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CASE ADMINISTRATION
SCE LAW DEPARTMENT



May 15, 2003

Advice Letter 1676-E

Mr. Akbar Jazayeri, Director
Revenue and Tariffs
Southern California Edison Company
P O Box 800
Rosemead, CA 91770

MAY 20 2003

REVENUE & TARIFFS DEPT.

Reference: Submission of Contracts for Procurement from Renewable Resources Pursuant to
Commission Decision 02-08-071

Dear Mr. Jazayeri:

Advice Letter 1676-E is effective January 30, 2003 by Resolution E-3809 and May 8, 2003 by
Resolution E-3816. A copy of the advice letter and resolutions are sent herewith for your records.

Sincerely,

A handwritten signature in cursive script, appearing to read "Paul Clavin".

Director
Energy Division

December 24, 2002

ADVICE 1676-E
(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: **Submission Of Contracts For Procurement From Renewable
Resources Pursuant To Commission Decision 02-08-071**

PURPOSE

In compliance with Ordering Paragraphs 3 and 4 of Decision 02-08-071 (D. or Decision), Southern California Edison Company (SCE) hereby requests approval by the California Public Utilities Commission (Commission) of five power purchase agreements (PPAs), true and correct copies of which are attached as Exhibits B2 – B6 to Confidential Appendix B to this Advice Letter. The effectiveness of each of the PPAs is expressly conditioned on such approval being obtained in the manner and within the time set forth in each of the PPAs. Pursuant to the procedures for accelerated approval of such contracts by the Commission set forth in Appendix B to the Decision, SCE requests that, no later than January 30, 2003, the Commission approve the PPAs by a resolution containing findings in the form requested in this Advice Letter.

Confidential Appendix A to this Advice Letter summarizes SCE's development of a solicitation package in compliance with the Decision, the initial results of the solicitation, SCE's evaluation of proposals received in response to the solicitation, and SCE's negotiations with a short list of solicitation participants following the evaluation of all proposals. It also contains a brief overview of the PPAs, the full effectiveness of which is each dependent on "Final CPUC Approval," as defined in each PPA. Exhibit B-1 to Confidential Appendix B contains a more complete summary of the pertinent terms and conditions of the PPAs. SCE believes that the materials contained in Confidential Appendices A and B to this Advice Letter are fully responsive to the data request contained in Appendix C to the Decision.

The materials contained in Confidential Appendices A and B and the attached exhibits are “Confidential Protected Material” within the meaning of the protective order issued on May 1, 2002 in R.01-10-024 (Protective Order) and should be treated in accordance with the provisions of the Protective Order, Pub. Util. Code Section 583 and General Order 66-C.

BACKGROUND

The Commission issued the Decision on August 22, 2002. Insofar as renewable procurement is concerned, the Decision directed SCE to execute contracts by the end of this year providing for energy deliveries from eligible renewable resources commencing on or prior to December 31, 2003 in an amount, in the aggregate, equal to 1% of SCE’s sales, including sales of power procured by the California Department of Water Resources (DWR).

The Commission also directed SCE to convene a Procurement Review Group (PRG) consisting of non-market participant parties that are bound by the Protective Order. Participants in SCE’s PRG include representatives of the Commission’s Energy Division, the Office of Ratepayer Advocates, The Utility Reform Network, the Natural Resources Defense Council, the California Energy Commission, the Consumers’ Union, California Utility Employees, and the CDWR. In accordance with the Decision, SCE has consulted with its PRG during each step of the renewable procurement process. Among other things, SCE has provided solicitation materials and standardized contract forms to the PRG for review and comment before commencing the solicitation, informed the PRG of the results of the solicitation, explained the evaluation process, and updated the PRG periodically concerning the status of contract negotiations.

The Decision also adopted an expedited procedural schedule for Commission review and approval of contracts entered into pursuant to the Decision. This procedure permits the Commission’s Energy Division to place a resolution on the Commission’s consent agenda for consideration approximately 30 days from the date of this Advice Letter.

Pursuant to the Decision, SCE promptly developed solicitation materials and, on September 28, 2002, commenced a solicitation for proposals to provide energy and, if applicable, associated capacity from eligible renewable resources with an objective of obtaining qualifying proposals of a type and quantity sufficient to meet the solicitation goal of increasing procurement from such resources by 1% of SCE’s total annual sales (including CDWR sales and excluding direct access sales), or approximately 675,000 MWh. SCE provided these materials to the PRG for review in advance of the solicitation. A complete copy of the solicitation materials is attached as Exhibit A-1 to Confidential Appendix A.

Applying the evaluation criteria described in its solicitation materials, SCE narrowed the number of proposals it received to a short list and entered into extensive negotiations with parties on the short list. These negotiations resulted in the execution of the five PPAs which are the subject of this Advice Letter. The effectiveness of each of the PPAs is conditioned on the Commission adopting a resolution approving the PPAs, all aspects of SCE's solicitation of renewable power that resulted in the PPAs, and SCE's conduct in respect of the solicitation, and making the findings SCE requests in numbered paragraphs 1 through 4 in the next section of this Advice Letter.

