

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Amended Petition of)	
)	
PUGET SOUND ENERGY, INC.)	
)	
	)	Docket No. UE-070725
)	
For an Order Authorizing the Use of the)	
Proceeds From the Sale of Renewable Energy)	
Credits and Carbon Financial Instruments)	
_____)	

DWS-2

QUALIFICATIONS OF
DONALD W. SCHOENBECK

January 28, 2010

**QUALIFICATIONS AND BACKGROUND
OF
DONALD W. SCHOENBECK**

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Donald W. Schoenbeck, 900 Washington Street, Suite 780, Vancouver, Washington
98660.

Q. PLEASE STATE YOUR OCCUPATION.

A. I am a consultant in the field of public utility regulation and I am a member of Regulatory
& Cogeneration Services, Inc. ("RCS").

**Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND
EXPERIENCE.**

A. I have a Bachelor of Science Degree in Electrical Engineering from the University of
Kansas and a Master of Science Degree in Engineering Management from the University
of Missouri.

From June of 1972 until June of 1980, I was employed by Union Electric Company
in the Transmission and Distribution, Rates, and Corporate Planning functions. In the
Transmission and Distribution function, I had various areas of responsibility, including
load management, budget proposals and special studies. While in the Rates function, I
worked on rate design studies, filings and exhibits for several regulatory jurisdictions. In
Corporate Planning, I was responsible for the development and maintenance of computer
models used to simulate the Company's financial and economic operations.

In June of 1980, I joined the consulting firm of Drazen-Brubaker & Associates,
Inc. Since that time, I have participated in the analysis of various utilities for power cost
forecasts, avoided cost pricing, contract negotiations for gas and electric services, siting

1 and licensing proceedings, and rate case purposes including revenue requirement
2 determination, class cost-of-service and rate design.

3 In April 1988, I formed RCS. RCS provides consulting services in the field of
4 public utility regulation to many clients, including large industrial and institutional
5 customers. We also assist in the negotiation of contracts for utility services for large
6 users. In general, we are engaged in regulatory consulting, rate work, feasibility,
7 economic and cost-of-service studies, design of rates for utility service and contract
8 negotiations.

9 **Q. IN WHICH JURISDICTIONS HAVE YOU TESTIFIED AS AN EXPERT**
10 **WITNESS REGARDING UTILITY COST AND RATE MATTERS?**

11 **A.** I have testified as an expert witness in rate proceedings before commissions in the states of
12 Alaska, Arizona, California, Delaware, Idaho, Illinois, Maryland, Montana, Nevada, North
13 Carolina, Ohio, Oregon, Washington, Wisconsin and Wyoming. In addition, I have
14 presented testimony before the Bonneville Power Administration, the National Energy
15 Board of Canada, the Federal Energy Regulatory Commission, publicly-owned utility
16 boards and in court proceedings in the states of Washington, Oregon and California.

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DWS-3

PSE Response to Public Counsel Data Request 030

HIGHLY CONFIDENTIAL

January 28, 2009

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket No. UE-070725

**Amended Petition of Puget Sound Energy, Inc. For an Order Authorizing
the Use of the Proceeds from the Sale of RECs and CFIs**

PUBLIC COUNSEL DATA REQUEST NO. 030

“CONFIDENTIAL” Table of Contents

DR NO.	“CONFIDENTIAL” Material
030	Attachment A to PSE’s Response to Public Counsel Data Request No. 030 is HIGHLY CONFIDENTIAL per Protective Order in WUTC Docket No. UE-070725.
030	Attachments B and C to PSE’s Response to Public Counsel Data Request No. 030 are CONFIDENTIAL per Protective Order in WUTC Docket No. UE-070725.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket No. UE-070725

**Amended Petition of Puget Sound Energy, Inc. For an Order Authorizing
the Use of the Proceeds from the Sale of RECs and CFIs**

PUBLIC COUNSEL DATA REQUEST NO. 030

PUBLIC COUNSEL DATA REQUEST NO. 030:

Please provide workpapers which calculate the net proceeds from PSE's sales of RECs for each month to date, including an itemized listing and definition of each cost and revenue component underlying this calculation along with associated interest, which has accrued on such amounts to date. Please update this response as new information becomes available.

Response:

Attached as Attachment A to Puget Sound Energy, Inc.'s ("PSE") Response to Public Counsel Data Request No. 030, please find a table that shows the proceeds from PSE's Renewable Energy Credit ("REC") sales for each month as of November 30, 2009, including an itemized listing of each cost.

Attached as Attachment B to PSE's Response to Public Counsel Data Request No. 030, please find a table that shows the interest associated with PSE's REC sales for each month as of November 30, 2009.

Attached as Attachment C to PSE's Response to Public Counsel Data Request No. 030, please find a table that shows the total net proceeds from PSE's REC sales as of November 30, 2009.

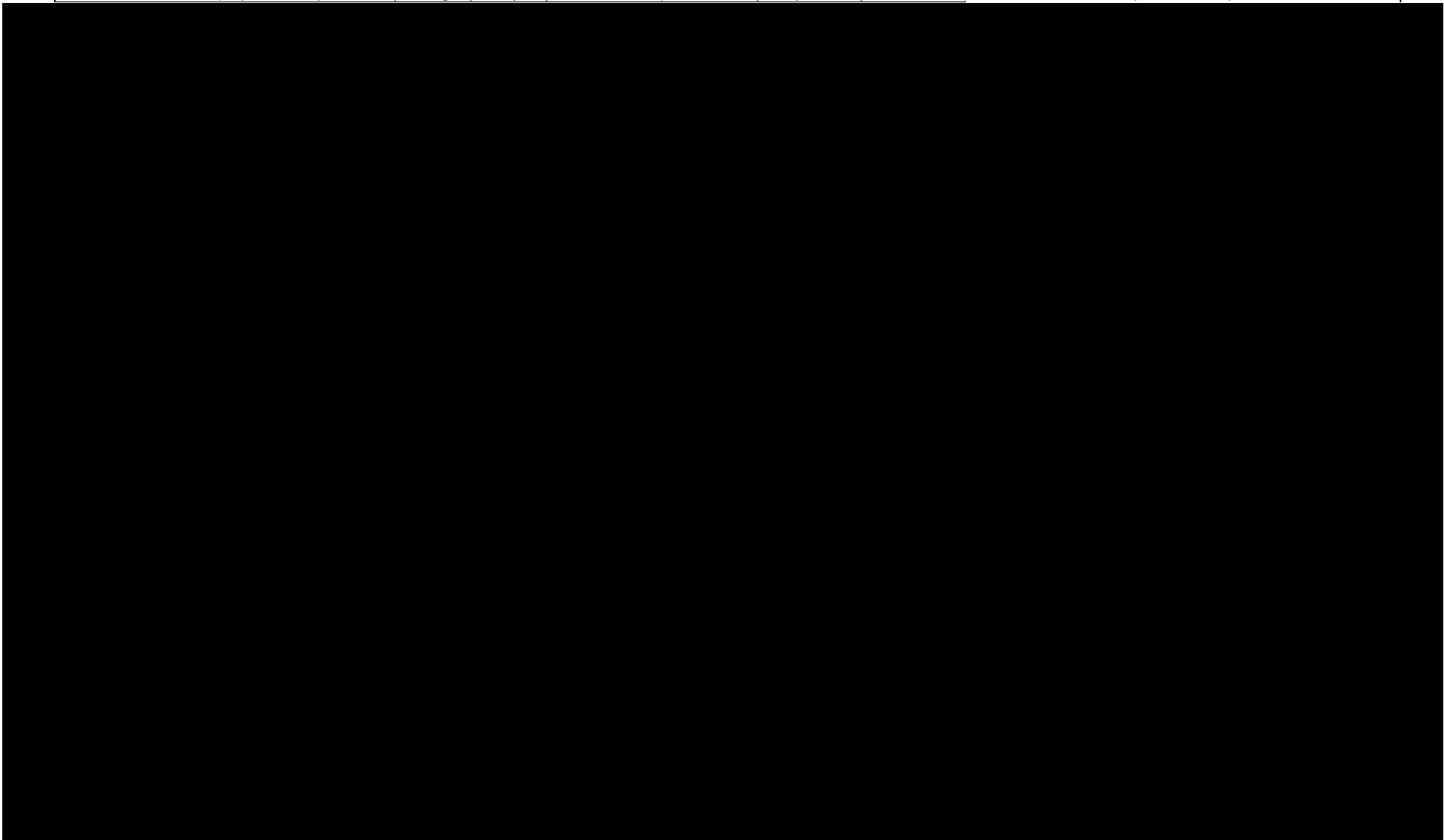
Attachment A to PSE's Response to Public Counsel Data Request No. 030 is HIGHLY CONFIDENTIAL per Protective Order in WUTC Docket No. UE-070725.

Attachments B and C to PSE's Response to Public Counsel Data Request No. 030 are CONFIDENTIAL per Protective Order in WUTC Docket No. UE-070725.

PUGET SOUND ENERGY								
Unearned Rev - REC Wind								
As of November 30, 2009								
				REC	Broker	Other	Net	
Vendor/Counterparty	Mo/Yr	Vintage	Qty	Sales	Fees	Expenses	Total	Description of Fees/Expenses

PUGET SOUND ENERGY								
Unearned Rev - REC Wind								
As of November 30, 2009								
				REC	Broker	Other	Net	
Vendor/Counterparty	Mo/Yr	Vintage	Qty	Sales	Fees	Expenses	Total	Description of Fees/Expenses

PUGET SOUND ENERGY								
Unearned Rev - REC Wind								
As of November 30, 2009								
				REC	Broker	Other	Net	
				Sales	Fees	Expenses	Total	
Vendor/Counterparty	Mo/Yr	Vintage	Qty					Description of Fees/Expenses



PUGET SOUND ENERGY								
Unearned Rev - REC Wind								
As of November 30, 2009								
				REC	Broker	Other	Net	
Vendor/Counterparty	Mo/Yr	Vintage	Qty	Sales	Fees	Expenses	Total	Description of Fees/Expenses

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**BEFORE THE
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DWS-4

PSE Response to Public Counsel Data Request 031

CONFIDENTIAL

January 28, 2009

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket No. UE-070725

**Amended Petition of Puget Sound Energy, Inc. For an Order Authorizing
the Use of the Proceeds from the Sale of RECs and CFIs**

PUBLIC COUNSEL DATA REQUEST NO. 031

“CONFIDENTIAL” Table of Contents

DR NO.	“CONFIDENTIAL” Material
031	Attachment A to PSE’s Response to Public Counsel Data Request No. 031 is CONFIDENTIAL per Protective Order in WUTC Docket No. UE-070725.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket No. UE-070725

**Amended Petition of Puget Sound Energy, Inc. For an Order Authorizing
the Use of the Proceeds from the Sale of RECs and CFIs**

PUBLIC COUNSEL DATA REQUEST NO. 031

PUBLIC COUNSEL DATA REQUEST NO. 031:

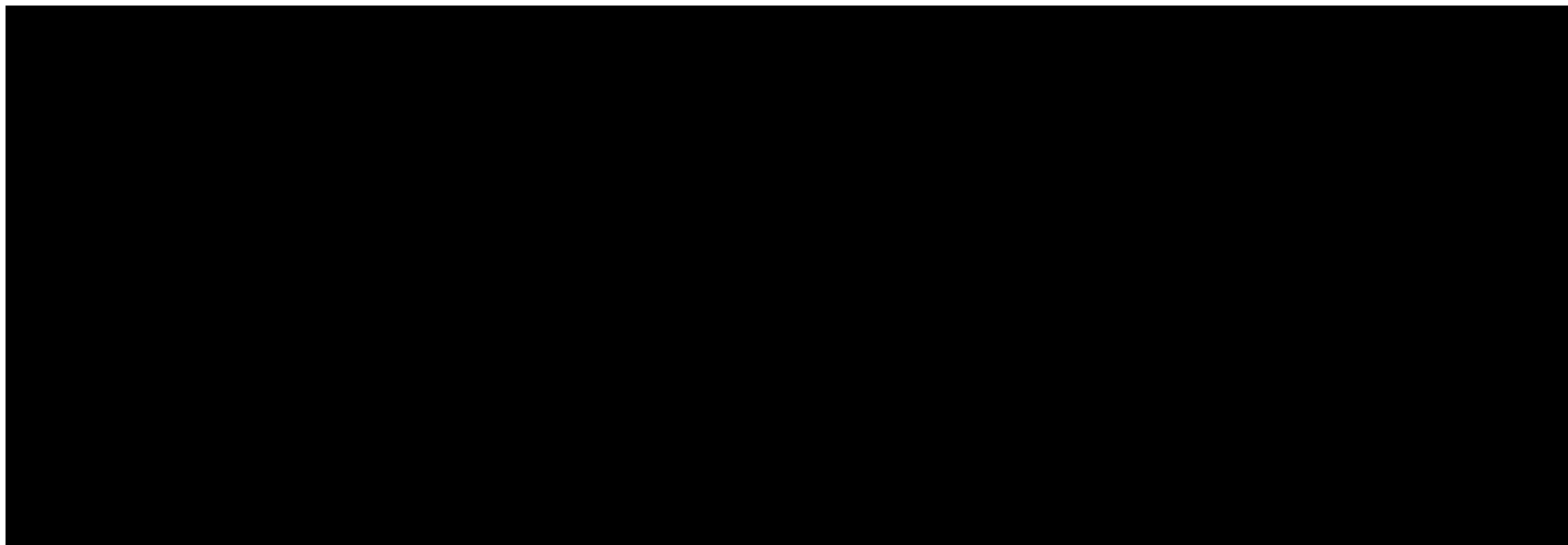
Please provide workpapers which calculate the net proceeds from PSE's sales of CFIs for each month to date, along with associated interest which comes available.

Response:

Attached as Attachment A to Puget Sound Energy, Inc.'s ("PSE") Response to Public Counsel Data Request No. 031, please find a spreadsheet that shows the net transaction proceeds from PSE's sale of Carbon Financial Instruments for each month as of November 30, 2009, along with the associated interest.

Attachment A to PSE's Response to Public Counsel Data Request No. 031 is CONFIDENTIAL per Protective Order in WUTC Docket No. UE-070725

**Puget Sound Energy
Carbon Financial Instrument Net Transaction Proceeds
As of November 30, 2009**



**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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Instruments)	
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DWS-5

PSE Response to Public Counsel Data Request 037

HIGHLY CONFIDENTIAL

January 28, 2009

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket No. UE-070725

**Amended Petition of Puget Sound Energy, Inc. For an Order Authorizing
the Use of the Proceeds from the Sale of RECs and CFIs**

PUBLIC COUNSEL DATA REQUEST NO. 037

“CONFIDENTIAL” Table of Contents

DR NO.	“CONFIDENTIAL” Material
037	PSE’s Response to Public Counsel Data Request No. 037 is CONFIDENTIAL per Protective Order in WUTC Docket No. UE-070725.
037	Attachment A to PSE’s Response to Public Counsel Data Request No. 037 is HIGHLY CONFIDENTIAL per Protective Order in WUTC Docket No. UE-070725.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket No. UE-070725

**Amended Petition of Puget Sound Energy, Inc. For an Order Authorizing
the Use of the Proceeds from the Sale of RECs and CFIs**

PUBLIC COUNSEL DATA REQUEST NO. 037

PUBLIC COUNSEL DATA REQUEST NO. 037:

Please provide the estimated total cumulative net proceeds from REC and CFI sales (separately provided) for each month from December 2009 through December 2012.

Response:

Attached as Attachment A to Puget Sound Energy, Inc.'s ("PSE") Response to Public Counsel Data Request No. 037, please find a table that provides the estimated gross proceeds from PSE's sale of bundled Renewable Energy Credit ("REC") transactions for each generation month beginning [REDACTED]. Please note, Attachment A does not include [REDACTED] or any other costs related to transacting RECs.

Please see PSE's Response to Public Counsel Data Request No. 030 for the total net proceeds from PSE's sale of RECs as of November 30, 2009.

[REDACTED]
Please see PSE's Response to Public Counsel Data Request No. 031 for the total net proceeds from PSE's CFI sales as of November 30, 2009.

PSE's Response to Public Counsel Data Request No. 037 is CONFIDENTIAL per Protective Order in WUTC Docket No. UE-070725.

Attachment A to PSE's Response to Public Counsel Data Request No. 037 is HIGHLY CONFIDENTIAL per Protective Order in WUTC Docket No. UE-070725.

Costs associated with Other REC sales are included below.

Revenue Allocation

\$ 21.062.800	\$ 20.000.000
---------------	---------------

Actual or												California		California		California REC		Other REC		Cumulative		\$ 21,000,000		\$ 20,000,000		
Gen. Year	Delivery Year	Forecast Gen.	Gen. Month	Delivery Month	Revenue Month	MWths	MWths	MWths	MWths	MWths	REC MWths	REC MWhs Sold	Total Rec \$\$	Cumulative Rec \$\$	Total Sales Est.	REC Sales Est.	40% Receivable	20% Low Income	40% Customers	Total						
2009	2009	Actuals	Jan-09	Mar-09	May-09	Interim Period (Jan-Jun09) MWths included in below month.					Calendar 2009 MWths included in below months				Below includes Other REC Sales thru 12 31 09											
2009	2009	Actuals	Feb-09	Apr-09	Jun-09																					
2009	2009	Actuals	Mar-09	May-09	Jul-09																					
2009	2009	Actuals	Apr-09	Jun-09	Aug-09																					
2009	2009	Actuals	May-09	Jul-09	Sep-09																					
2009	2009	Actuals	Jun-09	Aug-09	Oct-09																					
2009	2009	Actuals	Jul-09	Sep-09	Nov-09																					
2009	2009	Actuals	Aug-09	Oct-09	Dec-09																					
2009	2009	Actuals	Sep-09	Nov-09	Jan-10																					
2009	2009	Actuals	Oct-09	Dec-09	Feb-10																					
2009	2010	Actuals	Nov-09	Jan-10	Mar-10																					
2009	2010	Forecast	Dec-09	Feb-10	Apr-10																					
2010	2010	Forecast	Jan-10	Mar-10	May-10																					
2010	2010	Forecast	Feb-10	Apr-10	Jun-10																					
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2012	2012	Forecast	Jul-12	Sep-12	Nov-12																					
2012	2012	Forecast	Aug-12	Oct-12	Dec-12														</							

Costs associated with Other REC sales are included below.

\$ 21,062,800 \$ 20,000,000

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BEFORE THE
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Instruments)	

DWS-6

**Contract for Procurement of Renewable Energy Resources Between
PG&E and Puget Sound Energy, Inc.**

January 28, 2009



Brian K. Cherry
Vice President
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

Mailing Address
Mail Code B10C
Pacific Gas and Electric Company
P.O. Box 770000
San Francisco, CA 94177

Fax: 415.973.7226

May 6, 2009

Advice 3457-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**SUBJECT: Contract for Procurement of Renewable Energy Resources Between
PG&E and Puget Sound Energy, Inc.**

I. INTRODUCTION

A. Purpose and Overview

Pacific Gas and Electric Company ("PG&E") seeks California Public Utilities Commission ("Commission" or "CPUC") approval of a wind energy purchase agreement ("Agreement") that PG&E has executed with Puget Sound Energy, Inc. ("Puget") and an associated strategy designed in part to fix the price of import energy at a California Independent System Operator ("CAISO") import point and provide incremental import energy deliveries into California ("Hedging Strategy"). PG&E submits the Agreement and Hedging Strategy for CPUC review and approval to establish PG&E's ability to recover the cost of payments made pursuant to the Agreement and Hedging Strategy through its Energy Resource Recovery Account ("ERRA").

The Agreement is comprised of the Western Systems Power Pool ("WSPP") Agreement and a Confirmation thereto, which are attached as Appendices I and G. Commission approval of the Agreement will authorize PG&E to accept deliveries of 1,000 gigawatt hours ("GWh") of Renewables Portfolio Standard ("RPS")-eligible energy from Puget's Wild Horse and Hopkins Ridge wind facilities located in Kittitas County, Washington and Columbia County, Washington, respectively (collectively, the "Project"). Both of the facilities are currently operational, and have applied to the California Energy Commission ("CEC") for certification as eligible renewable energy resources. PG&E

anticipates that deliveries under the Agreement will commence in 2011 and will be completed in one year.

PG&E also seeks approval of its Hedging Strategy, which will consist in part of forward purchases at a CAISO import point. The Hedging Strategy is discussed in more detail below and in Confidential Appendix D to this Advice Letter.

The Agreement is a result of bilateral negotiations between PG&E and Puget. Consistent with the protocol used for review of RPS contracts resulting from the 2008 RPS Solicitation and contracts resulting from bilateral negotiations, PG&E has included Confidential Appendices A, B, D, F, G and H, which demonstrate the reasonableness of the Agreement and Hedging Strategy.

PG&E requests that the Commission issue a final resolution no later than October 15, 2009 approving the Agreement and Hedging Strategy, and all payments to be made by PG&E under the Agreement and Hedging Strategy, and containing the findings required by the definition of CPUC Approval adopted by Decision (“D.”) 07-11-025 and D.08-04-009.¹

B. Detailed Description of the Project

The following table summarizes the substantive features of the Agreement:

Owner / Developer	Puget
Technology	Wind
Capacity (MW)	156 MW for Hopkins Ridge 229 MW for Wild Horse Total of 385 MW
Capacity Factor	Approximately 32-35%. Will vary with wind conditions.
Expected Generation (MWh/Year)	1,000 GWh
Online Date (if existing, the contract delivery start date)	Deliveries anticipated to begin in 2011

¹ As provided by D.07-11-025 and D.08-04-009, the Commission must approve the Agreement and payments to be made thereunder, and find that the procurement will count toward PG&E’s RPS procurement obligations.

Contract Term (Years)	Approximately one year
New or Existing Facility	New facilities that are currently operational
Location (include in/out-of-state) and Control Area (e.g., CAISO, BPA)	Wild Horse: Kittitas County, Washington; Puget control area Hopkins Ridge: Columbia County, Washington; Bonneville Power Administration control area
Price relative to MPR (i.e., above/below)	Does not exceed the MPR

The Hopkins Ridge and Wild Horse wind generation facilities have been operational since November 2005 and December 2006, respectively. The Wild Horse facility is located in Kittitas County, Washington, and the Hopkins Ridge facility is located in Columbia County, Washington. The Agreement allows for Puget to utilize other RPS-eligible Northwest wind facilities if there are extended outages to the identified generation facilities.

Deliveries under the Agreement will begin after Puget satisfies other contractual obligations unrelated to the Agreement. Deliveries are expected to commence in 2011 and last for approximately one year. However, Puget shall continue deliveries to PG&E until a total of 1,000 GWh has been delivered.

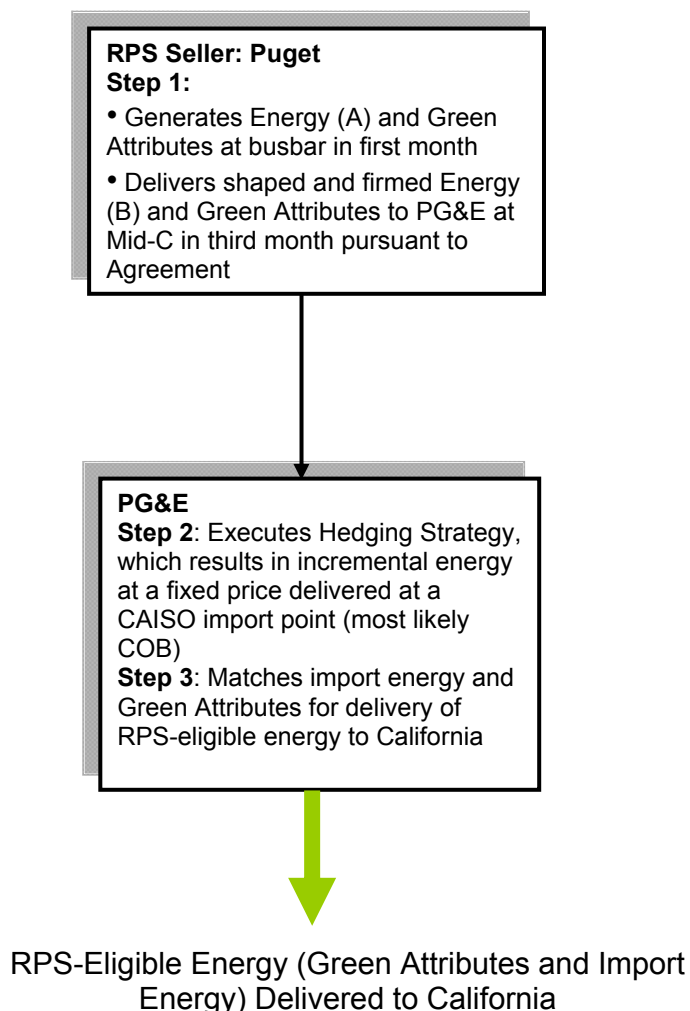
Under the Agreement, PG&E will receive 1,000 GWh of bundled renewable energy delivered as a firm and shaped product at Mid-Columbia (“Mid-C”). The Agreement includes a firming and shaping service whereby intermittent energy generated by the Project is shaped and converted to firm energy delivered to PG&E at Mid-C. PG&E will match the Green Attributes associated with the energy generated by the Project with firm import energy procured under a separate transaction or transactions and delivered into California in the same calendar year. Deliveries of import energy will be documented with a North American Electric Reliability Corporation (“NERC”) E-tag that relates such deliveries to generated energy from the Project through a note in the miscellaneous field. This structure complies with the CEC’s RPS eligibility requirements for firm and shaped deliveries of out-of-state power where deliveries occur at a different time than generation.²

² See California Energy Commission Renewables Portfolio Standard Eligibility Guidebook, Third Edition, CEC-300-2007-006-ED3-CMF, adopted December 19, 2007, at 23-24.

As part of managing this RPS transaction, PG&E will execute its Hedging Strategy. The Hedging Strategy has two components. The first component is discussed in Confidential Appendix D. Under the second component of the Hedging Strategy, PG&E will make forward purchases at a CAISO import point, most likely the California-Oregon border (“COB”), to fix the price of approximately 1,000 GWh of import energy for 2011. Within 60 days of CPUC Approval of the Agreement and the Hedging Strategy, PG&E will implement the second component of the Hedging Strategy through a competitive process, with the selected products balancing maximum product liquidity and overall energy portfolio needs.

The Hedging Strategy is designed in part to fix the price of import energy at a CAISO import point and provide incremental import energy into California. Other benefits associated with the Hedging Strategy are discussed in Confidential Appendix D.

Diagram of Delivery Structure for Puget Sound Energy, Inc. RPS Transaction



II. THE PPA IS CONSISTENT WITH THE COMMISSION'S RPS-RELATED DECISIONS

A. Consistency with PG&E's Adopted RPS Plan and Protocol

PG&E's 2008 renewable procurement plan ("2008 Plan") was conditionally approved in D.08-02-008 on February 14, 2008. As required by statute, the 2008 Plan included an assessment of supply and demand to determine the optimal mix of renewable generation resources, consideration of compliance flexibility mechanisms established by the Commission, and a bid solicitation setting forth the need for renewable generation of various operational characteristics.³

The goal of PG&E's 2008 Plan was to procure approximately one to two percent of its retail sales volume, or between 800 GWh and 1,600 GWh per year. Dispatchable projects and projects capable of providing actual deliveries sooner are especially valuable to PG&E. With energy deliveries of 1,000 GWh expected in 2011, the Agreement meets the criteria for renewables procurement contained in the 2008 Plan.

B. Consistency with PG&E's Long Term Procurement Plan

PG&E's 2006 long-term procurement plan ("LTPP") stated that PG&E would aggressively pursue procurement of RPS-eligible renewable resources. In approving PG&E's 2006 LTPP, the Commission noted that development of renewable energy is "of great importance to the Governor, the State of California, and the Commission."⁴

The Agreement is consistent with PG&E's 2006 LTPP and with Commission policy regarding renewable energy expressed in the decision approving PG&E's 2006 LTPP.

C. Consistency with Commission Guidelines for Bilateral Contracting

The Commission has developed guidelines pursuant to which the utilities may enter into bilateral RPS contracts. In D.03-06-071, the Commission authorized entry into bilateral RPS contracts provided that such contracts did not require Public Goods Charge funds and were "prudent."⁵ Later, in D.06-10-019, the Commission again held that bilateral contracts were permissible provided that they were at least one month in duration, and also found that such contracts must be reasonable and submitted for Commission

³ Pub. Util. Code § 399.14(a)(3).

⁴ D.07-12-052 at 73.

⁵ D.03-06-071 at 59.

approval by advice letter.⁶ Also in that decision, the Commission stated that bilateral contracts were not eligible for supplemental energy payments.⁷

Based on D.03-06-071 and D.06-10-019, the Commission set forth the following four requirements for approval of bilateral contracts in a recent Resolution approving a bilateral RPS contract executed by PG&E: (1) the contract is submitted for approval by advice letter; (2) the contract is longer than one month in duration; (3) the contract does not receive above market funds (“AMFs”); and (4) the contract is deemed reasonable by the Commission.⁸ The Commission noted that it would be developing evaluation criteria for bilateral contracts, but that the above four requirements would apply in the interim.⁹

The Agreement satisfies the four requirements listed above. The Agreement is being submitted for approval via this Advice Letter and is not eligible for AMFs because it resulted from bilateral negotiations. It will take longer than one month for Puget to complete its delivery obligations under the Agreement. Finally, the Agreement is reasonable, both with respect to price and other terms, as PG&E explains in this Advice Letter and in the attached Confidential Appendices. The Commission should therefore approve the Agreement.

D. Consistency of Bid Evaluation Process with Least-Cost Best Fit Decision

The RPS statute requires PG&E to procure the “least cost, best fit” (“LCBF”) eligible renewable resources.¹⁰ The LCBF decision directs the utilities to use certain criteria in their bid ranking.¹¹ It offers guidance regarding the process by which the utility ranks bids in order to select or “shortlist” the bids with which it will commence negotiations. The renewables bid evaluation process focuses on four primary areas:

1. Determination of market value of bid,
2. Calculation of transmission adders and integration costs,
3. Evaluation of portfolio fit, and
4. Consideration of non-price factors.

⁶ D.06-10-019 at 29, 31.

⁷ *Id.* at 32.

⁸ Resolution E-4216 at 5.

⁹ *Id.*

¹⁰ Pub. Util. Code § 399.14(a)(2)(B).

¹¹ D.04-07-029.

PG&E examined the reasonableness of the Agreement using the same market value comparison tools used with other RPS transactions received in the 2008 RPS Solicitation and bilaterals currently being offered to PG&E. The general finding is that this opportunity is competitive with other offers received in the 2008 RPS Solicitation and with other RPS opportunities recently executed or under negotiation. A more detailed discussion of PG&E's evaluation of the Agreement is provided in Confidential Appendix D.

1. Market Valuation

In a "mark-to-market" analysis, the present value of the bidder's payment stream is compared with the present value of the product's market value to determine the benefit (positive or negative) from the procurement of the resource, irrespective of PG&E's portfolio. This analysis includes evaluation of the bid price and indirect costs, such as transmission and integration costs. PG&E's analysis of the market value of the Agreement is addressed in Confidential Appendix D.

2. Portfolio Fit

Portfolio fit considers how well an offer's features match PG&E's portfolio needs. Deliveries of import energy resulting from the Hedging Strategy are anticipated to occur during periods when PG&E has a portfolio need for additional energy. Thus, the Agreement fits PG&E's portfolio in a satisfactory manner.

3. Consistency with the Transmission Ranking Cost Decision

Under the transmission ranking cost decision, the customer's potential cost of accepting energy deliveries from a particular project must be considered when determining a project's value. The Project is currently operating under existing interconnection agreements and no upgrades are needed. As noted above, Puget will firm and shape the energy and deliver it to PG&E at Mid-C. Consequently, no transmission cost adders were used in the evaluation.

4. Consistent Application of TODs

The price for the power is not subject to Time of Delivery ("TOD") adjustments.

5. Qualitative Factors

PG&E considered qualitative factors as required by D.04-07-029 and D.07-02-011 when evaluating the Agreement, including benefits associated with local reliability and resource diversity.

E. PRG Participation and Feedback

PG&E informed its Procurement Review Group (“PRG”) of the proposed transaction on March 23, 2009. PG&E addresses PRG feedback in Confidential Appendix D.

The PRG for PG&E consists of: California Department of Water Resources, the Commission’s Energy Division and Division of Ratepayer Advocates, Union of Concerned Scientists, the Utility Reform Network, the California Utility Employees, and Jan Reid, Coast Economic Consulting.

F. RPS Goals

Senate Bill (“SB”) 1078 established the California RPS Program, requiring an electrical corporation to increase its use of eligible renewable energy resources to 20 percent of total retail sales no later than December 31, 2017. The legislature subsequently accelerated the RPS goal to reach 20 percent by the end of 2010. In addition, California is actively considering increasing its renewable goals beyond the current 20 percent renewable energy target. Governor Schwarzenegger’s Executive Order issued in November 2008 describes a new target for California of 33 percent renewable energy by 2020. The California Legislature is actively considering legislation increasing the overall RPS target to 33 percent. Finally, the California Air Resource Board’s Scoping Plan, adopted in December 2008, identifies an increase in the renewables target to 33 percent by 2020 as a key measure for reducing greenhouse gas emissions and meeting California’s climate change goals. The Agreement will contribute significantly to the 20 percent by 2010 target through the use of flexible compliance measures.

G. Consistency with Adopted Standard Terms and Conditions

The Commission set forth standard terms and conditions to be incorporated into contracts for the purchase of electricity from eligible renewable energy resources in D.04-06-014, D.07-02-011 as modified by D.07-05-057, and D.07-11-025. These terms and conditions were compiled and published by D.08-04-009. Additionally, the non-modifiable term related to Green Attributes was finalized in D.08-08-028. The non-modifiable terms in the Agreement conform exactly to the non-modifiable terms set forth in Attachment A of D.07-11-025 and Appendix A of D.08-04-009, as modified by D.08-08-028.

Modifications have been made to terms in the Agreement designated as modifiable in D.07-11-025 and D.08-04-009 based upon mutual agreement reached during negotiations. A comparison of the modifiable terms in the Agreement against the modifiable terms in PG&E's 2008 RPS As-Available PPA form in the Solicitation Protocol dated February 29, 2008 is provided in Confidential Appendix H.

Each provision in the Agreement is essential to the negotiated agreement between the parties, and the Commission should therefore not modify any of the provisions. The Commission should consider the Agreement as a whole, in terms of its ultimate effect on utility customers. PG&E submits that the Agreement protects the interests of its customers while achieving the Commission's goal of increasing procurement from eligible renewable resources.

H. Consistency with Minimum Quantity Decision

In D.07-05-028, the Commission determined that in order to count energy deliveries from short-term contracts with existing facilities toward RPS goals, RPS-obligated load-serving entities must contract for deliveries equal to at least 0.25 percent of their prior year's retail sales through long-term contracts or through short-term contracts with new facilities.

Although operational, the Wild Horse and Hopkins Ridge facilities are considered new facilities for the purposes of the minimum quantity requirement because they began commercial operation on or after January 1, 2005.¹² The Agreement therefore counts towards PG&E's procurement obligation under D.07-05-028. In 2009, PG&E expects that it will be in compliance with the minimum quantity requirement in D.07-05-028.

I. Compliance with the Interim Emissions Performance Standard

In D.07-01-039, the Commission adopted an Emissions Performance Standard ("EPS") that applies to contracts for a term of five or more years for baseload generation with an annualized plant capacity factor of at least 60 percent. The Agreement is not subject to the EPS because it concerns wind facilities with capacity factors below 60 percent. However, the EPS provides that certain conditions must be satisfied where, as in this case, system energy is used to firm and shape deliveries of intermittent renewable power.

