 2008.

Description of Sedway Consulting's Parallel Evaluation Process

Sedway Consulting conducted a parallel evaluation of the RPS proposals, using its proprietary bid evaluation model. That model is a power supply evaluation tool that uses the following information for each proposal:

- Capacity
- Commencement and expiration dates for power deliveries
- Energy pricing
- Expected hourly generation profile
- Expected total annual generation.

Sedway Consulting's evaluation model is a spreadsheet-based tool that was calibrated with SCE's regional forward price curves and detailed modeling results at the start of the project (prior to the opening of proposals) so that Sedway Consulting could perform its own evaluation of all proposals. The model calculated each proposal's monthly energy payments, energy benefits, and capacity value and divided the sum of the last two values by the payments (plus estimated transmission costs) to yield a B/C ratio. The model developed a ranking of all proposals based on the B/C ratio of each option. The results of Sedway Consulting's analysis are provided in the Confidential Appendix A to this report.

Sedway Consulting reviewed SCE's transmission assessment and cost estimate for each of the proposals. Sedway Consulting developed parallel assessments of each bid's likely transmission costs; however, the alignment of transmission cost estimates was not as good as the rest of the evaluation results. It is important to emphasize the difficulty in predicting such costs, given the uncertainties associated with transmission system investments and the complexities of cost attribution. This is particularly the case as the CAISO is currently in the process of reforming its transmission cost attribution process. Because many renewable projects' likely in-service dates are dependent on the development of new transmission facilities, this is a critical area of the analysis and SCE may want to consider focusing more attention on this in future RPS solicitations.

Sedway Consulting conducted a qualitative review of those proposals that were either candidates for elimination or were "on the bubble," thereby ensuring that low-viability proposals were appropriately removed from the short list (even if their quantitative metrics ranked them fairly high from an economic standpoint) and that high-quality proposals with marginal economics were considered for inclusion on the short list.

Short List Development

The response to SCE's 2008 was quite robust: over 200 distinct proposals⁴ were submitted.

Given the significant uncertainties surrounding many of the proposals, SCE chose to employ a strategy of inclusiveness in developing its short list. As the negotiations proceed, which shortlisted bidders end up with final executed contracts will depend on SCE's further due diligence, additional information from the bidders, and the willingness of bidders to refine and lower their pricing. Sedway Consulting concurred with this strategy, recognizing that it may result in commencing negotiations with certain developers whose initially-proposed prices are rather high. However, it is difficult to conduct sufficient due diligence on a project without having face-to-face discussions with the developer. This strategy will help ensure that higher-priced viable projects are not rejected at the shortlisting stage in favor of lower-priced less certain projects. At the same time, it will maintain substantial competitive pressure on all shortlisted bidders. Those who cannot demonstrate development strength, reach reasonable terms and conditions with SCE, and reduce their prices to get into a competitive range will be relegated to a lower priority in the negotiation process and are not likely to be chosen for ultimate contract execution.

In addition, it may be the case that new transmission facilities or reinforcements will be needed to enable delivery of a project's power supplies. A longer short list erred on the side of allowing sufficient time for further transmission research to be performed and to assess how the timing of transmission reinforcements may affect each project's

⁴ Some of these proposals were mutually-exclusive (e.g., flat versus escalating pricing for the same project).

commercial operation date. In addition to estimating the likely transmission costs that might be attributable to each proposal, SCE made a preliminary assessment of the likely scheduled completion of such transmission projects. This analysis yielded the conclusion that transmission development schedules may be the deciding factor in determining the date when many of the proposed resources could come on-line. Further analysis may be needed as the negotiations are underway to ensure that there is an alignment of commercial operation dates between generating resources and transmission upgrades.

Sedway Consulting confirmed that SCE appropriately and fairly administered the evaluation process that it had designed, modifying that process where appropriate in reaction to the breadth of proposals that it received. Sedway Consulting paralleled much of the utility's approach with its own evaluation to test the outcome of SCE's process. A sufficient number of proposals were selected for the short list to cover SCE's RPS need and allow for the loss of some projects for reasons identified above in the process design discussion (e.g., ultimate non-viability, transmission complications, shortlisted in another utility's solicitation, failure to post the bid deposit, etc.).

Sedway Consulting concurred with SCE's selection and rejection decisions. Those proposals that were not included on the short list were rejected for good reasons (e.g., very low market value/high prices, problematic project design, low viability), as described further in Confidential Appendix A.

