
February 16, 2021

**ADVICE 4415-E
(U 338-E)**

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Submission of Southern California Edison Company
Emergency Reliability Contracts for Review and Approval
Pursuant to Decision 21-02-028

I. INTRODUCTION

A. Purpose of the Advice Letter

Pursuant to Ordering Paragraph (“OP”) 3 of California Public Utilities Commission (“Commission” or “CPUC”) Decision (“D.”) 21-02-028 (“Decision”), Southern California Edison Company (“SCE”) submits this Advice Letter seeking expedited approval of three contracts (the “Emergency Reliability Contracts”)¹ expected to provide incremental capacity available to serve peak and net peak demand in the summer of 2021. The Emergency Reliability Contracts meet all of the requirements in the Decision and are the best valued and most viable available projects identified by SCE to provide incremental capacity by summer 2021. As provided in the Decision, SCE is undertaking this procurement on behalf of all customers in its service territory and requests that the costs and benefits of the Emergency Reliability Contracts be allocated to all benefitting customers through the Cost Allocation Mechanism (“CAM”).²

The Emergency Reliability Contracts include three contracts for incremental capacity from existing natural gas generation facilities. Specifically, the

¹ All capitalized terms not otherwise defined herein have the meanings given them in the Emergency Reliability Contracts.

² Pursuant to OP 5 of the Decision, SCE will submit a Tier 2 advice letter to revise Preliminary Statement Part RR, New System Generation Balancing Account (“NSGBA”), to record the benefits and costs of the Emergency Reliability Contracts, and to record the administrative costs of the associated procurement efforts, including Independent Evaluator costs.

Emergency Reliability Contracts include one resource adequacy (“RA”)-only contract and two tolling contract amendments.

The following table summarizes the Emergency Reliability Contracts:

Seller / Project	Technology Type	Contract Type	Expected Delivery Period	Expected Incremental Capacity	Expected Months of Summer 2021 Contribution
Calpine Energy Services, L.P. / Pastoria Energy Facility (“Pastoria Contract”)	Gas	RA Only	6/1/2021-10/31/2021 3/1/2022-10/31/2022	10.00 MW	June-September
Walnut Creek Energy, LLC / Walnut Creek (“Walnut Creek Amendment”)	Gas	Toll	6/1/2021-5/31/2023	Up to 21.70 MW	June-September
El Segundo Energy Center LLC (“El Segundo Amendment”)	Gas	Toll	6/1/2021-7/31/2023	Up to 37.66 MW	June-September

SCE requests that the Energy Division issue an expedited disposition approving the Emergency Reliability Contracts, with the findings requested in this Advice Letter, by no later than March 18, 2021. In the Decision, the Commission found that “[t]here is a need for incremental physical resources that can address grid needs during the system peak and net peak demand periods for summer 2021 and to prevent similar service interruptions to the August 2020 rotating outages.”³ Resources procured under the Decision are required to have a commercial online date (“COD”) of no later than September 1, 2021, with a preference for a COD by June 1, 2021.⁴ The Commission also stated that, “Time is of the essence, and the Commission needs to expeditiously signal support of contracts for expansion of existing resources that can help maintain reliability in summer 2021 by delivering during peak and net peak demand periods.”⁵ The Emergency Reliability Contracts are expected to begin delivery of incremental capacity by June 1, 2021.

SCE is seeking an expedited disposition approving the Emergency Reliability Contracts, because upon Commission approval, the projects will have very limited time to begin deliveries by the summer of 2021. Therefore, SCE and sellers need certainty on Commission approval of cost recovery for the Emergency Reliability Contracts as soon as possible, and by no later than March 18, 2021, to maximize the likelihood of the sellers meeting their expected online dates for the incremental capacity needed for the summer of 2021. The

³ Decision, Finding of Fact (“FOF”) 5.

⁴ See *id.*, p. 11.

⁵ *Id.*, FOF 6.

Commission has shortened the protest period for this Advice Letter to 10 days after submission.⁶

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 attachments as listed below.

Confidential Attachment A: Project, Contract, and Valuation and Selection Information

Confidential/Public Attachment B: Independent Evaluator Analysis

Confidential Attachment C: Emergency Reliability Contracts⁷

Attachment D: Confidentiality Declaration

Attachment E: Proposed Protective Order

B. Background

On November 20, 2020, the Commission issued an Order Instituting Rulemaking Emergency Reliability to identify and execute actions within its statutory authority to ensure reliable electric service if an extreme weather event occurs in the summer of 2021, including consideration of how to increase energy supply and decrease demand during the peak and net peak demand hours in summer 2021.⁸ On December 11, 2020, Administrative Law Judge Stevens issued a ruling that identified the potential need for additional capacity to be procured by summer 2021 and sought comments from parties on the parameters the Commission should set on such procurement for it to be deemed per se reasonable.⁹ Numerous parties, including SCE, filed comments in response to that ruling on December 18, 2020.

⁶ See *id.*, Conclusion of Law (“COL”) 4, OP 4.

⁷ The Emergency Reliability Contracts include the Pastoria Contract (which is an Edison Electric Institute Master Power Purchase and Sale Agreement Confirmation Letter), the Walnut Creek Amendment (the First Amendment to the Power Purchase Agreement Tolling Agreement between SCE and Walnut Creek Energy, LLC), and the El Segundo Amendment (Amendment No. 3 to the Amended and Restated Power Purchase Tolling Agreement between SCE and El Segundo Energy Center LLC).

⁸ See Order Instituting Rulemaking Emergency Reliability, Rulemaking (“R.”) 20-11-003, November 20, 2020.

⁹ See E-mail Ruling Directing Parties to Serve and File Responses to Proposals and Questions Regarding Emergency Capacity Procurement by the Summer of 2021, R.20-11-003, December 11, 2020.

On December 28, 2020, President Batjer issued an Assigned Commissioner's Ruling Directing the State's Three Large Electric Investor-Owned Utilities to Seek Contracts for Additional Power Capacity to Be Available by the Summer of 2021 or 2022 ("ACR"). The ACR directed the three large electric investor-owned utilities ("IOUs") to seek contracts for capacity, available for the net peak demand and peak demand periods in summer 2021 and/or summer 2022, that conform with the parameters outlined in the ACR.¹⁰ The ACR provided that the IOUs shall procure on behalf of all customers in their service territories with the costs and benefits allocated to all benefitting customers through the CAM, and that the IOUs shall submit the contracts that conform with the ACR for Commission consideration through advice letters by no later than February 15, 2021.¹¹ The ACR noted that the "substance of this ruling will be brought to the full Commission in the form of a proposed decision."¹²

Subsequently, on January 8, 2021, Administrative Law Judge Stevens issued a Proposed Decision Directing Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company to Seek Contracts for Additional Power Capacity for Summer 2021 Reliability ("PD").¹³ Like the ACR, the PD directed the IOUs to seek contracts for capacity that is available to serve peak and net peak demand in the summer of 2021 and to procure on behalf of all customers in their service territories with the costs and benefits allocated to all benefitting customers through the CAM.¹⁴ The main differences between the ACR and the PD are that the PD did not include procurement for summer 2022 or include firm forward imported energy contracts as one of the resource types that may be considered.

The PD established procurement parameters for the incremental capacity procurement, including: (1) resources must be deliverable during both peak and net peak demand periods; (2) for Commission consideration through a Tier 1 advice letter, a COD by June 1, 2021 is preferred but a COD by September 1, 2021 will be considered;¹⁵ (3) resource types that may be considered include incremental capacity from existing power plants through efficiency upgrades, revised power purchase agreements, etc., contracting for generation that is at-risk of retirement, and incremental storage capacity; (4) RA-only contracts or contracts that include tolling agreements may be proposed; (5) the IOUs should initiate new bilateral negotiations and revisit offers from recent Integrated Resource Planning ("IRP") Requests for Offers bid stacks; (6) an Independent

¹⁰ See ACR, pp. 2-5.

¹¹ See *id.*, pp. 3-5.

¹² *Id.*, p. 2.

¹³ References to the PD in this Advice Letter are to the version of the PD issued on January 8, 2021 unless otherwise indicated.

¹⁴ See PD, pp. 1, 9-12, FOF 9, OP 1-2.

¹⁵ Utility-owned generation with a COD in 2021 may also be submitted for Commission consideration through a Tier 2 advice letter.

Evaluator and the CAM Procurement Review Group should be actively engaged in the procurement efforts; and (7) to the extent comparable data exist, the procurement should be cost competitive with recently procured resources.¹⁶

The PD also required the IOUs to submit the contracts that conform with the decision for Commission consideration as advice letter submittals by February 15, 2021 and provided guidance on the process for Commission review.¹⁷ Because February 15, 2021 is a state holiday, the advice letters must be submitted by February 16, 2021.¹⁸

Administrative Law Judge Stevens issued a revision 1 to the PD on February 9, 2021. The revised PD included firm forward imported energy as an eligible resource type that may be considered for procurement. The revised PD also stated a preference for storage resources as well as shorter duration contracts and efficiency upgrades. Additionally, the revised PD shortened the protest period for Tier 1 advice letters submitting contracts for Commission consideration to 10 days and authorized the IOUs to submit Tier 2 advice letters to make the tariff changes needed to adjust balancing accounts to implement the decision, with an effective date of December 28, 2020.

On February 11, 2021, the Commission adopted the Decision, which is the same as revision 1 to the PD.

C. Subject of the Advice Letter

Pursuant to the Decision, this Advice Letter seeks approval of the Emergency Reliability Contracts procured as a result of SCE's bilateral emergency reliability procurement for summer 2021. Collectively, these Emergency Reliability Contracts are expected to provide up to 69.36 MW of incremental capacity in the summer of 2021.

In compliance with the Decision, this Advice Letter includes, among other things, the following required information:

- A summary of the resources being selected and a brief discussion of the procurement and selection method and criteria.

¹⁶ See PD, pp. 10-12, FOF 12-14, COL 2, OP 2.

¹⁷ See *id.*, pp. 12, COL 3, OP 3.

¹⁸ See Commission Rule of Practice and Procedure 1.15 (providing that when the last day to comply with a Commission order falls on a holiday, the time limit is extended to include the first day thereafter).

- Operational information of the resources contracted and demonstration that the resource will be available during the peak and net peak demand hours in summer 2021.
- Pricing and net market value analysis along with a summary of the key contract terms.
- A completed analysis by the Independent Evaluator.
- A demonstration of cost competitiveness.
- A demonstration that the resource is incremental.
- A demonstration that the resource has a path to deliver its online date in summer 2021.¹⁹

II. CONTRACT SELECTION METHOD AND CRITERIA

SCE followed the direction from the PD (and ultimately the Decision) in its bilateral emergency reliability procurement efforts for summer 2021. Because the IOUs are required to submit their contracts for Commission consideration on February 16, 2021, two business days after the Decision was adopted by the Commission, SCE necessarily relied on the procurement parameters and guidelines set forth in the PD in its emergency reliability procurement and then evaluated whether any modifications to the selected contracts were necessary based on the Decision. Below, SCE describes its contract selection method and criteria. Additional details about the response to SCE's bilateral procurement efforts and the valuation and selection results are included in Confidential Attachment A.