The EPS explicitly permits the use of substitute energy from unspecified resources (or system energy) to firm and shape deliveries of intermittent renewable power provided

¹² See D.07-05-028 at 33, Ordering Paragraph 1 (defining existing facilities as those that began commercial operation before January 1, 2005, and defining new facilities as those that began commercial operation on or after January 1, 2005).

that the following requirements are satisfied: (1) the contract must be with a specified EPS-compliant power plant; (2) the substitute energy must be from unspecified resources; and (3) the volume of substitute system energy is limited such that total purchases under the contract do not exceed the total expected output of the renewable power plant over the contract term.¹³ The Agreement satisfies each of these requirements.

The Agreement is linked to specific generating sources, and is therefore a contract with specified renewable power plants.¹⁴ Because it consists of wind facilities, the Project is pre-approved as EPS-compliant.¹⁵ The Agreement therefore satisfies the first requirement for EPS compliance that the contract must be with a specified EPS-compliant power plant.

As discussed above, Puget will firm and shape the intermittent energy generated by the Project and will deliver firm energy to PG&E at Mid-C. The firm substitute energy will be from unspecified sources, and, pursuant to the terms of the Agreement, the same quantity of energy that was generated by the Project will be delivered to PG&E at a time subsequent to generation. The second and third requirements for EPS compliance are therefore satisfied.

PG&E will ensure that any contract used to match the Green Attributes associated with energy generated by the Project with import energy delivered into California complies with any applicable EPS requirements.

Notification of compliance with D.07-01-039 is provided through this Advice Letter, which has been served on the service list in the RPS rulemaking, R.08-08-009.

J. MPR and AMFs

The actual price under the Agreement is confidential, market sensitive information. The Agreement is a result of bilateral negotiations and does not qualify for AMFs. The price under the Agreement does not exceed the 10-year 2008 MPR for a project with a 2011 commercial online date adopted in Resolution E-4214 on December 18, 2008.

¹³ D.07-01-039, Attachment 7 at 6-7. *See also* D.07-01-039 at 150-151; Conclusion of Law (“COL”) 40.

¹⁴ Under limited conditions, other Northwest RPS-eligible wind facilities may be substituted for the Wild Horse and Hopkins Ridge facilities.

¹⁵ D.07-01-039, Attachment 7 at 4 (providing that wind facilities are pre-approved as EPS compliant). *See also* D.07-01-039 at 118-119; COL 35.

III. PROJECT DEVELOPMENT STATUS

Wild Horse and Hopkins Ridge are operating facilities.

A. Site Control

Puget has full site control, and the Hopkins Ridge and Wild Horse facilities have been operating and delivering power since November 2005 and December 2006, respectively.

B. Resource and/or Availability of Fuel

Wind conditions vary from year to year and the annual generation is expected to be slightly above 1,000 GWh at a capacity factor of 32 percent. The estimated capacity factor is in the 32 to 35 percent range.

C. Transmission

The Project is operational and no additional transmission issues are expected.

D. Technology Type and Level of Technology Maturity

The Project uses 214 1.8 MW wind turbine generators that have been operating since the Hopkins Ridge and Wild Horse facilities began delivering power in November 2005 and December 2006.

E. Permitting

The Project is fully permitted.

F. Developer Experience

Puget is a Washington utility with significant experience in developing or contracting for power projects. Puget's Hopkins Ridge and Wild Horse wind facilities have been successfully operating for several years.

G. Financing Plan

The Project is operational.

H. Production Tax Credit/Investment Tax Credit

The terms of the Agreement are independent of whether the Project is receiving Production Tax Credits.

I. Equipment Procurement

Equipment procurement is complete; the Project is operational.

IV. CONTINGENCIES AND PROJECT MILESTONES

The Project is operational. Contingencies and project milestones are therefore not applicable.

V. REGULATORY PROCESS

A. Requested Effective Date

PG&E requests that the Commission issue a resolution approving this advice filing no later than October 15, 2009. Justification for this date is provided in Confidential Appendix D.

B. Earmarking

PG&E intends to earmark deliveries from the Agreement, but reserves the right to update its earmarking strategy for the Agreement.

C. RPS-Eligibility Certification

The Agreement includes the non-modifiable representation and warranty that during the delivery period, the Project will constitute an eligible renewable energy resource certified by the CEC. Puget has applied for CEC certification for both the Hopkins Ridge and Wild Horse facilities.

D. Contractual Obligations Impacting CPUC Approval Schedule

Contractual obligations that may impact the schedule for CPUC Approval are discussed in Confidential Appendix D.

E. Request for Confidential Treatment

In support of this Advice Letter, PG&E has provided the following confidential information, including the Agreement and other information that more specifically

describes the rights and obligations of the parties. This information is being submitted in the manner directed by D.08-04-023 and the August 22, 2006 Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with D.06-06-066 to demonstrate the confidentiality of the material and to invoke the protection of confidential utility information provided under either the terms of the IOU Matrix, Appendix 1 of D.06-06-066 and Appendix C of D.08-04-023, or General Order 66-C. A separate Declaration Seeking Confidential Treatment is being filed concurrently with this Advice Letter.

Confidential Attachments:

Appendix A – Overview of 2004 – 2008 Solicitation Bids

Appendix B – 2008 Bid Evaluations

Appendix C – Intentionally Omitted

Appendix D – Contract Terms and Conditions Explained

Appendix F – Project's Contribution Toward RPS Goals

Appendix G – WSPP Agreement Confirmation Letter

Appendix H – Standard Terms and Conditions Comparison – Modifiables

Public Attachments:

Appendix E – Project Viability

Appendix I – WSPP Agreement

VI. REQUEST FOR COMMISSION APPROVAL

PG&E requests that the Commission issue a final resolution no later than **October 15, 2009** that:

1. Approves the Agreement and the Hedging Strategy in their entireties, including payments to be made by PG&E pursuant to the Agreement and the Hedging Strategy, subject to the Commission's review of PG&E's administration of the Agreement and the Hedging Strategy.

2. Finds that any procurement pursuant to the Agreement is procurement from an eligible renewable energy resource for purposes of determining PG&E's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California RPS (Public Utilities Code Section 399.11 et seq.), D.03-06-071 and D.06-10-050, or other applicable law.
3. Finds that all procurement and administrative costs, as provided by Public Utilities Code section 399.14(g), associated with the Agreement and the Hedging Strategy shall be recovered in rates.
4. Adopts the following finding of fact and conclusion of law in support of CPUC Approval:
 - a. The PPA and the Hedging Strategy are consistent with PG&E's 2008 RPS procurement plan.
 - b. The terms of the Agreement, including the price of delivered energy, are reasonable.
5. Adopts the following finding of fact and conclusion of law in support of cost recovery for the Agreement and Hedging Strategy:
 - a. The utility's costs under the Agreement and implementation of the Hedging Strategy shall be recovered through PG&E's Energy Resource Recovery Account.
 - b. Any stranded costs that may arise from the Agreement are subject to the provisions of D.04-12-048 that authorize recovery of stranded renewables procurement costs over the life of the contract. The implementation of the D.04-12-048 stranded cost recovery mechanism is addressed in D.08-09-012.
6. Adopts the following findings with respect to resource compliance with the EPS adopted in R.06-04-009:
 - a. The Agreement is not a covered procurement subject to the EPS because the generating facilities have a forecast annualized capacity factor of less than 60 percent and therefore are not baseload generation under paragraphs 1(a)(ii) and 3(2)(a) of the Adopted Interim EPS Rules.

- b. Puget's renewable generating facilities are intermittent renewable resources for purposes of compliance with the EPS adopted in R.06-04-009.
- c. The use of system energy to deliver electricity under the terms of the Agreement is consistent with the EPS.

Protests:

Anyone wishing to protest this filing may do so by sending a letter by **May 26, 2009**, which is **20** days from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

CPUC Energy Division
Attention: Tariff Unit, 4th Floor
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: mas@cpuc.ca.gov and jnj@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005 and Honesto Gatchalian, Energy Division, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission.

Pacific Gas and Electric Company
Attention: Brian Cherry
Vice President, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-Mail: PGETariffs@pge.com

Effective Date:

PG&E requests that the Commission issue a resolution approving this advice filing no later than October 15, 2009. PG&E submits this as a Tier 3 filing.

Notice:

In accordance with General Order 96-B, Section IV, a copy of this Advice Letter excluding the confidential appendices is being sent electronically and via U.S. mail to parties shown on the attached list and the service lists for R.06-02-012, R.08-02-007 and R.08-08-009. Non-market participants who are members of PG&E's Procurement Review Group and have signed appropriate Non-Disclosure Certificates will also receive the Advice Letter and accompanying confidential attachments by overnight mail. Address changes should be directed to Rose De La Torre (415) 973-4716. Advice letter filings can also be accessed electronically at <http://www.pge.com/tariffs>.

A handwritten signature in cursive script that reads "Brian Cherry / mt".

Brian K. Cherry
Vice President - Regulatory Relations

cc: Service List for R.08-08-009
Service List for R.08-02-007
Service List for R.06-02-012
Paul Douglas – Energy Division
Sean Simon – Energy Division

Attachments

Limited Access to Confidential Material:

The portions of this Advice Letter marked Confidential Protected Material are submitted under the confidentiality protection of Section 583 of the Public Utilities Code and General Order 66-C. This material is protected from public disclosure because it consists of, among other items, the contract itself, price information, and analysis of the proposed RPS contract, which are protected pursuant to D.06-06-066 and D.08-04-023. A separate Declaration Seeking Confidential Treatment regarding the confidential information is filed concurrently herewith.

Confidential Attachments:

Appendix A – Overview of 2004 – 2008 Solicitation Bids

Appendix B – 2008 Bid Evaluations

Appendix C – Intentionally Omitted

Appendix D – Contract Terms and Conditions Explained

Appendix F – Project’s Contribution Toward RPS Goals

Appendix G – WSPP Agreement Confirmation Letter

Appendix H – Standard Terms and Conditions Comparison – Modifiabiles

Public Attachments:

Appendix E – Project Viability

Appendix I – WSPP Agreement

CALIFORNIA PUBLIC UTILITIES COMMISSION

DWS-6
Page 18 of 18

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

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

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 M)**

Utility type:

☒ ELC

☒ GAS

☐ PLC

☐ HEAT

☐ WATER

Contact Person: David Poster

Phone #: (415) 973-1082

E-mail: DXPU@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **3457-E**

Tier: [3]

Subject of AL: **Contract for Procurement of Renewable Energy Resources Between PG&E and Puget Sound Energy, Inc.**

Keywords (choose from CPUC listing): Contracts

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: No

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

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: Yes. See the attached matrix that identifies all of the confidential information.

Confidential information will be made available to those who have executed a nondisclosure agreement: All members of PG&E's Procurement Review Group who have signed nondisclosure agreements will receive the confidential information.

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: Garrett Jeung (415) 973-5481

Resolution Required? ☒ Yes ☐ No

Requested effective date: **October 15, 2009**

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

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: N/A

Service affected and changes proposed: N/A

Protests, dispositions, 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

Tariff Files, Room 4005

DMS Branch

505 Van Ness Ave., San Francisco, CA 94102

jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian K. Cherry, Vice President, Regulatory Relations

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

Amended Petition of)	
)	
PUGET SOUND ENERGY, INC.)	
)	
	)	Docket No. UE-070725
)	
For an Order Authorizing the Use of the)	
Proceeds From the Sale of Renewable)	
Energy Credits and Carbon Financial)	
Instruments)	

DWS-7

**Submission of Bilateral Agreement for Procurement of Renewable Energy
and Supplemental Filing**

January 28, 2009



June 23, 2009

Advice Letters 2319-E/2319-E-A

Akbar Jazayeri
Vice President, Regulatory Operations
Southern California Edison Company
P O Box 800
Rosemead, CA 91770

**Subject: Submission of Bilateral Agreement for Procurement of Renewable Energy
and Supplemental Filing**

Dear Mr. Jazayeri:

Advice Letters 2319-E and 2319-E-A are effective June 18, 2009 per Resolution E-4244.

Sincerely,

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

Julie A. Fitch, Director
Energy Division



Akbar Jazayeri
Vice President of Regulatory Operations

February 9, 2009

**ADVICE 2319-E
(U 338-E)**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION**

SUBJECT: Submission of Bilateral Agreement for Procurement of
Renewable Energy

Southern California Edison Company ("SCE") submits this Advice Letter in compliance with Cal. Pub. Util. Code § 399.11 *et seq.* (the "RPS Legislation") seeking approval of a renewables portfolio standard ("RPS") power purchase agreement between SCE and Puget Sound Energy, Inc. (the "Puget Contract").¹

A table summarizing the Puget Contract 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)
Puget Sound Energy, Inc.	Wind	387 MW	N/A	969 GWh (2009) 1,030 GWh (2010)	N/A	On-line	Until 2,000 GWhs are delivered (estimated 2 years)

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 April 16, 2009.

¹ By a letter dated December 30, 2008, the Executive Director extended the deadline a contract resulting from SCE's 2008 RPS solicitation or separate bilateral negotiations must be submitted to the California Public Utilities Commission for approval to be eligible for earmarking towards SCE's 2008 RPS annual procurement target from December 31, 2008 to February 27, 2009.

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. Appendices B through D and G are confidential. Appendices A, E, F, H, and I are public.

This advice letter contains the following appendices:

Appendix A: Designation of Confidential Information

Confidential Appendix B: Pricing Analysis

Confidential Appendix C: Confidential Contract Summary

Confidential Appendix D: Puget’s Contribution to RPS Goals

Appendix E: SCE’s RPS Proposal Evaluation and Selection Process and Criteria

Appendix F: WSPP Agreement Between Puget Sound Energy, Inc. and SCE

Confidential Appendix G: WSPP Agreement Confirmation Letter Between Puget Sound Energy, Inc. and SCE

Appendix H: Site Maps

Appendix I: Proposed Protective Order

I. INTRODUCTION

The RPS Legislation requires certain load-serving entities (“LSEs”), including SCE, to increase their procurement from renewable resources 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. In that decision, the Commission also authorized the investor-owned utilities (“IOUs”) to enter into bilateral RPS contracts if the contracts are prudent and do not require public goods charge funds.

Furthermore, in D.06-10-019, the Commission held that RPS-obligated LSEs may enter into bilateral contracts with RPS-eligible generators, as long as the contracts are at least one month in duration. The Commission stated that IOUs’ bilateral RPS contracts must be submitted to the Commission for approval by advice letter, and reiterated that bilateral RPS contracts are not eligible for supplemental energy payments. In addition, the Commission held that while bilateral contracts are not subject to the market price referent (“MPR”), they must be reasonable.

During December 2008, Puget Sound Energy, Inc. (“Puget”) conducted a competitive process to sell up to 2,000 GWh of energy from existing wind facilities. SCE

participated in that competitive process. On December 18, 2008, SCE was notified that it was selected as the successful bidder in the process. SCE and Puget then negotiated the final terms of the transaction resulting in the execution of the Puget Contract.

SCE communicated with its procurement review group ("PRG") throughout the evaluation, bidding, and contracting process that ultimately led to the execution of the Puget Contract. SCE now seeks approval of the Puget Contract.

A. Purpose of the Advice Letter

The Puget projects are two existing wind facilities, the 157 MW Hopkins Ridge facility and the 230 MW Wild Horse facility, which began their commercial operations in November 2005 and December 2006, respectively. The seller under the Puget Contract is Puget, a Washington corporation and energy utility serving nearly one million electric customers. Puget is wholly-owned by Puget Energy, Inc ("PSD"), a Washington corporation. On December 31, 2008, the Washington Utilities and Transportation Commission approved the sale of PSD to a consortium of long-term infrastructure investors, including Macquarie Infrastructure Partners, Canada Pension Plan Investment Board, and British Columbia Investment Management Corporation. The projects were originally developed and constructed by Puget.

The Hopkins Ridge facility is located on approximately 11,000 acres of leased land, 15 miles northeast of Dayton in Columbia County, Washington, and roughly 285 miles southeast of Seattle. The Hopkins Ridge facility utilizes 87 Vestas 1.8 MW wind turbine generators that have been in operation since November 2005.

The Wild Horse facility is located on approximately 9,000 acres of land partially-owned by Puget and partially leased, 18 miles east of Ellensburg in Kittitas County, Washington, and roughly 127 miles southeast of Seattle. The Wild Horse facility utilizes 127 Vestas 1.8 MW wind turbine generators that have been in operation since December 2006.

The Puget projects' expected deliveries under the Puget Contract will be approximately 969 GWh in 2009 and 1,030 GWh in 2010. The Puget Contract term is for approximately two years with the start of energy deliveries commencing upon certain contractual conditions being met, including final Commission approval. SCE anticipates that date to be June 1, 2009.

B. General Project Description

Owner/ Developer	Puget Sound Energy, Inc.
Projects	Hopkins Ridge and Wild Horse
Technology	Wind

Capacity (MW)	157 MW and 230 MW
Capacity Factor	33% and 32%
Expected Generation (MWh/Year)	969,295 MWh/year (2009) 1,030,705 MWh/year (2010)
Online Date (if existing, the contract delivery start date)	Contract delivery start date subject to CPUC approval and other conditions – anticipated June 1, 2009
Contract Term (Years)	Until 2,000 GWhs have been delivered – approximately 2 years
New or Existing Facility	Existing
Location (include in/out-of-state) and Control Area (e.g., CAISO, BPA)	Columbia County, Washington and Bonneville Power Administration (“BPA”) control area (Hopkins Ridge) Kittitas County, Washington and Puget Sound Energy control area (Wild Horse)
Price relative to MPR (i.e., above/below)	Below

II. CONSISTENCY WITH COMMISSION DECISIONS

A. Commission Decisions Allowing IOUs to Procure Renewable Resources Through Bilateral Negotiations

As discussed above, in D.03-06-071, the Commission authorized the IOUs to enter into bilateral RPS contracts outside of the competitive solicitation process if the contracts are prudent.² In D.06-10-019, the Commission reaffirmed that RPS-obligated LSEs may enter into bilateral contracts with RPS-eligible generators, as long as the contracts are at least one month in duration and are reasonable. Moreover, in a recent decision approving a bilateral RPS contract entered into by SCE, the Commission stated that

² The Commission also held that bilateral contracts may not require supplemental energy payments from public goods charge funds. Supplemental energy payments were eliminated under Senate Bill (“SB”) 1036. Pursuant to SB 1036, the Commission now approves above-market funds for RPS contracts.

bilateral contracts can be evaluated prior to the Commission establishing formal evaluation criteria for bilateral contracts.³

The Puget Contract was pursued bilaterally because Puget offered the transaction through the competitive process described above. As explained below and in the Appendices, the Puget Contract is consistent with all Commission guidelines regarding bilateral contracting. Additionally, the price and other terms in the Puget Contract are reasonable. Accordingly, the Puget Contract should be approved by the Commission.

B. 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

The Commission conditionally approved SCE's 2008 RPS procurement plan, including the bid solicitation materials for SCE's 2008 RPS solicitation, in D.08-02-008. In addition, in D.08-02-008, the Commission 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 renewables 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 request for proposals ("RFP") solicited proposals to supply electric energy, green attributes, capacity attributes, and resource adequacy benefits from eligible renewable energy resources 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 eligible renewable energy resource, or multiple eligible renewable energy resources, 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.

³ See D.07-08-028 at 4.

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") Guidebook for RPS Eligibility. 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 no 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 California Independent System Operator ("CAISO") control area. However, SCE also considered proposals for facilities interconnected to the Western Electricity Coordinating Council ("WECC") transmission system.

3. The Puget Contract Conforms to SCE's Portfolio Needs

Although the Puget Contract was negotiated bilaterally outside of SCE's 2008 RPS solicitation, the Puget Contract falls within the criteria identified in SCE's 2008 RFP and is expected to contribute significantly toward achievement of SCE's RPS procurement goals. More specifically, the Puget Contract satisfies SCE's near-term need for eligible renewable energy from existing facilities with a total capacity of 387 MW over a two-year term.

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 (the "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 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 price 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 Puget Contract With Proposals Received in SCE's 2008 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.

Although the Puget Contract was negotiated bilaterally outside of SCE's 2008 RPS solicitation, the B/C ratio calculated for the Puget Contract was acceptable to SCE and favorable as compared to the proposals SCE received in its 2008 solicitation. The benefits and costs for the Puget Contract resulted in a B/C ratio that ranked high enough as compared to the proposals SCE received in its 2008 RPS solicitation to demonstrate that the Puget Contract provides significant value for SCE's customers relative to the proposals received in SCE's solicitation, and represents a contract that

provides for the delivery of relatively attractive near-term renewable power pursuant to terms and conditions that meet all of the requirements of the RPS Legislation and the Commission's decisions implementing the RPS Legislation.

More detailed information regarding the B/C ratio for the Puget Contract is 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.

The Puget projects provide a total nameplate capacity of 387 MW. The projects will also provide approximately 969 GWh of RPS-eligible energy in 2009 and approximately 1,030 GWh of RPS-eligible energy in 2010.

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 by 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. The Puget transaction is delivered on-peak and there are no TOD adjustments to the contract price.

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 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 (a) the initial proposal rank is within reasonable valuation proximity to those selected for the short list and (b) 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.

Although the Puget Contract was negotiated bilaterally outside of SCE's 2008 RPS solicitation, based on some non-quantifiable attributes as well as the quantifiable attributes discussed above, the Puget Contract compares favorably to the projects on SCE's 2008 RPS solicitation short list. There are no viability concerns with the Puget projects because they are existing projects that have been in operation since 2005 and 2006. The Puget Contract will also provide near-term eligible renewable energy in 2009 and 2010, when it is most needed by SCE. In addition, based on Puget's past development experience and the fact that Puget is a regulated utility, it is likely Puget will be able to perform all of its financial and other obligations under the agreement.

7. Impact of Debt Equivalence

Specific information regarding the impact of debt equivalence on the Puget Contract is 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 December 15, 2008, SCE advised the PRG of its intention to participate in the Puget auction and how it intended to calculate its bid. On January 6, 2009, SCE briefed the PRG concerning the successful results of the auction and the conclusion of discussions with Puget.

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 the 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").⁴ 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 Puget Contract is expected to begin deliveries on June 1, 2009, depending on the date of final Commission approval and the date other contractual conditions are met. The renewable output from the agreement is expected to contribute approximately 969 GWh in 2009 and 1,030 GWh in 2010.

A table summarizing the Puget Contract's contribution to SCE's RPS goals is 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 Puget Contract includes 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

⁴ See D.06-10-050.

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 Puget Contract 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 contracts⁵ or short-term contracts with new facilities⁶ 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 such contracts are signed, to be used for compliance for the minimum quantity requirement in future years.

The Puget Contract is a short-term contract with an existing facility so the minimum quantity requirement applies. In 2009, SCE expects that it will either enter into long-term contracts and/or contracts with new facilities for energy deliveries equivalent to at least 0.25 percent of SCE's 2008 retail sales, or use excess contracted energy from long-term contracts and/or contracts with new facilities carried forward from prior years. SCE has a sufficient excess of contracted energy from long-term contracts and/or contracts with new facilities from prior years to meet its 2009 minimum requirement.

H. Interim Emissions Performance Standard

The California Legislature passed SB 1368 on August 31, 2006 and Governor Schwarzenegger signed the bill into law on September 29, 2006. Section 2 of SB 1368 added Cal. Pub. Util. Code § 8341(a), which provides that "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)."⁷

To implement the provisions of SB 1368, the Commission instituted Rulemaking 06-04-009. This proceeding resulted in the establishment of a green house 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

⁵ Long-term contracts are contracts of at least 10 years duration.

⁶ New facilities are facilities that commenced commercial operation on or after January 1, 2005.

⁷ Cal. Pub. Util. Code § 8341(a).

must be no higher than the GHG emissions rate of a combined-cycle gas turbine (CCGT) powerplant.”⁸

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 long-term commitment when the LSE enters into “a new or renewed contract with a term of five or more years.”⁹

By this Advice Letter filing, SCE requests that the Commission approve the short-term Puget Contract, which has a term of approximately two years. Because the Puget Contract is not a “long-term financial commitment” (i.e., a “new contract or renewed contract with a term of five or more years”), the Puget Contract is not subject to the EPS.

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

As discussed in more detail in Appendix C, the Puget Contract is below the 2008 MPR and therefore no AMFs are required based on the energy price. Additionally, because the Puget Contract is a short-term contract that was negotiated bilaterally, the contract is not eligible for AMFs pursuant to Cal. Pub. Util. Code § 399.15(d)(2).

III. PROJECT DEVELOPMENT STATUS

There are no viability concerns regarding the Puget Contract. The Puget projects are existing facilities that has been in operation and delivering power since November 2005 and December 2006. The Puget Contract begins upon certain conditions being met, including final Commission approval.

A. Site control

Puget has full site control. The projects are existing facilities that have been in operation and delivering power since November 2005 and December 2006.

⁸ D.07-01-039 at 2-3.

⁹ *Id.* at 4.

B. Resource and/or Availability of Fuel

The Puget Hopkins Ridge and Wild Horse facilities are existing facilities using wind technology. The facilities have been in operation and delivering power since November 2005 and December 2006.

C. Transmission

There are no transmission or interconnection issues with the Puget projects. The generating facilities are already connected to BPA's and Puget Sound Energy's control areas under existing interconnection agreements and no upgrades are needed. Puget will firm and shape the energy and deliver it to the Mid-Columbia trading hub for SCE. Additional information regarding transmission is included in Appendix C.

D. Technology Type and Level of Technology Maturity

The Puget projects utilize 214 Vestas 1.8 MW wind turbine generators that have been in operation since November 2005 and December 2006.

E. Permitting

The Puget facilities are operating power plants currently delivering power. All permits necessary to operate the facilities have been obtained.

F. Developer Experience

In 2005, Puget worked with wind power developer RES Americas to build the 157 MW Hopkins Ridge facility. In 2006, Puget built the 230 MW Wild Horse facility with RES Americas. Puget is currently expanding that facility with additional capacity of 40 to 50 MW expected by 2010. Puget is also under development discussions with RES Americas to build an additional wind facility in Washington. Since the Hopkins Ridge and Wild Horse facilities have been delivering power since 2005 and 2006, Puget has demonstrated its ability to successfully build and operate wind facilities.

G. Financing plan

Specific information regarding financing for the Puget Contract is 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 Puget Contract is found in Appendix C.

I. Equipment Procurement

All necessary equipment has been purchased and is operating at the facilities.

IV. CONTINGENCIES AND MILESTONES

A. Major Performance Criteria and Guaranteed Milestones

Specific information regarding the terms of the Puget Contract is found in Appendix C.

B. Other Contingencies and Milestones

Specific information regarding the terms of the Puget Contract is found in Appendix C.

V. REGULATORY PROCESS

A. RPS-eligibility Certification from the CEC

To date, Puget has not received RPS-eligibility certification from the CEC for the Hopkins Ridge and Wild Horse wind facilities. However, neither SCE nor Puget foresee any issues with obtaining CEC certification. CEC certification is a condition precedent for the transaction.

B. Justification for Effective Date

The Puget projects are existing facilities that can begin deliveries to SCE under the Puget Contract as soon as certain contractual conditions are met, including final Commission approval. In order to allow for deliveries under the contract to begin as soon as possible, SCE requests that this Advice Letter become effective on April 16, 2009. The justification of the effective date is discussed in more detail in Appendix C.

C. Contractual Obligations Impacting CPUC Approval Schedule

Specific information regarding the terms of the Puget Contract is found in Appendix C.

D. Earmarking

By a letter dated December 30, 2008, the Executive Director extended the deadline a contract resulting from SCE's 2008 RPS solicitation or separate bilateral negotiations must be submitted to the Commission for approval to be eligible for earmarking towards SCE's 2008 RPS annual procurement target from December 31, 2008 to February 27, 2009. SCE reserves the right to earmark any generation from the Puget Contract into RPS compliance years, including 2008, as applicable.

E. Confidentiality

SCE is requesting confidentiality of Appendices B through D and G 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 Cathy Karlstad in SCE's Law Department at Cathy.Karlstad@sce.com or (626) 302-1096 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 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 other than employees of SCE 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 Puget Contract are conditioned on the occurrence of "CPUC Approval," as it is defined in the Puget Contract. In order to satisfy that condition with respect to the Puget Contract, SCE requests that the Commission issue a resolution no later than April 16, 2009, containing:

1. Approval of the Puget Contract in its entirety;

2. A finding that any electric energy sold or dedicated to SCE pursuant to the Puget Contract constitutes procurement by SCE from an eligible renewable energy resource ("ERR") for the purpose of determining SCE's compliance with any obligation that it may have to procure from ERRs pursuant to 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 Puget Contract counts, in full and without condition, towards 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 Puget Contract counts, in full and without condition, towards 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 Puget Contract counts, in full and without condition, towards the requirement in the RPS Legislation that SCE procure 20% (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 Puget Contract, and SCE's entry into the Puget Contract, is reasonable and prudent for all purposes, including, but not limited to, recovery in rates of payments made pursuant to the Puget Contract, subject only to further review with respect to the reasonableness of SCE's administration of the Puget Contract; and
7. Any other and further relief as the Commission finds just and reasonable.

EFFECTIVE DATE

This Advice Letter will become effective on April 16, 2009.

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
E-mail: 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
E-mail: Karyn.Gansecki@sce.com

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

With a copy to:

Cathy Karlstad
Attorney
Southern California Edison Company
2244 Walnut Grove Avenue, 3rd Floor
Rosemead, CA 91770
Facsimile: (626) 302-1935
E-mail: Cathy.Karlstad@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 at (626) 302-2930. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at ProcessOffice@cpuc.ca.gov.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the 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/>.

Advice 2319-E
(U 338-E)

- 18 -

February 9, 2009

All questions concerning this Advice Letter should be directed to Laura Genao at (626) 302-1924 (E-mail: laura.genao@sce.com).

Southern California Edison Company

Akbar Jazayeri

AJ/jm
Enclosures

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) #: 2319-E

Tier Designation: 3

Subject of AL: Submission of Bilateral Agreement for Procurement of Renewable Energy

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:

Cathy Karlstad, Law Department, at (626) 302-1096 or Cathy.Karlstad@sce.com.

Resolution Required? ☒ Yes ☐ No

Requested effective date: 4/16/09

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.

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

Amended Petition of)	
)	
PUGET SOUND ENERGY, INC.)	
)	
	)	Docket No. UE-070725
)	
For an Order Authorizing the Use of the)	
Proceeds From the Sale of Renewable)	
Energy Credits and Carbon Financial)	
Instruments)	

DWS-8

**Submission of Bilateral Agreement for Procurement of Renewable Energy
and Supplemental Filing**

January 28, 2009



June 23, 2009

Advice Letters 2319-E/2319-E-A

Akbar Jazayeri
Vice President, Regulatory Operations
Southern California Edison Company
P O Box 800
Rosemead, CA 91770

**Subject: Submission of Bilateral Agreement for Procurement of Renewable Energy
and Supplemental Filing**

Dear Mr. Jazayeri:

Advice Letters 2319-E and 2319-E-A are effective June 18, 2009 per Resolution E-4244.

Sincerely,

A handwritten signature in blue ink, appearing to read "Julie A. Fitch", is positioned above the typed name.

Julie A. Fitch, Director
Energy Division



Akbar Jazayeri
Vice President of Regulatory Operations

May 11, 2009

**ADVICE 2319-E-A
(U 338-E)**

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Supplement to Submission of Bilateral Agreement for
Procurement of Renewable Energy

PURPOSE

Southern California Edison Company ("SCE") is supplementing Advice 2319-E in order to inform parties about a settlement that was recently filed at the Federal Energy Regulatory Commission ("FERC"). Advice 2319-E was originally filed on February 9, 2009, and seeks California Public Utilities Commission ("CPUC") approval of a renewables portfolio standard power purchase agreement between SCE and Puget Sound Energy, Inc. (the "Puget Contract").

BACKGROUND

On February 9, 2009, SCE filed Advice 2319-E seeking CPUC approval of the Puget Contract. The effectiveness of the Puget Contract is conditioned upon, among other things, approval by the FERC and CPUC of a Settlement and Release of Claims Agreement resolving claims arising from events in the California and Western Energy Markets during the period January 1, 2000 to June 20, 2001 (the "Settlement Agreement").

On or before May 8, 2009, Puget Sound Energy, Inc. and all of the "California Parties" except for the CPUC executed the Settlement Agreement.¹ The Settlement Agreement is subject to both FERC approval and the CPUC's execution and approval of the

¹ The "California Parties" include SCE, Pacific Gas and Electric Company, San Diego Gas & Electric Company, the California Attorney General, the CPUC, and CERS (the California Department of Water Resources acting solely under the authority and powers created by California Assembly Bill 1 of the First Extraordinary Session of 2001-2002, codified in Sections 80000 through 80270 of the California Water Code, and not under its powers and responsibilities with respect to the State Water Resources Development System).

Settlement Agreement. The Settlement Agreement was filed for approval at the FERC on May 8, 2009. The Settlement Agreement is publicly available at the FERC in Docket Nos. EL00-95-000, EL00-98-000, EL01-10-000, IN03-10-000, PA02-2-000, EL03-137-000, *et al.*, EL03-180-000, *et al.*, ER03-746-000, EL02-71-000, and EL03-169-000.² The “Settlement Effective Date,” as defined in the Settlement Agreement, will not occur until, among other things, “all of the required approvals and certification set forth in the Renewable Power Agreement, including the independent approval of the Renewable Power Agreement by the CPUC through its advice letter process” have occurred.³ The Settlement Agreement further provides that:

The CPUC’s consideration and approval of this Agreement⁴ shall not in any way affect or limit the CPUC’s separate, independent review of the Renewable Power Agreement pursuant to the standards generally applicable to its review of renewable power agreements and nothing herein shall be viewed as a pre-judgment or pre-determination by the CPUC of the Renewable Power Agreement.

The Puget Contract’s pricing is not dependent on the Settlement Agreement and SCE would have chosen to enter into the Puget Contract independent of the Settlement Agreement. The Puget Contract should be evaluated on its own merits as a market transaction for the purchase of renewable energy, irrespective of the Settlement Agreement. For the reasons stated in Advice 2319-E, the CPUC should expeditiously approve the Puget Contract.

TIER DESIGNATION

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

EFFECTIVE DATE

For the reasons stated in Advice 2319-E, SCE requests that this advice filing become effective by June 18, 2009, subject to review and approval by the CPUC.

PROTESTS

CPUC staff has informed SCE that any protests or responses to this Advice 2319-E-A shall be filed no later than June 1, 2009, and any replies no later than June 5, 2009. Pursuant to General Order (“GO”) 96-B, Section 7.5.1, any protest or response shall be limited to the substance of the supplement.

² Documents filed at FERC are available at FERC’s eLibrary website: <<http://www.ferc.gov/docs-filing/elibrary.asp>>.

³ The Puget Contract is referred to as the “Renewable Power Agreement” in the Settlement Agreement.

⁴ The “Agreement” refers to the Settlement Agreement.

NOTICE

In accordance with Section 4 of GO 96-B, SCE is furnishing copies of this advice filing 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 at (626) 302-2930. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the advice filing 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 filing should be directed to Cathy Karlstad at (626) 302-1096 (E-mail: Cathy.Karlstad@sce.com).

Southern California Edison Company

Akbar Jazayeri

AJ:ck:jm
Enclosures

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) #: 2319-E-A

Tier Designation: 3

Subject of AL: Supplement to Submission of Bilateral Agreement for Procurement of Renewable Energy

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

AL filing type: ☐ Monthly ☐ Quarterly ☐ Annual ☒ One-Time ☐ Other _____

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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:

Resolution Required? ☒ Yes ☐ No

Requested effective date: 6/18/09

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.

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Amended Petition of)	
)	
)	
PUGET SOUND ENERGY, INC.)	
)	
)	
	)	Docket No. UE-070725
)	
For an Order Authorizing the Use of the)	
Proceeds From the Sale of Renewable)	
Energy Credits and Carbon Financial)	
Instruments)	
<hr/>		

DWS-9

**Submission of Bilateral Agreement for Procurement of
Renewable Energy**

January 28, 2009



Akbar Jazayeri
Vice President of Regulatory Operations

July 13, 2009

**ADVICE 2358-E
(U 338-E)**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION**

SUBJECT: Submission of Bilateral Agreement for Procurement of
Renewable Energy

Southern California Edison Company ("SCE") submits this Advice Letter in compliance with Cal. Pub. Util. Code § 399.11 *et seq.* (the "RPS Legislation") seeking approval of a renewables portfolio standard ("RPS") power purchase agreement (the "Puget II Contract") between SCE and Puget Sound Energy, Inc. ("Puget").

