

DOCKETED

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Exhibit 4008

Southern California Edison
LCR RFO Moorpark A.14-11-016

DATA REQUEST SET A.14-11-016 LCR RFO-Sierra Club-SCE-004

To: SIERRA CLUB
Prepared by: Mike Borghi
Title: Principal Advisor
Dated: 10/10/2016

Question 01:

1. Page 15 of SCE's Phase 2 Testimony provides the net present value ("NPV") of the Ellwood GHG refurbishment offer as well as several other offers for gas-fired generation. Enclosed are excerpts of slides from an August 10, 2016 meeting of SCE's Procurement Review Group regarding offers for SCE's Second Preferred Resource Pilot Solicitation ("PRP 2"). Slide 9 of this presentation lists the NPV of recommended PRP 2 contracts.

- a. Please define NPV.
- b. Please explain how NPV was calculated for the Ellwood refurbishment and for the above-identified PRP 2 contracts.
- c. Please identify any differences in SCE's methodology for calculating the NPV for the Ellwood Refurbishment as compared to the PRP 2 contracts.
- d. Please identify the witness responsible for this answer.

Response to Question 01:

Please note that slide 9 of the attached slides from an August 10, 2016 meeting of SCE's Procurement Review Group regarding offers for SCE's Second Preferred Resource Pilot Solicitation ("PRP 2") contains the following errors:

- The NPV (\$M) column for lines #6 through #10 should all be reversed in sign (i.e., multiplied by negative 1).
- a. NPV, or net present value, is the present value of the forecasted monetary benefits (or inflows) minus the present value of the forecasted monetary costs (or outflows) for the offer. Benefits can be either direct monetary awards resulting from participation in the

CAISO energy markets (e.g., supply-side energy and ancillary service benefits) or cost avoidances from no longer needing to procure specific service requirements for customers (e.g., resource adequacy benefits and demand-side energy reductions). More details on the valuation methodology can be found on pages 37-44 in the attachment titled

TrackI_SCELCRProcurementPlanPursuanttoD1302015.pdf for the Ellwood offer, and on pages 16-22 in the attachment titled PRP RFO 2 - RFO Instructions [REDLINE___Version 3 vs Version 2].pdf for the PRP 2 offers.

b. The following table identifies the cost and benefit components that SCE included in the valuation of the Ellwood and PRP 2 offers listed on slide 9. A “Yes” indicates that the component listed on the column header was forecasted, and therefore part of the NPV, while an “n/a” indicates that the component was not applicable to the offer.

Proposal	Day-ahead Energy Benefit	Resource Adequacy Benefit	Ancillary Services and Real Time Energy Benefit	Capacity Cost	Cost to Produce Energy or Charging Cost	Transmission Upgrade Cost	Debt Equivalence Cost	Renewable Integration Cost	Put Option Cost
Ellwood	Yes	Yes	Yes	Yes	Yes	n/a	Yes	n/a	n/a
PRP 2 Offers									
AMS	Yes	Yes	n/a	Yes	n/a	n/a	Yes	n/a	n/a
Convergent	n/a	Yes	n/a	Yes	n/a	Yes	Yes	n/a	n/a
Hecate	n/a	Yes	n/a	Yes	n/a	Yes	Yes	n/a	n/a
NextEra IFOM ES	Yes	Yes	Yes	Yes	Yes	n/a	Yes	n/a	Yes
NextEra DR	Yes	Yes	n/a	Yes	n/a	n/a	Yes	n/a	n/a
NRG	Yes	Yes	n/a	n/a	Yes	n/a	Yes	Yes	n/a
Swell	Yes	Yes	n/a	Yes	n/a	n/a	Yes	n/a	n/a

c. The methodology for calculating the NPV of the Ellwood offer was the same methodology that was used for the PRP 2 offers. SCE forecasted both the monetary benefits and costs applicable to each of the offers, and then subtracted the present value of the costs from the present value of the benefits.

d. The witness responsible for this answer is Ranbir Sekhon.