Under all but one of the PPAs, the contract term will not begin until after the Commission's decision granting approval becomes final. Under one of the PPAs, the contract term will start, and electricity deliveries may begin, upon issuance of the decision approving the PPA and before it becomes final. This PPA terminates if the decision does not become final by a specified date. In the event of contract termination under this circumstance, the price for electricity deliveries before termination will be reduced to 80% of the otherwise applicable contract rate unless the Commission has issued a finding that SCE may recover fully in rates all payments at the full contract price. Under another of the PPAs, an existing contract is being extended.

SCE believes that Commission approval of all of the PPAs will result in the additional procurement of eligible renewable resources in an amount in excess of the levels established in the Decision and in D.02-10-062.

REQUEST FOR COMMISSION APPROVAL

Pursuant to the procedure set forth in Appendix B to the Decision, SCE requests that the Commission issue a resolution no later than January 30, 2003, approving as reasonable the PPAs, all aspects of the solicitation of renewable power which was the basis for the PPAs, and SCE's conduct in respect of the solicitation, and finding that:

1. The PPAs and SCE's entry into the PPAs are reasonable and prudent for all purposes, including, but not limited to, recovery of all payments made pursuant to the PPAs in rates, subject only to review with respect to the reasonableness of SCE's administration of the PPAs;
2. SCE's solicitation of renewable power that resulted in the PPAs has been conducted reasonably;
3. Any procurement pursuant to the PPAs is deemed part of SCE's "baseline" quantity of eligible renewable resources for purposes of Section 399.15 of the Public Utilities Code or other applicable law; and

4. Any procurement pursuant to the PPAs is deemed transitional procurement by SCE from a renewable resource for purposes of determining SCE's compliance with any obligation that it may have pursuant to D. 02-08-071 and D. 02-10-062, or other applicable law, to procure an additional 1% of its annual electricity sales from renewable resources.

As noted above, pursuant to the terms of one of the PPAs, SCE may purchase electric energy and capacity from the seller upon Commission approval of the PPA, as Commission approval is defined therein, but before the decision granting approval becomes final. With respect to that PPA, SCE requests the following additional finding:

Notwithstanding any termination of such PPA based on a failure of Commission approval to become final by the date specified in the PPA, SCE's payments at the full contract rate for any deliveries before the termination date of energy and capacity are reasonable and prudent for all purposes, including, but not limited to, recovery in full by SCE in rates, subject only to review with respect to the reasonableness of SCE's administration of such PPA.

CONFIDENTIAL APPENDICES

The following appendices and exhibits thereto demonstrate SCE's compliance with the Decision and the the reasonableness of the PPAs:

- **Confidential Appendix A**
- **Confidential Appendix B**

This Advice Letter will not increase any rate or charge, cause the withdrawal of service, or conflict with any other schedule or rule.

EFFECTIVE DATE

This advice filing will become effective on January 30, 2003, pursuant to the Procurement Contract Review Process set forth in Appendix B of D.02-08-071.

NOTICE

Anyone wishing to protest this advice filing 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 seven days after the date of this advice filing. Protests should be mailed to:

IMC Program Manager
Energy Division
c/o Jerry Royer
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, California 94102
Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above).

In addition, protests and all other correspondence regarding this advice letter should be sent by letter and transmitted via facsimile or electronically to the attention of:

Akbar Jazayeri
Director of Revenue and Tariffs
c/o Emelyn Lawler
Southern California Edison Company
2244 Walnut Grove Avenue, Rm. 303
Rosemead, California 91770
Facsimile: (626) 302-4829
e-mail: Emelyn.Lawler@sce.com

Bruce Foster
Vice President of Regulatory Operations
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

Lars E. Bergmann
Director of QF Resources
c/o Gary Allen
Southern California Edison Company
2244 Walnut Grove Avenue
Suite 495
Rosemead, CA 91770
Facsimile: (626) 302-1103
e-mail: Gary.Allen@sce.com

With a copy to

James B. Woodruff
Senior Attorney
Southern California Edison Company
2244 Walnut Grove Ave.
Suite 342
Rosemead, CA 91770
Facsimile: (626) 302-1904
e-mail: woodrujb@sce.com

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

In accordance with Section III, Paragraph G, of General Order No. 96-A, SCE is mailing copies of this advice filing to the interested parties shown on the attached service list and on the electronic service list for R.01-10-024. Requests to change an address on the attached GO 96-A service list should be directed to Emelyn Lawler at (626) 302-3985 or by electronic mail at Emelyn.Lawler@sce.com. For changes to the R.01-10-024 Service List, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at ven@cpuc.ca.gov.

Further, in accordance with Pub. Util. Code Section 491, notice is hereby given to the public by filing and keeping this advice filing open for public inspection 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/adviceletters> and choose Regulatory Info Center/Advice Letters.

All questions concerning this advice filing should be directed to Gary Allen at (626) 302-9612. Mr. Allen can also be contacted via electronic mail at Gary.Allen@sce.com.

Southern California Edison Company

Akbar Jazayeri

AJ:jy/jh/jj
Enclosures

Confidential Information

(Redacted)