A table summarizing the Puget II Contract is as follows:

Seller	Generation Type	Initial Size	Potential Expansion Size	Annual Energy Based On Contract Obligation	Estimated Annual Energy Based On Potential Expansion Size	Forecasted Initial Operation Date	Term of Agreement (Years)
Puget Sound Energy, Inc.	Wind	386 MW	N/A	640 GWh	N/A	On-line	Approximately 4 years

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 28, 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: Pricing Analysis

Confidential Appendix C: 2008 Solicitation Overview and Workpapers

Confidential Appendix D: Confidential Contract Summary

Confidential Appendix E: Puget's Contribution to RPS Goals

Appendix F: SCE's RPS Proposal Evaluation and Selection Process and Criteria

Confidential Appendix G: AMF Calculator for Puget II Contract

Appendix H: WSPP Agreement

Confidential Appendix I: WSPP Agreement Confirmation Letter Between Puget and SCE

Appendix J: Site Maps

Appendix K: Proposed Protective Order

I. INTRODUCTION

The RPS Legislation requires certain load-serving entities ("LSEs"), including SCE, to increase their procurement from renewable resources 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. In that decision, the Commission also authorized the investor-owned utilities ("IOUs") to enter into bilateral RPS contracts if the contracts are prudent and do not require public goods charge funds.

Furthermore, in D.06-10-019, the Commission held that RPS-obligated LSEs may enter into bilateral contracts with RPS-eligible generators, as long as the contracts are at least one month in duration. The Commission stated that IOUs' bilateral RPS contracts must be submitted to the Commission for approval by advice letter, and reiterated that bilateral RPS contracts are not eligible for supplemental energy payments. In addition, the Commission held that while bilateral contracts are not subject to the market price referent ("MPR"), they must be reasonable.

In D.09-06-050, adopted by the Commission after the Puget II Contract was executed, the Commission held that bilateral contracts should be reviewed according to the same processes and standards as contracts that come through a solicitation. Additionally, the Commission found that the MPR should be used as a price benchmark for the evaluation of long-term bilateral contracts.¹

¹ The Commission also held that the contract review standards and processes set out in D.09-06-050 for very short-term contracts and moderately short-term contracts govern both bilateral contracts and contracts that are the result of a solicitation. The Energy Division has not yet established price benchmarks for very short-term and moderately short-term contracts.

On January 19, 2009, SCE and Puget executed a power purchase agreement (the “Puget Contract”) for output from the same Puget wind projects that are the subject of the Puget II Contract, to be delivered to SCE in 2009 and 2010. The Puget Contract was approved by the Commission on June 18, 2009 in Resolution E-4244.

After execution of the Puget Contract, SCE commenced discussions with Puget regarding the procurement of additional renewable energy. SCE and Puget then negotiated the final terms of the transaction resulting in the execution of the Puget II Contract. SCE communicated with its procurement review group (“PRG”) prior to the execution of the Puget II Contract.

A. Purpose of the Advice Letter

The Puget projects are two existing² wind facilities, the 157 MW Hopkins Ridge facility and the 229 MW Wild Horse facility, which began their commercial operations in November 2005 and December 2006, respectively.³ The seller under the Puget II Contract is Puget, a Washington corporation and energy utility serving nearly one million electric customers. Puget is wholly-owned by Puget Energy, Inc. (“PSD”), a Washington corporation. On December 31, 2008, the Washington Utilities and Transportation Commission approved the sale of PSD to a consortium of long-term infrastructure investors, including Macquarie Infrastructure Partners, Canada Pension Plan Investment Board, and British Columbia Investment Management Corporation. The projects were originally developed and constructed by Puget.

The Hopkins Ridge facility is located on approximately 11,000 acres of leased land, 15 miles northeast of Dayton in Columbia County, Washington, and roughly 285 miles southeast of Seattle. The Hopkins Ridge facility utilizes 87 Vestas 1.8 MW wind turbine generators that have been in operation since November 2005.

The Wild Horse facility is located on approximately 9,000 acres of land partially-owned by Puget and partially leased, 18 miles east of Ellensburg in Kittitas County, Washington, and roughly 127 miles southeast of Seattle. The Wild Horse facility utilizes 127 Vestas 1.8 MW wind turbine generators that have been in operation since December 2006.

The Puget II Contract obligates Puget to deliver a minimum of 640 GWh per year of RPS-eligible electric energy and related green attributes (also referred to as the “Product”) for 2012 through 2015, a cumulative total of 2,560 GWh. Additionally, the Puget II Contract provides an option for Puget, subject to SCE’s approval, to increase

² The Puget projects are “existing” wind facilities in that they have begun commercial operations. However, both facilities qualify as “new facilities” under the RPS statute and Commission precedent because they commenced commercial operations on or after January 1, 2005. See Cal. Pub. Util. Code § 399.14(b); D.07-05-028.

³ As discussed in more detail in Appendix D, the Puget II Contract provides that Puget may deliver from Puget’s other wind generating facilities in the Pacific Northwest that are certified by the California Energy Commission as eligible renewable energy resources under certain circumstances.

the quantity of Product delivered to SCE during any year during the contract term. The Puget II Contract term is for approximately four years with the delivery term commencing January 1, 2012, subject to certain contractual conditions being met, including final Commission approval.⁴

B. General Project Description

Owner/ Developer	Puget Sound Energy, Inc.
Projects	Hopkins Ridge and Wild Horse ⁵
Technology	Wind
Capacity (MW)	157 MW and 229 MW
Capacity Factor	33% and 32%
Expected Generation (MWh/Year)	640,000 MWh/year ⁶
On-line Date (if existing, the contract delivery start date)	Contract delivery start date subject to CPUC approval and other conditions – anticipated January 1, 2012 ⁷
Contract Term (Years)	Approximately 4 years (until entire Product has been delivered to SCE)
New or Existing Facility	Existing
Location (include in/out-of-state) and Control Area (e.g., CAISO, BPA)	Columbia County, Washington and Bonneville Power Administration (“BPA”) control area (Hopkins Ridge) Kittitas County, Washington and Puget control area (Wild Horse)
Price relative to MPR (i.e., above/below)	Below

⁴ Although the delivery term of the contract is expected to commence on January 1, 2012, due to firming and shaping, SCE is expected to begin receiving deliveries in March 2012.

⁵ See Footnote 3 above.

⁶ As noted above, Puget and SCE have a mutual option to increase the quantity of product being delivered under the Puget II Contract.

⁷ See Footnote 4 above.

C. General Deal Structure of Contract

Under the Puget II Contract, SCE will take delivery of electric energy and green attributes at the Mid-Columbia trading hub and will use Puget's resources to manage the intermittent energy within both BPA's and Puget's control areas. SCE will then import the energy into California in a manner that is compliant with the California Energy Commission's ("CEC") out-of-state RPS delivery requirements.

In managing the electric energy, SCE will employ the same fundamental economic principles as it does with its current (non-ERR)⁸ power purchase agreements ("PPAs") for out-of-state resources by:

- Scheduling the energy directly into California upon receipt of the energy, and/or
- Selling the energy outside California, whichever yields the most value to SCE's customers.

Analogous to the scenarios described immediately above, SCE will self-manage the green attributes as follows by:

- Scheduling firmed and shaped energy with green attributes directly into California as an import, and/or
- Selling energy without green attributes into the local market, and later (within the same calendar year that the facilities produced the energy) tagging import schedules with the green attribute identifier consistent with the CEC delivery requirements.⁹

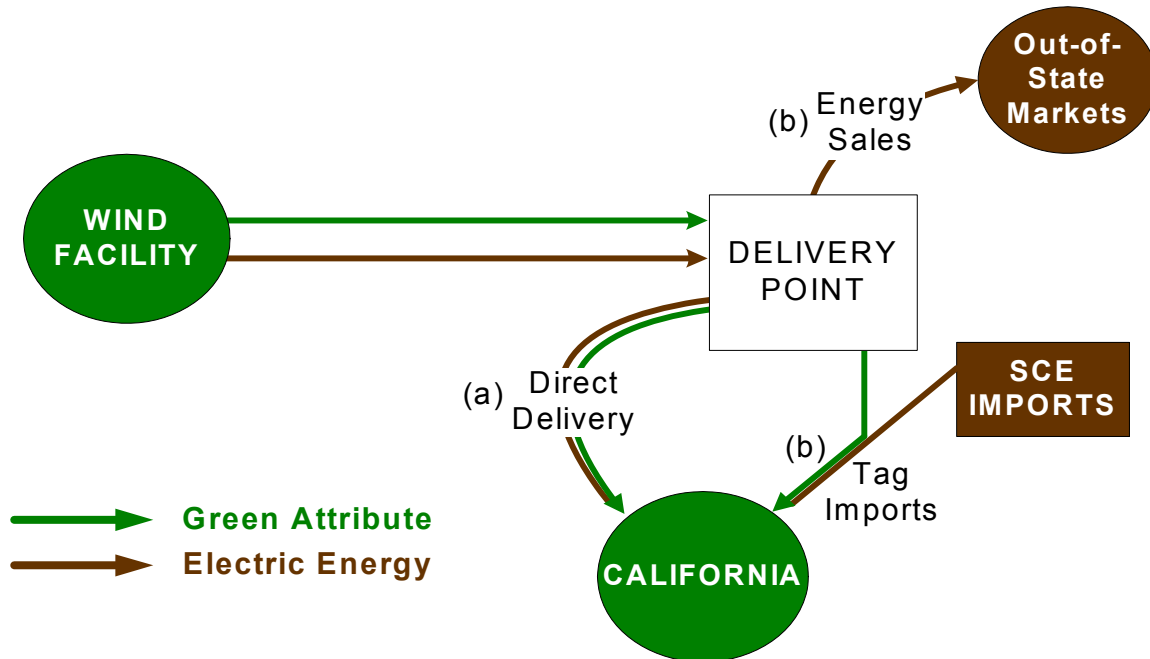
In all scenarios, SCE will demonstrate delivery of the wind generation to an in-state market hub or in-state location as specified in the CEC's "Delivery Requirements" as required in the CEC RPS Eligibility Guidebook, including by:

- Importing energy into California within the same calendar year the Puget projects produce the respective energy, and
- Participating in the CEC's approved RPS tracking and verification system.

The following diagram illustrates the deal structure and energy management scenarios described in this section.

⁸ "ERR" refers to an eligible renewable energy resource.

⁹ See Renewables Portfolio Standard Eligibility Guidebook (Third Edition), publication # CEC-300-2007-006-ED3-CMF, adopted December 19, 2007.



II. CONSISTENCY WITH COMMISSION DECISIONS

A. Commission Decisions Allowing IOUs to Procure Renewable Resources Through Bilateral Negotiations

As discussed above, in D.03-06-071, the Commission authorized the IOUs to enter into bilateral RPS contracts outside of the competitive solicitation process if the contracts are prudent.¹⁰ In D.06-10-019, the Commission reaffirmed that RPS-obligated LSEs may enter into bilateral contracts with RPS-eligible generators, as long as the contracts are at least one month in duration and are reasonable. In D.09-06-050, adopted by the Commission after the Puget II Contract was executed, the Commission held that bilateral contracts should be reviewed according to the same processes and standards as contracts that come through a solicitation. Furthermore, in Resolution E-4244, the Commission approved the Puget Contract, another bilateral contract between SCE and Puget with similar terms and conditions to the Puget II Contract.

The Puget II Contract was pursued bilaterally because Puget offered the transaction through the process described above. As explained below and in the appendices, the Puget II Contract is consistent with all Commission guidelines regarding bilateral contracting. Additionally, the price and other terms in the Puget II Contract are reasonable. Indeed, the Commission has already approved the Puget Contract, which

¹⁰ The Commission also held that bilateral contracts may not require supplemental energy payments from public goods charge funds. Supplemental energy payments were eliminated under Senate Bill ("SB") 1036. Pursuant to SB 1036, the Commission now approves above-market funds for RPS contracts.

has similar terms and conditions to the Puget II Contract.¹¹ Accordingly, the Puget II Contract should be approved by the Commission.

B. 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

The Commission conditionally approved SCE's 2008 RPS procurement plan, including the bid solicitation materials for SCE's 2008 RPS solicitation, in D.08-02-008. In addition, in D.08-02-008, the Commission 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 renewables 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 request for proposals ("RFP") solicited proposals to supply electric energy, green attributes, capacity attributes, and resource adequacy benefits from eligible renewable energy resources sufficient to permit SCE to execute 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 eligible renewable energy resource, or multiple eligible renewable energy resources, 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 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

¹¹ See Resolution E-4244.

sellers that is no 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 California Independent System Operator ("CAISO") control area. However, SCE also considered proposals for facilities interconnected to the Western Electricity Coordinating Council ("WECC") transmission system.

3. The Puget II Contract Conforms to SCE's Portfolio Needs

Although the Puget II Contract was negotiated bilaterally outside of SCE's 2008 RPS solicitation, the Puget II Contract falls within the criteria identified in SCE's 2008 RFP and is expected to contribute significantly toward achievement of SCE's RPS procurement goals. More specifically, the Puget II Contract satisfies SCE's need for eligible renewable energy from existing facilities with a minimum of 640 GWh per year during a four-year term.

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 (the "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 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 price 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's 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 F.

2. Comparison of the Puget II Contract With Proposals Received in SCE's 2008 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.

Although the Puget II Contract was negotiated bilaterally outside of SCE's 2008 RPS solicitation, the B/C ratio calculated for the Puget II Contract was acceptable to SCE and favorable as compared to the proposals SCE received in its 2008 solicitation. The benefits and costs for the Puget II Contract resulted in a B/C ratio that ranked high enough as compared to the proposals SCE received in its 2008 RPS solicitation to demonstrate that the Puget II Contract provides significant value for SCE's customers relative to the proposals received in SCE's solicitation, and represents a contract that provides for the delivery of relatively attractive renewable power pursuant to terms and conditions that meet all of the requirements of the RPS Legislation and the

Commission's decisions implementing the RPS Legislation. More detailed information regarding the B/C ratio for the Puget II Contract is found in Appendices B and D. Additionally, as discussed in Appendices B and D, the Puget II Contract compared favorably to the proposals SCE received in its 2008 RPS solicitation based on other LCBF evaluation metrics.

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.

The Puget projects provide a total nameplate capacity of 386 MW. The projects will provide a minimum of 640 GWh of RPS-eligible energy each year from 2012 through 2015.

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 by 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. The Puget transaction is delivered on-peak and there are no TOD adjustments to the contract price.

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 seller's capacity to perform, technical viability, and project viability as discussed in further detail in Appendix F. 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 (a) the initial proposal's rank is within reasonable valuation proximity to those selected for the short list and (b) 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.

Although the Puget II Contract was negotiated bilaterally outside of SCE's 2008 RPS solicitation, based on some non-quantifiable attributes as well as the quantifiable attributes discussed above, the Puget II Contract compares favorably to the projects on SCE's 2008 RPS solicitation short list. There are no viability concerns with the Puget projects because they are existing projects that have been in operation since 2005 and 2006. The Puget II Contract will also provide eligible renewable energy from 2012 through 2015. In addition, based on Puget's past development experience and the fact that Puget is a regulated utility, it is likely Puget will be able to perform all of its financial and other obligations under the agreement.

7. Impact of Debt Equivalence

Specific information regarding the impact of debt equivalence on the Puget II Contract is found in Appendix D.

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 May 27, 2009, SCE advised the PRG of its conclusion of negotiations with Puget and its intentions to execute the Puget II Contract.

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 the 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").¹² 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 delivery term of the Puget II Contract is expected to commence on January 1, 2012, depending on the date of final Commission approval and the date other contractual conditions are met.¹³ The renewable output from the agreement is expected to contribute a minimum of 640 GWh per year from 2012 through 2015.

A table summarizing the Puget II Contract's contribution to SCE's RPS goals is found in Appendix E.

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 Puget II Contract includes the four "non-modifiable" terms identified above without change.

¹² See D.06-10-050.

¹³ See Footnote 4 above.

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 Puget II Contract 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 contracts¹⁴ or short-term contracts with new facilities¹⁵ 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 such contracts are signed, to be used for compliance for the minimum quantity requirement in future years.

The Puget II Contract is a short-term contract with new facilities as the Puget facilities commenced commercial operations on or after January 1, 2005. Accordingly, the minimum quantity requirement does not apply. Additionally, in 2009, SCE has already entered into long-term contracts and/or contracts with new facilities for energy deliveries equivalent to at least 0.25 percent of SCE’s 2008 retail sales. Therefore, SCE has satisfied its minimum quantity requirement for 2009.

H. Interim Emissions Performance Standard

The California Legislature passed SB 1368 on August 31, 2006 and Governor Schwarzenegger signed the bill into law on September 29, 2006. Section 2 of SB 1368 added Cal. Pub. Util. Code § 8341(a), which provides that “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).”¹⁶

To implement the provisions of SB 1368, the Commission instituted Rulemaking 06-04-009. This proceeding resulted in the establishment of a green house 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

¹⁴ Long-term contracts are contracts of at least 10 years duration.

¹⁵ New facilities are facilities that commenced commercial operation on or after January 1, 2005.

¹⁶ Cal. Pub. Util. Code § 8341(a).

must be no higher than the GHG emissions rate of a combined-cycle gas turbine (CCGT) powerplant.”¹⁷

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 long-term commitment when the LSE enters into “a new or renewed contract with a term of five or more years.”¹⁸

By this Advice Letter filing, SCE requests that the Commission approve the short-term Puget II Contract, which has a term of approximately four years. Because the Puget II Contract is not a “long-term financial commitment” (i.e., a “new contract or renewed contract with a term of five or more years”), the Puget II Contract is not subject to the EPS.

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

As discussed in more detail in Appendix D, the Puget II Contract is below the 2008 MPR and therefore no AMFs are required based on the energy price. Additionally, because the Puget II Contract is a short-term contract that was negotiated bilaterally, the contract is not eligible for AMFs pursuant to Cal. Pub. Util. Code § 399.15(d)(2).

III. PROJECT DEVELOPMENT STATUS

There are no viability concerns regarding the Puget II Contract. The Puget projects are existing facilities that have been in operation and delivering power since November 2005 and December 2006.

A. Site control

Puget has full site control. The projects are existing facilities that have been in operation and delivering power since November 2005 and December 2006.

¹⁷ D.07-01-039 at 2-3.

¹⁸ *Id.* at 4.

B. Resource and/or Availability of Fuel

The Puget Hopkins Ridge and Wild Horse facilities are existing facilities using wind technology. The facilities have been in operation and delivering power since November 2005 and December 2006.

C. Transmission

There are no transmission or interconnection issues with the Puget projects. The generating facilities are already connected to BPA's and Puget's control areas under existing interconnection agreements and no upgrades are needed. Puget will firm and shape the energy and deliver it to the Mid-Columbia trading hub for SCE. Additional information regarding transmission is included in Appendix D.

D. Technology Type and Level of Technology Maturity

The Puget projects utilize 214 Vestas 1.8 MW wind turbine generators that have been in operation since November 2005 and December 2006.

E. Permitting

The Puget facilities are operating power plants currently delivering power. All permits necessary to operate the facilities have been obtained.

F. Developer Experience

In 2005, Puget worked with wind power developer RES Americas to build the 157 MW Hopkins Ridge facility. In 2006, Puget built the 229 MW Wild Horse facility with RES Americas. Puget is currently expanding that facility with additional capacity of 40 to 50 MW expected by 2010. Puget is also under development discussions with RES Americas to build an additional wind facility in Washington. Since the Hopkins Ridge and Wild Horse facilities have been delivering power since 2005 and 2006, Puget has demonstrated its ability to successfully build and operate wind facilities.

G. Financing plan

Specific information regarding financing for the Puget II Contract is found in Appendix D.

H. Production Tax Credit/Investment Tax Credit

Specific information regarding production tax credits ("PTCs") and investment tax credits ("ITCs") for the Puget II Contract is found in Appendix D.

I. Equipment Procurement

All necessary equipment has been purchased and is operating at the facilities.

IV. CONTINGENCIES AND MILESTONES

A. Major Performance Criteria and Guaranteed Milestones

Specific information regarding the terms of the Puget II Contract is found in Appendix D.

B. Other Contingencies and Milestones

Specific information regarding the terms of the Puget II Contract is found in Appendix D.

V. REGULATORY PROCESS

A. RPS-eligibility Certification from the CEC

Puget received RPS-eligibility certification from the CEC for the Hopkins Ridge and Wild Horse wind facilities on April 10, 2009. CEC certification is a condition precedent for the transaction.

B. Justification for Effective Date

In order to allow for deliveries under the Puget II Contract to begin as soon as possible, SCE requests that this Advice Letter become effective no later than February 28, 2010. The justification of the effective date is discussed in more detail in Appendix D.

C. Contractual Obligations Impacting CPUC Approval Schedule

Specific information regarding the terms of the Puget II Contract is found in Appendix D.

D. Earmarking

SCE reserves the right to earmark any generation from the Puget II Contract into RPS compliance years to the extent applicable.

E. Confidentiality

SCE is requesting confidential treatment of Appendices B through E, G, and I to this Advice Letter. The information for which SCE is seeking confidential treatment is identified in Appendix A. 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 Cathy Karlstad in SCE's Law Department at Cathy.Karlstad@sce.com or (626) 302-1096 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 K. 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 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 other than employees of SCE 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 Puget II Contract are conditioned on the occurrence of "CPUC Approval," as it is defined in the Puget II Contract. In order to satisfy that condition with respect to the Puget II Contract, SCE requests that the Commission issue a resolution no later than February 28, 2010, containing:

1. Approval of the Puget II Contract in its entirety;
2. A finding that any electric energy sold or dedicated to SCE pursuant to the Puget II Contract constitutes procurement by SCE from an eligible renewable energy resource ("ERR") for the purpose of determining SCE's compliance with any obligation that it may have to procure from ERRs pursuant to 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 Puget II Contract counts, in full and without condition, towards 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 Puget II Contract counts, in full and without condition, towards 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 Puget II Contract counts, in full and without condition, towards the requirement in the RPS Legislation that SCE procure 20% (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 Puget II Contract, and SCE's entry into the Puget II Contract, is reasonable and prudent for all purposes, including, but not limited to, recovery in rates of payments made pursuant to the Puget II Contract, subject only to further review with respect to the reasonableness of SCE's administration of the Puget II Contract; and
7. Any other and further relief as the Commission finds just and reasonable.

EFFECTIVE DATE

This Advice Letter will become effective on February 28, 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
E-mail: 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) 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, CA 91770
Facsimile: (626) 302-1103
E-mail: Mike.Marelli@sce.com

With a copy to:

Cathy Karlstad
Attorney
Southern California Edison Company
2244 Walnut Grove Avenue, 3rd Floor
Rosemead, CA 91770
Facsimile: (626) 302-1935
E-mail: Cathy.Karlstad@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 at (626) 302-2930. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at ProcessOffice@cpuc.ca.gov.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the 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/>.

Advice 2358-E
(U 338-E)

- 20 -

July 13, 2009

All questions concerning this Advice Letter should be directed to Laura Genao at (626) 302-1924 (E-mail: laura.genao@sce.com).

Southern California Edison Company

Akbar Jazayeri

AJ:lg:jm
Enclosures

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) #: 2358-E Tier Designation: 3

Subject of AL: Submission of Bilateral Agreement for Procurement of Renewable Energy

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:

Cathy Karlstad, Law Department, at (626) 302-1096 or Cathy.Karlstad@sce.com.

Resolution Required? ☒ Yes ☐ No

Requested effective date: 2/28/10 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.

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Amended Petition of)	
)	
)	
PUGET SOUND ENERGY, INC.)	
)	
	)	Docket No. UE-070725
)	
For an Order Authorizing the Use of the)	
Proceeds From the Sale of Renewable)	
Energy Credits and Carbon Financial)	
Instruments)	
<hr/>		

DWS-10

**Supplement to Submission of Bilateral Agreement for
Procurement of Renewable Energy**

January 28, 2009



Akbar Jazayeri
Vice President of Regulatory Operations

November 16, 2009

ADVICE 2358-E-A
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Supplement to Submission of Bilateral Agreement for
Procurement of Renewable Energy

On July 13, 2009, Southern California Edison Company ("SCE") filed Advice 2358-E, which seeks California Public Utilities Commission ("Commission" or "CPUC") approval of a renewables portfolio standard ("RPS") power purchase agreement between SCE and Puget Sound Energy, Inc. (the "Puget II Contract").

The purpose of this advice filing is to supplement Advice 2358-E to make minor corrections to certain information in Confidential Appendices B, C, D, and G of Advice 2358-E. These minor corrections do not change the evaluation of the Puget II Contract. As provided in Advice 2358-E, the Puget II Contract price is reasonable and the contract should be approved by the Commission.

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

Attachment 1: Designation of Confidential Information

Confidential Attachment 2: Explanation of Corrections

Confidential Attachment 3: Corrected Appendix B – Pricing Analysis

Confidential Attachment 4: Corrected Appendix C – 2008 Solicitation Overview and Workpapers

Confidential Attachment 5: Corrected Pages of Appendix D – Confidential Contract Summary

Confidential Attachment 6: Corrected Appendix G – AMF Calculator for Puget II Contract

BACKGROUND

SCE filed Advice 2358-E seeking Commission approval of the Puget II Contract on July 13, 2009. Since SCE submitted Advice 2358-E, SCE discovered and corrected a minor error in certain forward price assumptions included in the advice letter. Attachment 2 provides a detailed explanation of the corrections, Attachments 3, 4, and 6 include corrected spreadsheets (originally attached as Appendices B, C, and G to Advice 2358-E), and Attachment 5 includes certain corrected information in the contract summary (originally attached as Appendix D to Advice 2358-E).

These minor corrections do not change the evaluation of the Puget II Contract or the conclusion that the Puget II Contract is reasonable and should be approved by the Commission. Accordingly, the Commission should approve the Puget II Contract as provided in Advice 2358-E.

CONFIDENTIALITY

SCE is requesting confidential treatment of Attachments 2 through 6 to this advice filing. The information for which SCE is seeking confidential treatment is identified in Attachment 1. The confidential version of this advice filing 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 filing may contact Cathy Karlstad in SCE's Law Department at Cathy.Karlstad@sce.com or (626) 302-1096 to obtain a non-disclosure agreement. In accordance with GO 96-B, a copy of SCE's Proposed Protective Order was attached as Appendix K to Advice 2358-E. 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 confidential treatment pursuant to Decision ("D.") 06-06-066 and is required to be filed by advice letter as part of the process for obtaining Commission approval of RPS power purchase agreements.

The information in this advice filing 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 Attachment 1. This information is entitled to confidential treatment pursuant to D.06-06-066 (as provided in the Investor-Owned Utility ("IOU") Matrix). The specific provisions of the IOU Matrix that apply to the confidential information in this advice filing are identified in Attachment 1.

The confidential information provided in this advice filing 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 filing for which confidentiality is sought. SCE is informed and believes that this information is maintained by SCE's Renewable and Alternative Power department 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 other than employees of SCE or non-market participants (such as the Procurement Review Group).

TIER DESIGNATION

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

EFFECTIVE DATE

SCE requests that this advice filing become effective on February 28, 2010, subject to review and approval by the Commission.

PROTESTS

SCE asks that the Commission maintain the original protest and comment period as designated in Advice 2358-E and not reopen the protest period or allow additional comments. As discussed above, the minor corrections included in this supplemental advice filing do not change the overall evaluation or reasonableness of the Puget II Contract.

NOTICE

In accordance with Section 4 of GO 96-B, SCE is furnishing copies of this advice filing 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 at (626) 302-4039. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at ProcessOffice@cpuc.ca.gov.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the 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/>.

Advice 2358-E-A
(U 338-E)

- 4 -

November 16, 2009

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

Southern California Edison Company

Akbar Jazayeri

AJ:lg:jm
Enclosures

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) #: 2358-E-A

Tier Designation: 3

Subject of AL: Supplement to Submission of Bilateral Agreement for Procurement of Renewable Energy

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:

Cathy Karlstad, Law Department, at (626) 302-1096 or Cathy.Karlstad@sce.com.

Resolution Required? ☒ Yes ☐ No

Requested effective date: 2/28/10

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.

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

Amended Petition of)	
)	
PUGET SOUND ENERGY, INC.)	
)	
	)	Docket No. UE-070725
)	
For an Order Authorizing the Use of the)	
Proceeds From the Sale of Renewable)	
Energy Credits and Carbon Financial)	
Instruments)	

DWS-11

**Submission of Bilateral Agreement for Procurement of
Renewable Energy**

January 28, 2009



Akbar Jazayeri
Vice President of Regulatory Operations

October 5, 2009

**ADVICE 2388-E
(U 338-E)**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION**

SUBJECT: Submission of Bilateral Agreement for Procurement of
Renewable Energy

Southern California Edison Company ("SCE") submits this Advice Letter in compliance with Cal. Pub. Util. Code § 399.11 *et seq.* (the "RPS Legislation") seeking approval of a renewables portfolio standard ("RPS") power purchase agreement (the "Puget III Contract") between SCE and Puget Sound Energy, Inc. ("Puget").

A table summarizing the Puget III Contract 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
Puget Sound Energy, Inc.	Wind	50 MW	N/A	156 GWh	N/A	On-line	Approximately 2 years

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 December 17, 2009.

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: Pricing Analysis

Confidential Appendix C: 2008 Solicitation Overview and Workpapers

Confidential Appendix D: Confidential Contract Summary

Confidential Appendix E: Puget's Contribution to RPS Goals

Appendix F: SCE's RPS Proposal Evaluation and Selection Process and Criteria

Confidential Appendix G: AMF Calculator for Puget III Contract

Appendix H: WSPP Agreement

Confidential Appendix I: WSPP Agreement Confirmation Letter Between Puget and SCE

Appendix J: Site Maps

Appendix K: Proposed Protective Order

Confidential and Public Appendix L: Independent Evaluator Report

I. INTRODUCTION

The RPS Legislation requires certain load-serving entities ("LSEs"), including SCE, to increase their procurement from renewable resources 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 ("ERRs") 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. In that decision, the Commission also authorized the investor-owned utilities ("IOUs") to enter into bilateral RPS contracts if the contracts are prudent and do not require public goods charge funds.

Furthermore, in D.06-10-019, the Commission held that RPS-obligated LSEs may enter into bilateral contracts with RPS-eligible generators, as long as the contracts are at least one month in duration. The Commission stated that IOUs' bilateral RPS contracts must be submitted to the Commission for approval by advice letter, and reiterated that bilateral RPS contracts are not eligible for supplemental energy payments. In addition, the Commission held that while bilateral contracts are not subject to the market price referent ("MPR"), they must be reasonable.

In D.09-06-050, the Commission held that bilateral contracts should be reviewed according to the same processes and standards as contracts that come through a solicitation. Additionally, the Commission found that the MPR should be used as a price benchmark for the evaluation of long-term bilateral contracts. The Commission also held that the contract review standards and processes set out in D.09-06-050 for very

short-term contracts and moderately short-term contracts govern both bilateral contracts and contracts that are the result of a solicitation.¹

On January 19, 2009, SCE and Puget executed a power purchase agreement (the “Puget Contract”) for output from Puget’s Hopkins Ridge and Wild Horse wind projects to be delivered to SCE in 2009 and 2010. The Puget Contract was approved by the Commission on June 18, 2009 in Resolution E-4244.

On May 29, 2009, SCE and Puget executed a power purchase agreement (the “Puget II Contract”) for output from Puget’s Hopkins Ridge and Wild Horse wind projects to be delivered to SCE from 2012 through 2015. The Puget II Contract is pending before the Commission.

After execution of the Puget II Contract, SCE commenced discussions with Puget regarding the procurement of additional renewable energy attributable to Puget’s entire 50 MW share of the 223.6 MW Klondike III project. SCE and Puget then negotiated the final terms of the transaction resulting in the execution of the Puget III Contract. SCE communicated with its procurement review group (“PRG”) prior to the execution of the Puget III Contract.

A. Purpose of the Advice Letter

The Klondike III project is an existing² wind facility. The Klondike III project is owned and operated by Iberdrola Renewables. Puget has a 50 MW share of the Klondike III project’s 223.6 MW output through a power purchase agreement with Iberdrola Renewables.

The seller under the Puget III Contract is Puget, a Washington corporation and energy utility serving nearly one million electric customers. Puget is wholly-owned by Puget Energy, Inc. (“PSD”), a Washington corporation. On December 31, 2008, the Washington Utilities and Transportation Commission approved the sale of PSD to a consortium of long-term infrastructure investors, including Macquarie Infrastructure Partners, Canada Pension Plan Investment Board, and British Columbia Investment Management Corporation.

The Klondike III facility is located on approximately 12,085 acres of private, agriculture, leased land, near Wasco, Sherman County, Oregon. The facility utilizes 80 General Electric 1.5 MW wind turbine/generator sets, 44 Siemens 2.3 MW wind turbine/generator sets, and one Mitsubishi 2.4 MW wind turbine/generator set. The facility was brought into commercial operation in May 2008.

¹ The Energy Division has not yet established final price benchmarks for very short-term and moderately short-term contracts.

² The Klondike III project is an “existing” wind facility in that it commenced commercial operations in May 2008. However, the facility qualifies as a “new facility” under the RPS statute and Commission precedent since it commenced commercial operations on or after January 1, 2005. See Cal. Pub. Util. Code § 399.14(b); D.07-05-028.

The Puget III Contract obligates Puget to deliver all RPS-eligible energy and related green attributes from Puget's 50 MW portion of the Klondike III facility for calendar years 2010 and 2011 (also referred to as the "Product"), which is approximately 156 GWh per year. The Puget III Contract term is for approximately two years starting on January 1, 2010.³

B. General Project Description

Owner/Developer	Iberdrola Renewables
Project	Klondike III
Technology	Wind
Capacity (MW)	Puget's 50 MW share of 223.6 MW project
Capacity Factor	36%
Expected Generation (MWh/Year)	156,044 MWh/year
On-line Date (if existing, the contract delivery start date)	Anticipated January 1, 2010 ⁴
Contract Term (Years)	Approximately 2 years
New or Existing Facility	Existing
Location (include in/out-of-state) and Control Area (e.g., CAISO, BPA)	Sherman County, Oregon Bonneville Power Administration's ("BPA's") Balancing Area
Price relative to MPR (i.e., above/below)	Below

C. General Deal Structure of Contract

Under the Puget III Contract, SCE will take delivery of electric energy and green attributes at the Mid-Columbia trading hub. SCE will then import the energy into California in a manner that is compliant with the California Energy Commission's ("CEC's") out-of-state RPS delivery requirements.

³ As explained in more detail in Appendix D, although the Puget III Contract obligates Puget to deliver all RPS-eligible energy and related green attributes from Puget's 50 MW portion of the Klondike III facility starting from January 1, 2010 for calendar years 2010 and 2011, SCE will not begin receiving deliveries under the contract until certain contractual conditions are met, including final Commission approval. There is also a lag in deliveries to SCE due to firming and shaping.

⁴ See Footnote 3 above.

In managing the electric energy, SCE will employ the same fundamental economic principles as it does with its current (non-ERR) power purchase agreements (“PPAs”) for out-of-state resources by choosing the option that yields the most value to its customers:

- Scheduling the energy directly into California upon receipt of the energy, and/or
- Selling the energy outside California.

