



Greenhouse Gas Offset Credit RFO Participants' Webinar

May 25, 2017 at 9:00 AM, Pacific Prevailing Time

Audio - Verizon Conference Call
1-888-469-1674
7435-686

Presentation – Skype

RFO Website: on.sce.com/GHGRFO
RFO Email: RFOGHGOffsets@sce.com

Scope of the Offerors' Conference

- The purpose of this webinar is to assist potential participants in SCE's GHG Offset Credit RFO
- SCE will address questions at the end of this webinar
 - Questions not answered during the webinar may be answered on the RFO website (on.sce.com/GHGRFO) or via email
- This Participants' Webinar will be recorded and posted on SCE's RFO website

Overview

- Process and Schedule
- RFO Materials & Offer Submission
- Eligibility & Product Requirements
- Credit & Collateral Requirements
- Evaluation Approach
- Offer Form Overview & Demonstration
- Q&A

Process and Schedule*

Date	Event
Friday, June 9, 2017 - 12:00 pm PPT	Deadline for Participants to submit a complete and conforming indicative Offer submittal package
Tuesday, June 27, 2017	SCE notifies each Participant whether or not Participant's Offer(s) have been shortlisted by SCE
Wednesday, July 5, 2017 – 12:00 pm PPT	Deadline for Participants with shortlisted Offers to submit modifications to the Agreement
Monday, July 17, 2017 – 12:00 pm PPT	Deadline for shortlisted Participants to (1) complete negotiations with SCE and (2) lock down the Offer structure in Appendix A: Offer Form
Monday, July 24, 2017 – 12:00 pm PPT	Deadline for shortlisted Participants to submit a final price for each Offer to SCE
Friday, July 28, 2017	SCE (1) confirms transactions with selected Participants on a recorded line and (2) sends executable Agreements

*This schedule is subject to change. SCE will notify Participants of any changes via the RFO website

RFO Materials

- RFO Documents
 - 2017 GHG Offset Credit RFO Instructions
 - Appendix A: Offer Form
 - Appendix B: Form of GHG Offset Credit Master Purchase Agreement
 - Appendix C: Non-Disclosure Agreement
- Offset Credits, contract type, and the short-list process are similar to the 2014 Offsets RFO
- Any Participant that has a final Offer selected will be required to enter into a new Master Purchase Agreement

Offer Submission

- A complete and conforming indicative Offer submittal package should include the following attachments:
 - Appendix A: Offer Form
 - Appendix C: Non-Disclosure Agreement
 - Audited financial statements* from the past three fiscal years including certified independent accountant reports
 - Explanation of how safety is incorporated into business operations
 - Company organization chart up to the ultimate parent company
- Email a completed indicative Offer package to RFOGHGOffsets@sce.com
- All complete and conforming indicative Offer packages must be received by SCE no later than Friday, June 9, 2017 at 12:00 pm (PPT) to be considered

*If guarantor is used, please provide financial statements from the past three fiscal years for the guarantor as well

Eligibility and Product Requirements

- **Participant Eligibility:** Must be registered with ARB or have registration pending with ARB and must not be an affiliate of Edison International
- **Eligible Product:** ARB-certified Offset Credits issued under an ARB Compliance Offset Protocol or an Early Action Program currently recognized by ARB
- **Eligible Vintages:** 2005-2018 (preference for 2017 or earlier)
- **Minimum and Maximum Volumes:** Minimum volume for an Offer is 25,000 metric tons per year; Maximum volume for each Participant is 1.5 million metric tons in aggregate (across all Offers)
- **Pricing:** Either fixed price per Offset Credit or indexed price based on the most recent Auction Clearing Price as of the Delivery Date
- **Delivery Requirement:** Must have a CITSS Holding Account and be authorized to transfer full title and ownership of Offset Credits to SCE at the time of delivery; Delivery shall occur no more frequently than once every three months; Latest Delivery Date is August 31, 2018
- **Invalidation Liability:** Seller must assume the risk of invalidation
- **Verification Requirements:** Offset Credits must be double-verified either prior to Delivery Date or by a deadline specified in the Agreement no later than three years after the Delivery Date

Credit and Collateral Requirements

- **Offer Deposits:** None
- **Delivery Security*:** Seller must provide and maintain a performance assurance equal to 20% of the notional value of the transaction until the Offset Credits have been delivered and double-verified
- **Invalidation Security*:** After delivery of the Offset Credits and through the end of the Invalidation Period for those credits, the Seller shall provide and maintain an independent amount equal to 20% of the notional value of the transaction
- **Acceptable Forms of Collateral:** Cash or Letter of Credit

* These amounts may be reduced by the Collateral Threshold of Seller's or Seller's Guarantor's, if applicable.

Evaluation Approach

- Conformance to eligibility requirements
- Quantitative criteria used to evaluate submitted Offers:
 - 1) Market Value
 - 2) Portfolio Fit
- Qualitative criteria used to evaluate submitted Offers:
 - 1) Credit
 - 2) Project Status
 - 3) Developer Experience
 - 4) Safety
 - 5) Supplier Diversity
 - 6) Modifications to the Agreement (for final selection only)

Offer Form Overview & Demonstration

- Each Participant should submit one Offer Form with the indicative Offer submittal package (Offer Form supports multiple offers)
- A completed Offer Form must have the following worksheets completed:
 - Front Page
 - 1 - Participant Information
 - 2 - Offset Credit Pricing
- For Participants intending to submit multiple Offers that are mutually exclusive, please fill out:
 - 3 - Volume Limits
- For Participants intending to offer Offset Credits from a specific project(s), please fill out:
 - 4 - Offset Project Information
 - 5 - Project Viability Data

Q & A

Credit and Collateral: Example 1

SCE and Counterparty enter into the following transaction confirmation:

- Contract Price = \$10.00/mt
- Contract Volume = 100,000 mt
- Collateral Threshold (calculated by SCE Credit Risk based on credit rating) = \$0

Confirmation Execution Date:

- Counterparty must post Delivery Security = $20\% * (100,000 * \$10.00/\text{mt}) = \$200,000$ within three Business Days

Delivery – Counterparty delivers single-verified Offset Credits:

- SCE pays total contract price $\$10.00/\text{mt} * 100,000 \text{ mt} = \$1,000,000$
- SCE maintains \$200,000 Delivery Security (to be returned after second verification)
- Counterparty posts Invalidation Security = $20\% * (100,000 * \$10.00/\text{mt}) = \$200,000$
- SCE returns Invalidation Security to Counterparty at the end of the Invalidation Period

Credit and Collateral: Example 2

SCE and Counterparty enter into the following transaction confirmation:

- Contract Price = 75% of Auction Clearing Price
- Contract Volume = 100,000 mt
- Collateral Threshold (calculated by SCE Credit Risk, based on credit rating) = \$0

Confirmation Execution Date:

- May 2017 Auction Clearing Price = \$15.00/mt
- Counterparty must post Delivery Security = $20\% * (100,000 * \$15.00/\text{mt} * 75\%) = \$225,000$

Delivery – Counterparty delivers double-verified Offset Credits:

- Auction Clearing Price prior to delivery = \$16.00/mt
- SCE pays counterparty total contract price = $\$16.00/\text{mt} * 75\% * 100,000 \text{ mt} = \$1,200,000$
- Seller may convert \$225,000 Delivery Security to Invalidation Security
- SCE returns Invalidation Security to Counterparty at the end of the Invalidation Period