A. Bilateral Procurement Process

In compliance with the ACR, and to meet the February 16, 2021 advice letter requirement proposed in the ACR and PD, SCE actively negotiated and sought to execute bilateral contracts that could provide incremental capacity during the peak and net peak demand periods in summer 2021, within the defined parameters set forth in the ACR, and then the PD. Pursuant to the ACR, on December 30, 2020, SCE sent out a market announcement requesting bilateral proposals for additional capacity to be secured for summer 2021 or summer 2022. Respondents were directed to submit, as soon as possible, an attached bilateral term sheet to more fully describe the attributes of conforming offer(s) the respondents planned to make available to SCE. Additionally, SCE stated that responses should comply with the procurement parameters set forth in the ACR. SCE also sent out a reminder market notice on January 6, 2021 to all participants

¹⁹ See Decision, p. 12, COL 3, OP 3.

in its recent IRP System Reliability Request for Offers (“SRRFO”) solicitation. SCE contacted parties that it had contracted with during the Fast Track of the SRRFO and asked whether expansions to those projects planning to come online by the summer of 2021 could offer incremental capacity. In response, counterparties stated that they were not able to propose expansions or incremental capacity for their respective projects.

SCE considered all bilateral term sheets submitted in response to the market announcement and also considered other bilateral contracting opportunities. SCE ultimately focused on bilateral offers that complied with the procurement parameters in the PD, including the resource types that may be considered under the PD and projects that could provide incremental capacity during the peak and net peak demand periods in summer 2021.²⁰ SCE commenced bilateral contract negotiations with the best valued and most viable projects that could meet these requirements. This effort resulted in the execution of the three Emergency Reliability Contracts for which SCE is seeking approval in this Advice Letter.

B. Market Outreach

As noted above, on December 30, 2020, SCE sent a market announcement to more than 2,700 market participants. On January 6, 2021, SCE sent a reminder market notice to more than 200 market participants, which primarily included all participants in SCE’s recent SRRFO, pursuant to which SCE had solicited offers for projects that could come online in the 2021-2023 timeframe.

C. Selection and Contract Negotiations

SCE pursued the best valued and most viable projects that SCE identified based on the bilateral term sheets that SCE received in response to its market announcements and other bilateral contracting opportunities considered by SCE. SCE negotiated the terms and conditions of contracts with such projects. More information on SCE’s selection method and criteria, selection results, and the selected projects and contracts are included in Confidential Attachment A.

²⁰ Although SCE’s market announcement originally requested bilateral proposals for additional capacity for summer 2021 or summer 2022 and included firm forward imported energy as a potential resource type based on the ACR, SCE did not consider incremental capacity for summer 2022 or firm forward imported energy to be eligible for its emergency reliability procurement based on the PD’s exclusion of summer 2022 procurement and firm forward imported energy. Revision 1 to the PD modified the PD to include firm forward imported energy as a resource type that may be considered, but that revision was not issued until a few days before SCE executed contracts. SCE re-reviewed previously submitted import energy offers and concluded the offers were not worth pursuing.

D. Selection Methodology and Criteria

SCE employed least-cost, best-fit (“LCBF”) principles in the evaluation process for offers received in connection with SCE’s bilateral emergency reliability procurement. SCE’s LCBF methodology considered both the quantitative (quantifiable benefits and costs) and qualitative (non-quantifiable) attributes associated with each complete and conforming offer. The LCBF methodology allowed SCE to carefully consider all key aspects of each offer to select the offers that provide incremental capacity during peak and net peak demand periods for the summer of 2021 and which are cost competitive with recently procured resources.

Due to expedited nature of this emergency reliability procurement, the evaluation process involved an on-demand valuation process. The on-demand valuation process for each offer included two sub-steps: (1) an initial conformance screen to ensure that the offer met the requirements set forth in the ACR, and then the PD; and (2) if the offer was conforming, an initial quantitative valuation. The quantitative valuation was updated as needed as non-conforming offers were cured and contracts were negotiated. Ultimately, a final selection was completed in accordance with the cost competitiveness standard and other requirements set forth in the PD²¹ and other qualitative considerations (i.e., best-fit). When the Decision was adopted by the Commission, SCE reviewed the Decision to ensure that it did not include any modifications to the PD that would change SCE’s selection before SCE executed the Emergency Reliability Contracts. That review did not change SCE’s selected contracts.

SCE calculated the quantitative components of each complete and conforming offer by calculating each offer’s net present value (“NPV”). The NPV analysis entails: (1) projecting various benefits and cost streams over the life of the offer; (2) applying time value of money; (3) estimating total NPV as the present value of benefits minus the present value of costs; and (4) normalizing and ranking each offer by an NPV metric. The NPV metric used to establish cost competitiveness in SCE’s emergency reliability procurement was NPV per contract kW-mo.

To differentiate among each offer’s contribution to the summer 2021 need versus its cost, SCE also defined a quantitative ranking metric that would bring to light each offer’s cost to serve the summer 2021 need. The metric employed was the cost per summer 2021 kW-month (\$/summer 2021 kW-month). This metric takes the total notional cost of an offer and divides it by the sum the of kW-months (kW-mo) that the offer is able to deliver between June and September 2021.

For example, if SCE considered two 1 MW offers (Offer A and Offer B) at the same total price, but with different summer 2021 contributions, the offers would be valued as follows. In Offer A, the seller can deliver 1 MW for each summer

²¹ See PD, pp. 10-12, FOF 12-14, COL 2, OP 2.

month, and thus SCE would utilize a denominator of 4,000 kW-mo (1,000 kW × 4 summer months). In Offer B, the seller can only deliver 1 MW starting in September 2021, and thus SCE would utilize a denominator of 1,000 kW-mo (1,000 kW × 1 summer month).

Taking the example further, if both example offers had the exact same notional total cost of \$1 million, then Offer A would have a cost per summer 2021 kW-mo value of \$250, and Offer B would have a cost per summer kW-mo value of \$1,000. This new quantitative metric helped SCE to evaluate which offers would provide customers with more cost competitive summer 2021 capacity, which was the primary goal of this targeted bilateral emergency procurement effort. The calculation described above is summarize in Table II-1.

Table II-1. Cost Per Summer 2021 kW-mo Calculation Example

Example Offer	Capacity [MW]	Summer Contribution [Months]	Summer kW-mo	Cost [\$000]	Cost / Summer kW-mo [\$]
A	1	4	4,000	1,000	250
B	1	1	1,000	1,000	1,000

SCE, in conjunction with the Independent Evaluator, considered each complete and conforming offer's qualitative components along with quantitative results during the emergency reliability procurement on-demand valuation and selection process. Both the quantitative and qualitative components of the evaluation are described in the following sections. Additional information regarding the evaluation process is included in Confidential Attachment A.

1. Quantitative Factors: Benefits

The quantitative benefits associated with the offers that were considered are described below.

a. RA Benefits

The RA quantity attributed to each offer was established under the guidance of current qualifying capacity counting rules. If an offer's operational capabilities clearly align with a category described by the Commission for RA counting rules, the rules were generally applied. In some cases, SCE used program/technology-specific studies/proceedings to estimate the contribution of that resource towards

RA requirements. The RA benefit for an offer was the offer's estimated RA quantity, described above, multiplied by an RA price forecast.

b. Net Day-Ahead, Real-Time Energy Benefits

To calculate the net day-ahead, real-time energy benefits, SCE produced forecasts for energy prices and energy delivery for each offer. The energy price forecast was a combination of market data and fundamental prices produced by a security-constrained dispatch model. The energy delivery for must-take resources was based on each offer's expected generation delivery.

For dispatchable resources, operations of the resource were projected using a marginal economic dispatch principle based on the offer's operating characteristics, operating costs, market services offered, etc. The expected energy benefit was calculated by multiplying the forecasted energy prices with the corresponding expected energy deliveries.

c. Ancillary Services ("A/S") Value Benefits

To calculate the A/S benefit, SCE produced forecasts for A/S prices and A/S capacity awards. If an offer could provide A/S, then the same methodology as the energy forecast discussed in Section II.D.1.b was employed to co-optimize both the amount of energy and A/S an offer can provide. The A/S value of an offer is the forecasted quantity multiplied by the SCE internal A/S price forecast.

d. Renewable Energy Credit ("REC") Benefit

The REC benefit amount for each eligible renewable offer is the quantity of RECs an offer can provide in reducing SCE's Renewables Portfolio Standard ("RPS") compliance requirements. This value can also be a cost if the offer has the potential to reduce the amount of RECs produced from a renewable facility. SCE developed its REC price forecast using a combination of third-party vendors' outlooks of REC prices and SCE's own evaluation of REC prices from its RPS portfolio.

2. Quantitative Factors: Costs

The quantitative costs associated with the offers that were considered are described below.

a. Contract Payments

The contract costs were composed of capacity payments and/or energy payments, i.e., an offer's fixed costs and/or variable contract costs. Contract payment costs based on energy payments were calculated from each offer's energy price (\$/kWh) and its expected generation profile (kWh). Contract

payment costs based on capacity payments are the offer's monthly contract capacity (kW) multiplied by its respective monthly capacity price (\$/kW-mo).

b. Debt Equivalence ("DE") Costs

DE is the term used by credit rating agencies to describe the fixed financial obligation resulting from long-term purchased power contracts. Pursuant to D.04-12-048, the Commission permits the IOUs to recognize in their valuation process costs associated with the effects of DE. Additionally, D.08-11-008 authorized the IOUs to continue recognizing the balance sheet impact from DE when valuing power purchase agreements. Accordingly, SCE considers DE in its quantitative evaluation. For purposes of valuing projects within this emergency reliability procurement, SCE used a 20 percent DE risk factor as provided in D.04-12-048 and D.08-11-008.

c. Put Cost

The RA with Put Option contract gives the seller the option to elect, on a yearly basis, to either: (1) retain the energy dispatch rights, or (2) put the energy dispatch rights to SCE. However, this optionality results in a loss of value to SCE, which is reflected as a cost in the quantitative analysis.

d. Greenhouse Gas ("GHG") Costs

For any offer that required customers to absorb GHG compliance costs, SCE assessed a GHG cost to the offer based on SCE's forecast of GHG prices and the offer's forecasted amount of GHG emissions.

3. Qualitative Factors and Assessment

As discussed above, SCE considered qualitative characteristics of an offer in making selection decisions. Some of the more salient qualitative factors considered during the evaluation of emergency reliability procurement offers are discussed in the following sections.

a. Project Viability

For project viability, SCE considered the following components:

1. Reasonableness of COD – This was the first and most important component of SCE's viability assessment. Because the PD required the IOUs to seek incremental capacity for the summer of 2021, with a preference for a COD by June 1, 2021, all sellers needed to demonstrate that their proposed incremental capacity had a high likelihood of being able to come online by September 1, 2021 (with a preference for June 1, 2021).

2. Compliance with PD – SCE only considered offers to be viable if they were for incremental capacity available during peak and net peak demand periods from existing power plants through efficiency upgrades, revised power purchase agreements, etc., contracts for generation that is at-risk of retirement, and/or incremental energy storage capacity.
3. No Need for Interconnection Modification – Given the urgent online requirements to meet the summer 2021 reliability need, SCE favored projects that did not require modifications to their interconnection agreements, because that would make it less likely the project could deliver by the summer of 2021.
4. Resource Sufficiency – Seller strongly demonstrates that its project can support the delivery of its offer's RA capacity.
5. Contract Complexity – Given the expedited timeline for this emergency reliability procurement, SCE considered whether the contract could be fully negotiated and executed before the February 16, 2021 advice letter deadline.

b. Term and Delivery Period

SCE had a preference for shorter contract terms that met the requirements of the PD while minimizing costs to customers. Additionally, SCE preferred offers that provided capacity June 2021 to September 2021 as provided in the PD.

c. Preferred Resources

To the extent possible, SCE considered the Loading Order when comparing offers of similar quantitative value. Although it was not included in the PD, the Decision states a preference for storage resources as well as shorter duration contracts and efficiency upgrades.²² The Emergency Reliability Contracts are all of shorter duration, with delivery periods between 13 months and 26 months. Moreover, the incremental capacity from the Pastoria project will result from an efficiency upgrade.