Analogous to the scenarios described immediately above, SCE will self-manage the green attributes as follows by:

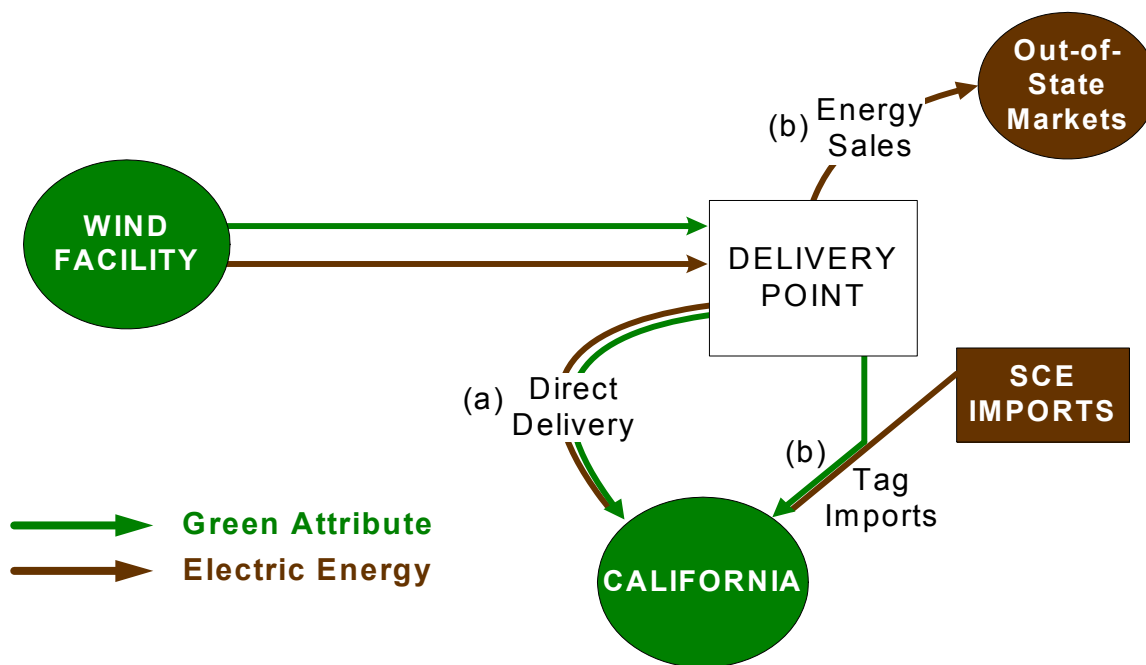
- Scheduling firmed and shaped energy with green attributes directly into California as an import, and/or
- Selling energy without green attributes into the local market, and later (within the same calendar year that the facility produced the energy) tagging import schedules with the green attribute identifier consistent with the CEC delivery requirements.⁵

In all scenarios, SCE will demonstrate delivery of the wind generation to an in-state market hub or in-state location as specified in the CEC’s “Delivery Requirements” as required in the CEC RPS Eligibility Guidebook, including by:

- Importing energy into California within the same calendar year the Klondike III facility produce the respective energy, and
- Participating in the CEC’s approved RPS tracking and verification system.

Diagram 1 illustrates the deal structure and energy management scenarios described above.

⁵ See Renewables Portfolio Standard Eligibility Guidebook (Third Edition), publication # CEC-300-2007-006-ED3-CMF, adopted December 19, 2007.

Diagram 1

II. CONSISTENCY WITH COMMISSION DECISIONS

A. Commission Decisions Allowing IOUs to Procure Renewable Resources Through Bilateral Negotiations

As discussed above, in D.03-06-071, the Commission authorized the IOUs to enter into bilateral RPS contracts outside of the competitive solicitation process if the contracts are prudent.⁶ In D.06-10-019, the Commission reaffirmed that LSEs may enter into bilateral contracts with RPS-eligible generators, as long as the contracts are at least one month in duration and are reasonable. In D.09-06-050, the Commission held that bilateral contracts should be reviewed according to the same processes and standards as contracts that come through a solicitation. Furthermore, in Resolution E-4244, the Commission approved the Puget Contract, another bilateral contract between SCE and Puget with similar terms and conditions to the Puget III Contract.

The Puget III Contract was pursued bilaterally because Puget offered the transaction through the process described above. As explained below and in the appendices, the Puget III Contract is consistent with all Commission guidelines regarding bilateral contracting. Additionally, the price and other terms in the Puget III Contract are

⁶ The Commission also held that bilateral contracts may not require supplemental energy payments from public goods charge funds. Supplemental energy payments were eliminated under Senate Bill ("SB") 1036. Pursuant to SB 1036, the Commission now approves above-market funds for RPS contracts.

reasonable. Indeed, the Commission has already approved the Puget Contract, which has similar terms and conditions to the Puget III Contract.⁷ Accordingly, the Puget III Contract should be approved by the Commission.

B. SCE's 2008 and 2009 RPS Procurement Plans

1. SCE's 2008 and 2009 RPS Procurement Plans Were 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. In addition, the Commission 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.

Similarly, in D.09-06-018, the Commission conditionally approved SCE's 2009 RPS procurement plan, including the bid solicitation materials for SCE's 2009 RPS solicitation. The Commission also ordered SCE to make certain changes to its 2009 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 June 22, 2009. On June 22, 2009, SCE filed and served its amended 2009 RPS procurement plan, including its amended 2009 bid solicitation materials. On June 26, 2009, SCE filed and served its second amended 2009 RPS procurement plan, including its further amended 2009 bid solicitation materials. On July 17, 2009, SCE filed and served its third amended 2009 RPS procurement plan pursuant to D.09-06-050, including its short-term pro forma confirmations and certain other further amended 2009 bid solicitation materials.

The Puget III Contract was executed after the approval of SCE's 2009 RPS procurement plan and the issuance of SCE's 2009 RPS solicitation; therefore, SCE has compared the contract to the portfolio needs identified in SCE's 2009 RPS procurement plan. However, SCE did not receive sellers' proposals in its 2009 RPS solicitation until shortly before the Puget III contract was executed and SCE is still in the process of evaluating the 2009 proposals. SCE has not yet completed its 2009 RPS solicitation short list. Accordingly, SCE has compared the Puget III Contract to the proposals received in SCE's 2008 RPS solicitation.

⁷ See Resolution E-4244.

2. Summary of SCE's 2009 RPS Procurement Plan's Assessment of Portfolio Needs and Requested Proposal Characteristics

SCE's 2009 RPS procurement plan indicated that SCE planned 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 renewables as soon as possible. SCE also noted that it intended to procure renewable resources based on the High Need Case procurement scenario in order to account for potential project success rates and other contingencies. Furthermore, SCE indicated in its 2009 solicitation protocol that it has both a near-term and long-term need for renewable energy, and that SCE's evaluation criteria favor proposals for renewable energy sales from generating facilities with near-term deliveries.

On June 29, 2009, SCE issued its 2009 request for proposals ("RFP"), which solicited proposals to supply electric energy, as well as all attributes, including, but not limited to, green attributes, capacity attributes, and resource adequacy benefits from ERRs. SCE solicited standard products (i.e., products offered to SCE for a period of at least 10 years duration based on the terms of SCE's pro forma agreement), moderately short-term products (i.e., products offered to SCE for a period of at least four years and less than 10 years duration based on the terms of SCE's pro forma agreement), and very short-term products (i.e., products offered to SCE for a period of at least one month and less than four years duration based on the terms of SCE's pro forma short-term confirmations). SCE requested proposals with a minimum capacity of 1.5 MW. Additionally, SCE stated that it would consider all timely proposals to sell product to SCE from either a new or existing generating facility that can be certified by the CEC as an ERR or multiple ERRs. SCE also stated that if the generating facility is not, or cannot be, fully certified as an ERR, then only the electric energy produced by the renewable fuel will be considered as electric energy produced by an ERR, as determined by the CEC.

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 CEC RPS Eligibility Guidebook. SCE stated that it prefers in-state facilities. Moreover, SCE indicated a preference to take delivery of the electric energy within the California Independent System Operator ("CAISO") Control Area. However, for generating facilities located outside California, SCE also considered proposals for facilities interconnected to the Western Electricity Coordinating Council ("WECC") transmission system.

3. The Puget III Contract Conforms to SCE's Portfolio Needs

Although the Puget III Contract was negotiated bilaterally, the Puget III Contract falls within the criteria identified in SCE's 2008 and 2009 RFPs and is expected to contribute significantly toward achievement of SCE's RPS procurement goals. More specifically, the Puget III Contract satisfies SCE's near-term need for eligible renewable energy from an existing facility with approximately 156 GWh per year during a two-year ter

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 (the “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.⁸ SCE applied these criteria to the proposals received in its 2008 solicitation 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 were: (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 finalized major assumptions and methodologies that drive valuation, including power and gas price forecasts, existing and forecast resource portfolio, and firm capacity value forecast. Other assumptions, such as the Transmission Ranking Cost Report (“TRCR”), were filed with the Commission for approval prior to the release of the solicitation materials.

Once proposals were received, SCE began an initial review for completeness and conformity with the solicitation protocol. The review included a screen for reasonableness of proposal’s parameters, such as generation profiles and capacity factors. SCE worked directly with sellers to resolve any issues and ensure data was ready for evaluation.

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

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

⁸ As discussed above, SCE has compared the Puget III Contract to the proposals received in its 2008 RPS solicitation since that was the most recent information available to SCE at the time the Puget III Contract was negotiated and executed. Therefore, SCE discusses its LCBF methodology for the 2008 solicitation in this Advice Letter.

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

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

2. Comparison of the Puget III Contract With Proposals Received in SCE's 2008 RPS Solicitation With Regard to Each LCBF Factor

SCE evaluated the quantifiable attributes of each proposal individually and subsequently ranked them based on their benefit-to-cost ("B/C") ratios. Benefits were comprised of separate capacity and energy components, while costs included the contract payments, integration costs, transmission cost, and debt equivalence. SCE discounted the annual benefit and cost streams to a common base year prior to calculating the B/C ratio for each proposal. It was the B/C ratio that was 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.

Although the Puget III Contract was negotiated bilaterally, the B/C ratio calculated for the Puget III Contract was acceptable to SCE and favorable as compared to the proposals SCE received in its 2008 solicitation. The benefits and costs for the Puget III Contract resulted in a B/C ratio that ranked high enough as compared to the proposals SCE received in its 2008 RPS solicitation to demonstrate that the Puget III Contract provides significant value for SCE's customers relative to the proposals received in SCE's solicitation, and represents a contract that provides for the delivery of relatively attractive near-term renewable power pursuant to terms and conditions that meet all of the requirements of the RPS Legislation and the Commission's decisions implementing the RPS Legislation. More detailed information regarding the B/C ratio for the Puget III Contract is found in Appendices B and D. Additionally, as discussed in Appendices B and D, the Puget III Contract compared favorably to the proposals SCE received in its 2008 RPS solicitation based on other LCBF evaluation metrics.

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.

The Puget III Contract provide a total capacity of 50 MW. The Puget III Contract will also provide approximately 156 GWh of RPS-eligible energy in 2010 and 2011.

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 by D.04-06-013 and D.05-07-040. The ranking was applied accordingly and in compliance with Commission decisions.

5. Consistent Application of Time-of-Delivery Factors – 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. The Puget transaction is delivered on-peak and there are no TOD adjustments to the contract price.

6. Qualitative Factors

In addition to the identified benefits and costs quantified during SCE’s evaluation, SCE assessed non-quantifiable characteristics of each proposal by conducting a comprehensive viability analysis to assess sellers’ capacity to perform, technical viability, and project viability as discussed in further detail in Appendix F. These qualitative attributes were used to consider the inclusion of additional sellers on the short list due to the strength of a particular seller’s proposal. 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.

Although the Puget III Contract was negotiated bilaterally, based on some non-quantifiable attributes as well as the quantifiable attributes discussed above, it compares favorably to the projects on SCE’s 2008 RPS solicitation short list. There are no viability concerns since the Puget III Contract is for the output of the existing Klondike III facility, which has been in operation since May 2008. The Puget III Contract will also provide near-term eligible renewable energy in 2010 and 2011, when it is most needed by SCE. In addition, based on Puget’s past development experience and the fact that Puget is a regulated utility, it is likely Puget will be able to perform all of its financial and other obligations under the agreement. Iberdrola Renewables, the owner of the Klondike III facility, is also an experienced wind developer.

7. Impact of Debt Equivalence

Specific information regarding the impact of debt equivalence on the Puget III Contract is found in Appendix D.

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 August 20, 2009, SCE advised the PRG of its conclusion of negotiations with Puget and its intention to execute the Puget III Contract.

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 the 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").⁹ 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 Puget III Contract is expected to contribute approximately 156 GWh per year for 2010 and 2011. A table summarizing the Puget III Contract's contribution to SCE's RPS goals is found in Appendix E.

⁹ See D.06-10-050.

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 Puget III Contract includes 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 Puget III Contract 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 contracts¹⁰ or short-term contracts with new facilities¹¹ 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 such contracts are signed, to be used for compliance for the minimum quantity requirement in future years.

The Puget III Contract is a short-term contract for energy generated by a new facility as the Klondike III facility commenced commercial operations on or after January 1, 2005. Accordingly, the minimum quantity requirement does not apply. Additionally, in 2009, SCE has already entered into long-term contracts and/or contracts with new facilities for energy deliveries equivalent to at least 0.25 percent of SCE’s 2008 retail sales. Therefore, SCE has satisfied its minimum quantity requirement for 2009.

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

¹¹ New facilities are facilities that commenced commercial operation on or after January 1, 2005.

H. Interim Emissions Performance Standard

The California Legislature passed SB 1368 on August 31, 2006 and Governor Schwarzenegger signed the bill into law on September 29, 2006. Section 2 of SB 1368 added Cal. Pub. Util. Code § 8341(a), which provides that “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).”¹²

To implement the provisions of SB 1368, the Commission instituted Rulemaking 06-04-009. This proceeding resulted in the establishment of a green house 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.”¹³

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 long-term commitment when the LSE enters into “a new or renewed contract with a term of five or more years.”¹⁴

By this Advice Letter filing, SCE requests that the Commission approve the short-term Puget III Contract, which has a term of approximately two years. Because the Puget III Contract is not a “long-term financial commitment” (i.e., a “new contract or renewed contract with a term of five or more years”), the Puget III Contract is not subject to the EPS.

¹² Cal. Pub. Util. Code § 8341(a).

¹³ D.07-01-039 at 2-3.

¹⁴ *Id.* at 4.

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

As discussed in more detail in Appendix D, the Puget III Contract is below the 2008 MPR and therefore no AMFs are required based on the energy price. Additionally, because the Puget III Contract is a short-term contract that was negotiated bilaterally, the contract is not eligible for AMFs pursuant to Cal. Pub. Util. Code § 399.15(d)(2).

III. PROJECT DEVELOPMENT STATUS

There are no viability concerns regarding the Puget III Contract. The Puget III Contract is for the output from the existing Klondike III facility, which has been in operation and delivering power since May 2008.

A. Site Control

The Klondike III facility's owner, Iberdrola Renewables, has full site control. The project is an existing facility that has been in operation and delivering power since May 2008.

B. Resource and/or Availability of Fuel

The Klondike III facility is an existing facility using wind technology. The facility has been in operation and delivering power since May 2008.

C. Transmission

There are no transmission or interconnection issues with the Klondike III project. The generating facility is already connected to BPA's Balancing Area and Puget's Control Area under existing interconnection agreements and no upgrades are needed. Additional information regarding transmission is included in Appendix D.

D. Technology Type and Level of Technology Maturity

The facility utilizes 80 General Electric 1.5 MW wind turbine/generator sets, 44 Siemens 2.3 MW wind turbine/generator sets, and one Mitsubishi 2.4 MW wind turbine/generator set. The facility was brought into commercial operation in May 2008.

E. Permitting

The Klondike III facility is an operating power plant currently delivering power. All permits necessary to operate the facility have been obtained.

F. Developer Experience

In 2005, Puget worked with wind power developer RES Americas to build the 157 MW Hopkins Ridge facility. In 2006, Puget built the 229 MW Wild Horse facility with RES Americas. Puget is currently expanding that facility with additional capacity of 40 to 50 MW expected by 2010. Puget is also under development discussions with RES

Americas to build an additional wind facility in Washington. Since the Hopkins Ridge and Wild Horse facilities have been delivering power since 2005 and 2006, Puget has demonstrated its ability to successfully build and operate wind facilities.

Iberdrola Renewables is the world's leading provider of wind power, and ended the first half of 2009 with 10,003 MW of total installed capacity, including more than 3,000 MW in the United States.

G. Financing Plan

Specific information regarding financing for the Puget III Contract is found in Appendix D.

H. Production Tax Credit/Investment Tax Credit

Specific information regarding production tax credits ("PTCs") and investment tax credits ("ITCs") for the Puget III Contract is found in Appendix D.

I. Equipment Procurement

All necessary equipment has been purchased and is operating at the facility.

IV. CONTINGENCIES AND MILESTONES

A. Major Performance Criteria and Guaranteed Milestones

Specific information regarding the terms of the Puget III Contract is found in Appendix D.

B. Other Contingencies and Milestones

Specific information regarding the terms of the Puget III Contract is found in Appendix D.

V. REGULATORY PROCESS

A. RPS-eligibility Certification from the CEC

The Klondike III facility has received RPS-eligibility certification from the CEC. CEC certification is a condition precedent for the transaction.

B. Justification for Effective Date

To allow for deliveries under the Puget III Contract to begin as soon as possible, SCE requests that this Advice Letter become effective no later than December 17, 2009. The justification of the effective date is discussed in more detail in Appendix D.

C. Contractual Obligations Impacting CPUC Approval Schedule

Specific information regarding the terms of the Puget III Contract is found in Appendix D.

D. Earmarking

SCE reserves the right to earmark any generation from the Puget III Contract into RPS compliance years to the extent applicable.

E. Confidentiality

SCE is requesting confidential treatment of Appendices B through E, G, I, and the confidential version of Appendix L to this Advice Letter. The information for which SCE is seeking confidential treatment is identified in Appendix A. 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 Cathy Karlstad in SCE's Law Department at Cathy.Karlstad@sce.com or (626) 302-1096 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 K. 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 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 Puget III Contract are conditioned on the occurrence of "CPUC Approval," as it is defined in the Puget III Contract. In order to satisfy that condition with respect to the Puget III Contract, SCE requests that the Commission issue a resolution no later than December 17, 2009, containing:

1. Approval of the Puget III Contract in its entirety;
2. A finding that any electric energy sold or dedicated to SCE pursuant to the Puget III Contract constitutes procurement by SCE from an ERR for the purpose of determining SCE's compliance with any obligation that it may have to procure from ERRs pursuant to 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 Puget III Contract counts, in full and without condition, towards 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 Puget III Contract counts, in full and without condition, towards 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 Puget III Contract counts, in full and without condition, towards the requirement in the RPS Legislation that SCE procure 20% (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 Puget III Contract, and SCE's entry into the Puget III Contract, is reasonable and prudent for all purposes, including, but not limited to, recovery in rates of payments made pursuant to the Puget III Contract, subject only to further review with respect to the reasonableness of SCE's administration of the Puget III Contract; and
7. Any other and further relief as the Commission finds just and reasonable.

EFFECTIVE DATE

This Advice Letter will become effective on December 17, 2009.

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
E-mail: 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) 929-5540
E-mail: Karyn.Gansecki@sce.com

Marc Ulrich
Vice President, Renewable and Alternative Power
c/o Mike Marelli
Southern California Edison Company
2244 Walnut Grove Avenue, Quad 4D
Rosemead, CA 91770
Facsimile: (626) 302-1103
E-mail: Mike.Marelli@sce.com

With a copy to:

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

Advice 2388-E
(U 338-E)

- 20 -

October 5, 2009

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 at (626) 302-2930. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at ProcessOffice@cpuc.ca.gov.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the 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 Laura.Genao@sce.com or (626) 302-6842.

Southern California Edison Company

Akbar Jazayeri

AJ:lg:jm
Enclosures

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) #: 2388-E

Tier Designation: 3

Subject of AL: Submission of Bilateral Agreement for Procurement of Renewable Energy

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:

Cathy Karlstad, Law Department, at (626) 302-1096 or Cathy.Karlstad@sce.com.

Resolution Required? ☒ Yes ☐ No

Requested effective date: 12/17/09

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.

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Amended Petition of)	
)	
PUGET SOUND ENERGY, INC.)	
)	
	)	Docket No. UE-070725
)	
For an Order Authorizing the Use of the)	
Proceeds From the Sale of Renewable)	
Energy Credits and Carbon Financial)	
Instruments)	
<hr/>		

DWS-12

**Resolution E-4300. Southern California Edison (SCE) requests
approval of a renewable power purchase agreement with Puget
Sound Energy, Inc. (Puget)**

January 28, 2009

Date of Issuance – 12/21/09

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**RESOLUTION E-4300
December 17, 2009**

REDACTED

R E S O L U T I O N

Resolution E-4300. Southern California Edison (SCE) requests approval of a renewable power purchase agreement with Puget Sound Energy, Inc. (Puget)

PROPOSED OUTCOME: This Resolution approves a new renewables portfolio standard power purchase agreement (PPA) between SCE and Puget. The agreement is approved without modification.

ESTIMATED COST: This Resolution approves cost recovery for a renewable energy PPA. Actual costs of this contract are confidential at this time.

By Advice Letter 2388-E filed on October 5, 2009.

SUMMARY

SCE's proposed contract with Puget complies with the Renewables Portfolio Standard (RPS) procurement guidelines and is approved.

SCE filed advice letter (AL) 2388-E on October 5, 2009 requesting Commission review and approval of a new PPA executed with Puget. The PPA is a short-term, bilateral contract for Puget's portion of the generation from the Klondike III wind facility located in Oregon. The PPA (the "Puget III Contract") is SCE's third contract with Puget. The Puget I contract was approved by the Commission in Resolution E-4244 on June 18, 2009.

Generating facility	Type	Term (Years)	Capacity (MW)	Energy (GWh)	Expected Contract Delivery Date	Location
Klondike III	Wind	2	50	156	January 1, 2010	Oregon

The proposed contract is consistent with SCE's 2008 RPS Procurement Plan. RPS-eligible deliveries from the PPA are reasonably priced and fully recoverable in rates over the life of the contract, subject to Commission review of SCE's administration of the contract.

NOTICE

Notice of AL 2388-E was made by publication in the Commission's Daily Calendar. SCE states that a copy of the Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

PROTESTS

Advice Letter 2388-E was not protested.

DISCUSSION

Overview of RPS Program

The RPS Program administered by the Commission requires each utility to increase its total procurement of eligible renewable energy resources by at least 1% of retail sales per year so that 20% of the utility's retail sales are procured from eligible renewable energy resources no later than December 31, 2010.¹

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

SCE requests Commission approval of a renewable energy contract with Puget

On October 5, 2009, SCE filed AL 2388-E seeking approval of a new bilateral PPA between SCE and Puget. The wind facility is an operating, RPS-eligible² wind

¹ See Pub. Utils. Code § 399.15(b)(1).

² California's RPS Eligible Facilities Database (updated September 2009)
http://www.energy.ca.gov/portfolio/documents/list_RPS_certified.html

facility located in Oregon and owned and operated by Iberdrola Renewables, Inc. The facility was brought into commercial operation in May 2008. Puget has a 50 MW share of the 223.6 MW Klondike III wind facility.

Pursuant to the PPA, SCE will take delivery of electric energy and green attributes at the Mid-Columbia trading hub. SCE will then manage the energy by either selling it outside of California and tagging import schedules with the green attributes at a later date, or scheduling firmed and shaped energy with green attributes directly into California as an import. In either event, SCE's imports into California under the PPA shall be consistent with the delivery rules in the California Energy Commission's RPS Eligibility Guidebook as confirmed by the California Energy Commission (CEC). The PPA will contribute energy deliveries towards SCE's renewable procurement goal required by California's RPS statute, starting in 2010.³

SCE requests that the Commission issue a resolution containing the following findings:

1. Approval of the Puget III Contract in its entirety
2. A finding that any electric energy sold or dedicated to SCE pursuant to the Puget III Contract constitutes procurement by SCE from an eligible renewable energy resource ("ERR") for the purpose of determining SCE's compliance with any obligation that it may have to procure from ERRs pursuant to the RPS Legislation⁴ or other applicable law concerning the procurement of electric energy from renewable energy resources
3. A finding that all procurement under the Puget III Contract counts, in full and without condition, towards any annual procurement target

³ The CEC is responsible for determining the RPS-eligibility of a renewable generator. See Pub. Util. Code Section 399.12 and D.08-04-009, as modified by D.08-08-028.

⁴ As defined by SCE, "'RPS Legislation' refers to the State of California Renewable Portfolio Standard Program, as codified at California Public Utilities Code Section 399.11 *et seq.*"

- established by the RPS Legislation or the Commission which is applicable to SCE
4. A finding that all procurement under the Puget III Contract counts, in full and without condition, towards 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 Puget III Contract counts, in full and without condition, towards 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 Puget III Contract, and SCE's entry into the Puget III Contract, is reasonable and prudent for all purposes, including, but not limited to, recovery in rates of payments made pursuant to the Puget III Contract, subject only to further review with respect to the reasonableness of SCE's administration of the Puget III Contract
 7. Any other and further relief as the Commission finds just and reasonable.

Energy Division examined the proposed PPA on multiple grounds:

- Consistency with SCE's Commission approved 2008 RPS Procurement Plan (Plan)
- Consistency with the resource needs identified in SCE's Plan
- Consistency with Commission-adopted RPS standard terms and conditions (STC)
- Consistency with bilateral contracting guidelines
- Consistency with RPS delivery rules
- Project viability
- Consistency with the Emissions Performance Standard
- Procurement Review Group (PRG) concerns
- Comparison to the results of SCE's 2008 solicitation
- Cost reasonableness

Consistency with SCE's Commission adopted 2008 RPS Plan

California's RPS statute requires the Commission to review the results of a renewable energy resource solicitation submitted for approval by a utility.⁵ The Commission must then accept or reject a proposed PPA based on its consistency with the utility's approved renewable procurement plan (Plan). The Commission conditionally approved SCE's 2008 RPS Plan, including its bid solicitation materials, in D.08-02-008. SCE's 2008 Plan includes an assessment of supply and demand for renewable energy and bid solicitation materials, including a pro-forma agreement and bid evaluation methodology documents.

The proposed PPA is consistent with SCE's Commission-approved RPS Plan, approved by D.08-02-008.

Consistency with the Resource Needs Identified in SCE's Plan

SCE's 2008 RPS Plan called for SCE to issue a competitive solicitation for electric energy generated by eligible renewable resources from either existing or new generating facilities that would deliver in the near term or long term.

SCE's 2008 request for proposals (RFPs) solicited proposals for projects that would supply electric energy, green attributes, capacity attributes and resource adequacy benefits from eligible renewable energy resources. 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 requested proposals based upon standard term lengths of 10, 15 or 20 years or a non-standard delivery term of no less than 1 month. SCE also requested proposals with a minimum capacity of 1.5 MW.

SCE indicated a preference for projects:

- To be generating facilities with near-term deliveries
- To be located in California or outside of California if the seller complies with all requirements pertaining to "Out-of-State Facilities" as set forth in the CEC Guidebook for RPS eligibility

⁵ PU Code §399.14

- To be delivered within the CAISO Control Area, but considered proposals for facilities interconnected to Western Electricity Coordinating Council (WECC) transmission system was also indicated in SCE's RFP

The PPA is consistent with the resource needs identified in SCE's 2008 Plan.

Consistency with RPS Standard Terms and Conditions (STC)

The proposed PPA is comprised of the Western Systems Power Pool (WSPP) Master Agreement and a WSPP Confirmation Letter, which comply with D.08-04-009, as modified by D.08-08-028. As a result, the PPA contains the required non-modifiable STCs.

The PPA includes the Commission adopted RPS standard terms and conditions, including those deemed "non modifiable".

Consistency with RPS Bilateral Contracting Guidelines

In D.09-06-050 the Commission determined that bilateral contracts should be reviewed according to the same processes and standards as contracts that come through a solicitation. As discussed in the previous and follow sections, the PPA was reviewed and found reasonable based on the same review and standards as those used for determining reasonableness of PPA from solicitations.

The PPA is consistent with the bilateral contracting guidelines.

Consistency with RPS Delivery Rules

Where an advice letter requests Commission approval of a PPA with a facility that does not have its first point of connection with the California transmission network and deliver electricity to an in-state location, the CEC provides a written determination to the Commission addressing whether the proposed delivery structure meets the RPS delivery requirements set forth in the CEC's RPS Eligibility Guidebook.⁶

⁶ Renewables Portfolio Standard Eligibility Guidebook, 3rd Edition, publication # CEC-300-2007-006-ED3-CMF (January 2008), *available at* <http://www.energy.ca.gov/2007publications/CEC-300-2007-006/CEC-300-2007-006-ED3-CMF.PDF>

SCE will buy energy and green attributes from Puget and take delivery of both products at the Mid-Columbia trading hub. SCE will manage the energy from that point and proposes to satisfy the CEC's RPS delivery guidelines⁷ in one of two ways:

1. Schedule firm and shaped energy with green attributes directly into California upon receipt of the energy, or
2. Sell the energy outside California and "tag" import schedules with the green attributes

SCE has not committed itself to one of the options, but notes in AL 2388-E that it will choose what is appropriate and most cost-effective based on the relative prices of the options as they administer the contract.

Appendix A to this resolution contains a letter from CEC Staff determining that the delivery structure contained in the proposed PPA meets the CEC's RPS delivery requirements as set forth in the CEC's RPS Eligibility Guidebook.

Project Viability

SCE asserts that there are no viability concerns with the Puget III Contract because the Klondike III facility is already operating and SCE expects that Puget will be able to perform all of its financial and other obligations under the agreement.

There is no project viability risk associated with the Puget III Contract because the facility is online and generating electricity.

Compliance With The Minimum Quantity Condition

D.07-05-028 established a "minimum quantity" condition on the ability of utilities to count an eligible contract of less than 10 years duration with a facility that commenced commercial operations prior to January 1, 2005 for compliance

⁷ Public Resources Code §25741(b)(2)(B) requires that the energy from out-of-state facilities is delivered to California, and the CEC has adopted eligibility guidelines about the RPS delivery rules.

with the RPS program.⁸ In the calendar year that a short-term contract with an existing facility is executed, the utility must also enter into long-term contracts with new facilities equivalent to at least 0.25% of the utility's previous year's retail sales.

The facility that is to deliver energy pursuant to the PPA began commercial operation after January 1, 2005. Thus, the minimum quantity condition does not apply.

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

California Pub. Utils. Code §§ 8340 and 8341 require that the Commission consider emissions costs associated with new long-term (five years or greater) power contracts procured on behalf of California ratepayers.

D.07-01-039 adopted an interim EPS that establishes an emission rate quota for obligated facilities to levels no greater than the greenhouse gas (GHG) emissions of a combined-cycle gas turbine powerplant. The EPS applies to all energy contracts for baseload generation that are at least five years in duration.⁹ Renewable energy contracts are deemed compliant with the EPS except in cases where intermittent renewable energy is firmed and shaped with generation from non-renewable resources.

The PPA is not a long-term financial commitment subject to the EPS because the term of the PPA is less than five years.

Procurement Review Group (PRG) Concerns

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 (DRA), The Utility Reform Network (TURN), the

⁸ For purposes of D.07-05-028, contracts of less than 10 years duration are considered "short-term" contracts and facilities that commenced commercial operations prior to January 1, 2005 are considered "existing".

⁹ "Baseload generation" is electricity generation at a power plant "designed and intended to provide electricity at an annualized plant capacity factor of at least 60%." Pub. Utils. Code § 8340 (a).

Natural Resources Defense Council, California Utility Employees, the Union of Concerned Scientists, and the California Department of Water Resources.

SCE asserts that its PRG was consulted during each step of the 2008 renewable procurement process. On August 20, 2009, SCE advised the PRG of its conclusion of negotiations with Puget and intent to execute the Puget III Contract.

Pursuant to D.02-08-071, SCE's PRG participated in the review of the PPA.

Although Energy Division is a member of the PRG, it reserved its judgment on the contract until the resolution process. Energy Division reviewed the transaction independent of the PRG, and allowed for a full protest period before concluding its analysis.

Independent evaluator (IE) Reviewed the PPA

SCE retained an IE, Merrimack Energy Group, Inc., to review project evaluation, monitor negotiations, and review the PPA. According to the IE Report submitted in AL 2388-E-A, Merrimack Energy Group, Inc. performed its duties reviewing the PPA and has provided an assessment report to the Commission.

In its Independent Evaluator Report, Merrimack Energy Group, Inc. concluded that "...the process undertaken by SCE is consistent with the evaluation process and criteria used to undertake the evaluation of bids submitted in response to the 2008 RPS solicitation." Merrimack Energy Group, Inc. also recommends CPUC approval of the Puget III Contract based on the quantitative analysis, viability of facility, capability and experience of the project owner and operator, and the balanced risk allocation provisions in the contract.

The IE's contract-specific evaluation of the Puget III Contract is attached as confidential Appendix C to this resolution.

Consistent with D.09-06-0050, an independent evaluator (IE) reviewed the PPA.

Comparison to the Results of SCE's 2008 Solicitation

Although the Puget III Contract was negotiated bilaterally, SCE conducted a least-cost best-fit (LCBF) bid evaluation of the project to compare it to SCE's 2008 solicitation bids and to determine whether the project would have been

shortlisted. SCE found that the Puget III contract is attractive relative to proposals received in response to SCE's 2008 solicitation. (See Appendix B)

The PPA compares favorably to the results of SCE's 2008 solicitation.

Cost Reasonableness

Pursuant to D.09-06-050, Energy Division established a price reasonableness benchmark to evaluate the reasonableness of very-short term contracts. This benchmark, however, only applies when the request for approval of a contract comes through the expedited approval process approved by D.09-06-050.

Since SCE submitted AL 2388-E through the Tier 3 advice letter process, the reasonableness of the PPA price was evaluated relative to SCE's 2008 solicitation bids and SCE's other available RPS procurement options. While there were no very short-term contracts shortlisted in SCE's solicitation, SCE provided the Commission with a confidential analysis of how the contract price compares to its other 2008 offers. Confidential Appendix B includes a detailed discussion of the contractual pricing terms, including SCE's analysis that demonstrates that the Puget III Contract price is reasonable as compared to its 2008 shortlist.

The total expected costs of the PPA, as estimated by SCE, are reasonable based on their relation to bids received in response to SCE's solicitation.

Provided the generation is from an eligible renewable energy resource, or Seller is otherwise compliant with Standard Term and Condition 6, set forth in Appendix A of D.08-04-009 and included in the terms of the PPA, payments made by SCE under the PPA are fully recoverable in rates over the life of the PPA, subject to Commission review of SCE's administration of the PPA.

RPS Eligibility and CPUC Approval

Pursuant to Pub. Utils. Code § 399.13, the CEC certifies eligible renewable energy resources. Generation from a resource that is not CEC-certified cannot be used to meet RPS requirements. To ensure that only CEC-certified energy is procured under a Commission-approved RPS contract, the Commission has required standard and non-modifiable "eligibility" language in all RPS contracts. That language requires a seller to warrant that the project qualifies and is certified by the CEC as an "Eligible Renewable Energy Resource," that the project's output delivered to the buyer qualifies under the requirements of the California RPS,

and that the seller use commercially reasonable efforts to maintain eligibility should there be a change in law affecting eligibility.¹⁰

The Commission requires a standard and non-modifiable clause in all RPS contracts that requires "CPUC Approval" of a PPA to include an explicit finding that "any procurement pursuant to this Agreement is procurement from an eligible renewable energy resource for purposes of determining Buyer's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (*Public Utilities Code Section 399.11 et seq.*), Decision 03-06-071, or other applicable law."¹¹

Notwithstanding this language, the Commission has no jurisdiction to determine whether a project is an eligible renewable energy resource, nor can the Commission determine, prior to final CEC certification of a project, that "any procurement" pursuant to a specific contract will be "procurement from an eligible renewable energy resource."

Therefore, while we include the required finding here, this finding has never been intended, and shall not be read now, to allow the generation from a non-RPS eligible resource to count towards an RPS compliance obligation. Nor shall such a finding absolve any contracting party of its obligation to obtain CEC certification and/or to pursue remedies for breach of contract to ensure that only RPS-eligible generation is delivered and paid for under a Commission-approved contract. Such contract enforcement activities shall be reviewed pursuant to the Commission's authority to review the administration of such contracts.