Sedway Consulting concluded that SCE administered its evaluation and selection process fairly. In its assessment, Sedway Consulting employed the same general principles as were described in the design fairness discussion; in addition, the fact that Sedway Consulting performed a fully separate, independent evaluation allowed it to develop its own ranking and confirm that SCE was fairly and appropriately evaluating all proposals and selecting the best proposals for the short list.

Recommendations for Potential Future Enhancements

Sedway Consulting believes that SCE's RPS evaluation and shortlisting process was fair and reasonable. However, there are several areas or ideas that SCE may wish to consider in an effort to improve its processes in future RPS solicitations:⁵

1. **Rollover Proposals from Previous Year Solicitation.** There were several bidders from SCE's 2007 RPS RFP with whom SCE was in advanced negotiations as the deadline approached for the submission of 2008 RPS bids. Sedway Consulting and SCE discussed how to handle these bidders and agreed that the 2008 bid submittal deadline should serve as a deadline for these remaining negotiations to be completed – at least for agreement on all major deal points. If the negotiations were not at that point of agreement, the bidder would

⁵ It is Sedway Consulting's understanding that SCE is addressing these improvement suggestions and will implement some or all of them in its subsequent RPS RFPs.

be required to submit an updated revenue calculator into the 2008 solicitation and compete for a place on the short list with all of the new proposals. For the most part, this process worked well. However, some of the 2007 negotiations that were deemed to be more or less complete continued well past the bid deadline and drained valuable time and resources from the 2008 solicitation effort. Also, none of the rollover bidders provided revenue calculators in packages that were available for the IE to open at the 2008 bid opening. Instead, Sedway Consulting was provided these revenue calculators via SCE (and, in some cases, the revenue calculators were created by SCE staff). In the future, Sedway Consulting recommends that SCE adopt a more stringent approach: namely, that all counterparties that do not have signed, fully executed contracts by seven days before the next solicitation's proposal submission date be required to re-submit revenue calculators and associated materials as a formal submission package by the new solicitation's bid deadline. This should ensure that the prior solicitation's negotiations are brought to a timely close, that they do not interfere with the new solicitation's evaluation process, and that the IE receives the re-submitted information directly from the counterparty.

2. **Proposal Updates.** The RFP document should instruct bidders to include the IE on all SCE-bidder email communications. SCE was good about trying to get bidders to do this after the fact, but not with great success. A number of updates that Sedway Consulting received were forwarded by SCE staff, and not all updates were received by Sedway Consulting in a timely manner, complicating the evaluation process.
3. **Revenue Calculator.** Recent SCE RPS solicitations have required bidders to input their prices into a large Excel spreadsheet (the revenue calculator). The spreadsheet includes numerous charts and tables that can provide SCE and the bidder with valuable information and snapshots of the offer. In response to one of Sedway Consulting's recommendations from the 2007 solicitation, SCE reduced the size of this spreadsheet considerably. However, it is still a fairly large file (four times larger than similar bid files in other utility solicitations) with charts and tables that make the file large, unwieldy, and complicated. In addition, some bidders encountered difficulties in representing their prices and generation profiles in the file. SCE should consider making the current larger version of the revenue calculator available as an optional tool for bidders and developing a smaller, easier-to-use Excel file for bidders to input their proposal pricing and generation profile information.
4. **Revenue Calculator Inputs.** SCE's revenue calculator had no direct means for indicating projects that are phased in (or out) over a number of years. In some instances, this was inferred from a bidder's forecast of annual project generation, but that proved to be a crude way of discerning project capacity increases. Sedway Consulting recommends incorporating a table in which a bidder can indicate annual (or even better, monthly) expected project capacity.

- 5. Transmission Cost Estimates.** The cost estimation process for transmission upgrades needs to be better coordinated with the IE. Specifically, Sedway Consulting recommends that SCE’s cost estimation process be fully documented in a transmission cost protocol⁶ that is finalized well before the receipt of bids and that SCE and the IE conduct a “mock evaluation” of a set of IE-developed mock bids well in advance of the real evaluation to ensure that SCE and the IE concur in their development of transmission cost estimates.

Negotiation Process and Contract Execution

Sedway Consulting monitored SCE’s negotiation process by listening in on many of the negotiation meetings and calls between SCE and the shortlisted bidders, reviewing redlined contracts passed back-and-forth between SCE and each counterparty, and reviewing the email traffic between the utility and each counterparty. Sedway Consulting also continued to participate in SCE’s RAP weekly update and RMC meetings where negotiation summaries were provided to management and decisions were made regarding proposal prioritization, negotiation positions, and procedural treatment of counterparties. Sedway Consulting concurred with SCE’s negotiation prioritization decisions and believes that SCE has conducted a fair negotiation process. This assessment is based on an application of many of the principles described earlier in this report – namely, that no bidder or technology was inappropriately favored by SCE in its negotiation process and all bidders were provided consistent information. In addition, SCE applied consistent “pressure” on all bidders to meet appropriate deadlines, post bid deposits, and conform as closely as possible to SCE’s pro forma contract positions. Details of the negotiation process are addressed in the Confidential Appendix to this report.