While the Emergency Reliability Contracts are all for incremental capacity from natural gas generating facilities, two of which are located in disadvantaged communities ("DACs"), they are all of shorter duration and none of the capacity additions are expected to increase the projects' overall air pollutant emissions as discussed in Section III and Confidential Attachment A. Moreover, the selected Emergency Reliability Contracts were the most cost competitive and viable

²² See Decision, p. 14.

available options for meeting the summer 2021 emergency reliability need for the reasons further addressed in Confidential Attachment A.

E. Incrementality

The Decision requires a “demonstration that the resource is incremental,” and states that the resource types that may be considered include “[i]ncremental capacity from existing power plants through efficiency upgrades, revised power purchase agreements, etc.,” “[c]ontracting for generation that is at-risk of retirement,” “[i]ncremental energy storage capacity, and “[f]irm forward imported energy.”²³

The capacity contracted under the Emergency Reliability Contracts is incremental because, for all three contracts, the seller has made or will make changes to the respective project and obtain, if applicable, the necessary permits, to allow the seller to deliver additional capacity during the summer months of 2021 that is not normally available to the California Independent System Operator (“CAISO”) system. The Pastoria project is expected to provide incremental capacity through system software modifications that will increase the firing temperature of the facility. The Walnut Creek and El Segundo projects, already physically capable of providing increased generation, are expected to achieve incremental capacity through air permit modifications. Confidential Attachment A provides additional information about the specific contract terms regarding incremental generation.

F. Consultation with CAM Procurement Review Group

As required by the Decision,²⁴ SCE consulted with its CAM Group, which includes the members of SCE’s Procurement Review Group and Direct Access representatives. Specifically, on January 25, 2021, SCE consulted with its CAM Group on its initial selection recommendations prior to the execution of the Emergency Reliability Contracts. SCE also previously consulted with the CAM Group regarding its bilateral discussions regarding the Walnut Creek and El Segundo projects on October 8, 2020.

G. Role of the Independent Evaluator

Pursuant to the Decision,²⁵ SCE engaged an Independent Evaluator (“IE”) from the Commission’s approved list of IEs for these bilateral emergency reliability procurement efforts. The IE is Sedway Consulting, Inc. The IE reviewed SCE’s selection methodology and criteria for the bilateral offers and conducted its own independent evaluation, joined and contributed to numerous conference calls

²³ *Id.*, pp. 11-12.

²⁴ *See id.*, p. 11.

²⁵ *See id.*

and negotiation sessions, and reviewed email traffic and other documents exchanged by the parties. The IE also participated in the CAM Group meeting. The IE analysis is included as Confidential/Public Attachment B.

III. SELECTED EMERGENCY RELIABILITY CONTRACTS²⁶

SCE is requesting approval of three Emergency Reliability Contracts as described below. Additional information regarding the Emergency Reliability Contracts and projects is included in Confidential Attachment A. The Emergency Reliability Contracts are included as Confidential Attachment C.

A. Contract 1 – Pastoria Contract

The Pastoria Energy Facility (i.e., the Pastoria project) is an existing 750 MW (nominal) combined-cycle natural gas-fired generating facility (“CCGT”) located in Lebec, California on the Tejon Ranch just south of Bakersfield, California. The project is not located in a DAC or directly adjacent to a DAC. The project consists of three General Electric Energy 7FA combustion turbines and two steam turbines.

The Pastoria Contract is a 13-month RA-only contract for 10 MW of incremental capacity from the Pastoria project for an expected delivery period of June 1 through October 31, 2021 and March 1 through October 31, 2022. The seller under the Pastoria Contract is Calpine Energy Services, L.P. The Pastoria project is located in the Big Creek-Ventura local capacity area and the Pastoria Contract will provide system, flexible, and local RA.

The Pastoria project is expected to achieve 10 MW of incremental capacity as a result of software modifications to allow for increased firing temperature at the facility. The Pastoria project is equipped with advanced emissions control systems, significantly reducing air pollutant emissions. While the upgrade will allow for incremental capacity, it will also allow the project to operate slightly more efficiently; as such, the project will operate under the existing air permit and the seller has stated that the incremental capacity is not expected to increase overall air pollutant emissions.

The Pastoria project is a dispatchable CCGT that is expected to provide incremental RA capacity that will be available during both peak and net peak demand hours in summer 2021.

²⁶ Some of the information in this section was provided by the sellers and not independently verified by SCE.

Parameter	Detail
Project	Pastoria Energy Facility
Technology	Gas-CCGT
Location	39789 Edmonston Pumping Plant Rd, Lebec, CA
Local Sub-Area (if applicable)	Big Creek-Ventura
North or South System	South System
Expected Incremental Capacity (MW)	10
RA Attributes	System, Flexible, and Local
Expected Delivery Period	June 1, 2021-October 31, 2021 March 1, 2022-October 31, 2022
Contract Type	RA-Only

B. Contract 2 – Walnut Creek Contract

The existing Walnut Creek project is a 478.8 MW (nominal) combustion turbine (“CT”) natural gas-fired generating facility located in Industry, California. The project is located in a DAC. The Walnut Creek project consists of five General Electric gas-fired combustion turbine units.

The seller under the Walnut Creek Amendment is Walnut Creek Energy, LLC (“Walnut Creek”). The Walnut Creek project is wholly owned by Clearway Energy, Inc. SCE and Walnut Creek are parties to an existing Power Purchase Tolling Agreement, dated March 5, 2008, under which Walnut Creek sells and delivers electricity, RA, and other products from the Walnut Creek project exclusively to SCE through May 31, 2023. The Walnut Creek Amendment is a two-year amendment to that Power Purchase Tolling Agreement under which the seller is expected to deliver electricity, RA, and other products from up to 21.7 MW of incremental capacity from the Walnut Creek project for an expected delivery period of June 1, 2021 through May 31, 2023. The Walnut Creek project is located in the LA Basin local capacity area and the Walnut Creek Amendment will provide system, flexible, and local RA.

The Walnut Creek project is expected to achieve up to 21.7 MW of incremental capacity as a result of pending air permit approvals that will allow the project to generate up to its maximum interconnection capacity. The seller has stated that overall air pollutant emissions are expected to remain the same as current operations.

The Walnut Creek project is a dispatchable CT generating facility that is expected to provide incremental RA capacity that will be available during both peak and net peak demand hours in summer 2021.

Parameter	Detail
Project	Walnut Creek
Technology	Gas-CT
Location	911 Bixby Dr, Industry, CA
Local Sub-Area (if applicable)	LA Basin
North or South System	South System
Expected Incremental Capacity (MW)	Up to 21.7
RA Attributes	System, Flexible, and Local
Expected Delivery Period	June 1, 2021-May 31, 2023
Contract Type	Toll

C. Contract 3 – El Segundo Contract

The existing El Segundo Energy Center LLC project is a 522.34 MW (nominal) natural gas-fired CCGT located in El Segundo, California. The project is located in a DAC. The El Segundo project consists of two Siemens 501FD combined-cycle units.

The seller under the El Segundo Amendment is El Segundo Energy Center LLC (“El Segundo”). The El Segundo project is wholly owned by Clearway Energy, Inc. SCE and El Segundo are parties to an existing Amended and Restated Power Purchase Tolling Agreement, dated June 1, 2011, under which the El Segundo sells and delivers electricity, RA, and other products from the El Segundo project exclusively to SCE through July 31, 2023. The El Segundo Amendment is a 26-month amendment to that Amended and Restated Power Purchase Tolling Agreement under which the seller is expected to deliver electricity, RA, and other products from up to 37.66 MW of incremental capacity from the El Segundo project for an expected delivery period of June 1, 2021 through July 31, 2023. The El Segundo project is located in the LA Basin local capacity area and the El Segundo Amendment will provide system, flexible, and local RA.

The El Segundo project is expected to achieve up to 37.66 MW of incremental capacity as a result of pending air permit approvals that will allow the project to generate up to its maximum interconnection capacity. The seller has stated that

overall air pollutant emissions are expected to remain the same as current operations.

The El Segundo project is a dispatchable CCGT generating facility that is expected to provide incremental RA capacity that will be available during both peak and net peak demand hours in summer 2021.

Parameter	Detail
Project	El Segundo Energy Center LLC
Technology	Gas-CCGT
Location	301 Vista del Mar, El Segundo, CA
Local Sub-Area (if applicable)	LA Basin
North or South System	South System
Expected Incremental Capacity (MW)	Up to 37.66
RA Attributes	System, Flexible, and Local
Expected Delivery Period	June 1, 2021-July 31, 2023
Contract Type	Toll

IV. CONSISTENCY WITH COMMISSION DECISIONS

A. The Emergency Reliability Contracts Meet All of the Requirements in the Decision

As described in Sections II and III, SCE's bilateral contracting efforts for emergency reliability procurement for summer 2021 and the Emergency Reliability Contracts satisfy all requirements set forth in the Decision. In particular, SCE initiated new bilateral negotiations by sending a market announcement soliciting bilateral offers for incremental capacity for summer 2021, including to participants in its SRRFO, and also considered other bilateral opportunities. The incremental capacity available under the Emergency Reliability Contracts is expected to be deliverable during peak and net peak demand periods in summer 2021.

Furthermore, the capacity procured under the Emergency Reliability Contracts is incremental and the resource types meet the requirements provided in the Decision. All of the Emergency Reliability Contracts are also RA-only or tolling contracts. SCE consulted with its CAM Group on the selection of the Emergency Reliability Contracts and actively engaged an IE in its procurement efforts.

Finally, SCE is procuring on behalf of all customers in its service territory and requesting that the costs and benefits of the Emergency Reliability Contracts be allocated to all benefitting customers under the CAM.

B. The Emergency Reliability Contracts Are Cost Competitive

As required by the Decision,²⁷ SCE's selection methodology and criteria, including how it assessed cost competitiveness with recently procured resources, are discussed in Section II.D and Confidential Attachment A. As further explained in Section II.D and Confidential Attachment A, the Emergency Reliability Contracts are cost competitive compared to recently procured resources and represent the best valued and most viable projects to provide incremental capacity in peak and net peak demand periods in summer 2021 that were identified by SCE.

V. ALLOCATION OF COSTS AND BENEFITS

In accordance with the Decision,²⁸ SCE proposes to allocate the costs associated with the Emergency Reliability Contracts to benefitting customers²⁹ on a non-bypassable basis using the CAM. In addition to the payments made under the Emergency Reliability Contracts, the incremental administrative costs associated with SCE's bilateral emergency reliability procurement efforts should also be allocated to all benefitting customers on a non-bypassable basis using the CAM, including the costs of the IE required by the Decision.³⁰ The benefits associated with the Emergency Reliability Contracts will also be allocated in accordance with the CAM.³¹

VI. CONFIDENTIALITY

SCE is requesting confidential treatment of Attachments A and C and the confidential version of Attachment B to this Advice Letter. The information for which SCE is seeking confidential treatment is identified in the Confidentiality Declaration attached as Attachment D. 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

²⁷ See Decision, pp. 11-12.

²⁸ See *id.*, pp. 11-12, FOF 9.

²⁹ "Benefitting customers" include bundled service customers and the customers of direct access providers and community choice aggregators in SCE's service territory.

³⁰ See Decision, p. 11.

