



Ken Deremer  
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Tariffs & Regulatory Accounts  
8330 Century Park Court  
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December 12, 2008

**ADVICE LETTER 2048-E**  
(U 902 E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: Transfer of Annual Performance Test Monitoring From the California Department of Water Resources (DWR) to San Diego Gas & Electric Company (SDG&E) Consistent With the Operating Agreement Between DWR and SDG&E**

**PURPOSE**

This Advice Letter requests California Public Utilities Commission (Commission) approval of the transfer of DWR's Annual Performance Test Monitoring obligation to SDG&E as specified in Exhibit E to the Operating Agreement between DWR and SDG&E (Parties), which was approved in Decision (D.)03-04-029.

**DISCUSSION**

On December 19, 2002, the Commission issued D.02-12-069 approving the Operating Order between DWR and SDG&E.<sup>1</sup> On April 3, 2003, the Commission issued D.03-04-029, which approved a negotiated Operating Agreement, with modifications, between the Parties. SDG&E accepted the Commission's modifications and is no longer subject to the Operating Order approved in D.02-12-069. The effective Operating Agreement describes, among other things, the Annual Performance Test Monitoring of generator units under contract with DWR. More specifically, the Operating Agreement states that such Annual Performance Test Monitoring will initially be performed by DWR and permits the transfer of such responsibilities to SDG&E, upon development of a plan agreeable to both Parties:

As further provided in Contract Administration and Performance Test Monitoring Protocols set forth in Exhibit E, DWR will continue to monitor and audit the Supplier performance under the Contracts. **Upon development of a mutually agreeable plan, Utility will monitor the performance of Suppliers**, as further provided in Exhibit E, subject, however, to DWR's right but not the obligation to audit and monitor all functions contemplated to be performed by Utility, all as further provided in this Agreement<sup>2</sup>. (emphasis added)

<sup>1</sup> This decision was further modified and approved by the Commission in D.03-04-029 and D.05-12-021.

<sup>2</sup> D.03-04-029 Attachment A Operating Agreement, Article II Section 2.01.

Further, the Contract Management and Administrative Protocols set forth in Exhibit E, require:

Upon development by Utility and DWR in the future to a transition plan that transfers the Due Diligence and Performance Test Monitoring functions set forth in this Exhibit E from DWR to the Utility, including a transition schedule, and a transition plan, Utility agrees to submit such transition plan to the Commission as an amendment to this Exhibit E for approval by the Commission. Upon agreement of the Parties to an acceptable transition plan and the Commission approval of Utility submitted transition plan, the agreed upon functions will transfer from DWR to the Utility.<sup>3</sup>

On November 26, 2008, SDG&E entered into a Letter Agreement (Attachment 1) with DWR specifying the transition of Annual Performance Test Monitoring (under paragraph II.A of Exhibit E to the Operating Agreement) from DWR to SDG&E. The Letter Agreement will become effective upon approval of this Advice Letter by the Commission.

This filing will not create any deviations from SDG&E's tariffs, cause withdrawal of service from any present customers, or impose any more restrictive conditions.

### **EFFECTIVE DATE**

SDG&E believes this Advice Letter is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B. Therefore, SDG&E respectfully requests that this filing be approved by January 10, 2009, 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 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.

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<sup>3</sup> D.03-04-029 Attachment A Operating Agreement, Exhibit E.

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](mailto:tcahill@semprautilities.com)

**NOTICE**

A copy of this filing has been served on the utilities and interested parties shown on the attached list 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](mailto:SDG&ETariffs@semprautilities.com).

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KEN 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 (U 902)**

Utility type:

ELC     GAS  
 PLC     HEAT     WATER

Contact Person: Will Fuller

Phone #: (858) 654-1885

E-mail: wfuller@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) #: 2048-E

Subject of AL: Transfer of Annual Performance Test Monitoring From the California Department of Water Resources (DWR) to San Diego Gas & Electric Company (SDG&E) Consistent with the....

Keywords (choose from CPUC listing): Procurement, DWR

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

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

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

Does AL request confidential treatment? If so, provide explanation: \_\_\_\_\_

Resolution Required?  Yes  No

Tier Designation:  1  2  3

Requested effective date: 1/11/09

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 and jnj@cpuc.ca.gov**

**San Diego Gas & Electric**

**Attention: Todd Cahill**

**8330 Century Park Ct, Room 32C**

**San Diego, CA 92123**

**tcahill@semprautilities.com**

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

General Order No. 96-B  
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

Public Utilities Commission

DRA

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

Energy Division

P. Clanon  
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

CCSE

S. Freedman  
J. Porter

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

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

OnGrid Solar

Andy Black

Pacific Gas & Electric Co.

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

Pacific Utility Audit, Inc.

