



J. Steve Rahon  
Director  
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May 11, 2007

**ADVICE LETTER 1896-E**  
(U902-M)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: REQUEST FOR APPROVAL FOR THE EXPANSION OF THE AGREEMENT  
TO THE SDG&E/ENERNOC, INC. CONTRACT**

**PURPOSE**

In compliance with Decision (D.) 04-06-011, San Diego Gas & Electric (SDG&E) hereby submits for approval by the California Public Utilities Commission (Commission) authorization for expansion of the Demand Reduction Agreement for a Distributed Resource Project dated February 21, 2005 (Agreement), between SDG&E and EnerNOC, Inc. (EnerNOC)<sup>1</sup>. Ordering Paragraph (OP) 5 of Resolution E-3926 adopted on April 21, 2005, authorizes SDG&E to expand the current Agreement beyond the original twenty-five (25) megawatts (MW) of Contract Capacity to a total of fifty (50) MW, provided SDG&E obtains Commission approval through the advice letter process. The expansion letter agreement entitled "Expansion of Maximum Contract Capacity" is attached hereto as Attachment A, in which EnerNOC certifies that the resources are available to expand the Agreement up to 50 MW.

**BACKGROUND**

On June 9, 2004, the Commission issued D.04-06-011 approving five proposals SDG&E presented to meet its short-term and long-term grid reliability needs. As a result, SDG&E filed Advice Letter 1673-E seeking Commission approval to enter into contract with Celerity Energy Partners San Diego, LLC (Celerity). On April 21, 2005, Resolution E-3926 was adopted approving SDG&E's Agreement with Celerity for electric load curtailment and/or the aggregation of net electrical output generated by qualified Facilities. Subsequently, in May of 2006, the assets of Celerity, including this Agreement, were acquired by EnerNOC.

The current Agreement, among other things, calls for EnerNOC to provide a minimum of five (5) MW of Contract Capacity and a maximum Contract Capacity of twenty-five (25) MW, either through demand reduction and/or export to the SDG&E grid. The Agreement further states within *Section 8.1 - Contract Capacity*, that "SDG&E may, with adequate notice to Seller and

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<sup>1</sup> In May 2006, the assets of the original counterparty to the Agreement, Celerity Energy Partners San Diego LLC, were acquired by EnerNOC, Inc.

upon confirmation by Seller that adequate resources exist, expand the Contract Capacity by up to an additional twenty-five (25) MW under the same terms and conditions in this Agreement.”

Resolution E-3926, OP 5, advises SDG&E to file an advice letter requesting Commission approval if it plans to expand the Contract Capacity beyond the current maximum of 25 MW. With the exception of the cost, the same terms and conditions will apply. EnerNOC will attempt to bring resources on as soon as possible and as early as the summer of 2007 and the additional Contract Capacity shall have associated with it an outside commercial operation date of May 31, 2008. Although the rate will remain the same, the total cost of the Agreement will double due to the additional 25 MW of generated capacity, for a total of 50 MW<sup>2</sup>. In reference to the current contract costs, once the expansion option is approved by the Commission, any payments made by SDG&E for the additional capacity will be fully recoverable in rates through the Energy Resource Recovery Account (ERRA).

SDG&E notes that the economics of the Agreement compare favorably to offers recently received in SDG&E's 2008 Local Peaker RFO for new capacity in SDG&E's service territory. Therefore, SDG&E is requesting Commission authorization to exercise its option of increasing the maximum Contract Capacity within the Agreement by an additional 25 MW, for a total of 50 MW, all other terms being the same.

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

### **EFFECTIVE DATE**

SDG&E believes that this filing is subject to Energy Division disposition, and therefore respectfully requests that this advice letter be approved June 10, 2007, thirty days from the date filed.

### **PROTEST**

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received within 20 days of the date this Advice Letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of both Honesto Gatchalian ([inj@cpuc.ca.gov](mailto:inj@cpuc.ca.gov)) and Maria Salinas ([mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov)) of the Energy Division. A copy of the

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<sup>2</sup> As ordered by CPUC Resolution E-3926 - Confidential Appendix A (mimeo at p.11).

protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Todd Cahill  
Regulatory Tariff Manager  
8330 Century Park Court, Room 32C  
San Diego, CA 92123-1548  
Facsimile No. (858) 654-1788  
E-mail: tcahill@semprautilities.com

**NOTICE**

A copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties to service list R-01-10-024, by either providing them a copy electronically or by mailing them a copy hereof, properly stamped and addressed.

Address changes should be directed to SDG&E Tariffs by facsimile at (858) 654-1788 or by e-mail at SDG&ETariffs@semprautilities.com.