Confidential Information

The Commission, in implementing Pub. Utils. Code § 454.5(g), has determined in D.06-06-066, as modified by D.07-05-032, that certain material submitted to the Commission as confidential should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations. D.06-06-066 adopted a time limit on the confidentiality of specific

¹⁰ See, e.g. D. 08-04-009 at Appendix A, STC 6, Eligibility.

¹¹ See, e.g. D. 08-04-009 at Appendix A, STC 1, CPUC Approval.

terms in RPS contracts. Such information, such as price, is confidential for three years from the date the contract states that energy deliveries begin, except contracts between IOUs and their affiliates, which are public.

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

COMMENTS

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

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments on November 17, 2009.

SCE filed timely comments on December 7, 2009.

We carefully considered SCE's comments which focused on factual, legal, or technical errors and made appropriate changes and clarifications to the draft Resolution.

SCE commented that the draft Resolution language could obligate SCE to make contractual payments that it may not be able to recover in rates. PG&E's reply comments supported SCE's position. We carefully considered SCE's argument and have modified the draft Resolution accordingly.

SCE also made additional comments recommending minor corrections. The draft Resolution has been modified accordingly.

FINDINGS AND CONCLUSIONS

1. The proposed Puget III Contract is consistent with SCE's approved 2008 RPS Procurement Plan, approved by D.08-02-008.

2. The PPA is consistent with the resource needs identified in SCE's 2008 Procurement Plan.
3. The PPA includes the Commission-adopted RPS standard terms and conditions including those deemed "non-modifiable".
4. PPA is consistent with the bilateral contract guidelines established in D.09-06-050.
5. Appendix A to this resolution contains a letter from CEC Staff determining that the delivery structure contained in the proposed PPA meets the CEC's RPS delivery requirements as set forth in the CEC's RPS Eligibility Guidebook.
6. There is no project viability risk associated with the Puget III Contract because the facility is online and generating electricity.
7. The facility that is to deliver energy pursuant to the PPA began commercial operation after January 1, 2005. Thus, the minimum quantity condition does not apply.
8. The PPA is not a long-term financial commitment subject to the EPS because the term of the PPA is less than five years.
9. SCE's Procurement Review Group (PRG) participated in the review of the PPA.
10. An independent evaluator (IE) reviewed the PPA.
11. The PPA compares favorably to the results of SCE's 2008 solicitation.
12. The costs of the PPA, as estimated by SCE, are reasonable based on their relation to bids received in response to SCE's 2008 solicitation.
13. Provided the generation is from an eligible renewable energy resource, or Seller is otherwise compliant with Standard Term and Condition 6, set forth in Appendix A of D.08-04-009 and included in the terms of the PPA, payments made by SCE under the PPA are fully recoverable in rates over the life of the PPA, subject to Commission review of SCE's administration of the PPA.
14. Procurement pursuant to the PPAs is procurement from eligible renewable energy resources for purposes of determining SCE's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities

Code Section 399.11 et seq.), D.03-06-071 and D.06-10-050, or other applicable law.

15. The immediately preceding finding shall not be read to allow generation from a non-RPS eligible renewable energy resource under these PPAs to count towards an RPS compliance obligation. Nor shall that finding absolve SCE of its obligation to enforce compliance with Standard Term and Condition 6, set forth in Appendix A of D.08-04-009, and included in these PPAs.
16. The confidential appendices, marked "[REDACTED]" in the public copy of this resolution, as well as the confidential portions of the advice letter, should remain confidential at this time.
17. AL 2388-E should be approved effective today without modification.

THEREFORE IT IS ORDERED THAT:

1. The proposed renewable energy contract between Southern California Edison and Puget in Advice Letter 2388-E is approved without modification.
2. The costs of the contract between Southern California Edison and Puget are reasonable and in the public interest; accordingly, the payments to be made by Southern California Edison are fully recoverable in rates over the life of the project, subject to Commission review of Southern California Edison's administration of the contract.

This Resolution is effective today.

Resolution E-4300
SCE AL 2388-E/CNL

December 17, 2009

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 17, 2009; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON
PAUL CLANON
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners

Appendix A
CEC Letter Regarding Eligibility of the Puget III
Contract Delivery Structure

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Amended Petition of)	
)	
)	
PUGET SOUND ENERGY, INC.)	
)	
)	
	)	Docket No. UE-070725
)	
For an Order Authorizing the Use of the)	
Proceeds From the Sale of Renewable)	
Energy Credits and Carbon Financial)	
Instruments)	

DWS-13

Resolution E-4244. Southern California Edison (SCE) requests approval of a renewable resource procurement contract with Puget Sound Energy, Inc. SCE's Advice Letter (AL) 2319-E is approved without modification.

January 28, 2009

Date of Issuance – 6/19/09

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**RESOLUTION E-4244
June 18, 2009**

REDACTED

R E S O L U T I O N

Resolution E-4244. Southern California Edison (SCE) requests approval of a renewable resource procurement contract with Puget Sound Energy, Inc. SCE's Advice Letter (AL) 2319-E is approved without modification.

By Advice Letter 2319-E filed on February 9, 2009 and Advice Letter 2319-E-A filed on May 11, 2009.

SUMMARY

SCE's renewable contract complies with the renewable portfolio standard (RPS) procurement guidelines and is approved

Southern California Edison (SCE) filed Advice Letter (AL) 2319-E on February 9, 2009, requesting Commission review and approval of a power purchase agreement (PPA) executed with Puget Sound Energy, Inc (Puget). This short-term bilateral contract results from a competitive bidding process initiated by Puget for 2,000 gigawatt-hours (GWh) of energy from two operating wind facilities located in Washington. SCE filed supplemental AL 2319-E-A to disclose the relationship between this PPA and a settlement that is pending at the Federal Energy Regulatory Commission (FERC). The Puget Contract is conditioned upon, among other things, approval by the FERC and CPUC of the Settlement.

Resolution E-4244
SCE AL 2319-E and 2319-E-A/SMK

June 18, 2009

Generating facilities	Type	Term (Years)	Capacity (MW)	Energy (GWh)	Expected Online Date	Location
Hopkins Ridge and Wild Horse	Wind	Until 2,000 GWhs are delivered (estimated 2 years)	387	Estimated: 969 in 2009 and 1,030 in 2010	Once conditions precedent are satisfied (incl. CPUC approval)	Columbia County and Kittitas County, Washington

The advice letter was protested by the Division of Ratepayer Advocates and The Utility Reform Network. The Commission denies both protests.

The proposed contract price is reasonable, and all costs of the contract are fully recoverable in rates over the life of the contract, subject to Commission review of SCE's administration of the contract.

AL 2319-E-A and AL 2319-E-A are approved without modification.

Confidential information about the contract should remain confidential

This resolution finds that certain material filed under seal pursuant to Public Utilities Code Section 583, General Order (G.O.) 66-C, and D.06-06-066 should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations.

BACKGROUND**The RPS Program requires each utility to increase the amount of renewable energy in its portfolio**

The California RPS Program was established by Senate Bill (SB) 1078¹, and has been subsequently modified by SB 107² and SB 1036³. The RPS program is set out at Public Utilities (PU) Code Section 399.11, et seq. An RPS policy generally requires that a retail seller of electricity, such as SCE, purchase a certain percentage of electricity generated by Eligible Renewable Energy Resources

¹ SB 1078 (Sher, Chapter 516, Statutes of 2002)

² SB 107 (Simitian, Chapter 464, Statutes of 2006)

³ SB 1036 (Perata, Chapter 685, Statutes of 2007)

(ERR). Under the California RPS, each utility is required to increase its total procurement of ERRs by at least 1% of annual retail sales per year so that 20% of its retail sales are supplied by ERRs by 2010. Also, on November 17, 2008, Governor Schwarzenegger issued Executive Order S-14-08, setting a goal for energy retailers to deliver 33 percent of electrical energy from renewable resources by 2020.⁴

In response to SB 1078, SB 107, and SB 1036, the Commission has issued a series of decisions and resolutions that establish the regulatory and transactional parameters of the utility renewables procurement program.

- On June 19, 2003, the Commission issued its “Order Initiating Implementation of the Senate Bill 1078 Renewable Portfolio Standard Program,” D.03-06-071.⁵
- Instructions for utility evaluation of each offer to sell ERRs requested in an RPS solicitation were provided in D.04-07-029⁶, as required by PU Code Section 399.14(a)(2)(B). The bid evaluation methodology is known as ‘least-cost, best-fit’.
- The Commission adopted standard terms and conditions (STCs) for RPS power purchase agreements in D.04-06-014, as required by PU Code Section 399.14(a)(2)(D). These STCs are compiled in D.08-04-009⁷, as modified by D.08-08-028⁸, and as a result, there are now thirteen STCs of which four are non-modifiable.
- D.06-10-050, as modified by D.07-03-046, compiled the RPS reporting and compliance methodologies.⁹ In this decision, the Commission established methodologies to calculate a retail seller’s initial baseline procurement

⁴ <http://gov.ca.gov/executive-order/11072/>

⁵ http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/27360.PDF

⁶ http://docs.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/38287.PDF

⁷ http://docs.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/81269.PDF

⁸ http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/86954.pdf

⁹ D.06-10-050, Attachment A, (http://www.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/61025.PDF) as modified by D.07-03-046 (http://www.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/65833.PDF)

amount, annual procurement target (APT) and incremental procurement amount (IPT).¹⁰

- The Commission adopted its market price referent (MPR) methodology in D.04-06-015¹¹ for determining the market price of energy, as defined in PU Code Sections 399.14(a)(2)(A) and 399.15(c); the MPR serves as a cost containment tool because the above-MPR contract costs of RPS contracts are limited (PU Code Section 399.15[d]). The Commission refined the MPR methodology for the 2005 RPS Solicitation in D.05-12-042.¹² Subsequent resolutions adopted MPR values for the 2005, 2006, 2007, and 2008 RPS solicitations.¹³
- In D.06-10-019¹⁴, the Commission adopted rules for the eligibility and approval of RPS short-term contracts (procurement contracts that are less than 10 years in duration) and bilateral contracts (procurement contracts that are negotiated outside of a competitive RPS solicitation).
- Resolutions E-4160¹⁵ and E-4199¹⁶ implemented SB 1036, which modified the RPS cost containment mechanism. The Commission established cost limitations for each investor-owned utility (IOU) and set forth guidelines for approving above-MPR RPS contracts negotiated through a competitive solicitation.

¹⁰ The IPT represents the amount of RPS-eligible procurement that the LSE must purchase, in a given year, over and above the total amount the LSE was required to procure in the prior year. An LSE's IPT equals at least 1% of the previous year's total retail electrical sales, including power sold to a utility's customers from its DWR contracts.

¹¹ http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/37383.pdf

¹² http://www.cpuc.ca.gov/word_pdf/FINAL_DECISION/52178.pdf

¹³ Respectively, Resolution E-3980:

http://www.cpuc.ca.gov/WORD_PDF/FINAL_RESOLUTION/55465.DOC, Resolution E-4049: http://www.cpuc.ca.gov/word_pdf/FINAL_RESOLUTION/63132.doc, Resolution E-4118: http://www.cpuc.ca.gov/word_pdf/FINAL_RESOLUTION/73594.pdf

Resolution E-4214: http://docs.cpuc.ca.gov/Published/Final_resolution/95553.htm

¹⁴ http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/60585.PDF

¹⁵ http://docs.cpuc.ca.gov/WORD_PDF/FINAL_RESOLUTION/81476.PDF

¹⁶ http://docs.cpuc.ca.gov/WORD_PDF/FINAL_RESOLUTION/98603.PDF

The Commission has established RPS bilateral procurement guidelines

While the focus of the RPS program is procurement through competitive solicitations, D.03-06-071¹⁷ allows for a utility and a generator to enter into bilateral contracts outside of the competitive solicitation process. Specifically, D.03-06-071 states that bilateral contracts will only be allowed if they do not require Public Goods Charge (PGC) funds. In D.06-10-019, the Commission interprets D.03-06-071, stating that bilaterals are not subject to the MPR, not eligible for Supplemental Energy Payments (SEPs)¹⁸, must be at least one month in duration, and must be deemed reasonable. Further, bilateral contracts of any length must be submitted to the Commission for approval by advice letter.¹⁹

As D.06-10-019 notes, the Commission will be developing evaluation criteria for bilateral RPS contracts.²⁰ However, in the interim, utilities' bilateral contracts can be evaluated as long as they follow the four requirements mentioned above:

- The contract was submitted for approval by advice letter
- The contract does not get applied to an IOU's cost limitation
- The contract is at least one month in duration
- The Commission deems the contract reasonable.

The Commission has established rules for short-term, existing RPS contracts

The RPS legislation and program rules have always expressed a preference for long-term, as opposed to short-term, RPS contracts because it is widely understood that long-term contracts are an important tool in developing new RPS-eligible generation facilities.²¹ The original RPS legislation, SB 1078,

¹⁷ http://www.cpuc.ca.gov/PUBLISHED/FINAL_DECISION/27360.htm

¹⁸ Since D.06-10-019 was adopted, SB 1036 eliminated the SEP fund for above-MPR RPS resources, and instead requires the Commission to approve above-MPR costs in rates up to a prescribed cost limitation. As with the SEPs program, only contracts that are negotiated through a competitive solicitation are eligible for the cost limitation.

¹⁹ D.06-10-019 p. 31

²⁰ On May 5, 2009, ALJ Simon mailed a Proposed Decision Establishing Price Benchmarks and Contract Review Processes for Short-term and Bilateral Procurement Contracts for Compliance with the California RPS (<http://docs.cpuc.ca.gov/efile/PD/100582.pdf>)

²¹ Long-term contracts are at least 10 years in duration

prohibited the solicitation of short-term contracts unless the CPUC approved of a contract of shorter duration. In D.03-06-071, the CPUC reaffirmed the requirement for the utilities to only offer contracts of 10, 15 and 20 years duration in their annual solicitations. Bidders, however, could offer shorter term contracts, which would be subject to CPUC-approval.

SB 107, codified in PU Code §399.14(b)(2), both made explicit our ability to allow short-term contracts to fulfill RPS obligations and put conditions on the use of such contracts.²² Before the Commission may approve an RPS contract of less than ten years' duration, the Commission must establish "for each retail seller, minimum quantities of eligible renewable energy resources to be procured either through contracts of at least 10 years' duration or from new facilities commencing commercial operations on or after January 1, 2005." On May 3, 2007, the Commission approved D.07-05-028²³ establishing the minimum quantity requirement, and determined that

beginning in 2007, RPS-obligated load-serving entities may use energy deliveries from contracts of less than 10 years' duration with eligible renewable energy resources that commenced commercial operation prior to January 1, 2005 for RPS compliance, on one condition. That condition is that each year they also sign contracts of at least 10 years' duration and/or contracts with RPS-eligible generation facilities that commenced commercial operation on or after January 1, 2005, for energy deliveries equivalent to at least 0.25% of their prior year's retail sales.²⁴

If the load-serving entity exceeds the 0.25% requirement for a calendar year, it may carry forward (i.e. bank) the "excess" contracted-for energy and use it to meet the 0.25% requirement in later years.

If the minimum quantity is not met in a given year either by contracts signed in the current year or by using the banking mechanism, it may not count its short-term contracts with existing facilities signed in that year for RPS compliance, but

²² An additional condition is not addressed in this section: short-term contracts were ineligible for SEPs and now are ineligible for AMFs.

²³ http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/67490.PDF

²⁴ p. 1

it will begin with a clean slate the following year. The requirement remains in place until an obligated load-serving entity reaches its 20% goal. Each retail seller must demonstrate in RPS compliance filings that the minimum quantity requirement has been met.

RPS statute requires the Energy Commission to implement a tracking system to verify compliance with the RPS

To verify compliance with the RPS, SB 1078 charged the California Energy Commission (CEC) with designing and implementing an accounting system “to verify compliance with the renewable portfolio standard by retail sellers, to ensure that electricity generated by an eligible renewable energy resource is counted only once for the purpose of meeting the renewables portfolio standard of this state or any other state, and to verify retail product claims in this state or any other state.”²⁵

The Western Renewable Energy Generation Information System (WREGIS), designed to fulfill the CEC’s obligation to track and verify renewable energy generation, was launched in June 2007. WREGIS generates WREGIS Certificates, or renewable energy credits (RECs), which represent that one megawatt hour of renewable energy was generated. Consistent with the Energy Commission’s RPS Eligibility Guidebook,²⁶ 2008 was the first calendar year that WREGIS data will be reported to the Energy Commission to verify RPS procurement. All generating facilities, retail sellers, procurement entities, and third parties participating in California’s RPS were required to register with WREGIS by January 1, 2008, with the exception of California’s three large investor-owned utilities (IOUs),²⁷ which must have registered with and begun to use WREGIS to verify RPS compliance by May 1, 2008.

²⁵ Public Utilities Code Section 399.13 (b), as enacted by SB 1078

²⁶ *Renewables Portfolio Standard (RPS) Eligibility Guidebook*
(<http://www.energy.ca.gov/2007publications/CEC-300-2007-006/CEC-300-2007-006-ED3-CMF.PDF>) (THIRD Edition), publication # CEC-300-2007-006-ED3-CMF, January 2008.

²⁷ California’s three largest investor-owned utilities are: Pacific Gas and Electric, San Diego Gas & Electric, and Southern California Edison.

Energy from RPS facilities located out-of-state must be delivered to California

The CEC is also responsible for verifying the delivery of renewable energy claimed for compliance with the RPS program. If a renewable energy facility has its first point of interconnection to the transmission network outside of California, it must satisfy all of the following additional requirements:²⁸

1. It is connected to the transmission network within the Western Electricity Coordinating Council (WECC) service territory.
2. It commences initial commercial operation after January 1, 2005.
3. Electricity produced by the facility is delivered to an in-state location.
4. It will not cause or contribute to any violation of a California environmental quality standard or requirement.
5. If the facility is outside of the United States, it is developed and operated in a manner that is as protective of the environment as a similar facility located in the state.
6. It participates in the Western Renewable Energy Generation Information System (WREGIS), the accounting system to verify compliance with the renewables portfolio standard by retail sellers

While facilities located in California or with their first point of interconnection in the state are automatically deemed “delivered”, eligible renewable energy from out-of-state facilities must be “scheduled for consumption by California end-use retail customers” to be counted for compliance with the RPS program.²⁹ The RPS statute also allows “electricity generated by an eligible renewable energy resource [to] be considered ‘delivered’ regardless of whether the electricity is generated at a different time from consumption by a California end-use customer.”³⁰ The CEC’s RPS Eligibility Guidebook³¹ says that in practical terms,

²⁸ Public Resources (PR) Code 25741(b)(2)(B)

²⁹ PR Code Section 25741(a)

³⁰ Id

³¹ <http://energy.ca.gov/2007publications/CEC-300-2007-006/CEC-300-2007-006-ED3-CMF.PDF>

this means that out-of-state energy may be “firmed” and “shaped”, or backed up or supplemented with delivery from another source, before it is delivered to California. The CEC’s Guidebook provides three examples of eligible firming and shaping transactions.³² For each advice letter requesting CPUC approval of a PPA with an out-of-state RPS facility, the CEC provides written documentation to the CPUC addressing whether a proposed RPS contract’s delivery structure would be eligible pursuant to the guidelines in the CEC’s Guidebook.

Interim Greenhouse Gas Emissions Performance Standard (EPS) established emission rate limitations for long-term electricity procurement

A greenhouse gas emissions performance standard (EPS) was established by Senate Bill 1368³³, which requires that the Commission consider emissions costs associated with new long-term (five years or greater) power contracts procured on behalf of California ratepayers.

On January 25, 2007, the Commission approved D.07-01-039 which adopted an interim EPS that establishes an emission rate quota for obligated facilities to levels no greater than the greenhouse gas (GHG) emissions of a combined-cycle gas turbine powerplant.³⁴ The EPS applies to all energy contracts for baseload generation that are at least five years in duration.³⁵ Renewable energy contracts are deemed EPS compliant from the EPS except in cases where intermittent renewable energy is shaped and firmed with generation from non-renewable resources. If the renewable energy contract is shaped and firmed with a specified energy source that is considered baseload generation, then the energy source must individually meet the EPS. If, however, the intermittent energy is firmed and shaped with an unspecified energy source (e.g. system power), then D.07-01-039 specifically defines the following eligibility condition:

³² pg 23-24

³³ Chapter 464, Statutes of 2006 (SB 1368)

³⁴ D.07-01-039 adopted an emission rate of 1,100 pounds of carbon dioxide per megawatt-hour for the proxy CCGT (section 1.2, page 8)
http://www.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/64072.PDF

³⁵ “Baseload generation” is electricity generation at a power plant “designed and intended to provide electricity at an annualized plant capacity factor of at least 60%.” § 8340 (a)

*For specified contracts with intermittent renewable resources (defined as solar, wind and run-of-river hydroelectricity), the amount of substitute energy purchases from unspecified resources is limited such that total purchases under the contract (whether from the intermittent renewable resource or from substitute unspecified sources) do not exceed the total expected output of the specified renewable powerplant over the term of the contract.*³⁶

SCE requests Commission approval of a renewable energy contract

On February 9, 2009, SCE filed AL 2319-E seeking approval of a power purchase agreement (PPA) between SCE and Puget. The short-term PPA results from bilateral negotiations. The output from two of Puget's wind facilities will be firmed and shaped and delivered to SCE at the Mid-Columbia trading hub; SCE will deliver the energy to California. The PPA will contribute energy deliveries towards SCE's renewable procurement goal required by California's RPS statute.³⁷

SCE requests that the Commission issue a resolution containing the following findings:

1. Approval of the Puget Contract in its entirety
2. A finding that any electric energy sold or dedicated to SCE pursuant to the Puget Contract constitutes procurement by SCE from an eligible renewable energy resource ("ERR") for the purpose of determining SCE's compliance with any obligation that it may have to procure from ERRs pursuant to the RPS Legislation³⁸ or other applicable law concerning the procurement of electric energy from renewable energy resources
3. A finding that all procurement under the Puget Contract counts, in full and without condition, towards any annual procurement target

³⁶ D.07-01-039, Conclusion of Law 40. Note: These compliance rules specifically apply to IOUs, additional compliance rules may apply to other RPS-obligated load serving entities.

³⁷ The California Energy Commission is responsible for determining the RPS-eligibility of a renewable generator. See PU Code Section 399.12 and D.08-04-009, as modified by D.08-08-028.

³⁸ As defined by SCE, "'RPS Legislation' refers to the State of California Renewable Portfolio Standard Program, as codified at California Public Utilities Code Section 399.11 *et seq.*"

established by the RPS Legislation or the Commission which is applicable to SCE

4. A finding that all procurement under the Puget Contract counts, in full and without condition, towards 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 Puget Contract counts, in full and without condition, towards the requirement in the RPS Legislation that SCE procure 20% (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 Puget Contract, and SCE's entry into the Puget Contract, is reasonable and prudent for all purposes, including, but not limited to, recovery in rates of payments made pursuant to the Puget Contract, subject only to further review with respect to the reasonableness of SCE's administration of the Puget Contract
7. Any other and further relief as the Commission finds just and reasonable.

SCE's Procurement Review Group participated in review of the contracts

In D. 02-08-071, the Commission required each utility to establish a "Procurement Review Group" (PRG) whose members, subject to an appropriate non-disclosure agreement, would have the right to consult with the utilities and review the details of:

1. Overall transitional procurement strategy;
2. Proposed procurement processes including, but not limited to, RFO; and
3. Proposed procurement contracts before any of the contracts are submitted to the Commission for expedited review.

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 (DRA), The Utility Reform Network (TURN), the Natural Resources Defense Council, California Utility Employees, the Union of Concerned Scientists, Aglet Consumer Alliance and the California Department of Water Resources.

SCE asserts that its PRG was consulted during each step of the renewable procurement process. On December 15, 2008 SCE informed the PRG that it would participate in the Puget auction and described how the bid price would be calculated. On January 6, 2009, SCE briefed the PRG concerning the successful conclusion of discussions with Puget.

Although Energy Division is a member of the PRG, it reserved its judgment on the contracts until the resolution process. Energy Division reviewed the transactions independent of the PRG, and allowed for a full protest period before concluding its analysis.

NOTICE

Notice of AL 2319-E was made by publication in the Commission's Daily Calendar. SCE states that a copy of the Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

PROTESTS

SCE's Advice Letter AL 2319-E was timely protested by DRA and TURN on March 2, 2009. SCE responded to the protests of DRA and TURN on March 9, 2009. The redacted portions of the protests and responses are summarized below, and the confidential parts are addressed in Appendix B.

DRA recommends that the CPUC reject the proposed Puget contract without prejudice based on four counts:

- The Puget contract violates D.07-05-028, which establishes a minimum long-term and new contracting requirement in order to count short-term RPS contracts with existing facilities,
- The Puget contract is a "short-term, out-of-state renewable energy credit contract with an existing facility and non-transparent price terms",
- The Puget contract price is "disadvantageous to ratepayers at a price above the MPR",
- The Puget contract would not benefit ratepayers because of its cost and because it is located outside California, and
- SCE did not comply with D.06-06-066 in filing its confidentiality declaration.

TURN recommends that the CPUC reject the proposed Puget contract because:

- Ratepayers should not pay a premium price for a short-term purchase of excess energy from operating out-of-state facilities that were built to satisfy another state's long-term RPS needs,
- If the proposed SB 14 is adopted, it could make the Puget transaction ineligible to count for the RPS because the bill would modify the delivery rules for out-of-state RPS projects, and
- The "competitive process" designed by Puget and by which SCE negotiated this contract is concerning and incompletely described in the public version of the advice letter.

SCE responded to DRA's and TURN's protests, stating:

- D.07-05-028 does not apply to this contract because the facilities are considered "new" pursuant to RPS legislation and CPUC decisions. AL E-2319 incorrectly stated that the facilities delivering under the Puget contract were not "new", but in fact, the Hopkins Ridge and Wild Horse facilities commenced operations in November 2005 and December 2006 and thus, qualify as "new".
- The Puget contract provides near-term deliveries of renewable energy that will substantially benefit SCE's customers. It is inconsistent with RPS legislation and prior CPUC decisions to reject a contract because it is short-term or out-of-state.
- The contract price is below the MPR, is a reasonable price as compared to other RPS market opportunities, and in fact, bilateral contracts are not subject to the MPR. Further, the CPUC has previously rejected DRA's argument that operating and out-of-state facilities should be priced lower than new RPS resources in-state.
- The contract is compliant with the California Energy Commission's delivery requirements for bundled contracts. Also, the proposed delivery requirements in SB 14 are not current law, and the CPUC should not expect that, if adopted, they will be retroactive.

June 18, 2009

Resolution E-4244
SCE AL 2319-E and 2319-E-A/SMK**DISCUSSION****Description of the project**

The following table summarizes the substantive features of the proposed PPA. See confidential Appendix A for a discussion of the contracts' confidential terms and conditions.

Generating facilities	Type	Term (Years)	Capacity (MW)	Energy (GWh)	Expected Online Date	Location
Hopkins Ridge and Wild Horse	Wind	Until 2,000 GWhs are delivered (estimated 2 years)	387	Estimated: 969 in 2009 and 1,030 in 2010	Once conditions precedent (incl. CPUC approval) are satisfied	Columbia County and Kittitas County, Washington

The Puget contract is a bilateral contract for wind generation from two operating facilities in Washington. At the end of 2008, Puget Sound Energy, Inc established a competitive process to sell up to 2,000 GWh of wind energy. SCE bid into the process and was selected as the winner of the full 2,000 GWh. Puget will start selling the energy to SCE after certain contractual conditions are met (as discussed in Confidential Appendix A). SCE anticipates that the duration of the contract will be 2 years.

Puget will firm and shape the wind energy with its own resources and will deliver a firm product to SCE at the Mid-Columbia trading hub. SCE will import the energy into California consistent with CEC delivery guidelines.

This contract was evaluated on the following criteria:

- Consistency with SCE's 2008 Procurement Plan
- Compliance with relevant Commission decisions regarding bilateral contracting guidelines, standard terms and conditions and the Emissions Performance Standard
- Price reasonableness
- Project viability
- Consistency with the RPS delivery rules, as set forth in the CEC's RPS Eligibility Guidebook

PPA is consistent with SCE's 2008 RPS Procurement Plan

The Commission must accept or reject proposed PPAs based on their consistency with the utility's approved renewable energy procurement plan (Plan).³⁹ SCE's 2008 Plan includes an assessment of supply and demand for renewable energy and bid solicitation materials, including a pro-forma agreement and bid evaluation methodology documents.

The Commission conditionally approved SCE's 2008 RPS procurement plan, including SCE's bid solicitation materials, in D.08-02-008.⁴⁰ As ordered by D.08-02-008, on February 29, 2008 SCE filed and served its amended 2008 Plan. The proposed PPA is consistent with SCE's Commission-approved RPS Plan.

PPA fits with SCE's identified renewable resource needs

SCE'S 2008 RPS Plan states that SCE seeks to procure renewable resources to augment those under contract from prior solicitations and to ensure that SCE meets the overall goal of 20% renewables as soon as possible, and with a reasonable margin of safety.⁴¹ Accordingly, SCE states that it needs both near-term and long-term renewable energy but its evaluation criteria will favor proposals for near-term deliveries. SCE's stated preference is to receive the RPS energy in SP-15, but SCE will consider proposals based upon any designated delivery point within California. SCE will seek resources both from generation facilities located in California and outside the state (but within the WECC), if the Seller complies with the requirements for "out-of-state facilities" in the California Energy Commission (CEC) Guidebook for RPS Eligibility.⁴²

The Puget project meets SCE's resource needs because the facilities are operating, and thus, the energy is immediately available to deliver renewable energy and satisfy SCE's near-term RPS energy need. Also, the facilities are located in the

³⁹ PU Code §399.14(d)

⁴⁰ http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/78817.pdf

⁴¹ SCE reports that it intends to procure renewables based on its High Need Case scenario. SCE's its Base Case assumes a 100% on-time delivery of all currently executed contracts, and its High Need Case assumes 70% delivery from executed, but not yet delivering, contracts.

⁴² <http://www.energy.ca.gov/2007publications/CEC-300-2007-006/CEC-300-2007-006-ED3-CMF.PDF>

WECC and have obtained both CEC certification for RPS-eligibility (April 28, 2009)⁴³ and approval of their delivery structures (See Appendix C).

The Puget contract compares favorably to SCE's 2008 solicitation

Although the Puget contract was negotiated bilaterally, SCE conducted a least-cost best-fit (LCBF) bid evaluation of the Puget contract to compare it to SCE's 2008 solicitation bids. The bid evaluation includes a quantitative and qualitative analysis. The quantitative analysis results in relative benefit-to-cost ratios for each bid and the qualitative review assesses a project's technical viability, its overall viability and its developer experience. The LCBF evaluation is generally used to establish a shortlist of proposals from SCE's solicitation with whom SCE will engage in contract discussions, but was conducted for Puget in order to determine whether the project would have been shortlisted and to review its value in relation to SCE's other RPS options.

SCE found that the Puget contract is attractive relative to proposals received in response to SCE's 2008 solicitation and provides "significant value to SCE's customers relative to the proposals received in SCE's solicitation" because 1) its benefit-to-cost ratio is acceptable, 2) the project is viable and 3) its ability to commit to near-term deliveries is valuable.

PPA is consistent with RPS bilateral contracting guidelines

The proposed PPA is consistent with Commission decisions regarding RPS bilateral contracts for the following reasons:

1. The PPA will not be applied to SCE's cost limitation.⁴⁴
2. Pursuant to D.06-10-019, the PPA was submitted by advice letter.⁴⁵

⁴³ http://www.energy.ca.gov/portfolio/documents/LIST_RPS_CERT.PDF

⁴⁴ The PPA is ineligible for the cost limitation because it did not result from a competitive solicitation and is a short-term contract. (PU Code §399.15[d][2])

⁴⁵ "For now, utilities' bilateral RPS contracts, of any length, must be submitted for approval by advice letter." (D.06-10-019, p.31)

3. The PPA is at least one month in duration.⁴⁶
4. The PPA is reasonably priced.⁴⁷

Contract price is reasonable

According to D.06-10-019, bilateral contracts are not subject to the MPR, but the prices must be deemed reasonable. The Commission intends to adopt more explicit standards for evaluating the reasonableness of bilateral and short-term RPS contracts in a decision in the near future.⁴⁸ Until such a decision is approved, the Commission will continue to consider the evaluation of RPS short-term bilateral contracts on a case-by-case basis.

As SCE notes in its Reply to Protests of TURN and DRA, there is no 2008 MPR for 2-year contracts coming online in 2009, and comparing the Puget contract to the 2008 MPR for a 10-year contract coming online in 2009 is imperfect. In the case of Puget, the Commission has considered its price relative to SCE's 2008 solicitation bids and SCE's other available RPS procurement options. While there were no short-term contracts shortlisted in SCE's solicitation, SCE provided the Commission with a confidential analysis of how SCE determined its bid price for the Puget auction and what the project's value is relative to its other 2008 offers.

SCE's analysis demonstrates that the Puget contract price is reasonable as compared to its 2008 shortlist, and that the project provides value because of its high viability, commitment to delivering firm power⁴⁹ and ability to satisfy SCE's need for near-term RPS deliveries.

⁴⁶ "All RPS-obligated LSEs are also free to enter into bilateral contracts of any length with RPS-eligible generators, as long as the contracts are at least one month in duration, to enable the CEC to verify RPS procurement claims." (D.06-10-019 p. 29)

⁴⁷ The contract price of bilaterals must be deemed reasonable by the Commission. (D.06-10-019, p. 31)

⁴⁸ On May 5, 2009, ALJ Simon mailed a Proposed Decision Establishing Price Benchmarks and Contract Review Processes for Short-term and Bilateral Procurement Contracts for Compliance with the California RPS (<http://docs.cpuc.ca.gov/efile/PD/100582.pdf>)

⁴⁹ Because the deliveries to SCE will be firmed and shaped, SCE will not incur additional fees above the contract price associated with firming and shaping the out-of-state intermittent power.

PPA is consistent with adopted standard terms and conditions

The terms and conditions in the Puget contract⁵⁰ comply with the non-modifiable terms required in RPS contracts as set forth in D.08-04-009, and amended by D.08-08-028.

Contract is not subject to the EPS

The EPS does not apply to a contract of less than five years. Because the Puget contract term is only two years, the EPS is not triggered.

Project is viable

SCE asserts that there are no viability concerns with the Puget project because the facilities are already operating. The Commission finds no project viability risk associated with the Puget contract.

Proposed delivery structure complies with CEC's guidelines

The CEC is responsible for determining whether out-of-state RPS projects satisfy the delivery requirements for the RPS program. Pursuant to the CEC's RPS Eligibility Guidebook, these requirements are automatically satisfied for projects that are located in California or that are located on the border of the state and have their first point of interconnection to the WECC transmission system within California. If, however, a facility is connected to the WECC not within California, the energy from the facility must be scheduled for consumption by California end-use retail customers. The guidelines for eligible delivery structures can be found in Section III(D) of the CEC's RPS Eligibility Guidebook. For each out-of-state project that the CPUC reviews, the CEC provides the CPUC with written documentation addressing whether the proposal satisfies the delivery requirements.

On April 13, 2009, the CEC provided the CPUC with a letter declaring that the proposed Puget delivery structure satisfies the RPS delivery requirements. This letter, which also includes a brief overview of Puget's delivery structure, can be found in Appendix C.

⁵⁰ The contract includes the WSPP Agreement and WSPP Agreement Confirmation Letter between Puget Sound Energy, Inc and SCE.

Commission denies DRA's protest that SCE violated D.07-05-028

D.07-05-028 established a condition (called the "minimum quantity") on the ability of utilities to count an eligible contract of less than 10 years duration with a facility that commenced commercial operations prior to January 1, 2005 for compliance with the RPS program.⁵¹ The decision says that in the calendar year that the short-term contract with an existing facility is executed, the utility must also enter into long-term contract(s) or contract(s) with new facilities equivalent to at least 0.25% of the utility's previous year's retail sales.