³¹ See *id.*, p. 12.

Proposed Protective Order is attached as Attachment 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 confidentiality protection pursuant to D.06-06-066,³² and is required to be filed by advice letter pursuant to the Decision. SCE would object if the information were disclosed in an aggregated format.

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 Attachment D. This information is entitled to confidentiality protection pursuant to D.06-06-066 (as provided in the IOU Matrix).³³ The specific provisions of the IOU Matrix that apply to the confidential information in this Advice Letter are identified in Attachment D.

VII. REQUEST FOR COMMISSION APPROVAL

The terms of the Emergency Reliability Contracts are conditioned on the occurrence of "CPUC Approval," as it is described in the Emergency Reliability Contracts. In order to satisfy that condition with respect to the Emergency Reliability Contracts, SCE requests that the Energy Division issue a disposition no later than March 18, 2021 approving the following findings:

1. Approval of the Emergency Reliability Contracts in their entirety;
2. A finding that the Emergency Reliability Contracts are consistent with the Decision;
3. A finding that the Emergency Reliability Contracts, and SCE's entry into them, is reasonable and prudent for all purposes, and that any payments to be made by SCE pursuant to the Emergency Reliability Contracts are recoverable in full by SCE through the Energy Resource Recovery Account Review proceeding, subject only to SCE's prudent administration of the Emergency Reliability Contracts;
4. Authorization allowing SCE to allocate the benefits and costs of the Emergency Reliability Contracts to all benefitting customers³⁴ in accordance with the CAM; and
5. Authorization allowing SCE to allocate the incremental administrative costs of SCE's bilateral emergency reliability procurement efforts,

³² See D.06-06-066, as modified by D.07-05-032, OP 1-2.

³³ See *id.*, Appendix 1.

³⁴ Benefitting customers include bundled service customers and the customers of direct access providers and community choice aggregators in SCE's service territory.

including IE costs, to all benefitting customers in accordance with the CAM.

VIII. TIER DESIGNATION

Pursuant to OP 3 and 4 of the Decision, SCE submits this Advice Letter with a Tier 1 designation (effective no sooner than five days after submission).

IX. EFFECTIVE DATE

This Advice Letter will become effective no sooner than five days after submission.

X. 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 10 days³⁵ after the date of this Advice Letter. Protests should be submitted to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
E-mail: EDTariffUnit@cpuc.ca.gov

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

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

Gary A. Stern, Ph.D.
Managing Director, State Regulatory Operations
Southern California Edison Company
8631 Rush Street
Rosemead, California 91770
Telephone: (626) 302-9645
Facsimile: (626) 302-6396
E-mail: AdviceTariffManager@sce.com

³⁵ The Commission shortened the protest period to 10 days after submission. See Decision, OP 4.

Tara S. Kaushik
Managing Director, Regulatory Relations
Southern California Edison Company
c/o Karyn Gansecki
601 Van Ness Avenue, Suite 2030
San Francisco, California 94102
Facsimile: (415) 929-5544
E-mail: Karyn.Gansecki@sce.com

With a copy to:

Cathy Karlstad
Senior Attorney
Southern California Edison Company
2244 Walnut Grove Avenue, 3rd Floor
Rosemead, CA 91770
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 must be received by the deadline shown above.

In accordance with General Rule 4 of GO 96-B, SCE is furnishing copies of this Advice Letter to the interested parties shown on the attached R.20-11-003 and GO 96-B service lists. Address change requests to the GO 96-B service list should be directed to AdviceTariffManager@sce.com or (626) 302-4039. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or 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 <https://www.sce.com/wps/portal/home/regulatory/advice-letters>.

All questions concerning this Advice Letter should be directed to Kathy G. Wong at (626) 302-2327 or by electronic mail at Kathy.Wong@sce.com.

Southern California Edison Company

/s/ Gary A. Stern, Ph.D.
Gary A. Stern, Ph.D.

GAS:kw/ck:jm
Enclosures



ADVICE LETTER SUMMARY

ENERGY UTILITY



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

Company name/CPUC Utility No.:

Utility type:

ELC GAS WATER
 PLC HEAT

Contact Person:

Phone #:
E-mail:
E-mail Disposition Notice to:

EXPLANATION OF UTILITY TYPE

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

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #:

Tier Designation:

Subject of AL:

Keywords (choose from CPUC listing):

AL Type: Monthly Quarterly Annual One-Time Other:

If AL submitted 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 AL:

Confidential treatment requested? Yes No

If yes, specification of confidential information:

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:

Resolution required? Yes No

Requested effective date:

No. of tariff sheets:

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:

Service affected and changes proposed¹:

Pending advice letters that revise the same tariff sheets:

¹Discuss in AL if more space is needed.

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

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102
Email: EDTariffUnit@cpuc.ca.gov

Name:
Title:
Utility Name:
Address:
City:
State: Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

Name:
Title:
Utility Name:
Address:
City:
State: Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

ENERGY Advice Letter Keywords

Affiliate	Direct Access	Preliminary Statement
Agreements	Disconnect Service	Procurement
Agriculture	ECAC / Energy Cost Adjustment	Qualifying Facility
Avoided Cost	EOR / Enhanced Oil Recovery	Rebates
Balancing Account	Energy Charge	Refunds
Baseline	Energy Efficiency	Reliability
Bilingual	Establish Service	Re-MAT/Bio-MAT
Billings	Expand Service Area	Revenue Allocation
Bioenergy	Forms	Rule 21
Brokerage Fees	Franchise Fee / User Tax	Rules
CARE	G.O. 131-D	Section 851
CPUC Reimbursement Fee	GRC / General Rate Case	Self Generation
Capacity	Hazardous Waste	Service Area Map
Cogeneration	Increase Rates	Service Outage
Compliance	Interruptible Service	Solar
Conditions of Service	Interutility Transportation	Standby Service
Connection	LIEE / Low-Income Energy Efficiency	Storage
Conservation	LIRA / Low-Income Ratepayer Assistance	Street Lights
Consolidate Tariffs	Late Payment Charge	Surcharges
Contracts	Line Extensions	Tariffs
Core	Memorandum Account	Taxes
Credit	Metered Energy Efficiency	Text Changes
Curtable Service	Metering	Transformer
Customer Charge	Mobile Home Parks	Transition Cost
Customer Owned Generation	Name Change	Transmission Lines
Decrease Rates	Non-Core	Transportation Electrification
Demand Charge	Non-firm Service Contracts	Transportation Rates
Demand Side Fund	Nuclear	Undergrounding
Demand Side Management	Oil Pipelines	Voltage Discount
Demand Side Response	PBR / Performance Based Ratemaking	Wind Power
Deposits	Portfolio	Withdrawal of Service
Depreciation	Power Lines	

CONFIDENTIAL Attachment A

Project, Contract, and Valuation and Selection Information

Confidential Protected Materials – Public Disclosure Prohibited

CONFIDENTIAL Attachment B

Independent Evaluator Analysis

Confidential Protected Materials – Public Disclosure Prohibited

PUBLIC Attachment B
Independent Evaluator Analysis

Sedway Consulting, Inc.

INDEPENDENT EVALUATOR ANALYSIS
FOR SOUTHERN CALIFORNIA EDISON'S
2021 EMERGENCY RELIABILITY
PROCUREMENT

Submitted by:

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

February 15, 2021

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CONFIDENTIAL APPENDIX A: SEDWAY CONSULTING EVALUATION RESULTS

APPENDIX B: SEDWAY CONSULTING EVALUATION MODEL DESCRIPTIONS

Launch of 2021/2022 Emergency Procurement Effort

On December 28, 2020, the California Public Utilities Commission (CPUC) issued an Assigned Commissioner's Ruling (ACR) under Rulemaking 20-11-003 that directed the state's three large electric investor-owned utilities (IOUs) to seek contracts for additional power capacity to be available by the summer of 2021 or 2022. The ACR was in response to circumstances in August 2020 where insufficient power supplies and widespread heat storms throughout the western United States had forced the California Independent System Operator (CAISO) to conduct rolling blackouts to avoid a broader electric system collapse. The ACR instructed the IOUs to seek incremental capacity that could commence deliveries preferably by June 1 of either summer but no later than September 1. In addition, eligible resources had to be deliverable during the peak and net peak demand periods and included the following types of resources:

- Incremental capacity from existing power plants through efficiency upgrades, revised power purchase agreements, etc.,
- Contracting for generation that is at-risk of retirement,
- Incremental energy storage capacity, and
- Firm forward imported energy contracts.

The costs of such incremental resources would be borne by each IOU's bundled and Cost Allocation Mechanism (CAM) benefitting customers. The ACR required that each IOU utilize an Independent Evaluator (IE)¹ to oversee these Emergency Procurement efforts and provide an analysis of the results. Shortly after the release of the ACR, Southern California Edison (SCE) retained Sedway Consulting, Inc. (Sedway Consulting) to provide an independent evaluation of SCE's process and the offers it may receive and to help the CPUC and SCE's CAM group by providing them with information and assessments to ensure that the effort was conducted fairly and that the best combination of offered products were acquired.

In response to that ACR, SCE launched its 2021 Emergency Reliability Procurement effort with an emailed market announcement on December 30, 2020 to over 2,700 industry contacts (compiled from previous power supply solicitations, regulatory service lists, etc.).² The email requested bilateral proposals for new incremental capacity that could be on-line for the summers of 2021 or 2022. It included a link to the ACR document and provided a term sheet template for interested bidders to describe their offer(s). Although the procurement effort did not have a specific offer submission

¹ The CPUC has issued several decisions that require California's IOUs to retain an IE when undertaking certain resource procurement activities (e.g., D.04-12-048 (Findings of Fact 94-95, Ordering Paragraph 28) and D.06-05-039 (Finding of Fact 20, Conclusion of Law 3, Ordering Paragraph 8)).

² An additional notice was issued on January 6, 2021 to ensure that all participants in SCE's recent 2019 System Reliability RFO had been notified.

deadline, SCE encouraged interested bidders to submit offers as soon as possible. All respondents were instructed to copy Sedway Consulting on all emailed submissions and communications.

The ACR had established February 15, 2021³ as the date that the IOUs had to file an advice letter with any executed contracts from this Emergency Procurement effort, so time was of the essence. The ACR also noted that a CPUC Decision ultimately would be issued which might contain additional direction.

Refinement of 2021 Emergency Procurement Effort

SCE and Sedway Consulting began receiving offers as early as January 4, 2021, with most offers coming in over the subsequent two weeks and the last of which were provided by January 21, 2021. On January 8, 2021, the CPUC issued a proposed decision in Rulemaking 20-11-003 that focused the current Emergency Procurement effort on the summer of 2021 only and eliminated imported power from what had been on the ACR's list of eligible resources. The proposed decision indicated that a subsequent decision would be issued that would address imports and summer-of-2022 procurement efforts. Thus, SCE and Sedway Consulting set aside any offers for incremental capacity that were imports and/or had commencement of deliveries later than September 1, 2021. The remaining set of 2021 qualified offers involved a rather robust response, and both SCE's and Sedway Consulting's evaluation teams quickly turned to clarifying, evaluating, and assessing these offers. Decisions regarding which offers to move ahead with and attempt to conclude negotiated agreements were finalized by January 25, 2021.

On February 9, 2021, the CPUC issued a revised proposed decision⁴ that reintroduced imported power to the list of eligible resources. Given that all of the offer evaluation, selection and negotiation decisions had already taken place, there was no way to re-include imports into the process. Final contracts were already being reviewed and circulated for execution in an effort to meet the February 16, 2021 advice letter filing deadline. This IE analysis report documents the evaluation and selection decisions for the summer-of- 2021 non-import offers that were received. Three agreements were ultimately executed that are expected to provide approximately 69 MW of incremental capacity by June 1, 2021.