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Kenneth Deremer  
Director – Tariffs & Regulatory Accounts

(cc list enclosed)

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

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

Company name/CPUC Utility No. **SAN DIEGO GAS & ELECTRIC**

Utility type:

ELC     GAS  
 PLC     HEAT     WATER

Contact Person: Aurora Carrillo

Phone #: (858) 654-1542

E-mail: acarrillo@semprautilities.com

EXPLANATION OF UTILITY TYPE

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

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 1896-E

Subject of AL: Request for Approval for the Expansion of the Agreement to the SDG&E/EnerNoc, Inc. Contract

Keywords (choose from CPUC listing): Compliance, Contract, Demand Reduction

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

D.04-06-11 and E-3926

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL N/A

Summarize differences between the AL and the prior withdrawn or rejected AL<sup>1</sup>: N/A

Resolution Required?  Yes  No

Requested effective date: June 10, 2007                      No. of tariff sheets: 0

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

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: N/A

Service affected and changes proposed<sup>1</sup>: N/A

Pending advice letters that revise the same tariff sheets: N/A

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

**CPUC, Energy Division  
Attention: Tariff Unit**

**505 Van Ness Ave.,  
San Francisco, CA 94102**

**[mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov) and [jnj@cpuc.ca.gov](mailto:jnj@cpuc.ca.gov)**

**San Diego Gas & Electric  
Attention: Todd Cahill**

**8330 Century Park Ct, Room 32C  
San Diego, CA 92123**

**[tcahill@semprautilities.com](mailto:tcahill@semprautilities.com)**

<sup>1</sup> Discuss in AL if more space is needed.

General Order No. 96-A, Sec. III. G.  
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

Public Utilities Commission

DRA

D. Appling  
S. Cauchois  
J. Greig  
R. Pocta  
W. Scott

Energy Division

W. Franklin  
S. Gallagher  
H. Gatchalian  
D. Lafrenz  
M. Salinas

CA. Energy Commission

F. DeLeon  
R. Tavares

Alcantar & Kahl LLP

K. Harteloo

American Energy Institute

C. King

APS Energy Services

J. Schenk

BP Energy Company

J. Zaiontz

Barkovich & Yap, Inc.

B. Barkovich

Bartle Wells Associates

R. Schmidt

Braun & Blaising, P.C.

S. Blaising

California Energy Markets

S. O'Donnell  
C. Sweet

California Farm Bureau Federation

K. Mills

California Wind Energy

N. Rader

Children's Hospital & Health Center

T. Jacoby

City of Chula Vista

M. Meacham  
E. Hull

City of Poway

R. Willcox

City of San Diego

J. Cervantes  
G. Lonergan  
M. Valerio

Commerce Energy Group

V. Gan

Constellation New Energy

W. Chen

CP Kelco

A. Friedl

Davis Wright Tremaine, LLP

E. O'Neill  
J. Pau

Dept. of General Services

C. Torres  
H. Nanjo  
M. Clark

Douglass & Liddell

D. Douglass  
D. Liddell  
G. Klatt

Duke Energy North America

M. Gillette

Dynegy, Inc.

J. Paul

Ellison Schneider & Harris LLP

E. Janssen

Energy Policy Initiatives Center (USD)

S. Anders

Energy Price Solutions

A. Scott

Energy Strategies, Inc.

K. Campbell  
M. Scanlan

Goodin, MacBride, Squeri, Ritchie & Day

B. Cragg  
J. Heather Patrick  
J. Squeri

Goodrich Aerostructures Group

M. Harrington

Hanna and Morton LLP

N. Pedersen

Itsa-North America

L. Belew

J.B.S. Energy

J. Nahigian

Luce, Forward, Hamilton & Scripps LLP

J. Leslie

Manatt, Phelps & Phillips LLP

D. Huard  
R. Keen

Matthew V. Brady & Associates

M. Brady

Modesto Irrigation District

C. Mayer

Morrison & Foerster LLP

P. Hanschen

MRW & Associates

D. Richardson

Pacific Gas & Electric Co.

J. Clark  
M. Huffman  
S. Lawrie  
E. Lucha

Pacific Utility Audit, Inc.

E. Kelly

R. W. Beck, Inc.

C. Elder

San Diego Regional Energy Office

S. Freedman  
J. Porter

School Project for Utility Rate Reduction

M. Rochman

Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

F. Chiang

Sutherland Asbill & Brennan LLP

K. McCrea

Southern California Edison Co.