DRA protested the Puget contract, in part, on the grounds that SCE has not yet satisfied the minimum quantity requirement. While SCE did say that the Puget facilities were "existing" in AL E-2319, SCE corrected this statement in its reply to DRA's protest. SCE clarified that the Hopkins Ridge and Wild Horse facilities are operating, but they came online in 2005 and 2006 respectively. Because the definition of "new" includes all facilities that commenced commercial operations on or after January 1, 2005, the Puget facilities are considered new. Thus, the minimum quantity requirement does not apply to the Puget contract, and the Commission rejects DRA's protest.

Commission denies DRA's and TURN's protests that Puget should be rejected because it is a short-term, out-of-state contract

Both DRA and TURN protest the Puget contract for being a short-term contract located outside of California, arguing that such contracts have little benefit to ratepayers. Both parties also object to SCE's proposal for delivering the out-of-state energy to California; DRA argues that the transaction should be considered a tradable renewable energy credit (TREC) contract, which is not an approved procurement method, and TURN asserts that proposed SB 14 may make the proposed structure ineligible for the RPS program, so it should not be approved now. TURN further protests the contract on the grounds that ratepayers would be temporarily subsidizing renewable generation built for another state's RPS needs.

The Commission denies DRA's and TURN's protests that this project should be rejected because it is a short-term out-of-state project. First, the Puget contract is

⁵¹ Contracts of less than 10 years duration are considered "short-term" contracts and facilities that commenced commercial operations prior to January 1, 2005 are considered "existing".

not subject to the limitation on short-term contracts because it is only applicable to existing facilities, and the CEC has determined that the project satisfies its RPS eligibility and delivery guidelines for out-of-state projects. Also, as SCE notes in its reply to protests, the contract has value for ratepayers because the project's price, benefit-to-cost ratio, and viability are reasonable as compared to SCE's 2008 shortlisted bids. Further, the contract is consistent with SCE's 2008 procurement plan, which specifies a need for contracts that can deliver in the near-term, regardless of the contract term or project location. Because SCE has long-term renewable energy needs that must be satisfied, we are not suggesting that SCE should primarily depend on short-term out-of-state contracts to meet RPS targets. However, SCE's RPS portfolio of largely long-term in-state RPS contracts (that have been executed, but many are not yet delivering), we expect that its RPS requirements will ultimately be satisfied by those contracts rather than short-term in-state contracts.⁵²

The Commission also denies without prejudice DRA's protest that the Puget contract is a TREC transaction. In SCE's reply to protests, it refers to CPUC resolutions denying without prejudice DRA's previous claims that proposed out-of-state RPS contracts that utilize firming and shaping are TREC transactions. As the Commission has previously said, "A thorough examination of the issues related to the use of unbundled and tradable RECs for RPS compliance is taking place in R.06-02-012 and we do not wish to prejudge the outcome of that proceeding."⁵³ A final decision has not yet been issued in R.06-06-012.

With regard to TURN's protest concerning SB 14, we recognize that the CEC would have to modify the RPS delivery guidelines in its RPS Eligibility Guidebook if the bill were enacted into law. However, we note that the bill has been amended four times since its introduction and has only passed one house of the Legislature. It is speculative to assume that the bill will be enacted into law or, even if it is, that it will be enacted in its current form. In short, we will not disapprove this reasonable contract based on speculation that this bill may become law in its current form.

⁵² See the RPS website for a list of RPS projects:
<http://www.cpuc.ca.gov/PUC/energy/Renewables/index.htm>

⁵³ Resolution E-4192, p. 15

Also, TURN protested the Puget contract on the grounds that ratepayers would be temporarily subsidizing renewable generation built for another state's RPS needs. We deny TURN's protest because the Puget contract meets the requirements of the program as defined in statute, Commission decisions and by the CEC's eligibility rules. It is not the Commission's policy to layer on an additional de facto eligibility requirement based on the location of the facility and an ad hoc analysis of whether the facility is *additional*, as TURN would essentially have us do. To do so in a resolution will create unacceptable regulatory uncertainty. Moreover, such policy level questions are not appropriate to address by resolution and are best examined in the RPS policy proceeding.

Commission denies DRA's and TURN's protests that the Puget contract price is unreasonable

DRA objects to the Puget contract price because it is above the MPR and because DRA doesn't believe that firmed and shaped out-of-state projects have value for ratepayers. DRA also asserts that energy from operational facilities "normally costs less than energy from a new facility". TURN protests the contract because it is not prudent to pay a price "far above the cost of ownership" for existing renewable generation that was built to meet future RPS requirements in other states. TURN argues that the purchase does nothing to further the development of renewable resources.

The Commission finds that the contract price is reasonable and that the Puget contract has value, and thus, rejects the protests of DRA and TURN. First, as discussed previously, bilateral contract prices are not subject to the MPR but must be deemed reasonable. As discussed previously, the Commission finds the Puget price reasonable because it is competitive relative to SCE's 2008 shortlist, is highly viable, is compliant with CPUC decisions, and additionally serves SCE's need for near-term RPS-eligible energy deliveries. See the section "Contract price is reasonable" above and Confidential Appendix A, which includes SCE's analysis that compares the Puget contract price to the 2008 shortlist bid prices and that describes the methodology that SCE used to develop Puget's bid price.

Also, see Confidential Appendix B for further discussion of DRA's confidential protest regarding price.

Commission denies TURN's and DRA's protest that SCE violated the confidentiality rules

TURN's public protest argues that "crucial elements of this 'competitive process' are only discussed in the confidential version of Edison's advice letter, so that a reader of the public version of the advice letter would remain ignorant of significant factors aside from the normal confidential terms and conditions of the contract." DRA asserts that the confidentiality claim filed with AL 2319-E is not in compliance with D.06-06-066.

In their response, SCE claims that they complied with D.06-06-066 in drafting the confidentiality declaration and followed the Energy Division advice letter template, which prescribes what information should be contained in the public and confidential sections of an RPS advice letter.

It appears that TURN's concerns about the confidentiality of certain information relating to the process whereby SCE and Puget entered into this contract have been addressed by SCE's supplemental AL 2319-E-A, in which SCE disclosed the relationship between this PPA and a Settlement that is pending at FERC.⁵⁴ Also, our review of the material SCE submitted as confidential shows that SCE complied with D.06-06-066 in its confidentiality declaration. Accordingly, the Commission denies both TURN's and DRA's protests.

COMMENTS

PU Code Section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding. The 30-day comment period for the draft of this resolution was neither waived nor reduced.

DRA commented on the Draft Resolution on June 1, 2009. DRA asserts that the Puget contract does not comply with RPS procurement guidelines because Puget

⁵⁴ The Settlement specifies that the CPUC will conduct an independent review of the Puget contract pursuant to the standards generally applicable to its review of RPS contracts, and this Resolution is such an independent review under our normally applicable standards.

“already claims the resources under the approved contract for meeting retail RPS responsibility to its customers” on Puget’s website, so using the resources for compliance with California’s RPS would be double counting. DRA notes that the CEC is responsible for ensuring that RPS resources are not double counted,⁵⁵ and WREGIS says that California RPS claims can not be made if a claim has been made in another jurisdiction. DRA requests that the contract require Puget to “cease and desist from the marketing, reporting, and representation” of the Puget wind farms in the utility’s portfolio for the duration of the contract.

In SCE’s reply to DRA’s comments, SCE asserts that the Puget contract contains terms and conditions conveying the green attributes to SCE and preventing double counting of the Puget resource.

While it is ultimately the CEC’s responsibility to ensure that RPS resources are not double counted, Energy Division staff contacted Puget and requested that they respond to DRA’s comments to describe the steps they would take to prevent double counting. On June 12, 2009, Puget responded to DRA’s comments. In its response, Puget asserts that SCE has the exclusive rights to the green attributes from both facilities and that Puget will not be claiming the generation for Washington’s RPS or for Puget’s internal renewable goals. Puget says that they will ensure that they do not “appear to double count renewable attributes” and will commit to reviewing its website and making any necessary changes any necessary changes to ensure that references to its renewable energy portfolio and the Hopkins Ridge and Wild Horse Facilities are not misleading by June 17, 2009.”

The Commission finds that Puget’s actions appropriately address DRA’s concerns of double counting.

⁵⁵ PU Code §399.13

FINDINGS

1. The RPS Program requires each utility, including SCE, to increase the amount of renewable energy in its portfolio to 20 percent by 2010, increasing by a minimum of one percent per year.
2. D.08-04-009, as modified by D.08-08-028, sets forth four non-modifiable and nine modifiable standard terms and conditions to be incorporated into RPS power purchase agreements.
3. D.03-06-071 allows for a utility and a generator to enter into bilateral contracts outside of the competitive solicitation process.
4. D.08-02-008 directed the utilities to issue their 2008 renewable RFOs, consistent with their renewable procurement plans.
5. The Commission required each utility to establish a Procurement Review Group (PRG) to review the utilities' interim procurement needs and strategy, proposed procurement process, and selected contracts.
6. SCE filed Advice Letter 2319-E on February 9, 2009, requesting Commission review and approval of a bilateral renewable energy contract with Puget.
7. SCE filed Advice Letter 2319-E-A on May 11, 2009 to disclose the relationship between the Puget PPA and a Settlement that is pending at FERC.
8. On March 5, 2009, DRA and TURN filed timely protests to AL 2319-E. On March 9, 2009, SCE filed a reply to the protests of DRA and TURN.
9. On June 4, 2009, DRA commented on the Draft Resolution. On June 9, 2009 SCE filed a reply to DRA's comments.
10. On June 12, Puget Sound Energy submitted a late filed response to DRA's comments on the Draft Resolution, which was accepted by Energy Division.
11. The Commission has reviewed the proposed Puget contract and finds it to be consistent with SCE's approved 2008 renewable procurement plan and bilateral procurement rules.
12. The Puget contract is contingent on, among other things, the approval by FERC and the CPUC on a Settlement that is pending at FERC.
13. SCE briefed its PRG on December 15, 2009 about the Puget auction and on January 6, 2009 about SCE's successful bid for 2,000 GWh of energy from Puget.

14. The proposed contract price is reasonable.
15. The CEC provided the Commission with written confirmation that the proposed delivery structure for the Puget contract complies with the RPS Eligibility Guidebook.
16. The Commission denies DRA's protest that SCE violated D.07-05-028 because this decision does not apply to the Puget contract since it is for energy from new wind facilities.
17. The Commission denies DRA's and TURN's protests that Puget should be rejected on the grounds that it is a short-term, out-of-state contract because the contract complies with all RPS rules related to short-term and out-of-state contracts, because the contract has value to ratepayers and is reasonable in light of SCE's procurement plan.
18. The Commission denies DRA's and TURN's protests that the contract price is unreasonable because Puget is competitive relative to SCE's other RPS options, is viable, is compliant with CPUC decisions and is able to deliver RPS-eligible energy in the near-term, which is consistent with SCE's 2008 procurement plan.
19. After a review of SCE's confidentiality declaration and confidential appendices, the Commission denies TURN and DRA's protests that SCE violated D.06-06-066.
20. Any electric energy sold or dedicated to SCE pursuant to the Puget contract, constitutes procurement by SCE from an ERR for the purpose of determining SCE's compliance with any obligation that it may have to procure from ERRs pursuant to the RPS Legislation or other applicable law concerning the procurement of electric energy from renewable energy resources.
21. All procurement under the Puget contract, counts, in full and without condition, towards any annual procurement target established by the RPS statute or the Commission which is applicable to SCE.
22. All procurement under the Puget contract counts, in full and without condition, towards any incremental procurement target established by the RPS statute or the Commission which is applicable to SCE.
23. All procurement under the Puget contract counts, in full and without condition, towards 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).

24. The Puget contract is reasonable and prudent for all purposes, including, but not limited to, recovery in rates of payments made pursuant to the Puget contract subject only to further review with respect to the reasonableness of SCE's administration of the Puget contract.
25. Any indirect costs of renewables procurement identified in Section 399.15(a)(2) shall be recovered in rates.
26. The Puget contract proposed in AL 2319-E should be approved without modification.
27. Certain material filed under seal pursuant to Public Utilities (Pub. Util.) Code Section 583 and General Order (G.O.) 66-C, and considered for possible disclosure, should not be disclosed. Accordingly, the confidential appendices, marked "[REDACTED]" in the redacted copy, should not be made public upon Commission approval of this resolution.

THEREFORE IT IS ORDERED THAT:

1. The proposed renewable energy contract between Southern California Edison and Puget Sound Energy, Inc in Advice Letter 2319-E is approved without modification.
2. The costs of the contracts between Southern California Edison and Puget Sound Energy, Inc are reasonable and in the public interest; accordingly, the payments to be made by Southern California Edison are fully recoverable in rates over the life of the project, subject to Commission review of Southern California Edison's administration of the contract.
3. The protests from the Division of Ratepayer Advocates and The Utility Reform Network are denied.
4. This Resolution is effective today.

Resolution E-4244
SCE AL 2319-E and 2319-E-A/SMK

June 18, 2009

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on June 18, 2009; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON
PAUL CLANON
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners

Confidential Appendix A
Contract Summary

[REDACTED]

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Amended Petition of)	
)	
PUGET SOUND ENERGY, INC.)	
)	
	)	Docket No. UE-070725
)	
For an Order Authorizing the Use of the)	
Proceeds From the Sale of Renewable)	
Energy Credits and Carbon Financial)	
Instruments)	
<hr/>		

DWS-14

**Resolution E-4278. Pacific Gas and Electric Company (PG&E) and
Puget Sound Energy, Inc.**

January 28, 2009

Date of Issuance – 10/19/09

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-4278

October 15, 2009

REDACTED

R E S O L U T I O N

Resolution E-4278. Pacific Gas and Electric Company (PG&E)

PROPOSED OUTCOME: This Resolution approves cost recovery for a renewable power purchase agreement (PPA) resulting from bilateral negotiations between PG&E and Puget Sound Energy, Inc. The PPA and associated hedging strategy are approved without modification.

ESTIMATED COST: Actual costs of this contract are confidential at this time.

By Advice Letter 3457-E filed on May 6, 2009.

SUMMARY

PG&E's proposed power purchase agreement complies with the RPS procurement guidelines and is approved.

PG&E filed Advice Letter (AL) 3457-E on May 6, 2009, requesting California Public Utilities Commission (Commission) review and approval of a bilateral PPA with Puget Sound Energy, Inc. (Puget) and an associated hedging strategy. Pursuant to the proposed PPA, PG&E will procure 1,000 gigawatt-hours (GWh) from Puget's Hopkins Ridge and Wild Horse wind facilities operating in Washington State. PG&E's request is granted because the PPA is consistent with Decision (D.) 08-02-008, which approved PG&E's 2008 RPS Procurement Plan and because the costs of the PPA are reasonable. Payments made under the PPA between PG&E and Puget are fully recoverable in rates over the life of the PPA, subject to Commission review of PG&E's administration of the PPA. The energy acquired from the facilities will count towards PG&E's RPS requirements.

Generating Facilities	Technology	Contract Term (Years)	Capacity (MW)	Expected Deliveries (GWh/yr)	Commercial Operation Date	Project Locations
Hopkins Ridge and Wild Horse	Wind	1	385	1000	2011	Columbia County, WA and Kittitas County, WA

The Advice Letter was protested by the Division of Ratepayer Advocates and Californians for Renewable Energy, Inc. The Commission denies both protests. The proposed contract price is reasonable, and all costs of the contract are fully recoverable in rates over the life of the contract, subject to Commission review of PG&E's administration of the contract.

AL 3457-E is approved without modification.

Confidential information about the contract should remain confidential

This Resolution finds that certain material filed under seal pursuant to Public Utilities (Pub. Util.) Code Section 583, General Order (G.O.) 66-C, and D.06-06-066 should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations.

Pursuant to D.06-06-066 and the decision's Appendix I "IOU Matrix", this Commission adopted a "window of confidentiality" for individual contracts for RPS energy or capacity. Specifically, this Commission determined that RPS contracts should be confidential for three years from the date the contract states that energy deliveries begin, except contracts between IOUs and their own affiliates, which should be public.

BACKGROUND

The RPS Program requires each utility to increase the amount of renewable energy in its portfolio

The California RPS Program was established by Senate Bill (SB) 1078, and has been subsequently modified by SB 107 and SB 1036.¹ The RPS program is set forth in Public Utilities (Pub. Util.) Code §§ 399.11-399.20. An RPS is a market-based policy mechanism that requires a retail seller of electricity purchase a certain percentage of its electric portfolio from electricity generated by Eligible Renewable Energy Resources (ERR). Under the California RPS, each utility is required to increase its total procurement of ERRs by at least one percent of annual retail sales per year so that twenty percent of its retail sales are supplied by ERRs by 2010.²

In response to SB 1078 and SB 107, the Commission has issued a series of decisions that establish the regulatory and transactional parameters of the investor owned utility (IOU) renewables procurement program.³

- On June 19, 2003, the Commission issued its “Order Initiating Implementation of the Senate Bill 1078 Renewable Portfolio Standard Program,” D.03-06-071.
- In D.02-08-071, the Commission required each utility to establish a Procurement Review Group whose members, subject to an appropriate non-disclosure agreement, would have the right to consult with the utilities and review the details of each utility’s: overall interim procurement strategy; proposed procurement processes including, but not limited to, requests for offers and proposed procurement contracts before any of the contracts are submitted to the Commission for expedited review.
- Instructions for utility evaluation of each offer to sell ERRs requested in an RPS solicitation were provided in D.04-07-029, as required by Pub. Util.

¹ SB 1078 (Sher, Chapter 516, Statutes of 2002); SB 107 (Simitian, Chapter 464, Statutes of 2006); SB 1036 (Perata, Chapter 685, Statutes of 2007)

² On November 17, 2008, Governor Schwarzenegger signed Executive Order S-14-08, which established a 33 percent PRS target to be met by 2020.

³ RPS decisions are available on the Commission’s RPS website:
<http://www.cpuc.ca.gov/PUC/energy/Renewables/decisions.htm>

Code §399.14(a)(2)(B). The bid evaluation methodology is known as ‘least-cost, best-fit.’

- The Commission adopted standard terms and conditions (STCs) for RPS power purchase agreements in D.04-06-014, as required by Pub. Util. Code §399.14(a)(2)(D). These STCs are compiled in D.08-04-009, as modified by D.08-08-028, and as a result there are now thirteen STCs of which four are non-modifiable.
- In D.06-05-039, the Commission required participation of an Independent Evaluator (IE) in the IOU’s competitive RPS procurement process. The IE’s role is to ensure that the IOU’s RPS solicitation is undertaken in a fair and consistent manner. The IE also provides additional oversight during contract negotiations.
- D.06-10-050, as modified by D.07-03-046, outlined the RPS reporting and compliance methodologies and rules. In this decision, the Commission established methodologies to calculate a load serving entities’ (LSE) initial baseline procurement amount, annual procurement target (APT) and incremental procurement amount (IPT).
- The Commission adopted its market price referent (MPR) methodology in D.04-06-015 for determining the utility’s share of the RPS seller’s bid price (the contract payments at or below the MPR), as defined in Pub. Util. Code §399.14(a)(2)(A) and 399.15(c). The Commission refined the MPR methodology in D.05-12-042 and D.08-10-026. Resolutions adopted MPR values for the 2005, 2006, 2007, and 2008 RPS solicitations.⁴
- In D.07-05-028, the Commission established a minimum quota for contracting with new facilities or executing long-term contracts for RPS-eligible generation. Specifically, in order for an LSE to count for RPS compliance, deliveries from contracts of less than ten years’ duration with RPS-eligible facilities that commenced commercial operation prior to January 1, 2005 must in each calendar year enter into contracts of at least ten years’ duration and/or short-term contracts with facilities that commenced commercial operation on or after January 1, 2005 for energy deliveries equivalent to at least 0.25% of that LSE’s prior year’s retail sales.

⁴ MPR resolutions are available here:

<http://www.cpuc.ca.gov/PUC/energy/Renewables/mpr>

- The Commission established guidelines for a utility and a generator to enter into bilateral contracts outside of the competitive solicitation process (D.03-06-071 and D.06-10-019). More recently, in D.09-06-050, this Commission determined that bilateral RPS contracts should be evaluated using the same methods and criteria that are used to review contracts that result from a competitive solicitation.

Energy from RPS facilities located out-of-state must be delivered to California

The California Energy Commission (CEC) is responsible for certifying the eligibility of renewable energy facilities for the RPS program, as well as verifying and tracking the generation and delivery of renewable energy claimed for compliance with the RPS program. If a renewable energy facility has its first point of interconnection to the transmission network outside of California, it must satisfy all of the following additional requirements:⁵

1. It is connected to the transmission network within the Western Electricity Coordinating Council (WECC) service territory.
2. It commences initial commercial operation after January 1, 2005.
3. Electricity produced by the facility is delivered to an in-state location.
4. It will not cause or contribute to any violation of a California environmental quality standard or requirement.
5. If the facility is outside of the United States, it is developed and operated in a manner that is as protective of the environment as a similar facility located in the state.
6. It participates in the Western Renewable Energy Generation Information System (WREGIS), the accounting system to verify compliance with the renewables portfolio standard by retail sellers

While facilities located in California or with their first point of interconnection in the state are automatically deemed “delivered”, eligible renewable energy from

⁵ Public Resources (PR) Code 25741(b)(2)(B)

out-of-state facilities must be “scheduled for consumption by California end-use retail customers” to be counted for compliance with the RPS program.⁶

Interim Greenhouse Gas Emissions Performance Standard (EPS) established emission rate limitations for long-term electricity procurement

A greenhouse gas emissions performance standard (EPS) was established by Senate Bill 1368⁷, which requires that the Commission consider emissions costs associated with new long-term (five years or greater) power contracts procured on behalf of California ratepayers.

On January 25, 2007, the Commission approved D.07-01-039 which adopted an interim EPS that establishes an emission rate quota for obligated facilities to levels no greater than the greenhouse gas (GHG) emissions of a combined-cycle gas turbine powerplant.⁸ The EPS applies to all energy contracts for baseload generation that are at least five years in duration.⁹ Renewable energy contracts are deemed compliant with the EPS except in cases where intermittent renewable energy is firmed and shaped with generation from non-renewable resources.

PG&E requests Commission approval of a new renewable energy contract and an associated hedging strategy

On May 6, 2009, PG&E filed AL 3457-E requesting Commission approval of a renewable procurement contract with Puget Sound Energy, Inc., which was negotiated bilaterally. The Commission’s approval of the PPA will authorize PG&E to fully recover in rates, payments made pursuant to the PPA and associated hedging strategy.

⁶ PR Code Section 25741(a)

⁷ Chapter 464, Statutes of 2006 (SB 1368)

⁸ D.07-01-039 adopted an emission rate of 1,100 pounds of carbon dioxide per megawatt-hour for the proxy CCGT (section 1.2, page 8)
http://www.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/64072.PDF

⁹ “Baseload generation” is electricity generation at a power plant “designed and intended to provide electricity at an annualized plant capacity factor of at least 60%.” § 8340 (a)

1. Approves the PPA and its associated Hedging Strategy in their entireties, including payments to be made by PG&E pursuant to the Agreement and Hedging Strategy, subject to the Commission's review of PG&E's administration of the Agreement and Hedging Strategy.
2. Finds that any procurement pursuant to the Agreement is procurement from an eligible renewable energy resource for purposes of determining PG&E's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California RPS (Public Utilities Code Section 399.11 et seq.) D.03-06-071 and D.06-10-050, or other applicable law.
3. Finds that all procurement and administrative costs, as provided by Public Utilities Code section 399.14(g), associated with the Agreement and the Hedging Strategy shall be recovered in rates.
4. Adopts the following finding of fact and conclusion of law in support of CPUC Approval:
 - a. The PPA and the Hedging Strategy are consistent with PG&E's 2008 RPS procurement plan.
 - b. The terms of the Agreement, including the price of delivered energy, are reasonable.
5. Adopts the following finding of fact and conclusion of law in support of cost recovery for the Agreement and Hedging Strategy:
 - a. The utility's cost of procurement under the Agreement and Hedging Plan shall be recovered through PG&E's Energy Resource Recovery Account.
 - b. Any stranded costs that may arise from the Agreement are subject to the provisions of D.04-12-048 that authorize recovery of stranded renewables procurement costs over the life of the contract. The implementation of the D.04-12-048 stranded cost recovery mechanism is addressed in D.08-09-012.
6. Adopts the following findings with respect to resource compliance with the EPS adopted in R.06-04-009:
 - a. The Agreement is not a covered procurement subject to the EPS because the generating facilities have a forecast annualized capacity factor of less than 60 percent and therefore are not

baseload generation under paragraphs 1(a)(ii) and 3(2)(a) of the Adopted Interim EPS Rules

- b. Puget's renewable generating facilities are intermittent renewable resources for purposes of compliance with the EPS adopted in R.06-04-009.
- c. The use of system energy to deliver electricity under the terms of the Agreement is consistent with the EPS.

NOTICE

Notice of AL 3457-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

PROTESTS

Advice Letter 3457-E was protested.

On May 26, 2009 AL 3457-E was timely protested by the Division of Ratepayer Advocates (DRA) and Californians for Renewable Energy Inc. (CARE).

PG&E responded to the protests of DRA and CARE on June 2, 2009.

In DRA's protest, DRA recommends that the Commission reject AL 3457-E without prejudice for the following reasons:

- The final price of the contract is unknown and not transparent.
- The price of the renewable or green attribute is too high.

PG&E responded to DRA's protest asserting that their protest should be rejected because the costs of the Agreement and associated Hedging Strategy are reasonable when compared against the market for RPS-eligible energy.

CARE protests AL 3457-E on the following grounds:

- The facilities are not eligible renewable resources.

- The agreement is inconsistent with the California Environmental Quality Act (CEQA) and Rule 2.4 of the Commission's Rules of Practice and Procedure.
- The Commission lacks the authority to fix the price of import energy by PG&E with any person or other entity.

PG&E responded to CARE's protest asserting that their protest should be rejected because the facilities are RPS-eligible, the issues raised are outside the scope of the advice letter, and the hedging agreement is not "price fixing."

DISCUSSION

The following table summarizes the substantive features of the PPA. See Confidential Appendix B for a detailed discussion of PPA terms and conditions.

Generating Facilities	Technology	Contract Term (Years)	Capacity (MW)	Expected Deliveries (GWh/yr)	Commercial Operation Date	Project Locations
Hopkins Ridge and Wild Horse	Wind	1	385	1000	2011	Columbia County, WA and Kittitas County, WA

PG&E requests approval of a bilaterally negotiated PPA with Puget. The PPA provides that PG&E will procure RPS-eligible energy from two operating wind facilities, Hopkins Ridge and Wild Horse.¹⁰ The facilities are located in Washington State and began operating on November 27, 2005 and December 22, 2006, respectively. Both facilities are certified by the CEC as RPS-eligible facilities.¹¹ Deliveries from the facilities are expected to commence in 2011 and occur for one year. (See table above.)

¹⁰ Pursuant to the PPA, deliveries from other facilities may occur if there are extended outages to the Hopkins Ridge or Wild Horse facilities.

¹¹ CEC List of RPS-eligible facilities:
http://www.energy.ca.gov/portfolio/documents/LIST_RPS_CERT.XLS, accessed September 2, 2009

Energy Division has reviewed the proposed PPA pursuant to Commission decisions

Specifically, Energy Division evaluated the PPA for the following criteria:

- Consistency with PG&E's 2008 RPS Procurement Plan
- Consistency with RPS standard terms and conditions (STC)
- Reasonableness of the levelized all-in price
- Consistency with bilateral contracting guidelines
- Consistency with the RPS delivery rules, as set forth in the CEC's RPS Eligibility Guidebook
- Project viability assessment
- Consistency with Interim Emissions Performance Standard

The PPA is consistent with PG&E's Commission adopted 2008 RPS Procurement Plan

California's RPS statute requires that the Commission review the results of a renewable energy resource solicitation submitted for approval by a utility.¹² The Commission reviews the results to verify that the utility conducted its solicitation according to its Commission approved procurement plan. PG&E's 2008 RPS Procurement Plan (Plan) was approved by D.08-02-008 on February 14, 2008. Pursuant to statute, PG&E's Plan includes an assessment of supply and demand to determine the optimal mix of renewable generation resources, consideration of flexible compliance mechanisms established by the Commission, and a bid solicitation protocol setting forth the need for renewable generation of various operational characteristics.¹³ The Puget PPA is consistent with PG&E's Commission-approved RPS Plan.

¹² Pub. Util. Code, Section §399.14

¹³ Pub. Util. Code, Section §399.14(a)(3)

The PPA fits with PG&E's identified renewable resource needs

PG&E states that the generation from the facilities will meet the resource needs identified in its 2008 RPS Plan. In its 2008 RPS Plan, PG&E's goal was to procure approximately 800 to 1,600 GWh per year. PG&E's 2008 RPS Plan also noted that dispatchable and near-term deliveries were more valuable to PG&E.

In aggregate, the facilities will annually deliver 1,000 GWhs to PG&E. The PPA considered herein meets the identified resource needs. Deliveries from the facilities will contribute to PG&E's 20 percent goal under the current flexible compliance rules.

The PPA compares favorably to PG&E's 2008 solicitation

Although the PPA was negotiated bilaterally, PG&E conducted a least-cost, best-fit (LCBF) bid evaluation of the PPA to compare it to their 2008 solicitation bids. PG&E's bid evaluation includes a quantitative and qualitative analysis, which focuses on four primary areas: 1) determination of a bid's market value; 2) calculation of transmission adders and integration costs; 3) evaluation of portfolio fit; and 4) consideration of non-price factors. The LCBF evaluation is generally used to establish a shortlist of proposals from PG&E's solicitation with whom PG&E will engage in contract negotiations. In this case, LCBF evaluation was conducted for the bilaterally negotiated PPA in order to evaluate the its value relative to PG&E's other RPS options.

PG&E determined that the PPA is reasonable relative to proposals received in response to PG&E's 2008 solicitation because the PPA's market valuation compares favorably with bids from its 2008 solicitation. In addition, the deliveries of import energy from the associated Hedging Strategy are anticipated to match PG&E's portfolio needs for additional energy.

Consistency with RPS standard terms and conditions

The proposed PPA is comprised of the Western Systems Power Pool (WSPP) Agreement and a Confirmation Letter which conforms to the Commission's decisions requiring STCs for RPS contracts.

"May Not be Modified" Terms

The PPA does not deviate from the non-modifiable standard terms and conditions.

“May be Modified” Terms

During the course of negotiations, the parties identified a need to modify some of the modifiable standard terms in order to reach agreement. The changes were based upon mutual agreement reached during negotiations.

PPA price and Hedging Strategy are reasonable and recoverable in rates

Pursuant to the PPA, PG&E will pay Puget for bundled renewable energy delivered as a firm and shaped product. In AL 3457-E, PG&E also requested that the Commission approve an associated hedging strategy. The hedging strategy is a separate transaction from the PPA, but it is proposed in conjunction with the PPA. As part of the proposed hedging strategy, PG&E will make forward purchases at a California Independent System Operator (CAISO) import point to fix the price of approximately 1,000 GWh of import energy for 2011. The result of the hedging transaction is generation of an approximately equivalent term and amount as PG&E's PPA with Puget.¹⁴ Thus, the total expected costs of the PPA are the sum of the PPA price and associated hedging strategy.

Based on the information provided in AL 3547-E, the total expected costs of the PPA are reasonable.¹⁵ Confidential Appendix B shows the costs are reasonable because the Puget contract price compares favorably to all bids, including shortlisted bids, PG&E's received through its 2008 RPS solicitation. (Confidential Appendix B also includes further price analysis and detailed discussions of the contractual pricing terms.)

In addition, the total expected costs of the Puget PPA is at or below the 10-year 2008 MPR for a facility beginning operation in 2011.¹⁶ While comparing the

¹⁴ The Commission strongly discourages the utilities from entering into RPS contracts that negate the hedging value of renewables. Although PG&E's proposed Hedging Strategy is not the conventional method, the hedging plan effectively provides a hedging benefit to the transaction between Puget and PG&E that is similar to the hedging value of renewables.

¹⁵ While D.09-06-050 recently established a process for fast-tracking short-term contracts, AL 3457-E was filed before the Commission approved the decision. Thus, the contract price was reviewed using the standard RPS process.

¹⁶ Resolution E-4118: http://docs.cpuc.ca.gov/published/Final_resolution/73594.htm

Puget contract price to the 2008 MPR for a 10-year contract is imperfect because there is no 2008 MPR for a one-year contract, the MPR can be an additional reference point in determining price reasonableness for this contract.

Hedging Strategy

PG&E plans to begin executing its hedging strategy no more than 60 days from the date PG&E receives final, non-appealable CPUC-Approval of its PPA. While we will approve the hedging strategy via advice letter, this will not be precedent setting. Additionally, the Commission requests that within 30 days from PG&E's execution of its hedging strategy that PG&E submit to the Commission a compliance filing by Tier 1 advice letter that documents the fixed price PG&E obtained as a result of its hedging strategy.

PPA is consistent with RPS bilateral contracting guidelines

The Puget PPA is consistent with the bilateral contracting guidelines in D.06-10-019.

1. The PPA will not be applied to PG&E's cost limitation.¹⁷
2. Pursuant to D.06-10-019, the PPA was submitted by advice letter.¹⁸
3. The PPA is at least one month in duration.¹⁹
4. The PPA is reasonably priced.²⁰

Most recently, in D.09-06-050, the Commission determined that bilateral contracts should be reviewed according to the same processes and standards as

¹⁷ The PPA is ineligible for the cost limitation because it did not result from a competitive solicitation. (PU Code §399.15(d)(2))

¹⁸ "For now, utilities' bilateral RPS contracts, of any length, must be submitted for approval by advice letter." (D.06-10-019, p.31)

¹⁹ "All RPS-obligated LSEs are also free to enter into bilateral contracts of any length with RPS-eligible generators, as long as the contracts are at least one month in duration, to enable the CEC to verify RPS procurement claims." (D.06-10-019 p. 29)

²⁰ The contract price of bilaterals must be deemed reasonable by the Commission. (D.06-10-019, p. 31)

contracts that come through a solicitation. AL 3457-E was submitted before this decision was adopted, however. Thus, the Commission conducted its review of the contract based on previous bilateral contract decisions. Specifically, the contract was evaluated based on the four requirements listed above, as identified in D.06-10-019.

Proposed delivery structure complies with CEC's guidelines

The CEC is responsible for determining whether out-of-state RPS projects satisfy the delivery requirements for the RPS program. For each out-of-state project that the Commission reviews, the CEC provides the Commission with written documentation addressing whether the proposal satisfies the delivery requirements.

On August 11, 2009, the CEC provided the Commission with a letter declaring that the proposed Puget delivery structure satisfies the RPS delivery requirements. This letter, which also includes a brief overview of Puget's delivery structure, can be found in Appendix A.

Project viability assessment and operational status

PG&E believes the PPA is viable and Puget will be able to meet the terms and conditions in the PPA. Based on information provided by PG&E about the facilities, the Commission finds no project viability risk associated with the Puget PPA because the facilities are online and generating.

PG&E's Procurement Review Group (PRG) participated in the review of the PPA and associated hedging strategy.

The PRG for PG&E consists of: California Department of Water Resources, Union of Concerned Scientists, Division of Ratepayer Advocates, Coalition of California Utility Employees, The Utility Reform Network, Jan Reid as a PG&E ratepayer, and the Commission's Energy Division.

PG&E informed the PRG of the proposed transaction on March 23, 2009. Although Energy Division is a member of the PRG, it reserved judgment on the contract and hedging strategy until the advice letter was filed. Energy Division reviewed the transaction independently of the PRG, and allowed for a full protest period before concluding its analysis. The PRG feedback, as described in the confidential information provided with the advice letter, did not provide a basis for disapproval of the PPA.