Confidential Appendix A provides Sedway Consulting's evaluation results and confidential assessments of specific areas of the 2021 Emergency Procurement process.

³ As February 15, 2021 was a holiday (President's Day), the actual deadline became February 16, 2021.

⁴ A final decision was issued on February 11, 2021 as D.21-02-028, which affirmed all of the parameters of the revised proposed decision.

The material in the confidential appendix is being afforded confidential treatment for two reasons. First, it is important to protect counterparties from having their product pricing provided to competitors. Second, this material is being afforded confidential treatment in line with the CPUC's Decision 06-06-066 (issued on June 29, 2006) which included guidelines for defining what constitutes confidential versus public information in California utility electricity procurement and related activities. Pursuant to Public Utilities Code Section 583 and the above decision, score sheets, analyses, and evaluations of proposed transactions are deemed confidential.⁵

Independent Evaluator Activities

Both the initial ACR and the proposed/final decision(s) required the California IOUs to utilize IEs to oversee the Emergency Procurement process and provide IE analyses with the advice letter filings. In its role as an IE for SCE's 2021 Emergency Procurement efforts, Sedway Consulting team members:

- reviewed the CPUC ACR, proposed decision(s), and final decision,
- reviewed SCE's term sheet template prior to the IOU's December 30, 2020 emailed market announcement,
- reviewed SCE's outreach activities,
- participated in all of SCE's planning and evaluation process calls and reviewed/commented on evaluation methodologies,
- received all offers directly from bidders (i.e., directly copied on all emailed offer submissions),
- discussed offer clarification and/or modification requirements with SCE,
- participated in the decisions to set aside offers that did not address the 2021 Emergency Procurement objectives (as understood in mid-January 2021),
- performed an independent evaluation of all qualified offers and cross-checked SCE's evaluation results,
- participated in clarification calls with bidders,
- monitored email communications with all bidders,
- participated in multiple SCE calls to discuss offer rankings and recommended selections,
- participated in executive-level Financial Risk Management (FRM) Committee meetings/calls in which offer selection decisions were made,
- monitored negotiation calls with those bidders who were selected for potential contracting,
- participated in semi-weekly SCE team calls and Steering Committee calls to discuss negotiation progress and ensure consistency of positions, and

⁵ "Interim Opinion Implementing Senate Bill No. 1488, Relating to Confidentiality of Electric Procurement Data Submitted to the Commission", June 29, 2006, Appendix 1, page 17.

- participated in all CAM group meetings in which the 2021 Emergency Procurement offers, evaluation, and selection results were discussed.

Sedway Consulting was provided access to all necessary materials and meetings and was able to parallel SCE's process with its own evaluation of the offers, as documented in this IE analysis report. In the CAM group meeting, the IE was available to confirm and supplement SCE's statements regarding offer rankings and negotiation updates, affirm the fairness of the process' design and administration, and answer CAM group participant questions as necessary.

Sedway Consulting reviewed SCE's evaluation materials/presentations and participated in planning meetings with SCE's evaluation personnel to discuss how SCE's evaluation process would be performed. Sedway Consulting concluded that SCE's bid evaluation and selection processes were designed fairly across all resource types and bidders.

Additional details on Sedway Consulting's IE activities are provided in discussions below and in the Confidential Appendix A.

Evaluation of Offers

SCE and Sedway Consulting essentially implemented the same evaluation processes that have been employed in all of SCE's recent system reliability procurement efforts. The evaluation involved a combination of quantitative and qualitative assessments that were consistently applied to the offers from all of potential resource categories and contract structures. The quantitative analysis focused on several evaluation metrics – two key ones being:

1. an offer's net market value over the proposed term of the contract, and
2. an offer's cost relative to its 2021 summer delivered capacity.

Net Market Value Evaluation Metric

The \$/kW-month net market value is a key evaluation metric that represents the value of a resource's energy, ancillary services, and capacity benefits (based on SCE's forecast of future market prices) minus fixed and variable offer-related costs. Fundamentally, this metric is calculated in the same way across all resource types and contract structures. Although different SCE and Sedway Consulting models are used to evaluate the different products, the models perform the same basic cost-benefit process. A description of Sedway Consulting's evaluation models is provided in Appendix B.

The quantitative evaluation included many fixed parameters (e.g., electricity market prices, capacity valuation metrics, discount rates) that were consistently applied across all offers to ensure that the evaluation was performed fairly and with a common framework

of market assumptions. Thus, the same forward Resource Adequacy (RA) capacity prices, energy prices, ancillary services (A/S) prices, and, if applicable, gas prices, and greenhouse gas (GHG) costs were used consistently in the evaluation of all product types.

SCE and Sedway Consulting's modeling systems and evaluation approaches provide a net benefit that represents an offer's value relative to the forecasted costs of acquiring the same capacity, energy, and ancillary services from the markets. An offer's net market value is a combination of fixed and variable cost and benefit factors.

On the fixed side, the models calculate monthly fixed costs associated with capacity payments and debt equivalents costs. In addition, the models calculate each offer's value of capacity by multiplying a forecast of RA value by an offer's RA capacity. This yields a capacity benefit that is netted against an offer's other fixed costs.⁶ These fixed costs and benefits are aggregated for each month and discounted and converted into an equivalent levelized net market value, expressed in \$/kW-month. In the case of Sedway Consulting's metric, this is done by taking the present value of the stream of net benefits and dividing it by the present value of the kW-months of capacity associated with the offer. For RA-Only offers, that is the final result for Sedway Consulting's net market value evaluation metric.

For offers that include energy or A/S benefits, the applicable models determine those benefits and convert the net energy and A/S revenues into a levelized \$/kW-month value, using the same arithmetic process that is performed with the monthly fixed costs. This conversion normalizes the net energy and A/S revenues (i.e., accounts for the different amounts of capacity provided by each offer) and yields a value that can be netted with the levelized fixed component in calculating each offer's total levelized net market value.

This levelized net market value differs somewhat from SCE's evaluation metric in that SCE uses a kW-month denominator that is not discounted. Both net market value metrics have advantages and disadvantages, but the fact that the two evaluation teams used different ranking metrics and arrived at the same selection decisions attests to the appropriateness of those decisions.

Cost Relative to 2021 Summer Capacity Delivery Evaluation Metric

As SCE and Sedway Consulting began reviewing initial results of submitted offers that were ranked based on the offers' \$/kW-month net market value, it became clear that while such a metric was a good way to compare long-term resource options, it needed to be supplemented with an additional metric that was focused more primarily on the short-

⁶ Although it was beneficial from a quantitative evaluation standpoint for a resource to provide countable RA capacity at the proposed commencement of deliveries, it was not a prerequisite for an offer's eligibility to provide reliability benefits.

term objectives of the CPUC's 2021 Emergency Procurement proposed decision. Specifically, it was recognized that a project that was not likely to provide capacity until September 1, 2021 (i.e., the latest date in the CPUC's Decision) was not as valuable or effective in meeting the CPUC's concerns as a project that was likely to provide capacity by June 1, 2021. In addition, SCE and Sedway Consulting noted that short-term offers, even if somewhat expensive, could provide a better fit in addressing summer reliability concerns in the next few years and leave longer-term needs to be filled by lower-cost longer-term options that may become available in 2023 or 2024 and be procured through SCE's future reliability RFOs. A combination of a short-term Emergency Procurement contract followed by an attractively-priced long-term contract acquired later was likely to be a more cost-effective outcome for SCE's and the CAM's benefitting customers than locking in a long-term "medium-priced" resource in 2021 that had a rush premium built into its price. To address this issue, SCE developed a metric whereby each offer's notional cost (i.e., the sum of its payments over the proposed term of the contract) was divided by the expected number of kW-months of delivered capacity for the summer months of 2021 (i.e., from June 1, 2021 through September 30, 2021, the four-month delivery period identified by the CPUC). This new \$/2021 summer kW-month metric did not replace the traditional \$/kW-month net market value but merely supplemented it, providing decision-makers with an important additional perspective. Sedway Consulting believes that this metric was an appropriate addition to SCE's 2021 Emergency Procurement evaluation process.

Cost Competitiveness Criterion

The CPUC's ACR and proposed decision(s) instructed the California IOUs to pursue incremental capacity resources with pricing/valuations that were cost-competitive with recently procured resources from other reliability solicitations (to the extent that comparable data existed). SCE and Sedway Consulting discussed this requirement and agreed that SCE's recently-concluded 2019 System Reliability Standard Track Request for Offers (RFO) presented a reasonable point of comparison. That RFO was launched at the end of 2019 and had entailed the procurement of resources to address California's reliability needs in the 2021-2023 time frame, with a Fast Track phase for procuring 2021 contracts and a Standard Track phase for procuring 2022-2023 contracts. The most recent set of contracts were those associated with the Standard Track, in which final offers had been submitted by shortlisted bidders on August 21, 2020 and finalized executed contracts had been filed with the CPUC on December 18, 2020 (with Advice Letter 4373-E). Thus, these Standard Track contracts/resources reflected very recent transactions. SCE and Sedway Consulting reviewed the \$/kW-month net market value evaluation metrics for the 2022 Standard Track executed contracts, as well as those 2022 projects/offers that had been next in line for selection. SCE and Sedway Consulting agreed to a process for developing a cost-effectiveness threshold from this information while also recognizing the additional price/cost ramifications of securing capacity in

2021 rather than 2022. This cost-effectiveness threshold informed the 2021 Emergency Procurement selection decisions and is discussed further in Confidential Appendix A.

SCE and Sedway Consulting agreed to utilize the relatively recent market assumptions that had been used in the utility's 2019 System Reliability Standard Track final offer evaluation as the basis for comparing 2021 Emergency Procurement offer evaluation metrics with the cost-competitiveness threshold. Thus, both the 2021 Emergency Procurement evaluation and the cost-effectiveness threshold were based on the same market forecasts. Those market assumptions included forecasts for regional electricity and natural gas prices; energy, ancillary services, and capacity valuation assumptions; cost of capital components; and discount rate assumptions. These market assumptions had already been incorporated into Sedway Consulting's proprietary bid evaluation models as part of the 2019 System Reliability RFO effort, where Sedway Consulting was the IE as well. These models are described in Appendix B. These previously-anchored assumptions allowed Sedway Consulting to perform an entirely independent and parallel evaluation of all solicited resource types, using its own models to determine each offer's expected capacity, energy, and ancillary services costs and benefits without any further input from SCE. Procedures for calculating all product types' costs and benefits had been established prior to the receipt of Standard Track final offers in August 2020, so that both SCE's and Sedway Consulting's evaluation teams were following consistent methodologies in evaluating the 2021 Emergency Procurement offers and Sedway Consulting's independent results could be used to quickly cross-check SCE's results.

Qualitative Evaluation

SCE's and Sedway Consulting reviewed the qualitative aspects of all offers. The qualitative analysis included assessments of the following issues for each offer:

- likelihood of achieving the proposed commercial operation date (COD),
- whether the expected COD was earlier or later in the four-month summer delivery commencement window,
- degree of resource incrementality,⁷
- likelihood of resource sufficiency in providing incremental capacity, and
- contracting complexity.