E. Kelly

R. W. Beck, Inc.

C. Elder

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  
L. DeLaacruz

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing

Communities Association

S. Dey

White & Case LLP

L. Cottle

# **ATTACHMENT 1**


**SDG&E / DWR Letter Agreement**

RECEIVED

NOV 17 2008

CERS



A  Sempra Energy utility®

**Matt Burkhart**  
Vice President - Electric & Gas Procurement

8315 Century Park Court, CP21D  
San Diego, CA 92123-1530

Tel: 858.650.6150  
Fax: 858.650.6191  
mattburkhart@semprautilities.com

November 11, 2008

Mr. John Pacheco  
Chief, Contracts Management Office  
Department of Water Resources  
California Energy Resources Scheduling  
Post Office Box 219001  
3310 El Camino Avenue, Suite 120  
Sacramento, California 95821-9001

Re: Annual Performance Test Monitoring Agreement

Dear Mr. Pacheco:

This Letter Agreement and its attachments (collectively “Annual Performance Test Monitoring Agreement”) is being entered into by the California Department of Water Resources (“CDWR”) and San Diego Gas & Electric Company (“SDG&E”) to provide for the transition from CDWR to SDG&E of annual performance test monitoring responsibilities related to the power purchase contracts identified in Schedule 1 of the Operating Agreement between CDWR and SDG&E (“Operating Agreement”).<sup>1</sup> In accordance with the requirements of Exhibit E of the Operating Agreement, CDWR is transitioning to SDG&E the responsibilities set forth in Exhibit E Paragraph II.A of the Operating Agreement. These responsibilities to be assumed by SDG&E are specified in the parties’ Annual Performance Test Monitoring Agreement, which includes an Annual Performance Test Monitoring Procedure (Attachment A hereto) and a Transition Schedule and Plan (Attachment B hereto).

By this letter agreement, CDWR acknowledges that it will continue to be responsible for all contract management and administration protocols assigned to CDWR in Exhibit E of the Operating Agreement, to the extent those protocols are not transferred to SDG&E in the Plan of Performance Procedure.

In addition, CDWR and SDG&E expressly agree that the provisions of the Performance Test Monitoring Procedure are subject to amendment or modification in the event of a change in SDG&E’s or CDWR’s contract management processes. In the event of such a change, either SDG&E or CDWR may propose any necessary amendment(s) or modification(s) to the Plan of Performance. SDG&E’s and/or CDWR’s agreement to the

<sup>1</sup> The Operating Agreement was approved by the California Public Utilities Commission (“CPUC”) in D.02-12-069, and subsequently modified and approved by the CPUC in D.03-04-029 and D.05-12-021.

proposed amendment(s) or modification(s) shall not be unreasonably withheld. An amendment or modification to the Plan of Performance shall not be effective unless the amendment or modification is in writing and signed by the authorized representatives of both CDWR and SDG&E. Such amendment or modification shall be effective when signed by both parties.

After being executed by both parties, the Annual Performance Test Monitoring Agreement shall be effective on the date that it is approved by the California Public Utilities Commission ("CPUC"). The Annual Performance Test Monitoring Agreement may be executed in one or more counterparts, all of which together shall be deemed one and the same instrument. Upon approval by the CPUC, the Annual Performance Test Monitoring Agreement shall be incorporated into the Operating Agreement as supplement to Exhibit E.

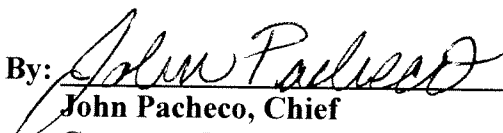
Sincerely,



Matt Burkhart  
Vice President – Electric and Gas Procurement

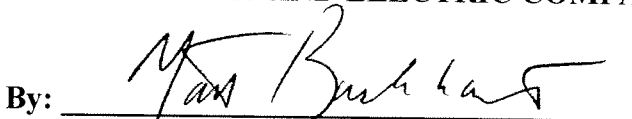
**The Annual Performance Test Monitoring Agreement, including this Letter Agreement and its Attachment A (Annual Performance Test Monitoring Procedure) and Attachment B (Transition Schedule and Plan), is hereby approved and accepted.**

**CALIFORNIA DEPARTMENT OF WATER RESOURCES**

By:   
John Pacheco, Chief  
Contracts Management Office

Date: 11-26-08

**SAN DIEGO GAS AND ELECTRIC COMPANY**

By:   
Matt Burkhart, Vice President  
Electric and Gas Procurement

Date: 11-11-08

# ATTACHMENT A

## San Diego Gas & Electric

### Annual Performance Test Monitoring Procedure

#### CDWR Allocated Contracts

##### Objective

The purpose of this procedure is to describe how San Diego Gas & Electric (“SDG&E”) coordinates, schedules, monitors, witness, validates, and reports annual performance testing for certain California Department of Water Resources (“CDWR”) contracted power plants once it is responsible for these tests.

##### Overview

In September 2002, the CPUC allocated specific CDWR contracts to SDG&E.<sup>2</sup> In 2003, SDG&E assumed operational, dispatch, gas purchasing and certain settlement and administrative functions for those CDWR contracts.