PPA is compliant with D.07-05-028

D.07-05-028 established a condition (called the “minimum quantity”) on the ability of utilities to count an eligible contract of less than 10 years duration with a facility that commenced commercial operations prior to January 1, 2005 for compliance with the RPS program.²¹ The decision says that in the calendar year that the short-term contract with an existing facility is executed, the utility must also enter into long-term contract(s) or contract(s) with new facilities equivalent to at least 0.25% of the utility’s previous year’s retail sales.

The Hopkins Ridge and Wild Horse facilities began commercial operation after January 1, 2005. Thus, the minimum quota requirement does not apply.

Consistency with Interim Emissions Performance Standard

The EPS does not apply to a contract of less than five years. The Puget PPA is expected to have a term of less than five years, thus the EPS does not apply to this contract.

DRA’s protest is denied

DRA protests AL 3457-E on the grounds that:

- 1) The final price of the contract is unknown and not transparent; and
- 2) The price of the renewable or green attribute is too high. DRA argues that since PG&E has not executed its Hedging Strategy the final price of the contract is not known thus it cannot be determined whether or not it is reasonable.

PG&E responded to DRA’s protest. In PG&E’s reply, PG&E asserts that the Puget PPA and the associated hedging strategy are reasonable when compared against the market for RPS-eligible energy. PG&E further argues that while they have not executed its Hedging Strategy, the Commission has sufficient information to make a determination on the reasonableness of the PPA and Hedging Strategy.

²¹ Contracts of less than 10 years duration are considered “short-term” contracts and facilities that commenced commercial operations prior to January 1, 2005 are considered “existing”.

Pursuant to the PPA, Puget will deliver a firm and shaped, bundled energy product in exchange for an all-in contract price paid by PG&E. The Commission has reviewed the all-in contract price and as noted above the contract price was found to be reasonable (See "PPA price and Hedging Strategy are reasonable and recoverable in rates"). Thus, DRA's protest is denied.

CARE's protest is denied

CARE protests AL 3457-E on the following grounds:

- 1) The Puget wind facilities are not eligible renewable resources as defined in Public Resource Code 25741 as required by Pub. Util. Code Section 399.12(c);
- 2) The PPA is inconsistent with the California Environmental Quality Act (CEQA) and Rule 2.4 of the Commission's Rules of Practice and Procedure since PG&E has not "analyze[d] or identif[ied] the negative environmental impacts (attributes) of wind indirectly on greenhouse gas emissions and directly on avian species;"²² and
- 3) "The Commission lacks authority to approve 'price fixing' to fix the price of import energy by PG&E with any person or other entity."

As described above and noted in PG&E's response to CARE's protest, the Puget wind facilities are certified as RPS-eligible facilities; therefore, energy from the facilities is RPS-eligible.

CARE's arguments regarding CEQA lack merit for several reasons. First, the scope of this Resolution is confined only to approval of PG&E's anticipated costs as reasonable and the Commission herein expresses no opinion about any issue other than PG&E's anticipated costs. Second, approval of PG&E's anticipated costs is not an "approval" of a "project" within the meaning of CEQA. (Public Resources Code Section 21065; CEQA Guidelines, Cal. Code Regs., tit. 14, §§ 15352(a), 15378). Therefore, CARE's protest regarding the PPA being inconsistent with CEQA and Rule 2.4 of the Commission's Rules of Practice and Procedure is denied.

²² Protest of CARE to Contract for Procurement of Renewable Energy Resources between PG&E and Puget Sound Energy, Inc., filed May 26, 2009

PG&E describes their Hedging Strategy as a way to manage their RPS transaction with Puget with the purpose of obtaining imported energy deliveries at a fixed price. Approval of PG&E's Hedging Strategy is not approval of "price fixing" between PG&E and another person or entity. That is, approval of PG&E's Hedging Strategy is not approval for any agreement that would restrict price competition. Therefore, the Commission denies CARE's protest regarding "price fixing".

COMMENTS

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

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments.

DRA filed timely comments on October 5, 2009 and PG&E filed reply comments on October 12, 2009.

DRA comments that the compliance filing required of PG&E should be made by advice letter. We carefully considered DRA's recommendation and modified the draft Resolution accordingly.

PG&E recommends in its reply comments that DRA's comments should be rejected and the draft Resolution should be modified. In its comments, PG&E argues for rejecting DRA's comments because the draft Resolution already addresses and resolves the reasonableness of the contract and associated hedging strategy. PG&E also recommends that modifications be made to the draft Resolution to: 1) waive the protest period for the compliance filing and 2) limit Commission review of the compliance filing to confirming that PG&E executed its hedging strategy as proposed in AL 3457-E. PG&E argues that these modifications will eliminate any unnecessary comments and provide regulatory certainty. The Commission's General Orders define the advice letter process, including the basis and process for filing protests. We do not believe that the compliance filing required of PG&E is so unique that it requires specific

guidance beyond what is provided in the Commission's General Orders. Therefore, PG&E's recommendation for modifications is unwarranted.

FINDINGS

1. Pacific Gas and Electric Company (PG&E) filed Advice Letter (AL) 3457-E on May 6, 2009 requesting Commission review and approval of a renewable energy resource power purchase agreement (PPA) with Puget Sound Energy, Inc.
2. The RPS Program requires each utility, including PG&E, to increase the amount of renewable energy in its portfolio to 20 percent by 2010, increasing by a minimum of one percent per year.
3. On November 17, 2008, Governor Schwarzenegger issued Executive Order S-14-08, which sets a target for energy retailers to deliver 33 percent of electrical energy from renewable resources by 2020.
4. The Commission requires each utility to establish a Procurement Review Group to review the utilities' procurement process and selected contracts.
5. The California Energy Commission is responsible for certifying the eligibility of renewable energy facilities for the RPS program, as well as verifying and tracking the generation and delivery of renewable energy claimed for compliance with the RPS program.
6. The Division of Ratepayer Advocates (DRA) and Californians for Renewable Energy, Inc. (CARE) filed protests to AL 3457-E on May 26, 2009.
7. PG&E filed responses to DRA's and CARE's protests on June 2, 2009.
8. The PPA is consistent with PG&E's approved 2008 RPS Procurement Plan, which was approved by D.08-02-008.
9. The PPA fits with PG&E's identified renewable resource needs.
10. D.04-06-014 and D.07-11-025 set forth standard terms and conditions to be incorporated into each RPS PPA. Those terms were compiled and published by D.08-04-009, as modified by D.08-08-028.
11. The PPA includes the Commission adopted RPS standard terms and conditions deemed "non-modifiable".
12. PG&E is to submit within 30 days from when its hedging transaction is executed a compliance filing by Tier 1 advice letter to the Commission that documents the fixed price PG&E obtained as a result of its hedging strategy.

13. The CEC provided the Commission with written confirmation that the proposed delivery structure for the Puget PPA complies with the RPS Eligibility Guidebook.
14. The PPA is exempt from the EPS because the term of the PPA is less than five years.
15. DRA's and CARE's protests are denied.
16. DRA filed timely comments on October 5, 2009 and PG&E filed timely reply comments on October 12, 2009
17. Any stranded costs that may arise from the PPA are subject to the provisions of D.08-09-012 that authorize recovery of stranded renewables procurement costs over the life of the contract.
18. Procurement pursuant to the PPA is procurement from an eligible renewable energy resource for purposes of determining PG&E's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.), D.03-06-071 and D.06-10-050, or other applicable law.
19. The payments made under the PPA between PG&E and Puget Sound Energy, Inc. are reasonable and in the public interest; accordingly, the payments to be made by PG&E are fully recoverable in rates over the life of the projects, subject to Commission review of PG&E's administration of the PPA.
20. Certain material filed under seal pursuant to Public Utilities (Pub. Util.) Code Section 583 and General Order (G.O.) 66-C, and considered for possible disclosure, should not be disclosed. Accordingly, the confidential appendices, marked "[REDACTED]" in the redacted copy, should not be made public upon Commission approval of this resolution.
21. The PPA and Hedging Strategy are reasonable and should be approved.
22. Approval of this advice letter does not constitute a precedent for future renewable procurement contract price structures.
23. Our approval of the Hedging Strategy by advice letter is not precedent setting.
24. AL 3457-E should be approved effective today.

THEREFORE IT IS ORDERED THAT:

1. Pacific Gas and Electric Company's Advice Letter 3457-E, requesting Commission review and approval of a power purchase agreement with Puget Sound Energy, Inc., is approved without modification.
2. Pacific Gas and Electric Company is to submit within 30 days from when its hedging transaction is executed a compliance filing by Tier 1 advice letter to the Commission that documents the fixed price PG&E obtained as a result of its hedging strategy.
3. The costs of the contract between Pacific Gas & Electric Company and Puget Sound Energy, Inc. are reasonable and in the public interest; accordingly, the payments to be made by Pacific Gas & Electric pursuant to the power purchase agreement are fully recoverable in rates over the life of the power purchase agreement, subject to Commission review of Pacific Gas & Electric's administration of the power purchase agreement.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on October 15, 2009; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON
PAUL CLANON
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners

Appendix A

CEC Letter Regarding Eligibility of Puget's Proposed Delivery Structure

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

Amended Petition of)	
)	
)	
PUGET SOUND ENERGY, INC.)	
)	
)	
	)	Docket No. UE-070725
)	
For an Order Authorizing the Use of the)	
Proceeds From the Sale of Renewable)	
Energy Credits and Carbon Financial)	
Instruments)	
<hr/>		

DWS-15

PSE Response to Public Counsel Data Request 416

January 28, 2009

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Docket Nos. UE-090704 and UG-090705
Puget Sound Energy, Inc.'s
2009 General Rate Case**

PUBLIC COUNSEL DATA REQUEST NO. 416

PUBLIC COUNSEL DATA REQUEST NO. 416:

Re: Mr. John Story's direct testimony, page 74.

Please provide the following regarding all outside legal and expert consulting services incurred in arriving at the settlement that will facilitate additional REC sales to California utilities:

- a. Cost incurred by year by FERC account in litigation and/or facilitating the settlement.
- b. Regulatory treatment, if any, afforded such costs in prior accounting authority or rate dockets.

Response:

- a. Attached as Attachment A to Puget Sound Energy, Inc.'s ("PSE") Response to Public Counsel Data Request No. 416, please find an MS Excel file containing costs incurred, by year and by FERC account, in all outside legal and expert consulting services incurred in arriving at the settlement that will facilitate additional Renewable Energy Credits sales to California utilities. The totals in the file reflect an allocation of charges to certain PSE accounts in 2000 through mid-2002. At that time, PSE's counsel did not distinguish work on "California litigation" discretely enough to assign such charges exactly. Thus, figures for the early years--and corresponding totals--are based upon the historic internal PSE allocations to SAP accounts.
- b. The costs identified in Attachment A to PSE's Response to Public Counsel Data Request No. 416 are regular operations costs and, as such, are included in rates.

PSE Response PC DR NO. 416
Attachment A

FERC Account	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
557		27,257	205,718	441,102	651,156	1,229,743	550,049			12,346	\$ 3,117,371
920								66,609	2,903		\$ 69,511
923	53,943	355,867	51,836	1,126				337,935	275,966	339,951	\$ 1,416,624
Total	\$ 53,943	\$ 383,125	\$ 257,554	\$ 442,228	\$ 651,156	\$ 1,229,743	\$ 550,049	\$ 404,543	\$ 278,869	\$ 352,297	\$ 4,603,506

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Amended Petition of)	
)	
)	
PUGET SOUND ENERGY, INC.)	
)	
)	
	)	Docket No. UE-070725
)	
For an Order Authorizing the Use of the)	
Proceeds From the Sale of Renewable)	
Energy Credits and Carbon Financial)	
Instruments)	

DWS-16

**Supplement to Submission of Bilateral Agreement for
Procurement of Renewable Energy**

January 28, 2009



November 6, 2009

Advice Letters 2357-E/E-A

Akbar Jazayeri
Vice President, Regulatory Operations
Southern California Edison Company
P O Box 800
Rosemead, CA 91770

Subject: Submission of Bilateral Agreement for Procurement of Renewable Energy

Dear Mr. Jazayeri:

Advice Letters 2357-E/E-A are effective October 15, 2009 per Resolution E-4264.

Sincerely,

A handwritten signature in blue ink, which appears to read "Julie A. Fitch", is positioned below the word "Sincerely,".

Julie A. Fitch, Director
Energy Division



Akbar Jazayeri
Vice President of Regulatory Operations

September 30, 2009

**ADVICE 2357-E-A
(U 338-E)**

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Supplement to Submission of Bilateral Agreement for
Procurement of Renewable Energy

On July 1, 2009, Southern California Edison Company ("SCE") filed Advice 2357-E, which seeks California Public Utilities Commission ("Commission" or "CPUC") approval of a renewables portfolio standard ("RPS") power purchase agreement between SCE and PacifiCorp, a MidAmerican Energy Holdings Company (the "PacifiCorp Contract"). On August 11, 2009, the Commission's Energy Division issued Draft Resolution E-4264 approving the PacifiCorp Contract.

The purpose of this advice filing is to supplement Advice 2357-E in order to make minor corrections to certain information in Confidential Appendices B, C, D, and G of Advice 2357-E. These minor corrections do not change the evaluation of the PacifiCorp Contract or the Draft Resolution's conclusions that the PacifiCorp Contract price is reasonable and that the contract should be approved. Accordingly, SCE requests that the Commission expeditiously approve Draft Resolution E-4264 at its October 15, 2009, meeting.

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

Attachment 1: Designation of Confidential Information

Confidential Attachment 2: Corrected Appendix B – Pricing Analysis

Confidential Attachment 3: Corrected Appendix C – 2008 Solicitation Overview and Workpapers

Confidential Attachment 4: Corrected Pages of Appendix D – Confidential Contract Summary

Confidential Attachment 5: Corrected Appendix G – AMF Calculator for PacifiCorp Contract

BACKGROUND

SCE filed Advice 2357-E seeking Commission approval of the PacifiCorp Contract on July 1, 2009. On August 11, 2009, the Commission's Energy Division issued Draft Resolution E-4264 approving the PacifiCorp Contract. Among other things, Draft Resolution E-4264 concludes that the PacifiCorp Contract price is reasonable and compares favorably to the bids SCE received in its 2008 RPS solicitation.

Since SCE submitted Advice 2357-E, SCE discovered and corrected a minor error in certain pricing information included in the advice letter. SCE has corrected certain information in Confidential Appendix D. The corrected pages of Confidential Appendix D, with the corrections shown in redline, are included as Attachment 4. SCE has also provided corrected versions of certain supporting spreadsheets which were attached as Appendices B, C, and G to Advice 2357-E. These corrected spreadsheets are included as Attachments 2, 3, and 5.

These minor corrections do not change the evaluation of the PacifiCorp Contract or the Draft Resolution's conclusions that the PacifiCorp Contract price is reasonable and that the contract should be approved. Moreover, as detailed in Advice 2357-E, the PacifiCorp projects are currently operating and energy deliveries under the PacifiCorp Contract commence on October 1, 2009. Accordingly, the Commission should expeditiously approve Draft Resolution E-4264 at its October 15, 2009, meeting.

CONFIDENTIALITY

SCE is requesting confidential treatment of Attachments 2 through 5 to this advice filing. The information for which SCE is seeking confidential treatment is identified in Attachment 1. The confidential version of this advice filing 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 filing may contact Cathy Karlstad in SCE's Law Department at Cathy.Karlstad@sce.com or (626) 302-1096 to obtain a non-disclosure agreement. In accordance with GO 96-B, a copy of SCE's Proposed Protective Order was attached as Appendix M to Advice 2357-E. 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 confidential treatment pursuant to Decision ("D.")06-06-066 and is required to be filed by advice letter as part of the process for obtaining Commission approval of RPS power purchase agreements.

The information in this advice filing 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 Attachment 1. This information is entitled to confidential treatment pursuant to D.06-06-066 (as provided in the Investor-Owned Utility ("IOU") Matrix). The specific provisions of the IOU Matrix that apply to the confidential information in this advice filing are identified in Attachment 1.

The confidential information provided in this advice filing 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 filing for which confidentiality is sought. SCE is informed and believes that this information is maintained by SCE's Renewable and Alternative Power Department 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 other than employees of SCE or non-market participants (such as the Procurement Review Group).

TIER DESIGNATION

Pursuant to GO 96-B, Energy Industry Rule 5.3, SCE submits this advice filing with a Tier 3 designation (effective after Commission approval).

EFFECTIVE DATE

SCE requests that this advice filing become effective on October 15, 2009, subject to review and approval by the Commission.

PROTESTS

SCE asks that the Commission maintain the original protest and comment period as designated in Advice 2357-E and not reopen the protest period or allow additional comments. As discussed above, the Commission's Energy Division has issued Draft Resolution E-4264 approving the PacifiCorp Contract. The minor corrections included in this supplemental advice filing do not change the overall evaluation or reasonableness of the PacifiCorp Contract as set forth in Draft Resolution E-4264. Additionally, as explained above and in Advice 2357-E, expeditious approval of the PacifiCorp Contract is needed as energy deliveries under the PacifiCorp Contract commence on October 1, 2009.

NOTICE

In accordance with Section 4 of GO 96-B, SCE is furnishing copies of this advice filing 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 at (626) 302-2930. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at ProcessOffice@cpuc.ca.gov.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the 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 (E-mail: Laura.Genao@sce.com).

Southern California Edison Company

Akbar Jazayeri

AJ:lg:sq
Enclosures

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.comE-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) #: 2357-E-ATier Designation: 3Subject of AL: Supplement to Submission of Bilateral Agreement for Procurement of Renewable EnergyKeywords (choose from CPUC listing): Compliance, Contracts, ProcurementAL 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 ☐ NoIf yes, specification of confidential information: See Attachment 1.

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:

Cathy Karlstad, Law Department, at (626) 302-1096 or Cathy.Karlstad@sce.comResolution Required? ☒ Yes ☐ NoRequested effective date: 10/15/09No. 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: NoneService affected and changes proposed¹: _____

Pending advice letters that revise the same tariff sheets: _____

¹ Discuss in AL if more space is needed.

All correspondence regarding this AL 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) 673-1116
E-mail: Karyn.Gansecki@sce.com

Marc Ulrich
Vice President, Renewable and Alternative Power
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:

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

Attachment 1
Designation of Confidential Information

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Amended Petition of)	
)	
)	
PUGET SOUND ENERGY, INC.)	
)	
)	
	)	Docket No. UE-070725
)	
For an Order Authorizing the Use of the)	
Proceeds From the Sale of Renewable)	
Energy Credits and Carbon Financial)	
Instruments)	
<hr/>		

DWS-17

**Advice Letters 2357-E/E-A are effective October 15, 2009
per Resolution E-4264.**

January 28, 2009



November 6, 2009

Advice Letters 2357-E/E-A

Akbar Jazayeri
Vice President, Regulatory Operations
Southern California Edison Company
P O Box 800
Rosemead, CA 91770

Subject: Submission of Bilateral Agreement for Procurement of Renewable Energy

Dear Mr. Jazayeri:

Advice Letters 2357-E/E-A are effective October 15, 2009 per Resolution E-4264.

Sincerely,

A handwritten signature in blue ink, which appears to read "Julie A. Fitch", is positioned below the word "Sincerely,".

Julie A. Fitch, Director
Energy Division



Akbar Jazayeri
Vice President of Regulatory Operations

July 1, 2009

**ADVICE 2357-E
(U 338-E)**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION**

SUBJECT: Submission of Bilateral Agreement for Procurement of
Renewable Energy

Southern California Edison Company ("SCE") submits this Advice Letter in compliance with Cal. Pub. Util. Code § 399.11 *et seq.* (the "RPS Legislation") seeking approval of a renewables portfolio standard ("RPS") power purchase agreement between SCE and PacifiCorp, a MidAmerican Energy Holdings Company (the "PacifiCorp Contract").

A table summarizing the PacifiCorp Contract is as follows:

Seller	Generation Type	Initial Size	Potential Expansion Size	Annual Energy Based on Contract Quantity	Estimated Annual Energy Based On Potential Expansion Size	Forecasted Initial Operation Date	Term of Agreement (Years)
PacifiCorp	Wind	573.6 MW	N/A	110 GWh (2009) 328 GWh (2010-2011) 329 GWh (2012)	N/A	On-line	4Q 2009 – 2012 (approximately 3.25 years)

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 September 10, 2009.

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: Pricing Analysis

Confidential Appendix C: 2008 Solicitation Overview and Workpapers

Confidential Appendix D: Confidential Contract Summary

Confidential Appendix E: PacifiCorp's Contribution to RPS Goals

Appendix F: SCE's RPS Proposal Evaluation and Selection Process and Criteria

Confidential Appendix G: AMF Calculator for PacifiCorp Contract

Appendix H: EEI's Master Power Purchase and Sale Agreement and Collateral Annex

Confidential Appendix I: First Amended and Restated Master Power Purchase and Sale Agreement Cover Sheet Between PacifiCorp and SCE

Confidential Appendix J: Paragraph 10 to the Collateral Annex to the First Amended and Restated Master Power Purchase and Sale Agreement Between PacifiCorp and SCE

Confidential Appendix K: Master Power Purchase and Sale Agreement Confirmation Letter Between PacifiCorp and SCE

Appendix L: Site Maps

Appendix M: Proposed Protective Order

I. INTRODUCTION

The RPS Legislation requires certain load-serving entities ("LSEs"), including SCE, to increase their procurement from renewable resources 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. In that decision, the Commission also authorized the investor-owned utilities ("IOUs") to enter into bilateral RPS contracts if the contracts are prudent and do not require public goods charge funds.

Furthermore, in D.06-10-019, the Commission held that RPS-obligated LSEs may enter into bilateral contracts with RPS-eligible generators, as long as the contracts are at least one month in duration. The Commission stated that IOUs' bilateral RPS contracts must be submitted to the Commission for approval by advice letter, and reiterated that bilateral RPS contracts are not eligible for supplemental energy payments. In addition,

the Commission held that while bilateral contracts are not subject to the market price referent (“MPR”), they must be reasonable.

In D.09-06-050, adopted by the Commission after the PacifiCorp Contract was executed, the Commission held that bilateral contracts should be reviewed according to the same processes and standards as contracts that come through a solicitation. Additionally, the Commission found that the MPR should be used as a price benchmark for the evaluation of long-term bilateral contracts.¹

During the fall of 2008, PacifiCorp and SCE commenced discussions about contracting for renewable power from PacifiCorp’s existing wind facilities. SCE and PacifiCorp then negotiated the final terms of the transaction resulting in the execution of the PacifiCorp Contract. SCE communicated with its procurement review group (“PRG”) prior to execution of the PacifiCorp Contract.

A. Purpose of the Advice Letter

The PacifiCorp projects are six existing² wind facilities as described below. The seller under the PacifiCorp Contract is PacifiCorp, an energy utility serving approximately 1.7 million electric customers in six western states. PacifiCorp is wholly-owned by MidAmerican Energy Holdings Company, a subsidiary of Berkshire Hathaway. The projects were originally developed and constructed by PacifiCorp or Invenergy (Wolverine Creek Energy, LLC).

Facility	COD	Installed Capacity (MW)	Capacity Factor	City	County	State	Land Acreage	Leased or Owned	# of Turbines	Turbine Type
Wolverine Creek	02/12/06	64.5	31.0%	Iona	Bonneville & Bingham	ID	4,000	Leased	43	GE 1.5MW SLE
Leaning Juniper	09/14/06	100.5	34.7%	Arlington	Gilliam	OR	9,396	Leased	67	GE 1.5MW SLE
Marengo	08/03/07	140.4	32.0%	Dayton	Columbia	WA	17,610	Leased	78	Vestas 1.8MW V80
Marengo II	06/30/08	70.2	30.5%	Dayton	Columbia	WA		Leased	39	Vestas 1.8MW V80
Glenrock	12/31/08	99	37.4%	Glenrock	Converse	WY	14,000	Owned	66	GE 1.5MW SLE
Rolling Hills	01/17/09	99	33.8%	Glenrock	Converse	WY		Owned	66	GE 1.5MW SLE

¹ The Commission also held that the contract review standards and processes set out in D.09-06-050 for very short-term contracts and moderately short-term contracts govern both bilateral contracts and contracts that are the result of a solicitation. The Energy Division has not yet established price benchmarks for very short-term and moderately short-term contracts.

² The PacifiCorp projects are “existing” wind facilities in that they have all began commercial operations. However, all six facilities qualify as “new facilities” under the RPS statute and Commission precedent because they commenced commercial operations on or after January 1, 2005. See Cal. Pub. Util. Code § 399.14(b); D.07-05-028.

The PacifiCorp projects' expected deliveries under the PacifiCorp Contract will be approximately 110 GWh in 2009, 328 GWh in 2010 and 2011, and 329 GWh in 2012. The PacifiCorp Contract term is for approximately three and one quarter (3.25) years with the start of energy deliveries commencing October 1, 2009.³

B. General Project Description

Owner/Developer	PacifiCorp (5 projects) and Invenergy - Wolverine Creek Energy, LLC (1 project) ⁴
Projects	Wolverine Creek, Leaning Juniper, Marengo, Marengo II, Glenrock, and Rolling Hills
Technology	Wind
Capacity (MW)	573.6 MW - See chart above for detail
Capacity Factor	33.4% weighted average - See chart above for detail
Expected Generation (MWh/Year)	110,400 MWh/year (2009) 327,600 MWh/year (2010) 327,600 MWh/year (2011) 328,800 MWh/year (2012)
On-line Date (if existing, the contract delivery start date)	Contract delivery start date is October 1, 2009
Contract Term (Years)	Approximately 3.25 years
New or Existing Facility	Existing
Location (include in/out-of-state) and Control Area (e.g., CAISO, BPA)	Out-of-state BPA and PacifiCorp control areas
Price relative to MPR (i.e., above/below)	Below

³ As described in more detail in Appendix D, the PacifiCorp Contract is conditioned upon final Commission approval.

⁴ In 2006, PacifiCorp contracted with Invenergy for the wind output from the 64.5 MW Wolverine Creek facility.

C. General Deal Structure of Contract

Under the PacifiCorp Contract, SCE will take delivery of electric energy and green attributes from the PacifiCorp projects at the Palo Verde trading hub and will use PacifiCorp's resources to manage the intermittent energy from the facilities within both BPA's and PacifiCorp's control areas. SCE will then import the energy into California in a manner that is compliant with the California Energy Commission's ("CEC") out-of-state RPS delivery requirements.

In managing the electric energy, SCE will employ the same fundamental economic principles as it does with its current (non-ERR)⁵ power purchase agreements ("PPAs") for out-of-state resources by:

- Scheduling the energy directly into California upon receipt of the energy, and/or
- Selling the energy outside California, whichever yields the most value to SCE's customers.

Analogous to the scenarios described immediately above, SCE will self-manage the green attributes as follows by:

- Scheduling firmed and shaped energy with green attributes directly into California as an import, and/or
- Selling the energy without green attributes into the local market, and later (within the same calendar year that the facilities produced the energy) tagging import schedules with the green attribute identifier consistent with the CEC delivery requirements.⁶

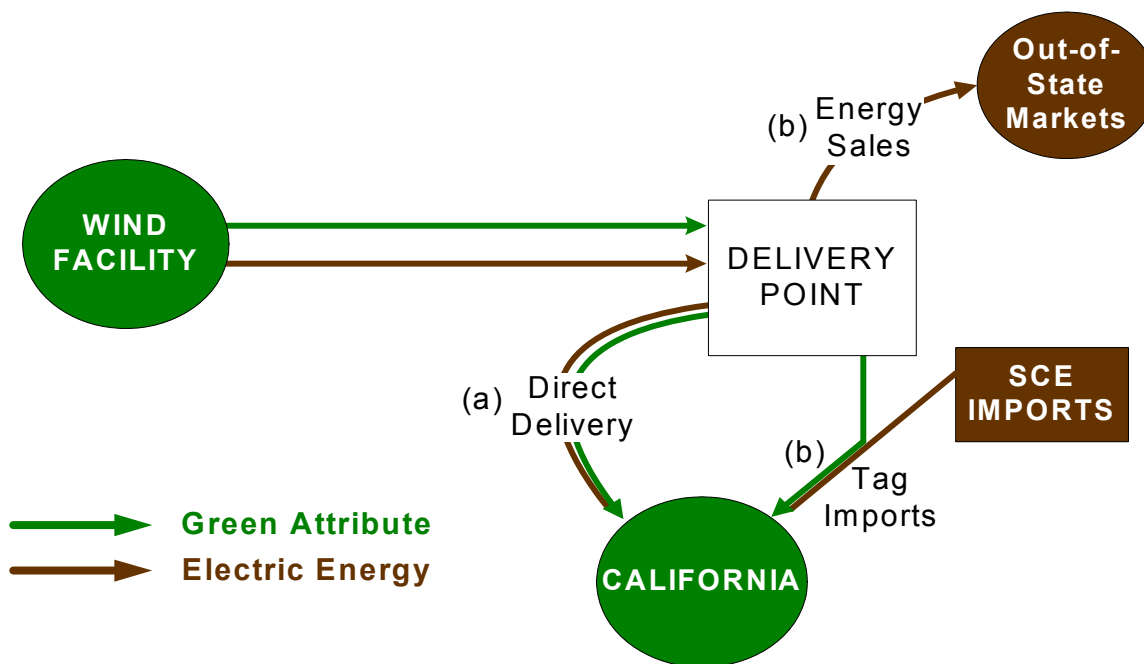
In all scenarios, SCE will demonstrate delivery of the wind generation to an in-state market hub or in-state location as specified in the CEC's "Delivery Requirements" as required in the CEC RPS Eligibility Guidebook, including by:

- Importing energy into California within the same calendar year the PacifiCorp projects produce the respective energy, and
- Participating in the CEC's approved RPS tracking and verification system.

The following diagram illustrates the deal structure and energy management scenarios described in this section.

⁵ "ERR" refers to an eligible renewable energy resource.

⁶ See Renewables Portfolio Standard Eligibility Guidebook (Third Edition), publication # CEC-300-2007-006-ED3-CMF, adopted December 19, 2007.



II. CONSISTENCY WITH COMMISSION DECISIONS

A. Commission Decisions Allowing IOUs to Procure Renewable Resources Through Bilateral Negotiations

As discussed above, in D.03-06-071, the Commission authorized the IOUs to enter into bilateral RPS contracts outside of the competitive solicitation process if the contracts are prudent.⁷ In D.06-10-019, the Commission reaffirmed that RPS-obligated LSEs may enter into bilateral contracts with RPS-eligible generators, as long as the contracts are at least one month in duration and are reasonable. In D.09-06-050, adopted by the Commission after the PacifiCorp Contract was executed, the Commission held that bilateral contracts should be reviewed according to the same processes and standards as contracts that come through a solicitation.

The PacifiCorp Contract was pursued bilaterally because the transaction was sourced through PacifiCorp's existing contractual relationship with SCE. As explained below and in the appendices, the PacifiCorp Contract is consistent with all Commission guidelines regarding bilateral contracting. Additionally, the price and other terms in the PacifiCorp Contract are reasonable. Accordingly, the PacifiCorp Contract should be approved by the Commission.

⁷ The Commission also held that bilateral contracts may not require supplemental energy payments from public goods charge funds. Supplemental energy payments were eliminated under Senate Bill ("SB") 1036. Pursuant to SB 1036, the Commission now approves above-market funds for RPS contracts.

B. 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

The Commission conditionally approved SCE's 2008 RPS procurement plan, including the bid solicitation materials for SCE's 2008 RPS solicitation, in D.08-02-008. In addition, in D.08-02-008, the Commission 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 renewables 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 request for proposals ("RFP") solicited proposals to supply electric energy, green attributes, capacity attributes, and resource adequacy benefits from eligible renewable energy resources sufficient to permit SCE to execute 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 eligible renewable energy resource, or multiple eligible renewable energy resources, 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 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 no 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 California Independent System Operator ("CAISO") control area. However, SCE also considered

proposals for facilities interconnected to the Western Electricity Coordinating Council ("WECC") transmission system.

3. The PacifiCorp Contract Conforms to SCE's Portfolio Needs

Although the PacifiCorp Contract was negotiated bilaterally outside of SCE's 2008 RPS solicitation, the PacifiCorp Contract falls within the criteria identified in SCE's 2008 RFP and is expected to contribute significantly toward achievement of SCE's RPS procurement goals. More specifically, the PacifiCorp Contract satisfies SCE's near-term need for eligible renewable energy from existing facilities with a total capacity of 573.6 MW over a three and one quarter-year term.

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 (the "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 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 price 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 F.

2. Comparison of the PacifiCorp Contract With Proposals Received in SCE's 2008 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.

Although the PacifiCorp Contract was negotiated bilaterally outside of SCE's 2008 RPS solicitation, the B/C ratio calculated for the PacifiCorp Contract was acceptable to SCE and favorable as compared to the proposals SCE received in its 2008 solicitation. The benefits and costs for the PacifiCorp Contract resulted in a B/C ratio that ranked high enough as compared to the proposals SCE received in its 2008 RPS solicitation to demonstrate that the PacifiCorp Contract provides significant value for SCE's customers relative to the proposals received in SCE's solicitation, and represents a contract that provides for the delivery of relatively attractive near-term renewable power pursuant to terms and conditions that meet all of the requirements of the RPS Legislation and the Commission's decisions implementing the RPS Legislation. More detailed information regarding the B/C ratio for the PacifiCorp Contract is found in Appendices B and D. Additionally, as discussed in Appendices B and D, the PacifiCorp Contract compared

favorably to the proposals SCE received in its 2008 RPS solicitation based on other LCBF evaluation metrics.

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.

The PacifiCorp projects provide a total nameplate capacity of 573.6 MW. The projects will also provide approximately 110 GWh of RPS-eligible energy in 2009, approximately 328 GWh per year of RPS-eligible energy in 2010 and 2011, and approximately 329 GWh of RPS-eligible energy in 2012.

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 by 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 seller’s capacity to perform, technical viability, and project viability as discussed in further detail in Appendix F. 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 (a) the initial proposal rank is within reasonable valuation proximity to those selected for the short list and (b) 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.

Although the PacifiCorp Contract was negotiated bilaterally outside of SCE's 2008 RPS solicitation, based on some non-quantifiable attributes as well as the quantifiable attributes discussed above, the PacifiCorp Contract compares favorably to the projects on SCE's 2008 RPS solicitation short list. There are no viability concerns with the PacifiCorp projects because they are existing projects that began commercial operations between 2006 and early 2009. The PacifiCorp Contract will also provide near-term eligible renewable energy in 2009 through 2012, when it is most needed by SCE. In addition, based on PacifiCorp's past development experience and the fact that PacifiCorp is a regulated utility, it is likely PacifiCorp will be able to perform all of its financial and other obligations under the agreement.

7. Impact of Debt Equivalence

Specific information regarding the impact of debt equivalence on the PacifiCorp Contract is found in Appendix D.

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 May 27, 2009, SCE advised the PRG of its conclusion of negotiations with PacifiCorp and its intentions to execute the PacifiCorp Contract.

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 the 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").⁸ 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 PacifiCorp Contract is expected to begin deliveries on October 1, 2009. The renewable output from the agreement is expected to contribute approximately 110 GWh in 2009, 328 GWh per year in 2010 and 2011, and 329 GWh in 2012.

A table summarizing the PacifiCorp Contract's contribution to SCE's RPS goals is found in Appendix E.

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 PacifiCorp Contract includes 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 PacifiCorp Contract are permissible.

⁸ See D.06-10-050.

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 contracts⁹ or short-term contracts with new facilities¹⁰ 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 such contracts are signed, to be used for compliance for the minimum quantity requirement in future years.

The PacifiCorp Contract is a short-term contract with new facilities as the PacifiCorp facilities all commenced commercial operations on or after January 1, 2005. Accordingly, the minimum quantity requirement does not apply.

H. Interim Emissions Performance Standard

The California Legislature passed SB 1368 on August 31, 2006 and Governor Schwarzenegger signed the bill into law on September 29, 2006. Section 2 of SB 1368 added Cal. Pub. Util. Code § 8341(a), which provides that "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)."¹¹

To implement the provisions of SB 1368, the Commission instituted Rulemaking 06-04-009. This proceeding resulted in the establishment of a green house 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."¹²

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

⁹ Long-term contracts are contracts of at least 10 years duration.