SCE and Sedway Consulting compared and reviewed their quantitative evaluation results and discussed the above qualitative factors for each of the offers, implementing a least-cost best-fit (LCBF) evaluation and selection approach. SCE addressed portfolio fit issues in the 2021 Emergency Procurement process by focusing on contracts that would provide reliable delivery of incremental capacity in as many months of the 2021 summer

⁷ Although incrementality was a requirement for resources in the Emergency Procurement process, there was some judgment and uncertainty in that assessment, as discussed in Confidential Appendix A.

period as possible, with a preference for earlier CODs in the four-month summer delivery commencement window.

Offer Selection and Negotiation

SCE and Sedway Consulting developed respective rankings of the Emergency Procurement offers and discussed their quantitative evaluation results on several occasions. Sedway Consulting's parallel evaluation allowed the IE to cross-check and confirm SCE's valuation results. Sedway Consulting participated in a primary selection call on January 20, 2021 (and several follow-up calls), comparing and corroborating SCE's results with the offer rankings from Sedway Consulting's modeling efforts. That process yielded a recommended selection set of offers. Given the very compressed time frame for selecting and executing contracts, there were significant benefits to having parallel evaluations performed by two separate teams.

Sedway Consulting participated and contributed to discussions in SCE's executive-approval FRM call on January 22, 2021 and the utility's CAM call on January 25, 2021 where the selection decisions were reviewed and approved. An appropriate number of projects were selected for SCE's negotiation teams to attempt to secure incremental capacity through mutually-agreeable contracts.

Sedway Consulting concluded that SCE's evaluation and selection processes were designed and administered in a way that treated all technologies and types of bidders fairly, employing a consistent methodology that did not favor or disadvantage any offer product, technology, or bidder – while obviously recognizing justifiable offer-specific differences (e.g., providing deliveries in most or all of the 2021 summer months). The evaluation included many fixed parameters (e.g., electricity market prices, capacity valuation metrics, discount rates) that were consistently applied across all offers to ensure that the evaluation was performed fairly and with a common framework of market assumptions. The fact that Sedway Consulting performed a fully separate, independent evaluation allowed it to develop its own ranking and confirm that SCE was fairly and appropriately evaluating all offers and employing an appropriate and fair selection process.

Overall, Sedway Consulting believes that SCE did a good job of administering an Emergency Procurement process that was performed on an extremely accelerated basis and involved coordinating a significant number of internal SCE departments. Sedway Consulting believes that SCE's evaluation process complied with the CPUC's LCBF criteria and was fairly designed and administered such that all counterparties and product types were treated consistently and fairly and had equal opportunity to be selected for addressing the objectives of the 2021 Emergency Procurement process, and of those who were selected, to make it through the negotiation process.

Contract Negotiations

Sedway Consulting team members closely monitored project-specific negotiations, all of which were performed by teleconference. Numerous such calls were monitored by Sedway Consulting, supplemented by the review of many email communications (frequently with the transmittal of redlined contracts) between SCE and counterparties.

The overall negotiation team members met semi-weekly to discuss the status of their negotiations, compare notes, ask questions, report problems, raise issues for resolution, and stay apprised of revisions to potential agreements. Sedway Consulting participated in all of these internal calls and believes that SCE did a commendable job in facilitating consistency across its negotiations. In the end, there were three projects for which finalized contracts were executed.

Overall, Sedway Consulting affirms that SCE provided consistent information throughout the outreach and negotiation process. Also, based on its monitoring of negotiations, Sedway Consulting affirms that SCE applied consistent “pressure” on all selected counterparties to conform as closely as possible to SCE’s standard contract positions. Sedway Consulting believes that SCE conducted all negotiations in a fair and appropriate manner.

Contract Execution

On or about February 12, 2021, SCE executed the following three contracts or contract amendments with two primary counterparties to address its 2021 Emergency Procurement objectives:

1. **Calpine Energy Services, L.P.:** a 10 MW approximately 13-month⁸ RA-Only confirmation letter associated with incremental capacity that will be made available from the Seller’s Pastoria Energy Facility, an existing 750 MW (nominal) gas-fired combined-cycle facility in Lebec, California. Delivery of the incremental capacity is expected to begin on June 1, 2021.
2. **El Segundo Energy Center, LLC (a subsidiary of Clearway Energy Group):** an amendment to an existing SCE tolling contract for 37.66 MW of incremental capacity from the Seller’s El Segundo Energy facility, an existing approximately 522 MW gas-fired combined-cycle facility in El Segundo, California. Delivery of the incremental capacity is expected to begin on June 1, 2021 and continue for 2 years and 2 months until the current contract’s expiration on July 31, 2023.

⁸ The contract fully spans the summers of both 2021 and 2022 with 13 delivery months that include June through October of 2021 and March through October of 2022.

3. **Walnut Creek Energy, LLC (a subsidiary of Clearway Energy Group):** an amendment to an existing SCE tolling contract for 21.7 MW of incremental capacity from the Seller's Walnut Creek Energy facility, an existing 478.8 MW gas-fired peaking facility in Industry, California. Delivery of the incremental capacity is expected to begin on June 1, 2021 and continue for 2 years until the current contract's expiration on May 31, 2023.

These contracts are expected to provide approximately 69 MW of incremental RA capacity to the CAISO grid by June 1, 2021 and throughout the summer (and for the summer of 2022 as well). These resources will provide incremental power that is expected to be available during the peak and net peak demand hours.

Conclusion

Sedway Consulting concludes that the three above contracts merit CPUC approval because the contracts' economics and their general terms and conditions represented the best resources available to SCE to address near-term Emergency Procurement needs. Sedway Consulting's analysis and parallel evaluation yielded results that confirmed the appropriateness of the selection of these contracts. Pricing and evaluation information are provided in Confidential Appendix A.

Sedway Consulting believes that SCE has conducted a fair and rigorous evaluation of resources/contracts that could provide near-term Emergency Procurement capacity to reinforce reliability of the California grid this summer and concurs with SCE's request for the CPUC's approval of the above contracts.

Appendix B

SCE 2021 Emergency Procurement

Sedway Consulting Evaluation Model Descriptions

Sedway Consulting employed its proprietary set of models to undertake the quantitative evaluation of the 2021 Emergency Procurement qualified offers. Much of the information required to perform this modeling was provided by bidders in the term sheets that were submitted as part of this Emergency Procurement process. In instances where additional information might be needed to fully evaluate an offer, Sedway Consulting used favorable assumptions to develop an initial assessment of the offer and worked with SCE to gain additional information from the bidder if warranted.

Below is a description of the specific Sedway Consulting models that were available for the evaluation of products that might be candidates in SCE's 2021 Emergency Procurement process. Note that not all of the below products were necessarily offered.

Energy Storage Bid Evaluation Model

Sedway Consulting's Energy Storage Bid Evaluation Model (ESBEM) is a spreadsheet-based evaluation tool that uses the following information for each IFOM ES offer:

- Contract capacity
- Inverter capacity
- Storage quantity
- Capacity pricing
- Delivery commencement and expiration dates

SCE's 2021 Emergency Procurement RFO allowed for RA-Only, RA plus Put Option, or Tolling contract structures for IFOM ES. The above list pertains to the RA-Only contract structure. For these offers, all on-going operational costs and CAISO market revenues associated with a facility's dispatch would accrue to the bidder/seller. SCE would only receive and pay for the RA product.

For RA plus Put Option and Tolling offers, Sedway Consulting's ESBEM also uses the following information for energy and A/S valuation purposes:

- Guaranteed efficiency factors – minimum and maximum
- Variable O&M (VOM) pricing, including Variable Asset Replacement Cost (VARC) pricing and VARC generation levels, to compensate bidders for generation exceeding 360 equivalent cycles per year (or greater cycle limits, if defined by the bidder).

The ESBEM is calibrated with SCE's forward energy, A/S, and capacity price curves. It used the hourly energy prices to determine the best charging and discharging schedule to maximize the benefits of energy arbitrage between off-peak and on-peak prices, accounting for the proposed VOM costs for discharged energy, the round-trip efficiency impacts (i.e. charging-discharging energy losses) and VARC costs for resource use above bidder-defined threshold levels, and subject to the resource's operating constraints. In each hour, the ESBEM also targets the most profitable A/S market for the resource to be bid into. The model then calculates each offer's resulting energy and A/S benefits. Monthly RA capacity values are calculated using current CPUC RA rules and multiplied by the forward capacity prices to determine capacity benefits. The contract payments are the product of the offer's contract capacity and capacity pricing. For the RA plus Put Option contract structure, Sedway Consulting and SCE calculate a "put cost" that represents the potential lost value to SCE's customers under scenarios and years where the sellers might retain the facility's energy and ancillary service dispatch rights and profits. The net present value of the contract payments, debt equivalence costs, put costs, and transmission costs are subtracted from the net present value of the net energy, A/S, and capacity benefits to yield a net benefit. This net benefit is levelized in the fashion described in the main IE Analysis Document, resulting in a comparable \$/kW-month evaluation metric.

Gas-Fired Generation Evaluation Model

Sedway Consulting used a focused version of its GFG Evaluation Model, a spreadsheet-based tool that is calibrated to approximate the economic costs and benefits of each GFG RA-Only or tolling offer based on the assumptions and representation of the southern California electricity and natural gas markets provided by SCE. The model uses the following inputs:

- Contract capacity
- Heat Rate
- Variable O&M (VOM) Pricing
- Capacity pricing
- Delivery commencement and expiration dates, and
- Information about operating limitations.

The model calculates each GFG tolling offer's net energy and ancillary services (A/S) revenues, and this information is combined with RA valuation information as described above for other dispatchable resources (e.g., ES) to develop a net levelized benefit of each option, expressed in \$/kW-month.

For variable costs and benefits associated with tolling offers, the GFG Evaluation Model developed estimates of the monthly net energy and A/S revenues that SCE would be expected to realize if it acquired and scheduled a project's generation. The net energy and A/S revenues are the difference between the revenues received from selling a

project's power into the market and the variable costs of generating that power. For a fully dispatchable project, it is expected that a resource would be scheduled to generate in all hours that the market price of electricity exceeded the resource's \$/MWh variable cost of generation, subject to appropriate operating constraints. Thus, the net energy and A/S revenues for a proposed project represent the gains that would be realized from market sales after paying for a project's fuel costs, and variable O&M charges, and, if applicable, start-up costs. The GFG Model estimates SCE's net energy and, if applicable, A/S revenues for each month and each offer.

The contract payments are the product of the offer's contract capacity and capacity pricing. The net present value of the contract payments and debt equivalence costs are subtracted from the net present value of the energy and capacity benefits to yield a net benefit. This net benefit is levelized in the same fashion as was described above, resulting in a comparable \$/kW-month evaluation metric.

Energy Efficiency (and PLS) Bid Evaluation Model

Sedway Consulting's Energy Efficiency Bid Evaluation Model (EEBEM) is a spreadsheet-based evaluation tool that uses the following information for each EE (and PLS) offer:

- 8760-hour expected savings profile and additional contract savings information
- Project completion date
- Expected useful life of measures
- The compensation the bidder proposes for achieving the project benefits.

The EEBEM is calibrated with SCE's forward energy and capacity price curves. The model calculates each offer's expected monthly energy benefits as the product of the monthly portions of the 8760-hour profile and SCE's hourly energy prices. Monthly RA capacity values are calculated from the profile information and multiplied by the forward capacity prices to determine capacity benefits. The energy and capacity benefits are adjusted upward to account for the line loss savings of a BTM load reducing resource; additionally, the capacity benefits are further increased to account for reserve margin effects. The contract payments are based on pricing information stipulated by the bidder. The net present value of the contract payments and debt equivalence costs are subtracted from the net present value of the energy and capacity benefits to yield a net benefit. This net benefit is levelized in the same fashion as described above, resulting in a comparable \$/kW-month evaluation metric.

