

DISSENTING STATEMENT OF COMMISSIONER MICHEL P.
FLORIO ON
**RESOLUTION REGARDING SOUTHERN CALIFORNIA
EDISON'S POWER PURCHASE AGREEMENTS WITH
FOTOWATIO RENEWABLE VENTURES
RESOLUTION E-4500**
May 24, 2012

I have some serious concerns regarding the value of the three contracts under consideration today. First, Southern California Edison Company (SCE) does not need additional renewable energy until the third compliance period, which begins in 2017. Therefore, adding these contracts to SCE's portfolio now will result in SCE having to sell the surplus renewable energy, presumably at a loss to its ratepayers, which is a major concern. More fundamentally, a comparison of these contracts to the 2009 Request For Offers (RFO) is extremely outdated and unreasonable. The contracts were amended in early 2012, so the Commission should look at current (2012) prices in judging the reasonableness of the contracts. Limiting the comparison to contracts from the 2009 RFO does not allow us to fairly judge this agreement.

Even if the Commission were to take the 2009 RFO perspective, the prices of these contracts would not be reasonable when compared to similar contracts SCE signed at that time. In November 2010, SCE executed approximately 20 contracts under its Renewable Standard Contract (RSC) program. Those RSC contracts, executed a mere month earlier, were priced 20% lower than the three contracts under consideration today. Therefore, to consider that the prices of these contracts were reasonable at the time is highly questionable. Furthermore, the levelized prices of these contracts are higher than almost all of the SCE contracts recently approved by the Commission.

Even more problematic are the very high renewable premiums of these three contracts. The renewable premiums are not remotely close to those of all of the SCE contracts recently approved by the Commission. Two of the facilities, Adobe and Mojave 4, will not provide resource adequacy. This is a major factor as to why the renewable premiums are so high. It is fine for renewable generation not to deliver resource adequacy, but the PPAs should be priced accordingly.

I am a strong supporter of California's RPS goals, but at the same time I believe we can achieve those goals in a far more cost-effective manner. We have made amazing progress on our renewable energy goals and my understanding is that we have essentially reached 33% on paper. Now, certainly not all of those contracts will come to fruition, but clearly we are at a juncture that provides us with an opportunity to be more selective and judicious regarding the RPS contracts we approve. We are in the process of developing a cost-containment mechanism for the RPS, but by the time we implement the cost-containment mechanism, the costs will have all been incurred. We must look at cost now and take a serious pause in what we are doing.

As demonstrated by the 2011 RPS RFO, as well as the success of the first Renewable Auction Mechanism (RAM), there is a significant supply of viable, cost-effective projects eager to satisfy California's RPS needs. After considerable effort and cost, we have successfully spurred a vibrant renewable generation market. We should allow California ratepayers to reap the benefits of that market by rejecting contracts such as this and allowing the utilities to take advantage of current prices on the market.

If we do not contain costs for ratepayers, we risk a potential backlash when the costs of these contracts finally come in at the middle of this decade. The "Rate Impact Bomb" is lingering on the horizon and we cannot allow that bomb to go off. If we want

to contemplate a RPS future that goes beyond 33%, we have to ensure that the current requirements are economically sustainable for California ratepayers. I want to go beyond 33%, but we will not be able to do that if we break the bank beforehand.

Therefore, based on the cost of these contracts and the poor value they provide to ratepayers, I must vote against approving these contracts.

Dated May 30, 2012 at San Francisco, California

Handwritten signature of Michel P. Florio in black ink.

MICHEL P. FLORIO

Commissioner