To date, SCE’s negotiation process in its 2008 RPS solicitation successfully yielded 12 executed contracts that have been submitted for CPUC approval:

- 1. Mountain View Power Partners, LLC** – a 10-year PPA with deliveries of wind energy expected to commence on October 1, 2011 from an existing 66.6 MW facility north of Palm Springs, California in SCE’s service territory. Annual deliveries are expected to be approximately 220 GWh.
- 2-8. Solar Partners I and XVI-XXI, LLC** – a set of seven virtually identical 20-year PPAs with phased deliveries of renewable energy expected to commence on January 31, 2013 from new solar thermal facilities with a total expected installed capacity of 1,300 MW that are expected to be developed at three sites in San Bernardino County, California in SCE’s service territory (one near the Nevada border and two near Ludlow, California). Annual deliveries are expected to be approximately 3,724 GWh.

⁶ Indeed, SCE developed a transmission evaluation protocol document prior to bid opening, but there were several areas where greater specificity may have been helpful.

9. **Goshen Phase II LLC** – a 20-year PPA with deliveries of wind energy expected to commence on October 1, 2010 from a new 90 MW wind farm near Idaho Falls, Idaho. Annual deliveries are expected to be approximately 245 GWh.
10. **Echanis, LLC** – a 20-year PPA with deliveries of wind energy expected to commence on November 15, 2010 from a new 40 MW wind farm near Princeton, Oregon (in the southeast part of the state). Annual deliveries are expected to be approximately 123 GWh.
11. **Ridgecrest Solar I, LLC** – a 20-year PPA with deliveries of renewable energy expected to commence by June 30, 2014 from a new 242 MW solar thermal facility near Ridgecrest, California. Annual deliveries are expected to be approximately 551 GWh.
12. **CA Solar 10, LLC** – a 20-year PPA with deliveries of renewable energy expected to commence by June 30, 2014 from a new 242 MW solar thermal facility near Desert Center, California. Annual deliveries are expected to be approximately 551 GWh.

Sedway Consulting does not believe that there is any material issue or deficiency that would warrant the CPUC's rejection of these PPAs. Specific assessments of the PPAs and their associated projects are included in the Confidential Appendix to this report.

Conclusion

Sedway Consulting believes that SCE conducted a fair and effective evaluation of the RPS proposals that it received in response to its March 7, 2008 RFP. All proposals were evaluated consistently, appropriately, and without bias.

Sedway Consulting was provided access to all necessary materials and meetings and was able to parallel SCE's process with its own evaluation of the proposals. Sedway Consulting reviewed SCE's evaluation and modeling methodologies and results and did not find any bias for or against any proposals in SCE's evaluation processes or selection decisions.

Sedway Consulting monitored the back-and-forth email traffic between SCE and the RPS bidders and believes that SCE treated all bidders consistently and fairly. Sedway Consulting concludes that SCE made the appropriate selection and rejection decisions in developing its 2008 RPS short list.

Sedway Consulting monitored SCE's negotiation process and concluded that all shortlisted bidders were treated fairly and consistently. An appropriate degree of leniency was shown by SCE in encouraging all shortlisted bidders to advance the negotiation process toward executed PPAs. However, some bidders exhibited

insufficient interest or commitment toward that goal or encountered project-specific complications that resulted in their withdrawing from the short list. Sedway Consulting concurred with SCE's prioritization of the negotiation activities and the utility's decisions surrounding the termination of negotiations with those counterparties who failed to meet the necessary deadlines, show sufficient commitment, meet the RFO's requirements, or provide essential information.

The PPA that SCE submitted for CPUC approval with its first advice letter (Mountain View Power Partners), the seven that SCE submitted with its second advice letter (Solar Partners I and XVI-XXI), the one that SCE submitted with its third advice letter (Goshen), the one that SCE submitted with its fourth advice letter (Echanis), and the two that SCE is submitting with its fifth advice letter (Ridgecrest Solar I and CA Solar 10) were negotiated fairly and appropriately. Sedway Consulting does not believe that there is any material issue or deficiency that would warrant the CPUC's rejection of any of these PPAs.