Demand Response Bid Evaluation Model

Sedway Consulting's Demand Response Evaluation Model (DRBEM) is a spreadsheet-based evaluation tool that uses the following information for each DR offer:

Sedway Consulting, Inc.

- Delivery commencement and expiration dates
- Monthly contract capacity
- Monthly capacity price
- Energy price (in \$/MWh), payable for actual calls/dispatches
- Dispatch constraints (e.g., maximum number and duration of DR events that could be called per day, per month, per year).

The DRBEM is calibrated with SCE's forward energy and capacity price curves. The model calculated each offer's expected energy benefits from the difference between the hourly energy market prices and the offer's energy rate during DR events, which are determined from an optimal dispatch where the model identified the highest value hours and days for DR events, subject to an offer's dispatch constraints. Monthly contract capacity values which met the 4-hour, 3 consecutive days and 4:00 pm – 9:00 pm delivery window requirements of the CPUC's RA rules are multiplied by the forward capacity prices to determine capacity benefits. The energy and capacity benefits are adjusted upward to account for the line loss savings of a BTM load reducing resource; additionally, the capacity benefits are further increased to account for reserve margin effects. The monthly contract payments are based on the product of the offer's capacity price and monthly contract capacity. The net present value of the contract payments and debt equivalence costs are subtracted from the net present value of the energy and capacity benefits to yield a net benefit. This net benefit is levelized in the same fashion as was described above, resulting in a comparable \$/kW-month evaluation metric.

Renewable Bid Evaluation Model

Sedway Consulting's Renewable Bid Evaluation Model (RBEM) is a spreadsheet-based evaluation tool that uses the following information for each renewable offer and non-dispatchable renewable generation/ES hybrid (i.e., DGEN) offer:

- 8760-hour expected generation profile
- Commencement and expiration dates for power deliveries
- Energy pricing

For IFOM DGEN resources for which SCE has dispatch control of the ES resource, the RBEM additionally uses ES information and pricing as described above.

The RBEM is calibrated with SCE's forward energy and capacity price curves. The model calculates each offer's expected annual energy benefits as the product of the 8760-hour profile and SCE's hourly energy prices. Similarly, the model calculates each offer's expected annual Renewable Energy Credit (REC) benefits, if applicable, as the product of the 8760-hour profile and SCE's REC prices. Monthly RA capacity values are calculated from the 8760-hour profile and multiplied by the forward capacity prices to determine capacity benefits. For BTM renewable resources, the energy and capacity

benefits are adjusted upward to account for the line loss savings of a BTM load reducing resource; additionally, the capacity benefits are further increased to account for reserve margin effects. The contract payments are based on the 8760-profile, the bidder's energy pricing, the contractual time-of-delivery (TOD) factors, if applicable, and capacity payments in the case of DGES/hybrid offers.

For the modeling of DGES offers that provided for SCE's control of the ES resource, adjustments are made to the RA, energy, and ancillary service valuation and other components to take into account the combined operation of both facilities (and potential solar charging requirements during Investment Tax Credit periods). Modeling results from the Energy Storage Bid Evaluation Model (described above) are used to incorporate ES-related energy and ancillary service benefits into the RBEM.

The net present value of the contract payments, debt equivalence costs, RICA, and transmission costs are subtracted from the net present value of the capacity, energy, and ancillary service benefits to yield a net benefit. This net benefit is levelized in the same fashion as was described above, resulting in a comparable \$/kW-month evaluation metric.

Combined Heat and Power Evaluation Model

Sedway Consulting developed a focused version of its CHP evaluation model, which incorporated the following information:

- Capacity prices
- Heat Rate
- Firm and As-Available Capacity quantities
- Commencement and expiration dates for power deliveries
- VOM prices

The CHP model is calibrated with SCE's forward energy and capacity price curves. The model calculates each offer's expected annual energy benefits as the product of the capacity quantity and SCE's monthly energy price forecast. Monthly RA capacity values are calculated using the bidder-provided firm capacity value multiplied by the forward capacity prices to determine capacity benefits. The contract payments are based on the capacity offered by the bidder and the bidder's capacity and energy pricing,

The net present value of the contract payments, debt equivalence costs, VOM payments, and gas costs are subtracted from the net present value of the capacity and energy benefits to yield a net benefit. This net benefit is levelized in the same fashion as was described above, resulting in a comparable \$/kW-month evaluation metric.

CONFIDENTIAL Attachment C

Emergency Reliability Contracts

Confidential Protected Materials – Public Disclosure Prohibited

PUBLIC Attachment D
Confidentiality Declaration

DECLARATION OF GUS FLORES REGARDING THE CONFIDENTIALITY OF CERTAIN DATA

I, Gus Flores, declare and state:

1. I am a Principal Manager, Energy Marketing and Trading, at Southern California Edison Company (“SCE”). As such, I have reviewed the confidential information submitted by SCE in this Advice Letter. I make this declaration in accordance with Commission Decisions (“D.”) 06-06-066 and D.08-04-023, issued in Rulemaking 05-06-040. I have personal knowledge of the facts and representations herein and, if called upon to testify, could and would do so, except for those facts expressly stated to be based upon information and belief, and as to those matters, I believe them to be true.

2. Listed below are the data in the Advice Letter for which SCE is seeking confidential protection and the categories of the Matrix of Allowed Confidential Treatment Investor Owned Utility Data (“Matrix”) appended to D.06-06-066 to which these data correspond.

Location of Data	Matrix Category	Limitations on Confidentiality Specified in Matrix
Confidential Attachment A – Project, Contract, and Valuation and Selection Information	VII.B Bilateral Contract Terms and Conditions – Electric – Contracts and power purchase agreements between utilities and non-affiliated third parties (except RPS)	Contract summaries public, including counterparty, resource type, location, capacity, expected deliveries, delivery point, length of contract and online date. Other terms confidential for three years from date contract states deliveries to begin; or until one year following expiration, whichever comes first.
	VIII.A Competitive Solicitation (Bidding) Information – Electric – Bid information	Total number of projects and megawatts bid by resource type (e.g. fossil, wind, solar, hydro-electric, etc.) – public after final contracts submitted to CPUC for approval.

	VIII.B Competitive Solicitation (Bidding) Information – Electric – Specific quantitative analysis involved in scoring and evaluation of participating bids	Evaluation guidelines should be public. Other information confidential for three years after winning bidders selected.
Confidential Attachment B – Independent Evaluator Analysis	VII.B Bilateral Contract Terms and Conditions – Electric – Contracts and power purchase agreements between utilities and non-affiliated third parties (except RPS) VIII.A Competitive Solicitation (Bidding) Information – Electric – Bid information VIII.B Competitive Solicitation (Bidding) Information – Electric – Specific quantitative analysis involved in scoring and evaluation of participating bids	Contract summaries public, including counterparty, resource type, location, capacity, expected deliveries, delivery point, length of contract and online date. Other terms confidential for three years from date contract states deliveries to begin; or until one year following expiration, whichever comes first. Total number of projects and megawatts bid by resource type (e.g. fossil, wind, solar, hydro-electric, etc.) – public after final contracts submitted to CPUC for approval. Evaluation guidelines should be public. Other information confidential for three years after winning bidders selected.
Confidential Attachment C – Emergency Reliability Contracts	VII.B Bilateral Contract Terms and Conditions – Electric – Contracts and power purchase agreements between utilities and non-affiliated third parties (except RPS)	Contract summaries public, including counterparty, resource type, location, capacity, expected deliveries, delivery point, length of contract and online date. Other terms confidential for three years from date contract states deliveries to begin; or until one year following expiration, whichever comes first.

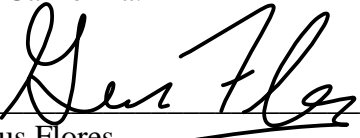
3. I am informed and believe and thereon allege that the data in the tables in paragraph 2 above cannot be aggregated, redacted, summarized, masked or otherwise protected

in a manner that would allow partial disclosure of the data while still protecting confidential information, because the Advice Letter requires that the data be provided in this form.

4. I am informed and believe and thereon allege that the data in the tables in paragraph 2 above has never been made publicly available.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on February 12, 2021 at Chino Hills, California.


Gus Flores

PUBLIC Attachment E
Proposed Protective Order

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

Submission of Southern California Edison)
Company Emergency Reliability Contracts for)
Review and Approval Pursuant to Decision)
21-02-028)
_____)

Advice 4415-E

PROPOSED PROTECTIVE ORDER

1. Scope. This Protective Order shall govern access to and the use of Protected Materials, produced by, or on behalf of, any Disclosing Party (as defined in Paragraph 2 below) in this proceeding.

2. Definitions

In addition to the terms defined and capitalized in other sections of this Protective Order, the following terms are defined for the purposes of this Protective Order:

A. For purposes of this Protective Order, the term “Protected Materials” means: (i) trade secret, market sensitive, or other confidential and/or proprietary information as determined by the Disclosing Party in accordance with the provisions of Decision (“D.”) 06-06-066 and subsequent decisions, including D.14-10-033 which governs the treatment of market sensitive greenhouse gas data and information, General Order 66-C, Public Utilities Code section 454.5(g), or any other right of confidentiality provided by law; or (ii) any other materials that are made subject to this Protective Order by the Assigned Administrative Law Judge (“Assigned ALJ”), Law and Motion Administrative Law Judge (“Law and Motion ALJ”), Assigned Commissioner, the California Public Utilities Commission (“Commission”), or any court or other body having appropriate authority. Protected Materials also include memoranda, handwritten notes, spreadsheets, computer files and reports, and any other form of information

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

B. The term “redacted” refers to situations in which Protected Material in a document, whether the document is in paper or electronic form, have been covered, blocked out, or removed.

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

D. The term “Requesting Party” means any party that is requesting receipt of Protected Material from a Disclosing Party.

E. The term “Party” refers to the Requesting Party or the Disclosing Party and the term “Parties” refers to both the Requesting Party and the Disclosing Party.

F. The term “Market Participant” refers to a Requesting Party that is:

- 1) A person or entity, or an employee of an entity, that engages in the wholesale purchase, sale or marketing of energy or capacity, or the bidding on or purchasing of power plants, or bidding on utility procurement solicitations, or consulting on such matters, subject to the limitations in 3) below.
- 2) A trade association or similar organization, or an employee of such organization,
 - a) whose primary focus in proceedings at the Commission is to advocate for persons/entities that purchase, sell or market energy or capacity at wholesale; bid on, own, or purchase power plants; or bid on utility procurement solicitations; or

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

G. The term “Non-Market Participant” refers to a Requesting Party that does not meet the definition of Market Participant. The California Independent System Operator is deemed a Non-Market Participant for purposes of this Protective Order.