M. Alexander  
K. Cini

K. Gansecki

H. Romero

TransCanada

R. Hunter  
D. White

TURN

M. Florio  
M. Hawiger

UCAN

M. Shames

U.S. Dept. of the Navy

K. Davoodi

N. Furuta

J. Perez

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing

Communities Association

S. Dey

White & Case LLP

L. Cottle

Interested Parties:

R.01-10-024

# **San Diego Gas & Electric**

**ATTACHMENT A**

**ADVICE LETTER 1896-E**

**Expansion to the Demand Reduction Agreement**

**Between**

**San Diego Gas & Electric Company**

**And**

**EnerNoc, Inc.**



Debra L. Reed  
President & CEO-SEU  
Regulated Business Units  
8330 Century Park Court  
San Diego, CA 92123-1530  
Mall Location CP33A  
Tel: 858-650-6110  
Fax: 858.650.6106  
dreed@semprautilities.com

May 9, 2007

David Samuels  
Senior Vice President  
EnerNOC, Inc.  
75 Federal St., Suite 300  
Boston, MA 02110

Re: Expansion of Maximum Contract Capacity

Dear David Samuels:

Reference is made to that certain Demand Reduction Agreement for a Distributed Resource Project dated as of February 21, 2005 (as may be amended, modified or supplemented from time to time, the "Agreement") by and between San Diego Gas & Electric Company ("SDG&E") and EnerNOC, Inc. ("Seller", as successor in interest to Celerity Energy Partners San Diego LLC). Capitalized terms used but not defined herein shall have their meanings as set forth in the Agreement.

This letter is to notify Seller of SDG&E's exercise of its right under Section 8.1 of the Agreement to expand the Contract Capacity by up to an additional twenty-five (25) MW (for a total of up to fifty (50) MW) under the same terms and conditions of the Agreement. The additional Contract Capacity shall have associated with it an Outside Commercial Operation Date of May 31, 2008. The effectiveness of such exercise of such right, however, shall be subject to the prior approval of the California Public Utilities Commission.

In addition, SDG&E and Seller agree that Generally Accepted Accounting Principles ("GAAP") and the Security Exchange Commission ("SEC") rules require SDG&E and its independent auditor to evaluate whether SDG&E must consolidate Seller's financial information (but not financial information of Seller's constituent members unless deemed to be included in the entity under GAAP). SDG&E will require access to financial records and personnel of Seller to determine if consolidated financial reporting is required. If SDG&E determines at any time that consolidation is required, SDG&E may require from Seller the following during every calendar quarter for the Term of the Agreement:

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- (a) Summary financial statements within 15 days of the end of the applicable reporting period;
- (b) Supporting/Detail financial schedules underlying the financial statements and notes to the financial statements; all within 20 days of the end of the applicable reporting period;
- (c) Access to financial records and accounting and management personnel at such reasonable times and on such reasonable conditions so as not to interfere with Seller's conduct of its business (i) so that SDG&E's independent auditor can conduct financial audits (in accordance with generally accepted auditing standards) and internal control audits (in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 and (ii) so that SDG&E can be provided analytical information, as needed, to enable SDG&E to meet its SEC filing requirements, including but not limited to those under Item 2 on Form 10-Q, and Item 7 on Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations;" and
- (d) Upon the request of SDG&E, such certifications as may be reasonably requested by SDG&E (which certifications shall presumptively be reasonable if the certifications are substantially identical to those required by SDG&E or its parent of other business units of SDG&E or its parent).

SDG&E shall provide an explanation of the GAAP and/or SEC rules requiring such consolidation upon request therefore by Seller.

Please acknowledge the foregoing, as well as confirm that adequate resources exist for such expansion, by executing this letter as provided below and returning an original executed copy of this letter back to me at the address below. If you have any questions, please feel free to contact me at (858) 650-6110.

Yours truly,

*Debra L. Reed*

SCC

Debra L. Reed  
President and CEO of Sempra Energy Utilities  
San Diego Gas & Electric Company

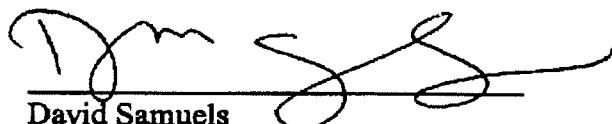
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May 9, 2007

Acknowledged and Agreed:

EnerNOC, Inc.

By:



David Samuels  
Senior Vice President Strategic Development  
and General Counsel

Cc: Dennis Quinn, Sr. Director of Project Development  
Phil Giudice, Sr. VP Development  
Rick Counihan, Sr. Director of California Program Development  
Olav Hegland, Clean Gen Project Manager  
Mark Foreman, Director of Operations