¹⁰ New facilities are facilities that commenced commercial operation on or after January 1, 2005.

¹¹ Cal. Pub. Util. Code § 8341(a).

¹² D.07-01-039 at 2-3.

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 long-term commitment when the LSE enters into “a new or renewed contract with a term of five or more years.”¹³

By this Advice Letter filing, SCE requests that the Commission approve the short-term PacifiCorp Contract, which has a term of approximately three and one quarter years. Because the PacifiCorp Contract is not a “long-term financial commitment” (i.e., a “new contract or renewed contract with a term of five or more years”), the PacifiCorp Contract is not subject to the EPS.

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

As discussed in more detail in Appendix D, the PacifiCorp Contract is below the 2008 MPR and therefore no AMFs are required based on the energy price. Additionally, because the PacifiCorp Contract is a short-term contract that was negotiated bilaterally, the contract is not eligible for AMFs pursuant to Cal. Pub. Util. Code § 399.15(d)(2).

III. PROJECT DEVELOPMENT STATUS

There are no viability concerns regarding the PacifiCorp Contract. The PacifiCorp projects are existing facilities that began commercial operations between 2006 and early 2009 and are currently delivering power.

A. Site control

PacifiCorp has full site control. The projects are existing facilities that began commercial operations between 2006 and early 2009 and are currently delivering power.

B. Resource and/or Availability of Fuel

The PacifiCorp facilities (Wolverine Creek, Leaning Juniper, Marengo, Marengo II, Glenrock, and Rolling Hills) are existing facilities using wind technology. The facilities began commercial operations between 2006 and early 2009 and are currently delivering power.

C. Transmission

There are no transmission or interconnection issues with the PacifiCorp projects. The generating facilities are already connected to BPA’s and PacifiCorp’s control areas

¹³ *Id.* at 4.

under existing interconnection agreements and no upgrades are needed. PacifiCorp will firm and shape the energy and deliver it to the Palo Verde trading hub for SCE. Additional information regarding transmission is included in Appendix D.

D. Technology Type and Level of Technology Maturity

The PacifiCorp projects utilize 242 GE 1.5 MW and 117 Vestas 1.8 MW wind turbine generators that are already in operation.

E. Permitting

The PacifiCorp facilities are operating power plants currently delivering power. All permits necessary to operate the facilities have been obtained.

F. Developer Experience

In 2006, PacifiCorp contracted with Invenergy for the wind output from the 64.5 MW Wolverine Creek facility. After that, later in 2006, PacifiCorp built the 100.5 MW Leaning Juniper wind facility in Oregon. Since 2006, PacifiCorp has built numerous wind facilities, including Marengo, Marengo II, Glenrock, and Rolling Hills. PacifiCorp has also announced the construction of two additional wind facilities. Since the PacifiCorp projects under contract in the PacifiCorp Contract began commercial operations between 2006 and early 2009, PacifiCorp has demonstrated its ability to successfully build and operate wind facilities.

G. Financing plan

Specific information regarding financing for the PacifiCorp Contract is found in Appendix D.

H. Production Tax Credit/Investment Tax Credit

Specific information regarding production tax credits ("PTCs") and investment tax credits ("ITCs") for the PacifiCorp Contract is found in Appendix D.

I. Equipment Procurement

All necessary equipment has been purchased and is operating at the facilities.

IV. CONTINGENCIES AND MILESTONES

A. Major Performance Criteria and Guaranteed Milestones

Specific information regarding the terms of the PacifiCorp Contract is found in Appendix D.

B. Other Contingencies and Milestones

Specific information regarding the terms of the PacifiCorp Contract is found in Appendix D.

V. REGULATORY PROCESS

A. RPS-eligibility Certification from the CEC

To date, PacifiCorp has received RPS-eligibility certification from the CEC for the Wolverine Creek, Leaning Juniper, Marengo, and Marengo II wind facilities. The Glenrock and Rolling Hills wind facilities are currently under CEC review and neither SCE nor PacifiCorp foresee any issues with obtaining CEC certification. In order for the output of a facility to be included in SCE's purchases under the PacifiCorp Contract, CEC certification is required.

B. Justification for Effective Date

The PacifiCorp projects are existing facilities that are currently operating. Moreover, energy deliveries under the PacifiCorp Contract commence on October 1, 2009. In order to allow for deliveries under the PacifiCorp Contract to begin as soon as possible, SCE requests that this Advice Letter become effective on September 10, 2009. The justification of the effective date is discussed in more detail in Appendix D.

C. Contractual Obligations Impacting CPUC Approval Schedule

Specific information regarding the terms of the PacifiCorp Contract is found in Appendix D.

D. Earmarking

SCE reserves the right to earmark any generation from the PacifiCorp Contract into RPS compliance years as applicable.

E. Confidentiality

SCE is requesting confidential treatment of Appendices B through E, G, and I through K to this Advice Letter. The information for which SCE is seeking confidential treatment is identified in Appendix A. 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 Cathy Karlstad in SCE's Law Department at Cathy.Karlstad@sce.com or (626) 302-1096 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 M. 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 confidential treatment 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 confidential treatment 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 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 other than employees of SCE 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 PacifiCorp Contract is conditioned on the occurrence of "CPUC Approval," as it is defined in the PacifiCorp Contract. In order to satisfy that condition with respect to the PacifiCorp Contract, SCE requests that the Commission issue a resolution no later than September 10, 2009, containing:

1. Approval of the PacifiCorp Contract in its entirety;
2. A finding that any electric energy sold or dedicated to SCE pursuant to the PacifiCorp Contract constitutes procurement by SCE from an eligible renewable energy resource ("ERR") for the purpose of determining SCE's compliance with any obligation that it may have to procure from ERRs pursuant to 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 PacifiCorp Contract counts, in full and without condition, towards 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 PacifiCorp Contract counts, in full and without condition, towards 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 PacifiCorp Contract counts, in full and without condition, towards the requirement in the RPS Legislation that SCE procure 20% (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 PacifiCorp Contract, and SCE's entry into the PacifiCorp Contract, is reasonable and prudent for all purposes, including, but not limited to, recovery in rates of payments made pursuant to the PacifiCorp Contract, subject only to further review with respect to the reasonableness of SCE's administration of the PacifiCorp Contract; and
7. Any other and further relief as the Commission finds just and reasonable.

EFFECTIVE DATE

This Advice Letter will become effective on September 10, 2009.

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
E-mail: AdviceTariffManager@sce.com

Advice 2357-E
(U 338-E)

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July 1, 2009

Bruce Foster
Senior Vice President, Regulatory Affairs
c/o Karyn Gansecki
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, CA 91770
Facsimile: (626) 302-1103
E-mail: Mike.Marelli@sce.com

With a copy to:

Cathy Karlstad
Attorney
Southern California Edison Company
2244 Walnut Grove Avenue, 3rd Floor
Rosemead, CA 91770
Facsimile: (626) 302-1935
E-mail: Cathy.Karlstad@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 at (626) 302-2930. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov.

Advice 2357-E
(U 338-E)

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July 1, 2009

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the 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 (E-mail: Laura.Genao@sce.com).

Southern California Edison Company

Akbar Jazayeri

AJ:lg:jm
Enclosures

<p>Appendix A</p> <p>Designation of Confidential Information</p>
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BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Amended Petition of)	
)	
PUGET SOUND ENERGY, INC.)	
)	
	)	Docket No. UE-070725
)	
For an Order Authorizing the Use of the)	
Proceeds From the Sale of Renewable)	
Energy Credits and Carbon Financial)	
Instruments)	

DWS-18

**Resolution E-4264. Southern California Edison (SCE) Company
renewable portfolio standard power purchase agreement with
PacifiCorp, a MidAmerican Energy Holdings Company.**

January 28, 2009

Date of Issuance – 10/19/09

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-4264

October 15, 2009

Redacted

R E S O L U T I O N

Resolution E-4264. Southern California Edison (SCE) Company.
PROPOSED OUTCOME: This Resolution approves cost recovery for
a renewable portfolio standard power purchase agreement with
PacifiCorp, a MidAmerican Energy Holdings Company.

ESTIMATED COST: Actual costs of the power purchase agreement
are confidential at this time.

By Advice Letter 2357-E filed on July 1, 2009 and Advice Letter 2357-
E-A filed on September 30, 2009.

SUMMARY

**Southern California Edison's PacifiCorp contract complies with the
renewables portfolio standard guidelines and is approved**

Southern California Edison (SCE) filed advice letter (AL) 2357-E on July 1, 2009
requesting Commission review and approval of a short-term, bilateral renewable
energy power purchase agreement (PPA) executed with PacifiCorp. SCE filed AL
2357-E-A on September 30, 2009 to correct a few calculations in the confidential
Appendices of the advice letter.

Resolution E-4264
SCE AL 2357-E and AL 2357-E-A/SMK

October 15, 2009

Generating facilities	Type	Term (Years)	Contract Capacity (MW)	Energy (GWh)	Contract Start Date	Location
1) Wolverine Creek 2) Leaning Juniper 3) Marengo 4) Marengo II 5) Glenrock 6) Rolling Hills	Wind, online ¹	3.25	50	110 (2009) 328 (2010) 328 (2011) 329 (2012)	October 1, 2009	Wind facilities located in ID, OR, WA, WY. PacifiCorp will deliver energy to SCE at Palo Verde

PacifiCorp owns and/or takes delivery of renewable energy from the above-listed wind farms, located in several western states. Under this PPA, PacifiCorp will sell SCE green attributes from these facilities and sell 50 MW firm to SCE at the Palo Verde trading hub in Arizona. The green attributes may come from any of the six wind facilities listed above, as long as the facility has received its RPS eligibility certification from the California Energy Commission (CEC). SCE will either sell the energy and replace it at a later date with an equivalent amount of energy for import to California, or deliver the energy into California upon receipt. In either event, SCE's imports into California under the PPA shall be consistent with the CEC's RPS delivery guidelines.

The proposed contract price is reasonable, and all costs of the contract are fully recoverable in rates over the life of the contract, subject to Commission review of SCE's administration of the contract.

AL 2357-E and AL 2357-E-A is approved without modification.

Confidential information about the contract should remain confidential

This resolution finds that certain material filed under seal pursuant to Public Utilities Code Section 583, General Order (G.O.) 66-C, and D.06-06-066 should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations.

Pursuant to D.06-06-066 and the decision's Appendix I "IOU Matrix", this Commission adopted a "window of confidentiality" for individual contracts for RPS energy or capacity. Specifically, this Commission determined that RPS

¹ Although the facilities are already operating, they were built after January 1, 2005 and are considered "new" pursuant to statutory rules.

contracts should be confidential for three years from the date the contract states that energy deliveries begin, except contracts between IOUs and their own affiliates, which should be public.

BACKGROUND

The RPS Program requires each utility to increase the amount of renewable energy in its portfolio

The California RPS Program was established by Senate Bill (SB) 1078², and has been subsequently modified by SB 107³ and SB 1036⁴. The RPS program is set out at Public Utilities (PU) Code Section 399.11, et seq. An RPS policy generally requires that a retail seller of electricity, such as SCE, purchase a certain percentage of electricity generated by Eligible Renewable Energy Resources (ERR). Under the California RPS, each utility is required to increase its total procurement of ERRs by at least 1% of annual retail sales per year so that 20% of its retail sales are supplied by ERRs by 2010. Also, on November 17, 2008, Governor Schwarzenegger issued Executive Order S-14-08, setting a goal for energy retailers to deliver 33 percent of electrical energy from renewable resources by 2020.⁵

In response to SB 1078, SB 107, and SB 1036, the Commission has issued a series of decisions and resolutions that establish the regulatory and transactional parameters of the utility renewables procurement program.

- On June 19, 2003, the Commission issued its “Order Initiating Implementation of the Senate Bill 1078 Renewable Portfolio Standard Program,” D.03-06-071.⁶
- Instructions for utility evaluation of each offer to sell ERRs requested in an RPS solicitation were provided in D.04-07-029⁷, as required by PU Code Section 399.14(a)(2)(B). The bid evaluation methodology is known as ‘least-cost, best-fit’.

² SB 1078 (Sher, Chapter 516, Statutes of 2002)

³ SB 107 (Simitian, Chapter 464, Statutes of 2006)

⁴ SB 1036 (Perata, Chapter 685, Statutes of 2007)

⁵ <http://gov.ca.gov/executive-order/11072/>

⁶ http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/27360.PDF

⁷ http://docs.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/38287.PDF

- The Commission adopted standard terms and conditions (STCs) for RPS power purchase agreements in D.04-06-014, as required by PU Code Section 399.14(a)(2)(D). These STCs are compiled in D.08-04-009⁸, as modified by D.08-08-028⁹, and as a result, there are now thirteen STCs of which four are non-modifiable.
- D.06-10-050, as modified by D.07-03-046, compiled the RPS reporting and compliance methodologies.¹⁰ In this decision, the Commission established methodologies to calculate a retail seller's initial baseline procurement amount, annual procurement target (APT) and incremental procurement amount (IPT).¹¹
- The Commission adopted its market price referent (MPR) methodology in D.04-06-015¹² for determining the market price of energy, as defined in PU Code Sections 399.14(a)(2)(A) and 399.15(c); the MPR serves as a cost containment tool because the above-MPR contract costs of RPS contracts are limited (PU Code Section 399.15[d]). The Commission refined the MPR methodology for the 2005 RPS Solicitation in D.05-12-042.¹³ Subsequent resolutions adopted MPR values for the 2005, 2006, 2007, and 2008 RPS solicitations.¹⁴
- In D.06-10-019¹⁵, the Commission adopted rules for the eligibility and approval of RPS short-term contracts (procurement contracts that are less

⁸ http://docs.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/81269.PDF

⁹ http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/86954.pdf

¹⁰ D.06-10-050, Attachment A,

(http://www.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/61025.PDF) as modified by D.07-03-046 (http://www.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/65833.PDF)

¹¹ The IPT represents the amount of RPS-eligible procurement that the LSE must purchase, in a given year, over and above the total amount the LSE was required to procure in the prior year. An LSE's IPT equals at least 1% of the previous year's total retail electrical sales, including power sold to a utility's customers from its DWR contracts.

¹² http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/37383.pdf

¹³ http://www.cpuc.ca.gov/word_pdf/FINAL_DECISION/52178.pdf

¹⁴ Respectively, Resolution E-3980:

http://www.cpuc.ca.gov/WORD_PDF/FINAL_RESOLUTION/55465.DOC, Resolution E-4049: http://www.cpuc.ca.gov/word_pdf/FINAL_RESOLUTION/63132.doc, Resolution E-4118: http://www.cpuc.ca.gov/word_pdf/FINAL_RESOLUTION/73594.pdf

Resolution E-4214: http://docs.cpuc.ca.gov/Published/Final_resolution/95553.htm

¹⁵ http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/60585.PDF

than 10 years in duration) and bilateral contracts (procurement contracts that are negotiated outside of a competitive RPS solicitation).

- Resolutions E-4160¹⁶ and E-4199¹⁷ implemented SB 1036, which modified the RPS cost containment mechanism. The Commission established cost limitations for each investor-owned utility (IOU) and set forth guidelines for approving above-MPR RPS contracts negotiated through a competitive solicitation.
- In D.07-05-028, the Commission established a minimum quota for contracting with new facilities or executing long-term contracts for RPS-eligible generation. Specifically, in order for an LSE to count a short-term contract with an existing facility for RPS compliance, the LSE must enter into long-term contracts or contracts with new facilities for energy deliveries equivalent to at least 0.25% of that LSE's prior year's retail sales.¹⁸
- The Commission established guidelines for a utility and a generator to enter into bilateral contracts outside of the competitive solicitation process (D.03-06-071 and D.06-10-019). More recently, in D.09-06-050, this Commission determined that bilateral RPS contracts should be evaluated using the same methods and criteria that are used to review contracts that result from a competitive solicitation. This requires, for example, review by the utility's PRG and its Independent Evaluator. This also includes a comparison of the proposed agreement to RPS opportunities received in its annual solicitations and other RPS-eligible procurement options.
- D.09-06-050 established review and approval processes for short term contracts. The fast-track review process allows an RPS contract that is less than 10 years in duration to be submitted by tier 2, rather than tier 3, advice letter if the contract meets specified criteria. Short-term contracts that do not meet such criteria can still be filed by tier 3 advice letter. The Decision requires Energy Division staff to establish pricing criteria for short-term contracts that are submitted by tier 2 and tier 3 advice letters.

¹⁶ http://docs.cpuc.ca.gov/WORD_PDF/FINAL_RESOLUTION/81476.PDF

¹⁷ http://docs.cpuc.ca.gov/WORD_PDF/FINAL_RESOLUTION/98603.PDF

¹⁸ The term of a "short-term" contract is less than ten years. A "new" facility must have commenced commercial operations after January 1, 2005.

Before the criteria are adopted, short-term contracts can be reviewed on a case by case basis.

Energy from RPS facilities located out-of-state must be delivered to California

The California Energy Commission (CEC) is responsible for certifying the eligibility of renewable energy facilities for the RPS program, as well as verifying and tracking the generation and delivery of renewable energy claimed for compliance with the RPS program. If a renewable energy facility has its first point of interconnection to the transmission network outside of California, it must satisfy all of the following additional requirements:¹⁹

1. It is connected to the transmission network within the Western Electricity Coordinating Council (WECC) service territory.
2. It commences initial commercial operation after January 1, 2005.
3. Electricity produced by the facility is delivered to an in-state location.
4. It will not cause or contribute to any violation of a California environmental quality standard or requirement.
5. If the facility is outside of the United States, it is developed and operated in a manner that is as protective of the environment as a similar facility located in the state.
6. It participates in the Western Renewable Energy Generation Information System (WREGIS), the accounting system to verify compliance with the renewables portfolio standard by retail sellers

While facilities located in California or with their first point of interconnection in the state are automatically deemed “delivered”, eligible renewable energy from out-of-state facilities must be “scheduled for consumption by California end-use retail customers” to be counted for compliance with the RPS program.²⁰ The RPS statute also allows “electricity generated by an eligible renewable energy resource [to] be considered ‘delivered’ regardless of whether the electricity is generated at a different time from consumption by a California end-use customer.”²¹

¹⁹ Public Resources (PR) Code 25741(b)(2)(B)

²⁰ PR Code Section 25741(a)

²¹ Id

The CEC's RPS Eligibility Guidebook²² says that in practical terms, this means that out-of-state energy may be "firmed" and "shaped", or backed up or supplemented with delivery from another source, before it is delivered to California. The CEC's Guidebook provides three examples of eligible delivery structures, and essentially allows a generator, third party, or the IOU to firm and shape RPS contracts.²³

For each advice letter requesting CPUC approval of a PPA with an out-of-state RPS facility, the CEC provides written documentation to the CPUC addressing whether a proposed RPS contract's delivery structure would be eligible pursuant to the guidelines in the CEC's Guidebook.

Interim Greenhouse Gas Emissions Performance Standard (EPS) established emission rate limitations for long-term electricity procurement

A greenhouse gas emissions performance standard (EPS) was established by Senate Bill 1368²⁴, which requires that the Commission consider emissions costs associated with new long-term (five years or greater) power contracts procured on behalf of California ratepayers.

On January 25, 2007, the Commission approved D.07-01-039 which adopted an interim EPS that establishes an emission rate quota for obligated facilities to levels no greater than the greenhouse gas (GHG) emissions of a combined-cycle gas turbine powerplant.²⁵ The EPS applies to all energy contracts for baseload generation that are at least five years in duration.²⁶ Renewable energy contracts are deemed EPS compliant from the EPS except in cases where intermittent renewable energy is shaped and firmed with generation from non-renewable resources. If the renewable energy contract is shaped and firmed with a specified energy source that is considered baseload generation, then the energy source

²² <http://energy.ca.gov/2007publications/CEC-300-2007-006/CEC-300-2007-006-ED3-CMF.PDF>

²³ pg 23-24

²⁴ Chapter 464, Statutes of 2006 (SB 1368)

²⁵ D.07-01-039 adopted an emission rate of 1,100 pounds of carbon dioxide per megawatt-hour for the proxy CCGT (section 1.2, page 8)

http://www.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/64072.PDF

²⁶ "Baseload generation" is electricity generation at a power plant "designed and intended to provide electricity at an annualized plant capacity factor of at least 60%." § 8340 (a)

must individually meet the EPS. If, however, the intermittent energy is firmed and shaped with an unspecified energy source (e.g. system power), then D.07-01-039 specifically defines the following eligibility condition:

For specified contracts with intermittent renewable resources (defined as solar, wind and run-of-river hydroelectricity), the amount of substitute energy purchases from unspecified resources is limited such that total purchases under the contract (whether from the intermittent renewable resource or from substitute unspecified sources) do not exceed the total expected output of the specified renewable powerplant over the term of the contract.²⁷

SCE requests Commission approval of a renewable energy contract

On July 1, 2009, SCE filed AL 2357-E, requesting Commission review and approval of a PPA with PacifiCorp. SCE filed supplemental AL 2357-E-A on September 30 to correct a few calculation errors in the confidential Appendices of AL 2356-E. The short-term PPA results from bilateral negotiations. The output from PacifiCorp's wind facilities will be firmed and shaped and delivered to SCE at the Palo Verde trading hub; SCE will deliver the energy to California. The PPA will contribute energy deliveries towards SCE's renewable procurement goal required by California's RPS statute.²⁸ SCE requests that the Commission issue a resolution no later than September 10, 2009, containing:

1. Approval of the PacifiCorp Contract in its entirety;
2. A finding that any electric energy sold or dedicated to SCE pursuant to the PacifiCorp Contract constitutes procurement by SCE from an eligible renewable energy resource ("ERR") for the purpose of determining SCE's compliance with any obligation that it may have to procure from ERRs pursuant to the RPS Legislation²⁹ or other applicable law concerning the procurement of electric energy from renewable energy resources;

²⁷ D.07-01-039, Conclusion of Law 40. Note: These compliance rules specifically apply to IOUs, additional compliance rules may apply to other RPS-obligated load serving entities.

²⁸ The California Energy Commission is responsible for determining the RPS-eligibility of a renewable generator. See PU Code Section 399.12 and D.08-04-009, as modified by D.08-08-028.

²⁹ As defined by SCE, "'RPS Legislation' refers to the current State of California Renewable Portfolio Standard program statute, as codified at California Public Utilities Code Section 399.11 et seq."

3. A finding that all procurement under the PacifiCorp Contract counts, in full and without condition, towards 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 PacifiCorp Contract counts, in full and without condition, towards 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 PacifiCorp Contract counts, in full and without condition, towards the requirement in the RPS Legislation that SCE procure 20% (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 PacifiCorp Contract, and SCE's entry into the PacifiCorp Contract, is reasonable and prudent for all purposes, including, but not limited to, recovery in rates of payments made pursuant to the PacifiCorp Contract, subject only to further review with respect to the reasonableness of SCE's administration of the PacifiCorp Contract; and
7. Any other and further relief as the Commission finds just and reasonable.

SCE's Procurement Review Group participated in review of the contracts

In D. 02-08-071, the Commission required each utility to establish a "Procurement Review Group" (PRG) whose members, subject to an appropriate non-disclosure agreement, would have the right to consult with the utilities and review the details of:

1. Overall transitional procurement strategy;
2. Proposed procurement processes including, but not limited to, RFO; and
3. Proposed procurement contracts before any of the contracts are submitted to the Commission for expedited review.

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 (DRA), The Utility Reform Network (TURN), the Natural Resources Defense Council, California Utility Employees, the Union of

Resolution E-4264
SCE AL 2357-E and AL 2357-E-A/SMK

October 15, 2009

Concerned Scientists, Aglet Consumer Alliance and the California Department of Water Resources.

SCE says that they communicated with the PRG prior to the execution of the PacifiCorp contract.

Although Energy Division is a member of the PRG, it reserved its judgment on the contracts until the resolution process. Energy Division reviewed the transactions independent of the PRG, and allowed for a full protest period before concluding its analysis.

NOTICE

Notice of AL 2357-E was made by publication in the Commission's Daily Calendar. SCE states that a copy of the Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

PROTESTS

Advice Letters 2357-E and 2357-E-A were not protested.

DISCUSSION

Description of the project

The following table summarizes the substantive features of the proposed PPA. See confidential Appendix A for a discussion of the contracts' confidential terms and conditions.

Resolution E-4264
SCE AL 2357-E and AL 2357-E-A/SMK

October 15, 2009

Generating facilities	Type	Term (Years)	Contract Capacity (MW)	Energy (GWh)	Contract Start Date	Location
1) Wolverine Creek 2) Leaning Juniper 3) Marengo 4) Marengo II 5) Glenrock 6) Rolling Hills	Wind, online ³⁰	3.25	50	110 (2009) 328 (2010) 328 (2011) 329 (2012)	October 1, 2009	Wind facilities located in ID, OR, WA, WY. PacifiCorp will deliver energy to SCE at Palo Verde

The PacifiCorp contract is a bilateral contract for wind generation. Under this PPA, PacifiCorp will deliver 50 MW firm and an equivalent amount of green attributes to SCE at the Palo Verde trading hub. The green attributes may come from any of the six wind facilities listed above, as long as the facility has received its RPS eligibility certification from the CEC. SCE will either sell the energy and replace it at a later date with an equivalent amount of energy for import to California, or deliver the energy into California upon receipt. In either event, SCE's imports into California under the PPA shall be consistent with the CEC's RPS delivery guidelines. The PacifiCorp project is favorable relative to the bids in SCE's 2008 solicitation because it provides near-term energy deliveries at a reasonable cost.

This contract was evaluated on the following criteria:

- Consistency with SCE's 2008 Procurement Plan
- Compliance with relevant Commission decisions regarding bilateral contracting guidelines, standard terms and conditions and the Emissions Performance Standard
- Project is viable
- Price reasonableness
- Consistency with the RPS delivery rules, as set forth in the CEC's RPS Eligibility Guidebook

³⁰ Although the facilities are already operating, they were built after January 1, 2005 and are considered "new" pursuant to statutory rules.

PPA is consistent with SCE's 2008 RPS Procurement Plan

The Commission must accept or reject proposed PPAs based on their consistency with the utility's approved renewable energy procurement plan (Plan).³¹ SCE's 2008 Plan includes an assessment of supply and demand for renewable energy and bid solicitation materials, including a pro-forma agreement and bid evaluation methodology documents.

The Commission conditionally approved SCE's 2008 RPS procurement plan, including SCE's bid solicitation materials, in D.08-02-008.³² As ordered by D.08-02-008, on February 29, 2008 SCE filed and served its amended 2008 Plan. The proposed PPA is consistent with SCE's Commission-approved 2008 RPS Plan.

PPA fits with SCE's identified renewable resource needs

SCE'S 2008 RPS Plan states that SCE seeks to procure renewable resources to augment those under contract from prior solicitations and to ensure that SCE meets the overall goal of 20% renewables as soon as possible, and with a reasonable margin of safety.³³ Accordingly, SCE states that it needs both near-term and long-term renewable energy but its evaluation criteria will favor proposals for near-term deliveries. SCE's stated preference is to receive the RPS energy in SP-15, but SCE will consider proposals based upon any designated delivery point within California. SCE will seek resources both from generation facilities located in California and outside the state (but within the WECC), if the Seller complies with the requirements for "out-of-state facilities" in the California Energy Commission (CEC) Guidebook for RPS Eligibility.³⁴

The PacifiCorp project meets SCE's resource needs because the facilities are operating, and thus, the energy is immediately available to deliver renewable energy and satisfy SCE's near-term RPS energy need. Also, the facilities are located in the WECC and the project has obtained CEC approval of its delivery structure (See Appendix B).

³¹ PU Code §399.14(d)

³² http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/78817.pdf

³³ SCE reports that it intends to procure renewables based on its High Need Case scenario. SCE's its Base Case assumes a 100% on-time delivery of all currently executed contracts, and its High Need Case assumes 70% delivery from executed, but not yet delivering, contracts.

³⁴ <http://www.energy.ca.gov/2007publications/CEC-300-2007-006/CEC-300-2007-006-ED3-CMF.PDF>

PacifiCorp contract compares favorably to 2008 RPS bids

Although the PacifiCorp contract was negotiated bilaterally, SCE conducted a least-cost best-fit (LCBF) bid evaluation of the project to compare it to SCE's 2008 solicitation bids and to determine whether the project would have been shortlisted.

SCE found that the PacifiCorp contract is attractive relative to proposals received in response to SCE's 2008 solicitation. Because the wind facilities are already operating, there are no viability concerns with the project. Also, PacifiCorp is an experienced developer that, SCE says, will be able to perform on its obligations under the contract.

PPA is consistent with RPS bilateral contracting guidelines

The PacifiCorp contract is consistent with the bilateral contracting guidelines in D.06-10-019:

1. The PPA will not be applied to SCE's cost limitation.³⁵
2. Pursuant to D.06-10-019, the PPA was submitted by advice letter.³⁶
3. The PPA is at least one month in duration.³⁷
4. The PPA is reasonably priced.³⁸

Also, in D.09-06-050, this Commission determined that bilateral contracts should be reviewed according to the same processes and standards as contracts that come through a solicitation. Accordingly, the PacifiCorp contract was compared to SCE's other RPS opportunities received in its 2008 renewable RFP. (See Sections "PacifiCorp contract compares favorably to 2008 RPS bids" and "Contract price is reasonable".) Energy Division staff did not, however, require

³⁵ The PPA is ineligible for the cost limitation because it did not result from a competitive solicitation and is a short-term contract. (PU Code §399.15[d][2])

³⁶ "For now, utilities' bilateral RPS contracts, of any length, must be submitted for approval by advice letter." (D.06-10-019, p.31)

³⁷ "All RPS-obligated LSEs are also free to enter into bilateral contracts of any length with RPS-eligible generators, as long as the contracts are at least one month in duration, to enable the CEC to verify RPS procurement claims." (D.06-10-019 p. 29)

³⁸ The contract price of bilaterals must be deemed reasonable by the Commission. (D.06-10-019, p. 31)

an Independent Evaluator report for the contract because PacifiCorp contract was executed before the Commission adopted D.09-06-050.

PPA is consistent with adopted standard terms and conditions

The terms and conditions in the PacifiCorp contract³⁹ comply with the non-modifiable terms required in RPS contracts as set forth in D.08-04-009, and amended by D.08-08-028.

Contract is not subject to the EPS

The EPS does not apply to a contract of less than five years. Because the PacifiCorp contract term is less than five years, the EPS is not triggered.

Project is viable

SCE asserts that there are no viability concerns with the PacifiCorp project because the facilities are already operating.

Contract price is reasonable

Pursuant to D.09-06-050, Energy Division staff must establish a price benchmark to evaluate the reasonableness of very-short term contracts. However, this benchmark has not yet been adopted; D.09-06-050 provides that short-term contracts can be reviewed on a case-by-case basis in the interim.

The Commission has considered the PacifiCorp contract's price relative to SCE's 2008 solicitation bids and SCE's other available RPS procurement options. While there were no very short-term contracts shortlisted in SCE's solicitation, SCE provided the Commission with a confidential analysis of how the contract price compares to its other 2008 offers.

SCE's analysis demonstrates that the PacifiCorp contract price is reasonable as compared to its 2008 shortlist. Further, the project provides value because of its high viability, commitment to delivering firm power and ability to satisfy SCE's need for near-term RPS deliveries.

³⁹ The contract includes the Edison Electric Institute's (EEI) Master Agreement and Collateral Annex, Cover Sheet, Paragraph 10, and the Confirmation Letter.

Proposed delivery structure complies with CEC's guidelines

The CEC is responsible for determining whether out-of-state RPS projects satisfy the delivery requirements for the RPS program. Pursuant to the CEC's RPS Eligibility Guidebook, these requirements are automatically satisfied for projects that are located in California or that are located on the border of the state and have their first point of interconnection to the WECC transmission system within California. If, however, a facility is connected to the WECC not within California, the energy from the facility must be scheduled for consumption by California end-use retail customers. The guidelines for eligible delivery structures can be found in Section III(D) of the CEC's RPS Eligibility Guidebook. For each out-of-state project that the CPUC reviews, the CEC provides the CPUC with written documentation addressing whether the proposal satisfies the delivery requirements.

On August 4, 2009, the CEC provided the CPUC with a letter declaring that the proposed PacifiCorp delivery structure satisfies the RPS delivery requirements. This letter, which also includes a brief overview of PacifiCorp's delivery structure, can be found in Appendix B.

COMMENTS

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

The 30-day comment period for the draft of this resolution was neither waived or reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

No comments were received.

FINDINGS

1. The RPS Program requires each utility, including SCE, to increase the amount of renewable energy in its portfolio to 20 percent by 2010, increasing by a minimum of one percent per year.
2. D.08-04-009, as modified by D.08-08-028, sets forth four non-modifiable and nine modifiable standard terms and conditions to be incorporated into RPS power purchase agreements.
3. D.03-06-071 allows for a utility and a generator to enter into bilateral contracts outside of the competitive solicitation process.
4. D.08-02-008 directed the utilities to issue their 2008 renewable RFOs, consistent with their renewable procurement plans.
5. The Commission required each utility to establish a Procurement Review Group (PRG) to review the utilities' interim procurement needs and strategy, proposed procurement process, and selected contracts.
6. SCE filed Advice Letter (AL) 2357-E on July 1, 2009, requesting Commission review and approval of a bilateral renewable energy contract with PacifiCorp.
7. SCE filed AL 2357-E-A on September 30, 2009 to correct errors in a few calculations in the confidential Appendices of AL 2357-E. The changes do not change the Commission's determination that the contract is reasonable.
8. The Commission has reviewed the proposed PacifiCorp contract and finds it to be consistent with SCE's approved 2008 renewable procurement plan and bilateral procurement rules.
9. The proposed contract price is reasonable.
10. The CEC provided the Commission with written confirmation that the proposed delivery structure for the PacifiCorp contract complies with the RPS Eligibility Guidebook.
11. Any electric energy sold or dedicated to SCE pursuant to the PacifiCorp contract, constitutes procurement by SCE from an ERR for the purpose of determining SCE's compliance with any obligation that it may have to procure from ERRs pursuant to the RPS Legislation or other applicable law concerning the procurement of electric energy from renewable energy resources.

12. All procurement under the PacifiCorp contract, counts, in full and without condition, towards any annual procurement target established by the RPS statute or the Commission which is applicable to SCE.
13. All procurement under the PacifiCorp contract counts, in full and without condition, towards any incremental procurement target established by the RPS statute or the Commission which is applicable to SCE.
14. All procurement under the PacifiCorp contract counts, in full and without condition, towards 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).
15. The PacifiCorp contract is reasonable and prudent for all purposes, including, but not limited to, recovery in rates of payments made pursuant to the PacifiCorp contract subject only to further review with respect to the reasonableness of SCE's administration of the PacifiCorp contract.
16. Any indirect costs of renewables procurement identified in Section 399.15(a)(2) shall be recovered in rates.
17. The PacifiCorp contract proposed in AL 2357-E and AL 2357-E-A should be approved without modification.
18. Certain material filed under seal pursuant to Public Utilities (Pub. Util.) Code Section 583 and General Order (G.O.) 66-C, and considered for possible disclosure, should not be disclosed. Accordingly, the confidential appendices, marked "[REDACTED]" in the redacted copy, should not be made public upon Commission approval of this resolution.

THEREFORE IT IS ORDERED THAT:

1. The proposed renewable energy contract between Southern California Edison and PacifiCorp in Advice Letters 2357-E and 2357-E-A is approved without modification.
2. The costs of the contract between Southern California Edison and PacifiCorp are reasonable and in the public interest; accordingly, the payments to be made by Southern California Edison are fully recoverable in rates over the life of the project, subject to Commission review of Southern California Edison's administration of the contract.

Resolution E-4264
SCE AL 2357-E and AL 2357-E-A/SMK

October 15, 2009

3. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on October 15, 2009; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON
PAUL CLANON
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners

Confidential Appendix A
Contract price analysis and terms and conditions
[REDACTED]