H. “Reviewing Representatives” are limited to person(s) designated in accordance with Paragraph 5 who meet the following criteria:

- 1) Reviewing Representatives may not currently be engaged in: (a) a transaction for the purchase, sale, or marketing at wholesale of electrical energy or capacity or natural gas (or the direct supervision of any employee(s) engagement in such a transaction); (b) the bidding on or purchasing of power plants (or the direct supervision of any employee(s) engagement in such a transaction); or (c) knowingly providing electricity or gas marketing consulting or advisory services to others in connection with a transaction for the purchase, sale, or marketing at wholesale of electrical energy or capacity or natural gas or the bidding on or purchasing of power plants (or the direct supervision of any employee(s) engagement in such a transaction or consulting).
- 2) Reviewing Representatives may not be an employee of a Market Participant. If the Market Participant or Non-Market Participant chooses to retain outside attorneys, consultants, or experts in the same law firm or consulting firm to provide advice in connection with marketing activities, then the attorney, consultant, or expert serving as a Reviewing Representative must be separated by an ethics wall consistent with the ethics wall requirements in D.11-07-028, as that decision may be subsequently modified or changed by the Commission, from those in the firm who are involved in wholesale commercial dealings.
- 3) Reviewing Representatives shall use Protected Materials only for the purpose of participating in the Commission proceeding in which they received the information.
- 4) Reviewing Representatives are permitted to participate in regulatory proceedings on behalf of Market Participants and Non-Market Participants.
- 5) All Reviewing Representatives are required to execute the Nondisclosure Certificate attached to this Protective Order and are bound by the terms of this Protective Order.

I. The term “Authorized Reviewers” refers to: (1) a Requesting Party that is a Non-Market Participant; or (2) a Reviewing Representative of a Requesting Party. A Requesting Party that is a Market Participant is not an Authorized Reviewer but it may designate a Reviewing Representative in accordance with Paragraph 5.

J. The term “Nondisclosure Certificate” refers to the Nondisclosure Certificate attached as Appendix A.

3. Designation, Filing, and Service of Protected Materials.

When filing or providing in discovery any documents or items containing Protected Materials, a party shall physically mark such documents (or in the case of non-documentary materials such as computer diskettes, on each item) as “PROTECTED MATERIALS SUBJECT TO PROTECTIVE ORDER,” or with words of similar import as long as one or more of the terms “Protected Materials” or “Protective Order” is included in the designation to indicate that the materials in question are Protected Materials. All materials so designated shall be treated as Protected Materials unless and until: (a) the designation is withdrawn pursuant to Paragraph 14 hereof; (b) an Assigned ALJ, Law and Motion ALJ, Assigned Commissioner, or the Commission makes a determination that: (i) the document does not contain Protected Materials or does not warrant confidential treatment or (ii) denies a motion to file the document under seal; or (c) the document or information becomes public knowledge, other than through disclosure in violation of this Protective Order or any other nondisclosure agreement or protective order. However, the Disclosing Party has the burden of showing that the documents are Protected Materials, and merely marking a document “Protected Materials” is insufficient to meet that burden.

All documents containing Protected Materials that are tendered for filing with the Commission shall be placed in sealed envelopes or otherwise appropriately protected and shall be tendered with a motion to file the document under seal pursuant to Rule 11.4 of the

Commission's Rules of Practice and Procedure. All documents containing Protected Materials that are served on parties in a proceeding shall be placed in sealed envelopes or otherwise appropriately protected and shall be endorsed to the effect that they are served under seal pursuant to this Protective Order. Such documents shall only be served upon Authorized Reviewers and persons employed by or working on behalf of the Commission. Service upon Authorized Reviewers and persons employed by or working on behalf of the Commission may either be: (a) by electronic mail in accordance with the procedures adopted in this proceeding; (b) by facsimile; or (c) by overnight mail or messenger service. Whenever service of a document containing Protected Materials is made by overnight mail or messenger service, the Assigned ALJ shall be served with such document by the same means and at the same time.

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

5. Designation of Reviewing Representatives. The Requesting Party shall provide written notice identifying its proposed Reviewing Representative(s) to the Disclosing Party before the Disclosing Party provides any Protected Materials to the Requesting Party's Authorized Reviewers. The written notice shall include the information identified in this paragraph. If the Requesting Party decides to designate any additional Reviewing Representative(s) after the Requesting Party's Authorized Reviewers receive Protected

Materials, the Requesting Party shall identify the additional proposed Reviewing Representative(s) to the Disclosing Party before the Requesting Party provides Protected Materials to the additional Reviewing Representative(s). Within five (5) business days after receiving written notice of the identity of any Reviewing Representative, the Disclosing Party may provide the Requesting Party with a written objection to a specific Reviewing Representative stating the grounds for the objection. Any dispute concerning whether an identified person or entity is an appropriate Reviewing Representative shall be resolved through the dispute resolution procedures in Paragraph 11 of this Protective Order. If a Disclosing Party objects to a specific Reviewing Representative within five (5) business days after the Reviewing Representative is identified, the Parties shall not provide any Protected Materials to the disputed Reviewing Representative until the Parties are able to resolve the dispute consistent with the dispute resolution procedures in Paragraph 11. Failure by the Disclosing Party to object within five (5) business days does not waive the Disclosing Party's right to later object to the Reviewing Representative, even if Protected Materials has already been disclosed. However, further disclosure of Protected Materials would be stayed until the parties are able to resolve the dispute consistent with the dispute resolution procedures in Paragraph 11.

Reviewing Representative(s) have a duty to disclose to the Disclosing Party any potential conflict of interest that puts the Reviewing Representative in violation of D.06-12-030, as modified by subsequent decisions of the Commission. A resume or curriculum vitae is reasonable disclosure of such potential conflicts, and should be the default evidence provided in most cases.

6. Nondisclosure Certificates. A Reviewing Representative shall not inspect, participate in discussions regarding, or otherwise be granted access to, Protected Materials unless and until he or she has first completed and executed a Nondisclosure Certificate, attached hereto

as Appendix A, and delivered the signed Nondisclosure Certificate to the Disclosing Party. The Disclosing Party shall retain the executed Nondisclosure Certificates pertaining to the Protected Materials it has disclosed and shall promptly provide copies of the Nondisclosure Certificates to Commission Staff upon request.

7. Access to Protected Materials and Use of Protected Materials. Subject to the terms of this Protective Order, Authorized Reviewers shall be entitled to access any Protected Materials and may make copies of Protected Materials, but such copies become Protected Materials. Authorized Reviewers may make notes of Protected Materials, which shall be treated as Protected Materials if such notes disclose any Protected Materials. Protected Materials obtained by a Party in this proceeding may also be requested by that Party in a subsequent Commission proceeding, subject to the terms of any nondisclosure agreement or protective order governing that subsequent proceeding, without constituting a violation of this Protective Order.

8. Maintaining Confidentiality of Protected Materials. Each Authorized Reviewer shall treat Protected Materials as confidential in accordance with this Protective Order and the Nondisclosure Certificate. Protected Materials shall not be used except as necessary for participation in this proceeding, and shall not be disclosed in any manner to any person except: (i) Authorized Reviewers; (ii) an Authorized Reviewer's employees and administrative personnel, such as clerks, secretaries, and word processors, to the extent necessary to assist the Authorized Reviewer, provided that they shall first ensure that such personnel are familiar with the terms of this Protective Order and have signed a Nondisclosure Certificate; and (iii) persons employed by or working on behalf of the Commission. Authorized Reviewers shall adopt suitable measures to maintain the confidentiality of Protected Materials they have obtained pursuant to this Protective Order, and shall treat such Protected Materials in the same manner as they treat their own most highly confidential information.

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

9. Return or Destruction of Protected Materials. Protected Materials shall remain available to Authorized Reviewers until an order terminating this proceeding becomes no longer subject to judicial review. If requested to do so in writing after that date, the Authorized Reviewers shall, within fifteen days after such request, return the Protected Materials to the Disclosing Party that produced such Protected Materials, or shall destroy the materials, except that copies of filings, official transcripts and exhibits in this proceeding that contain Protected Materials, and notes of Protected Materials may be retained, if such Protected Materials are maintained in accordance with Paragraph 8. Within such time period each Authorized Reviewer, if requested to do so, shall also submit to the Disclosing Party an affidavit stating that, to the best

of its knowledge, all Protected Materials have been returned or have been destroyed or will be maintained in accordance with Paragraph 8. To the extent Protected Materials are not returned or destroyed, they shall remain subject to this Protective Order.

In the event that a Reviewing Representative to whom Protected Materials are disclosed ceases to be engaged to provide services in this proceeding, then access to such materials by that person shall be terminated and the Reviewing Representative shall immediately return or destroy all Protected Materials, or provide an affidavit stating that all Protected Materials and all notes of Protected Materials will be maintained in accordance with Paragraph 8. Even if a Reviewing Representative is no longer engaged in this proceeding, every such person shall continue to be bound by the provisions of this Protective Order and the Nondisclosure Certificate.

10. Access and Use by Governmental Entities.

A. In the event the Commission receives a request from the California Energy Commission (“CEC”) for a copy of or access to any Party’s Protected Materials, the procedure for handling such requests shall be as follows. Not less than five (5) business days after delivering written notice to the Disclosing Party of the request, the Commission shall release such Protected Materials to the CEC upon receipt from the CEC of an Interagency Information Request and Confidentiality Agreement (“Interagency Confidentiality Agreement”). Such Interagency Confidentiality Agreement shall: (i) provide that the CEC will treat the requested Protected Materials as confidential in accordance with this Protective Order; (ii) include an explanation of the purpose for the CEC’s request, as well as an explanation of how the request relates to furtherance of the CEC’s functions; (iii) be signed by a person authorized to bind the CEC contractually; and (iv) expressly state that furnishing of the requested Protected Materials to employees or representatives of the CEC does not, by itself, make such Protected Materials public. In addition, the Interagency Confidentiality Agreement shall include an express

acknowledgment of the Commission's sole authority (subject to judicial review) to make the determination whether the Protected Materials should remain confidential or be disclosed to the public, notwithstanding any provision to the contrary in the statutes or regulations applicable to the CEC.

B. In the event the Commission receives a request for a copy of or access to a party's Protected Materials from a state governmental agency other than the CEC that is authorized to enter into a written agreement sufficient to satisfy the requirements for maintaining confidentiality set forth in Government Code Section 6254.5(e), the Commission may, not less than five (5) business days after giving written notice to the Disclosing Party of the request, release such Protected Materials to the requesting governmental agency, upon receiving from the requesting agency an executed Interagency Confidentiality Agreement that contains the same provisions described in Paragraph 10.A above.

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

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

12. Other Objections to Use or Disclosure. Nothing in this Protective Order shall be construed as limiting the right of a Party, the Commission Staff, or a state governmental agency covered by Paragraph 10 to object to the use or disclosure of Protected Materials on any legal ground, including relevance or privilege.

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

14. Withdrawal of Designation. A Disclosing Party may agree at any time to remove the “Protected Materials” designation from any materials of such Party if, in its opinion, confidentiality protection is no longer required. In such a case, the Disclosing Party will notify all Requesting Parties that the Disclosing Party has agreed to withdraw its designation of Protected Materials for specific documents or material.

15. Modification. This Protective Order shall remain in effect unless and until it is modified or terminated by the Commission or the Assigned ALJ. The identity of the parties submitting Protected Materials may differ from time to time. In light of this situation, modifications to this Protective Order may become necessary. The Parties shall work cooperatively to develop such modifications and, to the extent the Parties are able to agree to modifications, shall file a motion with the Assigned ALJ or the Commission seeking approval of the modifications. To the extent Parties are unable to agree on modifications after a good faith effort, each party governed by this Protective Order has the right to seek modifications in it as appropriate from the Assigned ALJ or the Commission.

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

Entered: _____
Administrative Law Judge

Date: _____

APPENDIX A TO PROPOSED PROTECTIVE ORDER
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Submission of Southern California Edison)
Company Emergency Reliability Contracts for)
Review and Approval Pursuant to Decision)
21-02-028)
_____)

Advice 4415-E

NONDISCLOSURE CERTIFICATE

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

Signed: _____

Name _____

Title: _____

Organization: _____

Dated: _____