The Power Purchase Agreements (PPAs) include performance obligations on the part of the plant owners (“Seller”) in the form of plant capacity, heat rate, and/or availability obligations that may impact the contract Capacity Payment. In order to ascertain if the plants are meeting these obligations, the PPAs provide for annual unit net operating capacity tests and where applicable heat rate tests to be conducted at steady state conditions.

Tests are performed by the Seller’s plant personnel in accordance with the PPA and established performance test procedures. The SDG&E Test Witness attends the test to verify the following: (1) the plant used the approved test procedure; (2) the test was performed under steady state operating conditions for specified period; (3) the plant used instruments having valid calibration documentation; (4) on-site continuing emission monitoring (“CEM”) equipment was used to verify air emissions are within environmental regulations; and (5) data was accurately and reliably recorded during the test period.

##### Procedures

The SDG&E Contract Administrator coordinates with the Seller to determine the testing date. The date of any test may vary from the PPA period based on mutual agreement between SDG&E and the Seller. The SDG&E Contract Administrator prepares a spreadsheet in the format shown in Table 1 to track annual plant performance tests and

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<sup>2</sup> CDWR Contract Allocation Decision D.02-09-053.

periodically (to be weekly unless otherwise agreed to by CDWR) sends the spreadsheet to the CDWR Contract Manager. The SDG&E Test Witness is responsible for identifying any required changes or improvements to the test procedures. Any changes to the performance test procedure should be agreed to and finalized in writing in accordance with time periods identified in the PPA. Procedures are in general accordance with ASME Performance Test Code on Gas Turbines (“PTC 22-1997”) and ASME Performance Test Code on Overall Plant Performance PTC-46. This code provides guiding principles including, but not limited to the maximum permissible variation in test conditions and instrument accuracy requirements.

The SDG&E Contract Administrator confirms the test date in advance of the test with the Seller in accordance with the periods identified in the PPA. The CDWR Contract Manager should be notified at least 5 business days prior to the actual test. The Seller provides copies of the test instrument calibration sheets to SDG&E at least 5 business days prior to the scheduled test date.

#### Pre Test Activities

- Notify the plant’s contact person upon arrival at site.
- Attend the pre-test meeting.
- Inspect the site and become familiar with location and nature of major systems and equipment.
- Visit control room and any other locations where data will be gathered.
- Confirm sources of data points and identify person(s) recording the data.
- Confirm all test variables are being recorded.
- Record any unusual circumstances or requests to waive parts of test procedure.

#### Conduct of Test

- Confirm that the test director announces that the plant has achieved stable operation and that the test is commencing in accordance with the test procedure.
- Confirms that stable operation is maintained throughout the entire test period.
- Verifies that all plant equipment is operating within the manufacturers recommended practices and parameters for normal baseload operation.
- Observe each person recording data.
- Observe how communications are maintained during the test.
- Spot-check the data regularly to see if it is stable and within the expected range.
- Monitor the operation of major systems and components.
- Request printouts of data screens, particularly graphics, at regular intervals.
- Witness fuel samplings to ensure compliance with the approved test procedure.
- Obtain copies of all data sheets and the roster identifying the name and affiliation of all persons involved with the test.
- Communicate with SDG&E’s Contract Administrator and CDWR’s Contract Manager if problems arise during the testing.

### Post Test Activities

The PPAs typically call for the Seller to provide a test report in accordance with Section 6 of ASME PTC 22-1997 within the time periods identified in the PPAs after the completion of the performance test. SDG&E Test Witness will review the test report to ensure the report accurately reflects the events of the test as witnessed. The SDG&E Test Witness will verify that the proper curves and equations have been applied in the correction of data to Contract Conditions per the approved test procedures.

In the event there are differences of interpretation of test results or problems with the test data, Seller, CDWR Contract Manager, and the SDG&E Test Witness will meet within five business days of the receipt of the report to resolve disputes.

Within five business days from receipt of the final test report, the SDG&E Test Witness will complete a review and produce a Summary Report of the test results. This Summary Report should address the validity of the test performed and provide numeric test results to be used as a basis for contract capacity payments. The SDG&E Contract Administrator sends the Summary Report to CDWR. CDWR notifies Seller in writing of either CDWR's acceptance or rejection of the test and reason(s) therefore.



**ATTACHMENT B**

**TRANSITION SCHEDULE AND PLAN**

<b>DATE</b>	<b>ACTION</b>
<b>On or before December 1, 2008</b>	<b>CDWR and SDG&amp;E approve and execute Performance Test Monitoring Agreement</b>
<b>On or before December 12, 2008</b>	<b>SDG&amp;E submits Advice Letter Filing seeking CPUC Approval of Performance Test Monitoring Agreement</b>
<b>January 2009</b>	<b>Anticipated CPUC approval of Advice Letter</b>
<b>Upon CPUC approval</b>	<b>SDG&amp;E assumes responsibilities identified in Annual Plant Testing Program Procedure</b>